



VIOLA
VENTURES

AI Transformation Opportunities and Risks



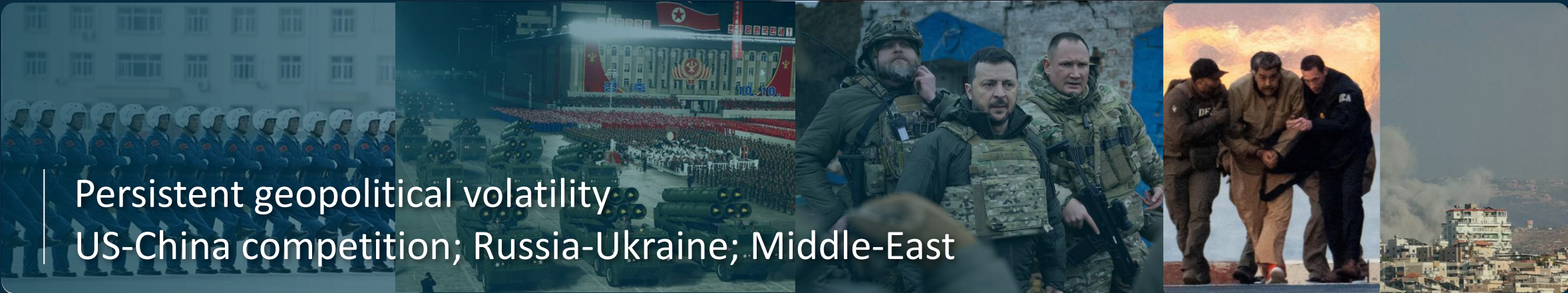
Volatile World – geopolitical instability and political tension, but drives optimism in the markets

The AI Revolution – not like any innovation cycle: non-linear, broad impact, unprecedented velocity

Opportunities for exceptional economic growth – with economic, social, and labor shockwaves

Israel is well-positioned to lead in the AI era, but but major reforms are needed to enjoy it

Volatile World



Persistent geopolitical volatility
US-China competition; Russia-Ukraine; Middle-East

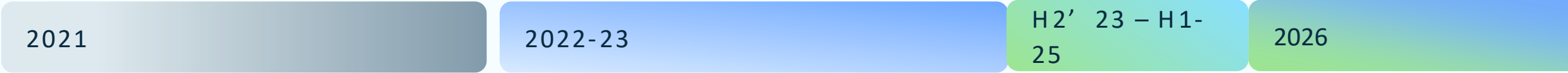


Social and political polarization undermine
democracies and rule of law



The Trump factor –
Challenging world order

Cycle is Moving to Cautious Optimism



What's Next?

- Post-COVID
- Low interest rates
- Digital transformation

- Geopolitical turmoil
- Political polarization
- Global economy volatility

- Supply chain disruption
- Peaking interest rates
- Rising inflation

- Geopolitical tensions
- Supply chain disruption
- Slower global growth
- Rising costs in energy, housing, and labor

Innovation Cycles

Internet & Mobile
2000

Age of Consumer

Smartphone
Cloud
Social
2007

AI is the Most Transformational Innovation Cycle Ever

Internet & Mobile
2000

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Smartphone
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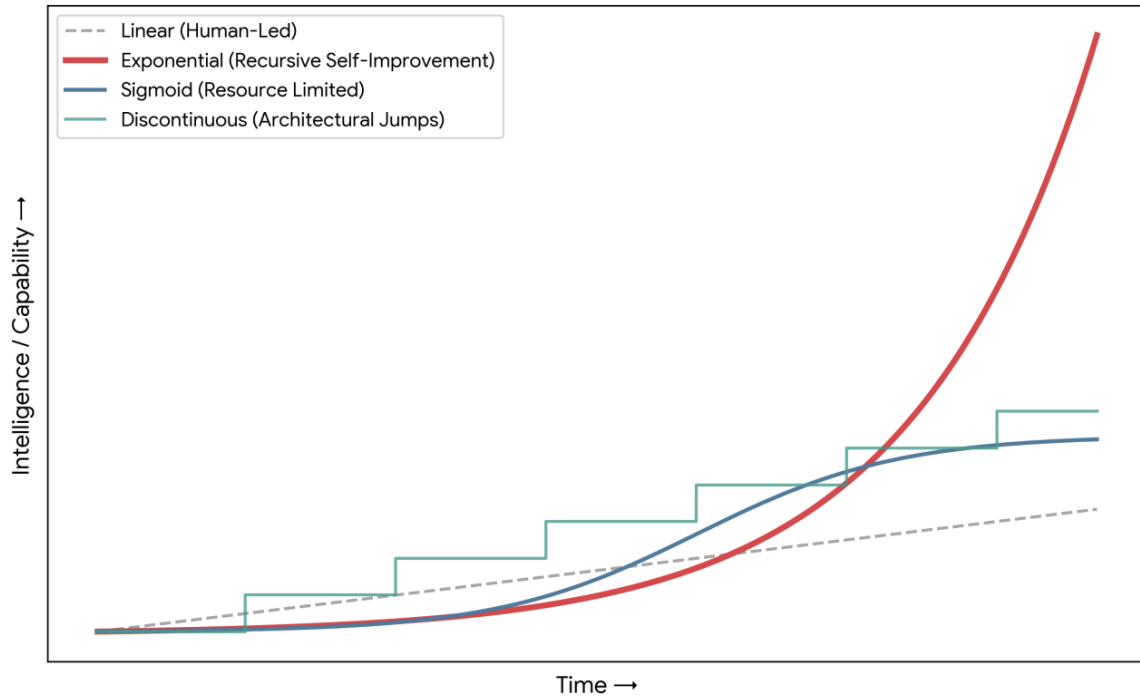
AI-Everything
2022

Confidential

Why is AI Different?

Most technologies scale linearly.
AI continuously improves itself

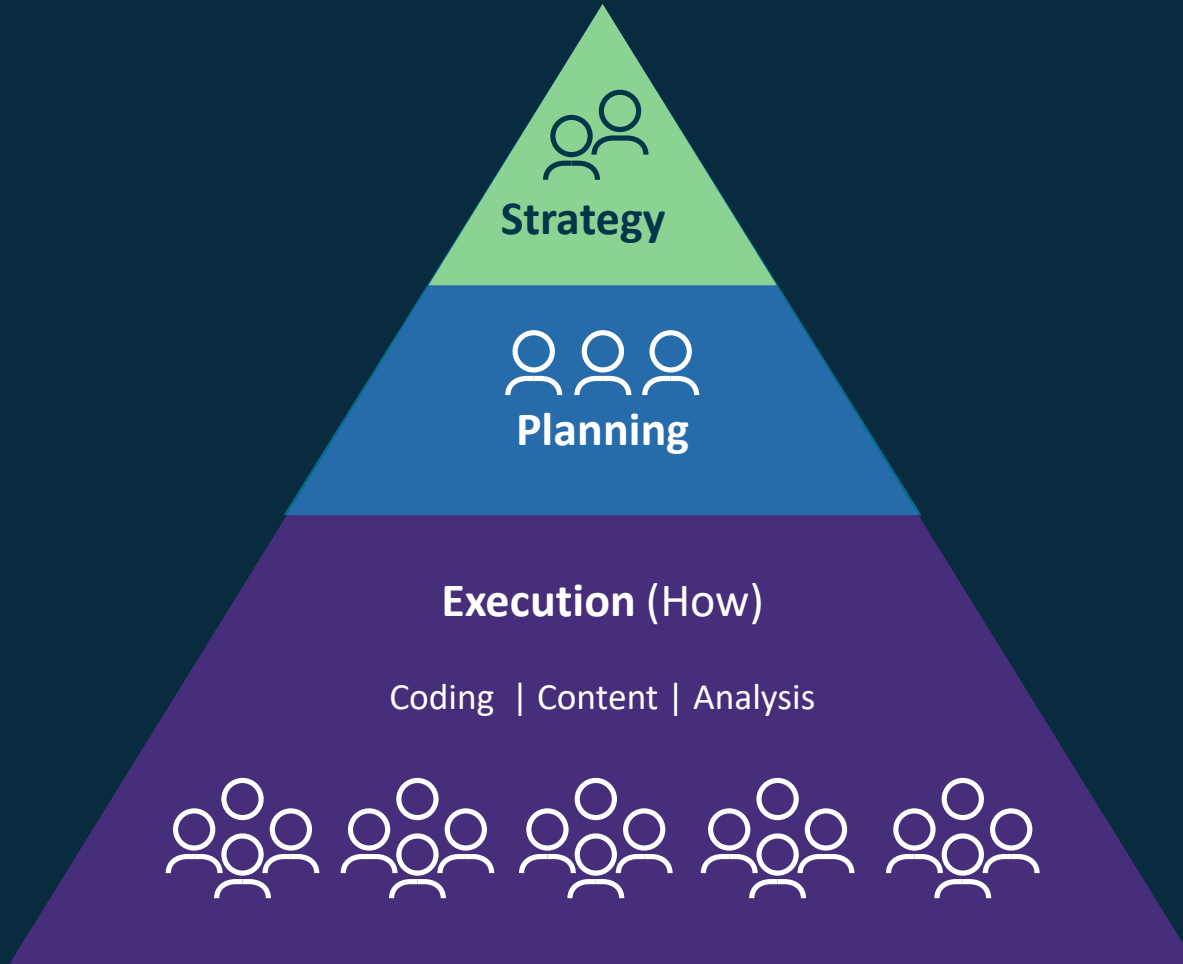
Theoretical AI Growth Trajectories



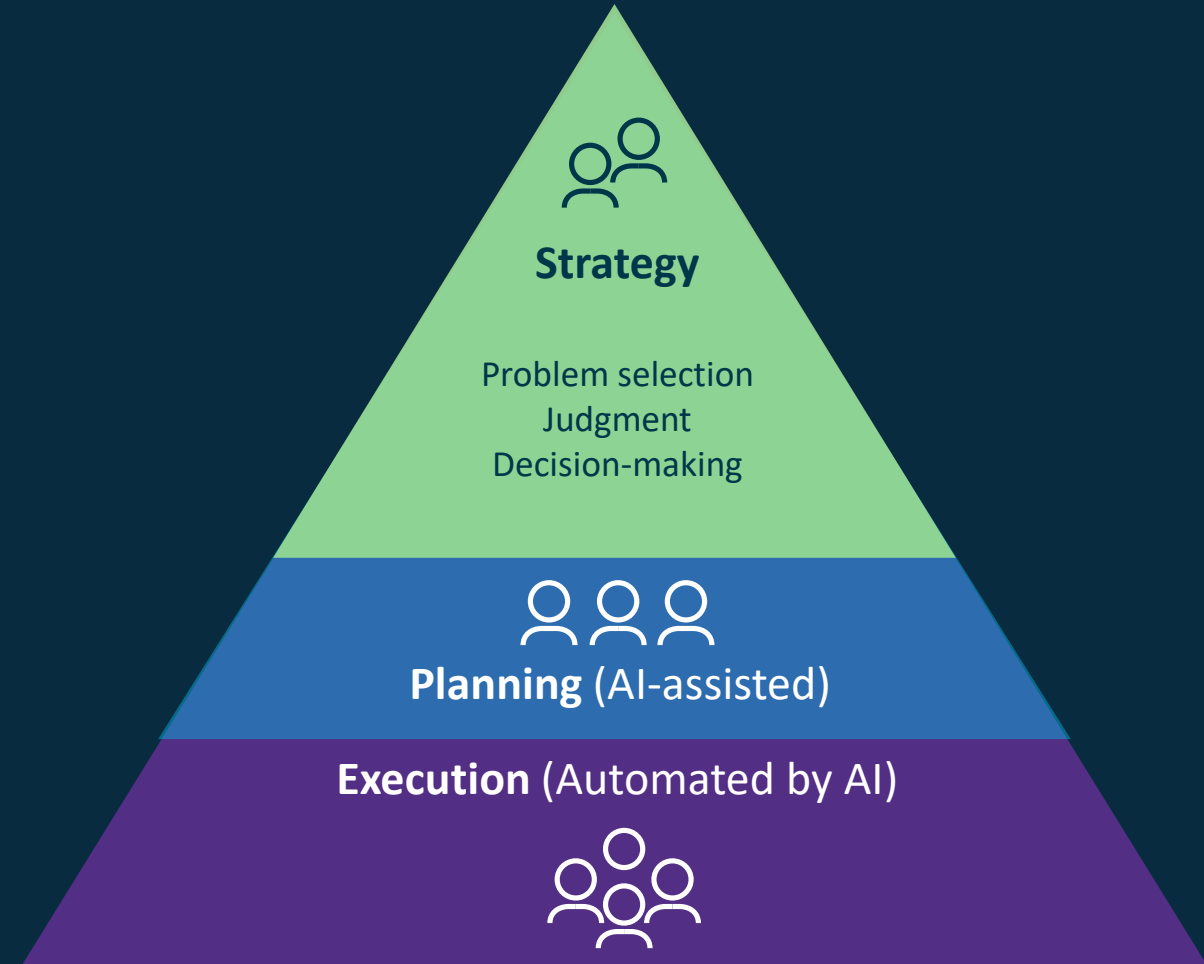
The data flywheel and the ability to self-improve create explosive pace of innovation and applicability



Before AI: *How* Economy

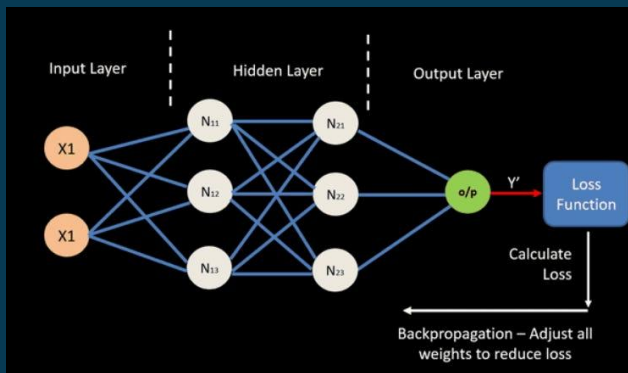


After AI: *What* Economy

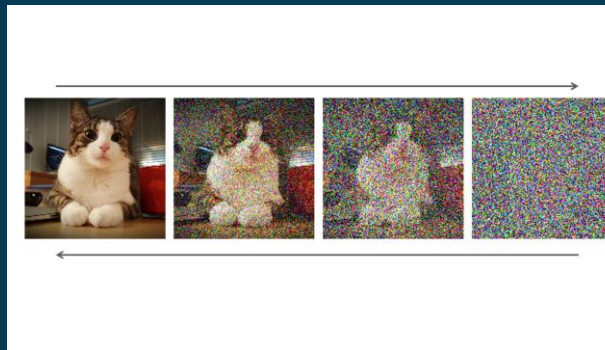


And it's Only the Beginning...

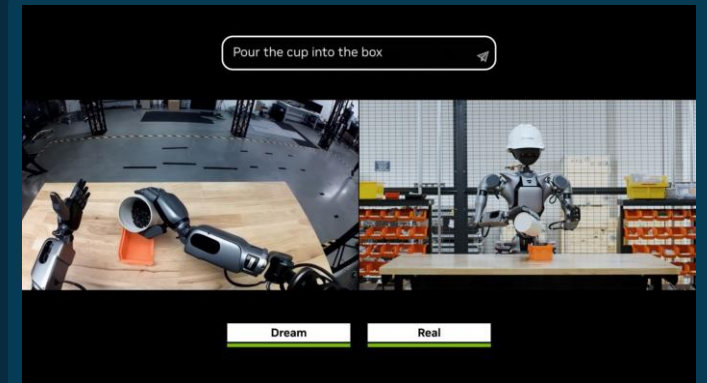
Rapid evolutions of AI models



LLM (language-based tasks and interactions)

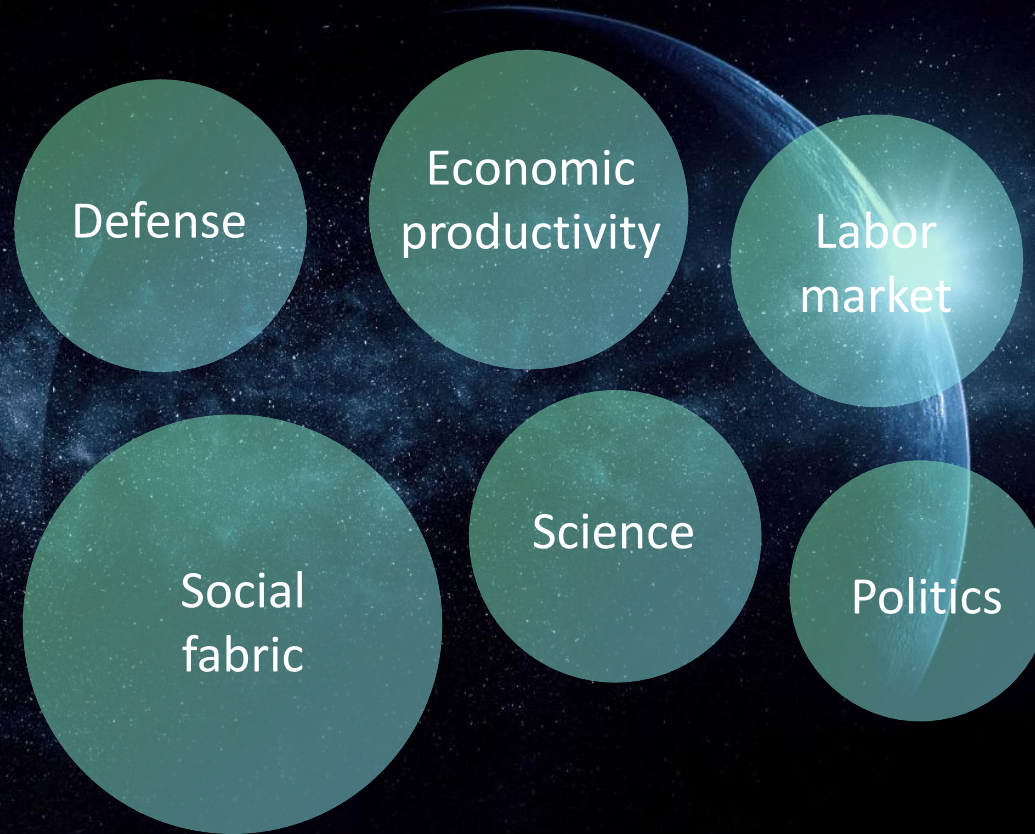


Diffusion models that handle video, graphics and images



Full-scale world models that see, feel, and act on the full environment, and will empower autonomous robots and machines

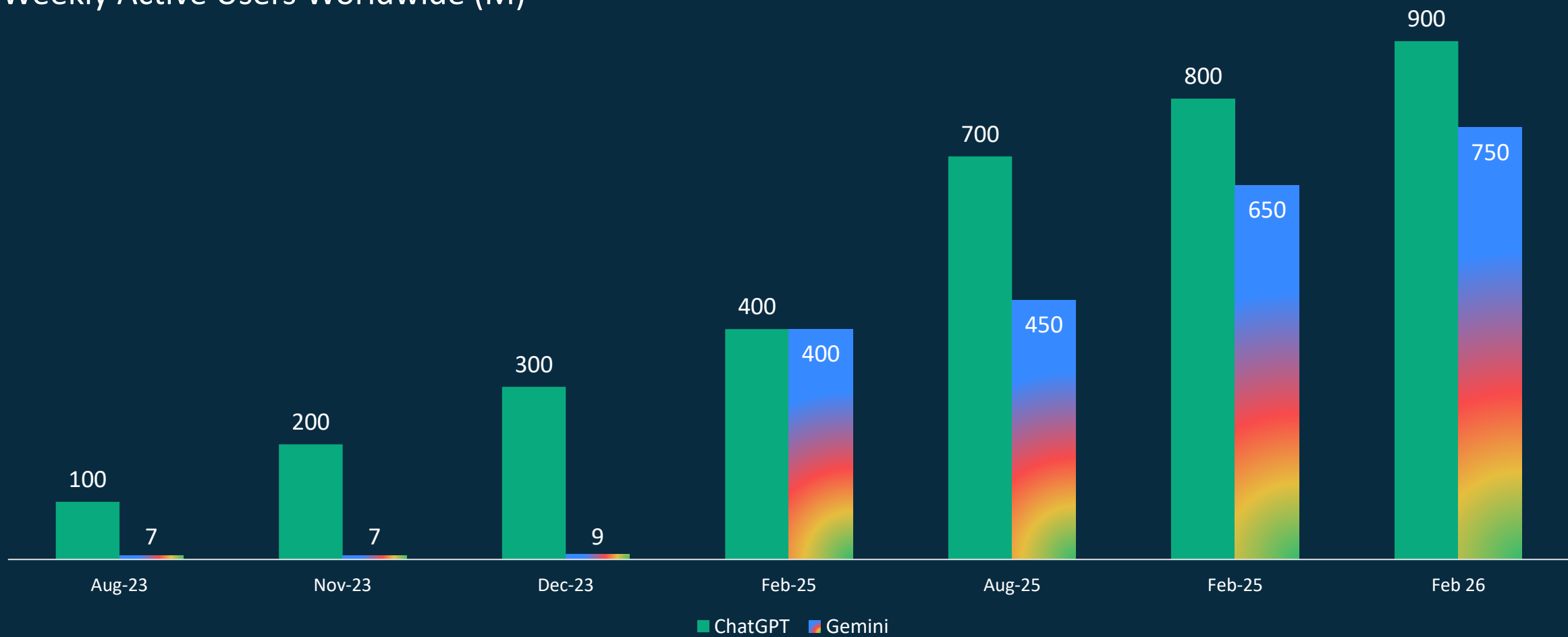
AI Changes Everything



and
EVERYTHING ELSE

The Pace of Adoption is Unprecedented

Weekly Active Users Worldwide (M)



Funding is at a record high: AI Boom Pushes Startup Investment to \$300B in Q1 26!

Select Examples:

ANTHROPIC

Raises \$30B
at \$350B valuation

 **OpenAI**

Raises \$122B
at \$852B valuation

 **perplexity**

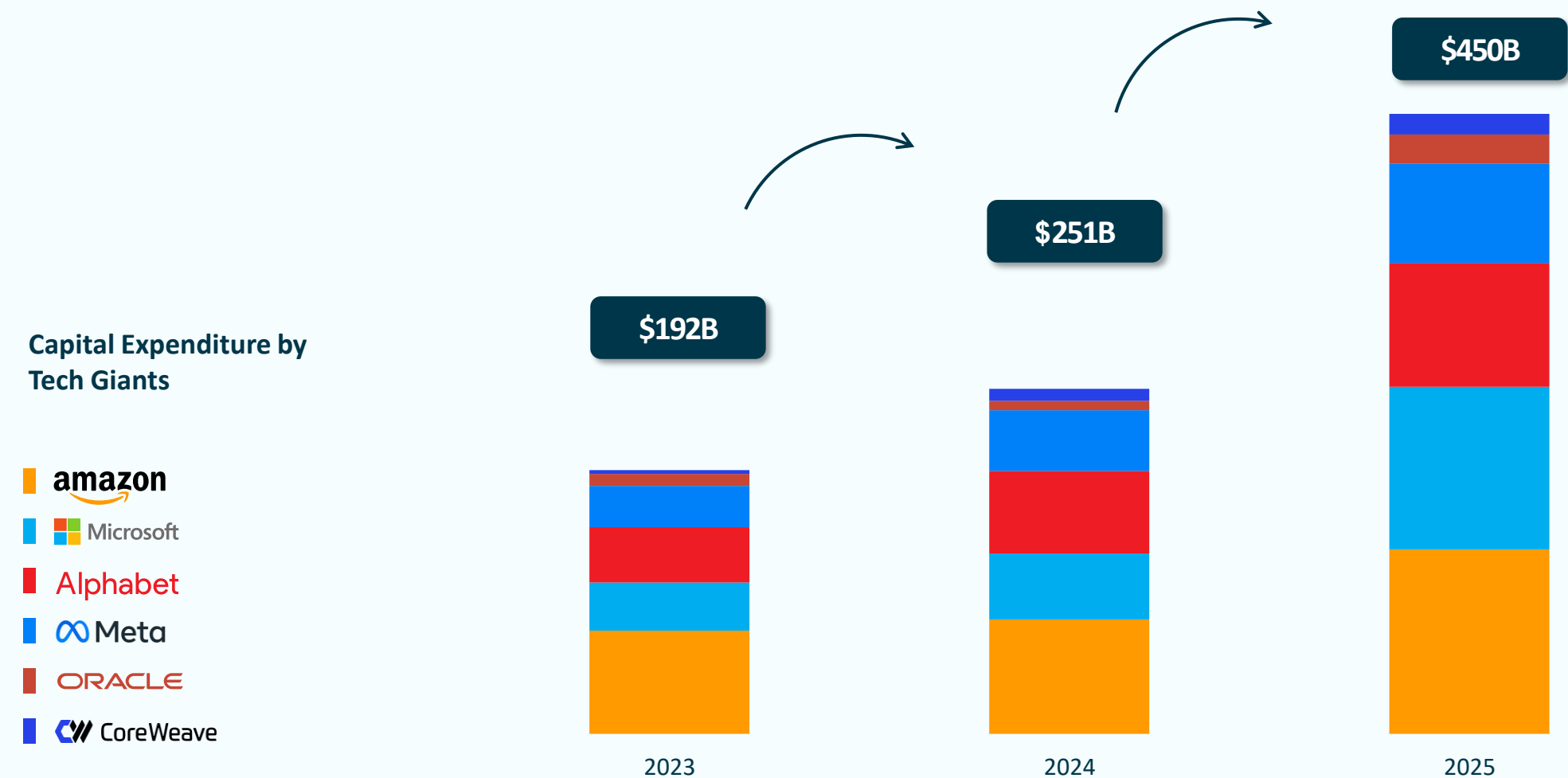
Raises \$200M
at \$20B valuation



Raises \$20B
at \$230B valuation

Most Massive Infrastructure Build in History

Expected \$2.8T by 2029



Source: public company disclosures, industry analysis, Citi report

Is it Even Feasible?...

AI infrastructure is Still Complex and Costly

Massive challenges around:
energy, compute, storage, connectivity and security

It Will Not Work Without Innovation

Compute

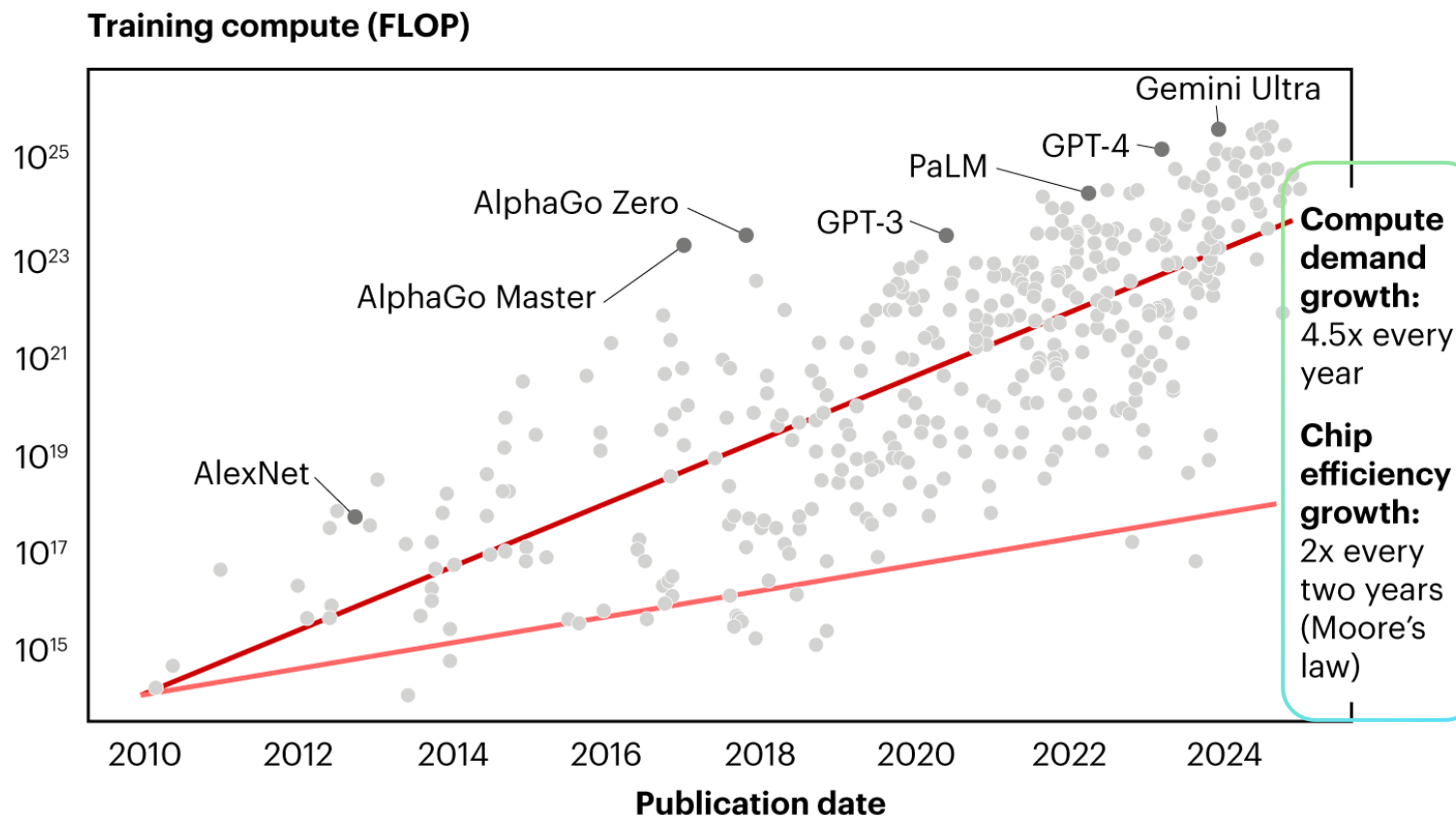
Demand grows x2

the rate of Moore's Law, outpacing semiconductor efficiency

Innovation needed

- Next-gen AI infra (GPU, CPU, TPU, DPU);
- Quantum computing;
- Connectivity....

Compute demand grows twice as fast as chip efficiency



Energy

Data center facilities
consume **1.7%**
of global power demand

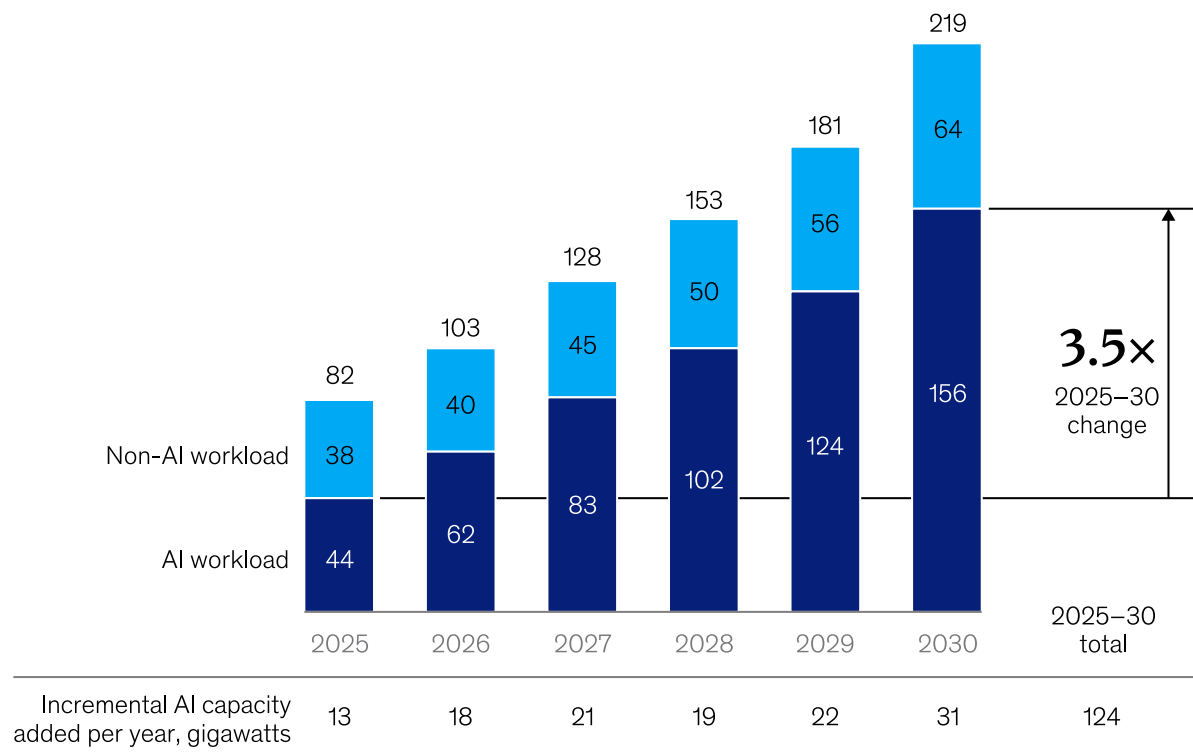
Global data center capacity
expected to grow **3.5x**
by 2030

Innovation needed

- Energy efficient compute and storage
- Alternative energy solutions – Nuclear, Solar, Wind...

Both AI and non-AI workloads will be key drivers of global data center capacity demand growth through 2030.

Estimated global data center capacity demand, 'continued momentum' scenario, gigawatts



Note: Figures may not sum to totals, because of rounding.

Source: McKinsey Data Center Demand Model; Gartner reports; IDC reports; Nvidia capital markets reports

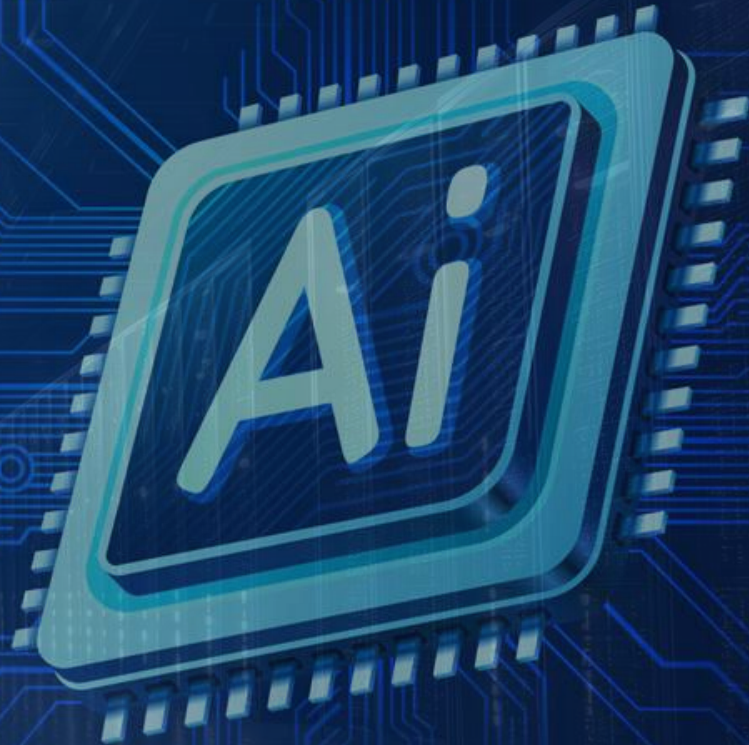
More Importantly

Where are the
Revenues?

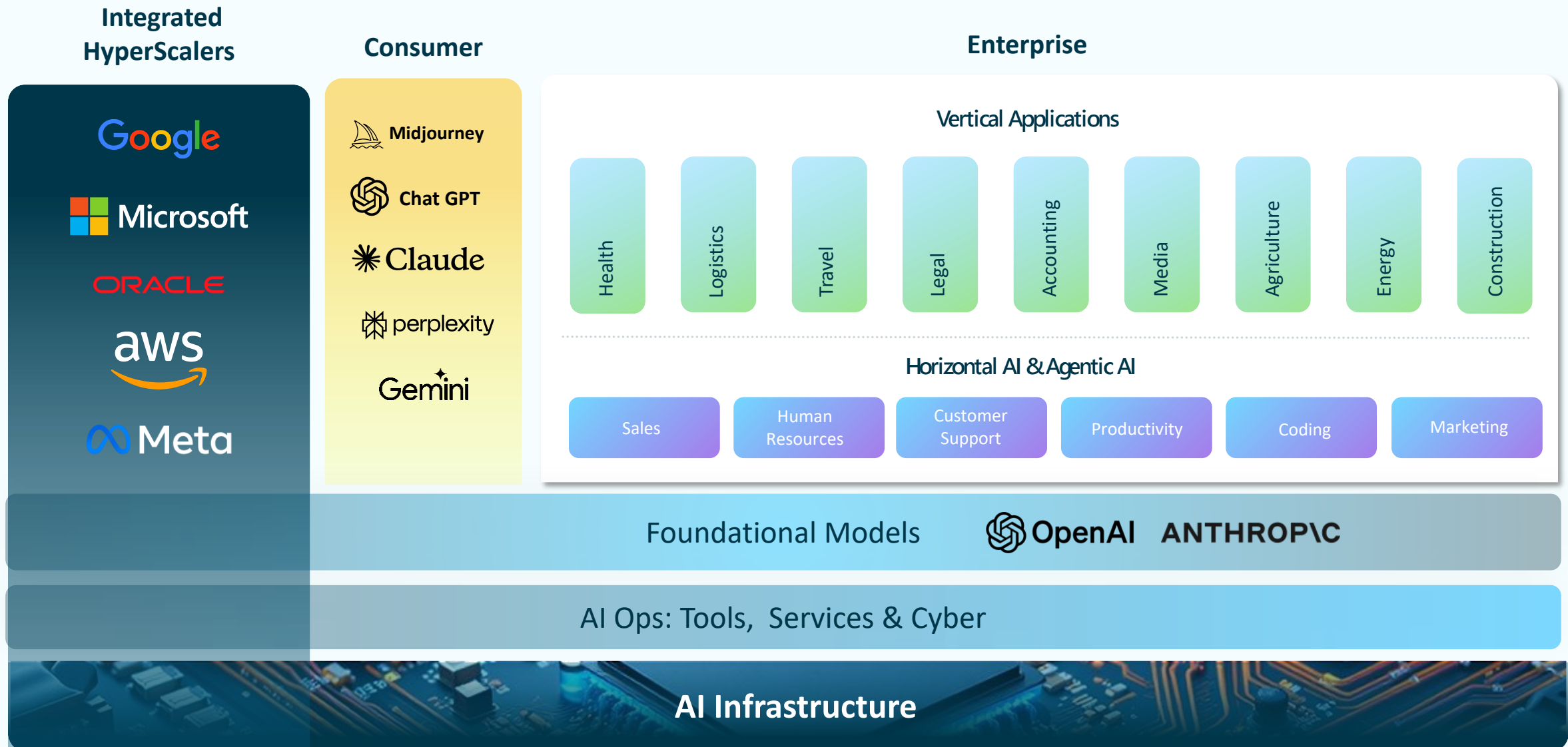


\$2 Trillion

in annual revenues are needed to
fund computing power to
meet anticipated AI demand by
2030



The New AI Innovation Stack



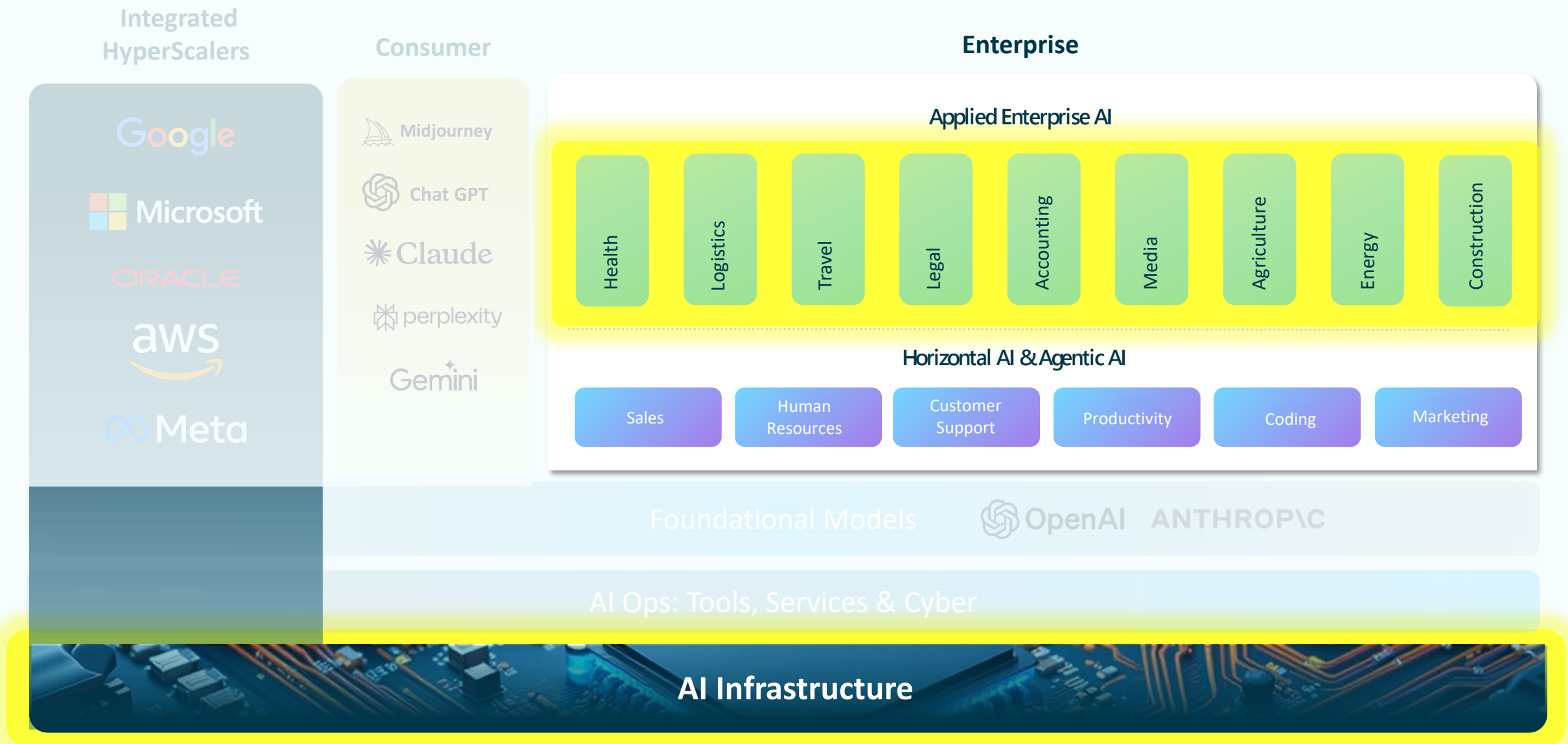
Enterprises are Moving Quickly as Competitive Threats are Existential...

Anthropic reached \$30B ARR in two years

Annual Revenue Run Rate
[\$ billions, irregular reports]



Where is the Next Innovation Frontier?



Opportunity: Unprecedented Economic Potential

- **Rapid productivity gains** driving exceptional economic growth
- **Short term** - broad consumer adoption, enterprises rapidly rolling out AI across general tasks and specific vertical applications
- **Mid-term** - Revolutionizing traditional sectors – (Aerospace, Pharma, Defense...)
- **Broad impact on capital markets** - AI adoption can create unprecedented returns on capital (value and velocity) with clear risks

No Gain, No Pain...

Big Shockwaves Across Industries

While changes take time, they are happening rapidly and threaten market leaders in every industry

Software is the first ...

MARKETS & FINANCE • STOCKS
**The \$1.6 Trillion Meltdown That Swept
Through Software Stocks**

Will also impact insurance, banking, retail, advertising, media, healthcare, manufacturing...

Impact on Labor Market: The Defining Question of Our Time

- Increasingly, **white-collar, high-paying jobs (mostly entry level)** are being **replaced with AI agents** (programming, legal, finance, customer support, financial analysis, creative)
- **Fewer higher-level strategic experts** will supervise a massive number of AI agents with unprecedented productivity
- **AI World Models** will eventually lead to deeper labor displacement, affecting blue-collar workers as well.
- **Economic growth will drive new jobs** and maybe shorter working hours, but new and different skills will constantly be needed.
- Growing **mismatch between education** and market needs.
- **Lifelong learning** will be more important than ever.



Clear Threats to



Governance & Democracy

- Regulation is lagging behind technological capabilities
- Risks to information integrity (deepfakes, manipulation)



Cyber & Security

- Increased scale, speed, and sophistication of threats
- Defensive systems are struggling to keep pace
- Sovereignty tensions - who controls AI infrastructure and data



Rising inequality

- Capital is concentrated in the hands of the few
- Productivity upside not yet translating into meaningful ROI

We need responsible, dynamic government policies

Israel is Well-Positioned to be a Global AI Leader

Globally recognized as being in the lead for the AI race

Increasing number of new startups for the first time in years

Tech giants doubling down on Israel

Cloud/AI native founder concentration

This can create exceptional economic growth

Will the Rest of the Economy Follow?

**Major opportunity to close productivity gaps
in the rest of the Israeli economy**

Build advanced AI infrastructure

- Energy infrastructure and capital required.
- Opportunities to work with a regional architecture.

Create an effective Labor policy

A dynamic and competent labor market infrastructure that can move fast and adapt (for example, Programming for the Haredi population).

What does it take?

Major education reforms –

Need to be dynamic and empowered to adjust and change.

Invest in research and academic excellence.

Build advanced AI infrastructure

- Energy infrastructure and capital required
- Opportunities to work with a regional architecture.

Create an effective Labor policy

Dynamic and competent labor market infrastructure that can move fast and adapt (for example, Programming for Haredi population).

Maintain Israel as a vibrant liberal democracy where the best innovators want to live.

Major education reforms –

Need to be dynamic and empowered to adjust and change.

**Invest in research and
academic excellence.**

AI is Not Just Another Technology Cycle...

No point in saying if it is good or bad,
but to recognize and act swiftly
to enjoy the opportunities and manage the risks





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Thank You

