

Innovation & Commercialization

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Eco-System – Existence of Critical Mass of Success Factors

- ✓ **Entrepreneurial Culture** - relevant “DNA” ingredients
- ✓ **High quality Human Resources** - academia, defense, immigration
- ✓ **Developed Defense-related Technologies and R&D** - civilian commercialization
- ✓ **Global Technology Companies** – increased presence and exposure
- ✓ **Capital Availability** – VC funds, strategic and financial investors, angels
- ✓ **Proven Global Exit Avenues** – M&A is the main avenue, increased activities
- ✓ **Modern Infrastructure** – legal, banking, financial, accounting, IP protection
- ✓ **Government Support** – financial incentives, OCS grants, tax exemptions

Israel VC “DNA” – Drivers of Innovation

Going global from inception

Tolerance of failure

Must-win attitude

Ability to use limited resources effectively

Solution-driven approach to real problems

Short history – past is not a constraint



“Chutzpah”

Ambitious

Communicative

Improvisation

Vision

Creative

Innovative

Forward

Informal

Experimental

Non-Conventional

Independent-thinking

International Collaboration in Industrial R&D

North America

New York
Massachusetts
Maryland
Virginia
Wisconsin
Colorado
Illinois
Oregon
BIRD(Foundation)

Ontario
CIIRDF(Foundation)

South America

Argentina
Uruguay
Brazil

Europe

France
Russia (Rusano, Skolkovo)
Italy
Germany
Greece
Denmark
Hungary
Turkey
Portugal
Finland
Sweden
Czech Republic
Bulgaria(New)
Lithuania (New)
Slovenia
Ireland
Belgium (Flandria)
Netherlands

Asia

China(Shanghai, Most)
Jiangsu (Foundation)

India

SIIRD-Singapore (Foundation)
KORIL-RDF-Korea (Foundation)

Australia (Victoria)

** Through EUREKA (40 country Multilateral Initiative)*



Government vs. VC role

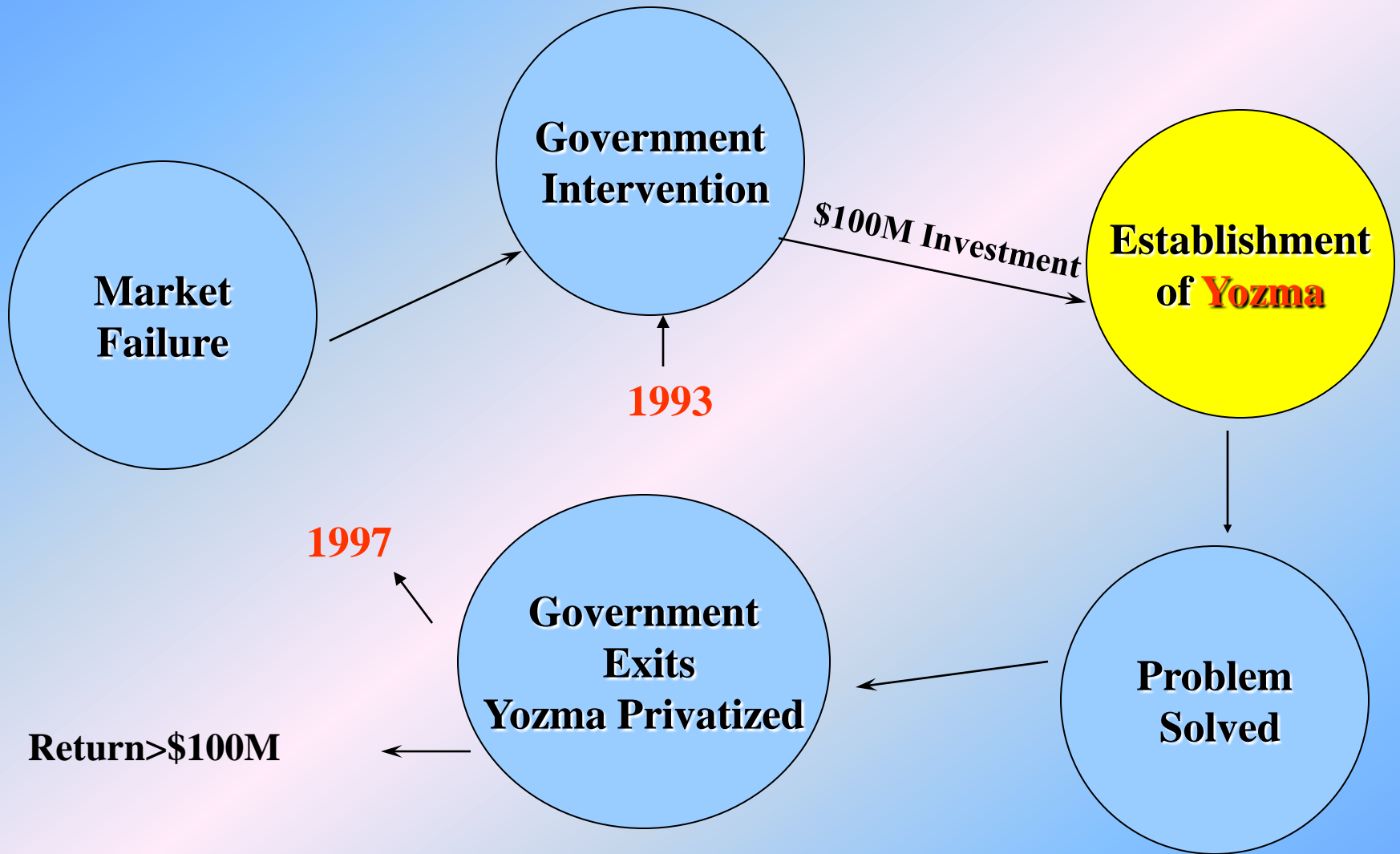
Government Involvement

- ✓ **Market failure conditions**
- ✓ **Government as a catalyst**
- ✓ **Predetermined exit conditions**
- ✓ **No government control**
- ✓ **Indirect investments (funds)**
- ✓ **Risk sharing**

Professional VC funds

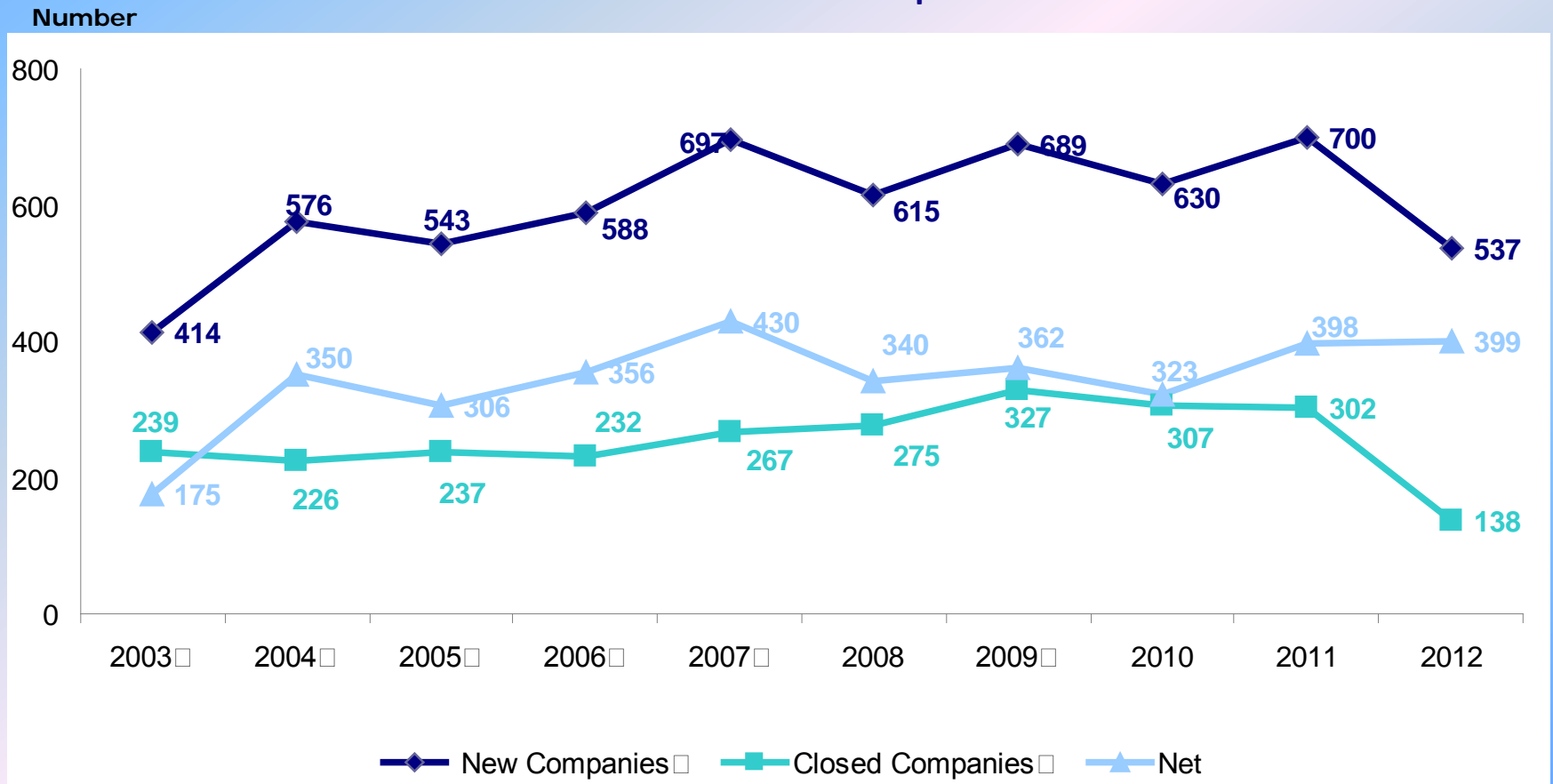
- ✓ **Capable to raise funds**
- ✓ **Choosing the right investments**
- ✓ **Managing the investments**
- ✓ **Building value for exit**

The Government as a Catalyst

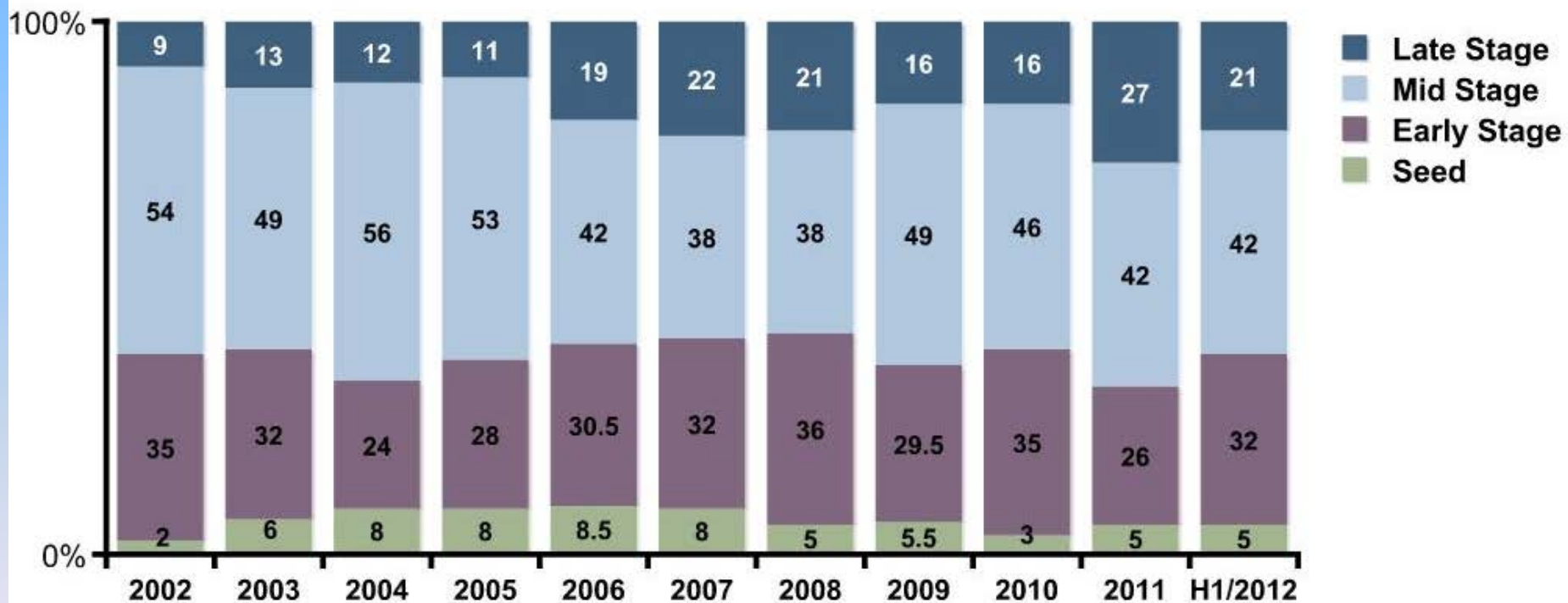


New Startups Established, 2003-2012

10 Years Average: 600 per year
2012: 23% decrease compared to 2011



VC Investments by Stage

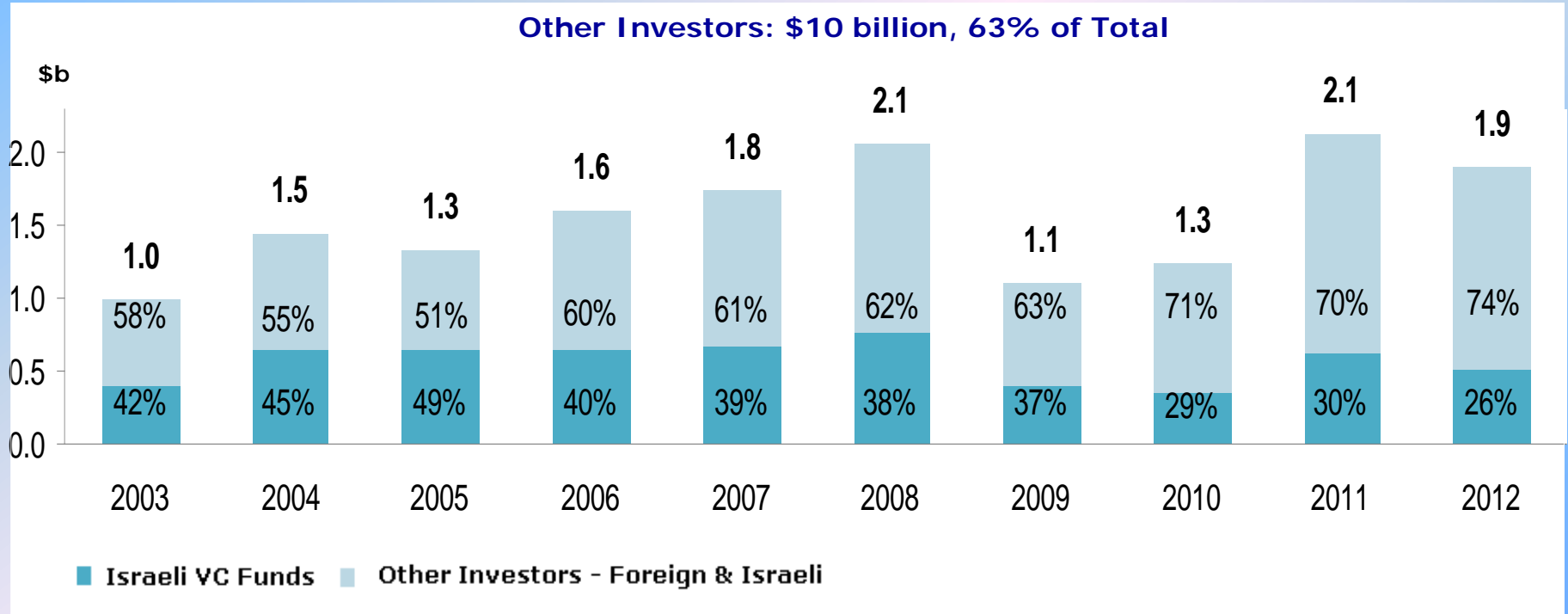


VC Investment and Israeli VC Funds as % of yearly total 2003-2012

10 Years: \$15.7 billion

Israeli VC Funds: \$5.7 billion, 37% of total

Other Investors: \$10 billion, 63% of Total



Foreign Investors in Israeli Startups

Increased Activities and Presence

Exposure/Mode of Operation	Type	Source of Capital	Select Funds/Investors
<ul style="list-style-type: none"> Domestic team, usually 3+ partners Usually co-invest with Israeli funds Only few lead Round A 	VC Funds	Israel-dedicated fund	Sequoia Israel, Greylock Israel, Orbimed Israel, DFJ – Tel Aviv, Credit Agricole
<ul style="list-style-type: none"> Israel is part of investment strategy Few have domestic team, 1-2 prof. Usually co-invest with Israeli funds in Rounds B,C, few invest in Round A 	VC Funds	General allocation from main fund	Index, Bessemer, Accel, Highland, Battery, Lightspeed, HarbourVest, Canaan, Benchmark, Norwest, USVP, Crescent, SVB, Kima Ventures, Paul Capital, Kreos Capital, Blumberg Capital, Horizon Ventures, Fortrers
<ul style="list-style-type: none"> Opportunistic approach No domestic presence Usually co-invest with Israeli funds Preferred by some serial Israeli entrepreneurs 	VC Funds	General allocation from main fund	Kleiner Perkins, New Leaf, NEA, Matrix, Mayfield, Opus, MPM, Storm, Charles River, RHO, JK&B, DAG, Globespan, Soffinova, Andresseen Horowitz, Union Square, Atlantic,, Softbank, HP Ventures, Collier Capital, Lexington Partners
<ul style="list-style-type: none"> Strategic interest Most have domestic team & presence Usually co-invest with Israeli funds 	CVC - Corporate Venture Capital or arms	Corporation	Intel Capital, Motorola Ventures, ABB Ventures, Singtel, Siemens, T Ventures, GE, Nielsen, Samsung, J&J, Itouchu, Bosch, EMC, IBM, Cisco, BASF, Google, Microsoft, Qualcomm, Facebook, LG, Mitsui, SAP Ventures, AVG, Ebay, Huawei, Lenovu, Deutche Telekom Ventures
<ul style="list-style-type: none"> Opportunistic approach Seed investors, co-invest with Israeli funds 	Angels, Micro funds	Private, Family wealth	Innovation Endeavors, Tel Aviv Angel Group, Initial Capital, Jeff Pulver, Eric Schmidt, Zeev Oren

Increased Multinational Presence in Israel Seeking Technology Innovation and Development





15 Years of Venture Capital Activity 1997-2012

- \$24 billion invested in the VC sector
- \$14 billion raised by Israeli VC funds
- More than 6,000 startups established
- M&A: \$37 billion, IPO: \$4 billion raised
- NASDAQ: 100 Israeli high-tech companies are listed
- Human capital emerged as Israel's main resource
- Global recognition - a leading innovative technology center

VC – the Accelerator of the High-Tech Industry Innovation and Growth

Thank you