



# This morning I got up and...

- ▶ My phone was bleeping telling me I had **voicemail**
- ▶ I returned the call using my Panasonic Cordless phone
- ▶ I had to send an urgent email so I used my Blackberry
- ▶ Arriving at the office I switched on my Notebook
- ▶ I went to my usual new sites and surfed the net
- ▶ I was presenting that day, but needed to bring an updated presentation



Israeli Technology is Everywhere

# Key Performance Indicators

- ▶ Israel is #4 in Global VC & PE high tech investment (\$1B-\$2.5B per year, larger than any individual European country)
- ▶ Israel is #3 in the number of foreign companies traded in the US (over 100 companies)
- ▶ Significant annual M&A activity (Tens every year, \$5.1B in FY12)
- ▶ R&D Centers of all of the World's Multinationals

# Key Performance Indicators

Over 6000 active startups at any given time

## Diversity

- ▶ Enterprise Software
- ▶ Semiconductors
- ▶ Telecom equipment
- ▶ Internet
- ▶ Generic pharmaceuticals
- ▶ Printing
- ▶ Medical Devices
- ▶ Cleantech
- ▶ Chemicals
- ▶ Defense



# Your Daily Dose Of Israeli Technology

- ▶ PC-Pentium (Intel)
- ▶ Notebook-Centrino (Intel)
- ▶ Internet Search (Google)
- ▶ Cell Phone (DSPC/TI)
- ▶ Phone Calls (Amdocs)
- ▶ Call Centers (Nice/Verint)
- ▶ Voice Mail (Comverse)
- ▶ Instant Messaging (ICQ)
- ▶ PC Inspection (Orbotech)
- ▶ VOIP (Vocaltec/AudCod)
- ▶ Flash (Msystems/SanDisk)
- ▶ Online Payments (PayPal)
- ▶ Generic Drugs (Teva)
- ▶ Irrigation (Netafim)
- ▶ Stents (Medinol)
- ▶ Firewalls (CHKP)
- ▶ SW Performance (Mercury Interactive)
- ▶ Chip Manufacturing (Applied)
- ▶ Antivirus (many)
- ▶ Spinal Cord (Proneuron)
- ▶ Pill Camera (Given)



is the Key  
For Independence & Success

# Quality VS Quantity







# Social Dynamics

- ▶ Innovative and entrepreneurial spirit
- ▶ Risk taking
- ▶ Its ok to fail - acceptance of wealth creation and failure

**In the last 25 years  
Entrepreneurs replaced Army Generals  
As  
Culture Heroes and Role Models**

# Fundamentals Of A Startup Nation

Social Dynamics

Intellectual Capital

Capital Sources

Tax, Legal and Regulatory Environment

Supportive (Non-Product) Infrastructure

Attractive Environment

No Domestic Market ? Go Global



# Intellectual Capital

- ▶ Prestigious academic education
- ▶ Cutting edge technology units in the army – education and experience at 18
- ▶ High skilled immigration wave from Russia in the early 90's
  - ▶ Over 1 million on a 5 million people nation
- ▶ Government R&D grants – reimbursement of actual spending ensures investment in education that matters
- ▶ Multinationals
  - ▶ R&D Centers
  - ▶ Sales, Marketing, and Business knowledge through global mobility of employees

# Sample of Multinational Companies With R&D Centers In Israel – Mostly From Acquisitions

|                        |                               |                       |
|------------------------|-------------------------------|-----------------------|
| AOL                    | Freescale Semiconductor       | Oracle                |
| Alcatel-Lucent         | F5 Networks                   | <b>Paypal</b>         |
| Athena SmartCard       | Facebook                      | Perrigo               |
| Avaya                  | GE Medical Systems            | Phillips              |
| Agro Logic             | <b>Google</b>                 | PMC                   |
| <b>Apple</b>           | <b>HP (including HP Labs)</b> | Qualcomm              |
| Applied Materials      | <b>IBM</b>                    | Red HatSalesforce.com |
| AT&T                   | Infineon                      | Samsung               |
| AutoDesk               | <b>Intel</b>                  | SanDisk               |
| BMC Software           | Interpharm                    | SAP                   |
| Boston Scientific      | Johnson & Johnson             | Siemens               |
| Broadcom               | Juniper                       | Sigma                 |
| Computer Associates-CA | Kulicke & Soffa               | Sun Microsystems      |
| <b>Cisco</b>           | Kodak                         | Sunguard              |
| Convergys              | Live Person                   | Teledata Networks     |
| Creo                   | Nokia Siemens                 | Texas Instruments     |
| eBay                   | <b>Marvell Semiconductor</b>  | Vishay                |
| <b>EMC</b>             | <b>Microsoft</b>              | Yahoo                 |
|                        | <b>Motorola</b>               |                       |
|                        | Medtronic                     |                       |



# Capital Resources

## Government Incentives - constant improvement

- ▶ Government share the risk of the private sector, not measuring success only by return on grants
  - ▶ Chief Scientist Grants:
    - ▶ Royalty on successful commercialization only
    - ▶ No royalty for generic research
  - ▶ Various Capital Investment programs:
    - ▶ Yozma Fund of Funds (since the early 90's), Incubators and Heznek fund for early stage startups - Leverage to private money, allowing buy-out of the government stake at comfortable terms
- ▶ Income Tax Relief – Approved Enterprise

# Capital Resources

## Government Incentives - constant improvement

- ▶ Criteria including
  - ▶ Innovation
  - ▶ likelihood of commercialization
  - ▶ Global partnerships
  - ▶ Geographical location

# Capital Resources

## Private Funds

- ▶ Highly developed sophisticated serial angle scene - More than just Money
- ▶ Private and Multinational Accelerators
- ▶ Local and Foreign VCs, PEs, Corporate investors
  - ▶ Significant Foreign VC activity, mostly through local presence as part of a global or a dedicated fund (with 1-5 partners)
- ▶ Easy Access to European and US Capital Markets

# Sample of Foreign VC's

## Investing in Israel More Than Once In The Last Decade

- ▶ **Accel Partners**
- ▶ Advent International
- ▶ Alice Ventures
- ▶ Alta Berkeley
- ▶ **Apax Partners**
- ▶ **Battery Ventures**
- ▶ **Benchmark Capital**
- ▶ Blumberg Capital
- ▶ **Bessemer Venture Partners**
- ▶ Boston Capital Ventures
- ▶ **Canaan Partners**
- ▶ Charles River Ventures
- ▶ Draper Fisher Jurvetson (DFJ)
- ▶ General Catalyst Partners
- ▶ Globespan Capital Partners
- ▶ **Greylock Partners**
- ▶ **Index Ventures**
- ▶ Khosla Ventures
- ▶ Kleiner Perkins Caufield & Byers (KPCB)
- ▶ **Lightspeed Venture Partners**
- ▶ Menlo Ventures
- ▶ Meritech Capital Partners
- ▶ MPM Capital
- ▶ North Bridge Venture Partners (NBVP)
- ▶ **Norwest Venture Partners (NVP)**
- ▶ NEA New Enterprise Associates
- ▶ Opus Capital
- ▶ OrbiMed Advisors
- ▶ Oxford Bioscience Partners
- ▶ Primera Capital
- ▶ **Sequoia Capital**
- ▶ Spark Capital
- ▶ TL Ventures
- ▶ VantagePoint Venture Partners
- ▶ Virgin Green Fund (VGF)
- ▶ Venrock Associates

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# Tax, Legal and Regulatory Environment

## Understanding the “play” of venture capital

- ▶ Ventures need substantial cash to grow
- ▶ Foreign money is needed to go “big” (north or Series B)
- ▶ Foreign LPs desire to offset losses from gains globally
- ▶ Exit is mainly through Foreign IPOs and acquisitions by Multinationals
- ▶ When an opportunity for an Exit come, regulations should not be an obstacle

**Government Incentives should be designed to attract foreign investors and multinationals**

# Tax, Legal and Regulatory Environment

## Understanding the “play” of venture capital

- ▶ No limitations on currency inflow and outflow
- ▶ VC rulings - exemptions on capital gains, dividend, interest, and no reporting for the LPs, based on:
  - ▶ Minimum investment amount
  - ▶ Investment in high tech
- ▶ Very low income tax rates (0% to 10%) based on level of foreign holdings and geographic location
- ▶ Ability to file corporate tax reports in US dollars
- ▶ Capital gain rates and flexibility for employee stock options

# Tax, Legal and Regulatory Environment

## Understanding the “play” of venture capital

- ▶ Flexible corporate securities laws:
  - ▶ M&As
  - ▶ Exemptions from local filings for dual listed companies

# Sample of Multinational Acquisitions 2001-12





# Supportive (Non-Product) Infrastructure

- ▶ Legal, accounting, marketing, sales, and IT consulting firms as well as real estate firms developed solutions addressing fast growing startup needs
  - ▶ Mentoring
  - ▶ Business insights
  - ▶ Networking to other startups and investors
  - ▶ Flexible fee arrangements

High quality consulting in real time ensures  
“Order in the house” –

No surprises upon VC or Corporate due diligences

# Understanding The Startup Journey to success

## 1. Structuring your company

- Where and How to incorporate?
- Seed financing
- Angels, Accelerators, Incubators
- Government Grants and Tax Incentives
- Seed VCs
- Define objectives & success measures (KPIs)
- Introductions to Investors
- Government Applications advisory
- Business insight
- Tax advisory

## 2. First Round

- Business plan
- Stock option plan
- Establishing financial systems & reports
- Selecting your investors
- Preparing your business plan
- Planning Stock option
- Financial reports and systems
- Preparation for meetings with investors
- Introductions to VCs
- Business advisory
- US GAAP, IFRS
- Financial reports in \$ or other currency
- Accounting planning to achieve profit maximization
- Human resources consulting

## 6. Post IPO life

- Where to invest proceeds
- Reporting
- M&A
- Deliver the value
- Achieving growth goals
- Optimizing tax and streamline activities
- Managing street expectations
- Tax planning
- Accounting
- Business advisory
- IT and Risk Advisory
- Transaction Support

## 3. International expansion

- Establishing entities abroad
- Staffing overseas
- Transfer of employees
- Multinational cooperation and related Government Incentives
- Marketing planning
- Int. tax planning and consulting
- Transfer pricing planning
- Application advisory
- Expatriate services
- Human resources consulting
- Global opportunity assessment
- Strategic partner search

## 4. Second round

- CFO/ Controller
- Selecting investors
- Recruitment
- Business advisory pre & during meetings with investors
- Strategic planning

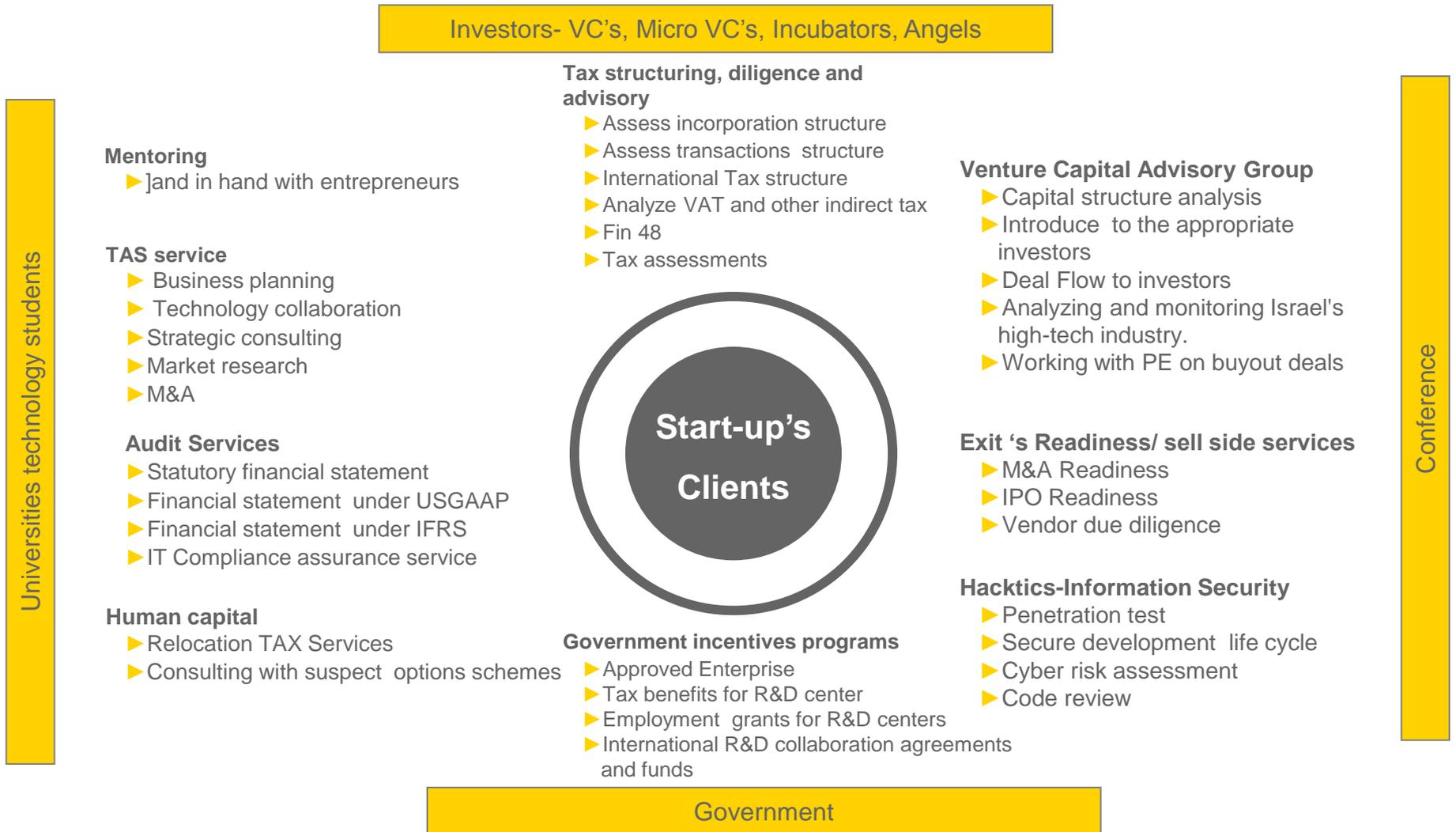
## 5. Exit

- M&A
- IPO
- selecting underwriters
- timing your IPO
- taxation
- accounting
- maximizing benefits/ incentives
- financial model
- IPO preparation pre, during and post IPO
- International tax planning
- Accounting planning
- Accounting treatment
- Due diligence
- Financial advisory
- Working Capital and Long Term Financial Model



# E&Y Breadth and depth of services for Startups

Combine all finance-related offerings under one umbrella Supporting the Ecosystem



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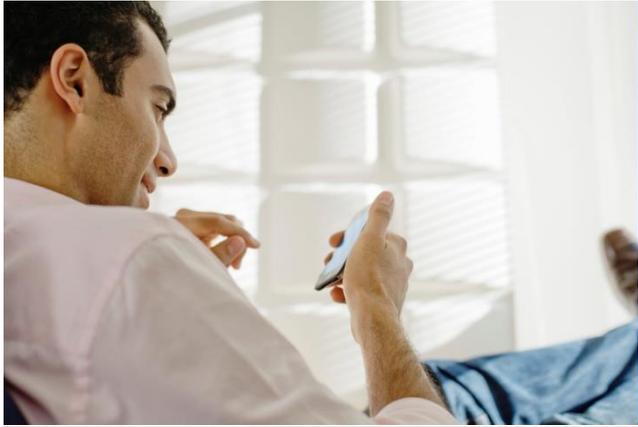
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# Attractive Environment

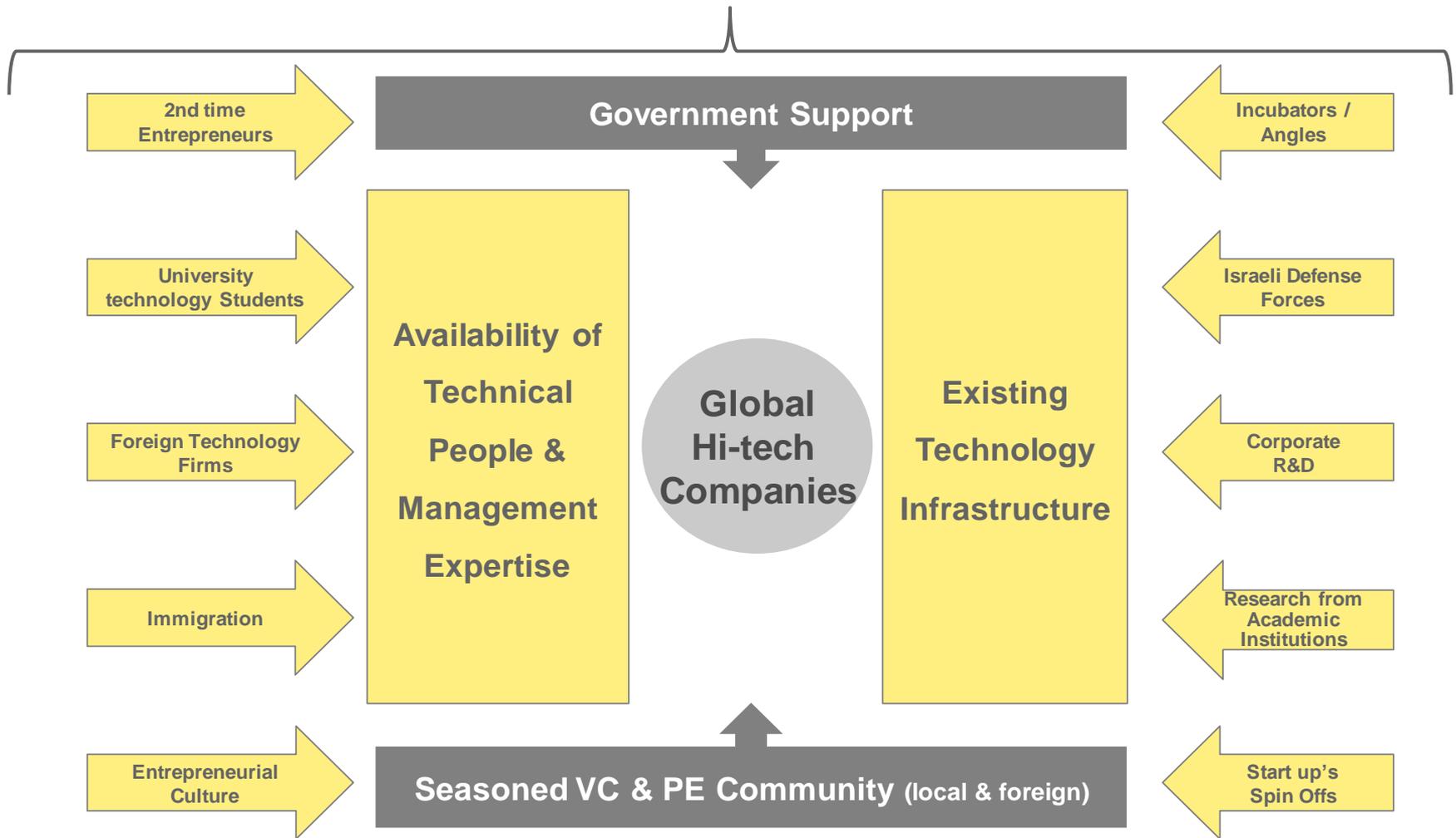


Attractive Environment



# An Ecosystem

## Social Atmosphere that Celebrates Entrepreneurship



# Thank You

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May 2013

