

## May 2013



# 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



# ation

## Social Dynamics

## Intellectual Capital

## Capital Sources

## Tax, Legal and Regulatory Environment

Supportive (Non-Product) Infrastructure

## Attractive Environment

No Domestic Market ? Go Global



# Fundamentals Of A Startup Nation

Social Dynamics

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# 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

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# 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  
Alcatel-Lucent  
Athena SmartCard  
Avaya  
Agro Logic  
**Apple**  
Applied Materials  
AT&T  
AutoDesk  
BMC Software  
Boston Scientific  
Broadcom  
Computer Associates-CA  
**Cisco**  
Convergys  
Creo  
eBay  
**EMC**

Freescale Semiconductor  
F5 Networks  
Facebook  
GE Medical Systems  
**Google**  
**HP (including HP Labs)**  
**IBM**  
Infineon  
**Intel**  
Interpharm  
Johnson & Johnson  
Juniper  
Kulicke & Soffa  
Kodak  
Live Person  
Nokia Siemens  
**Marvell Semiconductor**  
**Microsoft**  
**Motorola**  
Medtronic

Oracle  
**Paypal**  
Perrigo  
Phillips  
PMC  
Qualcomm  
Red HatSalesforce.com  
Samsung  
SanDisk  
SAP  
Siemens  
Sigma  
Sun Microsystems  
Sunguard  
Teledata Networks  
Texas Instruments  
Vishay  
Yahoo

# ation

A dense, black and white doodle illustration on a white background, featuring various symbols of business, progress, and success. The illustration includes words like 'goals', 'progress', 'possibilities', 'success', and 'winning', along with icons of people, charts, arrows, and celebratory elements like balloons and champagne.

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# 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



[illegible]

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# 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

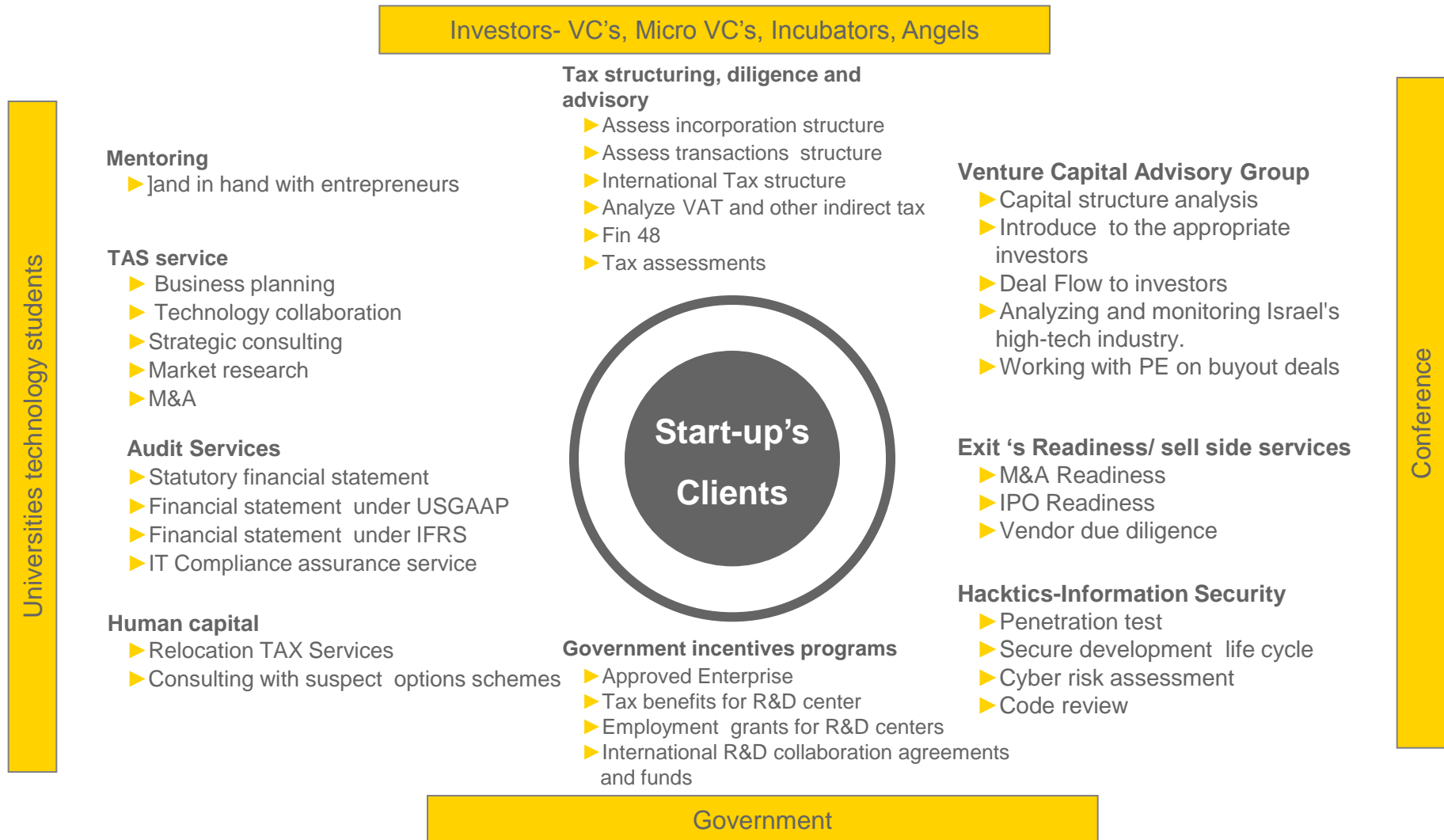
- CFO/ Controller
- Selecting investors
- Recruitment
- Business advisory pre & during meetings with investors
- Strategic planning

## 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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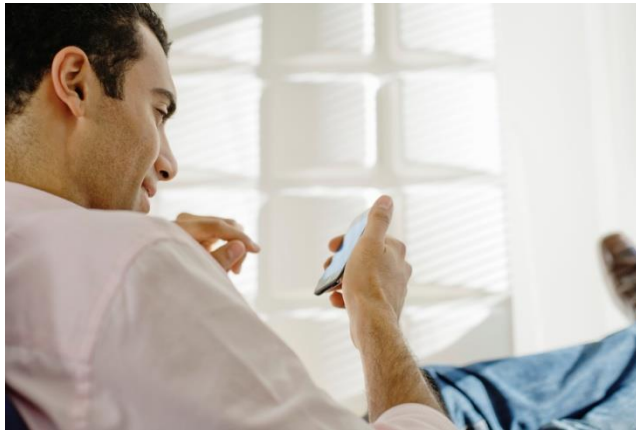
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# Attractive Environment

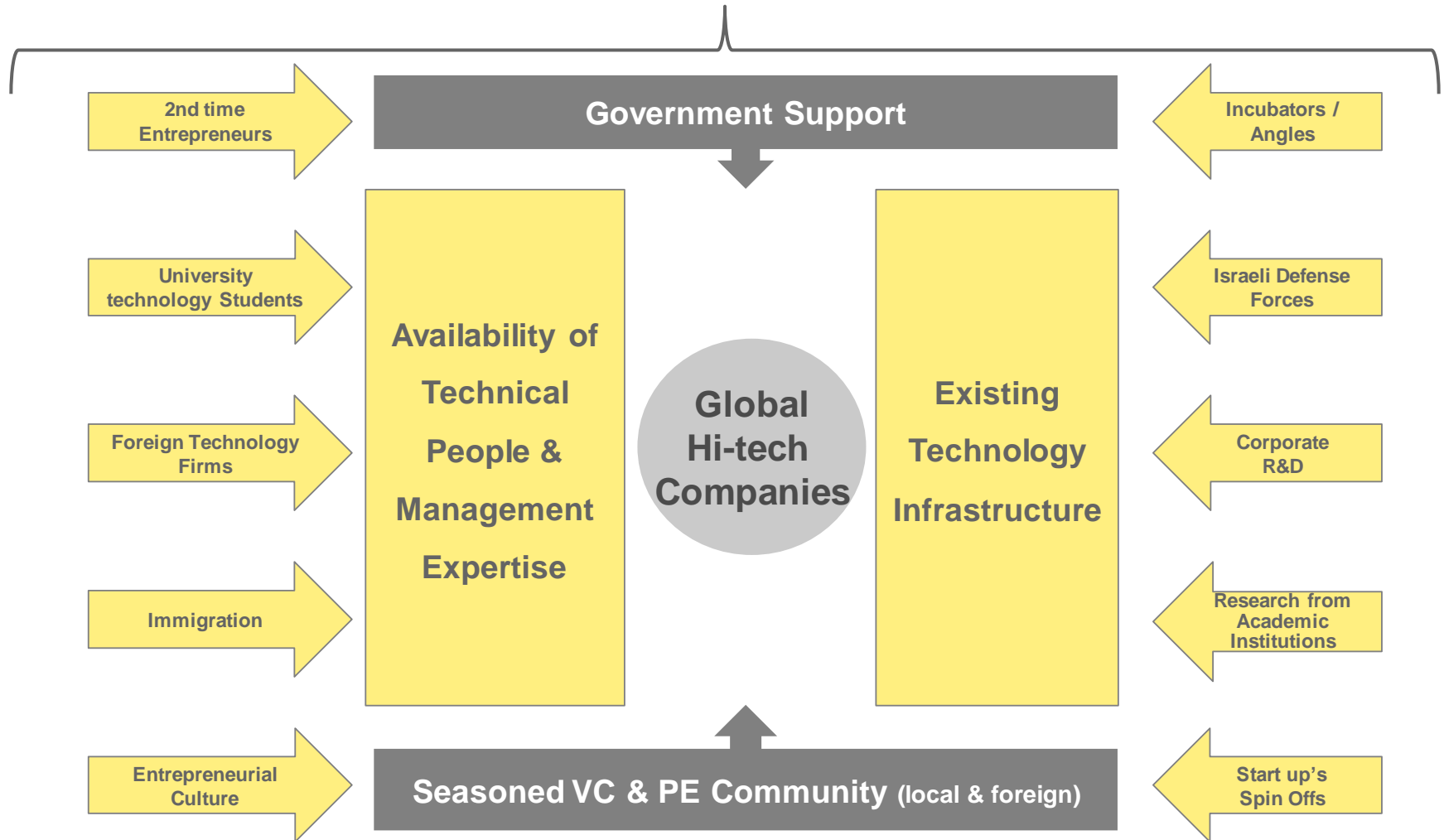


Attractive Environment



# An Ecosystem

## Social Atmosphere that Celebrates Entrepreneurship



# Thank You

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