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HSBC invests US\$5 million in the Catalyst Fund

Financial banking giant HSBC has invested US\$5million in the Israeli Catalyst venture capital fund managed by **Cukierman & Co. Investment House Ltd.**, which specializes in pre-initial public offering (IPO) companies.

Stewart Millmann, member of the management committee of HSBC and managing director of corporate finance and advisory for the bank, announced the investment yesterday during a brief visit here.

Although HSBC already has other investments in Israel, this is their first hi-tech investment. "We don't have a list of funds that we are looking to invest in, but Israel is a country of increased interest for us," Millmann told The Jerusalem Post. He said the increased interest was partly a result of HSBC's December 1999 acquisition of the Republic Bank of New York from Edmond Safra, which bought many Israeli customers into HSBC's fold.

The investment is being made by HSBC's equity and corporate finance division, but they intend to work in cooperation with HSBC Republic, which is planning to officially open its Tel Aviv operation at the end of 2000 or the beginning of 2001. Millmann expects there to be "symbiosis" between the two divisions, which are part of the same parent company.

The corporate finance arm of the bank has already recruited two people and plans to expand the Tel Aviv operation to four to eight people, in addition to HSBC Republic's 30 staffers.

Catalyst Fund CEO Edouard Cukierman said the fund would benefit not only from the US\$5 million investment but also from the research and knowledge of HSBC, as their representative will sit on the fund's board. "We also bring knowledge and access to capabilities of a large investment bank to the fund," agreed Millmann. HSBC has the largest market capitalization of any European bank, with 6,000 branches in 80 countries and total assets worth \$580 billion.

Millmann said HSBC chose Cukierman & Co. as "their needs match us, they are investing in companies that are not too near the seed stage, with a European inclination," adding, "we are patient and willing to wait a year or two until a company does its IPO."

The Tel Aviv-based Catalyst fund has raised \$40 million since it began in October 1999. To date it has invested in three Israeli start-up companies: Hod Hasharon-based PowerDsine, which has a company valuation of \$50 million, Raanana-based Mediagate, which has a company valuation of \$45 million, and Yokneam-based Orex Computed Radiography which has a company valuation of \$12 million. PowerDsine recently announced that it will be listing on Nasdaq for \$250 million.

Other investors in the Catalyst fund include companies from Germany, France, England, Belgium and Greece as well as a subsidiary of the Israeli Union (Igud) Bank group, which also invested \$5 million. **Cukierman & Co.** specializes in raising capital in European markets for Israeli companies. Cukierman said that in 1998 they raised \$20 million out of the \$30 million raised by Israeli companies on European exchanges and in 1999 their share increased to \$90 million out of \$150 million. "We see a definite increase, not only in the number of companies, but also in the quality of companies that are doing business in Europe" said Cukierman. Millmann added: "investors in general are less nervous about doing business in Israel. European investors are very interested in Israeli hi-tech."