



A technician carries out a diagnostic test for coronavirus in a lab at the Ichilov Hospital in Tel Aviv on Aug. 3, 2020. Photo by Yossi Aloni/Flash90.

FEATURE

## *100-plus Israeli tech companies work to develop solutions against corona*

Edouard Cukierman, a leading Israeli investor and business academic, tells JNS about the severe challenges affecting Israeli startups and tech companies in the shadow of the global pandemic, though also notes the opportunities.

**BY YAAKOV LAPPIN**

**(August 4, 2020 / JNS)** The economic fallout from the coronavirus pandemic is being experienced worldwide, and Israel is no exception. Many Israeli startup and tech companies are facing great challenges in their ability to raise funds and access international markets, and will likely continue to face those challenges in the coming year. Yet some companies in Israel are also relying on the innovation and speed that characterizes its private sector in trying to create new opportunities, a senior Israeli investor and business academic has told JNS.

Edouard Cukierman, a founding and managing partner at Catalyst Investments—a leading private-equity multi-fund firm in Israel—is also chairman of Cukierman & Co. Investment House, one of Israel’s largest boutique advisory firms. With more than two decades of experience in the venture-capital and private-equity industries, he has a unique vantage point in assessing the challenges posed by the current crisis to the Israeli startup and technology sector.

Cukierman, who served as a reserve officer in the Israel Defense Forces’ Crisis and Hostage Negotiation Team and in the IDF Spokesperson’s Unit, recently held a large online conference to expose the Israeli market to international investors.



Edouard Cukierman, founding and managing partner at Catalyst Investments, and chairman of Cukierman & Co. Investment House. Credit: Courtesy.

The conference is part of a series of conferences, usually held in physical locations, called “GoforIsrael.” The recent online meeting drew more than 600 investors, reported Cukierman, but he said that what surprised him is that “it also brought more than 100 Israeli companies that are developing technology to combat COVID-19. This shows that the private sector in Israel responds very quickly to crisis and certainly faster than the government here.”

Cukierman stressed that even during a crisis of this scale, companies in Israel are taking the initiative, though he noted that many are nevertheless sustaining significant economic damage.

One reason for that, he explained, is that unlike American and European

companies, which have very large local markets to cater to (and no travel restrictions to face in Europe), the Israeli tech and startup scene is aimed almost exclusively at international markets. “Today, the Israeli company representatives cannot travel abroad. They can conduct online and Zoom meetings, but we see that this reality is challenging Israeli companies,” said Cukierman.

The absence of a physical presence in overseas markets is having an effect; Israeli companies cannot compensate with the local market, meaning they have hit a significant predicament.

An even larger challenge, said Cukierman, is the fact that many international investment funds that usually operate in Israel, and which enable mergers and acquisitions, are not currently active in Israel. “It is very hard for these funds to invest in Israel right now because they can’t arrive and conduct due diligence. We are one of the few countries that remains totally closed,” he said.

For high-tech companies in Israel, raising funds from investors is the primary way to reach significant profit. More than \$8 billion was raised in the Israeli market in 2019 by international investors. This year, said Cukierman, he estimated that this would go down to approximately a billion dollars.

“My assessment is that although the first half of 2020 was relatively good, that was because of the due diligence that occurred beforehand, which takes around eight to nine months to carry out. The third and fourth quarters will see lower results. This will have an impact on the high-tech industry,” he stated.

Last year saw \$20 billion in mergers and acquisition deals in Israel. That number is likely to be far lower in 2020.

“This creates a very big challenge,” said Cukierman. “On the other hand, it also allows those funds that do have money to make attractive investments for those who can invest.”

### **‘Values that help them think outside the box’**

Despite the crisis, Cukierman remains hopeful that the power of Israeli entrepreneurship will overcome the challenges eventually. “In our country, we have unfortunately dealt with many crises, and we can respond efficiently and rapidly, especially in the private sector—more so than the government,” he said.

The highly skilled workforce that powers the high-tech economic engine makes Israel highly attractive to international investors, he added. “Technological entrepreneurship has turned us into a regional and global influencer,” he said.

Cukierman was critical about the way that the government was responding to the pandemic and the slow pace of the crisis response. When compared to the private sector, he said, “we can unfortunately see that they function at a very different pace. We see how the high-tech sector holds up the country economically. To emerge from this crisis, the private sectors will likely enable this more than the government.”

In 2013, Cukierman published the first edition of *Israel Valley: The Shield of Technological Innovation*, which tells the story of Israel’s success in building one of the world’s leading high-tech economies. The book explores the historical factors that have brought about such development.

He credits the military as playing a significant role in some of Israel’s competitive advantage. “We were the only fund that invested in [the autonomous driving vision company] Mobileye. We looked at seven competitors. One of the main reasons that led us to invest in Mobileye is that while the competitors knew how to identify red lights and white lines on the road, only Mobileye could identify people. This Israeli technology is based on algorithms, real-time insights and last-second diversions, which came from Israeli military technology. It’s not coincidental that many of Mobileye’s developers come from Unit 8200 signals intelligence unit] and other military units.”

Young people from military backgrounds also have learned to take on many responsibilities, creating a quality personnel that is difficult to replicate, noted Cukierman.

And finally, “another very important aspect is the value system that comes from Judaism—*tikkun olam*, the desire for freedom, the Passover story,” he pointed out. “These have found expression in startups, in companies that initiate. Some of the values that help them to think outside the box come from Judaism.”

