



THE YOZMA GROUP
managing venture capital funds since 1993

Israel's spirit, Failure is not a risk

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Yigal Erlich

About Me



Yigal Erlich

- Former chief scientist of Israel's Ministry of Industry, Trade and Labor
- Established the technological incubators industry in Israel
- Founder & manager of Israel's anchor VC , Yozma
- Seed investor & active board member in technological startups such as Biosense (acquired by J&J for \$430M); Conduit (value: \$1.35B) and Radiancy (traded in Nasdaq with market cap of \$340M)
- Consultant to governments and VC on Private Public Partnerships and investments (Russia, EEC, Canada, Portugal, New Zealand, Greece)

Mixture of knowledge, innovation and entrepreneurship

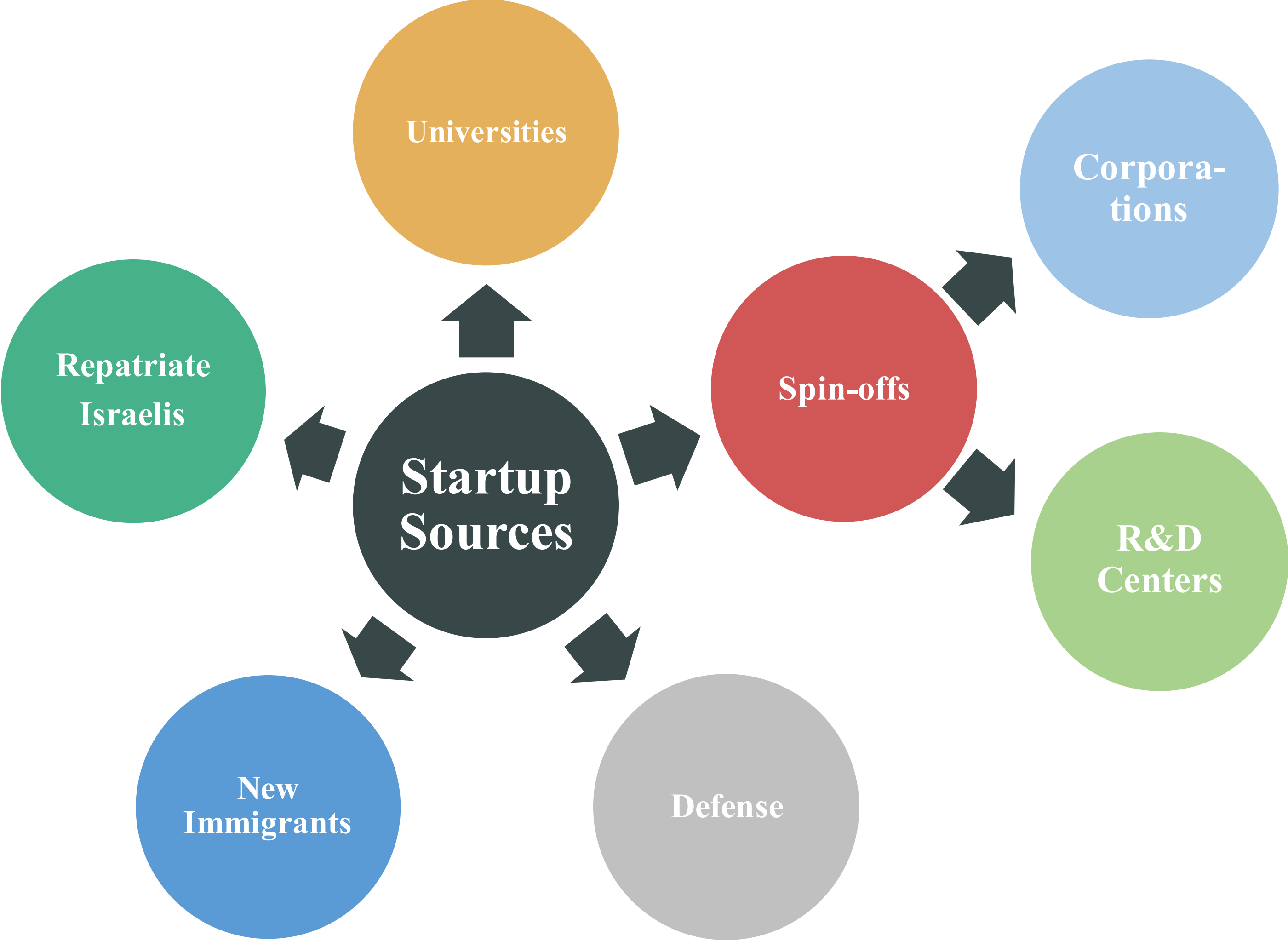
- High quality of human resources
- Entrepreneurial culture
- Commercialization of Research (TTO's)
- Strong presence of major global technology companies
- Critical mass: capital, investors, VC funds, start-ups
- Modern legal and financial infrastructure
- Government support: incentive plans, tax benefits

Entrepreneurship and Innovation



- Going global from inception
- Must-win attitude
- Tolerance of failure
- Question everything
- Knock on every door
- Cost-effective use of limited resources
- Solution-driven approach to real problems
- Short history – past is not a constraint

Startup Sources



Government Involvement

- **Market Failure (1985-1992):**
 - Early stage, high risk, innovative technological enterprises can not raise money from the private sector, only.
- **Government response:**
 - Chief scientist grants
 - Technological Incubators Program
 - VC



Government role in investments vs. VC

Government Involvement

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

Professional VC funds

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

Yozma I Venture Capital (1993-98)

Mission: To create a venture capital market in Israel

1 Establish a \$ 100M government investment company

2 Create a professionally managed Funds

3 Entice VC investments in Israeli early stage companies

- Create and invest in new VC funds together with experienced partners (from abroad)
- Make direct investments in startup companies together with professional investors

RESULTS: 8 out of 10 funds returned bet. 2x to 14x the investment; Government return ~135% ;
direct investments portfolio return more than twice.

Unexpected strong result: The creation of a global network

Yozma III – IRR

IRR on Investments - 26%

IRR on Conduit - 107%

International Companies in Israel

70's , 80's



Cheap labor Academic Institutes

- IBM
- Intel
- Motorola
- National Semiconductor

90's



Business Opportunities (greater than the "country risk"), Skilled Workforce, M&As

- | | | |
|------------------|-----------|---------------|
| ▪ IBM | | |
| ▪ Intel | | |
| ▪ Motorola | ▪ Sun | |
| ▪ National Semi. | ▪ Cisco | ▪ CA |
| ▪ Compaq | ▪ J&J | ▪ Infineon |
| ▪ Microsoft | ▪ Sun | ▪ Marvell |
| ▪ Applied Mat. | ▪ Lucent | ▪ Avaya |
| ▪ 3Com | ▪ Toshiba | ▪ Vishay |
| ▪ Nortel | ▪ AOL | ▪ EMC |
| ▪ Samsung | ▪ Alcatel | ▪ Oracle |
| ▪ TI | ▪ Acer | ▪ Boston Sci. |
| ▪ GE | ▪ HP | ▪ Siemens |
| ▪ Qualcomm | ▪ Guidant | ▪ Broadcom |
| ▪ Hitachi | ▪ SAP | ▪ KLA |

Israel VC – Performance 1997-2013

- Global recognition as a leading innovative technology center, 2nd only to the Silicon Valley
- \$26 billion invested in the VC sector
- \$15 billion raised by Israeli VC funds
- More than 6,500 startups established
- M&A: \$50 billion, IPO: \$4 billion raised
- NASDAQ: 100 Israeli high-tech companies are listed
- Human capital emerged as Israel's main resource
- The economy growth engine

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

Select Multinationals Presence in Israel

Actively Seeking Technology Innovation

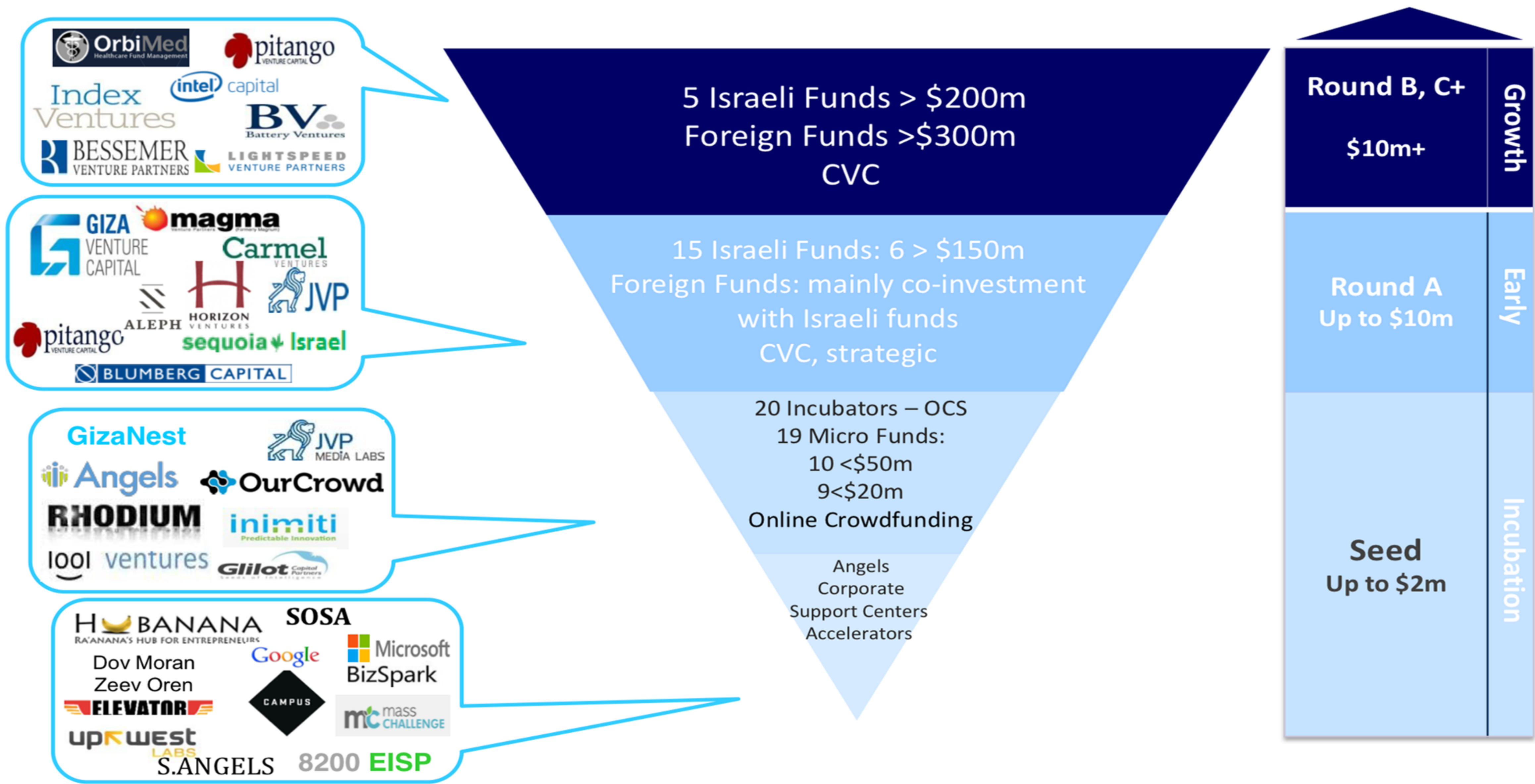


Select Foreign Investors in Israeli Startups

Increased Activities and Presence

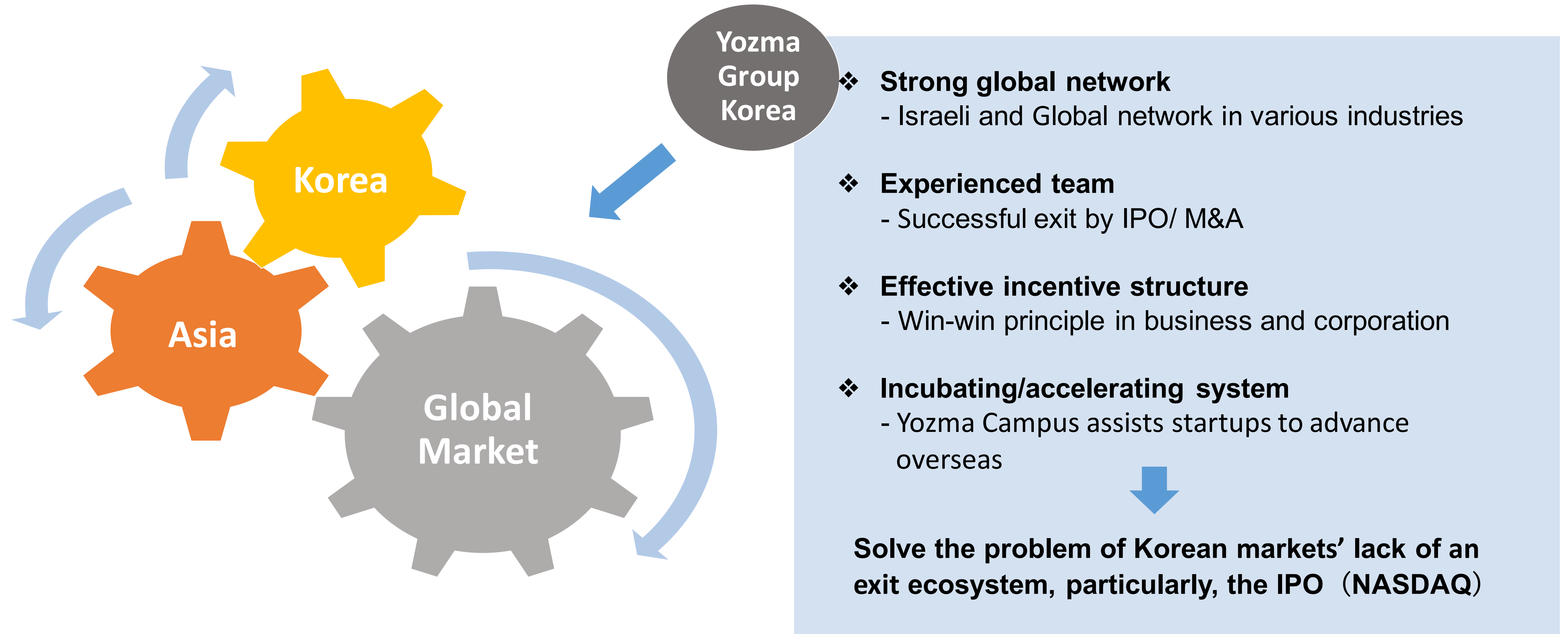
Type	Source of Capital	Exposure/Mode of Operation	Select Investors
VC Funds	Israel-dedicated funds	<ul style="list-style-type: none"> ▪ Domestic team ▪ Usually co-invest with Israeli funds 	Sequoia Israel, Greylock Israel, Orbimed Israel, DFJ – Tel Aviv, Credit Agricole
VC Funds	Allocation from main fund	<ul style="list-style-type: none"> ▪ Israel is part of investment strategy ▪ Most have domestic presence ▪ Usually co- invest with Israeli funds 	Index, Bessemer, Accel, Highland, Battery, Lightspeed, HarbourVest, Canaan, Benchmark, Norwest, USVP, Crescent, SVB, Kima Ventures, Paul Capital, Kreos Capital, Blumberg Capital, Horizon Ventures, Fortrers, Mangrove
VC Funds P/E Funds	Allocation from main fund	<ul style="list-style-type: none"> ▪ Opportunistic approach ▪ No domestic presence ▪ Usually co-invest in Rounds B, C or later stage with Israeli funds 	Kleiner Perkins, New Leaf, NEA, Matrix, Mayfield, Opus, MPM, Storm, Charles River, RHO, JK&B, DAG, Globespan, Soffinova, Andresseen Horowitz, Union Square, Atlantic, Softbank, Collier Capital, Silver Lake, Goldman Sachs, JP Morgan, Vector, Apax, Francisco Partners, Susquehanna, Amadeus
CVC - Corporate Venture Capital	Corporation nostro and VC Arms	<ul style="list-style-type: none"> ▪ Strategic interest ▪ Most have domestic presence ▪ Usually co–invest with Israeli funds 	Intel Capital, Motorola Ventures, ABB Ventures, Singtel, Siemens, T Ventures, GE, Samsung, J&J, Itouchu, Bosch, EMC, IBM, Cisco, BASF, Google, Microsoft, Qualcomm, Facebook, LG, Mitsui, SAP Ventures, AVG, Ebay, Huawei, Lenovo, Deautche Telekom Ventures, GM, Alcatel-Lucent, Vodaphone, HP Ventures, Nielsen Innovate Incubator
Super Angels Accelerators Incubators	Individuals, Family wealth	<ul style="list-style-type: none"> ▪ Added value approach ▪ Seed, pre Rounds A investors 	Innovation Endeavors, Tel Aviv Angel Group, Initial Capital, Jeff Pulver, Eric Schmidt, Zeev Oren, UpWest Labs, The Founders Fund, Yossi Vardi, Corporate Accelerators: Google, Microsoft, EMC, IBM

Investor's Ecosystem



Yozma's Principles of Investment

Yozma Group Korea only invests in STARTUPS that aim for the global market



Yozma Campus Partners

In House Block

Global Investment
U.S.A/ UK/ China
/Israel/Asia



Investment/
Accelerator/
R&D Fund



ActnerLAB



MIRAKLE LAB

Accounting/IPO/
Global M&A



Technology
Licensing



Legal Service



Global
Marketing



Hardware
Accelerator



Overseas
Expansion



Local M&A



Design



Yozma Campus

Yozma Startup Campus as Asia's Startup Hub

Start
Global

- From the early stage of business, Yozma sets domestic and global market as a same strategic position, thereby provide better opportunity for the companies to enter global market.
- Yozma Group provides its global networks to startups; from the team building stage to NASDAQ listing, as companies are exposed to global market.

‘Chutzpah’
Spirit

- Yozma adopts Israeli ‘Chutzpah’ spirit (being not afraid of failures) and education culture based on constant questions, discussions and feedbacks.
- Nurture talented youths in business through startup classes; provide students early business experience and entrepreneurial spirits.

Asia's
Startup
Hub

- Yozma nurtures the environment where young Asian entrepreneurs cooperate and jointly develop their business into global scale company.
- Invite foreign investors and funds in emerging Asian startup markets.
- Yozma campus will become a pivotal centre of Asian venture hub .

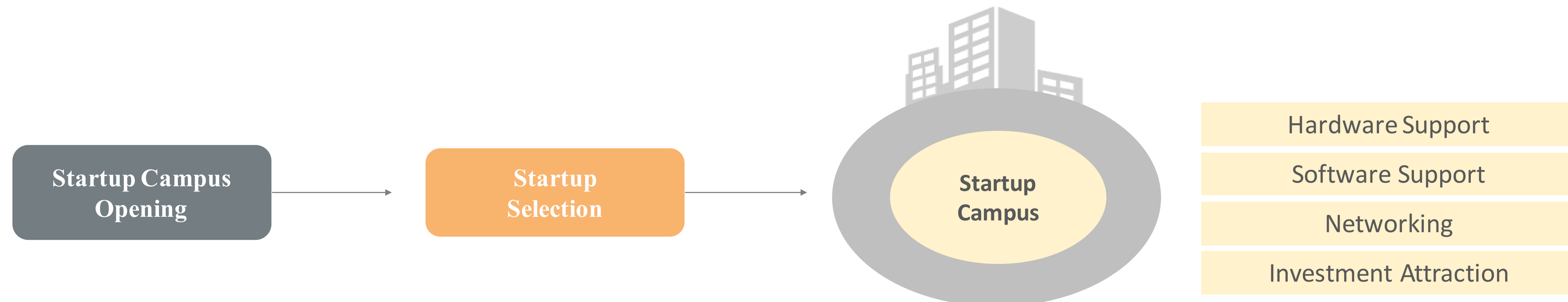
Yozma will support startups through its accumulated know-hows and extensive experience in startup incubating.

Yozma Campus

Yozma Campus : Develop the future champion startups

Yozma Campus is a platform program that supports South Korean startup companies to grow and advance overseas. The program is based on the Israeli spirit of “chutzpah” and the Yozma Group’s network. For the growth of startup companies, **Yozma Campus simultaneously offers various programs and opportunities to be exposed to domestic and foreign investors.**

- **Goal**
 - Strategizing the solutions of startups to be more fitting and refining any abstract sections to create a new milestone.
- **Target**
 - Startup companies with products or services that have developed a target prototype or entrepreneurs and startups with an open mind and philosophy of their own.
- **Process Orientation**
 - Through Israel's Havruta Learning, the "facilitator" will encourage discussions between startups to startups and startups to mentor in order to decide the future direction of the business problems together, amongst themselves. This is a test for the applicability and effectiveness of the community formation, based on the theory of Havruta Learning.



Y-Bridge

is a online systemic business platform that helps the growth of startups by providing relevant information, networking, and collaboration tools.

Customized by analyzing the company, the startup business platform at Y-Bridge provides the necessary services according to the company's stage of growth.

The services provided can be easily designed to fit the start-up's business and be applied effectively.



Network

Under-
standing
Information

Cooperation

<http://www.y-bridge.co.kr/>

Come and join us!



THANK YOU

Leveraging Israel’s Defense R&D
-Selected List-

Technology	Application		Companies
	Defense	Commercial	
Data storage and management	Database management storage	Storage	Amdocs, M-systems, Saifun
Digital signal processing	Signal processing	Communications	Libit, DSPC, DSPG
WiMax, RF	Wireless communications	Wireless communications	Alvarion, Gilat Satellite, Wisair, Altair, Butterfly, Wilocity, Siklu
Data and transaction analysis	Security, Intelligence	Inspection, Secured transactions	Check Point, Actimize, NICE, Verint, Comverse, Safend, Mintigo, Imperva
Optics	Missile guidance systems	Tracking	Given Imaging, MediGuide
Missiles and Radar technology	Missiles and Radars	Cryotherapy, Navigation, Diagnostic kits	Navotek, IceCure, Sensible
Visual processing	Intelligence	LCD-TVs	Orbotech, Oplus