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From Zion shall come forth start-up funding?

As credit tightens around the world, companies from abroad are considering Israeli banks as a source of investment — and Israel's stock exchange as a place to go public

By [DAVID SHAMAH](#)
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David Solomon (Photo credit: Courtesy)

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Israel may have the know-how to be the Start-Up Nation, but in order to put it to use, many start-ups have had to go abroad to raise money. That could change, however; with banks in Europe and the US tightening credit, small and mid-size companies are beginning to see Israel as a source of funds for their businesses.

It sounds counterintuitive, but in today's economic climate it makes sense, says David Solomon, [a veteran investment professional](#) who has been matching up European and Israeli investors and companies with each other for years. He was also recently named a managing partner, Cukierman & Co. Consulting Ltd. "Europe and the US have been facing many economic problems, including a credit crunch. Although interest rates are low, banks are reluctant to lend money, especially to start-ups. Israel's banking system has fared much better, and it wouldn't be surprising to see European or even American companies seeking investments from Israeli banks at some point.

That may have already begun. Several events have been held in Europe, particularly Britain, over the past several months that brought Israeli start-ups over to Europe to seek investments — but also featured European start-ups seeking cash. Among these events, held in London, were [Innovate Israel 2012](#), and [Med-Invest](#) — which Solomon worked to set up with the Trade & Economic Office of the Israeli embassy in London — saw investors from both Europe and Israel reviewing start-ups from Israel, but also from Europe.

According to Solomon, it's easier for Israeli companies and banks to work with European institutions and investors than with US ones, both because of the proximity and the culture; Israel's financial system and the corporate structure in many Israeli companies is closer to the European than the American model. "Also Europe has numerous equity markets, so there is a wider range of places to go to raise money," said Solomon.

Solomon wouldn't be surprised if partnerships of Israeli and European companies emerged from these event, or if European companies decided to pursue an investment opportunity with Israeli institutions. "Finance is truly global today, and companies are not limited by borders when it comes to buying, selling, and especially seeking investments," said Solomon.

On the one hand, Israeli companies, seeking to hedge their bets on economic change in Israel and to take advantage of opportunities abroad, are buying or investing in companies outside Israel. "One supermarket chain I work with in Israel is considering buying a European market chain. They are seeking to limit their exposure in Israel, as they are concerned over the direction of the economy, which they believe will become more affected by the world recession," said Solomon.

Israeli banks, which have not experienced the tribulations of banks abroad, are looking to expand their portfolios abroad, for the same reason. “Israeli banks have traditionally invested in companies listed on the Tel Aviv Stock Exchange,” said Solomon. “The bottom 30 companies on the TA-100 index — i.e., the 100 biggest companies in the Israeli economy, most of which Israel’s major banks have lent money to, have a market cap of about NIS 100 million (\$25 million). There are many European companies that have bigger market caps that are looking for money, so there is no reason for them not to come to Israeli banks, or even to the TASE, to raise money.”

A good example of that phenomenon is [LivePerson](#), which started out as a US company, traded publicly on the NASDAQ since 2000. Later that year, LivePerson purchased an Israeli company called HumanClick, and expanded its operations here — to the extent that in 2011, the company held an Israeli IPO, and today trades on the TASE TA-100 and Bluetech technology indices. That deal appears to have whetted the appetites of the powers that be in Israel’s banking industry. “The TASE is seeking more companies to dual-list on Israeli exchanges,” said Solomon. “Given the state of the world economy, I think we can expect that to take place. There won’t be a flood of foreign companies seeking to raise money here, but Israeli institutions will certainly be seeing more requests for investments.”