

THE TIMES OF ISRAEL

Fund offers 'golden path' for Israeli firms into China

Two veteran investment firms will provide money and guidance for mid-size and large companies seeking to go east

BY DAVID SHAMAH November 25, 2013, 3:55 pm



Members of the Catalyst-Everbright China team (L. to R.) Fan Shengyan, Alain Dobkin, Chen Shuang, Edouard Cukierman, and John Chan (Photo credit: Courtesy)

The relationship between Israel and China is symbiotic – or should be. China has a great need for advanced technology to feed its people, clean up its environment, and create jobs for its growing urban population. And it has the money to pay for it. Israel has the technology China needs, and many high-tech companies here are very interested in getting involved in the Chinese market, which has become one of the most active in years.

To enhance relationships between Israeli companies and Chinese customers for their technology, Israel's Catalyst Equity Management and Hong Kong-based China Everbright have established a \$200 million fund (the first round of \$75 million will be ready early next year, and the overall fund is likely to increase to \$300 million, Catalyst said) to help mid- to late-stage Israeli companies expand into the Chinese market.

For Israeli companies doing business in China, though, a strong guide that knows the lay of the land is almost as important as funding. The dangers of doing business in China – from the “borrowing” of intellectual property by locals to the infamous “third shift” many factories put in (where local managers use a company’s equipment to produce goods for themselves) are well known, and it’s these concerns that have prevented many companies from trying to break into the Chinese market.

But there’s just too much opportunity to pass by, according to Alain Dobkin of Catalyst. “We believe it is crucial for Israeli companies to get involved in emerging markets like China,” he told The Times of Israel. “Doing business in Europe and North America, the preferred destinations for Israeli companies, is more difficult now, and there is a great deal of growth in emerging markets now.” And no market is emerging more quickly and strongly than China, he said.

The Catalyst-Everbright fund will be targeting companies that plan to do business in China, and are mid- to late-stage companies with proven innovation and global presence – in other words, companies that are well-established in their industries and are ready for a boost in business. That even seasoned companies like these need guidance in order to get involved in China shows just how tough it can be for a non-Chinese company to cope with the challenges of doing business in the country, but with the support of the fund, said Dobkin, companies can get down to business and not have to worry about the “costs” of doing business.

“The money will be invested in the company itself, and we are working with some of the biggest companies in China, who will also be investing. So if something goes awry with the investment – such as someone making off with the IP – it will just be hurting the Chinese investors themselves.” Catalyst has discussed the model with many companies in Israel and China, “and everyone is interested in this model,” Dobkin said. The focus of the fund’s investments will be on companies in the tech, energy, industrials/manufacturing, healthcare, water, media and telecommunication industries, among others.

“Israel is a unique country with admirable capability for innovation and technology. Greater China is one of the largest and most diverse markets in the world. We are confident that by joining forces with Catalyst, we can identify and execute on opportunities where we can link outstanding Israeli innovation with the Greater China market potentials and create value for our investors,” said Chen Shuang, Catalyst Everbright’s chief executive officer and executive director. “While Greater China is clearly an important market place that no company with a serious global strategy can afford to overlook these days, China can offer much more in terms of ample supply chain resources and potential listing venues to international firms. China’s outbound investment has been growing fast in the recent years but is still at a very low level compared to the size of the China economy,” he added.

According to Edouard Cukierman, chairman of Catalyst, the new fund “emphasizes Israel’s importance as a key global source of innovation. Although Israel is a small country, it has a great concentration of technological prowess in many disciplines. China is a natural market with enormous demand for all that Israel has to offer. There is currently an exciting opportunity in the Israeli private equity market. We believe that this new fund initiative is well positioned to secure attractive investment opportunities.”