

# Israeli tech's successful first half is an illusion, travel constraints will stifle the sector, warns investment banker

Edouard Cukierman isn't one to ring the alarm bells for no reason, but the current Covid-19 crisis in Israel and the belief by many people that Israeli tech is immune has got him deeply concerned

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Edouard Cukierman has seen it all in the 27 years since he set up the Cukierman & Co. Investment House. Being such an experienced investment banker, who also serves as the managing partner at Catalyst Funds, means Cukierman isn't one to ring the alarm bells for no reason. But the current coronavirus crisis in Israel and the belief by many people that Israeli tech is immune to Covid-19 has got him deeply concerned.

"Unfortunately, there is an illusion that there were many deals done recently," Cukierman told CTech. "In the first half of the year \$5.25 billion were raised by Israeli tech companies, compared to \$8 billion throughout 2019. One might think that Israeli tech didn't suffer any hit from Covid-19 if in the first half of the year it registered such fantastic results, but I think that is an illusion. As an investment banking company we know that it takes an average of nine months from the time you start a deal to the time you complete it. That means that all of the deals that were completed in the first half of the year began before the arrival of Covid-19."



Edouard Cukierman chairman of Cukierman & Co. Investment House. Photo: Courtesy

Cukierman explained that the fact that international investors are unable to travel to Israel will result in a painful blow to the local tech market which relies on the influx of funds from abroad.

"The fact that there is euphoria due to the good results in the first half of 2020 doesn't give any indication of the future. If I were an American investor and forbidden from coming to Israel I wouldn't be investing here. You don't invest without doing due diligence. The due diligence for all the deals completed in the first six months of the year was done before the pandemic began," explained Cukierman. "The Israeli government is planning on infusing NIS 500 million (approximately \$146 million) to the tech sector, but that is insignificant when you consider that in the first half investments reached \$5 billion. I'm very concerned about the future. Unlike American, European or Chinese companies, Israeli companies have no local market to sell to. They have to go abroad. But with Israel being a red country they have difficulty flying overseas and foreign investors aren't allowed to come here which is absurd.

"Israeli tech has been the growth engine of the Israeli economy for the past 20 years," Cukierman added. "The politicians are only interested in themselves and don't understand the importance of continuing to develop local tech and are making decisions without understanding their ramifications. It isn't that people want to travel abroad for a holiday. These are entrepreneurs that need to go abroad because it is vital for the continuity of their company. But this doesn't interest the politicians, even though the entire economy here is dependent on the tech sector."

Cukierman & Co. Investment House is considered one of Israel's leaders in cross-border investments, mainly through a strong network of leading corporations, investors and financial institutions in Europe and China. The firm provides a full range of investment banking services, including mergers and acquisitions, private placement, IPOs, asset management and strategic consulting to Israeli, European and Chinese companies, and has been involved in over \$7 billion in deals with the largest corporate finance team in Israel.

Catalyst Funds was founded in Israel in 1999 and manages more than \$300 million, supporting the long-term growth of medium-sized Israeli companies.

Cukierman returned to Israel from a successful visit to the UAE earlier this week with a twinkle in his eye, but the fact he can't currently return the hospitality due to the Covid-19 crisis in Israel significantly dampened his excitement.

"All the people we met, including some very influential people, would like to visit Israel. These are people that can make an impact, but they can't visit since Israel remains closed to foreigners," he said. "We saw in our visit to the UAE how a country safeguards its citizens' health. I underwent three tests in the UAE. I had to be tested before flying out. I was given another test when I arrived in Dubai and had to do another test when I traveled from Dubai to Abu Dhabi, which is a drive of an hour-and-a-half, and another one before I flew back. There are ways to deal with the pandemic. We received such a warm welcome and there is a willingness to create strategic partnerships, but we can't even host them here and that is absurd. There is no one in the Israeli government to talk to as this isn't on their priority list. This isn't a political issue and is completely about economics. This means nothing to the politicians and it really angers me that we find ourselves in a situation in which we are given an amazing welcome but we can't return it and interest them in investments in Israel."

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