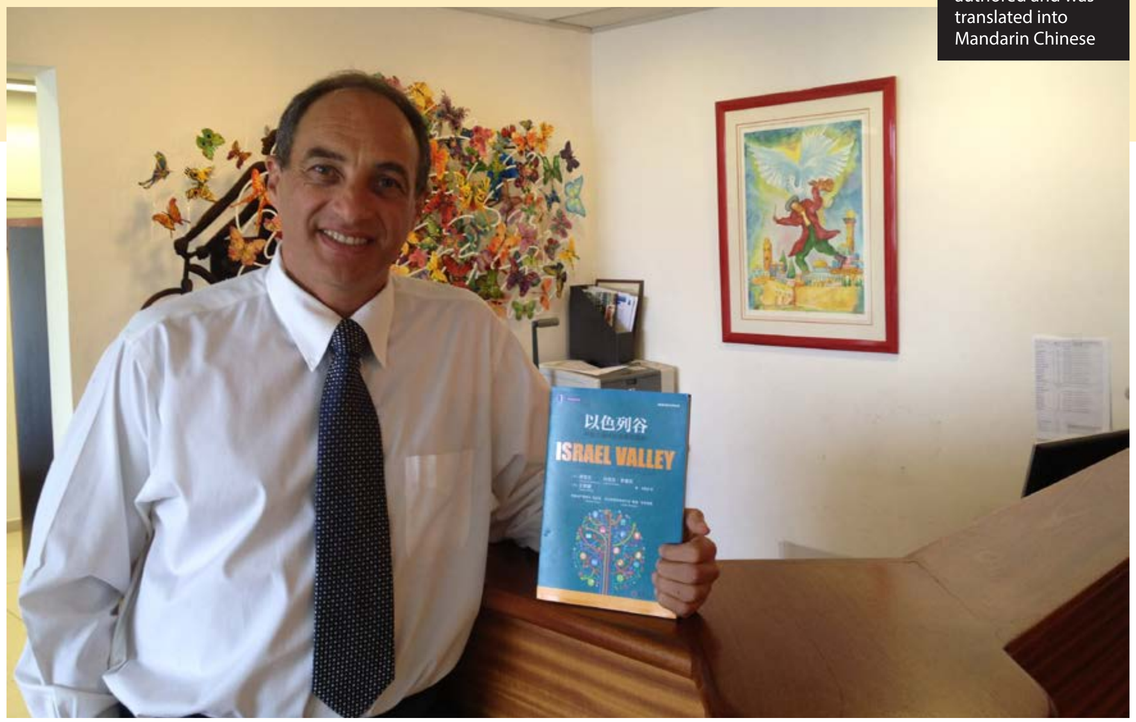
A conversation with Israel's veteran venture capitalist

Edouard Cukierman

By
Rabbi Yitzchok Frankfurter

From a STARTUP NATION to a NATION at WAR



Edouard holding a book that he co-authored and was translated into Mandarin Chinese

Edouard [Eddy] Cukierman, born in Paris, France, in 1965, is the founder of Catalyst Investments and chairman of the Cukierman & Co. Investment House, which has engaged in over $10.5 billion worth of corporate finance transactions since its establishment in 1993. Mr. Cukierman is also the CEO and chairman of the Catalyst Investors' Club and currently serves on the boards of Otorio and Curalife. In the past, he served on the boards of Tufin, Orex, MTI, Dori Media Group, Omrix and numerous other Israeli high-tech companies.

Edouard's father is Roger Cukierman, the ninth president of the Conseil Représentatif des Institutions Juives de France (CRIF) and vice president of the World Jewish Congress. Edouard immigrated to Israel in 1982 and lives in Tel Aviv with his wife and children.

Israel has long been known as the "startup nation" because of its innovations in high tech, but it is now back to being a country at war. Does that reflect your own trajectory and career?

Not necessarily. Ever since I moved to Israel in 1982 we have unfortunately had to face a war every ten years, so it's not as if we started with high tech and then had war; they always coexisted. In fact, part of the reason why the hi-tech sector has been so successful is that Israel was always at war and had to produce security technology. Also, because the soldiers were exposed to state-of-the-art technology from a very young age, it helped them develop technology for civilian applications as well. In other words, the civilian hi-tech sector was developed thanks to technology produced by the army. There's also a very strong bond between the Israeli universities and the hi-tech sector.

Another factor in all of this is that Israelis are forced to shoulder responsibility from a very young age. Today's generation, the generation of my children, have spent most of the last year serving in Gaza and the West Bank, where they are charged with protecting the lives of others who are even younger than they are. My son was practically a baby when he became a soldier and now he is suddenly the commander of a special unit. I heard him telling the parents of his soldiers that he is taking care of them as if he is their father. I found it very moving to hear him talk that way even though he is only 21 years old. You don't see this type of responsibility at such a young age in other environments. I think that's part of the DNA of the Israeli entrepreneurs, which partially explains their success.

As a venture capitalist who is trying to raise funds for Israeli companies that need financial backing, have things become more challenging since October 7 and the subsequent outburst of anti-Semitism? You certainly have a unique perspective.

Things have undoubtedly become harder due to the war and the way Israel has been portrayed by the media, combined with the demonstrations that have taken place all over the world, especially in Europe. But I believe that this has also driven us to further develop our capabilities to manage on our own. This is not the first time that Israel is feeling alone and unsupported; we've been in this position before. During the Six-Day War in 1967, de Gaulle portrayed Israel as the aggressor and declared an arms embargo and boycott. In every single conflict, Israel has mostly had to count on itself.

Fortunately, the country as a whole is stronger than ever before. In 1948, the United States wasn't the first country to support the establishment of the State of Israel, but things are different now and America has been very supportive. Of course, we have been very disappointed by some of the European countries, as very few of them have supported Israel as they should have, especially after the events of October 7. So we are now finding out who our friends really are.

The war has definitely affected the ability of many Israeli companies to raise money. In 2021, $25 billion was invested by the venture capital industry in the Israeli hi-tech sector. But over the last two years, it's been less than $10 billion per year. That's a big drop. Also, a lot of people working in hi-tech have had to serve in the army reserves—at least 25% of the workforce—so it was a very tough year. At the same time, Israelis are resilient. In 2024 there were more M&A (merger and acquisition) transactions than the year before. The number of unicorns [startups that are valued at over $1 billion] has also been growing. So there are challenges, but we've seen many signs of success as well. Those who weren't called up to the reserves just worked harder. If we were engaged to deliver products we did it, even if it was difficult to achieve those goals.

The result is that there may be fewer investors right now, but there are very good opportunities because the values have gone down. Based on my over 30 years of experience, I think that the best time to invest is when the industry is facing challenges. We've seen valuations drop over the past year, but that makes them much more attractive to people who want to invest in the Israeli ecosystem.

Did the valuations go down because of the war?

Part of the reason for the declining valuations is supply and demand. There are fewer international players able to come to Israel and invest here. You can see that in a number of areas. For example, the tech companies that trade on the Tel Aviv Stock Exchange have underperformed in comparison to the companies on the Nasdaq. This is a very transparent way to see the value declining. The multipliers we have today when we invest in a company are much lower than in 2021 or even 2022. Even for a company that has very good fundamentals, you're going to pay a much lower price today than you would have two or three years ago. If you look at our portfolio, probably less than 1% of the turnover is to the Israeli market. These are companies that are international and do not depend on the local markets for their products.

Is Israel's ecosystem unique, or is it similar to the rest of the Western world?

I think it's very different, although there are common elements. The Silicon Valley companies are a melting pot of people from different countries and cultures, which is similar to the way things are in Israel. You can also see the role played by the universities. But again, the big difference is the expertise and experience that people acquire in the army, whether that's in security, medical devices, vision systems or other areas. And it's not only their prior access to technology but the attitude and approach they learn in the military.

Some of the technology we invest in comes from the army, even though it's used for civilian applications. For instance, we were the only venture fund that invested in Mobileye. Mobileye was the

Edouard Cukierman and Yair Shamir, founding and managing partners of Catalyst Investments, address Israel's economic success in a discussion moderated by Asia Society co-chair Ronnie C. Chan

biggest transaction ever made by an Israeli company in the history of Israeli hi-tech, having been sold to Intel for $15.3 billion. It is now a market leader in the car industry, and it makes the sensors for the proximity warnings to avoid collisions. When we invested in it, every competitor was able to sense static elements, but Mobileye was the only one that was able to identify moving pedestrians. These days, if you have a missile that is guided by a vision system and a pedestrian suddenly enters the area and you need to divert the missile in real time, you can do it with this technology at the speed of a car. That's why Mobileye was superior to any other technology around. Most of the engineers came from a background where they had learned to do that.

Do you envision any positive technological developments arising from everything that has happened since October 7?

I am sure that there will be many of them. We've seen what the Iron Dome has been able to do to protect the country by destroying rockets and drones. However, the challenge is that the terrorists send a drone that cost them $500 and you have to fire two missiles that cost $50,000, which means that the average cost of stopping a cheap drone is $100,000. It's completely absurd. That's why we're starting to hear about the use of laser technologies. Many other countries have tried to develop lasers that are able to stop missiles and drones, but there is one Israeli company that has developed a solution that works very efficiently. Instead of $100,000, the cost of operating the laser is the cost of the energy, which is less than $5.

> Ever since I moved to Israel in 1982 we have had to face a war every ten years, so it's not as if we started with high tech and then had war.

Let's talk about your own work. Has there been anything innovative in what you're doing in the venture fund space?

In our 30 years of activity we have always tried to be disruptive in many ways. For example, the way we've grown our investment bank to become the largest is by going to markets that were untapped. We did the first Israeli IPO in Europe in 1997; I did my own venture fund project there. At the time, no non-European companies traded in Europe. Since then, there have been more than 100 Israeli companies that went public in Europe, and we did most of the IPOs. We were also the first to establish a joint China-Israel venture fund.

As for our investment activity, we created something truly innovative a year and a half ago by building the Catalyst Investors' Club platform, which enables private investors to obtain access to Israeli companies that up until now were offered exclusively to the venture capital community. It's really a way to democratize access to these amazing companies. The platform is also easy to use. You can go online and see for yourself what makes it unique. The website is catalystic.com. People can view videos of the best Israeli technology companies, and if they like what they see, we tell them if there's a lead venture firm that invests in that company, and if there is, we put them together.

I believe that this is the way forward for Israeli companies to raise money without having to go overseas or having to bring investors here, which is very difficult during wartime. This platform has been quite successful regardless of where the investors are, so they can cherry pick the best companies and privately co-invest alongside the big venture funds.

I understand that you don't concentrate on startups. Is that correct?

When I started out, I used to invest at very early stages, but over the years we decided to shift to more mature companies. One of the reasons is that it has been taking longer than ever before to get to an exit. In the past, you could go public in the US with a $100 million valuation. Now you need to have at least the status of a unicorn in order to attract lead ventures or investors.

Unicorn being $1 billion, correct?

Yes. It takes a lot more time to get to that level valuation. On average, it takes Israeli companies 16 years to get to $100 million, and it takes 18 years to get to $200 million. That's why we had no other choice but to start investing in more mature companies.

So it's harder for startups to raise capital.

Yes. But if you look at the numbers, Israel has raised more money from the venture capital industry than the entire EU combined, and there are more unicorns in Israel than in the whole EU. And that's despite the challenges we've faced over the past year.

What message do you have for a young entrepreneur with a good idea and a dream?

I've seen many companies shut down over the years. When I ask them why they had to close their operations, many of them say that the technology or the product just wasn't there, or they blame the management. But the truth is that the only reason why a company can't continue is that it wasn't able to raise cash. My recommendation is that when you kick off your project, make sure to raise enough cash so you can operate for at least the next three years. There are going to be ups and downs, so you should raise cash when you can, not when you need it. A lot of companies fail to raise cash at the right time.

I know that you have also undertaken to defend Israel's position in the world. Is that part of your efforts to raise capital for Israeli companies, or are they two separate things?

They are two separate activities. I was a spokesperson for the IDF for many years as a reserve officer, and I also served in the Negotiation Unit of the IDF dealing with hostage and other situations. I have served my country for almost 40 years, mostly as a reserve officer. I was released around five years ago due to my age, as I am now 60 years old. But I couldn't stay idle, especially as two of my sons have been fighting over the past year. So I decided to spend some of my time explaining Israel's position to different media outlets around the world and especially in France, where it's easier because of my origins. Another way to support Israel is to help the Israeli economy and help Israeli companies raise money.

In your work defending Israel, do you feel that there are receptive ears out there, or are people's minds made up and they refuse to be budged?

In France, I've been focusing on the non-Jewish media, because when you speak to the Jewish media you're preaching to the converted. The goal is to try to convince people who are listening to outlets that aren't necessarily supportive of Israel. It hasn't been easy, but I do think that my efforts have been productive, because a lot of people aren't very knowledgeable about the situation. I've gotten positive feedback from journalists as well as the public. Also, the impact of social media is so strong these days that the traditional info channels are no longer the most efficient way to try to influence people, especially among the younger generation. Unfortunately, we aren't that efficient at countering it because we are very outnumbered by a huge wave of anti-Semitic content that is coming mostly from the Muslim community and the extremist organizations. Many of these campaigns are funded either by Iran or Qatar, which makes it very hard. Nonetheless, we must keep on fighting. It's an important fight.

What do you consider the most important point that should be made in order to have a positive impact?

I try to explain to the Europeans what's going on with an analogy. I ask them to imagine what it would have been like if after France withdrew from Algeria, the Algerians had turned around and attacked France. Ever since Israel withdrew from Gaza and Lebanon, we've had over 200,000 rockets fired at us. I tell them, "Just picture having even one rocket fired at Marseille from one of the former French colonies in Africa. What would be the reaction of the population?" And I'm not even talking about those people coming in and committing a massacre with the most barbaric acts one can think of. I'm talking about a single missile. Just this morning I woke up at 3:00 a.m. because Yemen shot a missile at Tel Aviv. I try to convey the message that we must fight these terrorists, in the same way that everyone in France was united after the Bataclan massacre and other terror attacks that took place in Paris. I believe that at least some people have come to understand that.

Most people in France aren't stupid. If you look at what's happening there, you can see that they're starting to acknowledge that what's happening to Israel can happen to them as well. They understand the associated risks. The Christian community is also becoming a target for these terrorist organizations. Some people even understand that Israel is carrying on a fight that Europe is unwilling to do right now, and they support that, even though they don't talk about it because it isn't politically correct. But I get a lot of positive feedback from people telling me that they have a lot of respect for what the IDF is currently doing.

I find it fascinating that someone like you who raises capital has to not only sell a product or company but also Israel, to a certain extent.

We are all soldiers in Israel, even if we are civilians. Some of the most challenging combat isn't done on the battlefield but through the media. I may not be in uniform or a member of a combat unit anymore, but it's an important fight that one must take part in.

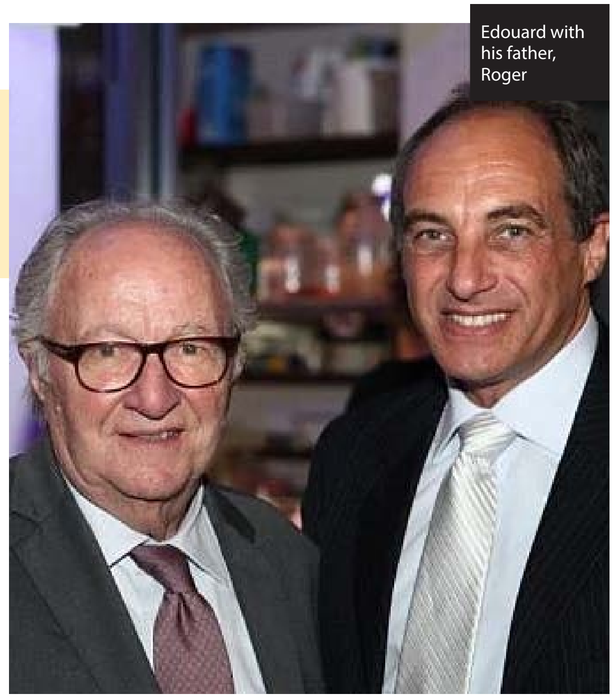
We've seen valuations drop over the past year, but that makes them much more attractive.

Are companies that once invested in Israel no longer doing so for political reasons?

Are you asking about investors deciding to pull out or investors deciding not to invest any further?

Let's talk about both.

There have been instances of both, and I can understand that. I have Middle Eastern investors who have told me that they don't want to be at risk. When you have an investment community that has to approve a deal, they will typically look at the fundamentals of the company that is presented to them. But if you have ten people in the investment community, and one of them makes a remark about the political risk, the implications of the conflict or the future of his investment, that's going to bother all of them. There's sufficient exposure when you invest in this industry, so to be forced to assume additional risk on top of that is very hard. We do face that from time to time.



Edouard with his father, Roger

I understand that your father was a banker as well.

Yes. He was at Rothschild for 37 years and served as its CEO for a number of years.

Did he also have a similar combination of being in finance and political activism?

After his career at Rothschild he became head of the Jewish community in Paris. He was president of CRIF, which is the leading body of the Jewish community in France in its relations with the government. He served in that position on and off for a decade.

Is there a primary teaching that you learned from your father?

That you always have to be very professional and educated when it comes to business. My father is a Holocaust survivor, so he understands the importance of the State of Israel and the IDF, so we share the same values. And as the head of the Jewish community, he was never afraid to support Israel publicly even though he is French. This was obviously a tough job and he filled it magnificently.

Was he in France during the war?

He was born in Paris in 1936, but his family came from Poland, and the vast majority of his relatives were murdered during the Holocaust. He was able to survive because he was hidden in a convent.

Where is your mother from?

She's Israeli. She joined my father in France in 1963 after they got married in Israel. We all have dual French and

Edouard with his sons, who are all currently serving in the IDF

Israeli citizenship, and we were educated in the two cultures.

But you decided to immigrate to Israel.

I made *aliyah* when I was 18. I didn't feel comfortable staying in France while there was a war going on in Israel; that was the first Lebanon War. I felt that I should be there.

The connection between the world of finance and Jewish history is fascinating.

My father used to say that the difference between a person working in *shmattes* and a person working in a bank is one generation, because my grandfather worked in *shmattes*. We were fortunate that we were able to do it.

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Are your parents still living in France?

Yes. My father is still very active in the Jewish community there.

Do they still believe that there is hope for French Jewry?

It's not by accident that all of my parents' grandsons are now living in Israel. My father has to do whatever is needed to protect French Jewry, but at the same time I believe that a substantial percentage of the Jewish community will eventually leave France.

Over the last few years France has practically become a Middle Eastern country, with the result that we aren't just dealing with old-style Christian anti-Semitism but with a whole new variety as well.

And it's only going to get worse. I compare what's happening in France to what happened in Lebanon. Lebanon used to be a majority Christian country that became completely controlled by a terrorist organization.

French was also widely spoken in Lebanon. The whole country was influenced by French culture.

Exactly. The French people certainly understand what happened there.

With the defeat of most of the "Axis of Resistance," what hope do you see for Israel's business climate and ecosystem?

Even though the war has been very difficult, I think that Israel will emerge stronger than ever. Our neighbors in the Middle East will eventually sign peace treaties with us, and I'm sure that the market will bounce back. As I said before, the best time to invest is when we're facing challenges, so it's a really good time to invest right now because the market is going to rebound. ●