

Supporting Israel's Entrepreneurial Ecosystem

An Interview with
Oren Bar-On, Senior Partner, EY Israel

EDITORS' NOTE *Oren Bar-On has held his current post since October 2005. Prior to this, he was a partner from 1998. He is a member of the Board of Trustees of NFTE Israel and a committee member of IATI. He has a master's degree in Diplomacy and Security from Tel Aviv University and a bachelor's degree in Economy and Accounting from Ben Gurion University.*



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FIRM BRIEF *EY (ey.com) is a global leader in assurance, tax, transactions, and advisory services. Locally, they are committed to doing their part in building a better working world for their people, their clients, and their communities. Globally, they are also united by their shared values, which inspire their people worldwide and guide them to do the right thing, and their commitment to quality, which is embedded in who they are and in everything they do.*

EY has seen strong momentum in the Israeli high-tech industry in recent years. Would you touch on that momentum?

Over the past couple of years, Israel has seen a significant leap forward in the technology sector. Israeli entrepreneurs were known not only for their intelligence but also for carelessly opting to exit – to sell companies quickly and, in many cases, for a cheap price.

Today, Israel is moving from smaller M&As to substantial deal values and record-breaking deals. Over the past few years, Israel has had significant M&A deals in terms of value. The buyers included companies such as Google who bought Waze, a consumer application company, for almost \$1 billion, and IBM which bought Trusteer, a cybersecurity company, for \$650 million. Other examples include Apple, which made its first acquisition outside the U.S. when it bought PrimeSense, a 3D sensing company, for \$360 million, and Amazon, which acquired Annapurna for \$360 million.

Asian buyers have also been active in Israel in recent years: Rakuten, a Japanese company, bought Viber for almost \$1 billion. Infosys, an Indian-based company, bought the Israeli company Panaya for \$200 million.

Another interesting trend is private and public Israeli companies buying other Israeli companies. IronSource, one of the few Israeli unicorns, bought another Israeli company called Supersonic.

This significant leap forward can be seen in the public market as well. Traditionally, Israeli companies

went public at \$150 or \$200 million valuation at the time of the IPO. Currently, conditions are increasingly improving. SolarEdge Technologies went public with approximately a \$600-million valuation, the same with Wix. Mobileye had about a \$5 billion valuation and is currently about a \$9 billion market cap. CyberArk Software Ltd. went public and the price has more than doubled since the IPO.

Another change can be seen in the VC landscape, which is shifting from U.S. investors only to a wider variety of investors including Chinese, Singaporean, and European investors.

Israel, which used to depend mainly on seed investors, now attracts a diverse investor mix including many private equities like Francisco Partners, Israel Growth partners, KKR and others. In addition, the source of funds coming to Israel is not only from private European and American investors but also from corporates. Baidu and Alibaba, are examples of companies that have invested in Israeli companies as well. Israel hasn't seen that in the past.

Also in terms of subsectors, Israel traditionally focused on security and IT enterprise. Check Point Software Technologies Ltd. may be the most familiar Israeli cyber company, and NICE Systems is a very successful Israeli company in networking and IT.

What has made EY so effective in supporting entrepreneurs but also in building common interest?

The main reason was the fact that EY has always focused on entrepreneurs from their initial stages. EY was willing to support the companies from day one when no one else wanted to invest because they could not see the long-term potential. In general, EY helps young entrepreneurs with introduction, business development assistance, financial advice, and mentoring. Once they raise money from the VCs, EY supports them in their international expansion.

EY makes sure to gain tremendous impact by being a significant partner for each one of the elements in the ecosystems.

EY sponsors and mentors incubators, hubs, and accelerators. One example is of a special unit in the army called 8200 EISP accelerator – EY has become an integral part through mentorship and education. We also have good relationships with the VCs so we are able to make the connection between them and potential investments.

EY provides advisory to the Israeli government, which includes the disruption of other government's support of innovation. The Israeli government was always a significant and positive factor in the Israel tech industry. The government wants Israel to keep being competitive compared to other countries.

EY also believes that the Israeli ecosystem can benefit from a relationship with the New York ecosystem. We see more Israeli entrepreneurs moving to New York to be closer to the market. They maintain their R&D centers in Israel while their sales and marketing take place in New York. About 15 percent of companies in New York are Israeli related, so EY has established a platform for Israeli entrepreneurs to connect with each other. We recently held a conference for Israeli companies in New York and are determined to nurture our relationships overseas in order to connect the two ecosystems. EY Israel is also working with EY in New York to have service delivery for the companies in New York.

How has Israel been so successful in entrepreneurialism?

In the past, it was fostered by military veterans and Russian immigrants. Nowadays, Israel has a mature and balanced ecosystem, so much so that it creates more opportunities and success stories. These achievements are a direct result of government support, talented people, and the technology infrastructure, as well as many global VCs who are active here; high-level service providers that are willing to invest their time in start-ups; experienced second-time entrepreneurs that are doing their second operation or start-up and are willing to be mentors for others and accelerators such as Microsoft, IBM, Qualcomm, and Samsung alongside unique Israeli accelerators of special units from the Israeli army.

Plus, Israel has a society that celebrates entrepreneurship. It means it's okay for people to fail in their journeys toward success since they have the support of the ecosystem to put them right back in the game.

Do you believe that entrepreneurship can be learned?

To be an entrepreneur, one should have passion and the right education but, most importantly, the unique DNA that drives innovation, includes the tenacity to never let the word “no” stop someone from achieving what he or she wants. That is something that cannot be learned; it is innate. Someone can be a good number two to an entrepreneur with the right education but he or she will never become an entrepreneur by education only; that person must have the drive. ●