

# Israeli VC activity in Asia

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**How are Israeli VCs active in Asia? IV CJ tapped five leading Israeli venture capital firms that operate in Asia for a perspective on their activities and how they contribute to their portfolio companies.**

*Michelle Berger heads Vertex Venture Capital's office in Singapore. Vertex Venture Capital is part of the Vertex Group - the investment arm of Singapore Technologies, a leading technology-based multinational conglomerate.*

Vertex Venture Capital actively helps its portfolio companies by

- helping them study/learn/understand the local market before entering
- assisting in fundraising
- identifying potential partners and customers
- making introductions – built on established trust and long term relationships
- hosting meetings and performing follow-up
- acting as a mediator and helping bridge the cultures in order to avoid misunderstandings
- helping to establish personal relationships (and patience on the Israeli side), as business cycles tend to be long
- building trust and partnerships

All of the above mentioned points are essential in ensuring a successful partnership with an Asian partner, as trust plays a key role. Since many young Israeli companies do not have the budget or the manpower to have a permanent presence in this part of the world, it is important to prove to a potential Asian client/partner that one is committed. It is essential to have some sort of constant local representative to demonstrate that the company is not merely casually passing by with suitcases full of empty promises. Potential partners/clients need to know that they can rely on the Israeli company as a serious business partner, even after a deal has been concluded.

Let me provide an example of how we have worked in Asia. Scopus Technology Networks supplies end-to-end digital compression system solutions for video and data distribution networks. It was the official supplier of the digital platform for the global broadcast of the 2002 World Cup in Korea. Before Scopus decided to penetrate Southeast Asia, Vertex helped it identify the right partners (system integrators) as well as potential clients, and made the necessary introductions. Given the tremendous potential in this region, Scopus decided to open a regional office in Singapore, which serves as a hub to the Asia Pacific region. Since opening the office, Scopus has benefited tremendously from the exposure and having a permanent base here, and as such is securing attractive deals in the region.

*Adam Fisher, a Principal at Jerusalem Venture Partners, is currently working to open an office in China. JVP already has a presence in Tokyo, Japan.*

JVP's Asian presence goes back to its formation in 1997 as it established ties with several of its Japanese limited partners including Nissho Iwai and Mitsui, two of Japan's largest trading companies. Another limited partner of ours is JAFCO, which is Japan's largest venture capital fund. JVP's connection to Asia has expanded over the years with the inclusion of Singaporean (GIC, TIF and Tamesak) and additional Japanese investors in JVP IV (2001). The recruitment of Hiroshi Ikegaya in Tokyo, first as an adviser in 2000, and more recently as a Venture Partner, bought JVP a local presence in Asia.

The rationale for moving into Japan and Asia, in general, is fairly straightforward. Israeli companies must find their target markets early on. For many companies, by default, this has meant the US. JVP recognized that, in certain fields, the US would not be the sole market or even the primary market. In areas such as wireless, mobile, networking, consumer electronics and digital media, Asia is key. Israeli companies are geographically disadvantaged, as few can simultaneously address the markets of North America, Europe and Asia. JVP believes that it can bring value to its companies through its expanded network in Asia, which includes other portfolio companies, its LP base and those local contacts and relationships gained over the past seven years. Of the thirty or so active companies in the JVP portfolio, half of them are engaged in one or more markets in Asia. This includes all semiconductor and component companies, most communications and wireless companies, and several software companies. We expect this number to rise over time as more startups recognize the opportunity in Asia.

Those companies that have been most successful in penetrating Asian countries have made Asia a primary and strategic focus in their initial planning. They often have dedicated individuals residing in the region, and work with strong channels and partners.

About 10 of our companies are in various stages of activity in the greater China area. The time has come for JVP to coordinate activities with our portfolio companies after having prodded them to get to know and enter these markets. We are building the necessary contacts and market understanding to assist those JVP portfolio companies which consider China a strategic market. The more JVP knows about operating and doing business in China, the more value we can bring to our portfolio companies.

JVP's Tokyo office is strictly dedicated to the

Japanese market, which is quite distinct from China, Korea or Taiwan. Hiroshi Ikegaya works with JVP's portfolio companies to devise strategies for the Japanese market, build relationships with customers and distributors and, when relevant, assist in the establishment of joint ventures and Japanese subsidiaries.

Many of the initial challenges faced by start-ups when penetrating the Chinese and Japanese markets are common. However, there is a different set of relationships required in the Chinese market, and a very different set of market dynamics to deal with over time. Thus, we felt that the two markets demanded similar, but separate strategies.

*Yishai Klein has headed Giza Venture Capital's office in Singapore since 2001 and is actively involved in Giza's latest regional developments.*

Giza Venture Capital was a pioneer in moving to Asia, recognizing early on the importance of that region for Israel and its high technology portfolio firms. We chose to open our Asian office in Singapore, which is not only an important high technology business center in its own right, but is a gateway to other prime Asian markets. Our Singapore office is very relationship oriented. We focus our energies on establishing the right relationships between Israeli companies and the business community, government agencies, investors and potential strategic partners. For example, we were instrumental in bringing Can-Fite, an exciting Israeli drug development firm, to Asia and helping Can-Fite find partners for licensing, investment and development.

We feel now that the time is right to add to our Asian presence, and we are considering opening an office in China. Greater China is becoming increasingly dominant in the technologies that Israel is producing, providing many complementary skills. Moreover, leading multinational firms are looking to China for manufacturing, where components may be Israeli, but the overall products are essentially Chinese.

Israeli firms should have interest in China, not only to sell into the Chinese market, but as a conduit for other markets as well. Currently, US companies are inundating China. The Chinese have demonstrated their potential in the communications sector, specifically in broadband and the mobile field, but there are other areas, too, with enormous potential. The healthcare industry is one of those where state-of-the-art technology is being introduced into the hospitals and reform of the healthcare system is underway. Israeli medical device developers should especially take note

We anticipate that Israeli companies will increasingly look to establish R&D facilities in China and other countries of Asia. Israeli companies desiring to sell successfully will need to adapt their technologies to the requirements of the domestic markets, and the most efficient way of doing this is not only through a sales office, but also by having development staff on site. Moreover, while Israeli firms have best of breed products in several areas, they must design, develop and produce their technological products competitively. Maintaining a low cost structure

## Israeli VCs Active in Asia

Fund Manager	Asian Office(s)
Giza VC	Singapore, China (planned)
Infinity VC	China (planned)
JVP	Tokyo, China (planned)
PNV	Singapore, Taiwan
Vertex VC	Singapore

will be critical to staying competitive in the future.

China is sure to attract Israel's leading technology companies in greater numbers, as the Chinese are hungry for technology that Israeli companies are able and willing to provide. Giza will be there for the sake of its portfolio companies and will work hard to make it all happen.

*Dr. Shuki Gleitman is Managing Partner of Platinum Neurone Ventures (PNV) which, with two Asian offices and Asian investors, is very active in Asia on behalf of its portfolio companies.*

Platinum Neuron Ventures (PNV) supports its portfolio companies in a variety of ways including the provision of market analysis and help in locating the right representation and marketing channels. An additional layer we supply is knowledge and understanding of the Asian market, which we try to impart before physical plans are actually made by our companies.

PNV operates in Asia through our offices in Taiwan and Singapore, where in each we have a two-person professional staff with a technical background. We also have a strong presence in Korea through SFK Technologies, our sister company, which is General Partner in the \$100 million-plus Korea Global IT fund, an investor in Korean and Korea-related firms. While PNV has no plans to open in China – that's rather ambitious for us right now – we do have colleagues and partners in the Shanghai, China area that can assist us in supporting our portfolio companies. We are also discussing a unique management deal in Asia that could result in setting up a major office in China in the future.

*Amir Gal-Or, Managing Partner of Infinity Venture Capital Fund, is orchestrating his fund's double-barreled entry into China. The move is seen as by Infinity as necessary in order to add value to its portfolio.*

We are opening two offices in China – one for a fund and one for business development for our portfolio companies. Infinity, along with IDB, Israel's largest holding company, is starting a fund that will invest in Israel-related firms. Its size will initially be \$10 million, with a mechanism to increase to \$75 million. Target investments will include joint ventures between Israeli and Chinese companies, subsidiaries of Israeli companies operating in China, and high-potential companies in China that engage in business with Israel. The fund will be established as a joint venture with a leading Chinese company.

Our business development office is scheduled to open in the summer. We feel that such an office is essential based on the needs of our portfolio companies that are increasingly pursuing opportunities in China. ■

**"Our Singapore office is very relationship oriented."**

*Yishai Klein  
Giza Venture  
Capital*