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INVESTMENTS

From left : Ariel, Gil, Dan

Investors Became "Picky"

When Gil Makov and his sons, Dan and Ariel, entered the Investment Banking in Technology business, they were aware that name and connections can open many doors. Today, around \$ 200M later, they warn of a challenging year due to "events in Chinese markets", talk about the widely-covered raise for Nano Dimension's 3D printer, and pinpoint the next sources of investment: South America, Japan and even parties in the Gulf States

Hadas Magen, Globes, June 2nd, 2016

Gil Makov, chairman

- **Personal status:** 76, married + 2 (and 5 grandchildren), residence: Tel Aviv
- **Education:** LLB from the Hebrew University of Jerusalem Faculty of Law

Dan Makov, President

- **Personal status:** 50, married + 2, residence: Tel Aviv
- **Education:** LLB from Buckingham University, UK and LLM (International Banking Law) from Boston University Law School

Ariel Makov, CEO

- **Personal status:** 45, married + 3, residence: Tel Aviv
- **Education:** LLB from Reading University, UK and LLM from New York University Law School

Gil Makov lays his cards on the table at once: “Investors became hard-to-get”, he says, in a somewhat pessimistic message to entrepreneurs, who are sitting in a small lab, at the drawing board or in front of code strings. Startup Nation? Exit Nation? It only takes a good idea for investors to line up? As far as Makov, 76, who co-owns the investment banking boutique Orange Blossom Ventures (OBV) with his two sons, Ariel (45) and Dan (50), is concerned, these clichés are no longer valid.

“Investors who invest in technology companies receive a hundred offers every week, and, for entrepreneurs, sometimes a lot of time is wasted knocking on the wrong doors”, says Makov. “Even if they are approached by two young guys who reinvented the wheel, they will not give them the time of day. Entrepreneurs should be managing companies, and others should be chasing the money”.

Recently, OBV made headlines due to its involvement in two private issues: the first, in Nano Dimension, operating in the 3D printing field (when they have led a 50 million shekels raise), and the other – in Foresight, which develops a technology for road accident prevention.

For Foresight, the Makovs have led a 16 million shekels raise, which included the Lubinski Group – importer and distributor of Peugeot and Citroen in Israel, Itzhak Swary – Chairman of Allied Holdings, which owns Champion Motors (importer of Audi, Seat, Volkswagen and Skoda in Israel) and Itzhak Shrem (who also invested in Nano Dimension), as well as Professor Benad Goldwasser, Zvi Yemini, Yoav Harlap and others.

Investment Portfolio – Main Raises by the Makovs

■ **Bevyz** – developed unique drinks system

Investors: private – local and foreign

Capital raised: 15 million dollars

*The company was acquired by Green Mountain for 220 million euros

■ **EyeSight** – developer of natural user interface for digital devices

investors: Mitzui fund, Mac fund and private investors

Capital raised: dozens of millions of dollars

■ **Blender** – peer-to-peer lending

Investors: Blumberg Capital, Bearing Capital, David Fattal,

Giora Ofer

Capital raised: 7 million dollars

■ **Splitit**: operating in the credit card field

Investors: Shlomo Nehama and private investors

Capital raised: 5 million dollars

■ **Nano Dimension** – developer of 3D printers

Investors: Professor Benad Goldwasser, Zvi Yemini, Itzhak Shrem, Yoav Harlap

Capital raised: 50 million shekels

■ **Credorax**: operating in the credit card clearing field

Investors: Bloomberg Capital, FTV, Columbus Nova and private investors

Capital raised: ~100 million dollars

■ **Foresight**: developer of advanced accident prevention systems

Investors: The Lubinski Group, Porsche, Itzhak Swary, Itzhak Shrem

Capital raised: 16 million shekels

■ **Safer Place**: developer and supplier of advanced video-based solutions for traffic violation enforcement

Investors: Roman Abramovich, Yossi Rosen and the Carasso family

Capital raised: 5 million dollars

For the Makovs’ part, the element which enables them to raise capital and recruit investors is their long-term personal acquaintance with senior market figures.

“Companies have no access to these people”, says Dan Makov. “If I put in a call to Guy Gamzu (one of Israel’s leading angels), whom I have known for thirty years, it is different from having someone, who does not know him, contact him directly. If we introduce a company to the Recanati family, with whom we have a seventy - years acquaintance, it is different”.

Q: How do you know the Recanati family, for instance?

“Through our maternal grandfather, the late Israel Saharov, who was a senior industrialist. He was a co-founder of Sahar Insurance Company and Bezeq. These are the wealthy aristocrat families of Israel’s early days. It is the same milieu, people who used to be neighbors and raised their children together. This is the sector of old money families, which, in time, turned to angels”.

This, according to the three, is what enables them to open the right doors, doors, they say, which will remain shut for entrepreneurs or raisers who are not familiar with the Materia: “I will not approach the Recanatis”, says Ariel Makov, “When I have a 15 million dollars raise, since I know their upper limit is one million”.

Small Entrepreneurs Limbo

The Makovs’ roots have been in old money for years: their ancestors had been founders of Rehovot; a cousin of the father (Gil) is Israel Makov, formerly CEO of Teva; and the Chairman of the Maccabi Tel Aviv Basketball Club, attorney Shimon Mizrahi, is a relative. Orange Blossom began as a law firm, founded by the grandfather, the late Haggai Makov. Gil has joined the firm after graduating from law school, and collaborated with Mizrahi after the father passed (“Shimon and I have been together since kindergarten”, he says, “We have always talked about doing something together”.

Dan and Ariel have attended law school in England and the United States, went on to pursue their master’s degree (Dan, from BU and Ariel – from NYU), and even worked at a large Washington, DC, law firm. When they returned, in 2001, the partnership with Mizrahi came to a halt: “There was no future for the children in the firm”, Gil recounts. “They came with extensive business baggage from their school time and work overseas. At the time, I had many collaborations in the United States, and I wanted them to enter this area”.

Upon Makov’s separation from Mizrahi, he moved with his two sons to the hi-tech stronghold – Ramat HaHayal – and the trio established a firm focusing on clients from technology fields. “I have spent most of my time tending to business matters, rather than law”, says Gil, “And companies began approaching us on capital raising issues. We found ourselves slowly involved more in capital raising. I was uncomfortable with this duplication – this is a recipe for conflict of interests – and so we decided a focus is called for. It was difficult for me to give up practicing law, but we have discussed it matter-of-factly, and once I realized that the boys have confidence in the way, and that we believe we can reach achievements, we decided to do the shifting”.

“We have identified”, continues Ariel, “A big lack of outfits, which can connect opportunity and need, money and technology. Seemingly, every Israeli knows how to bring money and technology together, but we have identified a sort of vacuum with regards to raising funds for companies in their early days: on the one hand, they are too small for venture capital funds, and on the other hand, your typical entrepreneur cannot manage a raise of two or three million dollars on their own”.

At the time, they say, there were no professionals whose business it was. At best, lawyers and accountants provided the service “on the go”. “We said to ourselves: let’s do this

full time”, says Ariel.

They have used the assistance of three old friends, all leading experts to screen companies for them, each in his own field: Professor Eran Dolev and the late Professor Moshe Many in the medical device field, and Police Major General (ret.) Alik Ron in the homeland security field & Shmuel Ben-Tovim, former Economics Minister in London and New York and senior executive in the Bank Leumi Group and Israel Chemicals, who presided as the Mayor of Kfar Shmaryahu, how is the OBV’s senior strategic advisor.

“It requires self-perseverance”, explains Ariel. “Maturing periods are not short and failures also occur. I wouldn’t recommend it for youngsters just out of their military service or University”.

Q: Well, that’s what the family name is for, isn’t it?

“People thought that perhaps Teva would invest in them”, laughs Ariel, and notes that, ironically, although they have interested Israel Makov during the years, they are yet to harness him to any investment.

Internet, Fintech, Cyber

While in the beginning they have worked mainly with early-stage companies, today OBV conducts raises for more mature companies as well. Naturally, the scopes of capital raised increased as well. The extent of family connections decreased, to be replaced by institutional and semi-institutional parties, mainly overseas.

“Our connections in Israel rely on personal friendship, while our relations overseas are more professional”, says Ariel. “For instance, about six months ago I was invited to lecture the NYU Board of Trustees on investment in Israeli high-tech. This laid down a path to New York investors for me, which has nothing to do with my last name whatsoever”.

Every once in a while, the three say, they make sure to mark new territories of investors around the globe: they have strengthened South America, where they have, as they claim, connections with “ultra-rich families”, as well as Japan, and even “parties in our region”.

Q: Can we discuss characteristics? For instance, what do the South Americans look for? What do the Japanese look for?

Ariel: “I can say investments tend to follow trends, and that currently, internet, Fintech and cyber are trendy. Overseas investors use Waze and they have heard of Check Point, but everyone feels a decrease in investments is expected this year, due to events in the Chinese markets. Partners in American funds turned off the tap, which will obviously lead to lower market caps. However, these are just waves, which will pass”.

Q: What about Russian angels? In recent years, there are quite a few.

“We haven’t worked with them much. Mostly, we are mainstream. However, we do work with Len Blavatnik’s investment house in London, and we have business relations with ClalTech, Blavatnik’s investment arm”.

More than once, non-technology deals arrive at the Makovs’ door, usually by investors who ask them to sell their businesses in traditional economy sectors “as they go”. For instance, in

the past they have been asked to market a portion of Yitzhak Tshuva's real estate portfolio in the United States – 9,000 housing units. They have worked on the deal for eight months, but, eventually, it was not conducted through them: owner of a real estate empire in Germany, acquired half of the portfolio for one billion shekels.

Another kind of “miss” is the case of Vantor, developer of cardiac treatment technologies: when its entrepreneurs approached the Makovs, they have decided not to take on raising for the company. Two years hence, recounts Ariel Makov, “I read in Globes that the company was acquired for 350 million dollars (by Medtronic)”.

However, do not feel sorry for the Makovs: the raises they have led in recent years include – a very partial list – 40 million dollars for credit card clearing company Credorax; 15 million dollars for mobile promotion company Clicksmob; 15 million dollars for Splitit, operating in the credit card field, and others . They work mostly on basis of successful results, but sometimes combine it with a reasonable retainer.

Q: Which scale?

“We ask for 5% commission in cash and 5% in options for raises of up to 5 million dollars. The larger the raise, the smaller the rate of commission and options”.

Q: On your Facebook page, you describe the connection

between investor and company as wooing of sorts.

“That’s right. The first meeting is highly important and you have to attend it with utmost preparedness”.

Q: Are there cases of love at first sight?

“There are. For instance, in the case of Blender (Dr. Gal Aviv's peer-to-peer lending company), it was love at first sight with most investors. However, some processes, like relationships, take time, and an investor can decide if it's right for him after a few months. There's also the issue of who's right for what: one will only invest in public platforms, while another wants their securities liquid. Some look for privately-held companies, while others insist on medical only, or just the opposite – anything but medical. There are investors who insist on venture capital funds investing with them and those who insist on no such fund, because it encourages the entrepreneur to sell the company”.

Hadas Magen, Globes, June 2nd, 2016



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