



'THE BIGGEST risk for a company heading to Wall Street (pictured) with an IPO is that it will enter the market when it is underfunded.' (Andrew Kelly/Reuters)



ODED HAR-EVEN, partner and managing director of ZAG / Sullivan Law Firm. (Rami Zarnegar)

ISRAELI STARTUPS, IPOS AND BEYOND

• LIDAR GRAVÉ-LAZI

In the past, where people supported Israel as charity or Zionism, today it is simply good business to invest in Israeli companies, stated Oded Har-Even, partner and managing director of ZAG / Sullivan Law Firm.

Har-Even recently sat down with *The Jerusalem Post* to discuss the Israeli tech ecosystem, investing in Israeli startups and the risks facing Israeli companies heading to Wall Street.

ZAG / Sullivan is an international law firm with branches in Tel Aviv, Boston, NY, Washington and London, as well as in China. The firm is a powerhouse when it comes to advising hi-tech and life sciences startups doing business in Israel and the US, representing roughly a quarter of all Israeli companies being traded on NASDAQ today.

"We view ourselves as partners, not just as lawyers, so we not only advise on the legal side, but we also help make many introductions and provide a lot of advice that is more business-related – essentially helping companies navigate the ecosystem," Har Even said.

As such, the firm acts as a "one-stop shop," accompanying startups from their first investment through to their first initial public offering (IPO) and beyond.

According to Har Even, many companies and CEOs don't truly understand and appreciate the risks of this process.

"Many companies that we see simply don't have the experience," he said. "The biggest challenge is moving from 'the dream part' to the 'realistic part,'

or having a vision and developing this to create an actual revenue-generating company."

The latter part is crucial in today's ever more competitive business world.

"Investors are not stupid, they're smart – and they've seen lots and lots of companies," he explained. "They are more sensitive than they were 10 years ago and what they want to see is that companies are generating profit."

Har Even added that for a company to get to its next significant milestone, it has to have a sufficient amount of money. This, he says is the biggest risk for companies heading to Wall Street.

"The biggest risk for a company going into an IPO is that it will enter the market when it is underfunded," he said. "If you are a public company, you have to be funded when you enter the market because when you are underfunded, people will realize that you will need to raise more money very soon, and this can reflect poorly on valuation."

When it comes to Israeli companies, this is even more critical because they often don't have the access and connections to the large investment firms that US companies enjoy.

Still, Har Even said that he doesn't believe Israeli companies are at a disadvantage.

"On the contrary, I think Israeli companies are at an advantage. They have chutzpah, and this is a unique and great thing to have because they don't take no for an answer."

On the other side of the equation, he added that the most important aspect for companies that have already successfully gone public is credibility.

"It takes a lot of time to build this, but only one second to destroy it," he said.

"You have to understand that you'll have sunny days and rainy days – at some point the stock will go down. You can't make millions every day. Some days you don't, so you have to be aware of the risks and be prepared," he added.

Moreover, Har Even explained that the stakes for Israeli companies on Wall Street are very high, not just for individual Israeli companies, but for the entire Israeli market.

"If two or three [Israeli] companies go down, it affects the whole Israeli market. If a company's IPO fails, then investors are often afraid to touch another Israeli company," he said. "And of course, this works vice versa. If two or three companies are sold it is good for the whole market."

Despite these risks, he noted how many accomplishments Israeli tech and life sciences companies have achieved for such a small country.

"People already understand the potential in Israeli companies and they understand the risks," he said, adding that there are risks when investing in any company, and that in Israel, even when there was a war, companies continued to operate.

"There are many opportunities in Israel and many young promising companies who are struggling, but if they can get the investments, they will be able to grow and thrive – and this is good not only for Israel but for the advancement of science and technology worldwide," he said.

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