

**Deloitte.**

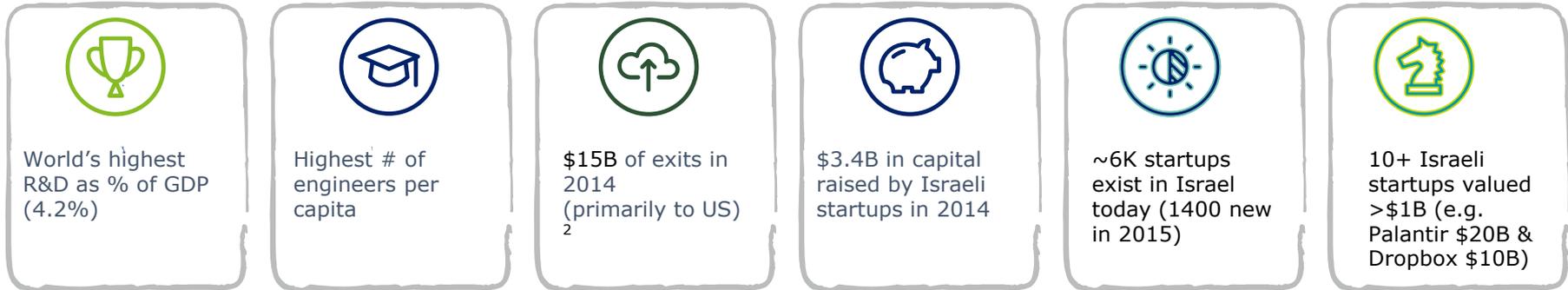


**US-Israel Collaboration (USIC)  
Deloitte Innovation Tech Terminal (ITT)**

July 6, 2016

# Israel's High-Tech Ecosystem

Israel is the leading startup ecosystem outside of the US, focusing in areas such as cybersecurity, Blockchain, and mobile applications/payments<sup>1</sup>



## Israel's Culture Fosters Innovation



### Society

- Requires military service for young people, providing technical training and creating a sense of responsibility, urgency and success orientation
- Fosters high quality educational system
- Experienced several waves of highly educated immigrants
- Taught English at an early age



### Emphasis on Technology

- Technology comprises 50% of Exports
- 8-10% of workforce works in Hi-Tech, mostly working for MNCs – MNC presence in Israel is almost exclusively R&D oriented
- Majority of startups fundamentally focused on "disruptive" innovation vs. "better mousetraps"



### Government

- Provides subsidies for large R&D investments
- Develops technical innovations for defense and military purposes
- Military R&D provides intensive education and technology investments in fields such as cybersecurity – combination of Military and Academia provide a well trained talent mix

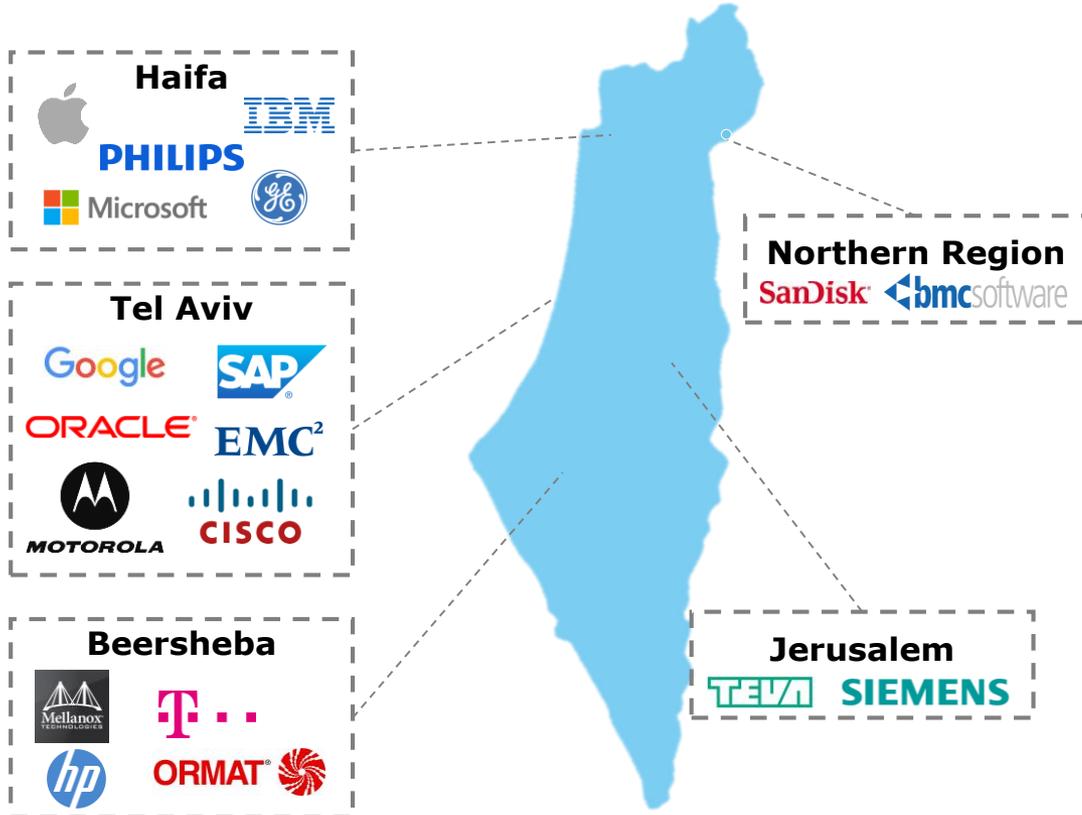
<sup>1</sup>As reported in the [Global Startup Ecosystem](#) 2015 report by Compass. Note: rating excludes China, South Korea, and Japan.

<sup>2</sup>When Israeli entrepreneurs begin immediately thinking outside of Israel, their primary market is the United States with the NASDAQ being the exchange of choice for Israeli startups going public in foreign markets.

# Presence and Activity of MNCs in Israel

Israel is now home to 300+ R&D centers for foreign high-tech companies

## R&D Centers of Select Foreign High-Tech Companies



## Select M&A Activity

- **Google** purchased **Waze**, a social navigation company, for ~\$1 billion in 2013. Contrary to Google's HR policy, talent and development remains in Israel
- In 2015, **Microsoft** has purchased **Aorato, Adallom, and Secure Islands** for ~\$600 million. These startups enhance the cloud security business at Microsoft
- **IBM** purchased **Trusteer**, an online banking security firm, for ~\$1 billion in 2013. The transaction expanded IBM's cyber offering
- **Cisco** has acquired **10 Israeli startups** for more than \$1.5 billion. In addition, Cisco has invested in 25 other Israeli startups

With multinational corporations making strategic investments in the Israeli market, a local presence for US Consulting and Advisory will help Deloitte broaden its capabilities and insight within this region.

# The US-Israel Collaboration (USIC)

will leverage Israel's start-up ecosystem



# Example: Immersion Tour

Customize Immersion Tour based on client, leveraging the Israeli ecosystem; the following highlights a tour focused on cybersecurity`

## Immersion Tour

### ROLES

#### Client

Set priorities and key focus areas

#### Deloitte Account Team

Lead and manage engagement (e.g., help client set priorities, provide input to USIC, develop pre-read and debrief docs)

#### USIC

Provide recommendations to client and account team regarding agenda, organize all content / logistics for tour, provide input into pre-read and debrief documents, own and manage relationships with Israeli ecosystem

### Israel Ecosystem Partners

#### Community Partners

Access to regular updates on changes to Israeli high-tech landscape



#### VC Funds

Access to promising startups across an array of focus areas



Example Focus Area: Cybersecurity  
Relationship with leading cybersecurity startups with innovative technologies



#### Co-Working Space

Access to leaders across the high-tech ecosystem



#### Accelerators & Incubators

Access to wide array of leading startups and technologies



### EXAMPLE AGENDA (FROM GLOBAL INVESTMENT BANK)

#### Day 1: Tel Aviv

- Introduction to Israel innovation, as well as cyber trends
- Site visits to venture capitalists, start-ups, and/or government officials focused in cyber
- Dinner in Tel Aviv

#### Day 2: Tel Aviv

- Site visits to additional venture capitalists, start-ups, and/or government officials
- Jerusalem historical tour
- Dinner in Jerusalem

#### Day 3: Jerusalem

- Discussion with venture capitalists on their respective approaches to the cybersecurity space, as well as visits with their portfolio companies
- Depart

### TARGET ACTIVITY

#### Number of Tours

- 2 tours per month, starting latter part of FY17 (1 tour/month starting in December 2016)

#### Fees

- ~\$75-150k per immersion tour (rapid vs. deep dive)

# Example: Scouting Services

Scouting Services can be offered as one-time curation or annual subscription, connected to existing innovation tracking assets (e.g., Bridge)

## Scouting Services: One-Time Curation

Deliver one-time review of high-tech innovations within the Israeli ecosystem that meet the screening criteria identified by the Deloitte US team. Key deliverables include:

- **Company Overview:** Provide introduction to the startup, product, core capabilities, and fundraising history. Determine if the startup is relevant for further commitments and analysis
- **Product Analysis:** Explore the range of products and services the company offers with input from subject matter advisors. Provide perspective on viability of growth and future development options
- **Technology Assessment:** Conduct technological assessment, and illustrate the significance of the company's capabilities and developments.

### BUSINESS CASE ASSUMPTIONS

#### Number of Curations

- 1 curation session per quarter, starting in September 2016

#### Fees

- ~\$120k fee per curation in FY17

## Scouting Services: Annual Subscription

Deliver continuous reports and facilitated stakeholder meetings that meet the changing criteria of the high-tech innovations of interest to client (U.S. Cellular is currently engaged in such a subscription). Key deliverables include:

- **Bi-weekly Meetings:** Introductions to 6 – 8 startups via a facilitated discussion addressing startup evaluation, proof of concept planning, etc.
- **Bi-monthly Stakeholder / Priority Refresh:** Live presentation by startups that passed initial screening and a reprioritization of the startup portfolio
- **Project Deliverables:** Additional deliverables related to follow-up requests and session planning

### TARGET ACTIVITY

#### Number of Subscriptions

- 1 subscription to start in September 2016, followed by a second starting in March 2017. From March 2017, assumes 2 scouting subscriptions for any given month

#### Fees

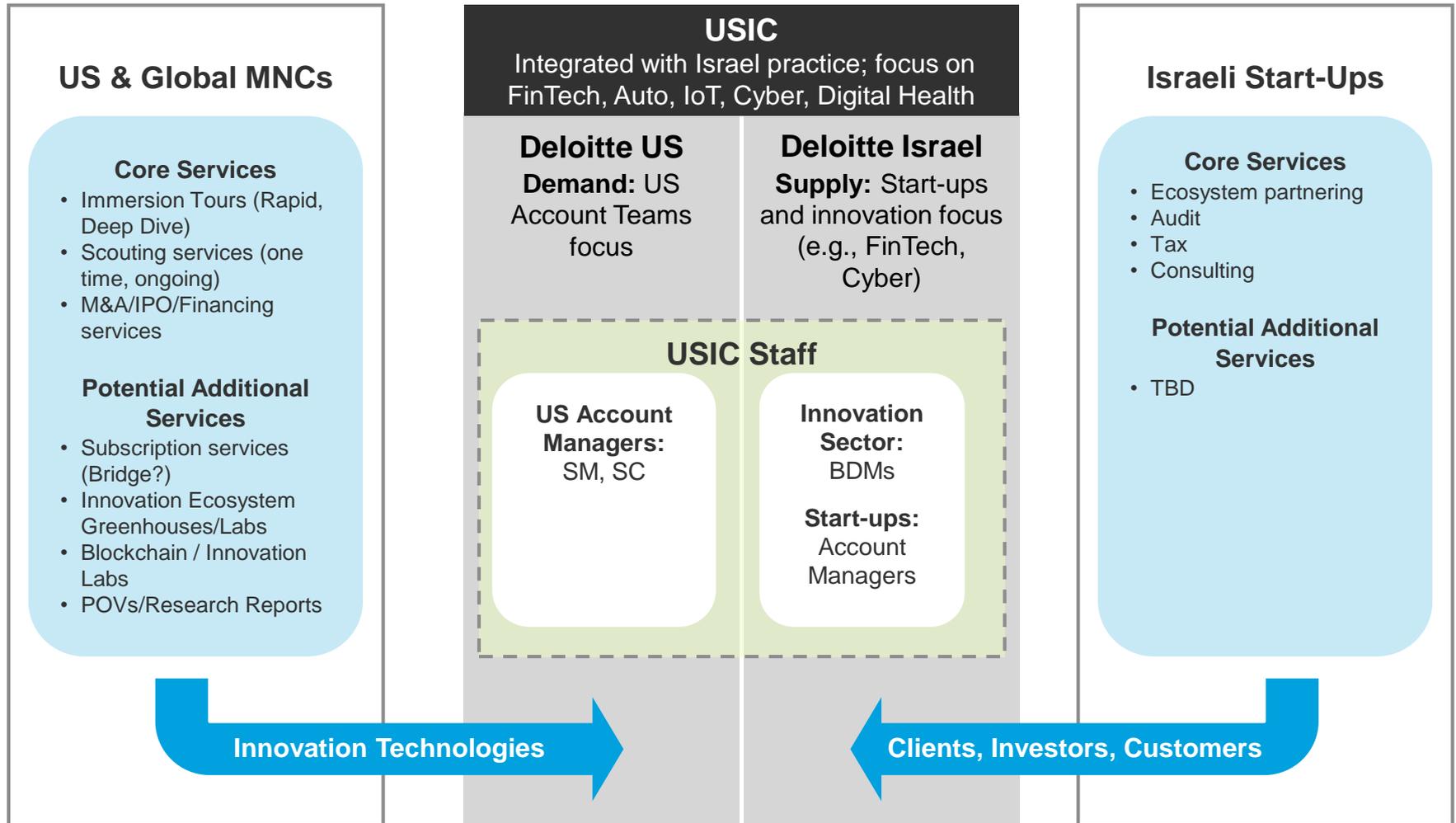
- ~\$350k annual subscription fee in FY17

# Future Opportunities

Opportunity	Overview
 <b>Add-on Work</b>	<p>Expectation is that some of the engagements from the four types of offerings would lead to follow-on work off, USIC will work with Deloitte account teams (and clients) on follow-up engagements. Additional sales can result in cross-sales efforts (e.g., Immersion Tours on additional topics, move from one-time curation to annual subscription within scouting services), as well as transaction services and customized engagements that would benefit from staffing USIC practitioners</p>
 <b>Deloitte Incubator</b>	<p>In the long term, support Israeli entrepreneurs during early-stage development by providing real-estate, mentorship, growth strategy advice, and initial tax structuring and planning advice. Leveraging Deloitte relationships with GF500 clients, provide insights and feedback on scalability challenges and opportunities <i>Note, may consider equity stake investments during program development phase</i></p>
 <b>Alliances &amp; Partnerships</b>	<p>Create alliances and partnerships with the Israeli innovation ecosystem to provide clients with access to local market leaders, cutting-edge technologies, and creative methodologies to spur innovation. Commercialization opportunities will be dependent upon the core capabilities and offerings of the alliance partner <i>Note, USIC role includes identifying potential partners/alliances/talent plays (with our Businesses) to ensure we don't pursue audits for these companies/clients</i></p>
 <b>Talent Sourcing</b>	<p>Utilize high skilled, lower cost resources to fill high-value and high-demand roles within the US firm; consider launching CoE for specialized talent. Fields for talent specialization include data science, data analytics, and software development</p>

# Innovation Tech Terminal (ITT) - Operating Model

## USIC Channel



# Contacts



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