TECHNOLOGICAL INCUBATORS PROGRAM

By: Yossi Smoler
Program Director

Yossi.Smoler@ocs.moital.gov.il
Government Involvement

- **Market Failure:**
  - Early stage, high risk, innovative technological enterprises, can not raise money from the private sector.

- **Government response:**
  - Technological Incubators Program
What is a Technological Incubator?

Organization that support early-stage, highly-innovative projects, that are too risky for the private sector investments.
Incubator’s Goal

Developing innovative technological ideas into start-ups and leading them towards first round investment.
What does an Incubator offer to entrepreneurs?

- Appropriate facilities and infra-structure for R&D.
- Financing.
- Central administrative services (secretarial, accounting, legal, commercialization).
- Management & Technical assistance.
- Professional & Business guidance.
- Connectivity to potential customers, partners and investors.
- Inter-tenant synergism.
Government Support

- Average budget of project: $500K
  - Government grant: 85% of budget
  - Incubator’s investment: 15% of budget
- Payback: 3% royalties from revenue
- Support duration: 2 years
- Extended support to Biotech/Pharma & Clean-Tech projects
- Annual Government Budget to the Program: ~$50M
The Incubators Franchise Model

- **Franchise Term**: 8 years with performance based milestones

- **Tender**: 1 year before Franchise end date
Technological Incubators Program

Main objective

• Creating new start-up companies that would not start otherwise

Secondary objectives

• Technological transfer from research institutes to the industry
• Creating technological entrepreneurial culture
Technological Incubators Program (Cont.)

Secondary Objectives (cont.)

- Providing Deal-Flow for the Venture Capital industry
- Creating industrial R&D activity in the peripheral regions
Program Milestones

• **1991**: Establishment of program
• **2002**: Initiating the Privatization Process
• **2005**: Establishing a designated biotech incubator in Jerusalem
• **2008**: Establishing 2 technology based industrial incubators in Haifa and Arad
• **2010**: End of Privatization Process
• **2011**: Reforms in the basic models of the Incubators Program
• **2012**: Implementation of the tendering process for selecting new licensees.
Project Criteria

- Innovation and uniqueness.
- Early stage, high risk.
- Market potential.
- IP protection
- Management team
- Feasible with available resources.
- Individual initiative.
Projects Acceptance Process

1. Approaching an incubator.
2. Incubator’s assessment.
3. Approaching the Technological Incubators Program.
4. Program’s evaluation.
5. Decision of the Incubators Committee.
6. Initiating the project.
Volume of operation

- **24 incubators** distributed across Israel:
  - 22 technological incubators
  - 1 technology based industrial incubators
  - 1 biotech designated incubator
- Approximately **8 projects per incubator**
- Every year **70 – 80 new start-up companies are established in the incubators**, ~90% of them complete the incubator term
Incubators Location

Haifa: Technion, LN & HiCenter
Hadera: Yozmot
Netanya: Targetech
Tel Aviv: Lab-One & Rad-biomed
Ashqelon: ATI
Kiryat Gat: Xenia
Ofakim: OHV
Beersheba: Ma’ayan Ventures (Omer Park)
Dimona: Rotem Ventures
Sde Boker: Iris Ventures

Upper Galilee: Meytav (Tel-Chai)
Golan Heights: Meytag (Katzrin)
Kinneret: Kinrot (Tsemach)
Gush Segev: Misgav
Nazareth: NGT
Migdal Ha’Emek: Ofek
Yoq’neam: Naiot
Ariel: Incentive
Kiryat Arba: Mofet B’Yehuda
Jerusalem: JVP, Van-Leer & Bioline
Arad: Meizam Arad
Incubated Companies - Fields of Activity
December 2011

- Cleantech: 14%
- ICT: 31%
- Biotech & Pharma: 12%
- Medical Devices: 39%
- Electronics: 4%
Highlights

• The incubators program is the primary “Manufacturer” of start-ups in Israel

• The incubators program is the only opportunity for early-stage, high-risk innovative projects that are not yet able to raise money from the private sector

• The incubators program is an important source of deal-flow for the venture capital industry
Highlights (Cont.)

• The incubators program is especially important in times of economic crisis
• The incubators program has a significant impact on the life-sciences industry in Israel
• The incubators program has a crucial role in developing an entrepreneurship culture in Israel
Thank You