

Investing with soul

Jerusalem's Terra Venture Partners helps start-ups that positively impact society

By Sarah Rosenberg

LOCATED IN Jerusalem, Terra Venture Partners operates as a venture capital firm active in the Israeli ecosystem for more than 12 years. The firm focuses on investing in seed and early-stage start-ups in sectors that have positive impact in society such as clean energy, healthcare and digitalization of traditional industries. Those who founded and lead the fund are Dr. Astorre Modena and Dr. Harold Wiener, both entrepreneurs/scientists who immigrated to Israel from Italy and Uruguay and chose to invest in startups with their soul.

The fund manages around \$100 million, all dedicated to Israeli companies. As part of the investment fund, they established a technology incubator in Yokneam, after being selected by the Innovation Authority of Israel, where they accompany young companies and entrepreneurs in their early stages of establishing a company.

What is your background and how did you connect to establish Terra Ventures & Terra Labs?

Astorre and Harold are both veteran immigrants in Israel, Astorre from Italy and Harold from Uruguay. They both have a scientific background. Astorre has a PhD in Plasma Physics from Imperial College while Harold has a PhD in Chemistry from Hebrew University. After his PhD Astorre has worked at McKinsey in Paris for a few years before moving to Israel in 2001 and since then he has been in the field of venture capital and startups. Harold has about 25 years experience in operational roles of R&D and Business development in successful companies such as Aromor, Israel Chemicals and Algatech. We met 14 years ago and established Terra Venture Partners in 2008, one of the first cleantech funds in Israel then. In 2013 we won a very competitive tender by the State of Israel to win a license for an incubator with an amazing 6 to 1 matching funds for our initial investments and we set up Terlab, one of the most successful incubators in Israel. This new matching enables us to



Dr. Astorre Modena

provide outstanding performance as well as build great impactful companies in Israel.

Where do you invest?

We invest in a number of sectors which we believe can provide significant impact which can scale and be sustainable. In particular we focus in clean energy, the digitalization of traditional industry such as energy, agriculture, construction, Industry 4.0 as well as in healthcare. In general, we try to improve the quality of life of people and increase the efficiency of very conservative industries with a goal of reducing their environmental footprint.

What do you suggest for entrepreneurs?

As we usually are the first investors in a company, the team is the number one criterion. Not just the background and experience but the resilience, flexibility and ability to listen and to work with others. We are very active investors and life is too short, so we want to work with entrepreneurs that are very capable but listen as well. As for the ideas we are looking for, breakthrough technologies that solve real and big needs of the market in our sectors and that can have a path to market and to exit in a reasonable timeframe.

Can you give me some examples of interesting companies in your portfolio?



Dr. Harold Wiener

We have a wide spectrum of exciting companies in a number of very interesting sectors. I will quote just a few like Wi-Charge that after very considerable efforts has become the only company in the world that can deliver significant energy to a distance in a safe and efficient way to remotely charge (few meters away) anything from many little sensors to smartphones, laptops, drones and eventually electric cars. Intuition Robotics that is revolutionizing the way machines and humans interact with a focus on the health of elderly people. Neuroliet with its home care wearable device, that is solving two of the most common pains of today's world, migraine and depression, in a very friendly and easy way, without the use of drugs or invasive procedures. Augmedics with its breakthrough Augmented Reality glasses for surgery already making much safer many surgeries in the US. 3DB with its next generation very high density solid base Li-Ion batteries. Solaround with its new bifacial solar cells that will significantly increase clean energy production in the years to come.

Most recently we have invested also in Makalu, which is developing the next generation Lidar system with exceptional performance for autonomous cars, and Daika Wood that is developing a new wood-based raw material (made from recycled wood waste using natural materials only), which

enables the digital production of real wood products in common mass production methods. This will enable full flexibility and limitless design of natural wood products.

Did coronavirus change your work in any way?

It has probably sharpened our belief to invest in companies that have a strong positive impact in society and we believe the world has become more aware of the fact that we live in one world and for example climate change has finally become more front stage than before.

What do you think has changed in the last year in terms of investments (in Israel & abroad) and how do you cope with that?

While at the beginning investment has slowed down a bit, it has recently come back big time to new record levels in Israel and abroad. Last year has also seen an unpredictable growth in the stock market with a focus on technology in general and in some specific verticals in particular such as electric vehicles and its components such as batteries and autonomous cars components such as Lidar. This has pushed many companies including ours to check the IPO/SPAC route earlier than expected. This is also due to the fact that due to the uncertainty and the logistics issues M&A activity has gone down significantly

What do you predict will happen in 2021?

First of all corona has accelerated many digitalization trends that were already happening. Most industries that were slow to act understand that digitalization is not a question of if but how quickly I can adopt it to improve efficiency and service and remain competitive. It has also changed the way people work and interact in a permanent way. We will go back to travel and meet but it will be different. On the healthcare side as well a lot is changing and remote treatment and monitoring have become almost standard practice.

What has changed in the investment world following the coronavirus crisis?

At the beginning of the crisis, in April-May and June, there was definitely a slowdown in investment, as investors sat on the fence and waited to see what would happen. Eventually, relatively quickly they returned to investing. When we sum up the year, we see that there was a record in new invest-

ments, with the emphasis on late investments - "Late Stage". Those hit, especially in the first three quarters of the year, were the companies looking for Seed money, but this trend has improved mostly in the last quarter. In terms of the number of exits, there was a drastic change in the mix between the world of "mergers and acquisitions", which decreased significantly in volume, compared to the world of issues and "spikes", which showed insane momentum in the world and in Israel. Apparently the field of "mergers and acquisitions" was affected mainly because the large companies were more conservative in their conduct, and in addition, the inability to fly and meet also affected. We, for example, in the Terra Fund, actually invested in three companies during this period, because we located suitable investments in the companies Deika, Spark and Saccade.

At the same time, technology stocks on various stock exchanges have shown nice gains and this has caused an appetite among institutional investors to invest in them. Thus, we have seen many issues and prospectuses, and even in the stock exchange in Israel, where there are fewer high-tech companies, there has been interest in recent months from Israeli institutions.

How did the Israeli ecosystem fare in this period?

This period proved that the Israeli ecosystem is strong and dynamic. On a personal level I can say that I have seen how Israeli entrepreneurs respond to this difficult and challenging year. The stubbornness of the Israeli entrepreneur in finding money, customers and further development could not be missed despite the difficult challenges. This shows the strength of entrepreneurs in general and Israelis in particular. Overall, there was a slowdown in the growth rate of some start-up companies, mainly because it was not possible to fly to customers, however, the difficulty in raising money was only in the first months and as mentioned, later on the situation improved significantly.

Are investors today in different or new areas that have gained momentum because of the Coronavirus crisis?

In terms of investment areas of course we have seen a growing interest mainly in healthcare companies. One area that has received great acceleration is Health "Digital" - processes in the field have shown progress of 5 years in a few months and investors have

not remained indifferent. These are companies that develop technologies for remote diagnosis, monitoring of patients at home, communication between the patient and the remote doctor and more. Another area that has received attention is technologies that enable accessibility to different populations - learning online, receiving remote care, the elderly and more.

Everything related to the digital transformation has also received significant acceleration. Mainly because companies have moved on from asking themselves - "Is it?" To "when" and how fast can you go "?

The whole year has been "one huge experiment" in many fields and there will no doubt be data for 10 years of research, there are new insights here in almost every field.) With different countries and diverse populations leading to new ideas and technologies. When there is a "breaking point" always come new ideas and models that change the world.

At the same time, there were areas that received less attention from investors. Like the worlds of Traveltech and the industry of exhibitions and conferences that have been significantly damaged. In addition, the world of hardware is harmed more than the world of software.

Is the field of impact investments more central significance now because the world has realized that there are issues that must be addressed?

On the theoretical side, people today understand more the importance of impact investments, for example, when it comes to the environment. When catastrophes happen in the world we all feel like we want to do something good for the world. The closures we have all experienced, all over the world, have shown that when man does not interfere, nature returns to itself and this fact has led to different thinking, at least in the short term. The question is whether all this will continue both in the medium and long term. Because when there is an economic crisis we all focus on immediate solutions to economic and health adversity, and I hope this time it will be different.

In conclusion, there is no doubt that this year has been challenging for all of us in many ways, personally, socially and economically. At the same time, without a doubt, the world of technology was at the forefront, creating more than ever, value for the universe and, of course, for investors. ■