

This is how we turned a NIS 6 million investment into half a billion shekels within seven years

Anat Tsour Segal, CEO of the Capital Nature fund, believes in green energy - and continues to lead the successful investment in Augwind and Electreon ■ “First of all, I need to give credit to those who came before me. "Both companies address the global energy market’s most urgent needs, and they have room for growth."

Two of this year’s prominent shares on the Tel Aviv Stock Exchange are Augwind and Electreon. The first has jumped 912% since the beginning of the year - the sharpest rise in the stock market - and the second has risen by 155%. What kinks these two companies? The Capital Nature fund invested in both of them, while still in their infancy.

And how does Anat Tzur Segal, the fund's CEO, explain the success? "First of all, I need to give credit to those who came before me and especially to the professional investment committee that managed it. It's never a one-person operation, "she told TheMarker.

Capital Nature invests in two main areas: green energy and smart transportation, with an emphasis on electric vehicle infrastructure. Augwind specializes in compressed air management in factories and in energy storage, Electreon develops a platform for wirelessly charging electric vehicles while driving, from the road itself.

Have you had any doubts about investing in these two companies?

"There are always dilemmas, it's never limited to saying, 'good idea.' The ideas that arrive at our doorstep are half-baked. So, you need the ability to accompany the enterprises along the way. Augwind also changed its course. It actually set out with an idea concerning a wind turbine and then transitioned to energy saving in factories through compressed air storage.

"When you enter into an investment in young companies, you have to make changes and adapt them to the changing market. Another example is PolyPid - a senior Xenia Fund portfolio company that recently underwent an IPO. The initial idea was technological, but the applications changed along the way."

Tell us about the beginning.

"We invested \$ 900,000 in Electreon back in 2015. We currently hold 13.88%, which is worth NIS 213 million. We began investing in Augwind in late 2012 - with \$ 750,000 - and a year later an additional \$ 140,000 was invested. Capital Nature now owns 16.25% of the shares, which are worth NIS 286 million. In total, an investment of about NIS 6 million became approximately NIS 500 million over a five to eight-year period."

Maybe it's time to sell? Have Augwind and Electreon not realized their potential in terms of market value?

"I do not want to comment on value, but technologically both companies have the potential to become real unicorns, in dollar terms. They address the most acute needs of the global energy market, each from a different angle. Therefore, if you look at their potential in the energy market - they have more room for growth. "

"In the beginning, a start-up changes course all the time, until it achieves success, if at all. Successful ventures are those who knew how to make such a decision. If we approached one market and see that it does not work, we must change direction quickly and that's why you need a good team in management and on the board, and of course good partners - because ultimately, this is a group of people with a common goal. Some entrepreneurs can be CEOs and some cannot. The goal is to form the right group together with the entrepreneur. Otherwise, it will not work."

It is not easy to move aside a CEO who is an entrepreneur.

"You'd be surprised, I did it more than once or twice, and successfully. Always respecting the entrepreneur's position as the person who conceived the baby and advanced it to a certain place, leaving room for the entrepreneur in future affairs as well. For the entrepreneur, it's the biggest project of his life, and he wants to succeed financially as well. So, you should figure out what you are good at and in what areas you can bring in someone who will make the next moves better than you can.

"If an entrepreneur does not understand this, he is really hurting himself twice: he is failing to do a good job while harming his life project. You must always choose the right professional."

What is your return?

"As of today, we're at six times the money in seven years."

"Then came the crisis in 2000"

Tsour Segal began her career in the capital market at Bank Hapoalim during the 1990s. "I was an overseas credit rep and I wanted to move into the capital market. The person who interviewed me was the director of the securities department at the time, Hana Pri-Zan, who did not accept me. I left the bank and moved on to write about the capital market for the Telegraph newspaper, and later I found myself at the Evergreen Fund – one of the pioneering venture capital funds in Israel. This is the period in which most Israeli technology IPOs were made, including Check Point and Galileo.

"It was then that I was exposed to high-tech and its relationship to the capital market. It started with issues on the Nasdaq and later with private capital raising, and then the crisis hit in 2000. At some point, I realized that the market lacked professional seed and pre-seed investors. That's how I set up Xenia, which was issued on the stock exchange, and in total fostered companies with a cumulative value exceeding a billion dollars. From there I arrived at Capital Nature. "

Tell us about the fund.

"In the legal sense, we are an investment company, but we operate as a venture capital fund. We invest in technology companies in the seed and pre-seed stages. These days we are considering expanding the activity, to the next stage of the companies' lifecycle".

The renewable energy sector has also received a boost from high oil prices. Now that the price of oil is so low, has the field not been harmed?

"No. On the contrary, the two channels that have been highlighted during the COVID crisis are the climate crisis and dealing with it, and the medical field - which has led to the massive entry of governments into the field, not just investors. There is talk that green energy will become a \$ 5 trillion industry. The European Union also raised 100 billion dollars for a green-tech venture. The prices the world pays are measured not only in the energy production process- there are additional problems: costs resulting from the use of unclean energy, air pollution, and contamination of water and food sources".

But today, in a time of economic crisis, would not a cheap energy source like oil defeat the expensive green energy sources?

"Today, it is no longer limited to an environmentalist ideology. Maybe in the short term, we will still be using polluting energy because it is cheap, but in the long run, it will change. The companies we invest in are changing the energy field. The process of reducing the use of polluting energy and increasing energy efficiency is underway."

“Providing all a start-up needs”

How do select a company? How structured is the process and to what extent does it rely on gut feeling and intuition?

"We look at three main levels. First of all, the field, and whether the company is offering some kind of solution that could reach the market soon. The second element is the entrepreneurs. Since we are seed investors, we are not necessarily looking for a serial investor – those people usually don't need us either. We want entrepreneurs who have a good idea, good people, and our expertise comes into play, knowing how to take a company and transform it into a company as a venture capitalist sees it - whether the technology is viable and what its economic feasibility is."

To what extent do you intervene in management?

"We sit on the board and are very active. What we bring to the table are our knowledge and experience, and that is so that the entrepreneur does not repeat mistakes we have already experienced. Also, the entrepreneur enjoys all our resources: a network of investors, companies, and governmental assistance. We strive to cloak the company in all our experience and connections – including operating services available in the incubator, in the offices. Everything a start-up needs."

How do you reconcile the good of the entrepreneurs with the good of the fund shareholders?

"I believe that once you work to create a great company, it will work for the benefit of the shareholders and the company itself. For a company to succeed, it – and not only the entrepreneur – requires a lot of energy. You need to connect a lot of good people to the managers to create good management. We are very active in everything related to human resource placement in the company. When an investor is interested in purchasing a company, we look at how he will take it to the next stages. Without added value, they will not enter the company as partners."

Apart from Electreon and Augwind, who else heading towards an IPO?

"I do not know. Chakratec (fast charging for electric vehicles by clean storage; ES), for example, raised \$ 40 million - the value at which Augwind was listed for trading. I do not know if it would be right for it to issue, but the company could certainly be relevant. We have Trucknet (a cloud optimization system for transport management; ES), which we believe will soon be relevant for an IPO. In total, we have seven companies in which we have invested and another seven in the pipeline. "

"Make a decision quickly - and act"

Where did you mess up?

"My resume includes some missed companies, but right now all the companies we invest in are still in the initial stages, so it's too early to say. The wisdom is not necessarily in choosing the company, but more in how to operate and promote it, and perhaps no less important - the road you lead it down. It's important to make a decision quickly - and act. Where I did not do it - I failed."

Does a female manager have an advantage in such situations over a male manager?

"I do not have statistics on this matter, but I think common sense wins. I am against stereotypes, so I could not tell you. But when you have a businesslike approach, it is easier to convey the message."