

# ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

JOSEPH MORGENSTERN, PUBLISHER

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## The venture capital keeps flowing in

### Eight Roads Ventures announced it had closed a \$375 million third fund (ERVE III) for scaleups in Europe and Israel

With Israel establishing itself as a leader in a number of fast-growing verticals, this market stands out for its global ambitions and talented pool of engineers.

The larger fund reflects the increasing number of growth stage companies looking for investment.

ERVE III will provide funding for fast-growing technology companies across enterprise, consumer, fintech and healthcare IT sectors. The London-based team will work to fill the resource gap which exists for many growth stage technology companies in Europe, and continue to help founders with key priorities from building out sales and marketing to geographic expansion. They will look for scaleup companies across Europe and Israel, backing a total of 15 to 20, with an average investment size of \$10m to \$30m.

Eight Roads Ventures said that, "With Israel establishing itself as a leader in a number of fast-growing verticals including cybersecurity, fintech, autonomous vehicles, and artificial intelligence, this market stands out for its global ambitions and talented pool of engineers. Eight Roads has been investing in Israeli entrepreneurs for close to a decade, with companies like AppsFlyer, a global leader in mobile marketing attribution, and Hibob,

an emerging leader in Human Resources for small and medium enterprises."

Eight Roads Ventures Europe managing partner and head Davor Hebel said, "We find ambitious entrepreneurs across the continent but there is a real lack of credible scale-up advice and business-building experience to help them beat the odds. We will continue to

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### In this issue

- Eight Roads Ventures announced it had closed a \$375 million third fund (ERVE III) for scaleups in Europe and Israel
- Israeli-made Merkava IVM Windbreaker one of the most protected tank in the world
- Elbit Systems to buy US co Universal Avionics
  - Israeli social trading co eToro raises \$100m
  - Energean announces \$1.6b investment in Israeli gas fields
  - InSight Innovations buys CureTech for up to \$550m
- Israeli startups raised over \$300m in March
- Compugen signs cancer drug licensing deal worth up to \$200m
- ReWalk to conduct clinical trial on stroke patients
  - RSA acquires Israeli behavioral analytics co Fortscale
- CureTech buys back cancer drug from Pfizer for \$20m



support our entrepreneurs with our global platform and value-add team of operators as they take their companies from 50 to 500 employees and beyond. We are confident that with the right help the European ecosystem can systematically create \$10bn+ global tech businesses.”

Israeli startup AppsFlyer cofounder and CEO Oren Kaniel said, “Eight Roads led our Series B round back in 2015 and since then has been a key partner as we’ve scaled our business internationally, growing from 75 to 400 employees in 13 offices around the world. They’ve remained a committed investor through our subsequent funding round in 2017, and the scale-up capital that they’re looking to deploy into Israeli companies will be hugely beneficial for the local ecosystem.”

### **Israeli-made Merkava IVM Windbreaker one of the most protected tank in the world**

The latest generation of Israeli-made Merkava IV with Rafael Trophy APS (Active Protection System) nicknamed Merkava Mark IVM Windbreaker, is one of the most protected Main Battle Tank (MBT) in the world. Following the series of tests of the Trophy system, the IDF Ground Forces Command declared the Trophy operational in August 2009 and first MBT Merkava 4 equipped with the Trophy APS enters in service with the Israeli Army in 2010.

On March 1, 2011, stationed near the Gaza border, a Merkava MK IV equipped with the Trophy system foiled a missile attack aimed toward it and became the first operational success of the Trophy active defense system. On July 14, 2014, the Trophy system successfully intercepted a 9M133 Kornet anti-tank missile fired from Gaza at an IDF tank. Since the beginning of the Israeli Operation Protective Edge to July 20, 2014, at least four Israeli tanks of senior commanders were protected by the Trophy system in the Gaza Strip.

The first generation of Merkava IV fitted with the Trophy APS has only one Elta EL/M-2133[1] F/G band fire-control radar with four flat-panel antennas (sensors) mounted on each side at the front of the turret. Sensors include radar with four antennas placed around the vehicle. Trophy provides 360° coverage against anti-tank rockets, anti-tank missiles and tank HEAT (high-explosive anti-tank) rounds. Once Trophy has detected a threat, it is tracked and classified and the optimal intercept point is computed, prior to launching a countermeasure.

According to our analysis about the latest generation of Trophy APS mounted on Merkava IV MBT, there is now four sensors, one on each side at the front of the turret, and two at the rear to increase detection of threats from the back of the tank.

Trophy protects Merkava IV from a wide variety of threats ranging from rockets, ATGMs and platform-fired High-Explosive Anti-Tank (HEAT) rounds. Trophy offers 360° protection in azimuth, as well as extensive elevation coverage, while maintaining a pre-defined

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safety zone for friendly troops on the ground. The neutralization process is initiated only if the threat is about to hit the vehicle.

The Merkava IV is also equipped with the Amcoram LWS-2 laser warning system, with threat warning display installed at the commander's station. This links to the Israel Military Industries POMALS (pedestal-operated multi-ammunition launching system) decoy launcher. One launcher is fitted on either side of the tank, which can launch smoke grenades and decoys.

The Merkava Mk 4 uses a modular ballistic protection and is claimed to provide more effective protection against modern threats involving both protection efficiency and coverage area. The ballistic protection also includes roof protection that provides a capability against overhead attacks. As there is only one roof hatch it is easier to protect the roof with a new passive armour system.

Main armament of the Merkava Mark IVM Windbreaker consists of one 120 mm smoothbore gun, developed by Israel Military Industries (IMI). It can fire various 120 mm munitions, including all standard NATO munitions. It can also fire LAHAT anti-tank guided missiles in the same manner as ordinary projectiles. The LAHAT missile has a range of up to 8,000 m (5.0 mi) when launched from a ground platform, and up to 13,000 m (8.1 mi) when deployed from high elevation. It has effective penetration of up to 800 mm of RHA (Rolled homogeneous) armor steel with its tandem warhead to deal with add-on reactive armor.

Secondary armament consists of a 7.62 mm coaxial machine gun, 7.62 mm machine gun mounted on the right side of the turret roof and an internally mounted 60 mm breech-loaded mortar. The roof-mounted 7.62 mm machine gun can be aimed and fired by the commander from within the turret under complete armour

protection and can be traversed through a full 360°. A 12.7mm heavy machine gun is mounted at the front center of the turret and just above the barrel.

### Elbit Systems to buy US co Universal Avionics

The Israeli defense electronics company has received the necessary government approvals for the acquisition.

Israeli defense electronics company Elbit Systems Ltd. (Nasdaq: ESLT; TASE: ESLT) announced today that it is in the process of completing the acquisition of privately-owned US company Universal Avionics Systems Corporation through an asset acquisition agreement.

The parties received the necessary government approvals for the transaction, Elbit Systems said and the closing of the transaction is expected in the coming weeks. No financial or other details were disclosed.

Tuscon-based Universal Avionics Systems manufactures innovative avionics systems for business jets, turboprop aircraft, transport aircraft, helicopters, regional and commercial airliners used by corporate, military and airline operators. The company offers advanced avionics as a retrofit solution for the largest diversification of aircraft types in the industry.

### Israeli social trading co eToro raises \$100m

eToro has raised \$162 million to date and the latest financing round was completed at a company valuation of \$800 million.

Israel social trading and multi asset brokerage company eToro has raised \$100 million in its eight financing round led by China Minsheng Financial and with the participation of Korea Investment Partners, SBI Group and World Wide Invest. A source close to the deal said



that the money was raised at a company valuation of \$800 million. The proceeds will be used to expand to new markets, and R&D in blockchain and the digitalization of assets.

The company has raised \$162 million to date and previous investors include BRM Capital, Spark Capital, CommerzVentures GmbH, Social Leverage and Cubit Investments.

eToro Group Ltd., which was selected in 2013 by "Globes" as one of Israel's most promising start-ups, was founded in 2007 by brothers Yoni and Ronen Assia and David Ring with the vision of developing a platform that would open the financial markets to everyone by simplifying the user's experience. eToro then developed a contracts for difference (CFD) trading platform and following the rise of popular social networks, the company decided to launch its own social investing platform called "OpenBook" in 2010. The company's platform allows trading in all assets including securities, foreign currencies and cryptocurrencies like bitcoin.

To date, eToro has over 9 million registered users and offers hundreds of CFDs on currencies, stocks, indices, and commodities. The company has over 200 employees.

eToro CEO Yoni Assia said, "This financing round will be critical for us and will help us to continue to develop our technologies and support the rapid growth that we have been experiencing recently. It will also help us continue our work in blockchain research."

In the financing round eToro was represented by the Meitar Liquornik Geva Leshem Tal law firm and China Minsheng Financial was represented by Yigal Arnon & Co.

Yoni Assia told "Globes," "We have always seen the investment market as very localized and not advanced. Ultimately, everybody wants to make profits in the market. Our customers,

unlike institutional investors, do not object to sharing their investments. Users can therefore benefit from "the wisdom of the crowd" and learn what other investors are doing."

### Energean announces \$1.6b investment in Israeli gas fields

The supply of gas from Karish is scheduled to begin in 2021, while production from Tanin will begin later.

The board of directors of Greek energy company Energean today approved a final investment decision (FID) for a \$1.6 billion investment in development of the company's Karish and Tanin natural gas reservoirs, the company today notified the London Stock Exchange (LSE).

The supply of gas from the offshore Israeli fields is scheduled to begin in early 2021. Development of Karish will include placing a gas pipeline from the reservoir through Israel's natural gas transportation system. Development of Tanin, which is scheduled later, will include the drilling of a six wells that will be connected to a floating production storage and offloading (FPSO) platform.

Energean last week raised \$460 million in an IPO on the LSE. The company previously signed a \$1.275 billion financing deal with a consortium of four Israeli and international banks: Bank Hapoalim (TASE: POLI), Morgan Stanley, Societe Generale, and Natixis. The senior partner in the consortium, Bank Hapoalim, will invest \$375 million, and the three foreign banks will invest \$300 million each.

Israeli investment institutions also took part in Energean's IPO in London. The leading purchaser from Israel was Clal Insurance Enterprises Holdings Ltd. (TASE: CLIS), which spent \$100 million on the offering, and is accordingly likely to become a party at interest



in Energean with a 10% stake.

Other investment institutions taking part included Psagot Investment House Ltd., Meitav Dash Investments Ltd. (TASE:MTDS), and Sphera Fund.

### *Competition with Leviathan and Tamar*

Energean recently announced that it had enough signed contracts to start the financial closure process and announce an FID, which it in fact did today. The company has signed contracts with private electricity producers to supply 61 BCM of gas over a period of 16 years, at an annual rate of approximately 4.2 BCM per year (on an ACQ basis).

Energean, which acquired the Karish and Tanin reservoirs following approval of Israel's gas plan, is competing with the Leviathan and Tamar gas reservoirs, controlled by Delek Group Ltd. (TASE: DLEKG) and Noble Energy. The average price in the deals signed in recent months is about \$4 per BTU, 20% lower than the agreement signed with Leviathan and 30% lower than the price being paid by Israel Electric Corporation (IEC) (TASE: ELEC.B22) for gas from Tamar.

Energean CEO Mathios Rigas said, "We promised our investors that we would make an FID after our IPO, and I am glad to announce that we are fulfilling our promise."

### InSight Innovations buys CureTech for up to \$550m

This is the third time that the Israeli drug developer has sold the commercialization rights to its cancer drug.

Medical industry holding company Clal Biotechnology Industries Ltd. (TASE: CBI) announced that cancer drug developer CureTech, in which it has a controlling 53% stake, has been sold to Rehovot-based InSight Innovations in a deal that could reach

\$550 million. CureTech is developing an immunotherapy treatment for cancer that has successfully undergone advanced clinical trials and is currently designed for treating BIPG, a rare type of brain tumor.

nSight will pay \$50 million immediately, partly to be invested in developing the product and partly to be divided among the company's shareholders. CBI, controlled by Len Blavatnik, will receive \$3 million. With milestone payments and royalties, CureTech could earn up to \$550 million from the deal.

If the product is eventually as planned approved by the US Food and Drug Administration (FDA) for orphan indications in children and receives a pediatric voucher \$150 million benefit from the FDA, then CureTech will receive 20% of the sum.

This is the third time that CureTech has sold commercialization rights to the drug. It was first sold to Teva Pharmaceutical Industries Ltd. (NYSE: TEVA; TASE: TEVA), which invested Tens of millions of dollars in developing the treatment before returning CureTech to CBI in 2012, when Teva was under CEO Jeremy Levin.

CureTech was again sold in 2014 to Medivation, for an advance of \$5 million and milestone payments and royalties that could have reached between \$85 million and \$245 million. Medivation was acquired by Pfizer in 2016 and last October CureTech paid \$20 million to buy back the drug. Some of the money being paid now by InSight will apparently be used to pay Pfizer.

To date, CureTech has spent \$100 million developing the drug including \$5 million by CBI.

Drug development company InSight was recently acquired by Estonian company PharmaEstica Manufacturing and its Israeli partner Dr. Dobraslav Melamed for NIS 10.6 million.



**Israeli startups raised over \$300m in March**

Israeli startups raised over \$1 billion in the first quarter of 2018, according to press releases issued by the companies.

Israeli startups raised about \$330 million during March, according to press releases issued by companies that have completed financing rounds. The figure may be more as some companies prefer not to publicize the investments they have received.

According to press releases, Israeli startups raised an estimated \$260 million in January and \$500 million in February bringing the first quarter total to just below \$1.1 billion, up from \$1.03 billion in the first quarter of 2017, according to IVC-ZAG.

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**Compugen signs cancer drug licensing deal worth up to \$200m**

MedImmune, the R&D arm of AstraZeneca, will make an immediate payment of \$10 million to the Israeli cancer immunotherapy company.

Israeli cancer immunotherapy company  
Compugen Ltd. (Nasdaq: CGEN; TASE: CGEN)

announced that it has entered into an exclusive license agreement with MedImmune, the biologics R&D arm of AstraZeneca. The agreement will facilitate the development of bi-specific and multi-specific immunology antibody products.

Under the terms of the agreement, Compugen will provide an exclusive license to MedImmune for the development of bi-specific and multi-specific antibody products derived from a Compugen pipeline program. MedImmune has the right to create multiple products under this license and will be solely responsible for all R&D and commercial activities under the agreement.

Compugen will receive a \$10 million upfront payment and is eligible to receive up to \$200 million in development, regulatory and commercial milestones for the first product as well as tiered royalties on future product sales. If additional products are developed, additional milestones and royalties would be due to Compugen. Compugen will retain all other rights to its entire pipeline of programs as monotherapies and in combination with other products.

Compugen president and CEO Dr. Anat Cohen-Dayag said, "We are excited to announce our agreement with MedImmune, a global leader in the development of antibody-based oncology therapeutics. This licensing deal allows us to monetize specific scientific advances in our programs, while we continue to advance our lead programs into clinical trials. We are committed to our strategy of selectively collaborating with biopharmaceutical companies for the development of first-in-class products against our diverse, computationally-derived portfolio of targets."

MedImmune VP oncology R&D Ronald Herbst said, "This agreement with Compugen will support our abilities to generate novel



immunotherapy targets which, coupled with MedImmune's expertise in antibody engineering, can advance our goal of delivering treatments to meaningfully improve the lives of cancer patients."

### ReWalk to conduct clinical trial on stroke patients

The Israeli company's new product for stroke victims is likely to be substantially cheaper than its current product, which has struggled to generate revenue.

Yokne'am-based ReWalk Robotics Ltd. (Nasdaq:RWLK) today announced that it had begun an initial clinical trial of its new product for treatment of stroke victims. The trial has 40 participants.

ReWalk is already marketing a product that acts as an external backbone for moving people with lower limb paralysis, but has not succeeded to date in generating substantial revenue. Unlike the company's first product, which is suitable only for fairly strong patients with a healthy upper body, the new product, which is designed for rehabilitation, has also been adapted for weaker patients. It is designed for any patients with lower body weakness, not just those who are completely paralyzed.

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### RSA acquires Israeli behavioral analytics co Fortscale

The Tel Aviv-based company has developed machine learning-based user and entity behavior analytics for cybersecurity.

US network and security company RSA has announced that it is acquiring Israeli big data behavioral analytics company Fortscale. RSA said that the Tel Aviv based company would become part of its NetWitness platform and enable it to introduce the most comprehensive UEBA solution on the market. No financial details about the acquisition were disclosed.

Fortscale was founded by CEO Idan Tendler and COO Dr. Yona Hollander and has raised \$23 million to date with investors including Evolution Equity Partners, Valor Capital Group, Intel Capital, Blumberg Capital, Swarth, CME Ventures and UST Global. The company has developed machine learning-based user and entity behavior analytics (UEBA) for security. UEBA facilitates the automatic identification of deviations from normal user behaviors to uncover risky and previously hard to detect threats.

"The RSA NetWitness Platform has helped our team increase their visibility, detect threats with higher fidelity, and automate response to the threats that pose the greatest risk to our organization" said John Byers, Senior Vice President, Information Security and CISO, IBC Bank. "Our security analysts cite RSA



NetWitness Platform as the technology that marks the biggest impact on their effectiveness, making the process of identifying and intelligently responding to threats more streamlined and efficient."

RSA said that its acquisition of Fortscale will provide customers with embedded UEBA capabilities integrated with the Platform. RSA NetWitness UEBA directly addresses and overcomes obstacles that standalone solutions have encountered due to their high cost and high touch requirements. RSA NetWitness UEBA requires minimal customization and no manual tuning. Its patented, three-tier unsupervised machine learning analytics engine automatically finds known and unknown threats that rule-based systems cannot with greater accuracy.

RSA, part of the EMC-Dell Group, already has a very large presence in Israel based on previous acquisitions.

### **CureTech buys back cancer drug from Pfizer for \$20m**

The product is now designated for diffuse intrinsic pontine glioma (DIPG), which consists of a tumor in the brain stem.

Medical industry holding company Clal Biotechnology Industries Ltd. (TASE: CBI) announced that its CureTech subsidiary, in which it has a 53% stake, would buy back its pidilizumab cancer drug from Pfizer. CureTech actually sold pidilizumab to a company named Medivation, and when Pfizer acquired Medivation, it also acquired the drug. Pfizer carried out the commercialization agreement with CureTech, but appears to have little interest in the product, and CureTech therefore decided to buy it back and market it to a concern with more interest in the product.

The announcement had no strong effect on the Clal Biotechnology share or the company's

market cap. CureTech will buy pidilizumab back from Pfizer for \$20 million in milestones, and will try to find a company for which the drug will be a leading product in a deal that will generate more revenue.

CureTech plans to continue developing the drug for other oncological indications, and to create business or financial partnerships for this purpose, including with biotechnology companies.

Following the termination of its agreement with Pfizer, CureTech revised its work plan and adapted it to its volume of activity, including laying off half of its staff. The signing of the agreement also ends the guarantee provided by Clal Biotechnology for the agreement with Pfizer, and CureTech will no longer be considered an important portfolio company for Clal Biotechnology.

As a result of signing this agreement, Clal Biotechnology is expected to recognize a NIS 20-30 million profit in its third quarter reports, mainly because CureTech will recognize revenue that was previously postponed, and because the value of its Clal Biotechnology's guarantees for pidilizumab in its consolidated financial statements will be reduced.

Clal Biotechnology says that as of this date, the financial resources available to CureTech are not enough for clinical development of the drug. Furthermore, there is no guarantee that CureTech's development and creation of partnerships for the drug will lead to any results.

The product is likely to interest small focused companies

Sources familiar with the company say that he product is will now be designated for an orphan disease named diffuse intrinsic pontine glioma (DIPG), which consists of a tumor in the



brain stem that affects mainly children. The product has achieved good results in this category. The disease is very rare, making the market very unattractive to a company like Pfizer. The path to approval for the drug, however, is likely to be shorter, and therefore to interest a smaller company focusing in the segment.

Other areas in which the product achieved good results, mainly various type of blood cancer, have become relatively crowded categories with the entry of immunotherapy technologies, mainly CAR-T, and CureTech's

interest in developing the drug for this purpose has therefore waned. Medivation acquired the rights to pidilizumab for a \$5 million advance and milestone payments that could reach \$85 million.

The most significant amount investment in the product, however, was by Teva Pharmaceutical Industries Ltd. (NYSE: TEVA; TASE: TEVA), which owned the rights to it in 2011-2013. Teva funded the main clinical trials of the product, but decided to waive it without payment. Further trials were funded by Medivation.



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