

ISRAEL HIGH-TECH & INVESTMENT REPORT

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Trying Times

Shekel gains, halting dramatic slide

The Israeli currency has halted a remarkable slide in the wake of the coronavirus outbreak, which has seen it fall from NIS 3.46/\$ at the start of March.

The shekel was strengthening on the 18th of March against the dollar and against the euro. In afternoon of the 18th, inter-bank trading the shekel was down 1.02% at NIS 3.8226/\$ and down 1.70% against the euro at NIS 4.1748/€.

On the 17th of March, the Bank of Israel set the shekel-dollar exchange rate 3.862% higher than the 16th of March rate, at NIS 3.862/\$, and the representative shekel-euro rate was set 1.993% higher, at NIS 4.247/€.

The Israeli currency has halted a remarkable slide in the wake of the coronavirus outbreak, which has seen it fall from NIS 3.46/\$ and NIS 3.84/€ at the start of the month. The weakness of the shekel, even though the Israeli economy has come into the crisis, with very strong fundamentals, has been attributed to the need for Israel institutional investors to buy large amounts of foreign currency to cover their exposure and meet margin calls due to the strong in overseas stock markets.

The global stock exchanges including the Tel Aviv Stock Exchange are again recording very heavy declines, although the strengthening of the shekel might be a reaction to the stock market rises.

Israeli AI product analytics co Convizit raises \$5m

The company is developing AI technologies to disrupt the product analytics market.

Israeli startup Convizit, which is developing AI technologies to disrupt the product analytics market, today announced the closing of a \$5 million seed round led by Pitango Early



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In this issue

- Shekel gains, halting dramatic slide
- Israeli AI product analytics co Convizit raises \$5m
 - Israel's high-tech exports fall
- Israeli cybersecurity co Axis Security raises \$17m
 - MRI guided ultrasound co Insightec raises \$100-150m
- Mellanox buys network intelligence co Titan IC
- Amazon extends free shipping to West Bank
 - Israeli AI chipmaker Hailo raises \$60m
- Barak's cannabis co Canndoc mulls merger with Collect Bio
- Ben-Gurion U team unveils laser drone kill system

Stage, and with the participation of earlier investor, Jumpspeed Ventures.

The company says that the funds will be used to double the size of its team, accelerate product R&D, and launch sales and marketing operations.

Convizit improves the ability of online product and marketing teams to gain a more complete and accurate visibility into user behavior patterns. The company's first offering, already in use by a number of large e-retailers, is a DaaS solution that delivers complete behavioral data.

Pitango Early Stage Fund Partner Gad Huldai will join Convizit's board. He said, "Convizit's terrific team is truly revolutionizing how user behavior data is collected, structured and analyzed. We have been extremely impressed to see how quickly and effectively the team has progressed since we first met them, in terms of both technology and business."

Israel's high-tech exports fall

Exports of drugs were down by an annualized 42.6% in December 2019-February 2020.

Technology exports fell by an annualized 13.9% in December 2019-February 2020, according to trend data published last week by the Central Bureau of Statistics, following a 7.8% decline in September-November 2019. A segmented analysis of technology exports, which account for a third of the value of Israel's industrial exports, shows that exports of drugs were down by an annualized 42.6%, and exports of computers, electronic and optical products, and medical supplies fell by 37.5%.

Exports of goods were down by an annualized 0.9% in December 2019-February 2020, after falling by 6.6% in September-November 2019. Trend figures also showed an annualized 5.2 drop in imports of goods.

Trend figures for medium-high tech exports, which account for 45% of all industrial exports, show a 1.6% annualized increase in December 2019-February 2020, after an annualized 7.4% decline in September-November 2019. Exports by sector show an annualized 6.5% rise in chemicals and chemical products.

Medium-low tech exports, which account for 15% of all industrial exports, jumped by an annualized 30.4% in December 2019-February 2020, after dipping by an annualized 3.9% in September-November 2019. Export figures by branch show a 21.0% increase (an average 1.6% monthly increase) in exports of basic metals manufactures.

Israeli cybersecurity co Axis Security raises \$17m

The company is launching a purpose-built, cloud-native security and analytics platform that offers organizations simple and secure control of private application access.

Israeli private application access developer

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Axis Security today emerged from stealth and raised \$17 million in early stage investment led by Ten Eleven Ventures' Alex Doll. The initial investment was from Cyberstarts, a venture capital firm backed by founders and entrepreneurs from Sequoia Capital, Palo Alto Networks, Check Point, and Imperva, among others. Additional investors include Dan Amiga, founder of Fireglass, and board of director member Michael Fey, former president of Symantec and Blue Coat.

With offices in San Mateo, California and Tel Aviv, Axis Security was founded by CEO Dor Knafo and Gil Azrielant. The company is launching a purpose-built, cloud-native security and analytics platform that offers organizations simple and secure control of private application access.

Built on a zero-trust approach, the Axis Application Access Cloud provides a new agentless model that delivers the easiest and safest way to connect users on any device in minutes to private apps without touching the network or the applications.

The Axis Application Access Cloud solves the issue of implicitly open network access and removes the pain points of network-based security associated with Virtual Private Networks (VPN's) which can be complex, slow to deploy, hard to manage and inflexible, especially when it comes to providing access to third-party supply chain partners, vendors, contractors and remote employees.

Knafo said, "Axis Security is helping to solve one of the most complex security challenges for IT teams. Enabling access to the basic tools of digital transformation should not be one of the biggest risks an organization takes. We're giving IT teams what they've been lacking when it comes to applications and that is a single managed solution for access, security, control and scalability without the complexity."

MRI guided ultrasound co Insightec raises \$100-150m

The round is being led by Koch Disruptive Industries, which is committed to invest at least \$100 million.

Israeli MRI guided ultrasound company Insightec has announced the signing of definitive agreements for a Series F investment round of up to \$150 million at a post-money valuation of \$1.3 billion. Koch Disruptive Technologies (KDT), a subsidiary of Koch Industries is leading the round and has committed to invest \$100 million at an initial closing to follow shareholder approval. This is KDT's second direct investment in Insightec.

Haifa based Insightec's Exablate Neuro incisionless neurosurgery platform is the first MR-guided focused ultrasound device approved by the FDA to treat certain movement disorders in patients suffering from essential tremor and tremor-dominant Parkinson's disease who have not responded to medications. The financing will support continued research to evaluate focused ultrasound to treat these and other disorders.

Insightec CEO and chairman Maurice Ferre said, "Our partnership with KDT and other investors is helping to fuel our momentum as a rapidly growing number of medical institutions adopt our focused ultrasound technology.

This new investment demonstrates our investors' commitment to help drive the next generation of focused ultrasound."

"Insightec's focused ultrasound technology is disrupting the way surgery has been performed for generations," said Chase Koch, President of Koch Disruptive Technologies. "KDT is focused on empowering innovative companies and helping them realize their potential to improve the lives of millions of people."

Mellanox buys network intelligence co Titan IC

Titan IC is based in Belfast, Northern Ireland which will become the center of advanced network intelligence research and development for Mellanox.

Israeli big data connectivity company Mellanox Technologies Ltd. (Nasdaq:MLNX) today announced that it has reached a definitive agreement to acquire network intelligence (NI) and security technology company Titan IC. No financial details were disclosed.

The acquisition will further strengthen Mellanox's network intelligence capabilities delivered through the company's advanced ConnectX and BlueField families of SmartNIC and I/O Processing Unit (IPU) solutions. Titan IC is based in Belfast, Northern Ireland which will become the center of advanced network intelligence research and development for Mellanox.

Mellanox founder and CEO Eyal Waldman said, "Network Intelligence is an important technology when combined with our industry-leading networking portfolio of switches, SmartNICs, and IPUs. Our customers will benefit from the deep analytics and enhanced security that will be delivered by the integration of our best-in-class Ethernet and InfiniBand products and world-leading deep packet inspection and analytics technologies from Titan IC. With this acquisition, our M&A investments total more than \$1.2 billion to date and more than \$53 million invested in startups to further our intelligent networking strategy."

"We are pleased to become part of Mellanox and together we will accelerate the pace of innovation and will advance network intelligence to new levels of performance and insight," said Noel McKenna, CEO, Titan IC. "We have worked with Mellanox for many years to integrate our RXP regular expression

processor into their advanced line of BlueField I/O Processing Units (IPUs). Now as part of Mellanox, we will be able to achieve new capabilities for cyber intelligence, intrusion detection and protection, and advanced data analytics applications."

Mellanox is itself set to be acquired by Nvidia for \$6.9 billion. The deal was agreed more than a year ago and was supposed to close in December but has been delayed by the Chinese regulator, which needs to approve it, firstly because of the trade wars with the US and now the coronavirus outbreak.

Amazon extends free shipping to West Bank

The "Financial Times" reported that Amazon had been offering free shipping to Jewish settlements in the West Bank but not to the Palestinian Authority.

Amazon has extended free shipping to the Palestinian controlled areas of the West Bank. The move comes after the "Financial Times" reported last month that Amazon has provided free shipping to Jewish settlements in the West Bank since November on purchases of more than \$49 but not to the Palestinian Authority. Amazon's proposal that residents of the Palestinian Authority were entitled to free shipping, if they simply clicked on Israel as their place of abode, was not greeted warmly by the Palestinian Authority.

But an Amazon spokesman has now told the "Financial Times," "There are multiple technical, legal and logistical challenges that have prevented us from offering our free shipping promotion to our customers in the Palestinian Territories. We have been working on a solution to some of these challenges and are now providing access to the free delivery promotion to our customers in the West Bank."

Nevertheless, Palestinian economy minister

Khaled Osaily told the "Financial Times" that he, "Welcomes this step forward, but it's not enough, because they need to stop working with the (Israeli) settlements."

Israeli AI chipmaker Hailo raises \$60m

The Tel Aviv based company's chip empowers devices to perform Deep Learning applications that could previously run only on the cloud.

Israeli proprietary chip developer for deep learning on edge devices Hailo has raised \$60 million in a Series B financing round led by existing investors. The round was joined by new strategic investors including ABB Technology Ventures (ATV), NEC Corporation and London-based venture capital firm Latitude Ventures. This latest financing round brings the total amount raised by Hailo to \$88 million.

The funding will be used by Hailo for the global launch and marketing of its Hailo-8 Deep Learning chip.

The Tel Aviv based company was founded by CEO Orr Danon, chief business development officer Hadar Zeitlin and CTO Avi Baum while investor Zohar Zisapel serves as chairman.

Zisapel said, "Hailo's Deep Learning chip is a real gamechanger in industries such as automotive, industry 4.0, robotics, smart cities, and many more. A new age of AI chips means a new age of computing capabilities at the edge, and we are excited to lead this transformation."

Danon added, "This immense vote of confidence from our new strategic and financial investors, along with existing ones, is a testimony to our breakthrough innovation and market potential. The new funding will help us expedite the deployment of new levels of edge computing capabilities in smart devices and intelligent industries around the world,

including areas such as mobility, smart cities, industrial automation, smart retail and beyond."

With an innovative chip architecture that relies on the core properties of neural networks, Hailo's chip empowers devices to perform Deep Learning applications that could previously run only on the cloud. The Hailo-8 innovative Structure-Defined Dataflow Architecture translates into higher performance, lower power, and minimal latency, enabling more privacy and better performance for smart devices operating at the edge, including partially autonomous vehicles, smart cameras, smartphones, drones and AR/VR platforms.

The Hailo-8 features up to 26 tera operations per second (TOPS) and significantly outperforms all other edge processors with its small size, high performance, and low power consumption.

Barak's cannabis co Canndoc mulls merger with Collect Bio

Canndoc's parent company Intercure has also signed an agreement to sell medical cannabis products to Super-Pharm.

Ehud Barak's cannabis co Canndoc, owned by Intercure (TASE: INCR) is considering a merger with Israeli medical regenerative company Collect Biotechnology (Nasdaq: APOP).

The two companies have signed a binding Letter Of Intent (LOI) for a merger, selling of cannabis and R&D collaboration to reduce the usage of opioid painkillers.

As part of the deal, Canndoc, whose chairman is former Israeli prime minister Ehud Barak, will supply Collect with a minimum of six tons of GMP pharma grade cannabis products worth \$18 million, over the next 5 years.

Intercure and Collect have also signed a non-binding LOI for a full merger, under which Collect will acquire from Intercure all of Canndoc outstanding shares, in exchange for additional Collect ADRs, amounting to 95% (93% on a fully diluted basis) of the merged company.

Canndoc has been collecting clinical evidence on the effects of medical grade cannabis on pain management over the past 12 years, treating thousands of patients, primarily in oncology, and its accumulated data has shown a reduction in patient opioid consumption.

The evidence from the scientific literature and accumulated experience in the treatment of medical cannabis in pain management with Canndoc's patients, indicate a reduction in the dosage of opioid drugs and exceptional treatment outcomes," commented clinical immunologist Prof. Zvi Bentuch, a member of the scientific Canndoc's advisory board and an international expert on AIDS research.

He also served as Chief Scientist of Tikun Olam, one of Israel's first cannabis companies, where he oversaw the clinical trials in medical cannabis.

Collect will acquire from Canndoc all rights to the use of Canndoc products for the reduction of opioid usage, including accumulated data, as well as on-going and pipeline of clinical trials.

Intercure also reported today that it has signed an agreement to sell up to 10 tons of GMP medical grade cannabis products to Israel's largest pharmacy chain Super-Pharm over the next 3 years. The company did not reveal the financial value of the deal, but industry sources believe it to be worth about \$38 million.

Super-Pharm will sell Canndoc's products in its 41 branches which have approval from

Israel's Ministry of Health to sell and distribute medical cannabis products.

Supper-Pharm CEO Nitzan Lavi said, "We are looking to provide our patients with the best service and highest quality to meet the growing demands for medical cannabis products. I welcome the strategic partnership with Canndoc which will enable us to increase our GMP standard medical cannabis inventory."

Ben-Gurion U team unveils laser drone kill system

The system is safe for use in urban environments, and provides defense against autonomous drones.

A Ben-Gurion University of the Negev laser expert has developed a laser-based defense system, dubbed Light Blade (Lahav-Or in Hebrew), that will be able to down the next generation of attack drones. He and his colleagues from industry have formed OptiDefense to develop and commercialize the system.

The university spokesperson says that a simpler model operated by Israel's Border Police and paired with Elbit's SupervisIR threat detection system had great success last month in downing explosive balloons coming over the border from the Gaza Strip.

Attack drones are becoming increasingly common threats. Current drones must still maintain some communication link - either to their handler or to GPS - and therefore electronic jamming systems can exploit that weakness. This is known as a "soft kill". Future attack drones, however, will be completely autonomous, navigating via onboard sensors and cameras, without any sort of exploitable communication link. In order to neutralize them before they reach their target, a "hard kill" option is needed to

physically target and shoot down the drone.

Prof. Amiel Ishaaya of BGU's School of Electrical and Computer Engineering in the Faculty of Engineering Sciences is an expert on lasers. He and two friends from the industry developed a system with enthusiastic support and funding from Border Police Commander Yaakov (Kobi) Shabtai. The system's main advantage is that it can be used in urban environments.

"In order to operate most high-powered laser defense systems, the airspace needs to be cleared for many kilometers around so that the laser will not accidentally blind anyone. Our system operates on a lower frequency which makes it safe for urban environments. Airports, for example, could station our systems to provide complete coverage without endangering any pilots or passengers," says Prof. Ishaaya.

Other potential applications include defending public events such as concerts or speeches. The system has a range of several kilometers.

OptiDefense was founded by Prof. Ishaaya, Dr. Udi Ben-Ami and Dr. Rami Aharoni. The company currently seeks investments to facilitate future development.

CORONA VIRUS - UPDATES (March 19)

Amid shortages, Defense Ministry to take over buying corona-related medical gear

Health Ministry to draw up lists of needed equipment, that will be bought and transported to Israel by Defense Ministry in bid to make process more efficient

Amid shortages in medical supplies, the Defense Ministry will purchase all equipment related to the country's response to the coronavirus pandemic in an effort to make the

process more efficient, the ministry said.

The decision was made by the Defense Ministry, Health Ministry, Finance Ministry and National Security Council. It comes amid claims of insufficient medical equipment in hospitals and clinics.

"This is in light of the growing needs of the health care system and the special ability of the Defense Ministry to make emergency purchases and transport it internationally to the State of Israel," the ministry said in a statement.

As part of this inter-agency agreement, the Health Ministry will determine what is needed and the Defense Ministry will make the purchases and import the goods into Israel in an "expedited process," it said.

To speed up this effort, a representative from the Defense Ministry's purchasing department will be stationed in the Health Ministry full-time to coordinate between the offices.

The ministry already operates several overseas purchasing departments, including its largest, in New York.

Last week Prime Minister Benjamin Netanyahu reportedly asked his Indian counterpart Narendra Modi to exempt Israel from an export ban on protective masks and the raw materials used to make medicines.

In a televised statement last Wednesday to announce new measures to contain the coronavirus, Netanyahu said he spoke by phone with Modi.

"We also depend on supply lines and we are working with other countries. We are in contact with them all the time," he said at the time, without elaborating.

On Friday officials said Netanyahu asked Modi

to lift the export bans on these items, which were imposed several weeks ago, as Israel imports most of the raw materials it needs for medicines from India.

Itamar Grotto, deputy director-general of the Health Ministry, said Modi agreed to allow the export of materials for medicines to Israel, but there was no decision yet on the masks and that Israel had a shortage of several hundred thousand.

Wednesday's decision comes following reports the Israeli military is gearing up to play a greater role in managing the pandemic in the country.

The military is drafting new orders that would give it the powers to act to help stem the crisis

and was adapting its "Summer Cage" orders prepared for the event of a wide-scale earthquake, Channel 13 reported Tuesday.

This would allow the IDF to initially begin by assisting Israel's medical system, possibly setting up hospitals and taking in patients. It could also put its logistical capabilities, including vehicles, drivers and other facilities at the government's disposal.

It was also preparing plans, should the situation deteriorate, to enforce curfews and lockdowns on the civilian population, although the TV noted that such a possibility was still "a long way off."

The report said that the IDF believes the crisis will last for several months, and even possibly up to a year.



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