

ISRAEL HIGH-TECH & INVESTMENT REPORT

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Ormat Acquired by Japanese ORIX

Japanese ORIX buying 22% of Ormat for \$627m

ORIX is buying the stake from FIMI and Bronicki Investments at a share price of \$57.

Ormat Technologies, Inc. (NYSE:ORA) and ORIX Corporation (TSE:8591) (NYSE:IX) announced that ORIX will acquire an approximately \$627 million ownership stake in Ormat by purchasing approximately 11.0 million shares of Ormat common stock from FIMI ENRG Limited Partnership, FIMI ENRG, L.P. (collectively, FIMI), Bronicki Investments, Ltd., and senior members of management, representing in the aggregate an approximately 22.1% ownership position in Ormat. The per share sale price to be paid by ORIX at closing (subject to satisfaction of customary conditions, including regulatory approvals) is \$57, which was the prevailing market price at the time that ORIX, FIMI and Bronicki reached agreement on the commercial terms of their transaction. The parties expect closing to occur in the third quarter of 2017.

Ormat Technologies' share price is currently down 2.54%, at \$57.65. Under terms of a new Commercial Cooperation Agreement between the two companies, Ormat will have exclusive rights to develop, own, operate and provide equipment for ORIX geothermal energy projects in all markets outside of Japan. In addition, Ormat will have certain rights to serve as technical partner and co-invest in ORIX geothermal energy projects in Japan.

Also, ORIX will assist Ormat in obtaining project financing for its geothermal energy projects from a variety of leading providers of renewable energy debt financing with which ORIX has relationships in Asia and around the world.

Under related agreements, ORIX will have the right to designate three persons to be appointed to an expanded nine-person Ormat



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board of directors and also propose a fourth person to be mutually agreed by Ormat and ORIX to serve as a new independent director on the Ormat board. In addition, for so long as ORIX is entitled to board representation, ORIX will be subject to certain customary standstill restrictions, including an effective 25% cap on its voting rights. ORIX will also have certain customary registration rights with respect to the shares of Ormat common stock that it will own.

"We are excited to partner with ORIX, one of the world's leading diversified companies with operations in 36 countries, to advance the interests of both companies," commented Gillon Beck, Ormat's chairman. "With ORIX's significant presence around the world, access to capital and strong positioning throughout Asia, we believe Ormat can enhance and accelerate its strategic growth plans in the renewable energy market."

"We are delighted to be partnering with Ormat to support the company's expansion in the global geothermal energy market" said Mr. Yuichi Nishigori, Head of Energy and Eco Services Business Headquarters of ORIX. "As one of Asia's leading investors in the renewable energy sector, and with a growing portfolio of renewable energy investments around the world, we recognize the importance of having clean, reliable, baseload power such as that which geothermal provides, and we believe that the geothermal sector has the potential to become an increasingly large component of the world's overall energy mix. Given Ormat's technological leadership and increasingly global portfolio of operations, we believe the company is well positioned to help lead this expansion, and we look forward to working with the Ormat board and existing management team to facilitate the company's future growth and value creation."

"Following the meetings and discussions I had with ORIX's management in the last several

weeks, I am confident that this significant cooperation agreement will support our strategic plan to expand our geographical footprint as well as technological and customer base" said Isaac Angel, Ormat's CEO. "We expect that the comprehensive capabilities and track record of Ormat together with ORIX's commitment to expanding the scope of its geothermal and other renewable energy activities will accelerate our growth. I look forward to leading our cooperation with ORIX on future opportunities."

Gett seeks to raise \$700m

The Israeli taxi hailing app company has hired Wells Fargo and Credit Suisse to help raise new funds.

Israeli taxi app Gett buys Juno for \$200m

Last week, Gett (formerly GetTaxi) acquired New York rival Juno for \$200 million and following the purchase founder and CEO David Waiser said that his company would be looking to raise more money this year.

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Nevertheless, a substantial amount of the acquisition of Juno will reportedly be in shares rather than cash.

Last year Gett raised \$300 million at a company value of \$1 billion the company now sees itself being worth more than \$2 billion. Such a valuation would make Gett, Israel's most valuable startup.

Gett has raised well over \$500 million since its inception and other major investors include billionaire Len Blavatnik's Access Industries and Swedish fund manager Vostok Nafta Investment Ltd. Gett operates in around 100 cities globally, including New York, Moscow, London and throughout the UK as well cities in its home base of Israel.

YL Ventures raises \$75m third Israel VC fund

The first fund specialized in SaaS startups, the second fund in cyber security while the third fund will invest in other tech fields.

YL Ventures has raised a \$75 million third venture capital fund, according to a filing with the US Securities and Exchange Commission (SEC). The venture capital firm, founded by Yoav Leitersdorf, manages \$60 million in its previous two funds (\$32 million and \$28 million). Both funds focus on seed funding - \$2-3 million per investment on average - in Israeli startup companies.

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operations are based in Tel Aviv.

Portfolio companies include vehicle cyber security developer Karamba Security, and cloud security solutions company Twistlock. The company has enjoyed exits such as Proofpoint's \$55 million acquisition of cloud security company Firelayers last October and CA Technologies \$100 million of acquisition of app performance testing company Blazemeter last September.

Israeli companies unveil cyber drone

The Condor can locate wanted terrorists at a distance of kilometers, even if they are hiding in buildings or tunnels. Defense companies BLER and Istar are unveiling their development of a new drone designed for cyber warfare: the Condor. The Condor is capable of moving at a height of hundreds of meters for over an hour. It can operate in extreme weather conditions, cover an area of 5-8 kilometers, and provide information about the precise location of suspects or wanted terrorists, even if they are hiding inside buildings or tunnels.

BLER and Istar are part of the Avnon group, headed by businessman Tomer Avnon. The group develops systems for military and defense uses (homeland security). The drone was developed by Istar, which develops drones and unmanned aerial vehicle (UAV) systems, while the detection and identification system installed on the drone was developed by BLER.

The drone was developed for defense organizations and rescue forces in Israel and around the world as a means of precisely locating suspects and wanted terrorists hiding in densely populated areas. It is also likely to facilitate location and rescue missions following natural disasters.

"We recently completed a number of tests of the new drone in several countries, including Peru, where a local rescue company used the

Condor to locate and rescue a missing hiker," says BLER cofounder Uri Boros.

"One of the achievements in the development of the new drone is its light weight - 700 grams of technologies installed on it, which enable it to provide accurate locations of people according to the locations of their cellular telephones or satellite telephones," Boros adds. According to Boros, in contrast to ground-based systems currently offered on the market, "which usually provide only a few hundred meters of coverage, the new drone is capable of covering a number of kilometers."

The new drone will be displayed for the first time one month from now at the ISDEF exhibition in Tel Aviv, at which 240 companies from Israel and around the world will present their latest developments. No fewer than 55 defense companies from India are slated to participate in the three-day exhibition, together with companies from the US, Turkey, Germany, the UK, Singapore, France, and others.

Israeli startup raising dips in Q1 2017

Israeli startups raised \$1.03 billion in the first quarter of 2017, down 8% from the corresponding quarter of 2016, IVC-ZAG reports. In the first quarter of 2017, Israeli high-tech companies raised \$1.03 billion in 155 transactions, according to the latest IVC - ZAG, This amount is 4% down from \$1.07 billion raised in 165 deals in the preceding quarter and 8% down from \$1.11 billion raised in 174 deals in the first quarter of 2016.

The number of transactions was down 10% in the first quarter of 2017 compared with the quarterly average of 172 deals in the previous three years. The average financing round reflected a slight increase, with \$6.6 million, compared to the \$6.5 million and \$6.4 million averages in the preceding and corresponding quarters.

Early rounds - seed and A rounds - fell 16% and 31% respectively, with only 37 seed rounds and 40 A rounds closing in the first quarter of 2017, totaling \$247 million, 8% down from \$267 million raised in early rounds in the preceding quarter, and 23% down from the \$320 million raised in the corresponding quarter of 2016. The number of all later rounds (B, C and later) was up 20% with 78 deals in the first quarter of 2017 compared with 65 deals in the preceding quarter, and only 5% above the 74 deals in the corresponding quarter of 2016. In terms of capital raising, only C rounds managed to top their previous record, with \$285 million raised in 17 deals in the first quarter of 2017, compared with \$100 million (9%) raised in the previous quarter and \$234 million (21%) in the corresponding quarter of 2016.

Adv. Shmulik Zysman, founding partner of ZAG-S&W (Zysman, Aharoni, Gayer & Co.) international law firm said, "Although 2017 started as a strong and stable year for Israeli high-tech capital raising, with figures similar to previous quarters, the number of financing rounds in the first quarter was the lowest since the corresponding quarter in 2012, while the number of new startups continued to grow. We expect the Mobileye deal - which shifted paradigms regarding valuations of Israeli companies - to have future impact on the industry in terms of growth in capital raising volumes. The deal is yet another proof of the high quality and standards of Israeli companies."

He added, "The fact that most of the capital goes into mature companies currently reflects, on the one hand, the maturity of companies today, but also the low appetite of investors for young companies, which embody greater risk. If it continues, this trend is liable to harm young companies' ability to realize their potential. In addition, according to the report, most of the capital injected into the Israeli market continues to come from abroad. Thus, it emerges that

high-tech investments in Israel are biased toward foreign investments in low-risk companies, which is liable to affect the future of Israeli high-tech as a whole."

In the first quarter of 2017, venture capital-backed deal-making was down, with both the proceeds and number of deals shrinking noticeably. These figures mark the lowest point in venture capital fund investments since the second quarter of 2015, with \$577 million in only 68 transactions, a 19% fall from \$710 million in 95 deals in the preceding quarter, and 26% down from \$777 million raised in 100 venture capital-backed deals in the first quarter of 2016. While capital raised in financing rounds involving venture capital funds marked the lowest point in venture capital fund participation since the second quarter of 2015, the number of venture capital-backed financing rounds was the lowest quarterly figure recorded since 2010. The average venture capital-backed financing round in the first quarter of 2017 was up, however, with \$8.5 million, compared with \$7.5 million and \$7.8 million in the preceding and corresponding quarter of 2016.

Israeli venture capital fund investment activity

IVC: Israeli VC fundraising strengthens

Israeli startups raise record \$4.8b in 2016

Israeli venture capital funds invested \$162 million or 16% of total capital in Israeli high-tech companies in the first quarter of 2017. The amount was 26% above the \$129 million invested in the preceding quarter and 17% up from the \$138 million invested in the corresponding quarter of 2016. Israeli venture capital funds' share was up in the first quarter of 2017, compared with these two quarters, when their share reached 12% of total capital each.

The IVC-ZAG Survey reveals that this upturn stems from the increase in first investments made by Israeli venture capital funds in the first quarter of 2017 - \$87 million, or 54% of their investments. The share of first investments was up, compared with 45% in the fourth quarter of 2016 and 31% in the first quarter of 2016. While Israeli venture capital fund investment in the past tended to lean towards early stage investments, in the first quarter of 2017, 65% of first investments went to late stage companies.

IVC Research Center CEO Koby Simana said, "Our analysis shows that venture capital funds, both Israeli and foreign, are shifting their activity focus to investments in later stages in terms of companies' product development stage, financing stage or capital raising round. This change creates a void in the early stages that is not fully met by other investors, such as accelerators or private investors. On the one hand, it creates an opportunity for new investors willing to focus on young startups and early stage companies without much competition, but on the other hand - spells danger to the future of the local venture capital model. If venture capital funds pass up the opportunity to join at early stages and hold the majority of shares in a company, they will have less control over their deal-flows. If there are no investments in early stages and early rounds now, two years down the line there could well be a shortage of promising late stage companies."

Capital raised by stage

Mid-stage companies continued to lead quarterly capital raising in the first quarter of 2017, with \$478 million (47%), 11% below the \$534 million raised in the preceding quarter, the highest quarterly amount for this stage, but 17% above the \$409 million raised in the first quarter of 2016.

The first quarter of 2017 was the weakest for early stage rounds in three years, with

41 companies raising only \$199 million, or 19% of total capital.

IBM Israel, Harman develop "smart room"

The rooms, ideal for hotels and hospitals, will answer questions and respond to orders. The IBM research laboratories in Haifa and Harman International have recently developed a system of smart rooms, also called cognitive rooms, with verbal control. One potential customer for the service is hotels. Instead of phoning the reception desk and asking how to turn off the air conditioner or lower the television volume, hotel guests can simply ask the question aloud. Loudspeakers installed in the room will receive the question, process it, and provide the answer. Harman, a manufacturer of entertainment and information systems, was sold to Samsung last year for \$8 billion.

Harman is already active in Israel, having acquired local startups Redbend and TowerSec. The new systems, which will reach the market in the coming months, will also be able to help patients in hospitals. The patient can ask when breakfast is being served, which doctor is treating him, etc. The new product is part of the Internet of Things (IoT) trend, and can also be useful for cruise ships, board rooms, etc.

IBM Haifa IoT division senior scientist Segev Wasserkrug said today, "The room is operated by verbal orders, based on technology developed by researchers in IBM's Haifa laboratory. The research team, in cooperation with Watson IoT, is developing an integrated system based on Watson IoT's call services. The system understands the user's needs, attitudes, and wishes. The system has been planned so that it will be able to deliver significant insights resulting from its understanding of what the consumer says."

"These insights are produced through the use of new or old 'call agents' communicating

with various websites and IoT and cognitive services. All of these jointly generate a 'cognitive space' that communicates with the user in a hospital or hotel, for example."

Harman senior VP Kevin Morrison said, "We are solving a problem characteristic of hotels, hospitals, and board rooms, in which people encounter an unfamiliar environment, but still have to carry out simple tasks, such as changing the temperature in a room, adjusting the lighting to personal preferences, opening curtains, operating conference calls, and making presentations. The voice-controlled cognitive rooms offered by Harman provide a natural and intuitive experience that is especially needed for patients with special needs and tired travelers arriving at a new hotel room."

UroGen Pharma raises \$58.2m in Nasdaq IPO

The Israeli urological cancer treatment developer raised 20% more than planned. Israeli urological cancer treatment developer UroGen Pharma (formerly Theracoat) raised \$58.2 million in its Nasdaq IPO, 20% above the planned amount. The Ra'anana-based company raised the money by offering 4,473,373 shares at \$13 per share, giving UroGen a valuation of \$150 million, after money. Urogen is trading under the URGN ticker.

In addition, UroGen Pharma granted the underwriters a 30-day option to purchase up to an additional 671,005 ordinary shares. Jefferies LLC and Cowen and Company, LLC acted as joint book-running managers for the offering. Raymond James & Associates, Inc. and Oppenheimer & Co. Inc. are acting as co-managers for the offering.

UroGen Pharma was founded in 2004 at the Granot Ventures incubator by Prof. Asher Holzer. The main shareholders are Mori Arkin's

Arkin Holdings (21%), Pontifax fund (16.7%), US life science fund ProQuest Investments (10.2%), Swiss oncological pharma developer Telormedix (8.4%) and Australian investment company Tatham Investments (5.1%). Chaim Hurvitz's CHealth was one of the first investors in the company.

The Israeli company is headed by two figures already well known on Wall Street. UroGen's CEO is Ron Bentsur, former CEO of NASDAQ-traded XTL and Keryx while its chairman is urologist Prof. Arie Beldegrun, who founded Kite Pharma, traded on Nasdaq at a company value of \$4.3 billion. Body Vision integrates a CT scan and X-ray in order to remove very small lung tumors that might develop into lung cancer.

We know that you are fed up with the description of every startup as the Waze of canned vegetables and the Mobileye (NYSE: MBLY) of cello-tape. In the case of Body Vision Medical, however, a startup founded by CEO Dorian Averbuch, the comparison with Mobileye is a valid one.

Body Vision is active in intra-body imaging. The principle guiding the existing players in this field is reminiscent of Waze's mechanism. The vehicle can be located on a stationary map by calculating the distance between a cellular device and two satellites. Body Vision is more like Mobileye - it photographs the picture (the road) and the medical device, and calculates where they are with respect to each other in real time, rather than on the basis of previous knowledge about the "road."

Averbuch is well-known in the intra-body navigation segment. He was a partner in the founding of MediGuide, which started as a project in Elbit Systems Ltd. (Nasdaq: ESLT; TASE: ESLT). He was later an executive in superDimension, another company in the same niche. These two companies both achieved successful exits of

\$300 million each, with MediGuide being sold to St. Jude Medical and superDimension being acquired by Covidien (now Medtronic). The knowledge that Averbuch acquired in these two companies was useful to him when he founded Body Vision in 2014.

Using Israeli Tech, Hadassah Surgeons Perform World's First-Ever Dual Robotic Surgery

The world's first dual robotic surgery was performed recently at Hadassah Hospital Ein Kerem in Jerusalem, Israel. The 42-year-old patient who underwent the procedure will be able to walk again after a heavy steel frame had fallen on him.

The revolutionary dual robotic surgery, performed on April 23, repaired of a severe spinal fracture suffered by Aharon Schwartz, a factory worker who was injured when a steel object pinned him to the ground, fracturing his leg in two places and breaking six of his spinal vertebrae.

The pioneering, three-hour surgery took place in a state-of-the-art, \$30 million operating room, according to Dr. Meir Liebergall, chairman of the Hadassah Medical Organization's orthopedic department. Two robots, Siemens' Artis Zeego and the Renaissance Guidance System, were involved in the surgery. Renaissance is a screw placement system which allows spinal implant placement with safety and accuracy, and was developed by Israeli company Mazor Robotics.

According to Hadassah's president Ellen Hershkin, "the world's first dual robot-assisted spinal surgery solidifies Hadassah's reputation for world-class medical innovation & treatment."

Revolutionizing The World Of Surgery

Mazor Robotics' guidance systems enable surgeons to conduct spine and brain procedures

in a precise manner. Founded in 2001, the company's intuitive interface helps surgeons plan operations in a virtual 3D environment, creating a surgical blueprint for better accuracy.

Transforming spine surgery into a highly accurate procedure

According to Mazor Robotics, the Renaissance Guidance System "transforms spine surgery from freehand procedures to highly accurate, state-of-the-art procedures that may reduce fluoroscopy - even for minimally-invasive surgery, scoliosis, and other complex spinal deformity cases."

The Siemens Artis Zeego robotic technology "enables smoother, swifter and trouble-free patient positioning and execution procedures," according to Hadassah.

Amal Khouri, director of Hadassah's Orthopedic Hospitalization Center, provided real-time, 3D imaging during the surgical procedure, which eliminated the need for pre-surgery CT scans and post-surgery X-rays.

During the minimally invasive surgery, Mazor's Renaissance robot communicated with Artis Zeego, while senior orthopedic surgeon Dr. Josh Schroeder led the Hadassah orthopedic team in the insertion of 11 pedicle screws into the patient's spine "with clinical exactitude," Hadassah says.

According to Liebergall, the patient is expected to completely recover from the surgery and will be walking again shortly.

Innovative platform for surgery born at the Technion

The story of Mazor Robotics began at the Technion - Israel's Institute of Technology. The company was officially founded by Prof. Moshe Shoham and Eli Zehavi, but the work had begun years earlier with Shoham, the head of the Robotics Laboratory at the Technion, conducting research to develop

an innovative platform for surgery.

Q1 private equity investment in Israel totals \$316m

Investment was up 21.5% from the first quarter of 2016 but down 45.3% from the preceding quarter, IVC-Shibolet reports.

Private equity funds made 24 deals totaling \$316 million in Israel in the first quarter of 2017, according to data published today by the IVC Research Center and the Shibolet & Co. law firm.

The figures show that the amount invested was 45.3% less than in the preceding quarter, but 21.5% more than in the corresponding quarter last year. The number of deals was 33% more than in the fourth quarter of 2016 and 26% more than in the first quarter of 2016.

Record private equity investment in Israel in 2016

IVC and Shibolet said that there were no private equity deals of more than \$50 million in the first quarter, after two years in which there was at least one such deal in each quarter. The largest deal was a buyout of Ace Auto Depot Ltd. (TASE:ACDP) by the Kedma Capital fund, followed by AMI Opportunities with the buyout of 83% of the controlling interest in Ten Petroleum Company Ltd. (TASE: TNPT.B1).

\$1.2 billion available for investment

The Israeli funds accounted for 72% of the investments in the quarter, while investments by foreign funds plunged to \$89 million, compared with \$150 million in the corresponding quarter last year. The amount invested by foreign funds was their second smallest total since the third quarter of 2015. The number of deals was up, but the amounts invested were smaller.

According to IVC's figures, there are 39 active

Israeli private equity management companies managing \$12.1 billion in aggregate capital. In 2017, one Israeli private equity fund has raised money to date - the Sky Private Equity III fund raised \$200 million; while four more funds are in the process of raising capital.

YL Ventures raises \$75m third Israel VC fund in SaaS startups, the second fund in cyber security while the third fund will invest in other tech fields.

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Portfolio companies include vehicle cyber security developer Karamba Security, and cloud security solutions company Twistlock.

The company has enjoyed exits such as Proofpoint's \$55 million acquisition of cloud security company Firelayers last October and CA Technologies \$100 million of acquisition of app performance testing company Blazemeter last September.

AID Partners buys Israel's GeneSort for \$23m

Oncologists can use GeneSort's diagnostic results to adapt treatments to the patient's specific genetic mutations.

Israeli molecular diagnostics company GeneSort today announced that it had been acquired by Hong Kong investment fund AID Partners for \$23 million. The deal will provide GeneSort with resources and other support for expanding into Southeast Asia and other global markets. Moshe Hogeg's Singulariteam fund is the largest investor in GeneSort, having invested \$2.2 million in the company.

GeneSort specializes in genetic analysis of deep tissue. It detects specific genetic mutations linked to various types of cancer. Oncologists can use GeneSort's diagnostic results to adapt treatments to the patient's specific genetic mutations, which can have a dramatic effect on the recommended treatment.

GeneSort chairman and CEO Dr. Gil Pogozelech said, "We are very excited about the acquisition and the possibilities it creates for our company and the technology we have developed. The acquisition gives us an opportunity to help more patients around the world. This is a milestone for us and validation of the strategy we are employing. Our technology has the potential to help millions of people all over the world. We expect the coming efforts to create important value in the struggle against cancer."

AID Partners founder and chairman Kelvin Wu King Shiu said, "GeneSort uses new and innovative approaches in the battle against cancer. Its diagnostic technology can help medical teams detect relevant genetic mutations quickly and effectively, and provides personal mapping in the battle against cancer. GeneSort is focusing on the critical demand for help in the struggle against one of the most

common diseases on the globe. We're proud to add GeneSort to the AID family, and expect further growth and innovation from the company."

Hogeg said, "The technology developed by GeneSort differs from those of other companies working in this area.

This technology has the potential to not only improve people's quality of life, but to even save lives. We're very proud that we supported GeneSort in its early stages, and we expect its development to continue after the acquisition." He added, "I'm glad that the investments by Chinese companies in Israeli companies are proving fruitful."

The sale is Hogeg's third in a month, after Juno was acquired by Gett for \$200 million and Mobli sold a patent to Snapchat for \$7.7 million.

Mobileye acquisition to start Israeli auto-tech boom

Intel could make more acquisitions in Israel, and Check Point and the defense industries are also interested in the sector.

From a business standpoint, the multi-billion dollar Intel-Mobileye (NYSE: MBLY) deal on the Israeli auto-tech industry had the effect of a level 8 earthquake on the Richter scale shifting the tectonic plates.

Not only was it the largest acquisition in Israel's history, but it also provided a concrete financial criterion for the developing sector and was registered on business seismographs all over the world. BM (before Mobileye), the industry attracted attention mostly from professional parties and knowledgeable people in the global auto industry, as well as a few small-to-medium fish in the venture capital industry.

AM (after Mobileye), the business ocean's deep water sharks and whales are gathering round.

Intel still on edge

Every earthquake of these proportions naturally has aftershocks that continue for a long time afterwards, the results of which in this case are evident. Since the deal was announced in March, Israeli companies concentrating on various aspects of the smart vehicle vision have raised over \$120 million. Most of the companies found more money available than they were planning on raising, and had to politely turn down some serious investors. Specialist venture capital funds also raised hundreds of millions of dollars from investors all over the world seeking to build a portfolio of investments in seed-stage Israel auto-tech companies and ventures. An airlift of auto industry executives is also continuing under the radar - the very top management level - and that is only the tip of the iceberg.

Behind the scenes, these aftershocks are starting to generate structural changes in the young and developing industry: consolidation of the existing players, the entry of new companies from parallel sectors, major strides forward by existing companies, etc. Before trying to map some of these changes, it is worth noting that the earthquake epicenter itself, i.e. Intel, has not necessarily calmed down and stabilized.

Last week, Intel unveiled an "autonomous vehicle laboratory" in Silicon Valley, in which it is exposing and focusing research and development in many technological areas of the smart car vision extending far beyond Mobileye's computer vision and mapping. We therefore recommend that analysts ignore this earthquake, and continue following Intel's automotive activity in Israel. It is a real possibility that the Mobileye deal was merely Intel's first acquisition, and will serve as a core for the acquisition of a group of Israeli companies with complementary solutions.

Defense industries are discovering vehicles

The dimensions of the Intel-Mobileye deal were also a wakeup call for the Israeli defense industries - the dumb giant of the Israeli economy. "Globes" has already commented about the indirect connection between former defense industry figures and the developing auto-tech industry, but other than a few minor civilian automotive spinoffs, most of the defense industry giants have until now preferred to stay off the superhighway and focus on tanks, missiles, and aircraft.

There are quite a few reasons for this. First of all, it is mentally difficult for companies accustomed to working with government customers with products costing from tens of thousands to millions of dollars per unit to get used to the auto industry's stringent cost policy, in which every dollar counts.

This situation is now changing, and a good illustration of this appeared last month in the form of a very rare visit to Michigan by a "commercial" delegation organized by the Ministry of Defense International Defense Cooperation Authority (SIBAT) for 13 representatives of the largest defense industries in Israel. Michigan, of course, is the center of the US auto industry, and the purpose of the delegation's visit was described, among other things, as presenting solutions and products in sub-systems for military vehicles, robotics, and autonomous propulsion.

There is a high correlation between civilian and military uses of smart car technologies. Matters such as autonomous propulsion, artificial intelligence, machine vision, connectivity, encryption, and protection of information transmission to and from a vehicle are also an integral part of the smart battlefield vision in which governments throughout the world have been investing trillions in recent years.

Anyone gaining a foothold in advanced corect

technologies in such sectors and successfully making the necessary mental and business adjustment is therefore likely to benefit from a two-way business track. Defense companies can grab a share of the rich global vehicle market, and civilian companies can win military contracts amounting to tens and hundreds of millions of dollars. It cannot be ruled out that we will see cooperative efforts or intensive activity involving local defense industries in civilian uses of their technology, and perhaps even separate stock exchange offerings by subsidiaries in this sector.

Check Point looking at vehicles

Another sleepy giant now responding to the Mobileye deal fallout is Israeli cyber security firm Check Point Software Technologies Ltd. (Nasdaq: CHKP), the pride of the cyber industry. A connection between Check Point, a software company, and the hardware-intensive auto industry ostensibly appears unnatural. In an era of connected vehicles, however, this situation could change dramatically.

The auto industry estimates that a single autonomous vehicle will generate a stream of data amounting to four terabytes every 90 minutes. This prodigious stream of data, multiplied by tens and hundreds of millions of vehicles throughout the world, has to be processed, filtered, and also secured against malicious attempted break-ins. This goal requires integration of advanced hardware capabilities in a vehicle, and but also on the cloud to which the data from the vehicle will be streamed.

This integration of capabilities led this month to an interesting announcement of technological cooperation between Check Point, which has been a partner of Argus Cyber Security in developing cyber security solutions for cars for the past two years, and Valens, which has developed unique infrastructure for

very high-speed data transmission on a single pair of wires. In recent years, Valens has entered the automotive field, including a contract with Daimler-Mercedes Benz.

The announcement mentions the establishment of a "Cyber Security Working Group" that "will define the necessary specifications for a more secure connected car." To the technologically challenged, it sounds complicated, and there is no doubt that many more obstacles await the players in this field in the coming years, headed by the absence of a uniform standard in the auto industry for information security and updating cyberspace security for vehicles. We nonetheless recommend closely following the "elephant hiding in the picture" - in this case, Check Point.

Current studies say that by the middle of the next decade, the cyber security market for vehicles will reach billions of dollars a year, and force the auto industry to cooperate with specialist external parties for the purpose of periodic updates about threats and protecting data transmission from the cloud to and from the vehicle. This is Check Point's specialty, and it is doubtful whether a company with global status and an assertive business policy like Check Point can ignore it.

Check Point finished 2016 with a pile of cash and cash equivalents amounting to nearly \$3.5 billion. Swallowing up several new players in the sector, including its partners, is more than what is needed in order to achieve a breakthrough in the auto industry.

Getts global plans

Another interesting business focus attracting widespread global attention in recent weeks is the rapid expansion of Gett (formerly GetTaxi). The company made the headlines this month with its acquisition of Juno, its competitor, for \$200 million. The attitude towards Gett in Israel is reminiscent of the attitude to

Mobileye before its great leap, meaning that it is limited to familiarity with the company's end product - in the case of Gett, a taxi-ordering app - while ignoring the broader picture.

Gett is now in the midst of a very ambitious business and technological maneuver being conducted hand-in-hand with the Moia technology division of Volkswagen, the world's largest auto manufacturer, which is the only major investor in Gett. It is a mistake to categorize Gett as just another competitor of Uber in the shared vehicle sector.

It is true that Gett's main source of revenue at present and in the immediate future is its vehicle ordering app and various vehicle sharing services. Behind the scenes, however, the company, in cooperation with Volkswagen, is developing advanced solutions for transportation management in the connected and autonomous vehicle era. Over the next five years, some of these solutions are likely to put Gett into territory next to that of the mobility divisions of Google, Waze, and the like, with capabilities for optimizing traffic loads and intelligence direction of public transportation in cities and countries, while taking into account traffic loads, weather, individual external events, etc.

Gett also has a close link with the huge Russian auto market, which has been dormant in recent years because of the economic crisis in Russia, but which is likely to again become a focus of global auto industry growth in the future. In any case, this business and technological expansion is currently creating, quietly and behind the scenes, the second multi-billion dollar companies produced so far by the Israeli auto-tech industry. The big question is whether the company can do this independently, or whether it will be swallowed up by some shark or other.

A hint of the answer can be found in a report by the Bloomberg agency, which quoted

anonymous sources as saying that Gett had hired the services of Wells Fargo and Credit Suisse in order to raise \$700 million for expansion at a company value of \$2 billion.

These are only a few examples of what is going on in the local auto-tech industry before the midpoint of 2017 is reached. It cannot be ruled out that the second half of the year will be just as momentous.

Rafael unveiled its fifth-generation Spike multipurpose missile

Rafael Advanced Defense Systems, has unveiled its fifth-generation Spike multipurpose missile with a significant increase in range and lethality for the use of field assassinations.

According to Israeli sources, the Spike LR II is an advanced multipurpose missile, weighing only 12.7 kg., and can be launched from any Spike launcher. It has a range of 5.5 km. when fired from ground launchers and up to 10 km. when fired from a helicopter.

The Spike LR II, which can be fired from vehicles, helicopters, ships and ground launchers, has advanced electro-optic seekers which include capabilities of a smart target tracker with artificial intelligence features.



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