

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES
May 2018 Vol. XXXIII Issue No.5

JOSEPH MORGENSTERN, PUBLISHER

You are invited to visit us at our website: <http://ishitech.co.il>

Purchases and Acquisitions

Elbit Systems buys Universal Avionics for \$120m

The acquisition of the US manufacturer will enable the Israeli defense electronics company to offer end-to-end cockpit solutions.

Israeli defense electronics company Elbit Systems Ltd. (Nasdaq: ESLT; TASE: ESLT) announced that it has completed the acquisition of the assets and operations of US company Universal Avionics Systems Corporation for \$120 million. Headquartered in Tucson Arizona, and operating in several facilities across the US, Universal Avionics develops and manufactures commercial avionics systems for the retrofit and forward-fit market, for a wide range of fixed and rotary aircraft types. Universal Avionics' solutions include Flight Management Systems (FMS), displays, communication systems, complete cockpit solutions and additional advanced commercial avionics systems, which are complementary to Elbit Systems' internationally successful commercial avionics systems, Enhanced Flight Vision Systems (EFVS) and Head-Up Display (HUD) product line.

The acquisition will enable the Israeli company to offer a broad portfolio of advanced end-to-end cockpit solutions for commercial OEMs and After Market customers.

Following the acquisition, Universal Avionics' business will continue to operate, with the same management and workforce and under

the same name, as a wholly-owned US subsidiary of Elbit Systems.

Elbit Systems president & CEO Bezahel Machlis said, "We have been providing unique enhanced flight vision and head up display systems for commercial aviation platforms for the last several years and see this business line as a key growth engine. Elbit Systems and



<http://ishitech.co.il>

In this issue

- Elbit Systems buys Universal Avionics for \$120m
- Israeli cybersecurity VC fund CyberStarts raises \$50m.
- Playtech buys Italian betting co Snaitech for \$1.05b.
- aMoon raises \$200m for second healthtech fund
- Stratasys to provide 3D printed parts for Orion spacecraft
- Ormat set to complete acquisition of US Geothermal
- NICE Systems buys US cloud analytics co Mattersight for \$90m
- Israeli co V-Wave raises \$70m for heart failure device trial
- A new billionaire comes to Israel

Universal Avionics share the same DNA of innovation and technological leadership, and our combined portfolio creates synergies that will strengthen our competitive position.

I welcome the management and employees of Universal Avionics to Elbit Systems, and I believe that their skills and experience will greatly contribute to our activity in the commercial aviation area."

Israeli cybersecurity VC fund CyberStarts raises \$50m.

All of the money for the new fund was raised from Israeli entrepreneurs involved in the cybersecurity sector.

Gili Raanan, a partner in Sequoia Capital Israel venture capital fund, who led the firm's investment in Adallom, sold to Microsoft for \$320 million, is now launching CyberStarts, a new venture capital fund that will focus on cybersecurity startups. The fund has already raised \$50 million.

"What happened," Raanan tells "Globes," "is that a group of Israeli cybersecurity entrepreneurs gathered around the fund. Almost 50 entrepreneurs invested \$200,000-\$5 million each. It will be the first and only fund in the world funded by entrepreneurs in the sector. As strange as it sounds, there has been no fund anywhere in the world that gets most of its financing from entrepreneurs who built successful companies and made their money in the field in which the fund operates."

"Globes": Who are the entrepreneurs who invested in the fund?

Raanan: "The well-known names who invested are Marius Nacht and Shlomo Kramer from Check Point Software Technologies Ltd. Nasdaq: CHKP), Mickey Boodaei and Amichai Shulman from Imperva and Trusteer, Rakesh Loonkar from Trusteer and

OneSecure, Nir Zuk from Palo Alto Networks, and of course the new generation of entrepreneurs who have sold companies for \$100-400 million in recent years."

In how many companies are you planning to invest each year?

"I assume that I'll make something like two or three investments a year. I'm trying to spot the biggest problems in the field in the coming years and the best teams for dealing with those problems. When you take an approach like this, the date of an exit isn't an important factor.

If a business is going well and the company is growing, there's no goal here of creating an exit within a specific number of years; the idea is to make the right business decisions, and then good things will also happen on the financial side. The idea is to build successful companies in the sector and solve the biggest problems. The financial result will be a byproduct of that."

Israel High-Tech & Investment Report

Published monthly since January 1985

Publisher and Editor in Chief

Joseph Morgenstern, B.A. Chem.

Technology Review Board

Prof. S.J. Joel-Cohen, MD, FRCS, FRCOG (1996-2002)

Prof. Hylton Miller, M.B. Ch.B.

Copy Chief

Debbie Mor

Web Master

Marty vonBokel

Graphics Consultant

Daniel Morgenstern

Subscription Inquiries

E-mail: htir_1@netvision.net.il

Annual subscription \$95.- per year, for 12 issues,

Israeli residents add 17% VAT

Web Edition and Archives

<http://ishitech.co.il>

Raanan is aware that following the flood of investments and exits in recent years, the cybersecurity field is saturated with companies and investors, but he is confident that the needs of the developing market will guarantee that prosperous companies will also arise in the coming years.

He also believes that despite the fund's size and the fact that it is joining the game only now, his new fund will have a significant advantage over other players already in the market. "Israel is a power in the cybersecurity solutions sector," he says, "and the first thing I did was to go talk to the entrepreneurs - with those from Check Point and Palo Alto Networks, Imperva, and Trusteer - the biggest and most successful companies that sprang up here. I told them about what I wanted to do, and they told me, 'We want in.'"

Playtech buys Italian betting co Snaitech for \$1.05b

The deal will help Playtech establish a strong presence in Italy, a fragmented gaming market which is relatively underdeveloped online.

Gambling software company Playtech plc (LSE:PTEC), controlled by Israeli billionaire Teddy Sagi, has reached an agreement to buy a 70.6% stake in Italian gambling and gaming company Snaitech S.p.A. Upon completion of the initial acquisition, Playtech will be required to make a mandatory takeover offer for all the remaining shares in Snaitech. The overall deal including the Italian company's debt, which will be completed in the fourth quarter of 2018, will cost Playtech \$1.05 billion.

Playtech said that the deal creates a leading vertically integrated retail and online Italian gaming business that will control its own technology across all products and verticals from land-based to online. The deal is also in line with Playtech's strategy to invest in profitable, highly cash generative businesses

with strong management, similar DNA and attractive financial returns. The deal will help Playtech establish a strong presence in Italy, Europe's largest and growing gaming market, a fragmented market which is relatively underdeveloped online.

Playtech CEO Mor Weizer said, "The acquisition of Snaitech represents the continuation of our strategy to invest in leading retail brands in fast growing, regulated markets."

aMoon raises \$200m for second healthtech fund

The fund, led by Marius Nacht and Dr. Yair Schindel, is planned to reach \$500 million.

Israeli healthtech and life sciences venture capital firm aMoon, founded by Dr. Yair Schindel and Marius Nacht, plans to raise a \$500 million second fund. The first closing of the fund, at \$200 million, took place end of April 2018.

The first aMoon fund was set up a year ago, and has so far invested \$120 million from Nacht alone. Nacht was a founder of Check Point Software Technologies Ltd. (Nasdaq: CHKP) and is chairman of the company's board. In recent years, he has sold shares in Check Point, among other things in order to found aMoon. Schindel, who headed the government initiative "Digital Israel", was recruited to manage the fund.

"Since the money invested in the first fund was entirely from Marius," says Schindel, "it invested in two types of companies - either very early stage, even building companies from zero, as in the case of DayTwo, or fairly late stage, such as BiondVax, CartiHeal or Mapi Pharma, companies that within two to three years we'll be able to know whether they will be successful or not."

"When investors started to approach us and asked to invest with us, the need arose to separate the offers, in order to suit the various tastes and needs of the various kinds of investors. So aMoon 2 was founded to invest in late-stage companies, while a smaller fund was set up to invest in early-stage projects." The fund is not yet disclosing the names of its investors.

aMoon 2 has already started to invest in late-stage companies from Nacht's share in it, which will be 25%. Among the companies currently in aMoon 2's portfolio are CartiHeal, Ayala Pharmaceutical, and Biologic Design.

CartiHeal has developed an implant for the treatment of cartilage and osteochondral defects. Other investors in the company are Elron Electronic Industries Ltd. (TASE: ELRN) and the Peregrine fund, and major companies such as Johnson & Johnson. Schindel: "They have done the impossible and produced a product that promotes regeneration of cartilage, the Holy Grail of this field." CartiHeal is in the midst of a clinical trial, which should be the last before it receives approval to market its product in the US.

Ayala Pharmaceutical was founded by aMoon together with the Israel Biotech Fund (IBF) to buy from Bristol-Myers its assets in the field of cancers exhibiting a mutation known as Notch. The two funds are enthusiastic about the company, which will shortly begin a trial of a product for treatment of cancer of the salivary glands. Schindel: "This trial will be fairly small, because it concerns an orphan disease and because we are adapting the treatment personally to patients with a certain gene for whom, once their disease returns after treatment with the one drug designed for it, medicine has nothing further to offer. The FDA approves very short tracks for situations of this kind, and the pricing of the drug should be very worthwhile. Later on we will be able to look at much more common cancers that present the

Notch mutation, such as breast cancer which does not respond to drugs."

In an interview with "Globes", Prof. David Sidransky of IBF said that the investors in Ayala Pharmaceutical hoped to turn it into a leading drug development company that would remain in Israel and buy further products, and that it was intended to float the company on the stock exchange in about a year's time, if market conditions permit it.

Biologic Design develops treatments based on antibodies for cancer and other diseases. It has a cooperation agreement with MedImmune, the biologics research and development arm of AstraZeneca.

A company in the aMoon 1 portfolio, Mapi Pharma, recently signed a strategic agreement with Mylan, the term of which have not been made public, but which according to Schindel will answer all Mapi Pharma's cash needs until completion of a Phase II trial for its leading product.

Schindel continues to manage the investments of all three funds, together with a team that is expected to double in size within a short time. The partners in the fund are Isaac Devash, formerly a managing partner at the Renaissance fund and an experienced investment banker, among other places at Credit Suisse, and Todd Sone, formerly managing director at Signet Healthcare Partners, who immigrated to Israel and joined the fund.

Among other members of the aMoon team are Guy Spigelman, who managed Presentense, a network of start-up accelerators, and who is aMoon's "entrepreneur in residence", and Dr. Tomer Berkovitz, formerly CFO and COO of Alcobra, and before that at investment bank JP Morgan.

The aMoon 2 fund plans to make fifteen

investments, not just in Israeli companies, although Schindler says that "there are more than enough companies in Israel at advanced stages that are suitable for investment by us."

Stratasys to provide 3D printed parts for Orion spacecraft

NASA's EM-2 mission taking astronauts beyond the moon will use thermoplastic parts printed by the Israeli company in collaboration with Lockheed Martin and PADT.

Israeli 3D printing technology developer Stratasys Inc. (Nasdaq: SSYS) and Phoenix Analysis & Design Technologies, Inc. (PADT) have announced that the companies are teaming with Lockheed Martin Space to deliver next-generation 3D printed parts for NASA's Orion deep-space spacecraft. Key to the project are Stratasys advanced materials including a thermoplastic offering high performance mechanical, chemical, and thermal properties.

The planned flight, EM-2, will go near the moon, with astronauts on board, a first since 1972 and will enable NASA to prepare for increasingly complex missions in deep space. The mission will use more than 100 3D printed production parts on board, engineered in conjunction with Lockheed Martin, Stratasys and PADT.

The production-grade, thermoplastic 3D printed parts for NASA's Orion vehicle are produced at the Additive Manufacturing Lab at Lockheed Martin in conjunction with PADT, which now employs the latest in Stratasys 3D printers and materials. Using advanced materials such as ULTEM 9085 resin and the new Antero material incorporating critical electro-static dissipative (ESD) functionality - NASA could meet key requirements for 3D printed parts to perform in the extremes of deep space. Antero is ideally suited to meet NASA's requirements for heat and chemical resistance, along with the ability

to withstand high mechanical loads.

"Working with PADT, Stratasys, and NASA has enabled us to achieve highly consistent builds that move beyond the realm of prototyping and into production," said Brian Kaplun, Manager of Additive Manufacturing at Lockheed Martin Space. "We're not just creating parts, we're reshaping our production strategy to make spacecraft more affordable and faster to produce."

The Lockheed Martin, Stratasys and PADT-engineered collaboration is differentiated by an ability to create consistency and repeatability in mass scale across the entire additive manufacturing part production process.

Lockheed Martin is also one of the first customers leveraging Stratasys' Antero, using the new thermoplastic for a critical part situated just outside of Orion's docking hatch. The complex part consists of six individual 3D printed components locked together to form a ring on the craft's exterior.

Stratasys VP manufacturing Scott Sevcik said, "The demands of space travel require extremely high performance materials and the most rigorous manufacturing processes in the industry. Part integrity and repeatability are essential and must pass NASA's demanding testing and validation process.

Based on decades of experience delivering strong and lightweight additive manufacturing solutions for leaders across the aerospace industry, Stratasys technology is ideally suited to match the high-reliability manufacturing processes required for production parts in space exploration."

Headquartered in Rehovot and Minnesota, Stratasys is a global leader in applied additive technology solutions for industries including aerospace, automotive, healthcare, consumer products and education.

Ormat set to complete acquisition of US Geothermal

A large majority of the US company's shareholders supported the \$110 million deal.

A general shareholders' meeting of US Geothermal has approved the sale of the company to Ormat Technologies Inc. (NYSE: ORA; TASE: ORA) for \$110 million. US Geothermal, a renewable energy company focusing on the development, production, and sale of electricity from geothermal energy, yesterday reported that 94.9% of all those present at its shareholders' meeting several days ago, making up 67.9% of all the company's shareholders, had voted in favor of the deal.

Approval of the deal required a 50% majority.

Ormat is engaged in geothermal energy, both in building power stations (its products division) and owning them (its electricity division).

The company's market cap is \$3 billion. Ormat reported its acquisition of US Geothermal in January, noting at the time that US Geothermal operated three geothermal power stations in the US designed to produce 45 megawatts and producing a net of 38 megawatts.

The acquired company is developing three more projects in the US and one in Guatemala. Ormat also said that as part of its plans for improving the acquired portfolio's performance, utilizing synergy, and saving on costs, it expected to improve profit margins on active projects by 50% in 2019.

Ormat projects \$688-712 million in revenue in 2018; the midpoint of this range is 1% more than the company's revenue in 2017.

This projection does not include any contribution from US Geothermal.

NICE Systems buys US cloud analytics co Mattersight for \$90m

Mattersight's behavioral analytics technology will enhance the Israeli company's products and customer base.

Israeli technology company NICE Systems Ltd. (Nasdaq: NICE; TASE: NICE) announced that it will acquire US cloud-based analytics company Mattersight (Nasdaq: MATR). NICE said that it will further enhance its offering and customer base.

NICE will offer to purchase the outstanding share capital of Mattersight for \$2.70 per share, a 25% premium on the Chicago-based company's share price, for a total of \$90 million

The integration of NICE analytics powered by Nexidia and Mattersight's behavioral analytics technology and domain expertise allows organizations to enjoy the market's most advanced analytics in the cloud, driving personalization and smart connections in real time. This allows them to keep ahead of the field in changing customer preferences and create a superior customer experience.

NICE CEO Barak Eilam, CEO said: "Analytics is the cornerstone of NICE's strategy of creating a new customer service paradigm with CXone and Adaptive WFO."

He added, "We were very impressed with Mattersight's innovative technology and domain expertise, as well as their long standing strategic relationships with some of the largest customer service organizations. This acquisition reaffirms our commitment to delivering analytics in the cloud and to be at the forefront of the analytics market."

Mattersight CEO Kelly Conway said, "We are excited to join forces with NICE, a leader in its space. We are convinced that the combination will allow us to provide the best solutions to our

customers, and be a great home for our products and team."

The acquisition is expected to close in the second half of 2018, subject to customary closing conditions such as regulatory approvals. The acquisition is expected to be non-dilutive to non-GAAP earnings in 2018.

Israeli co V-Wave raises \$70m for heart failure device trial

Lead investor Deerfield Management's Dr. Andrew ElBardissi: This technology has the potential to be the standard of care for a large segment of HF patients that continue to worsen despite the use of approved drugs and devices.

Israeli company V-Wave Ltd., which has developed a proprietary, minimally invasive implanted interatrial shunt device for treating patients with severe symptomatic heart failure (HF), announced today that it has closed a Series C financing of \$70 million led by Deerfield Management along with participation from new investors - healthcare funds Endeavour Vision, Quark Venture and Aperture Venture Partners. All of V-Wave's existing major investors are also participating in this round, including strategic investors Johnson & Johnson Innovation (JJDC Inc.) and Edwards Lifesciences, along with BRM Group, Pontifax, Pura Vida Investments, TriVentures, BioStar Ventures, and Israel Secondary Fund.

Having received approval from the FDA to initiate a pivotal IDE study, V-Wave also announced the upcoming launch of its global, randomized, controlled, double-blinded multicenter clinical trial - the RELIEVE-HF study - evaluating the safety and effectiveness of its novel device therapy in HF patients with Class III or ambulatory Class IV symptoms with preserved or reduced ejection fraction already receiving optimal therapies.

With more than 26 million people suffering from

chronic heart failure globally, heart failure is the leading cause of hospitalizations in many countries; in the US, it is Medicare's largest expense for acute hospitalization. Heart failure patients experience repeated hospitalizations, a poor quality of life, and a greatly reduced life expectancy.

Few companies in the world, and certainly in Israel, dare these days to embark on the adventure of developing an implanted medical device that has to be registered on the long PMA track. As the amount V-Wave has raised indicates, the road to the market on this track is expensive and long, while exits are few and, in comparison with drug development, not large. Nevertheless, when a product represents a breakthrough and a substantial solution for a condition that is costly to treat, the picture is likely to change. The involvement of two medical equipment companies in V-Wave indicates that this may be the case here.

"V-Wave has developed a novel technology that addresses the underlying cause of heart failure decompensations," remarked Dr. Andrew ElBardissi, Principal at Deerfield Management. "This technology has the potential to be the standard of care for a large segment of HF patients that continue to worsen despite the use of approved drugs and devices. In addition to improving outcomes for patients, this has the potential to significantly reduce the cost burden of heart failure."

"V-Wave's interatrial shunt provides clinicians a new tool to control elevated left atrial pressure, the primary cause of breathing difficulty and hospitalization due to worsening HF," noted Dr. William T. Abraham, Professor and Chief of Cardiovascular Medicine at the Ohio State University Wexner Medical Center. "The company's feasibility study results, presented in March 2018 as a late breaking clinical trial at the American College of Cardiology showed that shunting was safe and that morbidity and mortality were low

compared to a matched population receiving optimal care. The upcoming pivotal trial in at least 400 randomized patients should provide sound assurance of the efficacy of this approach in patients that have a poor prognosis and few options." V-Wave CEO Dr. Neal Eigler said, "As an interventional cardiologist focused on HF for the past two decades, I am excited that with this funding, we can pursue the science that will bring us a giant step closer to commercial release of an easy to implant device that can provide the hope for immediate and longer-term symptom relief, increased exercise capacity, decreased need for acute hospital admission, and reduced mortality with an improved quality of life for hundreds of thousands of suffering patients."

A new billionaire comes to Israel

The family office fund of Dieter Schwarz, one of the wealthiest man in Germany, is looking for Israeli technologies and expects to invest millions of dollars in Israeli companies.

German investment fund Zukunftsfonds Heilbronn (ZFHN) will begin investing in Israeli technology. The man behind the fund is Dieter Schwarz, one of the wealthiest men in Germany and one of the 50 richest people in the world. Schwarz made his money by founding two large retail chains: supermarket chain Lidl and Kaufland, a Walmart-type chain of huge department stores. Schwarz, whose wealth is estimated at \$20 billion, is the founder and owner of Schwarz Gruppe, the world's fourth largest retailer and the second largest in Europe,

.ZFHN, founded by CEO Thomas Vilinger (52), is a fund investing in technological ventures that has been in operation since 2006. After doing business for 12 years, the fund has decided to begin investing in Israeli ventures.

Vilinger has visited Israel for this purpose, where he met with local private investors such as Check Point Software Technologies Ltd. (Nasdaq: CHKP) cofounder and chairperson Marius Nacht and the Recanati family and with institutions of higher learning, such as the Weizmann Institute of Science and the Technion, Israel Institute of Technology.

The purpose of Vilinger's visit is to establish connections with more investors in order to make joint investments with them, and with institutions in which technology is likely to be developed in areas in which the fund wants to invest. Vilinger told "Globes" about his fund's investment strategy, which differs from that of an ordinary venture capital fund and explains why he wants to bring Israelis to Germany, but not to Berlin.



Please enroll me as a subscriber to the Israel High-Tech & Investment Report.

I understand that if not satisfied, I may cancel my subscription at any time and receive a refund of the unexpired portion. I enclose a check for \$95 (or the Israeli shekel equivalent and 18% v.a.t.) and am sending it to POB 33633, Tel-Aviv 61336.

I am providing you with my name, title, mailing address, e-mail and telephone.