

# ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES  
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JOSEPH MORGENSTERN, PUBLISHER

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## Investments Are Red Hot

2015 is turning out to be a record year for Israeli high tech. It begins with foreign investments that are pouring in at a record pace. This is a first year that is seeing China enter the local economy in a big way. While China is showing great interest in high tech it also has invested in a variety of companies that, among others, have included dairies. We suspect that China is also investing in military materiele, though this is not commonly publicized.

The amount of public exits also appears to be heading for a new record high. VERY impressive are the exits of small companies that are content with raising sums of \$30-\$40 million.

Mutual funds are also attracting investments. Our Crowd headed by John Medved is talking of raising \$1.0 billion, mostly from smaller and angel investors.

Perhaps most interestihng is Teva Pharmaceutical multi-billion takeover efforts of Mylan Pharmaceuticals. If succesful it will be the single largest takeover by an Israeli company.

### Israel at the Paris Air Show

11 Israeli companies will state exhibitions at the Paris Air Show this year, and it is clear that a considerable part of what they have developed precisely matches the needs of the future fighters against ISIS and the like: from

Elbit Systems Ltd.'s (Nasdaq: ESLT; TASE: ESLT) breakthrough protection system for passenger airliners, executive jets, and military aircraft threatened by shoulder-held missiles that can be launched by an individual terrorist capable of causing a catastrophe to loitering munitions - a euphemism for a deadly weapon combining the navigational and maneuvering capabilities

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of an airplane with those of a missile capable of blowing up a defined target with exemplary accuracy, even if that target is in the middle of a residential neighborhood. In such cases, Israeli developers guarantee keeping collateral damage to a minimum, in other words minimizing the chances of innocent people being killed.

Many years of difficult warfare against terrorism have given the Israeli defense companies the ability to show many of the world's countries exactly what they need in their ammunition bunkers if and when some extremist organization rises up against them. There is a good reason why the Israeli pavilions at exhibitions like this one are becoming pilgrimage sites for representatives of foreign armies and procurement representatives of ministries of defense: they know that it is always healthy to be informed about what the IDF, one of the busiest armies in the world in asymmetric warfare against terrorist organizations while coping with dilemmas inviting international judgment in all matters pertaining to harming civilians, is using. One year after Operation Protective Edge in the Gaza Strip, in which the IDF made the most extensive use of precise and expensive weaponry in its history, it can be assumed that the interest in the products, developments, and concepts of the Israeli companies that will man the displays at the military airfield in Le Bourget will only increase.

What about the international boycott and provocations advocated by BDS, and its threat to leave Israeli goods unbought on the shelves? Don't make us laugh. When a customer from one of the world's countries needs a weapon whose capabilities have already been tested on the battlefield, it will prefer to buy it from those with the most experience.

The Ministry of Defense Foreign Defense Assistance and Defense Export Organization (SBAT), which promotes the defense

companies' interest in global markets, daily hosts procurement delegations from all over the world looking here for weapons and their accompanying systems. Delegations also come from Western European countries, because when there is something good to buy, you would be surprised how quickly the boycott clouds go away. When some army wants something, declarations by politicians are consigned to the future parliamentary history books. "The profession people who determine what is needed and prefer the Israeli system dispense with the political considerations" a senior defense official says.

While 2014 Israeli defense exports reached the "negligible" total of \$5.66 billion, compared with \$7.5 billion in 2012, this is not because these weapons fired, maneuvered, or exploded above the skies of surrounded and blockaded Gaza and the world decided to "punish" the Israelis. The reason is that most armies are simply buying fewer weapons.

This year's air show in France is also taking place in the midst of the belt-tightening and

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selectivity trend in defense spending, mainly in European countries and the US. According to SIBAT Principal Deputy Director Itamar Graff, "When the US cuts its weapons buildup budget, that's enough to global defense procurement by 40%. When Europe is also tightening its belt, we turn sharply to Asia, the Pacific, and other areas of the world."

Israeli defense exports to Latin American countries totaled over \$700 million last year, an all-time record, indicating the orientation of the companies and the Ministry of Defense export supervision mechanism, which are allowing such deals for "additional regions in the world," as Graff puts it. Incidentally, the Ministry of Defense's interest in exports by defense companies is not confined to those companies' end-of-the-year profit. The more they sell, the more they invest in R&D and comply with IDF requests for creating new inventions out of nothing, because from one campaign to the next, warfare in the region is becoming more and more difficult. If Rafael Advanced Defense Systems Ltd. didn't have the money to spend many thousands of man hours, how would it had invented Iron Dome? Or Trophy? How would Elbit System have invested in the development of a system designed to detect tunnels dug from Gaza in the direction of Israel? It is all on a purely quid pro quo basis.

Many defense amateurs in Israel like to talk about Israel's "mobility" in the global defense market, but always, especially in recent years, the world's giant weapons companies are waiting in the wings and leaping at every procurement tender almost everywhere in the world. They all want to sell, they all want to make a profit, and this is a nerve wracking situation for the Israeli companies' marketing and sales personnel. While Israeli knowhow and local manufacturing were once holy to Israeli companies, they now have no choice but to accept their customer's demands, cooperate with overseas companies, and

produce large parts of the ordered product in the customer's country. The only option is to forego the deal, with the big competitor just one e-mail away.

**WalkMe is a platform that makes the end user's experience simple, effortless, and efficient**

WalkMe, the Enterprise Class Guidance and Engagement Platform, today announced that it has received \$25 million in Series D funding ed by new investor Greenspring Associates. This round also includes participation from existing investors Scale Venture Partners, Giza Venture Capital and Gemini Israel Ventures.

WalkMe is a platform that makes the end user's experience simple, effortless, and efficient. The technology puts a stake in the heart of the passive FAQs, and traditional software training and onboarding.

Instead, WalkMe provides step-by-step-guidance and calls-to-action at the point of interaction. The impact on the bottom line is powerful.

Thousands of customers, including Kimberly Clark, Stanley Black & Decker, SAP, Jabil, SurveyMonkey, Intuit, Adobe, Accenture, Phillips66, Metro Bank, Expedia, and Citrix have seen significant improvements in website metrics since they adopted WalkMe. WalkMe was founded in 2011 and has raised \$42.5 million to date, including the new funding round. The latest round of funding will be used to further accelerate operational momentum and customer acquisition, as the company continues to execute its ambitious vision of changing the way people use software and websites. Following the funding, the company will open a New York office in addition to the headquarters in San Francisco. Through the end of 2015, WalkMe will continue to expand the teams in San Francisco, Melbourne, Australia, and Tel Aviv. The company has

also announced agreements with five new global partners - Accenture, Concept-EU for SharePoint; Aasonn for SAP Success Factors; ECENTA for SAP Cloud; and CPSG for Workday.

"We are in the midst of a revolution in online interactions, with users demanding a self-guided, intuitive and simple online experience," said Dan Adika, CEO of WalkMe. "People do not want to remember complex processes or data associated with their online interactions. They expect a business or service provider to know and remember their details. WalkMe saw the need for a platform that would bridge the user experience with company processes. The market's overwhelmingly positive response to our platform is a testament to our innovative approach. WalkMe is and will continue to be on the forefront of transforming the customer experience. This funding will help us realize that goal."

### **Intec Pharma files for \$30m Nasdaq IPO**

The funds will be used for a Phase III clinical trial of its Accordion Pill to treat Parkinson's disease.

Intec Pharma Ltd. (TASE: INTP), which trades on the Tel Aviv Stock Exchange (TASE) at a market cap of NIS 164 million, has submitted a draft prospectus for a Nasdaq offering. According to estimates, the company seeks to raise \$30 million, which it needs for a phase III clinical trial of its flagship product, the Accordion Pill for the treatment of Parkinson's disease. The underwriters are Maxim Group and Roth Capital.

Intec began holding assessment meetings in advance of the IPO two weeks ago, and seems to have decided that it is possible (the company's share price has dropped 8% in this period). Intec has been in contact with parties in the US since mid-2013, since which time the company's share price has dropped 40%. Intec Pharma has developed the

"Accordion Pill," which opens in the stomach, just before reaching the intestine, and releases drugs slowly, at precisely the desired absorption point. The technology is has a few different applications, and the company's flagship product is a pill for the release of the Parkinson's drug Levodopa.

### Phase III clinical trial approval

The planned fundraising follows US Federal Drug Administration (FDA) approval of the company's Phase III clinical trial plan, after a two-year process. Potential investors (as well as potential strategic partners that the company hopes will enter in the future) will have a better picture of the time and money that will be necessary before the product may be submitted for approval.

The primary aim of the clinical trial is to determine the number of "off time," or paralysis hours reported by patients. In the company's phase II trial, it found that its relative advantage was in the reduction of otal off-hours.

NeuroDerm, an Intec competitor of sorts, has a product that releases Levodopa slowly through the skin, and is at slightly less advanced development stage. NeuroDerm has an advantage in the trans dermal delivery of high-doses of the drug, and trades at a market cap of \$231 million.

### **Intec in talks for \$150m deal with major pharma company**

Intec Pharma reports safety trial success  
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### Qualcomm co-founder donates \$50m. to Technion

The donation by Prof. Andrew Viterbi to the Faculty of Electrical Engineering is thw Technion's largest ever received by a US citizen.

Qualcomm cofounder Prof. Andrew Viterbi has announced that he is donating \$50 million to the Faculty of Electrical Engineering at the Technion Israel Institute of Technology in Haifa, the largest single donation ever by a

US individual to the Technion. This is not Viterbi's first donation to the Technion, but it is his largest.

Viterbi, an Italian-born Jew, has lived in the US for most of his life. He studied at the Massachusetts Institute of Technology (MIT), and received a doctorate from the University of Southern California (USC). He is currently a professor of electrical engineering at the University of California in Los Angeles (UCLA) and the University of California in San Diego (UCSD)

In addition to founding chip company Qualcomm, currently traded on Nasdaq at a \$109 billion market cap, Viterbi, 80, also invented the Viterbi Algorithm for decoding signals. The code is used to this day to correct errors in cellular communications transmission, speech identification, and even newer applications, such as DNA analysis. Viterbi helped develop the CDMA standard for cellular telephone communications networks... His algorithm provides the basis for much of the communication and information technologies being developed today," said Technion Prof. Jacob Ziv.

Prof. Viterbi's roots at the Technion date back to 1967, when he gave a series of lectures there while on sabbatical from UCLA. He has since visited the Technion many times, and was granted a Technion Honorary Doctorate and named a Technion Distinguished Visiting Professor of Electrical Engineering in 2000.

Technion President Prof. Peretz Lavie said, "This is the greatest honor for a professor at the Technion, and has been granted up until now to only six people, three of whom were Nobel Prize winners. The degree enables Viterbi to come to the Technion whenever he wants. a period when he visited here every year."

"I am extremely proud to have my name

associated with the Technion, Israel's leading science and technology university, and one of the top institutions of its kind in the world," Prof. Viterbi said. "Technion electrical engineering graduates are in large part responsible for creating and sustaining Israel's high-tech industry, which has been essential] for Israel's economic success."

### 1,602 high-tech companies

Lavie explained that according to a recent survey, in recent decades, Technion graduates from all its faculties have been responsible for founding and managing 1,602 high-tech companies. 35% of these companies were founded by graduates of the Faculty of Electrical Engineering, and 22% by graduates of the Faculty Computer Science, meaning that half of the companies were founded by two the Technion's two leading faculties.

Now, Lavie says, "We want to enlarge the Faculty of Electrical Engineering, and it's costing a huge amount. In 2000, there were 640 staff members at the Technion. In 2010, we were only 540. Since then, we've been trying to enrich the staff with senior researchers we attract from all over the world. We are really managing to recruit 30 new staff members each year, but 20-25 retire, so that today we have 557 active staff members and available positions for recruiting another 40. In order to attract senior researchers from around the world, even if they are willing to forego high-tech salaries and overseas academic salaries, we must at least offer them laboratories, equipment, and competitive research budgets. All this costs \$780,000 a year per staff member, and the budget we get from the research council is \$3.5 million a year, which is far from enough. We have to pay for the rest from donations, so a donation like that by Viterbi is essential for enabling the faculty to move forward. We're grateful to him."

## Making Sesame Seeds a Growth Area in Global Food Production

### Scientist wins Kaye Innovation Award for recognizing ancient crop's value to a hungry planet

Many people think of sesame seeds as a topping on hamburger buns at profitable global fast-food chains. But in fact the crop has traditionally been unprofitable and difficult to harvest because it produces a low yield. A high percentage of sesame seeds grown are not suitable for human consumption.

Now a Hebrew University of Jerusalem agricultural researcher has discovered a way to increase the yield and nutritional quality of this important but challenging food crop.

### The diversity of sesame seeds can be seen from their many colors

By screening more than 100,000 sesame seed variants, Dr. Zvi Peleg has found a way to develop a new elite sesame cultivar with enhanced yield and seed quality suitable for modern agricultural practice. Peleg is a senior lecturer at the Hebrew University's Robert H. Smith Institute of Plant Sciences and Genetics in Agriculture.

For some 5,500 years, sesame has been grown as an oil-crop in Asia's Far East and Africa. In Israel and some other Middle Eastern countries, where falafel is a culturally iconic food, tahini (or tehina) sauce, made from sesame, is an essential condiment.

Peleg's innovation facilitates the use of sesame as part of a farmer's crop rotation between cereal crops, while at the same time making it high-yield. As a result, it contributes to more sustainable agriculture and helps prevent the development of herbicide resistance weeds.

As a new summer crop, sesame is essential for agriculture in Israel and around the world,

according to Peleg. Global production of sesame currently stands at 4.4 million tons, with a projected growth value of between 5 and 10 percent yearly.

### A sesame field

"The increase in global demand for sesame products as a health food has turned this highly domestic consumption item into an important export commodity for Israel," said Dr. Peleg. Sesame seed contains about 20 percent protein, along with healthy oils and carbohydrates. It is one of the highest oil content crops, broadly ranging from 34 to 63 percent. Sesame seeds are rich in essential nutrients such as iron, zinc and calcium. Peleg's innovation could improve the bio-availability of these essential nutrients and therefore hold health benefits for consumers.

Peleg conducts his research at the Hebrew University's Robert H. Smith Faculty of Agriculture, Food and Environment, located on the university's Rehovot campus. He serves on the editorial boards of various peer-reviewed plant journals. In recognition of his finding, Dr. Peleg has been awarded the Kaye Innovation Award for 2015.

The Kaye Innovation Awards at the Hebrew University of Jerusalem have been awarded annually since 1994.

Isaac Kaye of England, a prominent industrialist in the pharmaceutical industry, established the awards to encourage faculty, staff and students of the Hebrew University to develop innovative methods and inventions with good commercial potential, which will benefit the university and society.

The Hebrew University of Jerusalem is Israel's leading academic and research institution, producing one-third of all civilian research in Israel.

## Elbit Systems launches helmet-mounted pilot monitor

The Canary system can activate the auto-pilot if the aircraft's pilot is suddenly disabled.

Elbit Systems Ltd.

(Nasdaq: ESLT; TASE: ESLT) has launched a new safety device to be fitted in aircraft pilots' helmets. Called Canary, the product is an integrated physiological monitoring device for pilots, providing real-time alerts in case of in-flight life-threatening situations.

Elbit says that in extreme cases, such as hypoxia or loss of consciousness, a warning will appear, either as an audio-visual alert on the pilot's Helmet Mounted Display (HMD) or via the aircraft's mission computer using the HMD interfaces. The alert will allow the pilot to react before losing conscious or, in case the pilot is unable to operate the aircraft, facilitate recovery of the pilot and the aircraft by engaging the auto pilot.

The new system was developed using sensors technology from Israeli start-up company LifeBEAM, with support from the Israeli Ministry of Defense. It will be integrated into Elbit Systems helmet and HMD systems, and does not require any pilot interference or action.

Elbit Systems Aerospace Division general manager Yoram Shmuely said, "Pilots may be exposed to life-threatening medical conditions during flight due to low levels of oxygen (known as hypoxia). Modern aircraft may cause G-induced loss of consciousness (GLOC) and other physiological conditions (extreme fatigue, dehydration, etc.) which are a common cause of accidents with no reliable warning or recovery solution available. We believe that our new system will solve these problems and save pilots' lives."

**RedHill Biopharma raises \$12.5m on Nasdaq**

The offering of American Depository Shares was at a 15% discount on the market price.

Israeli company RedHill Biopharma Ltd. (Nasdaq: RDHL); TASE: RDHL) has raised \$12.5 million on Nasdaq. RedHill was listed in the US in late 2012, and this is the company's second significant offering since that time. Wells Fargo Securities was lead book-running manager for the offering, with Roth Capital Partners acting as joint book-running manager, and MLV & Co acting as co-manager. The offering price was \$12.5 per American Depository Shares (ADSs), each representing ten ordinary shares. This is a 15% discount on the company's Nasdaq closing price on Monday, the day before the offering. RedHill's share price dropped 13.8% on the Nasdaq, to 21% less than the offering price.

RedHill trades on the Tel Aviv Stock Exchange at a market cap of NIS 438 million. One year ago, RedHill raised \$11.7 million in a private offering in the US, in which OrbiMed Advisors LLC participated. RedHill develops drugs with new delivery methods, new platforms, and new combinations of existing drugs, and the company's drugs therefore often pass shortened drug-licensing procedures. The company's lead drugs in terms of progress are a drug to prevent nausea in cancer patients undergoing chemotherapy and a migraine-treatment drug. Both were submitted for approval to the European regulatory authorities, and the company is in talks to submit them for US Food and Drug Administration (FDA) approval as well. The company's most promising drug in terms of potential market is a new combined antibiotic drug for the treatment of Crohn's disease, which is currently in Phase III clinical trials in the US.

The company recently announced that, following a meeting with the FDA, it was decided to alter the trial protocols slightly,

to include patients who are classified as "medium," and thus to expand the pool of potentially relevant trial patients. The end date for the trial has not been published. The trial has undergone a number of changes, because it has not yet been decided whether only patients in whom the bacteria has been identified will be included (using a new test, developed by RedHill), or all patients. According to recent statements, the FDA will assess the test over the course of a year. Another RedHill drug of significance is a new combined antibiotic for the treatment of *Helicobacter pylori* (*H. pylori*), which causes ulcers. This drug is also currently in Phase III clinical trials, and results are expected in the second quarter of 2015. Phase III trial results for a gastroenteritis and gastritis treatment drug are also expected in the second quarter of this year.

**Comverse acquires UK co Acision for \$210m**

Acision is a privately-held secure mobile messaging and engagement services company.

Digital services company Comverse Inc. (Nasdaq: CNSI) has entered into a definitive agreement to acquire Acision, a privately-held secure mobile messaging and engagement services company, based in Reading, UK. Comverse will acquire Acision for \$135 million in cash, 3.13 million shares of Comverse's common stock, and potential milestone payments of up to \$35 million - a total of \$210 million.

Comverse will also seek to maintain Acision's \$157 million senior credit facility following completion of the transaction. The Boards of Directors of Comverse and Acision have approved the transaction, which, subject to satisfying closing conditions, is expected to be complete by the end of the third calendar quarter.



### Amdocs buys Comverse billing division for \$272m.

Amdocs announced the acquisition along with flat second fiscal quarter results.

Business and billing systems provider Amdocs Ltd. (NYSE: DOX) has acquired the business support systems (BSS) unit of Comverse Inc. (Nasdaq: CNSI) for \$272 million in cash. Amdocs announced the acquisition last night after the close of trading on Wall Street, alongside its financial results for the fiscal quarter ending March 31.

Amdocs said that the acquisition geographically complements its market focus by expanding and diversifying Amdocs' global customer base, particularly in Asia Pacific, Latin America and Europe, and including Europe's cable and satellite market.

Comverse, formerly one of Israel's flagship high-tech companies, is in the process of gradually divesting its assets. Earlier this month, it announced a cooperation agreement with India's Tech Mahindra, which includes the transfer of hundreds of Comverse digital services employees to the Indian company. Comverse will continue to exist as a separate company, with a focus on expanding its global market leadership in digital services.

Amdocs president and CEO Eli Gelman said, "As a result of this acquisition Amdocs, with its more than 30-year industry experience, will be able to bring additional value and innovation to Comverse's customers. As we move forward, the strength of our company and unique business model which combines products and services will enable Amdocs to offer even better services to customers as we leverage our joint professional industry expertise for the benefit of our customers."

The impact of the acquisition on Amdocs' diluted non-GAAP earnings per share is expected to be neutral in the first year after

closing, and accretive thereafter, the company said.

For the fiscal quarter ending March 31 2015, Amdocs reported revenue of \$902.6 million, down 0.4% on the corresponding quarter, and below the analysts' consensus of \$915 million. Non-GAAP net profit was \$0.82 per share (meeting the analysts' consensus), slightly up from \$0.81 in the corresponding quarter.

Amdocs reiterated its guidance of \$885-925 million revenue in the third fiscal quarter of 2015 and non-GAAP profit EPS of \$0.79-85.

### Israel test-fires 'David's Sling' missile defense system

In an ongoing effort to boost its missile defenses, Israel has recently been testing its David's Sling anti-ballistic missile system. The latest test coincided with positive developments in Iran nuclear talks currently just meters from the finishing line.

A number of recent David's Sling missile tests - the most recent one - has been a great success, the Homa Directorate at the Defense Ministry and the American Missile Defense Agency (MDA) announced Wednesday.

"This is a unique weapons system: the interceptor is small and agile," Homa Directorate chief Yair Ramati said. "The system should be introduced to the Israeli Air Force (IAF) by next year." Also known as the "Magic Wand," the short-range ballistic missile defense system, designed to intercept medium range missiles from nearby Gaza, Syria, and Lebanon, has been jointly developed between the Pentagon contractor and by Israel's Rafael Advanced Defense Systems.

"The system is designed to intercept threats from Lebanon. Representatives from the US

were present during the trials and are full partners in the project," Ramtisaïd. Once fully operational it will be deployed as part of a multi-layered missile defense initiative that already includes the Arrow 1, 2, and 3 systems and the Iron Dome. The system, capable of intercepting incoming projectiles from over 300 kilometers (180 miles) away will also be used to detect, and shoot down drones.

But unlike other components of Israel's missile defense, David's Sling can be deployed both in a mobile and stationary positions. "This system, which will be part of a multi-layered defense system, will in the near future work with existing components to defend Israel against the threat of missiles, and deal more efficiently with threats," the ministry said.

Israel estimates that around 100,000 rockets currently in Hezbollah's possession would allow the group to launch some 1,500 against Israel daily, according to a scenario formulated by the Home Front Command and the IDF Planning Directorate.

While the new system is designed to save lives the cost of deployment remains quite high. It has previously been estimated that one interception using the David's Sling system costs Israel \$1 million.

Last month, Israeli officials asked Washington for \$317 million in additional funding for Israeli missile defense programs, including the development of David's. That is an addition to \$158 million in funding already asked by the White House in its fiscal 2016 budget. Last week a group of 32 senators urged Congress to fully meet Israel's missile defense funding request.

The announcement of the latest tests, coincided with the visit of John Boehner, speaker of the US House of Representatives, to Israel. It also coincides with the timing of tense international negotiations on Iran's

nuclear issue, as the talks are extended for another day.

Israel which sees Iran's peaceful nuclear program as covert means for Tehran to obtain nuclear weapons, have persistently urged the international community and P5 +1 not to strike a deal with Tehran.

### Ciasma files for \$86m Nasdaq IPO

Chiasma has developed an orally administered drug for treatment of acromegaly.

Just three months after raising \$70 million in a private placement, pharmaceutical company Chiasma has filed with the US Securities and Exchange Commission (SEC) for an \$86 million Nasdaq IPO. The company value for the offering is difficult to estimate, since it depends on the state of the market, but Chiasma is believed to be aiming at a \$400-500 million value. Barclays Capital and Cowen & Co. are leading the offering.

Chiasma recently submitted a request for marketing approval of its drug for treatment of acromegaly. The request was made independently, without partners, a unique step for both Israeli pharmaceutical companies and companies holding IPOs.

Chiasma's drug is an oral version of an existing drug marketed by Novartis for treatment of the disease. Sales of this drug and similar injectables for treatment of acromegaly total \$730 million annually, while sales of all drugs for treatment of the disease total \$2 billion. Injection of these drugs is considered very painful, and requires a trip to the hospital.

A clinical trial conducted by Chiasma showed that its drug, administered orally twice a day, prevented side effects like pain and irritation in the area of the injection, and also alleviated the symptoms of the disease, in comparison

with the existing treatment. Chiasma is developing a number of additional products based on the same technology, so that drugs that currently require injection or an IV can be taken orally.

Chiasma's IPO is also unique, because Chiasma's leading product has already been given a price tag by Roche. This international company acquired the product in February 2013 before the Phase III trial in exchange for a \$65 million advance and future payments of up to \$600 million, depending on milestones and the product's success.

Roche's Phase III trial for the product was successful, but the company elected to return it to Chiasma in August 2014 instead of continuing to develop it, while calling the trial a success. Roche paid Chiasma a total of \$90 million during the period of the agreement between them.

Assuming that we accept Chiasma's statement that Roche gave up the drug because of internal changes, not because the clinical data were in any way disappointing or the market smaller than expected, the estimate of the project's value by an industry expert, at least as of 2013, can be deduced from this agreement. It should be noted, however, that since the agreement was signed, Novartis has bolstered the competitiveness of its injectable product, which can now be administered once a month, compared with two pills a day of Chiasma's product.

Acromegaly causes accelerated growth of the bones, due to increased emission of growth hormone caused by a benign brain tumor. One prominent patient suffering from this disease was André René Roussimoff ("Andre the Giant"), who acted in a number of films, including "The Princess Bride." Without suitable treatment, most patients die at a fairly young age due to heart complications. There are tens of thousands of patients with

the disease in the US, and several hundred thousand worldwide. The cost of treatment comes to several hundred thousand dollars a year per patient.

The US Food and Drug Administration (FDA) is slated to notify Chiasma in July whether its file of documents fulfills the minimum requirement for thorough testing. If the answer is positive, such testing will begin, and could take many months.

the company almost closed twice but has raised money in recent years under former CEO and today Chief Development Officer Dr. Roni mamluk.

### **Insight Venture Partners to buy Israeli Checkmarx**

Insight will buy a majority stake in the Tel Aviv based IT security firm at a company value of \$100 million, according to reports.

US private equity and venture capital firm Insight Venture Partners is set to acquire a majority holding in Israeli IT security firm Checkmarx at a company value of \$100 million, according to reports in the Israeli media. Checkmarx declined to comment on the reports.

Checkmarx was founded in 2006 by Maty Siman at XT Investments (formerly Ofer Hi-Tech) Naiot Venture Accelerator. The company has raised \$14.5 million to date including \$8 million in 2013 from XT investments, strategic investor Salesforce.com Inc. (NYSE: CRM), and others.

Checkmarx does not approach information security by targeting viruses or hacking attempts, but by preemptively dealing with security breaches. It has developed technology to analyze code written for apps, offering monitoring and recommendations for

correcting security problems in code that are liable to create security gaps in computer systems.

Checkmarx's business has been growing rapidly and it was ranked as Israel's eighth fastest growing technology company's by Deloitte's Technology Fast50 Israel 2013, after achieving 2,200% growth over the preceding five years.

Checkmarx focuses on apps, putting it in the mainstream in contemporary enterprise computing. A reason for the rapid growth of solutions such as the ones offered by Checkmarx is the need for frequent software updates. Software development teams use methodologies that include all a product's development stages - design, development, testing, and integration - at a fast pace. Checkmarx's tools can quickly scan code as it is being written, warning of weak spots in security, enabling their efficient correction.

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### **US Congress c'ttee approves Israel Tunnel detection aid**

The joint R&D financing project will be on the same lines as the US-Israeli project for the development of anti-missile systems.

Following reports of continued tunnel digging in the Gaza Strip after Operation Protective Edge, the US Congress has decided to initiate a joint US-Israel R&D program for the development and testing of technologies to combat the threat of the tunnels.

The joint financing project will be designed along the same lines as the joint US-Israeli project for the development of anti-missile systems. This program, considered one of the premier successes in cooperation between Israel and the US, has produced the Iron Dome, Arrow, and David's Sling (Magic Wand) systems, as well as putting hundreds of millions of dollars a year into the defense industries over the years. As in the anti-missile program, the US and Israel will each bear the same share of the tunnel project's cost.

The US House of Representatives Armed Services Committee yesterday unanimously approved an amendment to the annual defense policy bill (NDAA) laying the groundwork for the joint R&D program.. The amendment is now part of Pentagon budget bill to be sent to the House plenum for approval. There is virtually no doubt that the plenum will pass the bill, together with what is now known as the "tunnels amendment.

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### **XIO Group acquires Lumenis for \$510m**

XIO is paying a 16% premium on the share price of the Israeli medical device company.

XIO Group is acquiring Lumenis Ltd. (Nasdaq: LMNS), which develops surgical, ophthalmology and aesthetic applications, for \$14 per share in cash, for an aggregate purchase price of \$510 million. This is a 16% premium on the Yokneam based company's closing price on Nasdaq yesterday and 20% above its IPO price in early 2014.

Lumenis CEO Tzipi Ozer-Armon said, "This acquisition is a strong recognition and vote of confidence in Lumenis' achievements

and its employees, and I am excited about the future prospects of Lumenis. Over the past 3 years we have managed to transform Lumenis into a strong, growing and profitable company. We have refocused our strategy, introduced new products, and tripled our EBITDA. of innovative products, a strong sales team in each region, and by enhancing our global brand recognition. I am confident that we will continue to thrive and reach new heights together with XIO Group."

Lumenis chairman Harel Beit-On said, "Over the last years, we had an opportunity to lead Lumenis through a strategic transformation into a valuable growing business with global appeal. We respect and appreciate the efforts of Lumenis management and employees and wish the company continued success."



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