

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

JOSEPH MORGENSTERN, PUBLISHER

August 2017 Vol. XXXII Issue No.8

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

8th in the world in supply of defense systems

Sales by Israel's four largest defense companies, led by Elbit Systems, topped \$8.6 billion in 2016.

Israel was rated in eighth place among the world's leading sellers of weapons systems last year. In 2016, Israel's four leading defense companies - Elbit Systems Ltd. (Nasdaq: ESLT; TASE: ESLT), Israel Aerospace Industries Ltd. (IAI) (TASE: ARSP.B1), Rafael Advanced Defense Systems Ltd., and Israel Military Industries Ltd. (IMI) - had \$8.6 billion in sales to the defense market.

The ranking is based on figures from US weekly "Defense News." The rating of the world's 100 leading defense companies is solely according to their sales to the defense markets, and does not include civilian market sales and revenue.

Elbit Systems was the leading Israeli defense company in defense sales in 2016, although when civilian sales are included, IAI had larger sales. Elbit Systems was ranked 27th in the world in defense sales, while IAI was ranked in 33rd place.

According to Baker Tilly, Elbit Systems' defense sales totaled \$3.1 billion in 2016, compared with \$2.6 billion for IAI. Rafael rose from 41st place in international rankings for 2015 to 37th place for 2016 with \$2.3 billion in sales, up 17%, compared with the preceding year, making it one of the world's fastest

growing defense companies.

In contrast to most of the defense companies, Rafael's business is all in the defense industry. IMI is further down the list in 92nd place with \$496 million in sales in 2016, compared with 90th place in 2015.

Rafael was in 28th place in 2010, IAI in 36th

<http://ishitech.co.il>

In this issue

- 8th in the world in supply of defense systems
- Mexichem buys 80% of Netafim for \$1.5b
- Israel's Vintage closes \$215m VC fund
- Aristocrat buys Israeli social gaming co Plarium for \$500m
- EMK buys stake in Luminati for nearly \$200m
- SK Capital buys Perrigo's Israel unit Chemagis for \$110m
- Check Point overtakes Teva to become Israel's most valuable company
- FIMI raises \$1.1b private equity fund
- Vista Equity Partners buys Israeli co Applause
- Israeli investors profit from \$11.9b Kite acquisition
- Medtronic invests \$40m in Mazor Robotics
- Israel's StageOne Ventures closes \$110m VC fund

place, Rafael in 47th place, and IMI in 97th place.

IAI's ranking is expected to improve in the current year, following a series of major weapons deals signed in India in recent months, including the sale of Barak 8 missiles. IAI's sales of these systems in India total \$2.5 billion. The world leader in defense sales is US company Lockheed Martin, with \$43.4 billion in sales in 2016.

Mexichem buys 80% of Netafim for \$1.5b

The Permira fund, which is selling its 61.35% stake in the Israeli drip irrigation pioneer, has made a 100% return.

The Permira fund is cashing in on irrigation equipment company Netafim. Permira is selling its 61.35% stake in the company; Kibbutz Magal is reportedly selling its 6% holding, while Kibbutz Hatzerim in the Negev, where Netafim was founded in 1965, is reportedly selling a 12.7% stake out of its 32.7% total holding, and will remain with a minority holding of 20%. The consideration is \$1.5 billion, giving Netafim a valuation of \$1.9 billion. The buyer is Mexican company Mexichem. Netafim pioneered drip and micro-irrigation, and is a world leader in the field.

Netafim, managed by CE Ran Maidan, has sixteen production plants, three of them in Israel. It is active in 110 countries and employs about 4,000 people in Israel and around the world. Permira bought its stake in Netafim in late 2011 at a valuation of \$850 million, meaning that the value of its investment has doubled within less than six years.

Israel's Vintage closes \$215m VC fund

The Herzliya based venture capital fund has now raised 10 funds totaling \$1.5 billion.

Israeli venture capital fund Vintage Investment

Partners has announced that it has completed the closing of Vintage Investments X, its tenth fund overall and fourth secondary fund, with \$215 million of commitments.

The fundraising target for Herzliya-based Vintage X had been \$175 million but the fund was heavily over-subscribed. The financing was raised from leading US, Canadian and Israeli financial institutions, university endowments, foundations and family offices, the vast majority of whom were investors in Vintage's prior funds. Vintage's previous secondary fund raised \$161 million. The closing of Vintage X brings the firm to about \$1.5 billion under management.

Vintage X says it will continue to focus on purchasing limited partnership positions in Israeli and European venture and growth equity funds as well as select US venture funds. Vintage will also continue its strategy of acquiring shares in private technology companies from entrepreneurs, former employees and angels who want liquidity on their holdings.

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>

Vintage founder and managing partner Alan Feld said, "The fund represents a major milestone for Vintage as it is our largest secondary fund to date."

Prior to Vintage X, Vintage had raised three venture-focused secondary funds, four venture funds-of-funds and two late-stage venture co-investment funds.

Vintage general partner Abe Finkelstein said, "It is not just our long-term commitment to venture that has given us unique access to great venture managers and great technology companies. For top-tier venture funds and premier startups, money is a commodity. Vintage decided that it was time to change the model - to become the investor that works for its venture fund managers and venture-backed companies."

Vintage general partner Amit Frenkel said, "Vintage has created a value added services team, providing a free service connecting large corporate customers and potential strategic partners to the 6,500 companies it actively tracks.

What general partners do for their companies, Vintage tries to do for its GPs and for its direct venture holdings. In fact, in the last 24 months, Vintage has booked over 500 qualified-lead meetings between direct and indirect portfolio companies and Global 10000 companies. Last year, we hired Orly Glick from McKinsey to run our Value Added Services team. Orly and her team have generated several millions of dollars of customer contracts for our direct and indirect portfolio companies."

Vintage general partner Ehud Hai added, "Vintage believes that general partners and technology company CEOs should expect genuine added value from secondary investors as a pre-requisite for access to their venture funds and companies."

Aristocrat buys Israeli social gaming Plarium for \$500m

Australian company Aristocrat Leisure Ltd. (ALL.AX) announced that it has acquired Israeli social gaming developer Plarium Global Limited for \$500 million cash.

Headquartered in Herzliya, Plarium has over 1,200 employees worldwide and offices in Europe and the US. The Israeli company, founded in 2009, has nine key titles that are currently monetizing and a strong game pipeline. Plarium's most popular game to date, Vikings: War of Clans, has repeatedly ranked in the top 10 grossing strategy games since its launch.

Plarium CEO and cofounder Avraham Shalel will continue to lead Plarium after the acquisition. Shalel and 12 other key members of Plarium's management team have agreed to stay at the company and to defer part of the payments due them until 2020.

Shalel said, "I am very proud of the success we have achieved since establishing the business in 2009. The hard work and efforts of Plarium's employees have positioned Plarium as a world class mobile game publisher. Aristocrat is an ideal partner for us given our common aspiration to be a global leader in social gaming, which will be accelerated through leveraging Aristocrat's financial, strategic and operational resources."

Aristocrat CEO and managing director Trevor Croker said, "The acquisition of Plarium allows Aristocrat to expand our addressable market into logical adjacent segments in the fast growing mobile social gaming market. This immediately expands our addressable market from US\$3.2 billion in the Social Casino segment, to US\$25.4 billion when including the Strategy, Casual and RPG segments. It also provides us a stronger platform to target the US\$43.6 billion overall mobile and web

games market as growth segments."

The deal is due to be completed by December 2017.

Deutsche Bank is acting as financial advisor to Plarium and Goldfarb Seligman are legal advisors to Plarium. Citi is acting as the sole financial adviser to Aristocrat, and Allens and Herzog Fox & Neeman are its legal advisors.

EMK buys stake in Luminati for nearly \$200m

Founded by Israeli company Hola Networks, Netanya-based Luminati is an IP proxy network for businesses.

EMK Capital LLP today announced that it has agreed to acquire a majority shareholding in Luminati, the enterprise proxy network division of Hola Networks, at an enterprise value of \$200m. The founders of Hola Networks will retain a significant stake in the company and Ofer Vilenski, co-Founder, will continue as CEO of Luminati. No precise details about the size of the stake was disclosed but sources close to the deal inform "Globes" that UK private equity investment firm EMK will hold a "large majority" stake, meaning an exit of well over \$100 million.

The companies said, "EMK and the Luminati team will work together to grow Luminati and will continue to invest heavily in enhancing the customer experience and developing additional echnologies and services."

Luminati is an IP proxy network for businesses. With a proprietary network of over 30 million residential IPs and large network of data centres, Luminati enables businesses to see the internet as real consumers do. The technology behind Luminati has been developed over 8 years.

Netanya based Hola Networks was founded by

Ofer Vilenski and Derry Shribman who together earlier founded Jungo (acquired by NDS in 2006).

Vilenski said: "I am extremely proud of Hola's team, which over 4 amazing years has grown Luminati from a technology, to a profitable, fast growing business. We believe that with EMK's transformational growth experience, Luminati will reach the next level in its development, bringing transparency to commerce and data security."

EMK managing partner Mark Joseph said: "EMK Capital is delighted to have agreed to acquire Luminati in partnership with its founders. The Luminati team led by Ofer Vilenski has built an innovative and fast growing business, which helps address some of the key challenges online businesses face today. We look forward to working closely with such a highly performing team to help take Luminati to the next stage of its growth."

Horizons Ventures, DFJ Tamir Fishman, Trilogy Partners, DFJ, Magma Ventures, Iris Ventures, and others are selling their interests in Luminati as part of this transaction.

Both Arnold & Porter Kaye Scholer and Meitar Liguornik Geva Leshem Tal served as legal advisor to EMK. CODE Advisors served as financial advisor and Naschitz, Brandes, Amir & Co., served as legal advisor to Hola Networks. Erdinast, Ben Nathan, Toledano & Co., served as legal advisor to Hola Networks' major investors.

Luminati helps make the Web more transparent by allowing businesses to see the internet from the consumers' point of view. In the Internet's early days, web pages were simple - every viewer saw the same page. Today, sites are dynamic - they recognize the viewer and show different content, advertisements and prices based on the viewers' geography, demographics, and other identifying information. Websites can also determine if a competitor is

comparing prices, or if a security company is auditing them for potential threats.

These trends are eliminating the transparency of the Web: for example, they reduce online retailers' ability to compete as retailers can't reliably see the prices that are presented to consumers; similarly these trends make it difficult for security firms to find malicious sites, as such sites are presented only to users of a certain demographic. These developments have also made it difficult for ad networks and website owners to check that the ads they are delivering are safe, because an unscrupulous ad vendor may present malicious ads only to the unsuspecting user but not to the ad network.

Luminati brings back transparency and trust to the Web by enabling its enterprise customers to access the internet through its proprietary network of over 40 million IP addresses. Luminati helps customers to see the Web as it appears to real consumers, without being blocked, slowed or spoofed and to view the Web from different users' perspectives from any city across the globe. Luminati's technology and patent portfolio allow Luminati to operate the only mass-scale residential IP proxy network in the world.

Luminati serves corporate clients, including Fortune 500 companies, in many different sectors which use Luminati's transparency network for ad verification, brand protection, price comparison, fraud prevention, data collection, cyber security, and application performance measurement. Luminati's residential IP service is required for many businesses that need certainty in the accuracy of the data they collect online and the accuracy of the cyber security checks they conduct.

Luminati's enterprise proxy solutions were separated from Hola in 2014. The Hola Networks group employs a unique model for rapid innovation - Hola Networks engineers

and product managers develop technologies from Minimum Viable Products (MVP) to hugely profitable services, as was the case with Luminati. Hola will continue as a standalone company, growing its VPN and video CDN product lines, as well as other new fast growing initiatives.

SK Capital buys Perrigo's Israel unit Chemagis for \$110m

The active pharmaceutical ingredients unit was bought by Perrigo as part of the \$818 million acquisition of Agis in 2005.

Pharmaceutical company Perrigo Company (NYSE:PRGO; TASE:PRGO) has reported that it has signed an agreement to sell its Israel-based API (active pharmaceutical ingredient) unit Chemagis for \$110 million. Sources inform "Globes" that the buyer is SK Capital, a US private investment firm which specializes in pharmaceutical and chemical firms and has a portfolio of assets worth \$1.9 billion.

Perrigo acquired Chemagis in 2005 as part of the deal which saw it pay \$818 million for Agis, the Israeli pharmaceutical company then controlled by Mori Arkin. Most of Chemagis's operations are in Ramat Hovav near Beer Sheva although it also has small plants in Tel Aviv's Yad Eliahu and Bnei Brak as well as the US and India. The company has 300 employees.

Perrigo reported better than expected second quarter results with revenue of \$1.2 billion, down 7.7% from the corresponding quarter, but \$60 million better than the analysts' estimates. Net loss narrowed by 87% from the corresponding quarter to \$70 million. Adjusted net profit was \$175 million, down 5.4% from the corresponding quarter and earnings per share was \$1.22, \$0.29 above the analysts' forecast.

Perrigo's share price, which has fallen 20% this year, was up 12.7% on the Tel Aviv Stock Exchange in afternoon trading.

Perrigo is currently searching for a new CEO after John Hendrickson said that he is stepping down.

Check Point overtakes Teva to become Israel's most valuable company

Israeli IT security company Check Point has a market cap of \$17.7 billion compared with Teva's \$17.4 billion.

Israeli IT security company Check Point Software Technologies Ltd. (Nasdaq: CHKP) is now officially Israel's most valuable company. Check Point's share price rose 2.01% on Wall Street last night to \$108.25 to give a market cap of \$17.693 billion while Teva Pharmaceutical Industries Ltd. (NYSE: TEVA; TASE: TEVA) share price fell 0.81% to \$17.16%, giving a market cap of \$17.421 billion.

The loss of Teva's status as Israel's most valuable company, held by the pharmaceutical company for nearly two decades, is another blow to the besieged company. Remarkably, Teva was worth \$70 billion two years ago and less than two weeks ago before publishing its disappointing second quarter results, it was worth \$32 billion.

Teva is paying the price for ill-advised acquisitions ahead of a downturn in generic prices in the US market. The acquisitions have weighed the company down with a \$35 billion debt.

Teva will be looking to bounce back. Its share price is currently up 1.42% on the TASE and up 1.31% in premarket trading on the NYSE.

FIMI raises \$1.1b private equity fund

The FIMI 6 Fund is the largest ever raised in Israel.

"We began raising the fund six months ago, and the truth is that after two or three months, we already stopped meeting new investors," FIMI Opportunity Funds founder and CEO Ishay Davidi said today, announcing the completion of a \$1.1 billion financing round for its sixth fund - the largest fund ever raised in Israel. Demand exceeded \$2 billion, and the fund raised the maximum amount it set for itself.

"There is no doubt that this rapid and high speed fund raising shows that the investors believe that FIMI's model and format are suitable for them," Davidi commented. He added that the investors were evenly divided between Israelis and foreigners. The investors included investment institutions, private investors, international companies and universities, and managers of the fund itself, who invested \$40 million in it. The largest investments were in the \$70-110 million range. "There were even investors who wanted to invest \$250 million," Davidi said.

Davidi: "We don't get into that. FIMI is celebrating its 20th anniversary this year. During those years, in addition to economic crises, we have also experienced the intifada and other events that were not trivial affairs. Even in those period, we raised money for investments in Israel - not because somebody particularly likes Israel, but because of belief in FIMI's model and business. Our basic approach is to look at things through a business prism. We want to make the best industry and companies possible in Israel. Somebody who invests in FIMI isn't interested in this, and if they did, we probably wouldn't begin a dialogue with him. Investors are obviously hearing about the terrible knifings and ask questions, but that comes from a perspective of whether Israel is a risky place to invest in. That's a legitimate question, and in our opinion, although we're not objective, Israel is an excellent place to invest in."

FIMI is Israel's largest investment fund, and certainly the most active and successful one. With a current equity of \$3.2 billion, the fund acquires a controlling interest in companies and upgrades them. To date, FIMI has acquired control of 80 companies and has sold 51; the aggregate value of its deals exceeds \$4 billion. Its portfolio companies include Ormat Technologies Inc. (NYSE: ORA; TASE: ORMT), Ham-Let (Israel-Canada) Ltd. (TASE: HAML), Gilat Satellite Networks Ltd. (Nasdaq: GILT; TASE: GILT), Rivulis Irrigation, etc. The fund has been rated one the five best funds in the world every year in the past decade, which made it easier to complete its fund successfully and quickly (globally, it takes private equity funds an average of 20 months to complete a fund).

The FIMI 6 fund will continue the same strategy of the previous funds, and plans to invest \$250 million a year in 4-5 Israeli companies.

"People like to do business with FIMI, and the deal flow looks very interesting," Davidi says. He believes that the number of companies acquired and sold will be similar. "As a basis, FIMI's strategy is to acquire control of Israeli companies with sales of \$75 million or more. We're looking for growth engines in them, or finding growth engines for them. The requirement is that we're able to give them added value.

"In the coming years, I think we'll acquire controlling interests in more companies; we'll try to reach a maximum holding in each company. We spend a lot of time and effort on each company, so it's best to get a maximum. They don't always sell it to us: in Hadera Paper Ltd. (TASE: AIP; Pink Sheets: HAIPF), for example, we have a 60% stake, but had the public sold us the remaining 40% at a price we were willing to pay, without paying a premium on ourselves, we would have bought."

Davidi adds, "Compared with most of the world's private equity funds, FIMI is very unleveraged. The average leverage ratio is 50-70%, while FIMI's is 10-15%. The investors see and understand this. This model enables us to do a better job of getting through crises, and when other go on the defensive, we're able to buy companies, because we're financially stable."

Vista Equity Partners buys Israeli co Applause

The digital testing company, which has raised \$115 million, was acquired for several hundred million dollars.

US investment fun Vista Equity Partners has entered into a definitive agreement to acquire Israeli digital testing company Applause.

Applause has raised \$115 million to date from investors including Accenture, Credit Suisse, Egan-Managed Capital, Goldman Sachs, Longworth Venture Partners, MassVentures, Mesco Ltd, QuestMark Partners, and Scale Venture Partners. No financial details have been disclosed but the acquisitions was believed to be for several hundred million dollars meaning that investors will see handsome returns.

The company was founded in 2008 by president and CEO Doron Reuveni and Head of Emerging Sales Roy Solomon.

Reuveni said, "This is a tremendous milestone for Applause, one which validates our mission: to deliver flawless digital experiences to the world. Our human-centric approach to software design and quality has become essential to ensure technology works as intended, by real people, in the real world. As we take Applause to our next stage of growth, we are delighted to partner with Vista's second-to-none talent and expertise."

Applause empowers the world's leading digital brands – including Google, Uber, Michael Kors, and FOX - to deliver flawless digital experiences to their customers on any device, in every location. Applause ensures software quality for websites, mobile apps, IoT products and in-store interactions in a way no other approach can – through its technology platform and managed global community of over 300,000 professional, on-demand, digital experience experts. Applause delivers authentic, real-world human input at every phase of software development, delivering insight into market requirements, user feedback and software quality. Companies that use Applause benefit from flawless digital experiences that build customer loyalty, drive revenue and accelerate innovation.

"We are delighted that Applause is joining the Vista family. We look forward to partnering with the Applause team to spur innovation, accelerate growth and extend its market leadership in community driven digital experiences," said Robert F. Smith, Founder, Chairman and CEO of Vista Equity Partners. "The market demand for Applause has never been stronger. It is fueled by businesses that understand that digital 'customer experiences' are the primary way to compete. The Applause solution enables leading digital brands to ensure that their software works across any device, in every location."

Applause will continue to operate independently with no changes in executive leadership. The transaction is currently expected to close in the coming weeks and is subject to customary closing conditions and regulatory approvals.

Goldman Sachs & Co. LLC acted as the lead financial advisor to Applause. Jefferies LLC served as financial advisor to Vista. Latham & Watkins LLP served as legal advisor to Applause. Kirkland & Ellis LLP served as legal advisor to Vista.

Israeli investors profit from \$11.9b Kite acquisition

Pontifax fund and Israeli institutional investors will profit from the US personalized cancer drug company's huge sale. Part of the technology was developed at the Weizmann Institute.

Pharmaceutical company Gilead Sciences Inc. has announced that it will acquire US company Kite Pharma Inc., developer of personalized cancer treatment drugs, at a company value of \$11.9 billion. This is one of the biggest ever acquisitions of a company whose products have not yet been approved for marketing. The company value for the acquisition reflects a 29% premium on the market price.

Kite Pharma has developed a new method for genetically engineering immune system cells, so that they will make a focused attack on the malignant tumor. The company was founded in the US by Israeli-American Professor Arie Belldegrun, who already has two exits to his credit. He is also a former director at Teva Pharmaceutical Industries Ltd. (NYSE: TEVA; TASE: TEVA) (whose current value is not much more than the value at which Kite Pharma, a company with no products approved for marketing yet, is being acquired).

A significant part of the technology on which the product is based was developed by Professor Zelig Eshhar of the Weizmann Institute of Science.

The main Israeli beneficiary of the acquisition is the Pontifax fund, which invested \$3.8 million in Kite Pharma at an early stage, but which distributed Kite Pharma shares worth \$120 million to its investors. Among the investors in Pontifax that received shares in Kite Pharma are Menorah Mivtachim Holdings Ltd. (TASE: MORA) (which also bought shares on the market, and whose stake in the company is now worth over \$100 million), The Phoenix

Holdings Ltd. (TASE: PHOE1;PHOE5), Altshuler Shaham Ltd., Meitav Dash Investments Ltd. (TASE:MTDS), Harel Insurance Investments and Financial Services Ltd. (TASE: HARL), and Mori Arkin.

Kite Pharma is waiting for marketing approval of its first product, following a successful trial on 100 patients on a very abbreviated track for innovative cancer products. The product was initially designed for treatment of blood cancer, but it is now hoped that its use can later be expanded to treatment of other types of cancer. Gilead is making a big gamble, first of all that the US Food and Drug Administration (FDA) will fulfill its commitment to approve the product, even though the development plan it devised, together with the company, was very short and limited. The second gamble involves the process of treatment using the drug - personalized genetic engineering of each patient's cells - a grafting process with no precedent in the pharmaceutical industry.

Speaking about the talks to sell Kite, Prof. Arie Belldegrun told "Globes." "We handled like in the IDF 669 unit. Nobody knew anything. Nobody heard anything. We held meetings in places where nobody would see us. And before we announced it only five employees knew about it."

Medtronic invests \$40m in Mazor Robotics

Medtronic, which has so far invested \$72 million in the Israeli company, is assuming exclusive global distribution of the Mazor X spine surgery assurance platform.

Israeli surgical guidance systems developer Mazor Robotics Ltd. (TASE:MZOR; Nasdaq:MZOR) announced that it has entered the next phase of its strategic partnership with Medtronic. Medtronic is making a \$40 million third tranche investment in Mazor with Medtronic assuming exclusive worldwide distribution of the Mazor X

surgical assurance platform for spine surgery.

These developments, which are earlier than planned, are a result of the early achievement of sales and marketing milestones by both companies, as well as higher than expected global market acceptance and demand for the Mazor X system. Medtronic and Mazor originally entered into a strategic agreement in May 2016.

Other aspects of the new strategic collaboration include: 30 members of the current Mazor sales team will join Medtronic to assure continuation of the current momentum. Future products for the spine market will combine Mazor Robotics' core expertise in surgical planning and precision-guided surgical systems with Medtronic's navigation capabilities and implant systems. The first results of this combined and synergistic effort are expected to be demonstrated this fall. Mazor will continue to provide service to the global installed base of the Mazor X.

Medtronic is investing \$40 million in Mazor Robotics' American Depository Shares (ADS) at a price of \$38.46 per ADS, which represents the weighted average of the closing price of Mazor's ADS on Nasdaq over the past 20 trading days. This third tranche of investment in Mazor by Medtronic will bring Medtronic's total investment in Mazor to \$72 million, 11.9% of the outstanding shares post investment and 10.6% of the fully diluted shares outstanding post investment.

Mazor will also issue to Medtronic warrants to purchase an additional 1.21 million Mazor ADSs at an exercise price of \$44.23 per ADS. The exercise price represents a 15% premium over the per share price for the \$40 million equity investment. Medtronic has the right to exercise the warrants immediately in whole or in part, for cash, and they expire after 18 months. Assuming the full exercise of the warrants, Medtronic's investment in Mazor will

reach \$125 million and its ownership could increase to 4.2 million ADSs.

Mazor CEO Ori Hadomi said, “Medtronic is our valued strategic partner and together we have achieved the desired outcome for Phase I well ahead of our original plan. I believe that the move to this next phase reinforces our significant leadership position in the growing market for surgical guidance systems for spine procedures. Our strategic partnership will allow hospitals in new markets around the world to have access to the Mazor X and gain the clinical benefits that this technology offers.”

He added, “The strategic partnership between Mazor and Medtronic has already resulted in 59 Mazor X system orders since the October 2016 launch and reflects an accelerated sales cycle due to customers’ eagerness to adopt our solutions for the spine market. Now, as commercial responsibility for the Mazor X in the spine market shifts to Medtronic, the annual minimums for sale of Mazor X systems agreed to by the two companies are expected to drive substantial improvement in Mazor’s financial results during the next several years.

Together we will be able to further advance our robust jointly-developed product pipeline for the spine market, to make a difference for patients while Mazor also pursues new opportunities to apply our innovative technologies to other medical needs.”

“Moving to the next phase of our strategic partnership demonstrates our shared passion for transforming how spine surgery is done,” said Doug King, senior vice president & president of the Medtronic Spine division, which is part of Medtronic’s Restorative Therapies Group. “Mazor Robotics’ technology and Medtronic’s navigation capabilities and implant systems provide spine surgeons with complete procedural solutions that advance the standard of care and will help surgeons maximize predictability and efficiency.”

Mazor will continue to manufacture and recognize revenues for Mazor X system sales, disposable kits and service fees all of which will be sold at contractual pricing agreed with Medtronic. The contracted pricing is at a lower rate than Mazor realized through its direct sales channel. In addition, Mazor will be entitled to certain synergy fees associated with the use of Medtronic implants in Mazor Robotics’ installed base. Moving from direct sales to a strategic distribution model is expected to immediately reduce Mazor’s annual operating expenses by approximately \$13 million. Trailing 12-month operating expenses for Mazor totaled \$52.7 million.

Israel’s StageOne Ventures closes \$110m VC fund

StageOne III will invest in 15-18 Israeli IT startups, focusing on seed and series A rounds, with investments ranging between \$500,000 and \$3 million.

StageOne Ventures, an early stage venture capital firm focusing on Israel-related technology startups, has announced the closure of its third venture capital fund, with \$110 million in committed capital. Led by Yuval Cohen, Yoav Samet, and Tal Slobodkin, StageOne Ventures is headquartered in Herzliya near Tel Aviv and has US offices in Palo Alto, California. StageOne Ventures strives to help entrepreneurs traverse the Israel-Silicon Valley axis and build global businesses.

Stage One Venture Capital Fund III, L.P. (StageOne III), the firm’s largest fund to date, follows a \$46 million first fund and \$65 million second fund closed just three years ago. This latest fund closed at \$110m after an oversubscribed fundraising process in summer 2017. StageOne III is backed primarily by StageOne’s existing LPs, with the addition of several prominent investors from Israel, the US, and Europe.

StageOne focuses on deep-technology endeavors in B2B software and next-generation IT infrastructure. StageOne III will aim to invest in 15-18 companies, focusing on seed and series A rounds, with a typical initial investment size in the range between \$500,000 and \$3,000,000.

As artificial intelligence, deep learning, big data analytics, and advanced DevOps paradigms continue to impact multiple industries, StageOne Ventures partners with entrepreneurs who seek to harness transformative innovation to lead categories in enterprise software, cyber security, fintech, communication, and the future

of transportation.

Venture capital funds managed by StageOne Ventures have invested in more than 30 companies to date. The new fund follows StageOne II, a 2014 vintage fund, that currently boasts 14 portfolio companies, including, Avanan, Capitali.se, DBmaestro, Minerva, Otonomo, and SafeDK, which have already raised significant subsequent rounds of financing from leading global investors.

StageOne's first fund (StageOne I) has been fully invested, and had six exits including Guardium (acquired by IBM), Traffix (acquired by F5 Networks), and Octalica (acquired by Broadcom).



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.