

# ISRAEL HIGH-TECH & INVESTMENT REPORT

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## New Investments/New Technologies

### **Volkswagen, Israeli group form car cybersecurity firm**

When cars can talk to the Internet, hackers can talk to cars. Which is why Volkswagen has become the latest in a string of companies entering the automotive cybersecurity realm.

The German company is collaborating with three former employees Israel's Shin Bet intelligence agency, including Yuval Diskin, the agency's former head, to found CyMotive Technologies. The new automotive cyber security company will be 40% owned by the automaker and 60% by the Israeli group. It will be based in a suburb of Tel Aviv, Israel and Wolfsburg, Germany, home of Volkswagen. "The age of the connected car enables customers to use a variety of features inside modern vehicles. However, with increasing connectivity comes an increasing risk. Aspects such as intelligent and autonomous driving increase the number of interfaces in the vehicle and thus the risk of malicious attack," Volkswagen said in a release.

Volkswagen is far from the only automaker who's working on the issue of cybersecurity. In fact Earl Perkins, a security analyst with analysis firm Gartner, believes that other German automakers may be further along in doing so. However Volkswagen is being more open and public about it in part, he believes, to turn the focus of attention away from the scandal involving the rigged software the company used in some some diesel cars to

cheat emissions standards. "They need some positive news and this helps create that," Perkins said.

Automotive cybersecurity is a new and burgeoning field. In a report released in January, Gartner counted 22 cybersecurity companies that either focused specifically on automotive security or that had divisions which did so. Most car buyers aren't thinking about

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### In this issue

- Volkswagen, Israeli group form car cybersecurity firm
- Saban Capital Acquisition raises \$235m in Nasdaq IPO
- Trial finds Teva drug could slow Huntington's disease
- CA Technologies buys Israeli co BlazeMeter for \$100m
  - New system gives pinpoint navigation in Israel
  - China's Neusoft, Infinity set up \$250m Israel med-tech fund
- Israel's Aleph closes \$180m venture capital fund
- Boston Scientific buys EndoChoice for \$210m
  - EndoChoice raises \$96m in NYSE IPO
  - This Israeli company can hack into any Apple or Android phone
- Apple developing iPhone 8 in Israel - report

cybersecurity when they look at vehicles yet, in part because few of today's cars and trucks are truly connected. However concerns about possible regulatory issues as well as potential damage to a car's brand from bad press are pushing companies to consider the field proactively, the Gartner report said. "If done well, this venture could improve automotive cybersecurity across the industry," said Tim Erlin, director of IT security and risk strategy for Tripwire, a Portland, Ore.-based software security company. The intriguing question will be what the new company will do when it faces an issue that affects not just Volkswagen vehicles but all cars.

"If Cymotive takes on the industry problems, instead of focusing on just Volkswagen, it will be in the very interesting position of directly affecting competitors' market performance," Erlin said. Multiple stand-alone companies focusing on automotive cybersecurity have appeared in the past few years.

### **Saban Capital Acquisition raises \$235m in Nasdaq IPO**

The blank check company is expected to invest much of the capital raised in Israeli high-tech companies. Three weeks after filing its preliminary prospectus with the US Securities and Exchange Commission (SEC), Saban Capital Acquisition has raised \$235 million in its Nasdaq IPO. The blank check company is expected to invest much of the capital raised in Israeli companies.

The company issued 23,500,000 units at \$10.00 per unit. The units are listed on NASDAQ under the SCACU ticker. Each unit consists of one Class A ordinary share and one-half of one warrant, each whole warrant enables holders to purchase one Class A ordinary share for \$11.50. Deutsche Bank Securities Inc. and Goldman, Sachs & Co. served as underwriters for the offering and

have a 45-day option to purchase up to an additional 1,500,000 units at the IPO price to cover over-allotments.

A blank check company is formed for the purpose of entering into a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses. Haim Saban, with a personal fortune of \$3.6 billion according to "Forbes," is among the richest Israelis. Saban will serve as chairman of Saban Capital Acquisition while Saban Capital Group president Adam Chesnoff will serve as CEO. Among other things Chesnoff is chairman of Israeli mobile operator Partner Communications Ltd. (Nasdaq: PTNR; TASE: PTNR), which Saban controls.

The prospectus did not say that Saban Capital Acquisition would focus investments only on Israeli companies but hinted that they would form a major part of the new company's investments, saying in a statement, "We may invest in any company in any sector but would prefer to invest in companies that can benefit

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from our management's experience in investments in North America, Europe, Asia and Israel."

One way or another, it might well be worthwhile for Israeli high-tech entrepreneurs to call Saban or Chesnoff. \$235 million is a lot of money to invest.

### **Trial finds Teva drug could slow Huntington's disease**

Teva VP Spyros Papapetropoulos: Slowing down the progression of this disease has proven to be impossible until now. Teva Pharmaceutical Industries Ltd. (NYSE: TEVA; TASE: TEVA) today announced what could be a major breakthrough in the treatment of Huntington's Disease (HD) with positive results from its exploratory Phase II PRIDE-HD study. The trial found a statistically significant impact on the endpoint of the progression of Huntington Disease at 52 weeks following treatment with Pridopidine at certain doses versus placebo. The effect of Pridopidine was further evident in a sub-population of patients with early stage HD, an effect first observed at 26 weeks.

"Slowing down the progression of this disease has proven to be impossible until now. These findings give us a reason to believe we may be finally making progress in slowing deterioration of disease," said Spyros Papapetropoulos, Teva's VP Clinical Development, Neurodegenerative Diseases.

This was a 52-week, dose-ranging trial of Pridopidine twice daily versus placebo, in the treatment of Huntington disease (HD). The study was directed at measuring improvement in motor function and the effect on HD progression. An unusually high placebo effect, extending beyond that expected from previous studies, limited the ability to determine treatment effects on assessments of HD motor scores. Evidence of symptomatic impact, however, was

seen in the early stage HD patient sub-population, with improvement in Total Motor Score (TMS) and dystonia observed at 26 and 52 weeks in this patient sub-set (stage 1 HD) at specific doses. The discovery of Pridopidine's previously unknown mode of action as a potent agonist of the Sigma 1 Receptor (S1R) resulted in a change in PRIDE-HD study design, from a 26-week study focused on symptoms, to a 52-week study focused on exploring pridopidine's potential impact on disease progression, as measured by Total Functional Capacity

"I am encouraged by these results, which provide us with clear insights into the approach to be taken in Phase III development", said Michael Hayden, President of Teva Global R&D and Chief Scientific Officer. "My obvious hope is that this will provide the HD community with a medicine capable of slowing down the progression of this devastating disease." "These study results are very important for the HD community and for the continued development of pridopidine. Firstly, pridopidine's safety profile has been confirmed and extended. Secondly, we now have a clearer idea of the dosages to study in Phase 3. Lastly, we have some of the most encouraging evidence to date about an intervention which may slow the inexorable functional decline of HD," said Karl Kiebertz, M.D., M.P.H., Director of the Clinical & Translational Science Institute at the University of Rochester Medical Center. The results seen in this exploratory study will need to be confirmed in a Phase III program that will be developed in collaboration with relevant regulatory agencies.

Pridopidine is an investigational, oral small molecule being developed for the treatment of HD that exerts its effect as an agonist of S1R. S1R plays a key role in neuroprotection through increased production of brain-derived neurotrophic factor (BDNF). Levels of BDNF are decreased in HD and other neurodegenerative disorders including Parkinson's disease, Alzheimer's disease and ALS.

**CA Technologies buys Israeli co BlazeMeter for \$100m**

With offices in Tel Aviv and Palo Alto, BlazeMeter has developed open source-based continuous application performance testing.

CA Technologies (NASDAQ:CA) has signed a definitive agreement to acquire Israeli company BlazeMeter, which has developed open source-based continuous application performance testing. Terms of the agreement were not disclosed although media reports suggest the acquisition was for about \$100 million. The transaction is expected to close by year end. CA Technologies said that the acquisition of BlazeMeter, which has offices in Tel Aviv and Palo Alto, would enable it to extend its DevOps portfolio. BlazeMeter will integrate with CA's continuous delivery solutions to improve testing efficiency and accelerate the deployment of applications.

CA Technologies president and chief product officer Ayman Sayed said, "BlazeMeter has redefined performance testing with its simplicity, fast-deployment SaaS model, and rapid time-to-value. The acquisition will reinforce our leadership position in continuous testing, and our efforts to democratize performance testing as organizations accelerate their DevOps journey to drive speed and quality in the delivery of new software updates and innovations."

BlazeMeter, which was founded in 2011 by CEO Alon Girmonsky, raised \$6.5 million in a series A financing round in 2014 from Glilot Capital Partners and YL Ventures GP Ltd. Girmonsky said, "Developers and performance engineers want to achieve superior test coverage by using open source tools and tools that can integrate well into the developer ecosystem. Joining forces with CA Technologies will enable BlazeMeter to continue developing our technology while enjoying the vast resources of CA Technologies to better serve our customers."

**New system gives pinpoint navigation in Israel**

Precision in GPS navigation will improve from ten meters to one meter.

The precision of GPS systems in Israel is expected to improve dramatically from an accuracy of ten meters to only one meter, after an European Geostationary Navigation Overlay Service (EGNOS) navigational station was stationed in the Technion Israel Institute of Technology this week. The new station is designed to benefit aviation in Israel, where airspace is among the most congested in the Middle East, and it will also improve the navigation app used by many drivers.

The system which has been deployed at 50 stations around the world, consists of three satellites and a network of ground stations. The station's satellites broadcast signals enabling users to receive precise locations in real time. Placing the stations is part of cooperation between the European Space Agency (ESA), the Technion Faculty of Civil and Environmental Engineering Mapping and Geo-Information Department, and Israel Aerospace Industries Ltd.'s (IAI) (TASE: ARSP.B1) MLM division.

EGNOS will add to the information obtained from US and Russian navigation satellites. In the future, it is expected to be added to the Galileo System navigation - a European system of navigation satellites that will include 30 satellites, and will improve locational data for the entire world.

**China's Neusoft, Infinity set up \$250m Israel med-tech fund**

The establishment of the new fund was announced at Innonation - the Second China-Israel Investment Summit in Tel Aviv. Chinese IT corporation Neusoft and Israeli-Chinese

private equity fund Infinity Group have set up a \$250 million investment fund and platform for Israeli med-tech companies operating in China. The establishment of the new fund was announced at Innonation - the Second China-Israel Investment Summit, which opened last night at the David Intercontinental Hotel in Tel Aviv.

The aim of the fund is to create a model by which Israeli medical technology companies can connect to China by integrating into the cloud being developed by Neusoft. The cloud and Neusoft's connections will offer Israeli companies access to and approval from the SPDA (the Chinese equivalent of the US Food and Drug Administration FDA) as well as end-user customers. This is the first such cooperation between Infinity Fund and Neusoft at a huge investment of \$250 million over three years.

Infinity Fund founder and chairman of the Second China-Israel Investment Summit Amir Gal Or said, "Neusoft is considered China's biggest IT corporation with a 50% share of the health market in China specializing in developing software for the industrial sector. The company has 20,000 employees in eight regional centers, six development centers and 40 local offices throughout China. The company also operates three university centers with 35,000 students studying computers and engineering. Neusoft provides services in a range of fields including medical devices, and related solutions for home treatment and in hospitals." He added, "Setting up this fund is an additional step in strengthening the economic connection between Israel and China and at infinity we are proud to be partners in such a significant measure."

### **Israel's Aleph closes \$180m venture capital fund**

This is the second Israel startup investment fund closed by the Tel Aviv venture capital firm.

Israeli venture capital fund Aleph has closed the \$180 million Aleph II fund. The Tel Aviv based high tech investment fund is led by partners Eden Shochat, Michael Eisenberg and Aaron Rosenson. Eisenberg announced the closing of the fund in a Rosh Hashana New Year's message on the Aleph website. He wrote "We would like to thank all of our Limited Partners for their continued support of Aleph and our mission to build big companies out of Israel. You are wonderfully supportive and we truly appreciate it."

This is Aleph's second fund and larger than the \$150 million, which was closed in 2013. Aleph declined to provide details about the new fund's investors. Only last Thursday, Aleph announced that it was leading an \$8 million financing round in Israeli anomaly detection and real time business analytics company Anodot. Other startups in Aleph's diverse portfolio include: car accident prevention company Nexar; maritime data analytics company Windward; twitter rival Meerkat; event planning platform HoneyBook; social video app Yevvo; online freight network Freightos; and music teaching company JoyTunes.

Israeli VC Aleph closes its second fund after raising \$180 million

Led by Michael A Eisenberg, Eden Shochat and Aaron Rosenson, Aleph has built up a diverse portfolio of Israeli startup companies

Wishing their followers a Happy Jewish New Year on Medium, Aleph Partner Michael A. Eisenberg announced the close of the VC's second fund at \$180 million. "We would like to thank all of our Limited Partners for their continued support of Aleph and our mission to build big companies out of Israel. You are wonderfully supportive and we truly appreciate it," Eisenberg said in a blog post which was signed by the company's three general partners, including Eden Shochat and Aaron Rosenson. Aleph's marketing and community director Avigail Levine tells Geektime that they

plan to continue investing out of their first fund before tapping into the new one. However they had no comment on who had invested into the fund or if there would be any specific direction with Aleph II either in the stage of their investments or the kinds of companies that catch their eye.

Their portfolio is already pretty diverse with companies like HoneyBook, MeerKat, shipping startup Freightos, seafaring intelligence Windward, insurtech company Lemonade which launched last week, Nexar and Colu. They also took part in last week's \$8 million round in Israeli BI solutions startup Anodot, leading with a \$7.5 million investment. "We would also like to thank and recognize the incredible entrepreneurs that have agreed to let us become their partners," the post continued, "in their quest to change the world and build big, mission-driven companies. We are inspired by your optimism and resilience, as well as your innovation and fortitude.

### **Boston Scientific buys EndoChoice for \$210m**

The acquisition of the gastroenterology company is at a 100% premium on the market price. EndoChoice, which markets a variety of gastrointestinal endoscopy products, headed by the Full Spectrum Endoscope, a unique Israeli-developed colonoscope, today announced that it would be acquired by Boston Scientific for \$210 million. EndoChoice is listed on Nasdaq at a \$109 million market cap, meaning that the acquisition is at a premium of almost 100%.

EndoChoice held its IPO in 2015, raising \$96 million at a company value of \$366 million, after money, and reached a peak market cap of \$450 million. Sources inform "Globes" that shortly before the IPO, an offer was made to acquire the company at a value of over \$400 million, but the US investors turned the

deal down, believing that a higher market cap could be achieved.

### **EndoChoice raises \$96m in NYSE IPO**

The company, however, did not achieve sales for its products at the speed expected by the market, especially its innovative Israeli product. The result was a fall in value and embittered investors. The company was therefore sold at a value lower than the previous offer, but at a very high premium on the current market price. EndoChoice was not a commercial failure; its revenue grew 18% to \$75 million in the year ending on June 30, 2016, and sales of its Israeli product grew by over 100%. At the same time, the market's expectations (based on the company's assessments) were much higher.

The leading Israeli investor in EndoChoice was Accelmed, owned by Dr. Uri Geiger and Mori Arkin, which held 10% of EndoChoice, and will receive double its investment. Another Israeli fund, Evergreen Venture Partners, also invested in EndoChoice. The company has 60 employees in its development center in Caesarea.

EndoChoice was the result of a merger between a US marketing company and Israeli technology. Israeli company Peer Medical developed the Full Spectrum Endoscope, which detects more cancerous polyps and abnormal lesions. The product can transmit a 330-degree field of vision, compared with 170 degrees with existing endoscopes, and is therefore capable of detecting polyps and tumors concealed within the intestine. The Full Spectrum Endoscope was invented by Avi Levy, who has already had an exit with colonoscopy company Sightline Technologies, sold to Stryker for \$150 million, but which was closed down several years later.

CEO Mark Gilreath, former Given Imaging VP marketing, founded EndoChoice with a team of

endoscope marketing experts. The company's vision was being a focused gastrointestinal company that would develop and market a broad basket of improved medical devices adapted to the doctor's needs. A colonoscope is one of the most important devices for such doctors; the company accordingly sought to market an exceptional colonoscope, and found it in Peer Medical. The Israeli company found in EndoChoice an excellent marketing arm, in accordance with the vision of Accelmed of turning a US company with single-digit growth into a company with much faster growth by merging Israeli technology into it. At the time of the merger, the merged company raised \$53 million in a round led by the Sequoia Capital fund.

EndoChoice was unable to realize its vision by creating a strong independent company focusing on gastroenterologists, but it is likely to become such a division within Boston Scientific. Boston Scientific Endoscopy Division senior VP and president Arthur Butcher said, "The addition of EndoChoice products and services to our portfolio supports our strategy to provide comprehensive solutions to gastroenterology caregivers and the patients they serve. We expect the acquisition to expand our leadership into new categories in the endoscopy market, and to drive strong, continued growth of our endoscopy business." With respect to the product that originated with Peer Medical, Boston Scientific said it was "considering various possibilities." It appears that the results of this assessment will decide the future of the Israeli development center.

### **This Israeli company can hack into any Apple or Android phone**

Israeli company Cellebrite can hack into all sorts of smartphones including the iQ\_ and the Samsung Galaxy..

If Cellebrite sounds familiar, that's because the

name of this Israeli company came up during Apple's standoff with the FBI over breaking iPhone encryption. The agency managed to crack the San Bernardino iPhone with the help of an undisclosed company. Many people believe it was Cellebrite that came to the rescue. Meanwhile, the company revealed that it could hack just about any modern smartphone, but refused to say whether its expertise is used by the police forces of repressive regimes.

Cellebrite talked to the BBC about its technology, including equipment and software. "I was given a demo using a Samsung phone supplied by the company," BBC's Rory Cellan-Jones said. "It was running quite an old version of Android - 4.2 - but I was allowed to take it away for half an hour, put a password on it, and use it to take photos and send a text message."

Upon his return, Yuval Ben-Moshe from Cellebrite took the phone, plugged it into a "chunky tablet computer, and disabled the lock code. "We can pretty much pull up any of the data that resides on the phone," he said and downloaded all the photos taken with the device.

When asked whether this kind of hack applies to other devices, Ben-Moshe said that his company could access data on "the largest number of devices that are out there in the industry." Even the iPhone 7.

"We can definitely extract data from an iPhone 7 as well - the question is what data." The security expert said that even data from encrypted services such as WhatsApp can be accessed hinting that not all communication is totally secure. The iPhone may be hackable to some extent, but that doesn't mean that Cellebrite cracked the iPhone 5c that belonged to one of the San Bernardino shooters. Or at least, the company would not comment on any of its customers.

### Apple developing iPhone 8 in Israel - report

Sources at Apple's development center in Herzliya told "Business Insider" that they are working on the iPhone 8, which will be released in 2017.

Apple is developing hardware for the iPhone 8 at its Herzliya development center in Israel, "Business Insider" reports. The iPhone 8 will be released in 2017 with a radical redesign, an employee in Herzliya told the website. "Some hardware for the iPhone 8 is being created in Herzliya, Israel, according to a local Apple employee, who said employees in Israel work on all of Apple's new products," Business Insider writes.

The website added, "The employee, whose identity is being concealed by Business Insider, solders components for Apple. This person didn't give too much away about the new handset other than it will be "different" to the iPhone 6s and the iPhone 7, which have been criticized for being too similar to their predecessors."

Apple to expand Israel development center  
Apple's Herzliya office at Maskit Street 12, the Apple employee said staff in Israel are working on what's coming "next" in Apple's product line, giving a specific mention to "iPhone 8." "The worker used the term "iPhone 8" unprompted in our conversation. That was interesting because the next logical name for the iPhone to be released in 2017 should be "iPhone 7s." iPhone 8 isn't due until 2018. Apple has a two-year development cycle for new iPhones. However, some observers have noted that the iPhone 7 was a largely incremental update."

Apple declined to comment on the report.

Apple's development center in Herzliya near Tel Aviv is its largest outside of the US. The center was inaugurated by Apple CEO Tim Cook 18 months ago and is based on the \$350 million acquisition of flash memory storage developer Anobit in 2012.



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