

# ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

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## A Rethink for Financing Hi-Tech

There is no single universal factor behind business success. Yet financial analysts inevitably focus on how adroitly a manager arranged the company's finances. In a capitalist society working capital should be supplied by commercial banks after seed capital is used. High-tech takes longer than other businesses to generate cash flow. There is a time of gestation including development and feasibility testing before a product can be considered ready for the marketplace.

An apocryphal tale is that of an enterprising young man who invented a "better mousetrap". He was so sure of his idea's commercial prospects that he borrowed money from supportive friends and family to cover the expenses of patent application and the building of the prototype. Being resourceful, he drew up a detailed plan, forecasting anticipated need for money to cover expenses until sales of the "better mousetrap" would generate cash flow. He then applied to his bank for a loan. After a few days the entrepreneur was invited by the bank manager to discuss the loan application. The bank manager began by saying that he had carefully studied the business plan and after careful deliberation he was rejecting it. The crestfallen applicant barely managed to stutter a but...but why? "Look young man," said the banker, "I believe that you have a good idea and good business prospects, but unless you double the amount of the loan request your business will never succeed."

Young companies with a good idea whether it is software for Internet or a plan to build and market a medical diagnostic system after the "friendly startup money" dwindles can not depend on their bankers, in this part of the world, to provide working capital. The catchwords, are seed money, first and second rounds of capital raising, a bridging loan, and finally an initial public offering.

The recent outbreak of violence in the territories has put a crimp not only in the progress of the three

year old Peace Process but also in the enthusiasm for investing in Israel. An immediate effect has been the postponement of several initial public offerings on the London AIM market and on the NASDAQ market. A cash thirsty high-tech bridegroom, can not expect to get his funds when dealing with nervous and skittish investors/investment bankers, as he steps up to the financing altar the fact that lots of money was made in the past has become irrelevant. The future of the project is at stake. For the investment banker the worst eventually faced by him is that will lose a "fat" fee of up to ten per cent of the money raised.

Now we also learn that this country's venture capital funds are nearly fully invested and if they do not promptly raise new investment money, another source of money will be cut off. Turn off enough faucets and there is a prospect of a water shortage.

Moreover, the current situation begs the question whether the traditional investors from the United States and Europe will also turn off the financing faucet. For the 1700 young companies in Israel who are in dire need of financing it may prove an unexpected disappointment that their application for financing from these traditionally good sources will be delayed or not forthcoming. A rethink of the situation could lead to substantive answers. Is there an alternative? Perhaps. Instead of one's broker selling

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an individual Israeli stock could he not offer his investment clients a participation unit in a "mutual fund" or another financial vehicle whose purpose is to invest in young technology companies but before they reach the stock market. At least one such investment fund has a good business record and itself is doing well on the Tel Aviv stock exchange. IHTIR take no credit for innovating a new source of capital. Funds investing in young enterprises exist and have existed for several decades. We have seen some excellent results for long-term investors. It is to be noted that no less a savvy investor than wily George Soros has turned to this form of financing. His Industries Fund established several years ago and to a great extent based on this concept has invested hundreds of millions in early stage development companies. The Industries Fund management seek opportunities worldwide. The fund has done well. However, the Industrial Fund is for wealthy investors only since the minimum investment is about \$200,000. A similar fund or funds with a lower entrance requirement may be the answer.

### Scitex Estimates \$50-70 Million Q3 Loss

Scitex's (NASDAQ:SCIXF) net loss for Q3 '96 is expected to reach \$50-70 million according to the company's announcement. A part of the loss stems from the rehabilitation program, and partially from falling sales and profitability. The full extent of the losses will be known only on November 6 when management will release data for the the third quarter. Scitex is planning to release hundreds of its skilled employees. Prior to the announcement reports from the United States indicated that key employees from Scitex's American unit had resigned from their posts.

A year ago, Scitex announced its rehabilitation plan, as part of which it fired 130 workers and company president Arie Rosenfeld was replaced by Yoav Chelouche. Nevertheless, that year Scitex posted net losses of \$34.5 million. In Q1 '96 the company managed to report a small net profit but returned to losses in Q2. The company reported net losses of \$2.7 million for the first half of 1996. A number of senior managers recently left the company, among them vice president Giora Bitan. The Israeli press was highly critical of Dov Tadmor, chairman of the board and head of the Discount Investment Company who, along with PEC Israel, is a majority shareholder in the ailing company. A lawyer suggested that class action

suits would probably be filed by shareholders who are likely to claim that Davidi Gilo's last year's offer of more than \$20 a Scitex share, was not properly evaluated. Scitex shares were recently quoted at \$11.25.

### A Word About Scitex

The developments at Scitex Corporation need to be put in some perspective. Several years ago International Paper, a major American industrial enterprise, invested in Scitex at an approximate price of \$32 a share. These lofty valuations have not been seen since, as Scitex's board of directors, have not taken appropriate steps to move with changes in the graphics and publishing industries.

A corporate upstart, Davidi Gilo, made a take-over offer for Scitex and was prepared to pay more than \$20 a share. We may never know whether Mr. Gilo's capabilities would have changed the directions of the company's fortunes.

The criticism sounded in recent years, over Scitex's not using its cash reserves wisely and the rehabilitation plans which appear to be misfiring, are proving the critics correct. Scitex's founder and now CEO of Electronics For Imaging, Ephraim Araziz, was quoted as saying that "these things didn't happen overnight. Everything that happened did so several years ago. My fear is that computer companies never die a full death. They shrink and continue as small companies, dealing in service and support. Anyone who doesn't invest, gamble, and look to the future has no business being in high-tech." Scitex did not perceive correct strategies to maintain Scitex as Israel's leading high-tech company with an unparalleled record of innovation and commercial success.

### C&W Intent on Raising Bezek Holding

Dick Brown, General Manager of Cable&Wireless recently stated that the company is interested in increasing its share in Bezeq Israel Telecommunications whose shares are traded on the Tel Aviv Stock Exchange and are likely to be registered on other markets as part of the Israeli government's program of privatization. In response to the question concerning the influence of the current political situation in the Middle East on C&W and other foreign companies' willingness to invest in Israel, Brown said, "I do not believe the current situation will lead to the collapse of foreign investment. The peace process has

gotten stuck, but peace is a fact of life.”

### **Vishay will Expand Activity**

Vishay InterTechnology, world leader in transistor technology systems, will continue to expand activity in Israel, says Dr. Felix Zandman, Vishay's CEO. Zandman said the reduction in grants from 34% to 20% will not damage Vishay's investment program, recently approved for its Dimona, Migdal Haemek and Beer Sheva plants.

### **RAD Vision Valuation Rises**

Communications firm RAD Vision, developer of the ONLAN technology for producing video conference digital switchers, recently announced it had raised \$1.7 million in return for 11.5% which values the company at \$15 million. A year earlier it raised \$5 million for 50% of its shares. Participating in the current private placement were top names including Madge, Maritime Bank of Israel, Clal Electronics and ECI Telecom.

It will be a candidate for a public issue, in the foreseeable future. RAD Computer Communications, the flagship of the RAD-Bynet group of companies founded by Zohar and Yehuda Zisapel, is expected to grow by 26% this year and reach annual sales of \$110 million mainly for export. RAD's sales for the month of September 1996 reached a \$12.5 million peak. New product orders, especially for high speed fiber optic multiplexers and HDSL-based products, are mainly responsible for the rise. RAD employs now some 600 workers as compared with 500 last year.

Established in 1981, RAD Data Communications is a major international manufacturer of high-quality access equipment for data communications and telecommunications backbone applications. What sets RAD apart is the company's extensive in-house expertise in LAN and WAN technology affiliated with the \$170 million, 11-member, RAD Group of companies, world leaders in networking and Internet working solutions. With approximately 30% of Rad Computer Communications' employees engaged in research and development and by devoting significant resources to product development, it is able to maintain a technological leadership role that is certain to increase in the years to come. Engineering activities span diverse disciplines, from voice processing and data compression technology to LAN internet working and network management software. Few companies in

the industry match RAD's breadth of in-house development expertise.

### **Silicom Ltd. Expects Good Year**

The shares of Kfar Saba based Silicom Ltd (NASDAQ:SILCF) have recently been quoted at \$2.50 having declined slowly from their \$4.75 price at the beginning of July. A discussion with management tends to support the assumption that the erosion in the price of the shares is unrelated to business development. Silicom expects to end 1996 with "sales more than double those of 1995" and "reasonable margins". In the course of the year three new products have been introduced and response to the products from Digital Equipment, among other customers, is positive. Silicom shares fall under the category of "small capitalization stocks". Currently, and not surprisingly, there is little known about the company by the American investment community and "there is no Wall Street analyst which follows Silicom". However, that may change as Silicom's management may begin to actively expose itself to investors as its business fortunes continue to improve.

### **NASDAQ VP to Participate in Technology Conference**

NASDAQ's vice president John P. Wall and other senior management members will visit Israel to participate in a conference on technology, organized by the investment bank Robertson-Stephens and its Israeli representative, Evergreen Capital Markets.

Some 92 Israeli companies, half of them privately held, are expected to participate in the conference. Companies will make presentations before hundreds of investment portfolio managers and venture capitalists from around the world.

The two day conference opens on November 18th, 1996 and is the second technology conference held by the two companies in Israel. During the meeting, Evergreen and Robertson-Stephens may announce the completion of fundraising for a new \$30 million venture capital fund for the purpose of investment in young Israeli high tech start-ups.

Eldad Tamir, CEO of Evergreen Capital Markets, described the event as central in terms of importance to the Israeli high-tech industry and all things connected to the international capital market. It is currently the best showcase for presenting Israeli companies before international and



local investors. In 1995, Robertson-Stephens was ranked the US leading underwriter in the field of technologies. The company executed 74 major financing issues this year at a volume of \$3.3 billion.

### **Summit Design Raises \$38 Mln**

DSL Technologies' subsidiary, Summit Design, has successfully completed an IPO, raising \$19 million for 14% of its share capital. Summit develops inspection and planning software for electronic systems, used in examining integrated circuits and significantly shortening the development time and lowering costs. Summit's revenues for the first half of 1996 were \$9.37 million and net profits were \$487,000, compared with \$5.8 million in revenues and net losses of \$3 million in the corresponding 1995 period. The company ended the third quarter with \$4.9 million in revenues but has not yet released net profit figures. Summit's shares were priced at \$9.50, slightly above the indicated prospectus price and jumped to a 25% premium as investors pushed the price higher.

### **Memco Obtains Premium Pricing on Wall Street**

Memco, founded in 1990 and recording only insignificant sales until 1996, develops software which creates access control for organizations, enabling them to secure information within the organization and control employees' access to its various data bases. The shares were priced at \$15, above the prospectus indication of a maximum of \$14 a share. The public offering was underwritten by Lehman Brothers, together with Bear Stearns and Montgomery Securities.

### **Geo Raises £19 Million on London's AIM**

Software developer Geo Interactive Media, founded in early 1994 and without any record of revenues from its key product, raised £12 million on the London Alternative Investment Market (AIM) for 12% of its share capital. Geo, which employs 31 full-time employees and 25 freelancers, developed Emblaze, a technology which enables transmission of interactive multimedia such as television, animation and voice signals, in real time over the Internet. Based on this technology, Geo then developed the Emblaze Creator, which it intends to sell to Internet site-builders as of

February 1997 at \$1,000 per unit. Geo has stated that it expects to be shortly marketing in the US and expects to earn 12% royalties from American sales.

### **Nechushtan Metals Postpones IPO**

Nechushtan Metals Center, on the advice of its British broker Butterfield Securities, postponed its London AIM market initial public offering until the beginning of 1997. The company engages in non-ferrous metal trading, and had hoped to raise about £8 million.

### **Lehman Brothers Forecasts**

Lehman Brothers' 1996 estimate for ECI earnings per share stands at \$1.38, up

19% from \$1.16 in 1995. Earnings per share are expected to reach \$1.73 in 1997, a 25% rise. "The stock appears very undervalued at current levels (\$21 a share) and we continue to rate ECI Telecom a 1-Buy, with a \$30-32 one-year price target."

Lehman Brothers estimate Tadiran's annual earnings per share at \$3.09 or 46% higher than in 1995, on estimated total revenues of \$1 billion. "Our 1997 estimate calls for earnings per share of \$3.15 on revenues of \$1.2 billion. We continue to rate Tadiran an Outperform, with a one-year price target of \$33-34." (The shares are currently at \$26.)

### **Caniel Sets Up Factory in Jordan**

The Caniel-Israel Can Company announced it will establish a plant in Jordan in partnership with a Jordanian investment company. The factory in Jordan will be Caniel's first abroad. The investment to set up the factory is \$6 million.

The General Manager of Caniel, Eli Admoni, said the objective of setting up the joint factory is to create new markets for Caniel. According to Admoni, the factory in Jordan is intended to serve as a bridge to other Arab countries. According to him, the factory in Jordan is not intended to supply goods to Israel. The joint factory will manufacture food cans. According to Admoni, the factory's expected annual sales turnover will reach \$9 million, beginning 1998.

### **Revised 1996 Growth: GDP to Rise 3.5%**

Gross domestic product will increase by 3.5% in

1996 and business product by 4% only. This compared to a GDP increase of 7.1% and a business product increase of 8.6% in 1995. The growth of the Israeli economy this year is 2% lower than the original Ministry of Finance forecast. This is indicated by revised estimates of the Central Bureau of Statistics (CBS). It is also estimated that the current account and balance of payment deficits will this year reach an unprecedented \$4.5 billion, compared to \$4.2 billion, according to the Treasury's forecast, and \$3.9 billion in 1995. The current account deficit will reach 4.7%, as compared with the 4.4% forecast. Private consumption will increase this year by at least 8%, compared to an increase of 7.3% in 1995.

### **Applicom Sells Internet Technology**

Applicom Software Industries, which is 41.36% held by Formula, announced it has signed a letter of intent with a US company active in the Internet. Applicom will sell technology developed at Applicom for the purpose of Internet and IntraNet connectivity. According to the agreement, Applicom will transfer all rights to the technology in return for \$10 million. In addition, Applicom will receive royalties on the sale of products based on the technology. Upon completion of the agreement Applicom will record a pre-tax profit of NIS 15 million.

As of the end of Q2 '96, Applicom's shareholder equity was NIS 23.3 million.

The deal will significantly increase the already high level of equity.

### **Motorola Terminals for UPS**

The United Parcel Service, one of the largest parcel delivery companies in the world, has initialed an agreement with Motorola Communications Israel to develop a new generation of wireless terminals for UPS's vehicle fleet. Motorola has previously developed and has manufactured for UPS a motor vehicle wireless terminal which serves as the key component in its gigantic data communications network established by UPS for its fleet of trucks in all of the United States and in some European countries.

The "DIAD 2" portable terminal receives and sends written messages from and to the company's phone-in centers, and reports on the status of each parcel being delivered by the company. By this means, the company manages its vehicle fleet,

numbering over 150,000 trucks. The driver takes the portable terminal with him, secures the addressee's manual-electronic signature on the display screen, and transmits delivery data to the company center.

The terminals are operated by means of cellular technology, using the cellular telephone system throughout the United States and Europe. By the end of 1996, UPS will have equipped 80,000 trucks with Motorola's portable wireless terminal. UPS has placed an additional \$38 million order.

### **ICTS Raises \$13.5 million**

The fatal explosion of TWA flight 800 has raised investment interest in companies providing airline security systems. ICTS, a Dutch firm, controlled by an Israeli investor and Lidan Business Enterprises, is public and investors snapped up its shares, skyrocketing its price by 103% from \$6 to a new high of \$16.38. Capitalizing on this interest in airline security on the part of the investment public, ICTS, only one year after its IPO, it raised \$11 million in New York. It has now completed \$13.5 million secondary offer. Lidan Business Enterprises, which now holds 35% of ICTS, is traded on the Tel Aviv Stock Exchange.

### **\$10 million in Electric Fuel**

Electric Fuel (NASDAQ: EFCX), a Jerusalem based company which is market testing its electrical car batteries in Europe, has announced a Private Placement (PP) which raised \$10 million at \$6.50 per share. American investor, Leon Gross, who previously had invested in the company, as a result of PP, raised his holdings in the company to just over 3 million shares, or 22.20% of EFCX's capital. As previously reported by *IHTIR* in a feature story in which the technology of the electrical car batteries was detailed, the company is presently awaiting the final results of the test program being conducted in Germany, with Deutsche Post AG. EFCX is also testing its batteries in other European countries. The outcome of the German pilot program, which has the cooperation of leading German automobile manufacturers, will determine the company's future.

### **U.S. Companies to Sell Powerful Data-scrambling Software**

American companies will have it easier to sell powerful data-scrambling software outside the U.S. Companies could export such technology as

long as they have a system in place that would allow U.S. law enforcement officials - after getting a court order - to break the code in order to intercept communications.

The plan "will make it easier for Americans to use stronger encryption products whether at home or abroad - to protect their privacy, intellectual property and other valuable information," Vice President Al Gore said. "It will support the growth of electronic commerce, increase the security of global information and sustain the economic competitiveness of U.S. encryption product manufacturers," he added.

At issue is sophisticated software that allows users to scramble telephone and computer messages that move across computer networks and the Internet. Users, particularly businesses, want to keep their data private while law enforcement officials argue they need the power to unscramble the messages to investigate crime.

The administration believes it will take some time for the United States to persuade other countries to adopt the same systems, allowing governments to work together. An executive of an Israeli encryption software firm stated that the current changes in the American industry can only benefit his company by creating a greater level of interest in the encryption of private facsimile and electronic mail.

### **TASE Likely to Introduce New Trading**

The Tel Aviv Stock Exchange's recently appointed Chief Executive Officer, Yair Orgler, plans to innovate a new trading market within the framework of the TASE. This new market will be specifically for small, young, high-growth profile companies and modeled on the London Stock Exchange's AIM Market which allows investors the possibility of investing and trading in the shares of such small companies, but on a market which is regulated by the Exchange itself.

Both in 1995 and 1996, the TASE has not provided young Israeli companies with a fertile ground for the raising of capital. Primarily the high-tech companies have turned to the American NASDAQ and to the London AIM Stock Exchange. Four Israeli companies have already raised capital on AIM while, by the end of October, 1996, approximately \$800 million had been raised by Israeli companies on NASDAQ. IHTIR believes that the benefit of a special market for young companies,

which allows them to obtain capital, would not only help them but also do away with the need for premature public financing offers. This might reduce the criticism from some quarters, that Israeli companies tend to go public too early in their development resulting in occasionally, highly volatile trading patterns in their shares.

### **Congress Allocates \$90 million More for Joint Projects**

The American Congress has recently allocated, for joint US-Israel defense projects, \$90 million more than originally requested by the Pentagon in its 1997 Defense Budget. American sources indicate that the American Congress was lobbied by AIPAC, (the American Israel Political Actions Committee) along with representatives of Israel Aircraft Industries and Rafael, Israel's Armaments Development Authority. A history of past benefits derived by both nations from joint venture programs has resulted in the granting, without exception, of higher than requested funding.

### **American Investors to Build Factory in Kiryat Arba**

In an effort to demonstrate support for Israel, in the aftermath of the end-of-September disturbances, it was announced that a group of American investors had changed their original application to establish a \$10 million candy manufacturing plant from an unspecified area for the projected plant, to Kiryat Arba. The project consists of a plant the production of which is designated for export and domestic markets, and will have a payroll of 110.

### **Major International Business Conference in Jerusalem**

The Jerusalem Business Conference (JBC) 1996, beginning November 9th at the International Convention Center in Jerusalem, sponsored by the Jerusalem Municipality, the Jerusalem Development Authority and Globes Enterprises expects 4000 managers, entrepreneurs and senior business people to participate, as well as ministers and key people in the global economy from dozens of countries, including Arab nations.

### **Myriad Ultrasound Update**

Myriad Ultrasounds Systems Ltd, first featured in the IHTIR two years ago, has received approval in

Japan to market its medical systems. Osteoporosis is a very important clinical and socio-economic problem in Japan, and the company expects rapid sales for its SoundScan 2000 system which is used in the detection of osteoporosis.

Myriad, at the end of September, completed a private placement offering in the United States, which raised a total of \$4 million. The IHTIR believes that within the next 24 months, Myriad will seek an initial IPO on the NASDAQ market. The five-year old company began its activities after a seed investment from Israeli managed venture capital funds, Athena and AAV. Additional investment have been made by Rosebud Medical, IVG, Gemini, Eurofund and Advent International.

### Bank of Israel Intervenes in F/C Market

In the months of September and October, at a time when the business community investors and speculators were converting millions of US dollars into shekels, the Bank of Israel intervened in the Foreign Currency market, to stabilize it. On a number of occasions that the Central Bank intervened, it prevented the Israeli shekel from being revalued and possibly break out of the "trading band", which allows for exchange rates to fluctuate plus/minus 7% from its mid-point.

Aside from normal business transactions involving the sales of dollars earned from exports, local and foreign investors were seeking high returns obtainable from local high-yielding government bonds and bank deposits. At NIS 3.14 : US\$ 1, the rate of exchange was at the bottom of its "trading band". To a great degree the Central Bank's intervention was responsible for the eventual devaluation of the shekel to NIS 3.22 at the end of September.

### VocalTec Ships E-Mail Voice Messaging Program

VocalTec has begun to ship its Internet Voice Mail 3.0 integrated voice messaging software which extends the functions of standards applicable to voice mail. The company says the software allows anyone with an e-mail account and sound card to send voice messages to friends, family and business associates over the Internet.

The product, based on VocalTec's existing Internet Phone audio compression technology, integrates voice and text, for multimedia messaging. Voice messages may be sent with a voice mail player, so

recipients without Internet Voice Mail may play back messages on their own Macintosh or Windows-based computer.

The package includes Internet Voice Mail player, a second-user license to share with one e-mail recipient, a microphone and Microsoft Internet Explorer web browser.

VocalTec (NASDAQ:VOCLF), an Israeli company, has pioneered Internet telephony. Its shares are currently close to recent lows primarily due to a rush of competitors. However, the company has intensified its efforts to bring out new versions so as to grab a niche of this very lucrative market.

### Israel on "Economist" List

According to The Economist, Israel's Gross Domestic Product, based on the first six months of this year, has advanced by 3.5% from a year earlier. Of 25 companies rated by the prestigious magazine, Israel ranks 15th, comfortably ahead of Hong Kong whose GDP has advanced by 3.1%. However, Israel trails (China + 9.5%), Indonesia (+8.1%), Malaysia (+ 8.4%), India (+ 7.%) and Mexico (+ 7.2%).

### International Investor Raises Israel's Risk Rating

In a semi-annual report, the International Investor, a publication specializing in global risk ratings, raised Israel's regional ranking from 8th to 7th, among the 14 ranked countries. The ranking is made on the basis of a number of criteria, including economic indicators, credit rating, access to financial markets, political risks, volume level of national debt in terms of product, repayment of loans, access to international bank credit and short-term credit.

### Tel Aviv Stock Exchange Lower

The recent disturbances in the territories has had an unsettling effect on trading on the TASE with the general share index declining by approximately 10%. A number of leading Tel Aviv brokers and some prominent business people have been quoted as saying that some foreign investors are pulling out of the Tel Aviv Stock Exchange. While this would not be surprising, it is unlikely that this is happening to any great extent because trading



turnovers have come down dramatically, and some days totaled only \$15 million in comparison with four or five times as much on days of active trading.

### **Novel Encoding of Video Broadcasts**

A novel device, developed and manufactured by SVIS, allows the broadcast of encrypted video images in real time. The system offers a solution to the problems of political and industrial espionage. It is designed to be a part of existing communications channels, primarily those stations dedicated to both wireless and cable transmission.

Use of the system includes real time securing of video broadcast information, according to the security requirement of data bases, cable stations, satellite broadcasts, conference calls and communications networks. Potential clients include all conference call and network users, who employ video as a medium.

### **Laser Industries Report Record Sales**

Laser Industries Ltd (NASDAQ: LASRF) reported record revenue of \$14.62 million, a gain of 16% over revenue of \$12.56 million in the third quarter of 1995. Laser Industries is currently the only company with FDA marketing clearance specifically for the treatment of wrinkles.

The company also announced that it had displayed its comprehensive line of aesthetic lasers, including its EpiTouch Ruby laser for hair removal, at an annual meeting of the European academy of dermatology and virology held in Lisbon, Portugal on October 13-17, 1996. Clinical studies have already shown that hair removal with the EpiTouch is fast, relatively painless and causes fewer side effects than certain other methods of hair removal.

Laser Industries has filed a 510(k) application with the FDA for clearance to market EpiTouch in the U.S. for hair removal. The hair removal market in the U.S. alone is estimated at \$1 million.

### **Pleather Ltd - Leather at a Fraction of its Cost**

The Jerusalem College of Technology is promoting Pleather Ltd. The company has developed a use for waste leather, converting it into a new thermal plastic material by combining the leather fibers with any number of common thermalplastics. The resulting material can be molded or extruded, similar to conventional plastics. The

end-product is said to combine the elegant characteristics of leather with the advantages of plastic. The companies activities were based on the fact that waste leather is very abundant throughout the world. The U.S. alone generates more than 60,000 tons/year and thus provides an inexpensive and readily available source of raw material. Marketing areas being developed are the display and accessories industries.

### **Zoran Acquires US CompCore for \$57 Mln**

Zoran has signed an agreement to acquire CompCore Multimedia of the US, for \$57 million in shares. The deal will be executed by way of a merger between the two companies and will confer on CompCore's founders a 24.9% fully diluted share of Zoran. The merger is expected to raise Zoran's market value to \$230 million, fully diluted and at today's share price.

Zoran is a US-based company whose research and development center is located in Israel. The company is a leading provider of integrated circuits (ICs) for digital video and audio compression applications. Shareholders are Zoran (Israel) which holds 22.5% controlling interest and Elron which holds 20% (undiluted) share. The merger will dilute Israel Corp.'s share in Zoran to 12.5% (fully diluted) and Elron's share to 12%.

Privately-held CompCore Multimedia is a leading provider of digital compression IC cores and software. Following the merger, CompCore will operate as a subsidiary of Zoran. George Haber, CompCore's co-founder and President and Chief Executive Officer, will join Zoran as Executive Vice President and a member of Zoran's Board of Directors.

### **New Companies on Wall Street**

In all of 1995 Israeli companies raised \$500 million on Wall Street. With two months remaining in 1996 20 local companies have already raised \$1,067.7 million. The figure surpasses any previous year in this decade. 16 of these companies fall into the category of high-technology and ample evidence as to which companies are liked by American investors. In recent week, and since the end of May elections and most recently after the riots non-technology companies either delayed or cancelled their new issues. However, in this issue we mention a number of companies who have suc-



cessfully completed their planned new financing issues. Once again it points to the fact that investors view the activities of high-tech companies as unrelated to political events in Israel. In the table one can note that some companies such as ESC Medical whose shares trade at an astronomical

p/e ratio of 158, Zoran at 57 and NICE at 61. Look for some of these companies to produce excellent third quarter results, especially ESC.

### Elsclint \$30 mil. Chinese Deal Delay

Elsclint senior officials said the signing of a \$30 million dollar deal between Elsclint and a Chinese group has been delayed for a long time, due to a dispute between Israel's Ministry of Finance and China's National Purchasing Authority. Elsclint senior manager lodged the complaint with Minister of Industry and Trade Natan Sharansky.

Elsclint's managers said both sides had reached an agreement but the Chinese reached the conclusion that the conditions were not optimal and therefore were not willing to sign. "The Ministry of Finance says they are not willing to change the agreements and we are stuck in the middle. We need government permission in order to give the Chinese a slightly bigger discount."

Elsclint's managers further announced expected annual revenues of \$292 million compared with \$280 million in 1995. They revealed that the company was in contact with multinational Philips in order to reach an agreement, whereby Philips would sell Elsclint imaging equipment in Japan.

## NEW 1996 ISRAELI COMPANIES ON WALL STREET

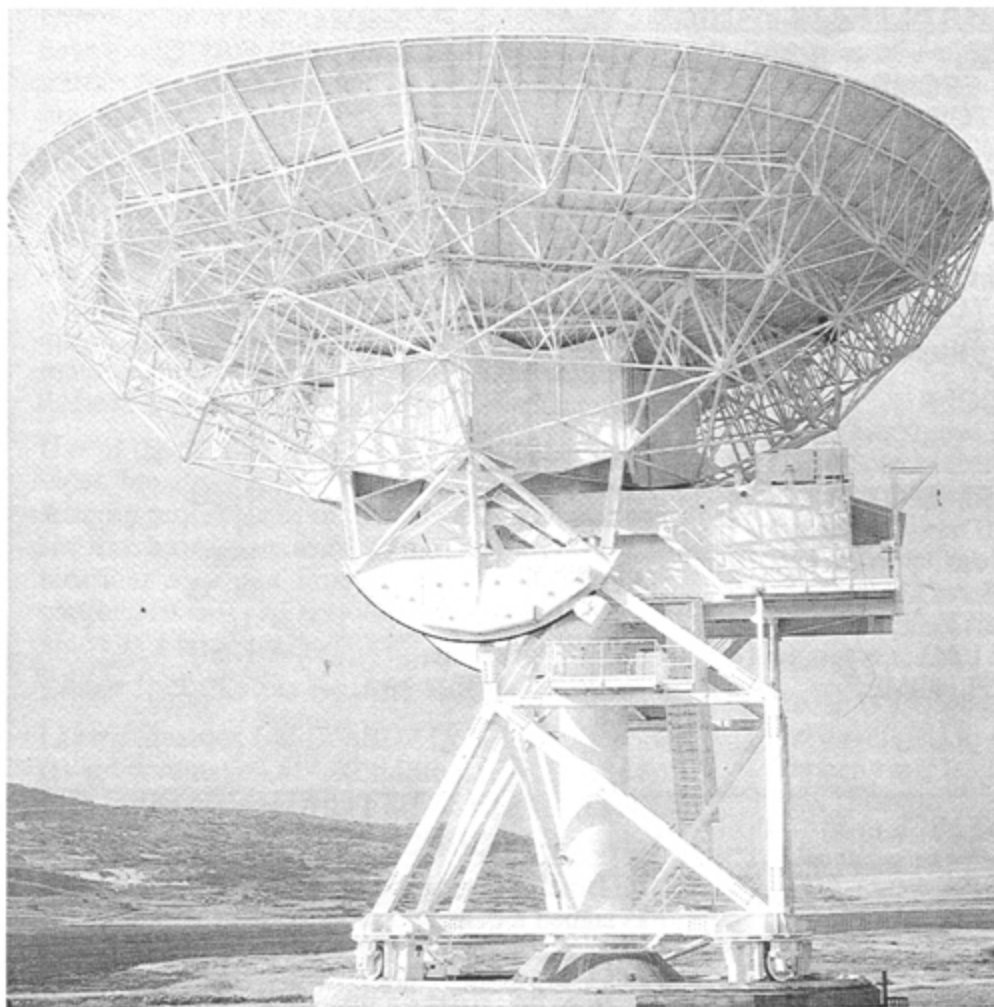
NAME, SYMBOL	\$ MIL. RAISED	10/23 PRICE	P/E RATIO
ESC MEDICAL ESCMF	140	28.50	158
TOWER SEMI TSEMF	129	7.755	
KOOR HOLDINGS KOR	120	17.75	9
BLUE SQUARE BOSCF	76	15.75	20
TADIRAN TEL TTELF	75	22	15
DSPG DSPC	66	53.63	NEG
CHECK POINT CHKPF	66	31.5	10
TECNOMATIX TCNOF	54	19	32
ORCKIT ORCTF	53	16.25	NEG
MAYTAV MATVY	50	15.38	NEG
VOCALTEC VOCLF	47.5	3.875	NEG
MEMCO	45	16.26	NEG
ZORAN ZORN	27	18.88	57
ELECTRIC FUEL EFCX	24	6.50	NEG
NICE NICEY	21	21.5	61
VS EISNF	18	7.25	796
LOGAL LOGLF	15	4.25	NEG
CIMATRON CMTF	14	4.25	10
LASER INDUS LAS	14	11.88	NEG
HOME CENTER HOMEF	11.2	4.88	10

### Aliroo in Strategic Partnership with Taiwanese CDPC

The Israeli information security company Aliroo has signed a distribution agreement with the Taiwanese company CDPC (China Data Processing Center) under which the Israeli company will initially supply \$100,000 in software to CDPC for marketing. CDPC is one of the largest software distributors in Taiwan.

The Taiwanese partner will invest in the translation of Aliroo's products into Chinese and in marketing those products in Taiwan. In addition, Aliroo and CDPC are in negotiations for joint development of a hardware product for encoding faxes designed to attach to existing fax machines. General Manager of Aliroo Meir Zorea sees the agreement as an important milestone for the entire Far Eastern market, especially China. "We are signing distribution agreements with large distributors worldwide who, over and above their distribution capabilities, provide added value by helping with the translation of the software product into local languages," he explains.

China Data Processing Center was established in 1963 to meet the growing demands for data processing services in the field of data processing.



2. The Emek Haela satellite relay station.
3. Surgery performed in one of Israel's hospitals.
4. Tadiran, Israel Electronic Industries Ltd. — assembly line.

