



ELRON - INVESTOR PRESENTATION

August 2020

ELRON



COMMENTS



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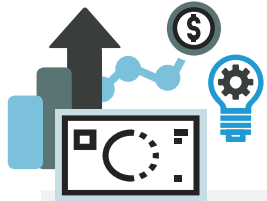
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These estimates, in whole or in part, may not materialize, or may materialize in a manner materially different than expected. The principal factors that may affect this are developments in Elron's and its group companies' fields of operation; failure to meet goals; inability to realize technologies; modifications in technologies; modifications in work plan, goals and/or strategy; guidance and determinations by regulatory authorities; unforeseen regulatory difficulties; failure to obtain regulatory approvals; regulatory developments and changes in fields of operation; unforeseen developments in the course of clinical trials and trial results; reliance on third parties including data analysis services; feedback from the medical and scientific community; regulatory changes and restrictions on supply of raw materials for manufacture; inability to obtain financing; delays or malfunctions in development or manufacture; or if any risk associated with Elron and its group companies and the course of product development or sales occurs. In addition, the spread of the coronavirus (COVID-19) may lead to difficulties or delays in recruiting patients for clinical trials or initiating trial sites; operational constraints amassing raw material inventories; significant potential difficulties in raising capital for group companies; budget cuts among potential customers and subsequent decisions to increase product life-cycles rather than adopt new technology solutions; potential difficulties for group companies in closing commercial transactions or generating leads and managing lengthy and complex sale-cycles, among other things, due to mobility constraints between countries; a worldwide global slowdown that will make it difficult to execute exit transactions. In addition, as of the date of this presentation, the capital markets are experiencing high volatility, including significant stock price falls, due to the market response to the spread of the coronavirus (COVID-19).

All amounts are fully attributed to Elron and RDC unless specified otherwise.

ELRON: WE SPECIALIZE IN EARLY-STAGE INVESTMENTS WITH SIGNIFICANT EXIT POTENTIAL



We have close to 60 years experience identifying opportunities, building technology leaders, and exiting holdings



We rely on a proven strategy of hands-on involvement in the day-to-day operations of our group companies



We focus our investments in fields where we bring added value and are able to facilitate opportunities

Elron was established in 1962 by Uzia Galil



THE IDEA

to bridge the gap between Israeli R&D and industry, and create "a knowledge-based industry" (later named hi-tech...)



1960s
Defense
Elbit

1970s
Medical Imaging
Elscint

1980s
Semiconductors
Orbotech
Zoran

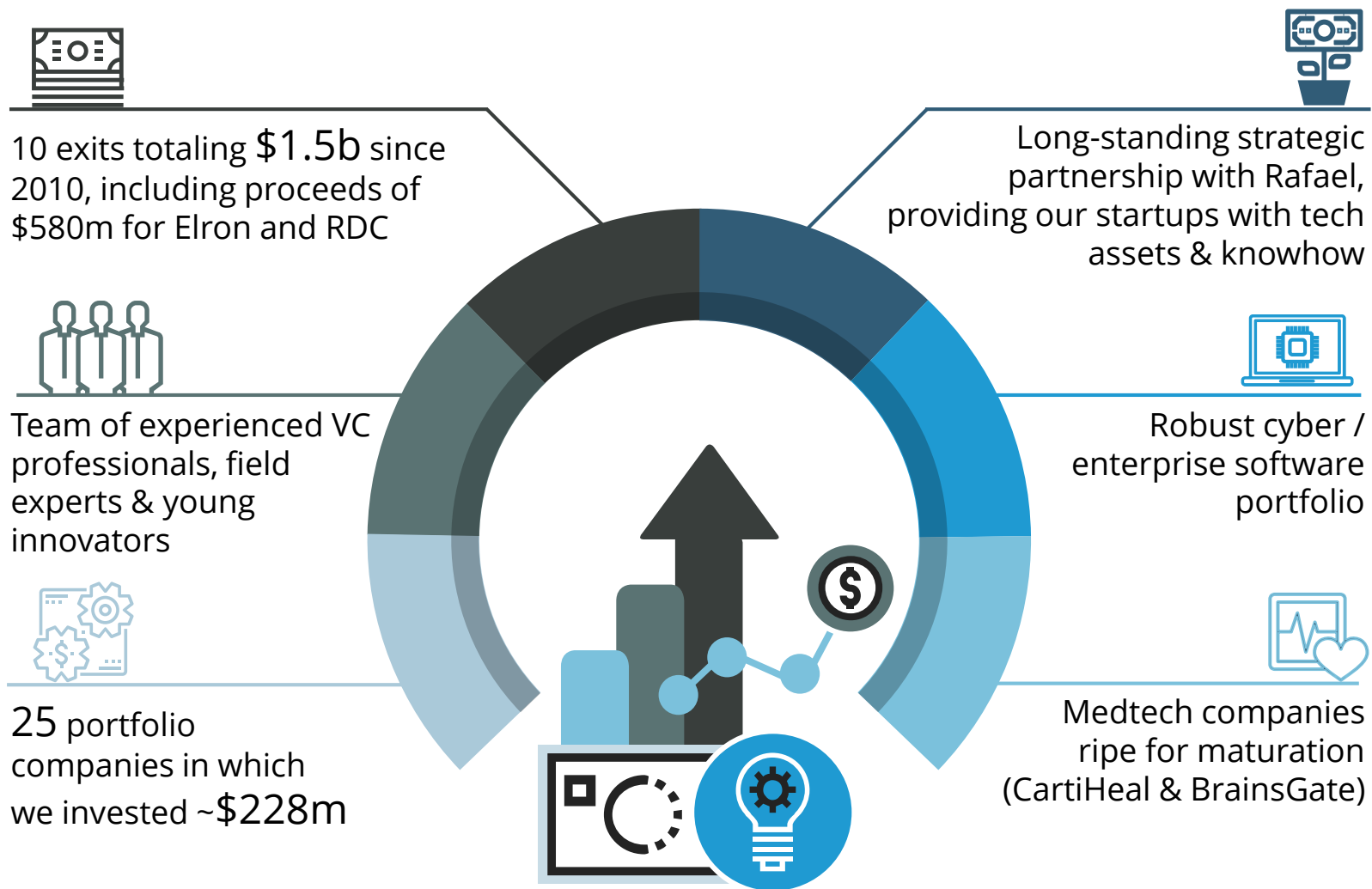
1990s
Communications
Netvision
Partner

2000s
Multi-strategy
Given Imaging

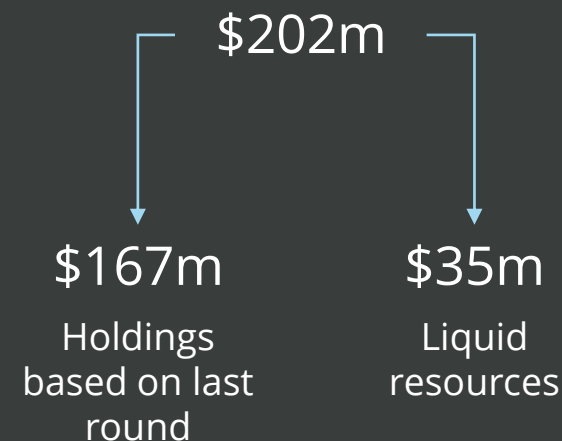
2010s
Medical Devices
Medingo

2020s
Cyber/ Enterprise
Software

ELRON: BUILDING VALUE IN VENTURE CAPITAL INVESTMENTS



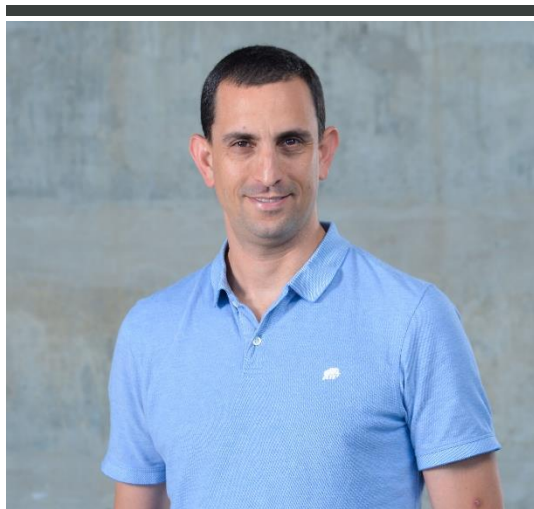
FINANCIAL INFO:



\$95m
Market cap (August 16, 2020)

TEAMWORK

An experienced team which led 10 exits, dozens of investments, and follow-on financings totaling hundreds of millions of \$s over the last decade



YARON ELAD
CEO

Vast experience in tech investing & strategic deals. Established Elron's software activities. Led Elron's investment in Cloudyn which was successfully sold to Microsoft in 2017, and the sale of Jordan Valley and Safend. Has been with Elron since 2007.



NIV LEVY
CFO

Broad experience in accounting, financing, taxation, and securities regulations. Oversees Elron's financial operations, and plays a significant role in the company's M&A and financing transactions. Has been with Elron since 2009.



ZOHAR ROZENBERG
Head of Cyber

Col. Ret. Headed the IDF's Cyber Division in the Intelligence Corp 8200 unit. Established Elron's cyber portfolio and successfully led the investment and sale of Secdo to Palo Alto Networks in 2018. Has been with Elron since 2016.



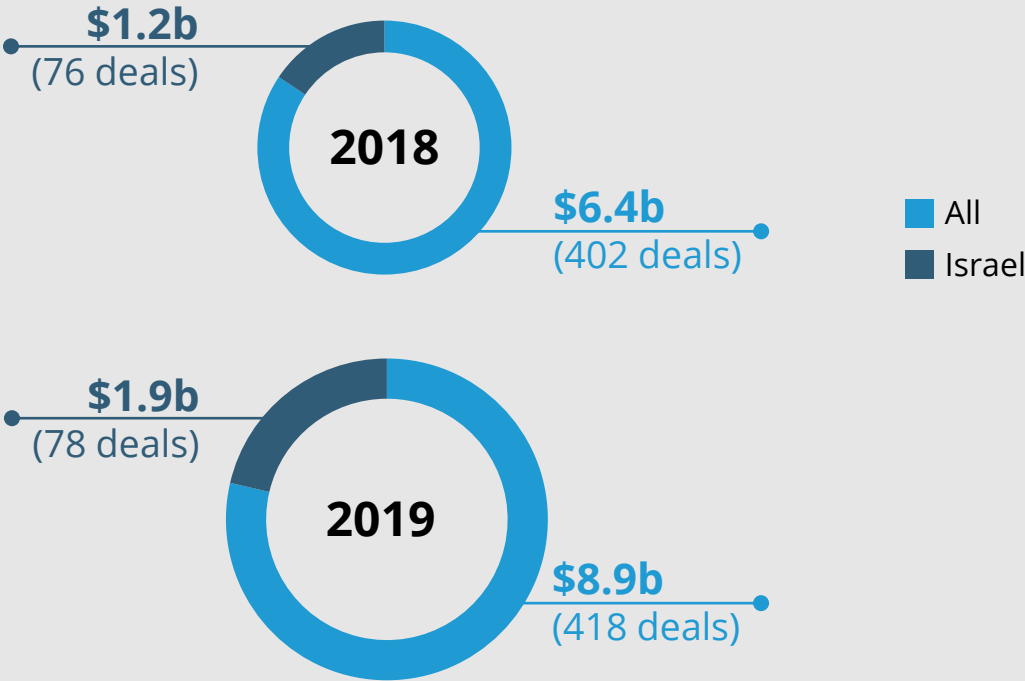
ZVIKA SLOVIN
Head of Medtech

Broad experience in the medical device space as an entrepreneur and investor. Led Elron's investment in Medingo which was successfully sold to Roche in 2010, and the investment and sale of Sync-Rx and Kyma. Has been with Elron since 2008.

CYBERSECURITY FACTS & FIGURES



Cybersecurity capital raisings, 2018-2019



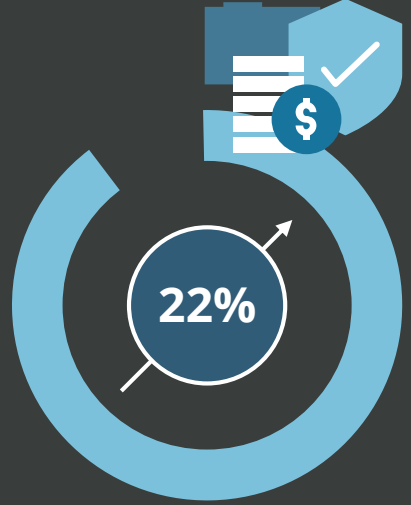
Sources: Momentum Cyber: Cybersecurity Snapshot December 2019, IVC and ZAG-S&W Israeli High-Tech Report 2019



Cyber security budget for 2019 vs. 2018

Nearly 9 of 10 IT buyers and users reported an **increase** in their infosec budget for 2019 compared to 2018

On average, they indicated that their infosec budgets would be **22% higher** in 2019 than in 2018



Source: 451 The Voice of the Enterprise: Information Security, Budgets & Outlook*: 'RSA Conference: Mammon and malware', by Stephanie Turner, February 21, 2020, <https://blogs.the451group.com/techdeals/>; <https://451research.com/media/reports/98900/bbf436c5-d96a-494a-aa5e-ac5c7194e97e.png>

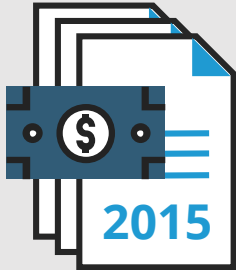
* Based on a survey completed during November and December 2019, representing app. 500 completes from pre-qualified IT decision-makers.

CYBERSECURITY FACTS & FIGURES



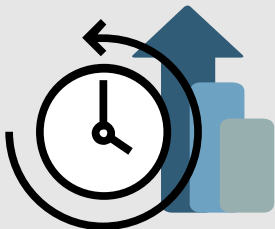
Cybersecurity exits of Israeli companies, 2015-2019

\$1.06b
(18 deals)



9.17
Avg. time to exit

5.80
Avg. exit multiple



\$3.45b
(23 deals)

6.74
Avg. time to exit

8.40
Avg. exit multiple



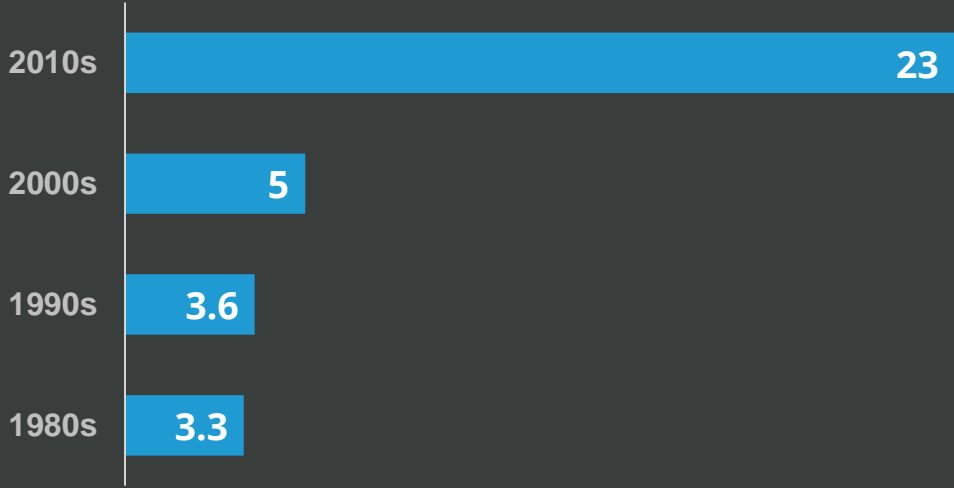
Source: IVC-Meitar Exits Report 2019



Prevailing price of Infosec acquisitions, by age of target company



Avg. price/sales valuation for target company per founding decade



Source: 451 Research's M&A KnowledgeBase: 'Demographics as destiny', by Stephanie Turner, February 28, 2020, <https://blogs.the451group.com/techdeals/>; <https://451research.com/media/reports/98941/c60d55d5-b7e1-41ce-9b7c-93b049563cc2.png>

CYBERSECURITY: MAJOR ISRAELI EXITS 2015-2020



\$1.1B



\$2.1B



Advent
International

\$1.9B



\$1.2B



\$560M



\$430M



\$410M



\$380M



\$225M



\$40M



\$120M



\$100M



\$60M

MARKET TRENDS

Consolidation



Change of generations



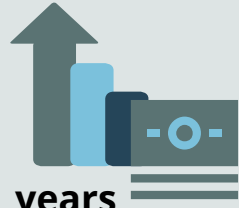
PE buyouts



BUILDING VALUE IN VENTURE CAPITAL INVESTMENTS



CYBER & ENTERPRISE SOFTWARE Value Creation



6 years
15 companies
2 exits (3.25x multiple)
>16 external follow-on rounds

RDC (a joint venture with Rafael for initiating & developing new companies)

Vast experience in technological projects; extensive knowledge in the cyber and enterprise software spaces; well-established practice of serving as a design partner / beta site for group companies, and often as their first major customer

SUCCESSFUL CASE STUDIES:
Secdo, Ironscales, Trapx, Kindite, OzCode



Building a seed portfolio



\$56m
invested in
cyber &
enterprise
software
companies



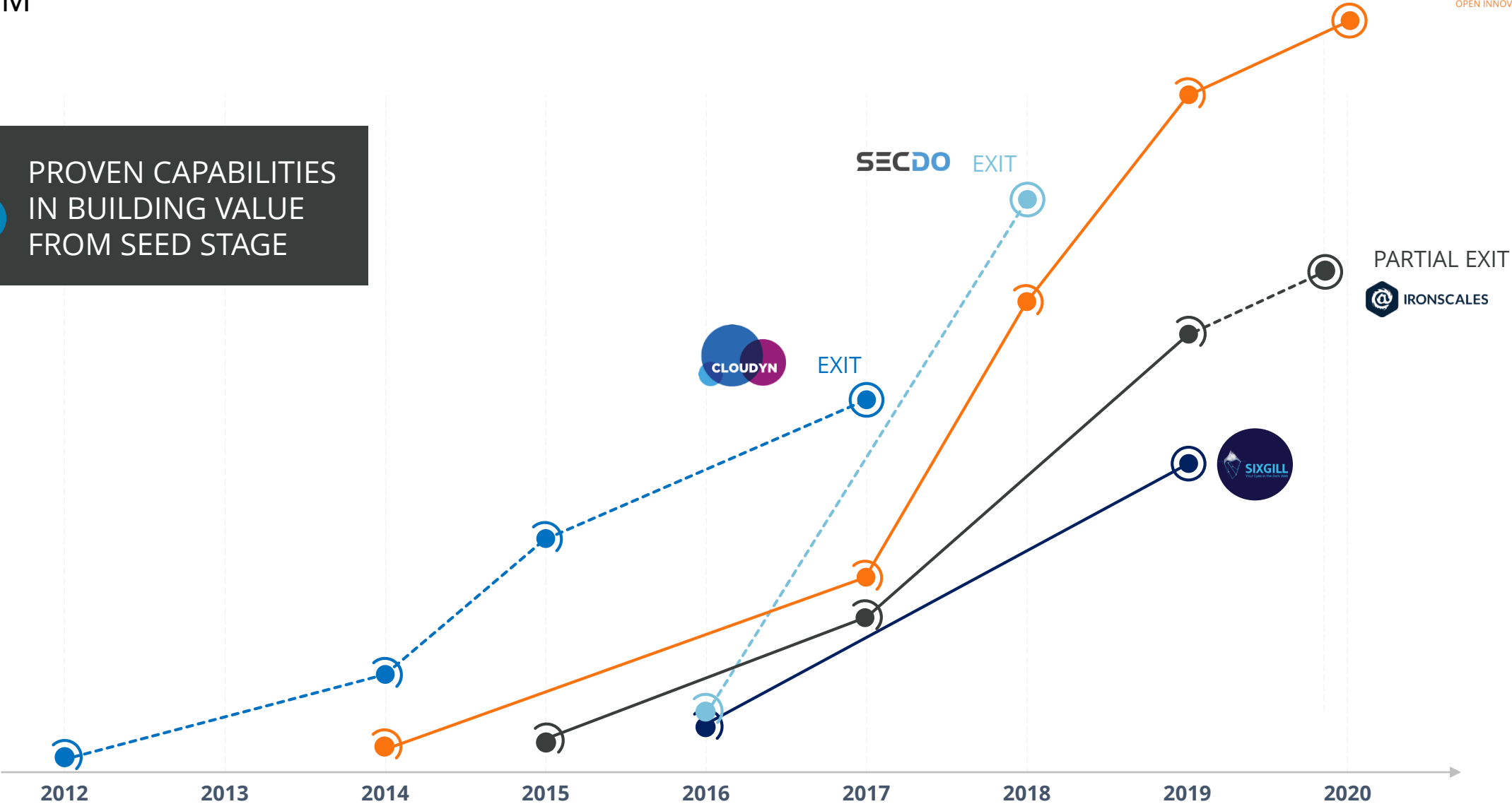
\$129m
value created
\$89m: our
holdings
based on last
round
\$40m: exit
proceeds

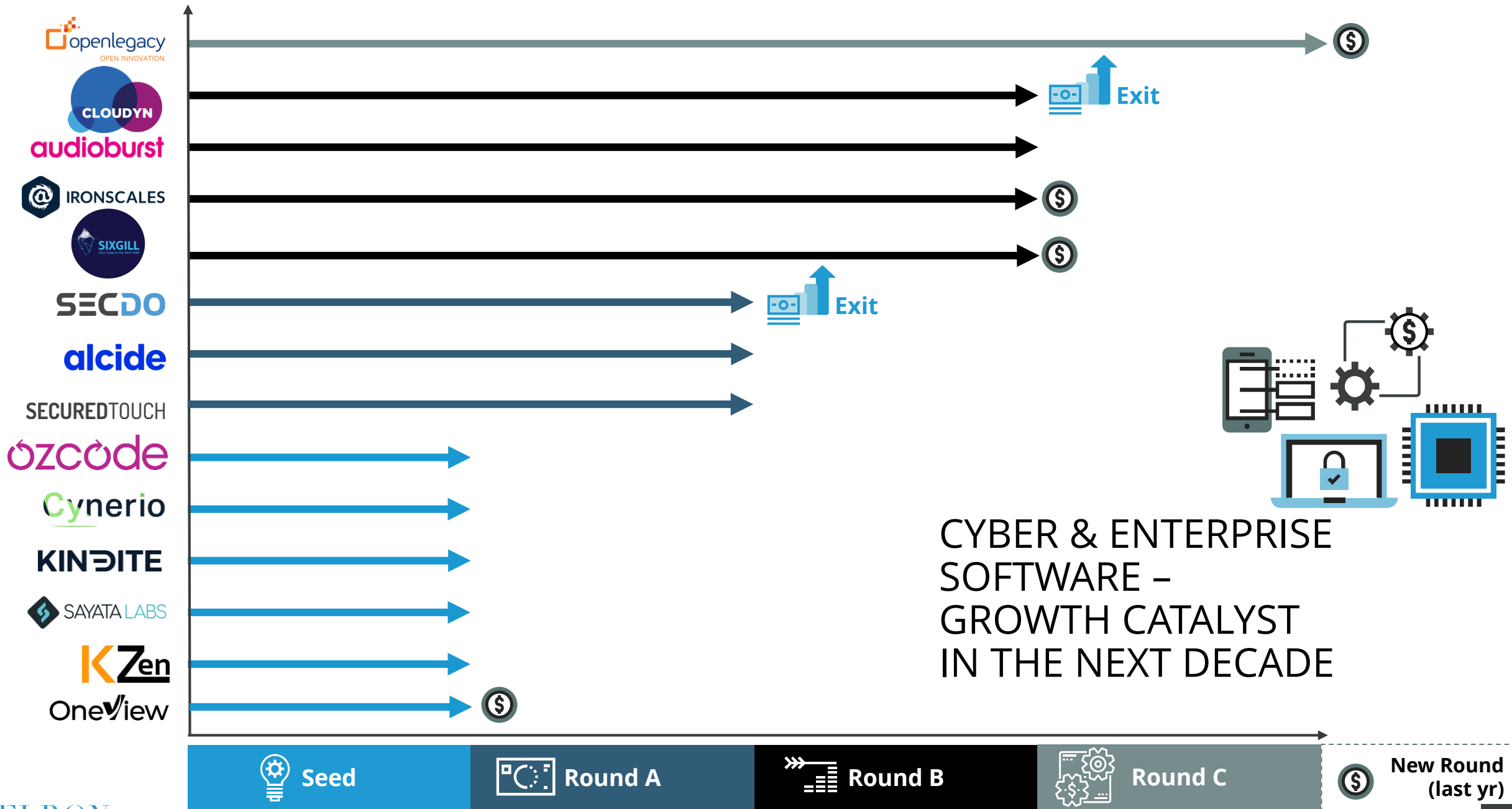
CYBER/ENTERPRISE SOFTWARE VALUE CREATION: 2015-2020

in \$M



PROVEN CAPABILITIES
IN BUILDING VALUE
FROM SEED STAGE





CYBER & ENTERPRISE SOFTWARE – GROWTH CATALYST IN THE NEXT DECADE



Microsoft confirms Cloudyn acquisition, sources say price is between \$50M and \$70M

Ingrid Lunden, Ron Miller 2 years ago



Ironscales Closes \$8M Series B Extension Funding Round



Israeli startup OneView raises \$3.5 million in seed



KZen raises \$4 million to bring sanity to crypto wallets



Palo Alto Networks buys Israeli cybersecurity co Secdo for \$100m



Japan's SBI invests \$20m in Israeli co OpenLegacy



Hospital cybersecurity co Cynerio raises \$7m



Phishing prevention co IRONSCALES raises \$15m



Israeli cybersecurity co Sixgill raises \$15m



Israeli mobile security co SecuredTouch raises \$8m



Israeli debugging co OzCode raises \$3.5m

TOP HEADLINES ON OUR CYBER/ ENTERPRISE SOFTWARE COMPANIES

Europe



Israel



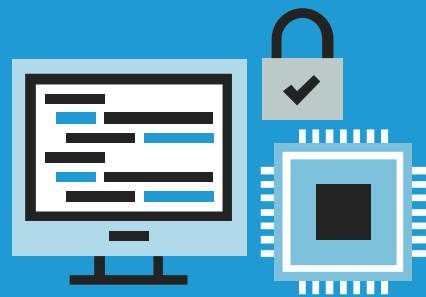
North America



East Asia



INVESTMENT &
STRATEGIC PARTNERS



ELRON

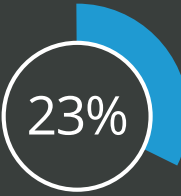
OUR MATURE CYBER/
ENTERPRISE SOFTWARE
COMPANIES



PARTNERS:





\$8.2M
OUR
INVESTMENT


23%
OUR
HOLDING





FROM LEGACY SYSTEM TO APPLICATION IN RECORD SPEED

 **Raised \$10m internal round, followed by \$20m strategic round led by SBI Holdings**
Total investment of \$68m (\$8m by us); \$27m cash available for growth

 The co's first multi-million-\$ transaction with a global banking customer (money transfer API production) demonstrated:

- API performance: 5x faster than existing solution
- >75% reduction in labor cost (20 vs. 120 FTEs)
- Multiple middleware products bypassed (\$mn savings)

 Team of 100 employees, in 8 locations worldwide (US, Latin America, Hong Kong, Japan, Europe, Israel)

 Over 50 customers worldwide, including 1st-tier insurance & banking corps, (such as Citi, Liberty Mutual, FIS, BNP ParibasCardif, Metlife)

 **NEXT STEPS:**
Growth through channel sales & new SaaS offering



"With OpenLegacy, Boomi's more than 11,000 customers will have greater access to complex legacy business logic and data, which can often take considerable time and resource to harness"

IRONSCALES



- ESTABLISHED: **2014**
- FIRST INVESTMENT: **2015**
- TOTAL INVESTMENT: **\$22.3M**
- MAIN PARTNERS:
K1 Investment Management, Jump Capital

VISION: To protect enterprises from cyber phishing attacks

PRODUCT: Automated phishing prevention, detection & response platform

94% OF MALWARE IS DELIVERED VIA EMAIL

An estimated **\$17,700** is lost every minute due to phishing attacks



IRONSCALES recent milestones

Garnered a total of 9 awards since 2019

Raised a \$13m Series B led by returning investor K1

Surpassed 1,000 customers worldwide



IRONSCALES' anti-phishing platform uses AI and real-time human intelligence to remove malicious emails both before & after they land in the inbox

Customers span the technology, healthcare, financial services, retail & education industries, **across the globe**



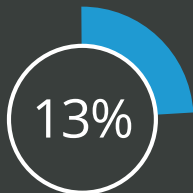
Raised \$6m from Jump Capital, a new investor, to accelerate growth strategy

We sold a portion of our holding through 2 secondary sales for \$5m while retaining a 13% holding, representing a **5x ROI**



\$1.4M

THE BALANCE OF OUR INVESTMENT

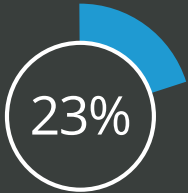


OUR HOLDING

Gartner
COOL
VENDOR
2019



\$6M
OUR INVESTMENT



OUR HOLDING

SIXGILL

- ▶ ESTABLISHED: **2014**
- 🏦 FIRST INVESTMENT: **2016**
- 🏦 TOTAL INVESTMENT: **\$20.1M**
- 🤝 MAIN PARTNERS:
Sonae IM, REV Venture Partners, OurCrowd, Terra Venture Partners

👁️ **VISION:** To monitor & analyze Dark Web activity in order to provide organizations with real time alerts & actionable intelligence

🗄️ **PRODUCT:** Cyber intelligence platform that automatically & covertly monitors the Dark Web

The global threat intelligence market is expected to grow to ~\$13B in 2023, at a CAGR of 20% from 2018 to 2023



AUTOMATING ALL PHASES OF THE INTELLIGENCE CYCLE: COLLECTION, ANALYSIS & DISSEMINATION OF DATA



Positioned for growth and expansion

Closed an app. \$6m strategic partnership with a global cybersecurity vendor, including a 3-year license & OEM deal + \$1m investment

Raised \$16m in a round led by Sonae IM and REV Venture Partners with participation by OurCrowd



Unmatched scale and accuracy

Real time access to +34bn records from the deep, dark & surface web

50 enterprise customers including Fortune 500 companies, financial institutions, governments & law enforcement agencies



ELRON

VALUE-BUILDING EVENTS IN PIVOTAL COMPANIES



CARTIHEAL

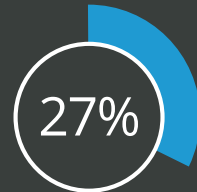


CARTILAGE & BONE REGENERATION IN JOINTS SUCH AS THE KNEE

Cartilage injuries affect millions of patients worldwide. The need for a simple, fast, and off-the shelf solution to restore cartilage is an **unmet challenge facing medicine today.**


- ESTABLISHED: **2009**
- FIRST INVESTMENT: **2012**
- TOTAL INVESTMENT: **\$70M**
- MAIN PARTNERS:
Johnson & Johnson, Accelmed, aMoon, Bioventus



\$18.4M
OUR INVESTMENT



27%

OUR HOLDING

 >500 patients were treated to date with the implant in a series of clinical trials

 CE mark in hand with a broad indication allowing for sales in Europe

 **Stopped patient enrollment for FDA pivotal clinical trial due to anticipated success based on interim analysis;** The study is designed to evaluate the implant compared to the current standard of care

 **NEXT STEPS: Complete patient follow-up (end of 2021) for final analysis of the trial's results**



▶ 3 weeks post-op ▶ 6 weeks post-op ▶ 12 months post-op

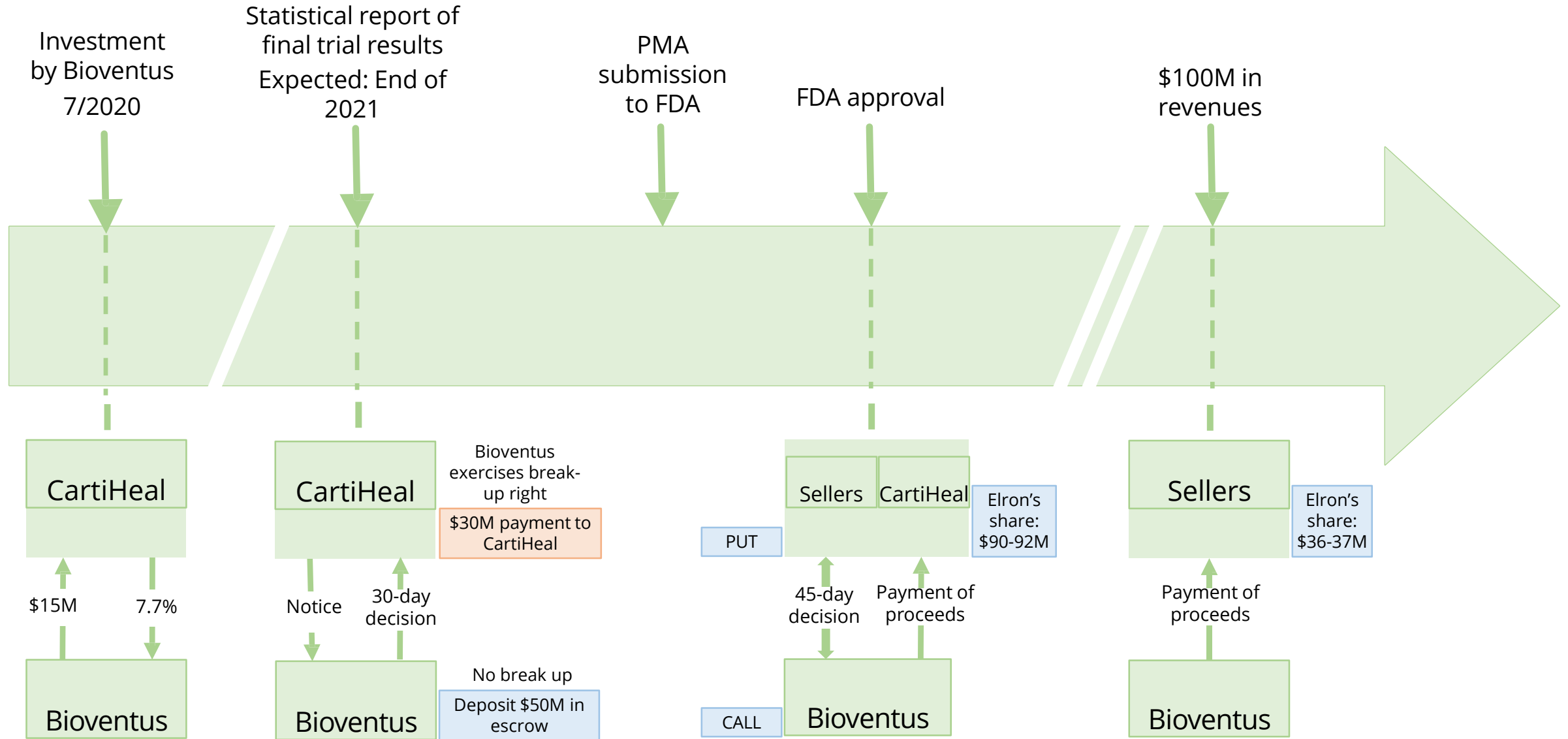


This slide contains forward-looking information as defined in Section 32A of the Israel Securities Law, 5728-1968. See Slide 2 of this presentation. CartiHeal's system is an investigational device in the U.S., not approved for marketing there.

CARTIHEAL-BIOVENTUS TRANSACTION: HIGHLIGHTS

- Announcement** >> On July 16, 2020 Elron announced the signing of definitive agreements for an investment in CartiHeal and an option to acquire CartiHeal by Bioventus LLC
-
- Transaction** >>
- **A \$15-20M investment in CartiHeal** at a pre-money value of \$180M, of which \$15M was invested immediately
 - **An exclusive call option for Bioventus** to acquire 100% of CartiHeal's share capital
 - **A put option for CartiHeal** to sell 100% of its share capital to Bioventus, exercisable upon FDA approval
-
- Elron's Expected Proceeds** >>
- \$126-129M in the aggregate, comprising of:
- \$90-92M upon FDA approval
 - \$36-37M at achievement of a sales milestone (at least \$100M in revenues during a consecutive 12-month period)
- The potential consideration represents a 5-7x multiple on Elron's investment in CartiHeal
-
- Conditions Precedent** >> Pivotal clinical trial success and FDA approval with a label consistent in all respects with pivotal clinical trial success
-
- Security** >>
- **Sellers to Bioventus:** A portion of the proceeds will be deposited in escrow to secure indemnification obligations of the sellers to Bioventus (Elron's share: \$12M)
 - **Bioventus to CartiHeal:** Payment of a \$30M break-up fee to CartiHeal if Bioventus exercises its right to terminate the transaction within 30 days of receiving the pivotal clinical trial results
 - **Bioventus to CartiHeal:** Release of a \$50M escrow deposit to CartiHeal and forfeiture of Bioventus's shares in CartiHeal if Bioventus does not complete the acquisition following exercise of the call option or put option

TIMELINE





ELECTRICAL STIMULATION-BASED TREATMENT FOR ISCHEMIC STROKE

The annual number of new ischemic strokes in the USA is approximately 700,000. The current treatment for stroke is very limited.



In Mar. 2018 the company completed the largest stroke trial ever done, to support FDA marketing approval: 1,000 patients, **treated on average 19 hours after stroke onset**



Trial results among cortical stroke patients (50% of the trial population*) demonstrated that SPG stimulation:

- reduced disability
- reduced the no. of dependent pts. by ~1/3 compared with the control group



Based on the clinical trial results, the company **received the CE Mark** and submitted its FDA application



NEXT STEPS: Submit response to FDA feedback (est. H1/2021)

tPA
clot-busting drug

~7% of stroke patients receive tPA

MECHANICAL THROMBECTOMY:
clot removal or aspiration with a catheter

~5% of stroke patients undergo the procedure



\$31M
OUR
INVESTMENT



ESTABLISHED: **2000**



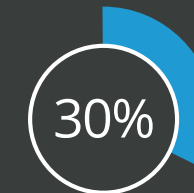
FIRST INVESTMENT: **2005**



TOTAL INVESTMENT: **\$105M**



MAIN PARTNERS:
Johnson & Johnson, Medtronic, Boston Scientific, Pitango, Cipro Partners



OUR
HOLDING

This slide contains forward-looking information as defined in Section 32A of the Israel Securities Law, 5728-1968. See Slide 2 of this presentation.

BrainsGate's system is an investigational device, not approved for marketing.

* BrainsGate estimates that ~25% of ischemic strokes are cortical.

REALIZING VALUE FROM OUR ASSETS:

In August we received \$5m in cash from the secondary sale of a portion of our shares in IRONSCALES

Holdings in companies ¹	Book value at June. 30, 2020 (\$m)	Our holdings based on valuation of last financing round ² (\$m)
Medical:		
BrainsGate (27%)	2.1	
CartiHeal (27%)	1.7	
Pocared	7.4	8.6
Other medical companies	10.0	18.5
Total Medical Holdings	21.2	105.3
Total Cyber/Software Holdings	9.0	57.0
Others	4.4	4.4
Total Holdings	34.6	166.7
Contingent consideration and proceeds in escrow from sale of companies	0.7	0.7
Liquid resources (cash and marketable debentures) (as of August 16, 2020)	34.8	34.8
External debt	-	-
TOTAL	70.1	202.2
Price per share on TASE (in \$) (as of August 16, 2020)	\$2.19	
Elron's market value (as of August 16, 2020)	94.5	

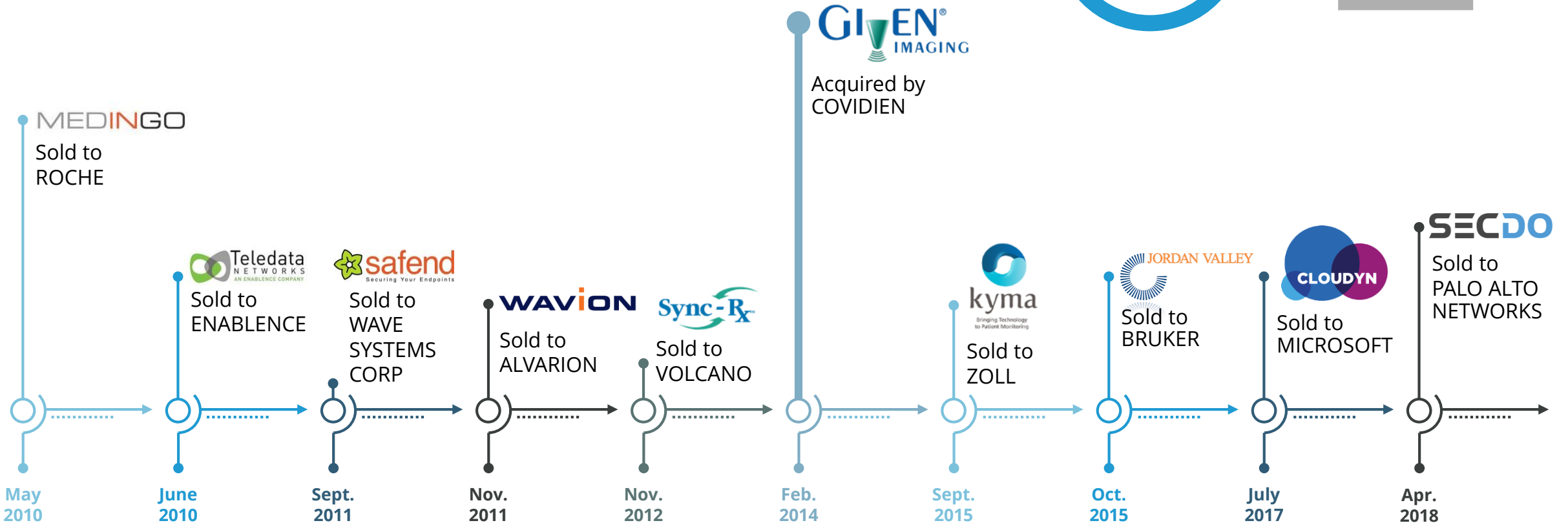
¹ Includes Elron's direct holdings and its effective indirect holdings through RDC. Includes investments made after June 30, 2020. Includes Elron's balance and 50.1% of RDC's balance.

² The amount includes: A) \$139.7m calculated based on the "post-money" valuation of the last financing round in the companies multiplied by our fully diluted holding percentage. It is clarified that these are financing rounds that were carried out in different companies at different dates, and since which, in some cases, significant time has passed. In some of the financing rounds Elron and/or RDC opted not to participate; B) investments in companies presented at fair value in Elron's financial statements totaling \$18.4m (mainly Notal Vision and Aqwise); C) \$8.6m attributed to Pocared based on a valuation determined with the assistance of an external appraiser as of Dec. 31, 2019 and which is included in Elron's periodic report for 2019.

³ The above financial data do not represent a valuation, investment advice, or a financial opinion of any kind.

ELRON RDC

EXITS AT A VALUE OF \$1.5B



SUMMARY



~\$276M

Total cash balance & investments in existing companies



10 EXITS

in recent years



MEDICAL DEVICE

Value-building events in pivotal companies



SPECIALIZING IN EARLY-STAGE INVESTMENTS

Led by a team with a proven value-creation track record; leveraging on Rafael's tech capabilities



SUCCESSFUL SHIFT TO SOFTWARE/CYBER INVESTMENTS



INVESTMENT OPPORTUNITY IN A PUBLIC COMPANY IN THE VC SPACE, PROVIDING THE WIDER PUBLIC WITH ACCESS TO PRIVATE START-UPS


THANK YOU. ELRON

elron.com






OUR CYBER/ ENTERPRISE SOFTWARE COMPANIES

OPENLEGACY 

Automated API integration platform that speeds digital transformation

23% by RDC


Our investment: **\$8.2m**

ALCIDE 

Devops to production Kubernetes security platform

30%


Our investment: **\$6.4m**

SIXGILL 

Cyber intelligence platform that automatically & covertly analyzes the dark web

23%


Our investment: **\$6m**

SECUREDTOUCH 

Behavioral biometrics-based user authentication for mobile apps

28% by RDC


Our investment: **\$5m**

IRONSCALES 

Automated phishing prevention, detection & response platform

13% by RDC


The balance of our investment: **\$1.4m**

CYNERIO 

Protecting the connected medical device ecosystem from cyber threats

24% by RDC


Our investment: **\$3m**

KINDITE 

Encryption platform that makes the cloud blind to data & encryption keys

28% by RDC


Our investment: **\$2.5m**

OZCODE 

Debugging-as-a-Service (DaaS) that cuts debugging time to minutes

27% by RDC


Our investment: **\$3.5m**

KZEN 

Crypto wallet that doesn't compromise between security and user experience

8%


Our investment: **\$1.3m**

SAYATA 

Automated, AI-based cyber risk assessment solution for the insurance industry

19% by RDC

Our investment: **\$2.8m**

ONEVIEW 


AI-based platform for analyzing and extracting insights from satellite imagery

10% by RDC

Our investment: **\$750k**




OUR MEDICAL DEVICE COMPANIES

CARTIHEAL 

Implant for cartilage and bone regeneration in load-bearing joints

29%


Our investment: **\$18.4m**

BRAINSGATE 

Electrical stimulation-based treatment for ischemic stroke

30%


Our investment: **\$31m**

POCARED 

Rapid and automated microbiology laboratory system

10%
by Elron & RDC


Our investment: **\$87m**

NITINOTES 

Minimally invasive endoscopic device for treatment of obesity

26%


Our investment: **\$3m**

CORAMAZE 

Transcatheter mitral valve repair system

30%

Our investment: **€5.1m**

NOTAL VISION 

Remote monitoring of patients with age-related macular degeneration

12%

Our investment: **\$13.9m**