

# **DISCOVER.** INNOVATION

ELRON - INVESTOR PRESENTATION

March 2019

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**DISCOVER.** ELRON

# OPERATIONAL HOLDING COMPANY IN THE VC SPACE

## WE SPECIALIZE IN TECHNOLOGIES WITH SIGNIFICANT EXIT POTENTIAL

- + WE HAVE MORE THAN 55 YEARS EXPERIENCE IDENTIFYING OPPORTUNITIES, BUILDING TECHNOLOGY LEADERS, AND EXITING HOLDINGS
- + WE INVEST PRIMARILY IN EARLY STAGE COMPANIES
- + WE RELY ON A PROVEN STRATEGY OF HANDS-ON INVOLVEMENT IN THE DAY-TO-DAY OPERATIONS OF OUR GROUP COMPANIES

**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...)*



# 2018: 1 EXIT, 4 NEW CYBER/IT INVESTMENTS, 6 EXTERNAL FINANCINGS



**VISION:** To deliver digital services from legacy systems automatically, easily & rapidly

**PRODUCT:** Automatic API generation in just minutes

## \$30M EXTERNAL FINANCING ROUND

**New investors include** tier-1 strategic investors such as CommerzBank, Cardiff/Cathay, OG Tech, Leumi Partners, Prytek

**Our holding:** 25% (FD)

The amount of OpenLegacy's financing round includes ~\$5M in a secondary transaction.



**VISION:** To help enterprise security teams cope with the mounting intensity of cyberattacks

**PRODUCT:** Rapid & automatic detection, investigation and remediation of security alerts

1st INVESTMENT

2016

SOLD TO



2018

OUR SHARE IN EXIT PROCEEDS

\$18M

ROI

3.5x


# OUR MEDICAL DEVICE COMPANIES

**BRAINSGATE**  **BrainsGate**  
A new Path to Hope

*Electrical stimulation-based treatment for ischemic stroke*

30%


Our investment: \$29m

**CARTIHEAL** 

*Implant for cartilage and bone regeneration in load-bearing joints*

29%


Our investment: \$17m

**POCARED** 

*Rapid and automated microbiology laboratory system*

70% by Elron & RDC


Our investment: \$83m

**NITINOTES** 

*Minimally invasive endoscopic device for treatment of obesity*

31%

Our investment: \$3m

**CORAMAZE** 

*Transcatheter mitral valve repair system*

36%

Our investment: €5.2m

**NOTAL VISION** 

*Remote monitoring of patients with age-related macular degeneration*

14%

Our investment: \$13.5m

# BRAINSGATE

OUR INVESTMENT:

\$29M

**ESTABLISHED:** 2000

**FIRST INVESTMENT:** 2005

**TOTAL INVESTMENT:** \$97M

**MAIN PARTNERS:** Johnson & Johnson, Medtronic, Boston Scientific, Pitango, Cipio Partners

**VISION:** To be the 1<sup>st</sup> ischemic stroke therapy to break through both the treatment window & eligibility barriers

**PRODUCT:** Miniature implant used to electrically stimulate a nervous center behind the nose (the SPG), to increase blood flow to the brain

**NEXT STEPS:** File PMA submission with FDA

OUR HOLDING:

30%

**ImpACT-24B:** SPG STIMULATION STARTED WITHIN 24 HRS REDUCED THE NUMBER OF DEPENDENT PATIENTS IN A BROAD CATEGORY OF CORTICAL STROKE PATIENTS (50% OF TRIAL POPULATION) BY APPR. 1/3

## MAIN POINTS FROM ANALYSIS OF THE TRIAL'S RESULTS:

### PROFILE

- The longest clinically tested treatment window – on average, patients were treated 19 hrs after stroke onset
- Performed by MDs (mostly neurologists)

### EFFICACY

- Large effect size (9.7%) among cortical stroke patients, marginally missed statistical significance ( $p=0.0257$ )
- Pooled analysis of ImpACT-24A & B showed a statistically significant ( $p=0.005$ ) and clinically relevant benefit among cortical stroke patients
- Neutral effect in general trial population

### SAFETY

- SPG stimulation was safe across all patient groups

### MODE OF ACTION

- A strong dose-response relationship between stimulation level and patient outcomes was revealed ( $p<0.001$ )

*ImpACT-24A: Randomized clinical trial that enrolled 300 patients during 2009-2010*

*ImpACT-24B: Randomized clinical trial that enrolled 1,000 patients during 2011-2018*

# CARTIHEAL

OUR INVESTMENT:  
**\$17M**

**ESTABLISHED:** 2009  
**FIRST INVESTMENT:** 2012  
**TOTAL INVESTMENT:** \$51M  
**MAIN PARTNERS:** Johnson & Johnson, Accelmed, aMoon, Bioventus



**VISION:** To treat joint surface lesions, and to halt the progression of knee osteoarthritis and delay or prevent knee replacement

**PRODUCT:** Implant for cartilage and bone regeneration in the joint

**NEXT STEPS:** Complete patient recruitment for interim analysis by end of 2019

OUR HOLDING:  
**29%**

## INITIATED IDE STUDY IN SEPT. 2017

The study is currently ongoing in the US, EU, and Israel, with the purpose of an FDA PMA application

## OBJECTIVE

To demonstrate the implant's superiority over the surgical standard of care (microfracture or debridement) over a 2-year follow-up period

PLANNED INTERIM ANALYSIS  
250 patients

ENROLLED TO DATE:

**150**



▶ 3 weeks post-op



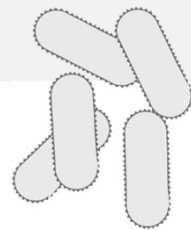
▶ 6 weeks post-op



▶ 12 months post-op



# POCARED



OUR INVESTMENT:  
**\$83M**

**ESTABLISHED:** 2004  
**FIRST INVESTMENT:** 2007  
**TOTAL INVESTMENT:** \$129M  
**MAIN PARTNERS:** SCP Vitalife



**VISION:** To revolutionize the rapid diagnostics of infectious diseases

**PRODUCT:** Rapid and automated microbiology lab system for infectious diseases diagnosis; 1<sup>st</sup> application – urinary tract infection

**NEXT STEPS:** Add additional investors, continue developing system, conduct a clinical trial during 2019

OUR HOLDING:  
**70%**

## DIAGNOSTICS TODAY:

### EVIDENCE-BASED DIAGNOSIS & TREATMENT

Accurate but lengthy

Relies on culturing (inefficient & costly process; lab results can take days)

### EMPIRICAL DIAGNOSIS & TREATMENT

Quick but subjective

High rate of misdiagnosis & mistreatment (resulting in complications & antibiotic resistance)

## POCARED'S VISION:

### SCREEN, IDENTIFY and QUANTIFY pathogens in fluids

**CULTURE-FREE MICROBIOLOGY:** By employing advanced photon-detection technology, Pocared built a proprietary database of optical bacterial fingerprints, enabling RAPID and AUTOMATED diagnostics

# NiTiNOTES

OUR INVESTMENT:  
**\$3M**

**ESTABLISHED:** 2014  
**FIRST INVESTMENT:** 2016  
**TOTAL INVESTMENT:** \$5.7M  
**MAIN PARTNERS:** Accelmed, MTIP, Techwald



**VISION:** Making effective, minimally invasive bariatric treatment available to the under-served obese population

**PRODUCT:** Minimally invasive endoscopic device for treatment of obesity

**NEXT STEPS:** Complete 6-month follow-up of 13 patients, continue developing next-generation device

OUR HOLDING:  
**31%**

## First-in-Human

Performed procedure on  
13 patients

## Financing

Secured \$2m from 2 new  
investors



### GASTRIC SLEEVE: 80% OF STOMACH IS REMOVED

↑ Most popular (58% of all bariatric procedures)

↑ Efficient (>50% weight loss at 3-5+ yrs)

↓ Invasive   ↓ Complicated   ↓ Expensive   ↓ Irreversible

*Only 1-2% of the eligible population undergo bariatric surgery*

**NiTiNOTES EndoZip™:** Endoscopic device that sutures the stomach's walls together, reducing stomach volume & decreasing stomach motility

Minimally invasive | simple | lower cost | reversible & reproducible | suitable for gastroenterologists & bariatric surgeons

# CORAMAZE

OUR INVESTMENT:  
€5.2M

**ESTABLISHED:** 2013  
**FIRST INVESTMENT:** 2015  
**TOTAL INVESTMENT:** €10.8M  
**MAIN PARTNERS:** HTGF, SeedCapital, MTIP




**VISION:** To offer functional mitral valve regurgitation (fMR) patients a minimally invasive treatment in lieu of open heart surgery


**PRODUCT:** Transcatheter mitral valve repair system with atraumatic anchoring

**NEXT STEPS:** Design freeze of device for first-in-human trial during 2019

OUR HOLDING:  
36%

**2018** | Transfemoral, fatigue tested device, successfully implanted in animals (>90 days)

**HEALTHY MITRAL VALVE**  
 The valve closes when the left ventricle contracts, preventing backflow of blood

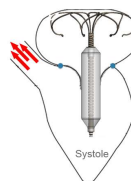
**fMR**  
 An enlarged left ventricle prevents the valve sealing completely, causing backflow of blood

Open heart surgery:

very effective but severely limited in applicability due to high risk & cost

Minimally invasive devices:

limited efficacy | complex delivery & deployment | invasive anchoring



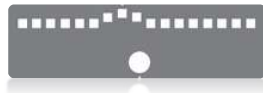
CORAMAZE'S DEVICE IS DESIGNED TO SELF-EXPAND ON SITE, AND BE POSITIONED BETWEEN THE VALVE'S LEAFLETS **TO RESTORE LEAFLET COAPTATION**

Restores leaflets' natural functionality | Simple implantation

# NOTAL VISION

OUR INVESTMENT:  
**\$13.5M**

**ESTABLISHED:** 2000  
**FIRST INVESTMENT:** 2002  
**TOTAL INVESTMENT:** \$93M  
**MAIN PARTNERS:** Ganot, Evergreen



**VISION:** To save the eyesight of Age-related Macular Degeneration (AMD) patients

**PRODUCT:** Home-monitoring system that sends out an alert when a change for the worse is detected in the condition of dry AMD patients

**NEXT STEPS:** Increase sales

OUR HOLDING:  
**14%**

MORE THAN **4,000,000** EXAMS COMPLETED WITH ForeseeHOME  
USER BASE UP **84%** OVER LAST 2 YRS  
**83** EMPLOYEES



**ForeseeHOME™**  
AMD Monitoring Program

The progression from dry AMD to wet AMD can occur rapidly and lead to severe vision loss if left undiagnosed and untreated

**TIMELY ALERTS CAN LEAD TO EARLY TREATMENT OF WET AMD AND HELP PRESERVE FUNCTIONAL VISION**

FDA-cleared and covered by Medicare and most private insurance

# OUR CYBER/IT COMPANIES

## SIXGILL



Cyber intelligence platform that automatically & covertly analyzes the dark web

22%

Our investment: \$3.5m

## SECURETOUCH



Behavioral biometrics-based user authentication for mobile apps

28% by RDC

Our investment: \$4.5m

## OPENLEGACY



Automated API integration platform that speeds digital transformation

29% by RDC

Our investment: \$8.2m

## ALCIDE



Universal security and management platform for hybrid data centers

26%

Our investment: \$3.9m

## IRONSCALES



Automated phishing prevention, detection & response platform

24% by RDC

Our investment: \$2.5m

## CYNERIO



Protecting the connected medical device ecosystem from cyber threats

24% by RDC

Our investment: \$2.3m

## 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: \$2.5m

## KZEN



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

8%

Our investment: \$0.9m

## SAYATA



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

21% by RDC

Our investment: \$2.5m

# OPENLEGACY

OUR INVESTMENT:  
**\$8.2M**

**ESTABLISHED:** 2013  
**FIRST INVESTMENT:** 2014  
**TOTAL INVESTMENT:** \$37.4M  
**MAIN PARTNERS:** CommerzBank, Leumi Partners, OG Tech, Silverhorn, Koby Richter, Prytek



**VISION:** To deliver digital services from legacy systems automatically, easily & rapidly

**PRODUCT:** Automatic API generation for rapidly extracting the services and information from legacy systems, and transforming them into mobile, web, & cloud applications

OUR HOLDING:  
**29%**



Israeli digital services co  
OpenLegacy raises \$30m

**Significant YoY growth since inception**



>20 customers worldwide, incl. 1<sup>st</sup>-tier insurance & banking corps

SLASHING LEGACY API INTEGRATION FROM MONTHS TO HOURS USING A MICROSERVICES APPROACH



# IRONSCALES

OUR INVESTMENT:  
**\$2.5M**

**ESTABLISHED:** 2014  
**FIRST INVESTMENT:** 2015  
**TOTAL INVESTMENT:** \$7.5M  
**MAIN PARTNERS:** K1 Investment Management



**VISION:** To protect enterprises from cyber phishing attacks

**PRODUCT:** Automated phishing prevention, detection & response platform

**MARKET:** The global spear phishing market is expected to grow to ~\$1.7B in 2023

OUR HOLDING:  
**24%**



## Targeted phishing emails...

- 1.** Bypass gateway defenses
- 2.** Go undetected
- 3.** Lure clicks

**IRONSCALES' anti-phishing platform** uses human & machine intelligence to AUTOMATICALLY analyze, detect and remove malicious emails both *before* and *after* they land in the inbox.

### THE FASTEST PHISHING DETECTION TO RESPONSE

Time from attack to remediation reduced from months to seconds

# SIXGILL

OUR  
INVESTMENT:  
\$3.5M

**ESTABLISHED:** 2014  
**FIRST INVESTMENT:** 2016  
**TOTAL INVESTMENT:** \$4.5M  
**MAIN PARTNERS:** 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

**MARKET:** The global threat intelligence market is expected to grow to ~\$11B in 2023

OUR  
HOLDING:  
22%

## USE CASES



### #OlympicHackingRio

Sixgill alerted the customer to threats stemming from the hacktivist operation against the 2016 Rio Olympic Games

### ISIS threats

Sixgill revealed threats made by ISIS against Facebook's CEO, the English royal family, & the 2018 World Cup



# SECURETOUCH

OUR INVESTMENT:  
\$4.5M

**ESTABLISHED:** 2015  
**FIRST INVESTMENT:** 2016  
**TOTAL INVESTMENT:** \$11.9M  
**MAIN PARTNERS:** Global Village Advisory, Upwest Labs, Arvato Financial Solutions



**VISION:** To mitigate advanced digital fraud techniques, and to allow continuous & frictionless identity verification in mobile & digital transactions

**PRODUCT:** Behavioral biometrics-based user authentication for mobile apps

**MARKET:** The global mobile biometrics market is expected to grow to ~\$49B by 2022

OUR HOLDING:  
28%

2018

SecuredTouch Receives \$8 Million Strategic Investment from Arvato Financial Solutions

## BEHAVIORAL BIOMETRICS

Analysis of more than 100 different behavioral parameters ensures only the owner is using the device

IMPROVE USER EXPERIENCE

REDUCE FRAUD



# ALCIDE

OUR INVESTMENT:  
**\$3.9M**

**ESTABLISHED:** 2016  
**FIRST INVESTMENT:** 2016  
**TOTAL INVESTMENT:** \$11.4M  
**MAIN PARTNERS:** Intel Capital, CE Ventures



**VISION:** To provide universal security for hybrid, multi-cloud and multi-compute data centers

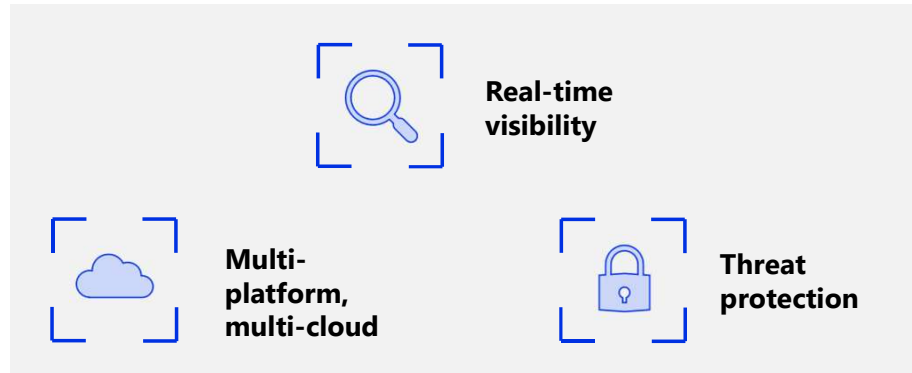
**PRODUCT:** Network security platform for any combination of container, VM and bare metal data centers across private and public cloud environments

OUR HOLDING:  
**26%**

Israeli firewall co Alcide raises \$7m



THE FIRST UNIVERSAL NETWORK SECURITY PLATFORM FOR MODERN DATA CENTERS



# CYNERIO

OUR INVESTMENT:  
**\$2.3M**

**ESTABLISHED:** 2017  
**FIRST INVESTMENT:** 2018  
**TOTAL INVESTMENT:** \$6.6M  
**MAIN PARTNERS:** Accelmed



**VISION:** To protect connected healthcare from cyber attacks

**PRODUCT:** Security platform that combines device behavior learning with medical workflow analysis to ensure patient safety & data protection

OUR HOLDING:  
**24%**

Hospital cybersecurity co  
Cynerio raises \$7m

## Israeli Hospitals Move to Protect MRI, Insulin Pumps from Cyber Attacks

Tel Aviv Sourasky Medical Center and Rambam Healthcare Campus have contracted cybersecurity company Cynerio Israel Ltd. to deploy its technology in their systems



Cisco and Cynerio partnered to improve medical device security: The Cisco-Cynerio integrated solution provides a clear understanding of the risk type and priority for each connected device

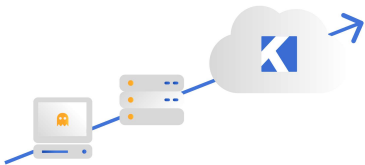
Rambam Hospital in Israel is piloting Cynerio's cutting edge cybersecurity technology to protect its medical device ecosystem from cyber threats



# KINDITE

OUR INVESTMENT:  
**\$2.5M**

**ESTABLISHED:** 2017  
**FIRST INVESTMENT:** 2018  
**TOTAL INVESTMENT:** \$3.5M  
**MAIN PARTNERS:** CE Ventures



**VISION:** Open up the cloud for enterprises and regulated organizations, overcoming risks of privacy, compliance and control

**PRODUCT:** Cloud encryption platform that enables processing data without seeing it

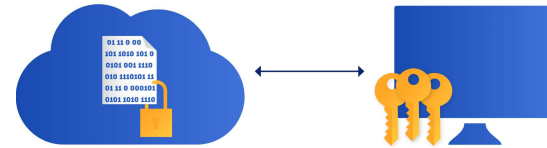
**MARKET:** The global cloud encryption market is expected to grow to ~\$3B in 2023

OUR HOLDING:  
**28%**

## Encryption Startup Kindite Raises \$4 Million

Kindite develops a cloud-based platform designed to automate the encryption of organizational data as well as process encrypted data without viewing its content

KINDITE'S TECHNOLOGY WAS SUCCESSFULLY PILOTED BY 2 LEADING CLOUD SERVICE PROVIDERS & A FIRST-TIER FINANCIAL INSTITUTION



### THE WAY IT WORKS:

Kindite solves the long-standing challenge of processing encrypted data without decrypting it

Kindite creates a clear separation between service operators and key owners: Data owners maintain exclusive control over their keys, while key service operators are kept completely blind

# OZCODE

OUR INVESTMENT:  
**\$2.5M**

**ESTABLISHED:** 2013  
**FIRST INVESTMENT:** 2018  
**TOTAL INVESTMENT:** \$3.5M  
**MAIN PARTNERS:** TPY Capital



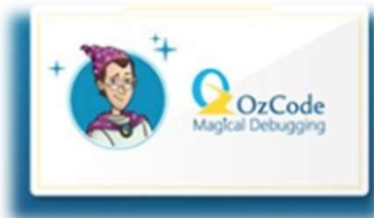
**VISION:** To significantly cut debugging time so developers can concentrate on writing code

**PRODUCT:** Debugging-as-a-Service (DaaS) platform, which reduces debugging to mere minutes

OUR HOLDING:  
**27%**

Israeli debugging co OzCode raises \$3.5m

## THE INDUSTRY'S FIRST DEBUGGING-AS-A-SERVICE (DaaS)



OzCode's platform offers time travel production debugging to provide the fastest insight on how and why code fails

### Features

root cause analysis | collaboration | real-time bug triage across platforms

# VALUE POTENTIAL: CURRENT MARKET VALUE IS A THIRD OF THE INVESTMENT AND CASH BALANCE IN GROUP COMPANIES

<u>Holdings in companies</u> <sup>1</sup>	Book value at Dec. 31, 2018 (\$m)	Amount invested (\$m)	Our holdings based on valuation of last financing round <sup>3</sup> (\$m)
Medical:			
Pocared (56%)	7.7	70.2	
BrainsGate (27%)	1.6	29.1	
CartiHeal (27%)	3.6	16.9	
Other medical companies	13.7	23.4	
<u>Total Medical Holdings</u>	<u>26.6</u>	<u>139.6</u>	<u>108.2</u>
<u>Total Cyber/IT Holdings</u>	<u>8.8</u>	<u>23.6</u>	<u>41.8</u>
<u>Others</u>	<u>5.9</u>	<u>19.1</u>	<u>6.5</u>
<u>Total Holdings</u>	<u>41.3</u>	<u>182.3</u>	<u>156.5</u>
Fair value of contingent consideration from sale of companies <sup>2</sup>	0.9	0.9	0.9
Cash (as of Mar. 17, 2019) <sup>2</sup>	14.4	14.4	14.4
Financial assets, net (as of Mar. 17, 2019) <sup>2</sup>	21.0	21.0	21.0
<u>TOTAL</u> <sup>3</sup>	<u>77.6</u>	<u>218.6</u>	<u>192.8</u>
Price per share on TASE (in \$) (as of Mar. 17, 2019)		\$2.57	
Elron's market value (as of Mar. 17, 2019)		76.5	

<sup>1</sup> Includes Elron's direct holdings and its effective indirect holdings through RDC. Includes investments made after Dec. 31, 2018.

<sup>2</sup> Includes Elron's balance and 50.1% of RDC's balance.

<sup>3</sup> The amount equals the "post-money" valuation determined in the company's last financing round multiplied by the fully diluted holding percentage in the company, except in companies presented at fair value in Elron's financial statements (\$17.4m in total) and except for the investment in Pocared (\$35.8m) which is presented in this table according to a valuation determined with the assistance of an external appraiser as of Dec. 31, 2018 and which is included in Elron's periodic report. 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.

<sup>4</sup> The above financial data do not represent a valuation, investment advice, or a financial opinion of any kind.

**THANK YOU.**

**ELRON**

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