



# ELRON - INVESTOR PRESENTATION

August 2020

# ELRON



# COMMENTS



This presentation is for information purposes only. By this presentation, Elron does not intend to solicit offers to purchase its securities and the presentation does not constitute an invitation to receive such offers, and nothing said therein constitutes a “public offering”, as defined in the Israel Securities Law, 5728-1968.

Elron may make improvements and/or changes in the features or content presented herein at any time. Elron shall not be liable for any loss, claim, liability or damage of any kind resulting from the investor's reliance on or reference to any detail, fact or opinion presented herein.

The presentation is not intended to provide a comprehensive description of Elron's activities, and Elron urges investors to consider the information presented herein in conjunction with its public filings including its annual and other periodic reports.

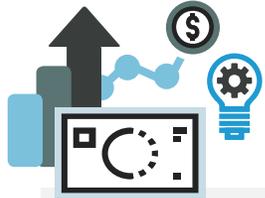
Nothing in this presentation should be considered "investment advice", as defined in the Israel Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995.

Certain statements made over the course of this presentation may be forward-looking in nature, as defined in Section 32A of the Israel Securities Law, 5728-1968. Such forward-looking statements involve known and unknown risks, uncertainties, forecasts, assessments, estimates or other information, which relates to a future event or matter whose occurrence is not certain and which is not within the sole control of Elron, and other factors which may cause the actual results, performance and achievements of Elron to be materially different from any future results, performance and achievements implied by such forward-looking statements. These forward looking statements are not proved facts and are based on Elron's subjective assessments which rely on analysis of general information, public publications, researches and reviews, which do not include any liability as to the accurateness or completeness of the information contained there and their accurateness hasn't been examined by Elron. The realization of these forward looking statements will be affected by factors that cannot be assessed in advance and which are not within the control of Elron. Elron assumes no obligation to update the information in this presentation and disclaims any obligation to publicly update or revise any such forward-looking statements to reflect any change in its expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

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  
Elsint

1980s  
Semiconductors  
Orbotech  
Zoran

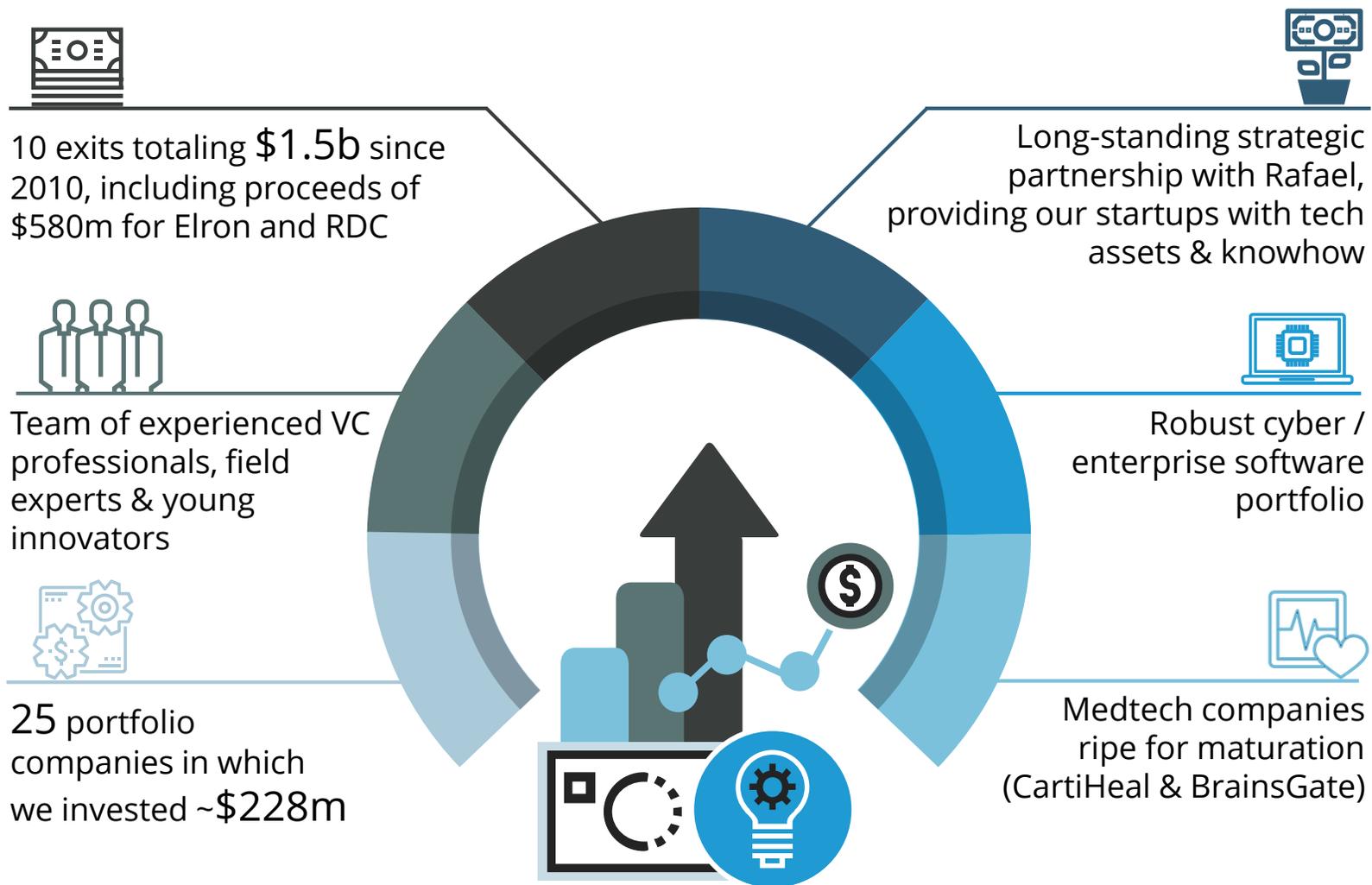
1990s  
Communications  
Netvision  
Partner

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



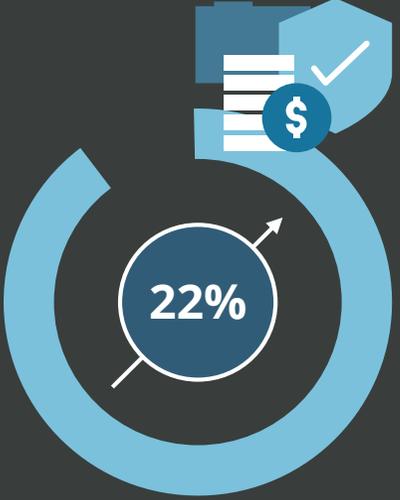
Sources: Momentum Cyber: Cybersecurity Snapshot December 2019, IVC and ZAG-S&W Israeli High-Tech Report 2019



## 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>

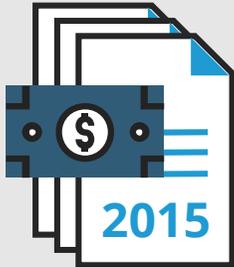
\* Based on a survey completed during November and December 2019, representing app. 500 completes from pre-qualified IT decision-makers.

# CYBERSECURITY FACTS & FIGURES



## Cybersecurity exits of Israeli companies, 2015-2019

**\$1.06b**  
(18 deals)



**9.17**  
Avg. time to exit

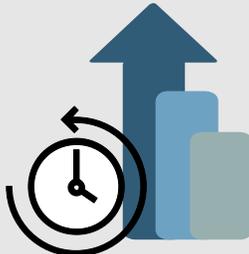
**5.80**  
Avg. exit multiple



**\$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



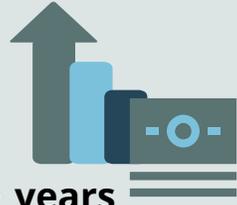
## PE buyouts



# 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



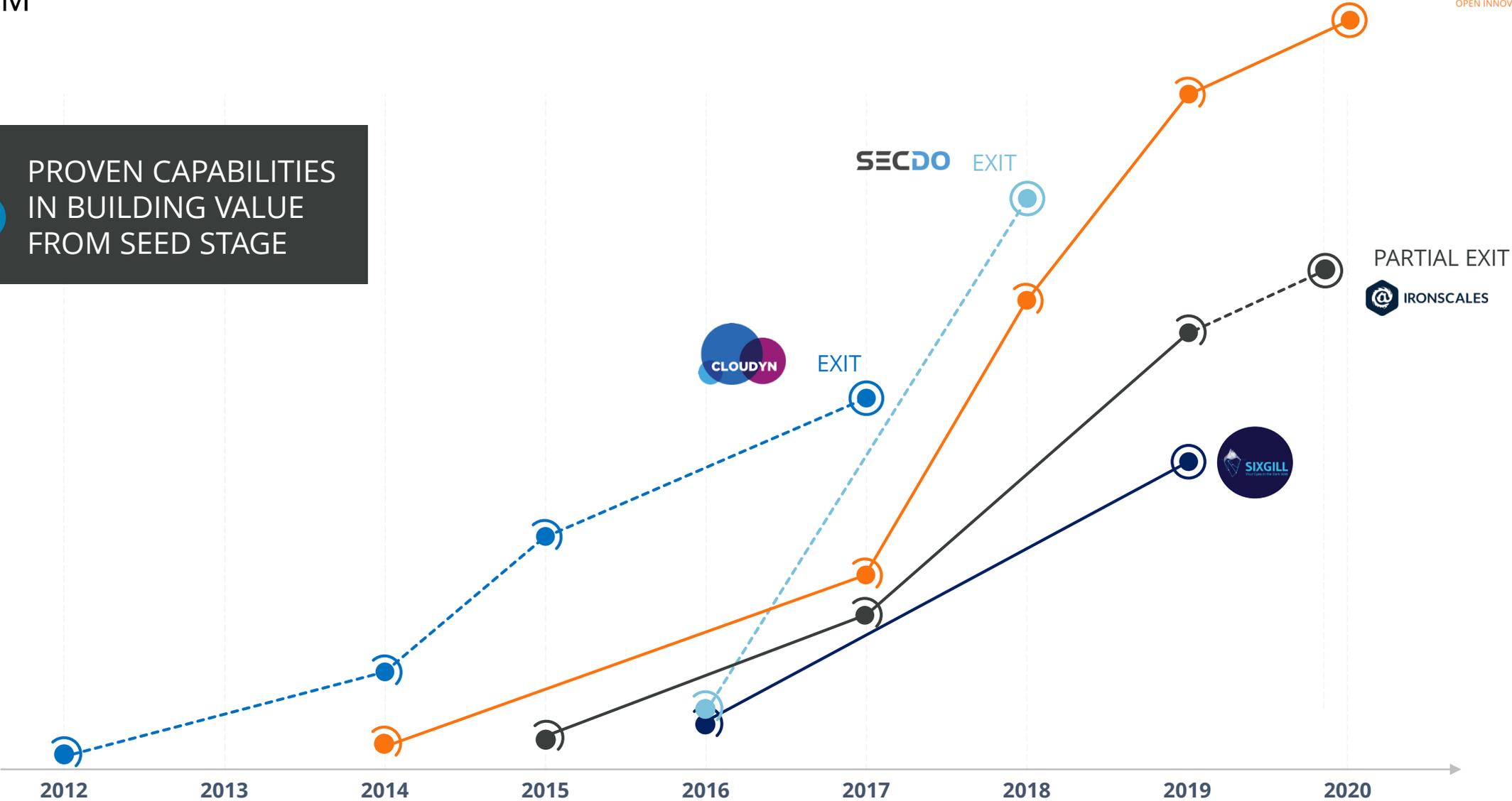
**\$129m**  
value created  
**\$89m:** our  
holdings  
based on last  
round  
**\$40m:** exit  
proceeds

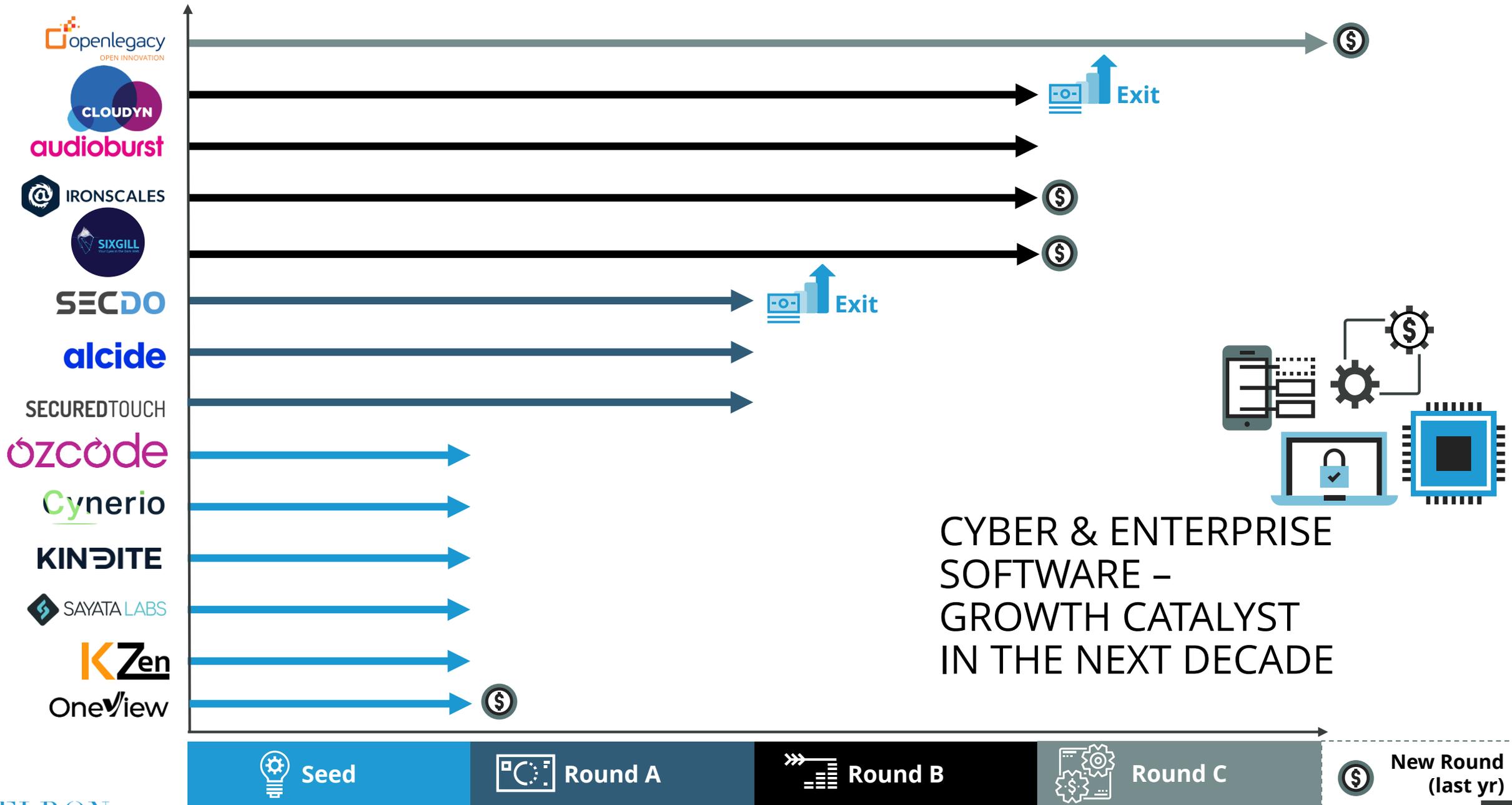
# CYBER/ENTERPRISE SOFTWARE VALUE CREATION: 2015-2020

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:

COMMERZBANK 

  
O.G. TECH VENTURES

 **PRYTEK**  
GLOBAL INVESTMENT &  
TECH TRANSFER PLATFORM

 **CARDIF**

 **Leumi Partners**

 **Silverhorn** 瑞峰

 **SBI GROUP**

ELRON



## FROM LEGACY SYSTEM TO APPLICATION IN RECORD SPEED

  
**\$8.2M**  
OUR  
INVESTMENT

  
**23%**  
OUR  
HOLDING

 **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 1<sup>st</sup>-tier insurance & banking corps, (such as Citi, Liberty Mutual, FIS, BNP ParibasCardif, Metlife)

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

 +   
Digital to the Core

*"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**



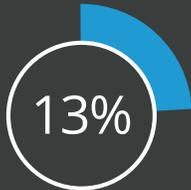
**Raised \$6m from Jump Capital, a new investor,** to accelerate growth strategy

**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



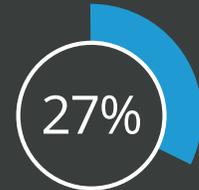
## CARTILAGE & BONE REGENERATION IN JOINTS SUCH AS THE KNEE

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.

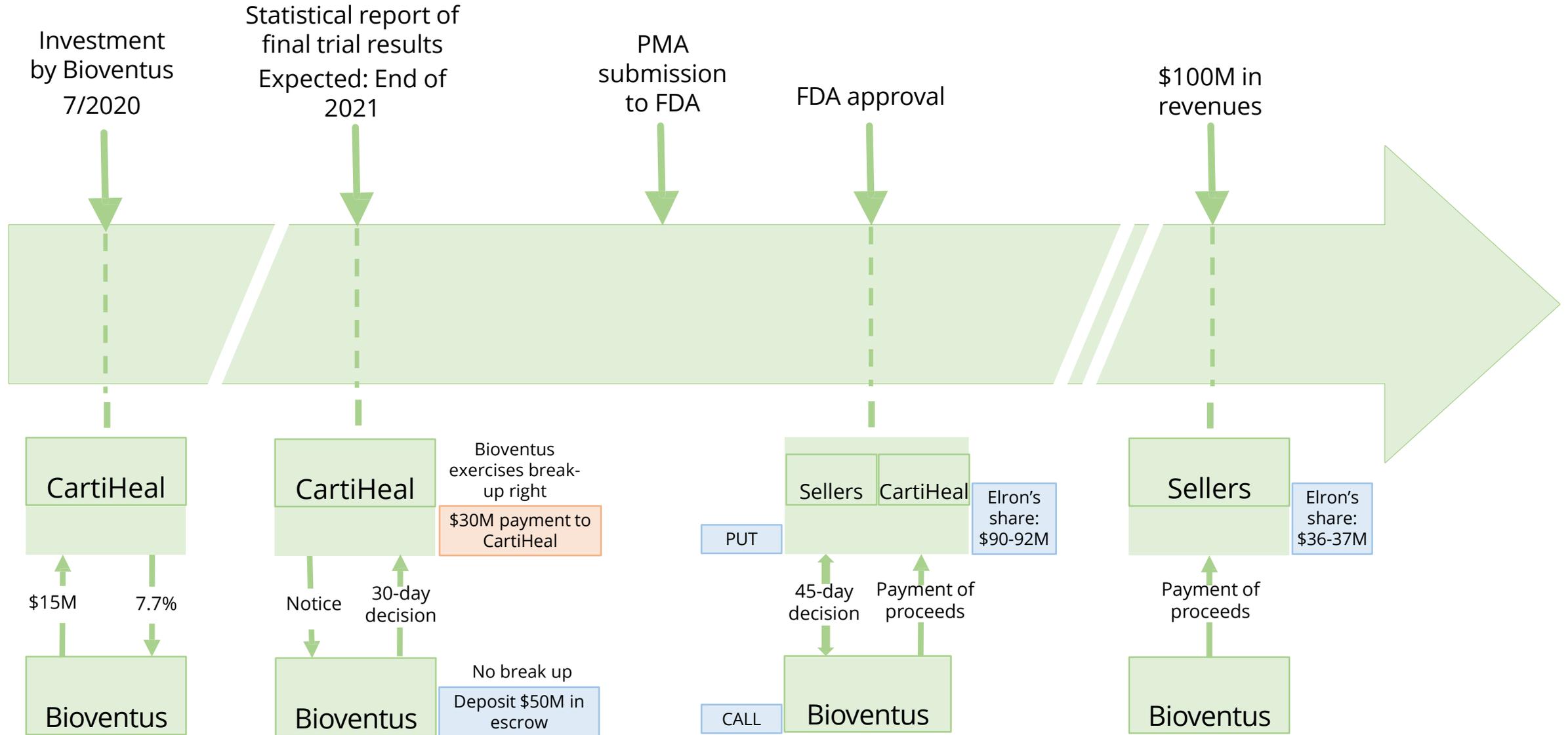
See Slide 2 of this presentation.

CartiHeal's system is an investigational device in the U.S., not approved for marketing there.

# CARTIHEAL-BIOVENTUS TRANSACTION: HIGHLIGHTS

<b>Announcement</b>	» 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
<b>Transaction</b>	» <ul style="list-style-type: none"><li>• <b>A \$15-20M investment in CartiHeal</b> at a pre-money value of \$180M, of which \$15M was invested immediately</li><li>• <b>An exclusive call option for Bioventus</b> to acquire 100% of CartiHeal's share capital</li><li>• <b>A put option for CartiHeal</b> to sell 100% of its share capital to Bioventus, exercisable upon FDA approval</li></ul>
<b>Elron's Expected Proceeds</b>	» \$126-129M in the aggregate, comprising of: <ul style="list-style-type: none"><li>• \$90-92M upon FDA approval</li><li>• \$36-37M at achievement of a sales milestone (at least \$100M in revenues during a consecutive 12-month period)</li></ul> <p>The potential consideration represents a 5-7x multiple on Elron's investment in CartiHeal</p>
<b>Conditions Precedent</b>	» Pivotal clinical trial success and FDA approval with a label consistent in all respects with pivotal clinical trial success
<b>Security</b>	» <ul style="list-style-type: none"><li>• <b>Sellers to Bioventus:</b> A portion of the proceeds will be deposited in escrow to secure indemnification obligations of the sellers to Bioventus (Elron's share: \$12M)</li><li>• <b>Bioventus to CartiHeal:</b> 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</li><li>• <b>Bioventus to CartiHeal:</b> 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</li></ul>

# 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 <sup>1</sup>	Book value at June. 30, 2020 (\$m)	Our holdings based on valuation of last financing round <sup>2</sup> (\$m)
Medical:		
BrainsGate (27%)	2.1	
CartiHeal (27%)	1.7	
Pocared	7.4	8.6
Other medical companies	10.0	18.5
<b>Total Medical Holdings</b>	<b>21.2</b>	<b>105.3</b>
<b>Total Cyber/Software Holdings</b>	<b>9.0</b>	<b>57.0</b>
<b>Others</b>	<b>4.4</b>	<b>4.4</b>
<b>Total Holdings</b>	<b>34.6</b>	<b>166.7</b>
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	-	-
<b>TOTAL</b>	<b>70.1</b>	<b>202.2</b>
Price per share on TASE (in \$) (as of August 16, 2020)	\$2.19	
Elron's market value (as of August 16, 2020)	94.5	

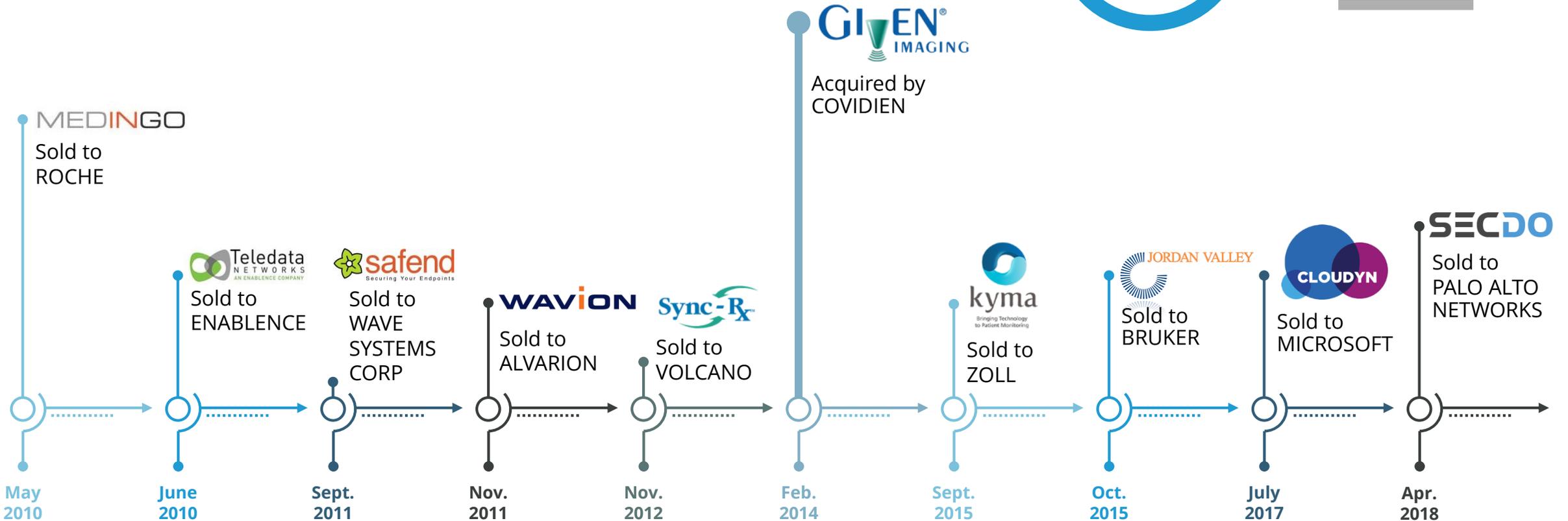
<sup>1</sup> Includes Elron's direct holdings and its effective indirect holdings through RDC. Includes investments made after June 30, 2020. Includes Elron's balance and 50.1% of RDC's balance.

<sup>2</sup> 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.

<sup>3</sup> 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



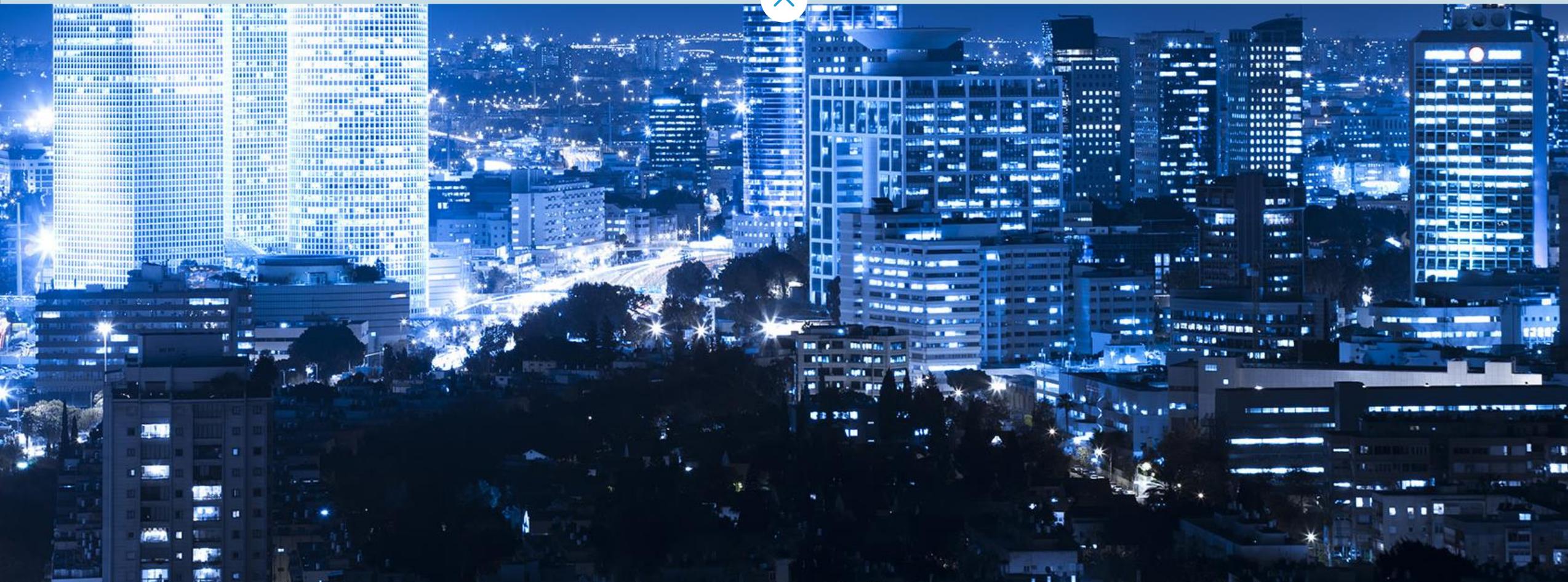
**SUCCESSFUL SHIFT TO SOFTWARE/CYBER INVESTMENTS**



**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](http://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**