



Dear Friends,



September Edition

Since the days of the legendary Sussita (the first and last Israeli-made automobile), Israel has played a very small role in the global auto industry. Today, about six decades later, it is becoming a worldwide powerhouse in the automotive scene. The main reason is that in the digital era, vehicles are not only about engine and design, but about electric, autonomous and smart mobility, area in which Israeli companies excel.

The rise of the Israeli auto-tech industry is our focus area for this edition of Doing Business in Israel. KPMG's Global Head of Automotive, Dieter Becker, explains the growing interest of leading auto manufacturers and tech giants in Israeli innovations and technologies, which may provide cars with added value.

More in this edition: Although August is known as a slow month for business, the Israeli high-tech exit arena was anything but slow during the past month. We will update you about the latest transactions, including the largest Pharma exit in the country's history.

Our innovation section reviews a revolutionary discovery made by Israeli scientists that regenerates damaged hearts, and this month's cultural bite visits a haven for music enthusiasts in a serene and scenic part of Jerusalem.



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Latest Transactions

Israel's Largest Pharma Exit: Mitsubishi Buys Neuroderm for \$1.1 Billion

Based in Rehovot, NeuroDerm develops drug-device pairings to treat central nervous system disorders. One of its candidates, ND0612, is undergoing Phase III trials for late-stage Parkinson's, a point when treatment with oral levodopa no longer works.

Israeli Gaming Company Plarium Sold To Australia's Aristocrat for \$500M

In one of the largest Israeli exits in recent months, Australian gaming giant Aristocrat has acquired Israeli social gaming company Plarium. Headquartered in Herzliya, Plarium offers free mobile, social and web-based games.

Israeli Startup SAIPS Bought By Ford to Advance Autonomous Cars

The U.S. automaker is reportedly paying tens of millions of dollars for 3-year-old startup. SAIPS develops computer vision and machine learning solutions focused on processing and classifying input signals, all key players in autonomous vehicle tech. Ford hopes to release its own autonomous cars by 2021.

Symantec Buys Israeli Mobile Security Company Skycure for \$280M

Skycure uses artificial intelligence and machine learning techniques to proactively protect mobile devices across all major mobile operating systems. Security software giant Symantec said that it plans to integrate Skycure's predictive threat detection smarts into its own enterprise - and consumer-focused mobile products, including Norton Antivirus.

Signet Jewelers Buys Israeli R2Net for \$328m

In an all cash deal, Signet Jewelers Ltd., the world's largest diamond jewelry retailer, acquired Israeli ecommerce and diamond technology company R2Net. R2Net has developed 360° Diamond Display, the Virtual Ring Sizer and The Ring Try-On mobile app at its Herzliya innovation center.

Israeli Applause Acquired by Vista Equity Partners

Applause is known for its ability to conduct QA testing for digital experiences. The company has amassed a 300,000-member crowd-testing community to provide customers with real-world input at each stage of the software development process. No financial details have been disclosed, but the acquisition by the American investment firm Vista Equity Partners was believed to be for several hundred million dollars.

EMK Buys Luminati for \$200M

Luminati is part of the Israeli VPN network division of Hola Networks, which provides its users with unrestricted internet access by enabling them to access websites that are blocked in the country where they are located.

Mercedes Teams Up with Israeli Carpooling App Via

Mercedes-Benz Vans division will invest \$50 million in a joint venture to expand Via's shuttle service into Europe. Via has developed a ride-sharing service that offers low-cost carpooling that also connects to public transportation systems. The idea is to let a passenger choose the fastest, cheapest route that may combine carpooling and local public transportation.





01

Focus Area
Auto-Tech

“Israel Should Aspire to Revolutionize Mobility as a Whole. Not Just Motoring”

As the global automotive industry is increasingly relying on advanced technologies, Israeli startups and companies have been shifting into overdrive. **Dieter Becker, Global Chair of KPMG’s Automotive practice**, explains why Israeli innovation can be found today across all layers of the global automotive supply chain

Only a few years ago, using the words “Israel” and “Auto industry” in the same sentence was usually followed by some loud laughs, or at least a few raised eyebrows. But while the global auto industry is increasingly evolving towards becoming more electric, connected and autonomous, Israel now finds itself at the forefront of the Auto-tech industry, without even a car to its name.

From sensors to data collection to cyber security and complex artificial intelligence capabilities, today Israel is a home to more than 500 companies and startups in the very broad spectrum of categories that are included under the Auto-Tech category (up from only 87 companies just 4 years ago). These companies combined have raised nearly \$20 billion over the past four years. During

2016 alone there were 6 exit deals by Israeli Auto-tech companies, generating a total of \$205 million.

From a business standpoint, the \$15.3 billion acquisition of Jerusalem-based Mobileye by Intel last March had a (very positive) category 5 hurricane effect on the local Auto-Tech industry. This deal provided the ultimate confirmation to Israel’s global leading position in automotive innovation.

It is no wonder, then, that virtually every major auto maker has established a foothold in Israel: General Motors has already opened an R&D research center in Israel, as Renault-Nissan and Daimler are following its steps. Audi, BMW, Ford, Honda, Hyundai, Mazda, Subaru, Toyota, Volvo and Volkswagen are all active in the Israeli market,



“We have to embrace the fact that the lines between ownership, usage, mobility and logistics will become more and more blurred. This is the real game changer”

Dieter Becker,
Global Chair of Automotive
KPMG International

The following are some of the companies that made the biggest impression on Becker and his colleagues:

Argus: Provides comprehensive cyber security solutions for critical automotive systems, such as braking, steering and communications, which are integrated into the production lines of various vehicles. “As vehicles become more connected, they also become more vulnerable to cyber-attacks”, says Becker. “Data and cyber security will top the list of what consumers will expect when purchasing vehicles in the future. Argus’s advanced solutions to prevent vehicle hacking will therefore become a functionality every vehicle has to offer.”

Otonomo: Developed a cloud-based platform for car manufacturers to share and monetize car data and to offer drivers in-car services. According to Becker, “the car has become an enormous data generating engine. By offering a central marketplace where car-generated data parameters are packaged into data bundles and offered to various service providers, Otonomo solves the issue of capturing the data generated by the car in its entirety. This platform allows for a better connected-car experience, providing manufacturers with new recurring revenue streams from the collected car data.”

Eviation: Develops a revolutionary all-electric self-piloting commuter aircraft, designed to take 9 passengers up to 1,000km. “In the future we will have to let go of the idea of differentiating between the transportation of humans and goods”, explains Becker. “Drones and mobile capsules which fly on different levels of highly developed megacities can increasingly become a means of transportation. Eviation’s revolutionary plane is still far away for application, but it could become a possibility for mass transportation in the long term.”

The Real Game Changer

In Becker’s view, the aforementioned technologies and many others will not only shape the product we know today as “a car” rather they will affect the entire auto industry business model and the way consumers utilize physical assets to get themselves, or products, from one place to another.

“We have to embrace the fact that all these trends are actually interrelated, and the lines between ownership, usage, mobility and logistics will become more and more blurred”, says Becker. “This is the real game changer. We cannot view these changes as isolated from one another anymore. The auto business will gradually diverge from its linear product and technology centric world towards a complex and dynamic customer-centric ecosystem.”

As a result, Becker strongly believes that in order to increase its competitive advantage, Israel should aspire to develop into a hub of the future for the “mobility and logistics ecosystem”. Israeli companies should “increasingly consider the far-reaching impacts of the use of newly-invented technologies on the ecosystem itself.”

His main advice to young auto-tech Israeli companies is to use one simple mantra: “Try to see it sooner, do the unexpected and put yourself in the shoes of your partners.” With so much buzz around many different technologies, “only the ones that will be able to do the unexpected will make a lasting impact and succeed.”

acquiring startups and taking stakes in technologies in an effort to stay at the leading edge of developments.

Giving Automakers an “Agility Injection”

EcoMotion, a networking group for transportation technology companies in Israel, held its fifth annual conference in Jaffa in May. The conference attracted 1,500 leaders and investors of the global automotive and transportation industry, who came to look under the hood of local Auto-Tech companies.

A guest of honor at this conference was Dieter Becker, the Global, EMA and German Chair of KPMG’s Automotive practice. Together with the 13 senior executives comprising KPMG’s Global Automotive Group, they met with several local automotive companies and startups.

Becker believes that the vast interest in the Israeli market by large corporations is because “The traditional auto business works extremely slower than needed to drive fundamental changes. These companies usually lack the agility and pure solution-oriented view necessary to drive forward disruptive ideas.”

The Israeli Auto-Tech Industry in Numbers

\$4 Billion

Invested in the Israeli smart transportation sector over the past 4 years

Number of Israeli Auto-Tech Startups:

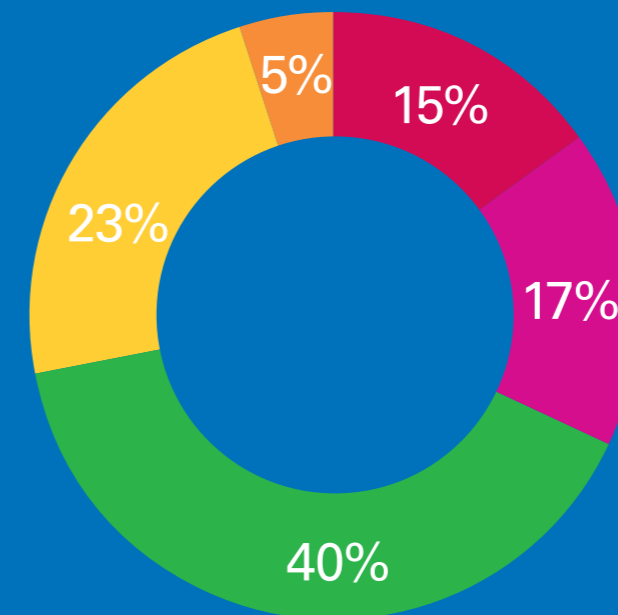


Exit deals

of Israeli Auto-Tech companies during 2016, generating a total of **\$205 million**

Structure of the Israeli automotive and smart mobility industry

- Electric Mobility
- Autonomous Mobility
- Smart Mobility
- Vehicle Technology
- Other



\$15.3 Billion

Acquisition of Israeli **Mobileye** by **Intel** on March 2017

\$120 Million

Raised by Israeli smart vehicle companies since the **Mobileye** deal was announced





02 Israeli Innovation

Giving Hope to Millions, Israeli Scientists Regenerated Damaged Heart Tissue

Israeli scientists have made an important breakthrough in dealing with the leading cause of death worldwide – heart disease. Led by Prof. Eldad Tzahor, the research team from the Weizmann Institute of Science in Rehovot has uncovered a molecule in newborn hearts that promotes heart cell regeneration.

Most of the few available treatments for heart disease are still unsuccessful once the heart tissue has suffered damage. When the cardiac muscle is compromised and cells die, it can often lead to death. The researchers achieved new insight into the reasons why cardiac muscle cells cease to divide, and their experiment, conducted on mice and published in the prestigious Nature magazine, demonstrated how these cells can be prompted to regenerate following intentional injury.

The researchers cited evidence that a protein called Agrin, common in fetal hearts, which rapidly disappears after birth,

controls the process of heart cell regeneration. They extracted Agrin from newborn mice, which retain the protein for about a week after birth, and tested it in various environments. When tested in lab cultures, Agrin promoted cells growth in the tissue of adult hearts — both mice and human.

When injected into damaged hearts of live mice, Agrin demonstrated a remarkable capacity to heal. The damaged tissue was functioning normally again within weeks, scar tissue was reduced and replaced with new healthy muscle cells.

This discovery could hopefully offer hope to millions of sufferers of cardiovascular diseases around the world.

The original study in Nature Magazine:
<http://www.nature.com/nature/journal/v547/n7662/full/nature22978.html>

A close-up, low-angle photograph of a piano keyboard. The keys are white and black, and the lighting is warm and golden, creating a soft glow. The focus is sharp on the keys in the foreground, while the background is blurred.

03 Cultural Bite

Eden-Tamir Music Center (Ein Kerem, Jerusalem)

A concert featuring world-class artists in a picturesque historic suburb of Jerusalem is the perfect combo for lovers of music. Set in a beautiful and ancient house, the Eden-Tamir Music Center is a focal point for musical activities, recitals and chamber concerts.

The center was founded in the late 1960s by Alexander Tamir and Bracha Eden, a duo of piano performers. In addition to hosting concerts featuring leading musicians from all around the world, the Eden-Tamir center encourages and promotes young, gifted composers and performers.

A visit to this unique center is perfect for ending a day of exploring the enchanting Ein Kerem village.

Located in the Judean Hills, Ein Kerem is surrounded by beautiful natural groves and breathtaking landscape. With pretty churches whose bells sound down the streets, lovely houses made of local Jerusalem limestone, cobbled narrow streets filled with great restaurants, cafés and art galleries - a tour of Ein Kerem is a great opportunity to escape the bustling city.

Source:

<http://edentamirmusiccenter.org/>