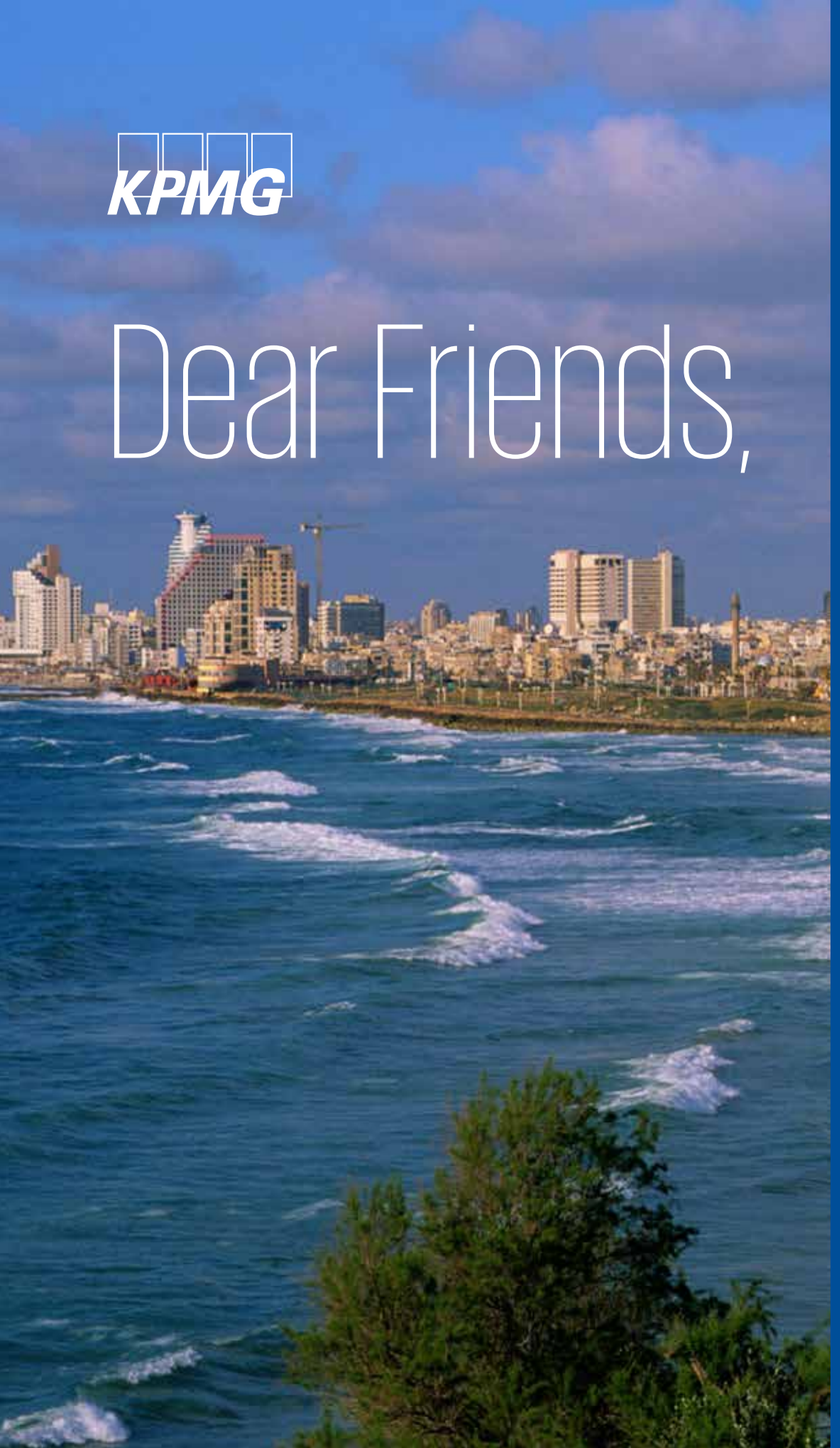

Dear Friends,

Mahatma Gandhi used to say "It is health that is real wealth and not pieces of gold and silver." The incredible advancements in Medical Technology carry a great potential of making this "real wealth" accessible to more people than ever before.

Assaf Barnea, the CEO of Sanara Ventures, an investment platform in early-stage medical technologies funded by Teva and Philips, sheds some light on the Israeli Med-Tech sector, which is our focus area for this edition of Doing Business in Israel.

This edition also includes updates on new transactions in the Israeli market, as well as, explains how Israeli scientists developed a system that harvests drinking water literally out of thin air. The cultural bite for this edition includes some never seen before architectural discoveries, unearthed not long ago in the north of the country.

This is our first edition of Doing Business in Israel for 2017. May this year be the best one yet!

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February Edition

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Doing Business in Israel

February 2017

Latest Transactions

Chinese Company to Buy Israel's Servotronix at $170 Million Valuation

Servotronix, a maker of motion-control technology, is owned by the family of industrialist Stef Wertheimer, who sold his flagship company Iscar to Warren Buffett a few years ago. The buyer is a company traded on the Shanghai Stock Exchange whose name has yet to be published.

Rocher Buys Israeli Body Products Chain Sabon for $129 Million

French cosmetics corporation Groupe Rocher, acquired control of Israeli natural bath and body products brand, Sabon, a company valued at $129 million. Sabon was founded in 1997, and turned from a single store in Tel Aviv into a global business operating 175 stores worldwide.

Huawei Buys Israel Cyber Security Startup Hexatier for $42 Million

The Chinese telecom conglomerate, Huawei, acquired Israeli database security and compliance solutions startup, Hexatier, for $42 million. Hexatier secures databases in the cloud, and Huawei intends to use Hexatier's technology to set up a research and development center for databases in the cloud in Israel.

Snapchat's First Acquisition in Israel: Buys Startup Cimagine Media

Snap Inc. – the owner of messaging app Snapchat – bought Israeli augmented reality startup Cimagine Media for an estimated $30-40 million. Cimagine Media makes software that allows businesses or consumers to visualize what an item might look like in their environment. Cimagine will become Snapchat's research and development center in Israel.

Kik Acquires Israeli Group Video Company Rounds

The Canadian chat platform Kik Interactive has acquired Rounds for a reported $60-80 million. Founded in 2008, Rounds has more than 40 million users. The app enables up to 12 friends to simultaneously video chat while experiencing activities together such as watching videos, playing games, sharing photos, and more. The company's 35 employees in Israel will become part of Kik's development center in Tel Aviv.

01 Focus Area

“Startups Can’t Penetrate the Medical Industry Alone. They have to Synergize with One of the Big Guys”

Assaf Barnea, the CEO of Teva-Philips funded Sanara Ventures, explains why having a great core-technology is not enough for a Medical Technology company to have a real effect on people’s lives.

Medical Technology is making strides in extending lives and improving the quality of life of millions around the globe. Novel technological innovators are slowly disrupting and revolutionizing the traditional healthcare systems, with a vast range of solutions - apps, wearables, digital health, robotics, drug delivery systems, minimal invasive diagnostics, sensing and so forth.

“Our mission is to connect innovations with the right ecosystem. We help companies not only in shaping up their business model, but also with the medical setup and application that should be used given a certain technology”

Nevertheless, integrating these solutions into the big healthcare systems is a very complex process. “It’s very hard to penetrate the market”, says Assaf Barnea, the CEO of Sanara Ventures, an investment platform in early-stage medical technology companies. “A small startup with a stand-alone solution cannot just go ahead and implement it into existing systems within hospitals. The FDA is also becoming very stringent; it’s harder to raise capital prior to FDA approval, because VCs want to see this approval before they invest, making it a vicious cycle. The market is going through a consolidation process because these large healthcare entities are looking for comprehensive across-the-board solutions. A startup has to join one of the strategically big players.”

Sanara is an independent joint-venture that was established in 2014 as a unique collaboration between two giants: Teva Pharmaceuticals and Phillips, in collaboration with the Office of the Chief Scientist of the Israeli Ministry of Economy. KPMG is an important collaborator in creating the logistic-financial backup for Sanara, especially with regards to the important strategic financial processes, the interface between Teva and Philips and the necessary vehicles for follow-on investments.

“This untypical ‘dance’ between these two big companies brings a great value to this ecosystem. We draw on their vast knowledge and experience throughout the entire process, and help young companies through market validation, open doors via Teva and Philips’ customers and identify the right market application”, says Barnea.

Sanara (‘heal’ or ‘cure’ in Latin), is not a typical startup incubator or accelerator. “Our program is not limited to 3-6 months and we provide extra funds to the budget from the Chief Scientist, during the investment rounds that are in the seven-figure range”, explains Barnea. “We provide a much wider platform for the Med-Tech companies that we carefully select for our portfolio, and assist the companies with product specification, market validation, regulation path and everything that strategic players like Teva and Philips can offer.”

Based on Barnea’s significant multidisciplinary experience in building innovation platforms and commercialization processes in healthcare, he clarifies that a good core-technology cannot reach the market without an ecosystem that supports it. “This is what we create at Sanara - connecting innovations with the right ecosystem as a brand and using the right processes for searching and selecting our portfolio companies. We’ve looked at more than 600 companies, and so far we’ve invested in seven. We hope to invest in 40-50 different startups over the next 10 years.”

“Even if you have a great core-technology, it is important to identify the right market application. This is where we come in – we help these companies not only in shaping up their business model, but also the medical setup and application that should be used given this certain technology.”

MEway Pharma and HomeDoc are just two companies Sanara Ventures has invested in.

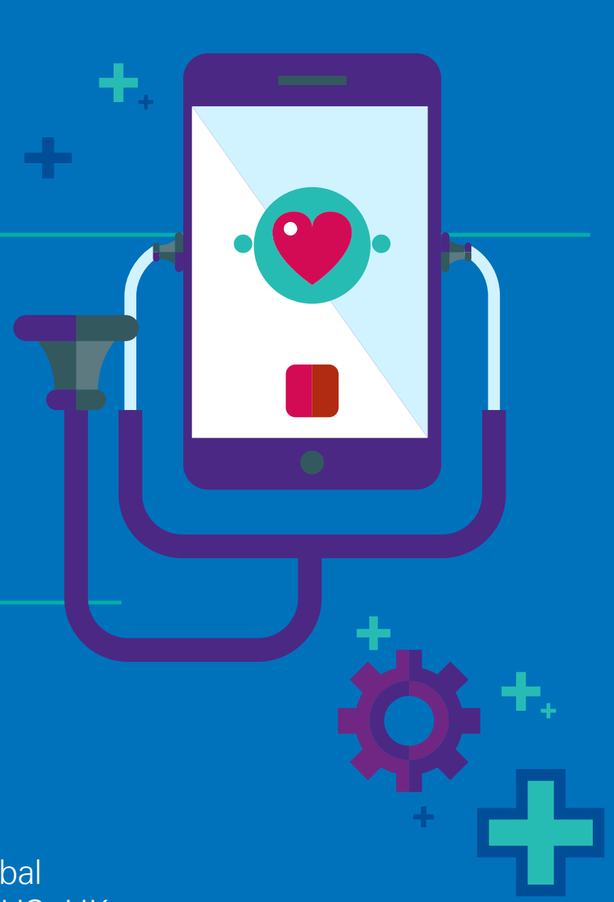
MEway Pharma, a respiratory health startup that created an innovative nebulizer allowing for greater efficiency and significantly decreasing treatment time - 2 minutes (instead of 12-15 minutes).

HomeDoc, a Digital Health startup that develops an affordable solution for remote checkups and diagnosis anywhere, based on a smartphone. “Instead of going all the way to the hospital for checkups, the patient is interviewed, examined and diagnosed on-line by primary care or professional physicians, without ever having to leave their home”, says Barnea.

An important aspect of Sanara’s activity is it’s loosely coupled model, meaning “no strings attached, no exclusivity, no binding”. Companies that join the Sanara program are under no obligation to keep working with Teva or Philips down the road. According to Barnea, “Our fates are not tied together. We play for the long-term; we are not a venture capital firm that aims for exits or to sell companies. Our primary goal is to create a strategic value for Teva or Philips and if we manage to form a good relationship and the timing is right, we will be happy to sign a distribution deal. However, not all these developments are eventually relevant to Teva and Philips, and therefore we are happy to help these companies find the right match with other players.”

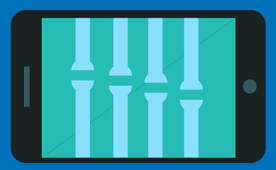
Sanara doesn’t rule out investing in companies outside of Israel. “We would like to expand our global ecosystem with partners in the Life Sciences industry – TTO, early-stage startups, co-investment deals and many more. Israel is our base and main focus but we will be happy to generate deal flow in other innovation hubs.”

Israel Medical Technology Market



300+
Active medical technology related startups and companies

$680 Million
Raised by those companies in the first nine months of 2016



60%
Share of medical devices and HealthCare IT technologies sectors within the life sciences industries

5
Israel's rank in the '2015 Global Digital Health 100 list' (after US, UK, Canada and Ireland)

$900 Million
Raised by Israel-based medical technology companies in 2015, accounting for 22% of technology fundraising

Source: Israel Venture Capital Research Center, www.israelmedicalinnovation.com,Medical Alley "2015 Innovation Report"

02 Israeli Innovation

A New System to Harvest Drinking Water Out of Air

It is a known fact that water shortage is increasing in many parts of the world, resulting in a dire need for effective and accessible solutions. A group of Israeli researchers set out to do just that – literally out of thin air. Scientists at the Technion – Israeli Institute of Technology in Haifa - have proposed an innovative system for harvesting safe drinking water from air.

Unlike existing systems for capturing atmospheric moisture, the new device requires significantly less energy to produce high-quality water. Essentially, 98 percent of the water contained by the atmosphere is in the form of water vapor. This vapor must be condensed to liquid water. The existing systems use an electrical compression-expansion refrigeration unit, whereas the new design separates the vapor from the bulk air before it enters the condenser, so that only the vapor is cooled rather than the entire air bulk.

The separation of water vapor from the air is achieved by using a liquid desiccant, a substance that promotes drying. This approach results in 20 to 65 percent energy savings over the standard system; depending on where the technology is applied and the sites' climate conditions.

According to the researchers, another important advantage is that the water coming out of the new system will be free of airborne bacteria.

This system is especially beneficial for countries that do not have access to the sea and therefore cannot use other potential sources of fresh water such as desalination of seawater.

Source:
http://pubs.acs.org/doi/abs/10.1021/acs.est.6b01280

03 Cultural Bite

Magdala Center Archaeological Park

The Archeological site at Magdala can be described as the result of a “happy accident”.

A few years ago, a Catholic organization purchased land in the area of Migdal (the birthplace of Mary Magdalene), on the shores of the Sea of Galilee, to build a resort for Christian pilgrims. Shortly after they started to dig in order to lay the foundations for the hotel, they discovered, to everyone’s amazement, a rare archeological treasure. The discovery was a first century synagogue that had been covered up since the year 67 CE – one of the oldest synagogues in the world.

Discovered less than a foot beneath the soil, this synagogue is one of the only seven from the Second Temple period known to exist, and the first to be found in the Galilee. Inside the synagogue they also found ‘The Magdala Stone’, a discovery many archaeologists call the most significant archaeological find in the past 50 years. Among other never before seen discoveries on the site, were fishing pools-Jewish ritual baths, and a local coin dated from the year 29.

The excavations at the site are still in progress, but a tourist complex was inaugurated in May 2014. When visiting the site, a group of knowledgeable volunteers is happy to share the history of this place with all visitors.

www.magdala.org