

Beliefs and principles statement

ISRADEV EQUITY founders' background as international investment bankers gives us direct access to main investment funds and family offices in North America, Western Europe and China.

Over the recent past, we've experienced increasing interest of international investors towards the Israeli economy, offering growth potentials which are hardly found in the rest of the developed world, combined with a widely-spread high level of education.

Among the industries regularly scrutinized by international decision-makers, the bio-tech and the bio-med industries are perceived to carry the highest potential of fast growth and outstanding IRR. They all share the same goal of developing new medicines that can prevent diseases, improve patients' health, and save lives. Beyond each individual patient, new drugs can help society overall by reducing sick days and helping cut the cost of healthcare.

The challenge of the Israeli biotechnology cluster is to enhance the conversion of university research into commercial products by Israeli startups and the subsequent development of these startups into large firms. However, Israel's biotechnology sector lacks the framework conditions for such successful commercialization. Israel does not have a comprehensive ecosystem to support the development of a biotechnology sector, there is a lack of experienced managing and marketing human resources, and there is a significant funding gap between academic applied research and phase III companies.

In our experience, we have seen many investment decisions deferred or cancelled, due to management failure in providing an undisputable/ valuation of their company.

Therefore we believe that the building of a sound valuation of a company is the ground for strong positioning in future negotiations with potential international investors.

We, at IDE, are in the business of inducing international investors closing deals with fast-growing Israeli bio-firms. We are committed towards investors trusting us to provide them with quality investment cases.

In that respect we are in the process of building a directory of promising Israeli bio-firms, though at different development stages, ranging from post-academic to pre-IPO, but all with clear tendency to invite new investors to the board to sustain its growth.

We have therefore set up the means to present our selected cases with an undisputable valuation, which in our experience depends on financial, technical and market factors. Accordingly our team encompasses financial analysts, bio-tech and bio-med specialists and market researchers (!). Being part of our directory grants a company the opportunity to be presented to selected international investors on a timely basis.

The valuation analysis takes in account the company's development current status. We all know the valuation is expected to greatly evolve with new Pharmaco-tests and pre-clinical results, clinical development achievements, markets tests, regulatory approvals, distribution agreements, sales... The output delivered by our team goes beyond numerical valuation at present state, but is the real, scalable and unequivocal **equity story** of the company.

For investors, the equity story is, in its essence, the reasoning why the particular stake should be bought by investors. It emphasizes the strong side of the biotech company and places the stake in both the value and the growth categories.

The aim of the equity story is to allow a continuous appraisal of the company net worth, and the proposed investor's stake based on the key success factors of the company:

- Market addressed
- Strategic vision
- Market positioning vs. competitors
- Intrinsic strengths to succeed on the market
- Extent of innovation
- R&D quality
- Pace of products development
- Products tests
- Human and financial means

The equity story document should be achieved prior to any investor presentation and in fact is a prerequisite for being listed in IDE directory. The document should evolve with time, at least yearly but also with any major event in the life of the company. It has to become the reference text for communication with the broad financial community:

- Present shareholders
- Potential investors
- Bankers
- Government agencies
- Key-employees, present or to be recruited

Furthermore the writing of the equity story prior to negotiations is perceived by the investment banking industry as one of the major criteria of reliability and maturity in the investment-decision process (along with the existence of vendor due-diligence).

The typical cost of the making of the equity story is between 30.000 – 50.000 Nis, involving an IDE team composed/consisting of a partner and two analysts. If the case goes forward to the IDE transaction department, the equity story cost will be deducted from the retainer.

ISRADEV EQUITY is an investment banking boutique specialized on Israeli bio-tech and bio-med markets, offering timely access to international private equity.

Eventually add a typical case study such as:

Investors couldn't find details on the business model and market potential

A medium-sized high-tech enterprise, listed for years, decided to take a critical look at its equity story. It consequently ordered a survey of analysts and investors, among others, to help identify deficiencies in its equity story. One of the findings: the target group would have liked to see more precise details of the firm's business model and revenue structure. Moreover, the story lacked concrete information on the market and competition, especially since the firm was in a niche segment barely touched upon by analysts.

It took analysis by a peer group, more research, and systematic questioning of in-house experts to finally come up with enough meaningful facts & figures for company management to enhance the equity story with pragmatic assessments on the market and growth prospects. Moreover, an in-depth look at the broader field of competition led to new approaches for presenting the business model and the anticipated growth in revenue. The resulting equity story and IR presentations met with resounding approval of both investors and analysts.