

Q4 19-Q1 20 Update

April 6, 2020



Significant agreement with FLIR Systems can boost sales; we expect substantial commercial agreements in 2020; Target price unchanged

Stock Exchange:
NASDAQ /TASE

Symbol: FRSX

Sector: Technology

Sub-sector:
Software / Internet

Stock Price Target: NIS 1.9
ADS Price Target: USD 2.77
(*5 Shares = 1 ADS)

As of April 5, 2020
(source: TASE):

Closing Price: 0.5 NIS
Market Cap: 77M NIS
of Shares: 154.7M
Average Daily Trading Volume
(3M): 676.8K

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Company Overview

Foresight Autonomous Holdings Ltd. (NASDAQ and TASE: FRSX), is a technology company engaged, through its **wholly-owned subsidiaries, Foresight Automotive Ltd. and Eye-Net Mobile Ltd.**, in developing both "in-line-of-sight" vision systems and "beyond-line-of-sight" cellular-based applications. Foresight's vision sensor is a four-camera stereo system based on 3D video analysis. Eye-Net Mobile's cellular-based application is a V2X (vehicle-to-everything) accident prevention solution based on real-time spatial analysis of clients' movement. The company's systems are designed to improve driving safety by enabling highly accurate and reliable threat detection while ensuring the lowest rates of false alerts. **FRSX is also a 24.12% shareholder in Rail Vision Ltd.**, a leading provider of cutting-edge cognitive vision sensor technology and safety systems for the railway industry.

Highlights

Foresight completed 2019 and Q1 2020 with several positive developments (all details are in the body of this report):

- **Prototype system sales** – Foresight received multiple orders and proof of concept trials. The most recent being on February 18th, 2020 from a multi-billion dollar Japanese vehicle manufacturer for the QuadSight[®] prototype after having undergone a successful demonstration phase.
- **An agreement with FLIR Systems** – On April 2nd, 2020 Foresight announced the signing of an agreement with FLIR Systems Inc. (Nasdaq: FLIR). According to the agreement, the parties will establish a strategic cooperation plan for the development, marketing and distribution of Foresight's QuadSight[®] vision system, combined with FLIR Systems' infrared cameras, to a wide range of prospective customers.
- **Eye-Net Mobile** – On March 31st, 2020 Eye-Net Mobile announced a breakthrough partnership with NoTraffic, an autonomous traffic management platform to which Eye-Net can provide additional layers of traffic awareness, increase traffic efficiency and prevent accidents.
- **Rail Vision** - On January 30, 2020 Rail Vision announced that is in advanced negotiations with a leading European train operator for a first commercial agreement that could in turn lead to multiple major agreements.

Strategically, the Company will leverage its 2019 success milestones to reach commercial agreements in 2020. We assume a mild setback will occur as per the COVID19 situation; however, it will not prevent further development into H2 2020. The agreement with FLIR will offer Foresight the ability to work directly with OEMs and open new opportunities for its technology.

Foresight has sold several systems for testing to leading OEMs and Tier One suppliers in the US, Europe, China, Israel, and Japan. For all details see [Initiation Report](#). **Financially**, R&D expenses have increased in 2019 compared to 2018 by \$1.5 million, as the Company is working on several domains as mentioned above; Cash and short-term deposits totaled \$10.1 million as of December 31, 2019, compared to \$15.7 million on December 31, 2018. We expect Foresight to raise additional funds by the end of 2020.

We maintain our evaluation for Foresight at 299.7M NIS; price target range of 1.7 NIS to 2.2 NIS; average of 1.9 NIS (or 2.77 ADS).

Based on our model, operating profit will only be seen in 2023. We present our P&L forecast for 2019-2025 below:

\$, 000	2019A	2020E	2021E	2022E	2023E	2024E	2025E
Total revenues	0	1,121	6,576	24,017	84,886	148,290	228,665
Operating (loss) profit	-15,029	-13,696	-15,617	-12,845	4,864	28,715	58,565

*Data presented above is based on non GAAP

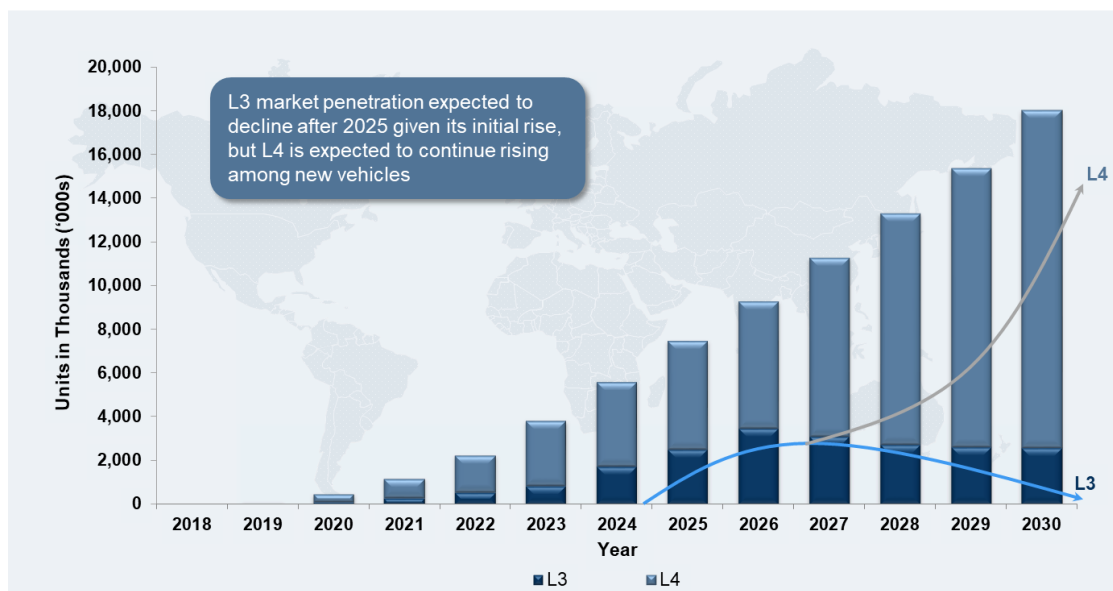
Executive Summary

Investment Thesis

Foresight Autonomous Holdings Ltd. (NASDAQ and TASE: FRSX) is a technology company engaged, through its wholly-owned subsidiaries, Foresight Automotive Ltd. and Eye-Net Mobile Ltd., in developing both “in-line-of-sight” vision systems and “beyond-line-of-sight” cellular-based applications. Foresight’s vision sensor is a four-camera system based on 3D video analysis. Eye-Net Mobile’s cellular-based application is a V2X (vehicle-to-everything) accident prevention solution based on real-time spatial analysis of clients’ movement. The company’s systems are designed to improve driving safety by enabling highly accurate and reliable threat detection while ensuring the lowest rates of false alerts. FRSX is also a 24.12% shareholder in Rail Vision Ltd., a leading provider of cutting-edge cognitive vision sensor technology and safety systems for the railway industry.

The autonomous driving market is going through a state of transition, crossing the initial hype cycle into one that is more pragmatic and ROI-centric. OEMs and major investors are re-calibrating their strategies based on identifying technologies that can help address their short-term needs while also fitting in with their long-term vision roadmap for autonomous driving.

Market Volume of Automated Vehicles, Global, 2018–2030



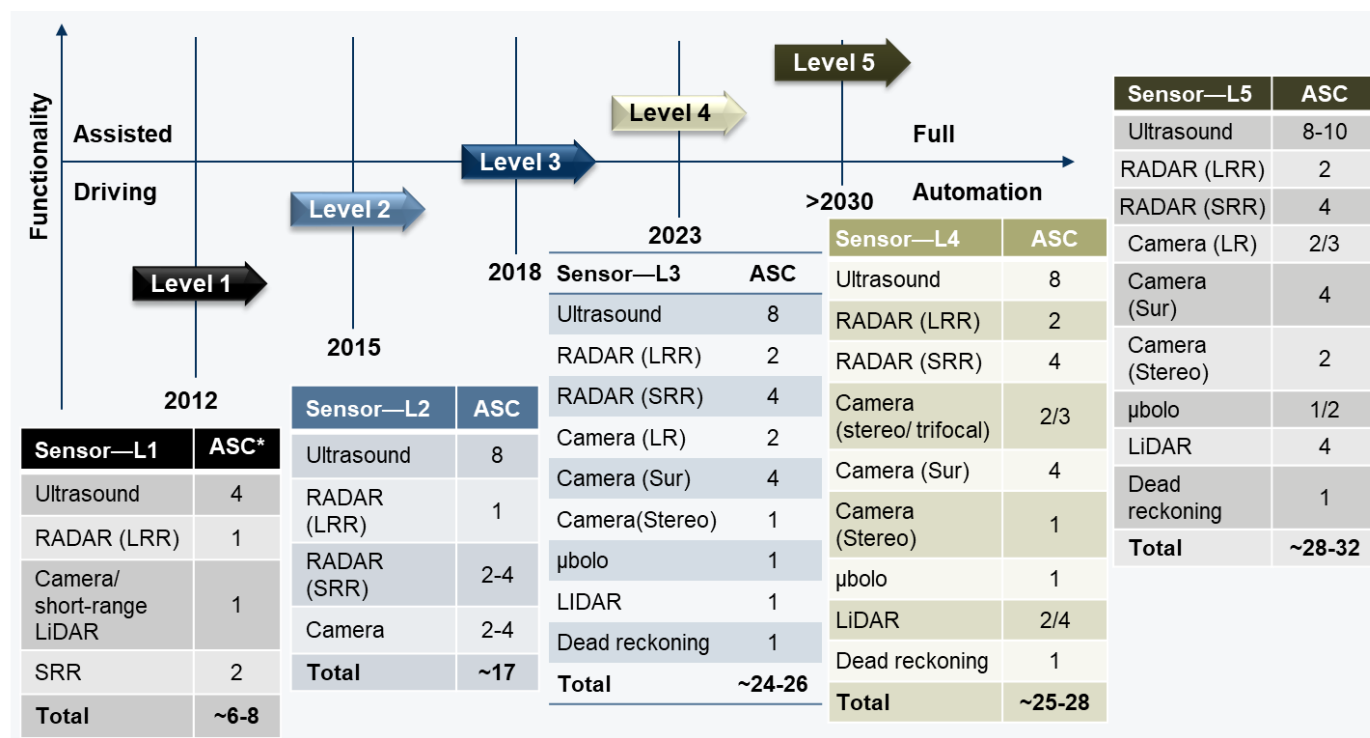
Note: All figures are rounded. The base year is 2018. Source: Frost & Sullivan

In the short term, most major OEMs are looking at business models and use cases that are hyper geo-localized and can bring cost benefits to current operating models that can be displaced. Robo-taxis, shuttles, and urban logistics are expected to be the most lucrative of these geo-localized business models, with Frost & Sullivan valuing these markets at over \$200Bn globally by 2030. While the long-term business models are uncertain, the technology selection for these short-term use cases is now considered with scale and reusability in mind.

In order to identify the ROI on any of the future business models in autonomous driving, it is critical to understand the technology cost associated with this, and this is where the biggest challenge with the industry resides. Lack of clear identification of the number of hardware modules required to provide vehicle autonomy along with the growing concern of software costs is mounting the overall estimations of operating autonomous vehicle business models.

Below we present current and future technologies and where Foresight is positioned:

Sensor Fusion Strategies: Levels of Autonomous Driving with Sensors Requirements, Global, 2019-25



It is now a critical point for OEMs and other service providers to identify systems that are robust yet cost effective and capable of operating in varying environments. Beyond these hardware requirements, OEMs will also require a level of flexibility at the software and supply chain level due to the lack of maturity of this value chain. **The need of the hour is to have software modules that are cross functional with other sensors in the vehicle while having the flexibility to be procured either as processed information blocks from sensors or as raw data points depending on the overall data fusion strategy of the OEM. In essence, to create software that the OEMs can adapt to their needs and not a “black box” solution.**

Addressing the confluence of these two challenges faced by the automotive industry of needing robust and cost effective sensors, along with flexible and cross functional software would be a key value proposition for any autonomous driving technology supplier, and this is where Foresight positions itself as a strategic fit to a diverse set of potential clients. Their combined stereo visible-light and infrared (IR) sensor-based system meets a wide range of vision-related requirements by OEMs that include object detection under diverse driving conditions from fair to harsh weather and provides a 3D point cloud of data that is critical for aspects like localization and object classification. Furthermore, by offering three diverse engagement models, from software licensing, to a system on a chip, as well as a fully integrated model, Foresight provides the desired flexibility to the value chain enabling them to work with a diverse array of clients from OEMs, to chip providers.

Thus we view the investment in Foresight Autonomous as a unique opportunity to invest in a game-changing start up firm in a relatively old school eco-system with three different investment opportunities: autonomous cars, trains, and cellular-based accident prevention solutions.

Timeline of Foresight Automotive significant milestones

Upcoming Potential Catalysts

	Event	Significance	Timeline
Foresight Automotive	1. Commercial order from Elbit to implement Foresight's technology into Elbit's solutions and products	High	H2 2020
	2. Initiate a POC with an OEM/ Tier One for tailoring the QuadSight system to the customer's requirements	High	H2 2020
	3. Actualizing the strategic partnership with Wuhan Guide Infrared Co. Ltd. In order to penetrate the Chinese market	High	Q3 2020
Rail Vision	4. Rail Vision 1 st commercial order	High	H1 2020
Eye-Net Mobile	5. SDK development completion for Eye-Net	Med	Q1 2020 ^V
	6. Cooperation / integration with a leading mobility application for up to 1 million users for Eye-Net	High	Q3 2020

2019 Highlights:

- July 2019 - Foresight received an order for the QuadSight® prototype from the American division of a leading South Korean vehicle manufacturer. After successful demonstrations in the US the OEM ordered a prototype system in order to increase capabilities to target the semi-autonomous and autonomous vehicle market. Successful testing could lead to mass production and vehicle integration.
- September 2019 - Foresight signed a strategic cooperation agreement with Wuhan Guide Infrared Co. Ltd., a \$2.7 billion Chinese corporation. According to the agreement, Guide Infrared will connect Foresight to the company's network of Chinese vehicle manufacturers (OEMs) and Tier One suppliers.
- October 2019 - Foresight conducted technological demonstrations of the QuadSight® system in Germany for vehicle manufacturers (OEMs) and Tier One suppliers. The technological demonstrations were performed for two leading German OEMs, two German Tier One suppliers, one German defense OEM, and one French Tier One supplier. Following the successful demonstrations all players involved expressed interest in ordering the QuadSight® prototype.

Q1 2020 Highlights

- April 2nd, 2020 - Foresight announced the signing of an agreement with FLIR Systems Inc. (Nasdaq: FLIR). FLIR is the world's largest and leading commercial company specializing in the design and production of thermal imaging cameras, components, and imaging sensors. According to the agreement, the parties will establish a strategic cooperation plan for the development, marketing and distribution of Foresight's QuadSight® vision system, combined with FLIR Systems' infrared cameras, to a wide range of prospective customers. As part of the agreement, Foresight will exclusively purchase its thermal cameras from FLIR for all systems to be commercialized worldwide.

Foresight will participate in the "Thermal by FLIR" program, a cooperative product development, marketing and product supply program that supports original equipment manufacturers (OEMs) and product innovators who use FLIR thermal imaging sensors in their products. As part of the program, Foresight will include the FLIR brand on its products. Current "Thermal By FLIR" partners include Panasonic, Bullitt Group, Blackview and other multinational companies.

- March 30th, 2020 - Foresight announced that its wholly owned subsidiary, Eye-Net Mobile Ltd., has signed a collaboration agreement with NoTraffic Ltd. NoTraffic developed a novel and proprietary Autonomous Traffic Management Platform that is gradually being integrated in major cities. The platform enables cities for the first time to intelligently implement their traffic policy in a seamless way and operate autonomously in order to maximize traffic flow, reduce congestion, prioritize different types of vehicles, and prevent accidents. Eye-Net provides additional layers of traffic awareness that increase the traffic efficiency of the NoTraffic system and prevent accidents.
- February 18th, 2020 - Foresight received an order for the QuadSight® system prototype from a multi-billion dollar Japanese vehicle manufacturer. The OEM ordered the system immediately after participating in successful technological demonstrations in Japan. Rapid delivery of the system was requested, indicating an existing market need.
- January 30th, 2020 – Foresight's affiliate Rail Vision announced being in advanced negotiations with a leading European train operator for a first commercial agreement. The agreement contemplates the purchase of a prototype system of Rail Vision's shunting yard solution for a total value of approximately 500,000 euro. A successful prototype evaluation will entail the additional purchase of approximately 30 shunting yard systems for an additional 2.5 million Euro. The European train operator may also choose to exercise its option to purchase an additional 45 shunting yard systems for a total value of 3.5 million euro.
- January 2020 - Eye-Net Mobile presented the SDK configuration of its Eye-Net™ Protect accident prevention solution for the first time at CES 2020. An SDK configuration indicates commercial engagement readiness and will allow Eye-Net Mobile to integrate its solution with leading location-based applications, such as navigation, ridesharing, parking and fitness applications.

2019 Financial Highlights:

- R&D expenses, net for the year ended December 31, 2019 were \$10,210,000, compared to \$8,638,000, in the year ended December 31, 2018. The increase is mainly attributed to increasing subcontracted services and an increase in travel expenses, offset by payroll and related expenses.
- G&A expenses for the year ended December 31, 2019 were \$3,469,000, compared to \$3,696,000 in the year ended December 31, 2018. The decrease is mainly attributed to a decrease in payroll and related expenses and to a decrease in share-based payment to employees and to non-employees.
- Cash and short-term deposits totaled \$10.1 million as of December 31, 2019, compared to \$15.7 million on December 31, 2018.
- Non-GAAP shareholders' equity totaled \$16.6 million as of December 31, 2019, compared to \$23.3 million as of December 31, 2018.

Appendices - Financial Statements

FORESIGHT AUTONOMOUS HOLDINGS LTD.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
 U.S. dollars in thousands

	As of December 31, 2019	As of December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,827	\$ 3,158
Short Term Deposits	5,233	12,506
Marketable equity securities	23	23
Other Investments	-	345
Other current receivables	613	471
Total current assets	10,696	16,503
Non-current assets:		
ROU asset	1,278	-
Investment in affiliate company	6,729	7,568
Fixed assets, net	631	787
	8,638	8,355
Total assets	\$ 19,334	\$ 24,858
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade payables	\$ 498	\$ 344
Operating lease liability	411	-
Other accounts payables	1,130	947
Total current liabilities	2,039	1,291
Operating lease liability	1,007	-
Total liabilities	3,046	1,291
Shareholders' equity:		
Common shares of NIS 0 par value;	-	-
Additional paid-in capital	65,681	57,521
Accumulated deficit	(49,393)	(33,954)
Total shareholders' equity	16,288	23,567
Total liabilities and shareholders' equity	\$ 19,334	\$ 24,858

FORESIGHT AUTONOMOUS HOLDINGS LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
LOSS
 U.S. dollars in thousands

	Year ended December 31,		Three months ended December 31,	
	2019	2018	2019	2018
Research and development expenses, net	(10,210)	(8,638)	(3,203)	(2,160)
Marketing and sales	(1,350)	(987)	266	(212)
General and administrative expenses	(3,469)	(3,696)	(803)	(882)
Operating loss	(15,029)	(13,321)	(3,740)	(3,254)
Equity in net loss of an affiliated company	(839)	(2,905)	(671)	(793)
Financing income (expenses), net	429	1,569	41	(5,367)
Net loss	(15,439)	(14,657)	(4,370)	(9,414)

Credit to experts: Chen Yakar

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