

## Update Report

August 24, 2020



**Achived milestones including strategic collaboration with FLIR System to expand future sales; strong balance sheet; Target price unchanged**

**Stock Exchange:**  
NASDAQ /TASE

**Symbol:** FRXS

**Sector:** Technology

**Sub-sector:**  
Software / Internet

**Stock Price Target:** NIS  
1.9

**ADS Price Target:** USD  
2.77

**Closing Price:** NIS  
**Market Cap:** M NIS  
**# of Shares:** 258.5M  
**Average Daily Trading Volume (3M):** 1,069 shares  
**YTD Return:** 12.66%

**Dr. Tiran Rothman - Lead Analyst**

Equity.Research@frost.com  
Tel.: +972-9-9502888  
frost.com/EquityResearch

## Conclusion

**Strategically**, the Company will leverage its business and technology milestones to reach Co-development agreements in 2020. We do not see major COVID-19 impacts on the company's progress. The agreement with FLIR will offer Foresight the ability to work directly with OEMs and Tier 1's and open new opportunities for its technology. The inclusion in the heavy-duty autonomous vehicle development consortium and deal with a tier one supplier in this domain is testimony to Foresight's substantial opportunity in this market. We also see the recent agreement with Elbit Systems Ltd. as a positive sign for future sales.

**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**, Foresight Cash and short-term deposits totaled \$17.4 million as of June 30, 2020, compared to \$10.1 million as of December 31, 2019. This amount includes gross proceeds of an aggregate of \$14 million from previously announced offerings. We assume the company has enough funds to support its activity through 2021. **We maintain our evaluation for Foresight at an average price of 1.9NIS**

**Foresight** - completed Q2 2020 with several developments:

- **FLIR Systems** – On April 2<sup>nd</sup>, 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.
- **Horizon 2020 Consortium** - On May 15<sup>th</sup>, Foresight joined the leading global industry Consortium for the Development of Autonomous Heavy-Duty Vehicles. The consortium submitted an application for a grant to the European Commission (Horizon 2020). The total amount of the grant is expected to total 20 million Euro, of which Foresight is expected to receive approximately one million USD. The consortium includes Continental, Terberg, and EasyMile, amongst others. Foresight was selected to provide its QuadSight® vision solution, using FLIR thermal infrared cameras.
- **Prototype system sales** – Foresight received multiple orders, the most recent ones are in May from a leading European Tier One supplier of commercial vehicles in the autonomous truck market and in July from a leading global Chinese technology company
- **COVID-19 screening solution** - On June 5<sup>th</sup>, the Company announced that it has started developing a mass screening solution for the detection of COVID-19 symptoms based on its native technology. On July 17<sup>th</sup> the company announced that In the upcoming weeks, Foresight will start a first pilot project for its prototype COVID-19 symptom detection solution with one of Israel's largest health maintenance organizations.
- **Elbit Systems** -On July 2nd, Foresight receives two orders from Elbit Systems Ltd. for product development and customization

## Eye-Net Mobile

- **First Pilot** - On August 21, 2020 Eye-Net Mobile announced that it will start a pilot project with a global Japanese technology company

## Rail Vision

- **First Commercial Order** - On April 27<sup>th</sup>, 2020 Rail Vision announced that received its first order for 500K Euro from a leading European train operator that could in turn lead to multiple major orders.

## 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

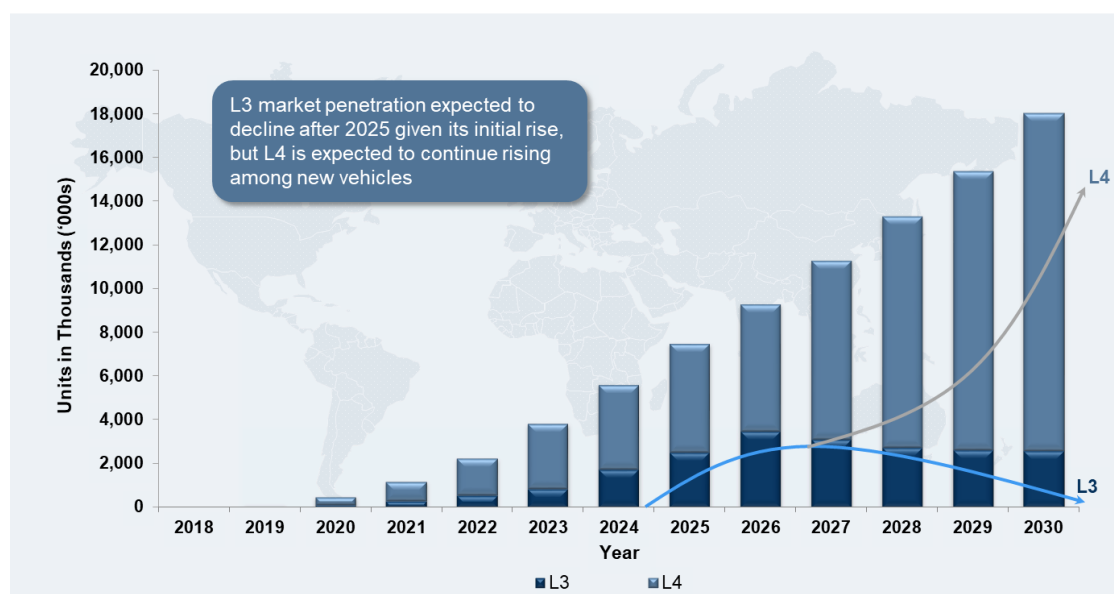
## Executive Summary

### 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.

## We present our P&amp;L forecast for 2019-2025 below:

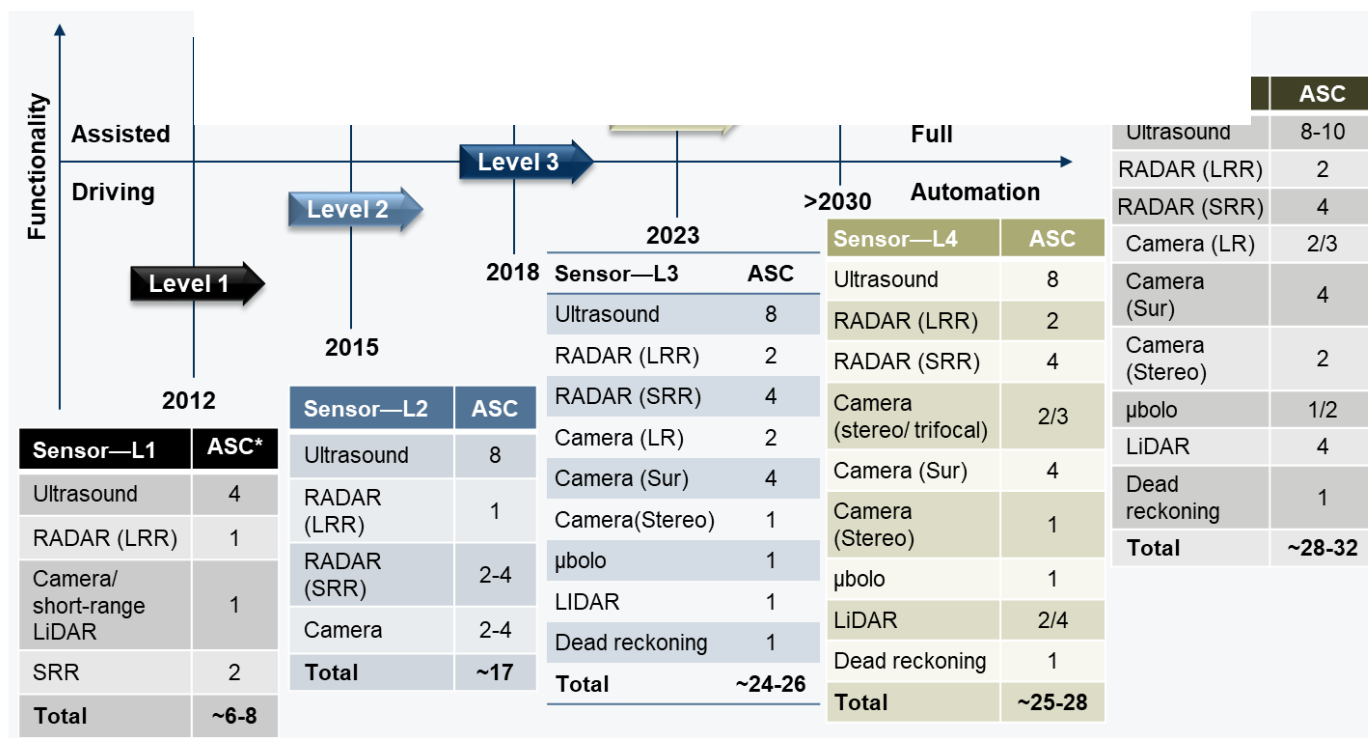
Below we present

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I, 2019-25

## Sensor Fusio



\*Average sensor count in respective levels; µbolo: thermal camera/IR sensor for night vision

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
Rail Vision	3. Rail Vision 1 <sup>st</sup> commercial order	High	H1 2020✓
Eye-Net Mobile	4. SDK development completion for Eye-Net	Med	Q1 2020✓
	5. Cooperation / integration with a leading mobility application for up to 1 million users for Eye-Net	High	Q3 2020

## Appendices - Financial Statements

	As of June 30, 2020	As of June 30, 2019	As of December 31, 2019
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 10,312	\$ 4,047	\$ 4,827
Short term deposits	7,129	12,280	5,233
Marketable equity securities	14	31	23
Other receivables	311	509	613
<b>Total current assets</b>	<b>17,766</b>	<b>16,867</b>	<b>10,696</b>
<b>Non-current assets:</b>			
Right of use asset	1,172	1,417	1,278
Investment in affiliate company	5,385	7,584	6,729
Fixed assets, net	509	699	631
	7,066	9,700	8,638
<b>Total assets</b>	<b>\$ 24,832</b>	<b>\$ 26,567</b>	<b>\$ 19,334</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Trade payables	\$ 94	\$ 308	\$ 498
Operating lease liability	394	408	411
Other accounts payables	1,269	897	1,130
<b>Total current liabilities</b>	<b>1,757</b>	<b>1,655</b>	<b>2,039</b>
<b>Non-current liabilities:</b>			
Operating lease liability	888	1,125	1,007
<b>Total liabilities</b>	<b>2,645</b>	<b>2,780</b>	<b>3,046</b>
<b>Shareholders' equity:</b>			
Ordinary shares of NIS 0 par value;	-	-	-
Additional paid-in capital	78,960	64,879	65,681
Accumulated deficit	(56,773 )	(41,092 )	(49,393 )
<b>Total shareholders' equity</b>	<b>22,187</b>	<b>23,787</b>	<b>16,288</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 24,832</b>	<b>\$ 26,567</b>	<b>\$ 19,334</b>

	Six months ended June 30,		Three months ended June 30,	
	2020	2019	2020	2019
Research and development expenses, net	(4,217)	(4,460)	(1,876)	(2,390)
Marketing and sales	(666)	(1,097)	(233)	(499)
General and administrative expenses	(1,294)	(1,773)	(634)	(865)
<b>Operating loss</b>	<b>(6,177)</b>	<b>(7,330)</b>	<b>(2,743)</b>	<b>(3,754)</b>
Equity in net gain (loss) of an affiliated company	(1,344)	16	(598)	106
Financing income (expenses), net	141	176	10	(175)
<b>Net loss</b>	<b>(7,380)</b>	<b>(7,138)</b>	<b>(3,331)</b>	<b>(3,823)</b>

Credit to experts: Chen Yakar

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**For further inquiries, please contact our lead analyst:**

Dr. Tiran Rothman

T: +972 (0) 9 950 2888

E: [equity.research@frost.com](mailto:equity.research@frost.com)

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