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FORESIGHT

Foresight - Update Report

April 11th, 2021

Stock Exchange
TASE

Symbol
FRSX

Sector
Technology

Sub-sector
Software / Internet

Stock price target
NIS 3.7; ADS $5.5

Closing price
NIS 3.7

Market cap
NIS 1195.3 Mn

No. of shares
322.2 Mn

Average Daily Trading Volume
13,589 stocks

Stock Performance (3 months)
52%

Achieved important key milestones during the fourth quarter of 2020 and maintained solid progress. Foresight successfully raised $26M on NASDAQ; Rail Vision Receives $10 Million Investment; price target is updated to NIS 3.7; ADS $5.5

Strategically, the Company will leverage its business and technology milestones to reach co-development agreements in 2021. 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 European consortium and deal with a Tier One supplier in this domain is testimony to Foresight's substantial opportunity in this market.

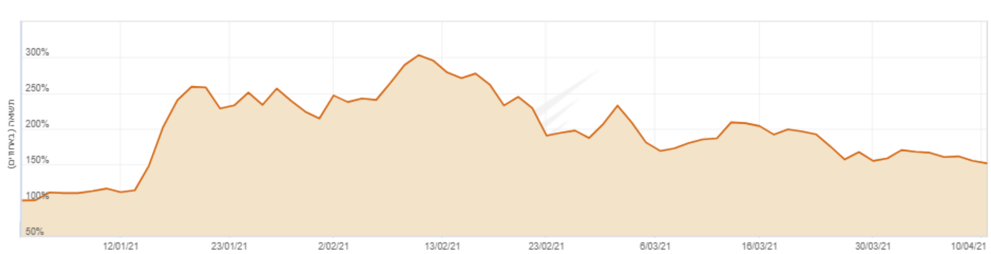
Foresight stock price increased significantly in past months also due to an increased demand for autonomous and electric vehicle supporting technologies, such as Apple's "Project Titan" (autonomous car level 5, started in 2014). This announcement affects NASDAQ firms engaging with LiDAR and other autonomous car elements like Foresight.

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 cash equivalents and short-term deposits totaled $43.9 million (Including $26M raised on NASDAQ) as of December 31, 2020. We assume the company has enough funds to support its activity through 2023.

We update our valuation with the Company's progress, lower interest rates (WACC is updated to 14%); and with Eye-Net higher valuation. Price target is updated to NIS 3.7; ADS to $5.5 NIS.

On the next page, we present the main events in the fourth quarter (2020) and the past months of 2021.

Year	Revenues (000 $)	Operating profit (loss) (000 $)
2020A	**0**	(12.8)
2021E	**1.1**	(14.2)
2022E	**6.6**	(16.3)



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Key events in the fourth quarter (2020) and the passing months of 2021:

Foresight:

- On March 19th, 2021, Foresight engaged with a leading global manufacturer of automotive stereo vision systems for QuadSight® sale. The Japanese manufacturer purchased a QuadSight® system prototype for possible enhancement of its current stereo system capabilities.
- On December 28th, 2020, Foresight announced that it entered into agreements with investors to purchase and sell 6,265,063 American Depositary Shares (ADS) at a price of $4.15 per ADS. The offering's gross proceeds were approximately $26 million, which will be used for working capital and other general corporate purposes.
- On October 2nd, 2020, Foresight entered into a sales agreement with A.G.P./Alliance Global Partners pursuant to which the company issued and sold, during the year ended December 31st, 2020, an aggregate of 4,371,131 ADSs for aggregate gross proceeds of approximately $8.1 million.

Eye-Net Mobile:

- On March 17th, 2021**,** Eye-Net has signed its first commercial agreement with SaverOne, a leading technology company that offers a prevention system for distracted driving. The Eye-Net™ Protect accident prevention solution will be integrated with SaverOne's product, designed to prevent the use of texting applications by the driver while the vehicle is in motion.
- On March 12th, 2021, Eye-Net successfully completed a trial with a top global vehicle manufacturer. The trial is part of a pilot project with the Japanese vehicle manufacturer for possible integration into the vehicle manufacturer's smart city project.
- In February 2021, Eye-Net signed an agreement with WunderCar Mobility Solutions for the inclusion of its Eye-Net™ Protect solution in Wunder Mobility's Marketplace online platform. This agreement delivers a technology-based solution to mobility providers seeking to protect road users in the shared urban environment.
- Eye-Net Mobile also announced in February 2021 that it will conduct technological demonstrations over the 5G cellular network in collaboration with the innovation labs of a top multinational European cellular provider to test its Eye-Net™ Protect cellular-based vehicle-to-everything (V2X) accident prevention solution.

Rail Vision:

- On December 11th, 2020, Rail Vision Ltd Rail Vision entered the multi-billion-dollar electrically powered light rail vehicle market with an order for two system samples from Knorr-Bremse. Additionally, Knorr-Bremse ordered the customization of system features according to its requirements. Revenue from the sale is expected to total approximately 400,000 Euro.
- On October13th,2020, Knorr-Bremse invested additional $10M in Rail Vision (pre-money valuation of $50M); Foresight will hold 19.36% (16.49% in full dilution).
- On September 4th, 2020, Rail Vision announced that it signed a commercial agreement with an affiliate of Knorr-Bremse AG, a $17 billion Europe-based group. According to the agreement, Knorr-Bremse will supply Rail Vision's Assisted Remote Shunting systems to a leading European train operator for a total potential of 2.8M Euro with an additional option for 3.5M Euro.

Executive Summary

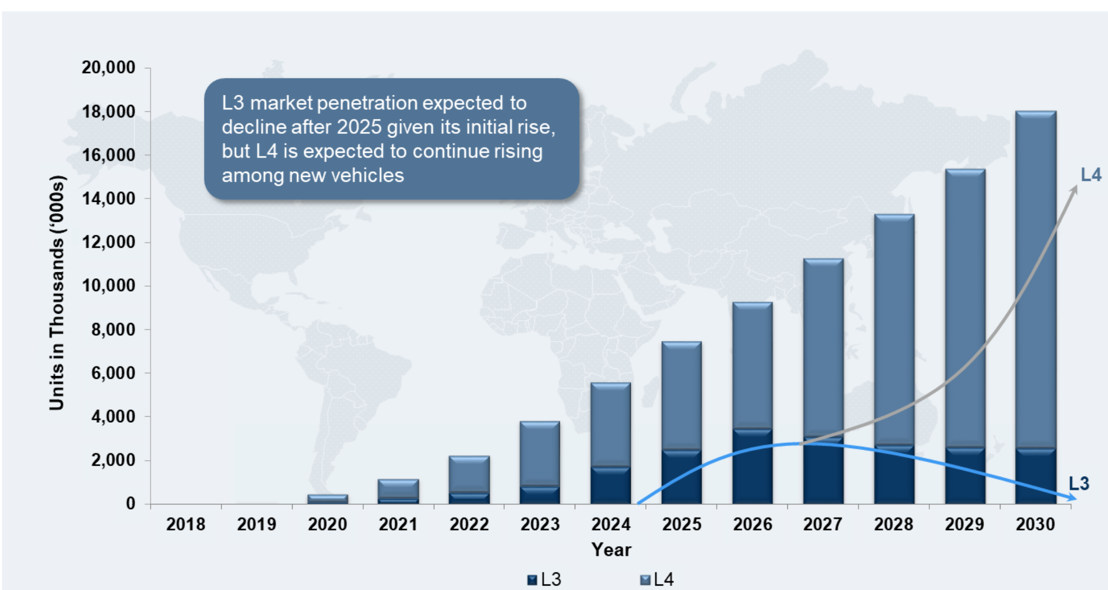
Investment Thesis

Foresight Autonomous Holdings Ltd. (NASDAQ and TASE: FRSX) is a technology developing smart multi-spectral vision software solutions and cellular-based applications. Through the company's wholly owned subsidiaries, Foresight Automotive Ltd. and Eye-Net Mobile Ltd., Foresight develops both "in-line-of-sight" vision systems and "beyond-line-of-sight" accident-prevention solutions.

Foresight's vision solutions include modules of automatic calibration, sensor fusion and dense 3D point cloud that can be applied to different markets such as automotive, defense, autonomous vehicles and heavy industrial equipment. Eye-Net Mobile's cellular-based solution suite provides real-time pre-collision alerts to enhance road safety and situational awareness for all road users in the urban mobility environment by incorporating cutting-edge AI technology and advanced analytics.. FRSX is also a 19.36% 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



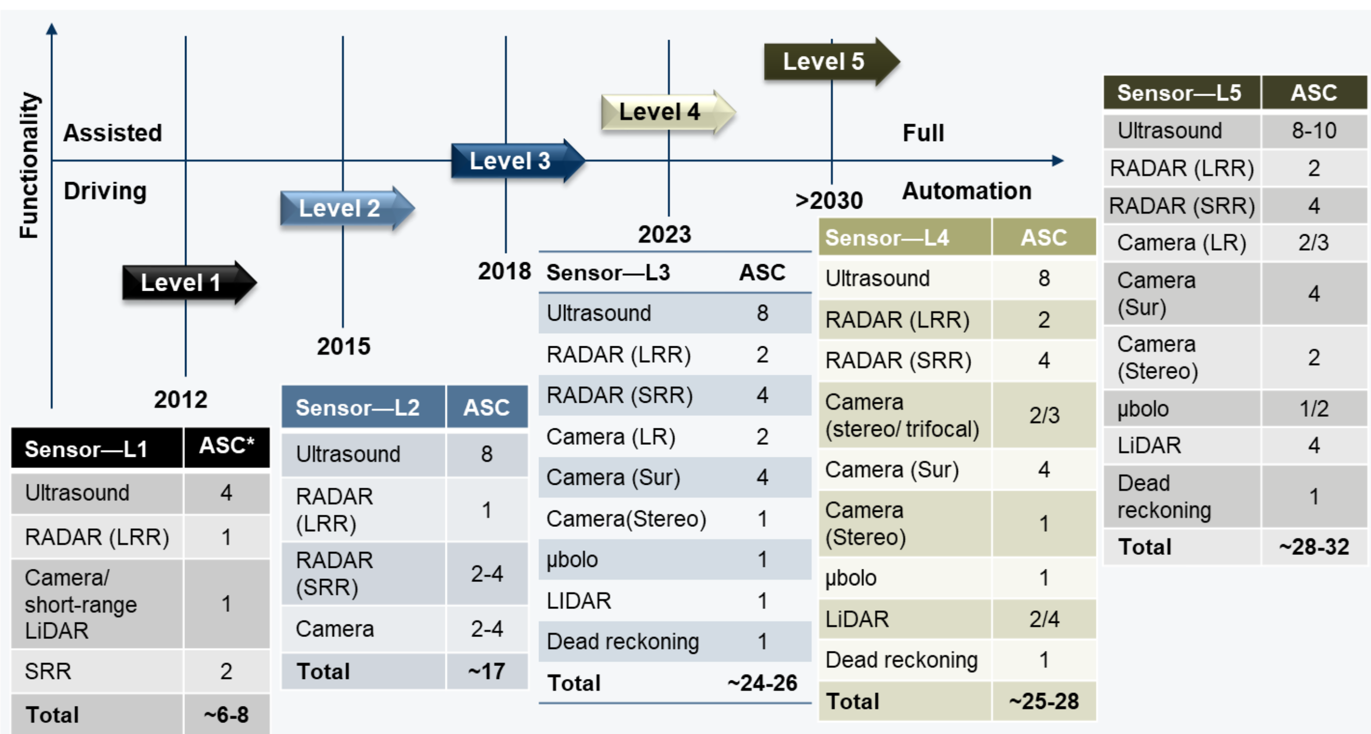
Note: All figures are rounded. The base year is 2018. Source: Frost & Sullivan

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



Sensor—L1	ASC*
Ultrasound	4
RADAR (LRR)	1
Camera/ short-range LiDAR	1
SRR	2
Total	**~6-8**

Sensor—L2	ASC
Ultrasound	8
RADAR (LRR)	1
RADAR (SRR)	2-4
Camera	2-4
Total	**~17**

Sensor—L3	ASC
Ultrasound	8
RADAR (LRR)	2
RADAR (SRR)	4
Camera (LR)	2
Camera (Sur)	4
Camera(Stereo)	1
µbolo	1
LIDAR	1
Dead reckoning	1
Total	**~24-26**

Sensor—L4	ASC
Ultrasound	8
RADAR (LRR)	2
RADAR (SRR)	4
Camera (stereo/ trifocal)	2/3
Camera (Sur)	4
Camera (Stereo)	1
µbolo	1
LiDAR	2/4
Dead reckoning	1
Total	**~25-28**

Sensor—L5	ASC
Ultrasound	8-10
RADAR (LRR)	2
RADAR (SRR)	4
Camera (LR)	2/3
Camera (Sur)	4
Camera (Stereo)	2
µbolo	1/2
LiDAR	4
Dead reckoning	1
Total	**~28-32**

*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 3. Initiate a co-development project with an OEM/ Tier One	High High	Q2 2021 Q3 2021
Rail Vision	4. Rail Vision 1st commercial agreement 5. Samples order for light rail vehicle market 6. Additional commercial agreement	High High High	H2 2020 √ H2 2020 √ Q3 2021
Eye-Net Mobile	7. Three pilot projects with leading Japanese multinational technology companies 8. Two commercial agreements 9. Two additional commercial agreements with a substantial number of users	High High High	H2 2020 √ Q1 2021 √ Q3 2021

Financial report for 2020

U.S. dollars in thousands

	Year ended December 31, 2020 (Unaudited)	Year ended December 31, 2019	Three months ended December 31, 2020 (Unaudited)	Three months ended December 31, 2019
Research and development expenses, net	(8,563)	(10,210)	(2,189)	(3,203)
Marketing and sales	(1,268)	(1,350)	(295)	266
General and administrative expenses	(3,005)	(3,469)	(793)	(803)
Operating loss	(12,836)	(15,029)	(3,277)	(3,740)
Equity in net loss of an affiliated company	(2,667)	(839)	(668)	(671)
Financing income (expenses), net	179	429	(19)	41
Net loss	(15,324)	(15,439)	(3,964)	(4,370)

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