EDISON

Biolight Life Sciences

IOPtima divestiture now in progress

IOPtima divestiture update

Healthcare equipment & services

The first part of the four-stage transaction for BioLight's IOPtima subsidiary to be sold to Chengdu Kanghong Pharmaceutical Group (Chengdu) has been completed, with Chengdu investing $7m directly into IOPtima for a 19% stake in the company. We estimate BioLight will receive about $12m in Q318 as part of the next stage and can now focus on advancing remaining key value drivers Eye-D VS-101 and TeaRx. We now obtain a risk-adjusted net present value (rNPV) valuation of NIS111.3-128.1m (versus NIS112.5-134.3m, previously).

Year end	Revenue (NISm)	PBT* (NISm)	EPS* (NIS)	DPS (NIS)	P/E (x)	Yield (%)
12/16	2.1	(26.3)	(5.37)	0.0	N/A	N/A
12/17	1.2	(26.6)	(5.29)	0.0	N/A	N/A
12/18e	0.7	(25.5)	(6.83)	0.0	N/A	N/A
12/19e	0.9	(26.5)	(7.10)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Cash infusions expected in next IOPtima deal stages

Chengdu intends to purchase the remaining IOPtima shares from the remaining shareholders (including BioLight) in three stages, each of which should lead to cash infusions to BioLight. The next stage is anticipated in Q318 and would involve Chengdu acquiring 41% of IOPtima shares from existing shareholders for $17.2m (about NIS60.7m), thus raising its stake to 60%. We estimate that BioLight will receive about $12m as part of this stage, and that it will receive between c $11m and $15.3m in total in the next two stages (slated for Q219 and Q221).

EyeD VS-101 could return to clinic in H218

We estimate that BioLight will have sufficient resources to resume development of the EyeD VS-101 latanoprost insert once it receives proceeds from the IOPtima sale. A Phase IIb study could start in H218, building upon the data reported in 2017 from the 77-patient Phase I/IIa study. There is a strong unmet need for continuous-dosage glaucoma medication delivery systems, given that many patients are elderly and may have compliance challenges with applying topical eye drops properly each day. We have pushed back our commercialisation timeline to 2021 (vs 2020 previously).

Valuation: rNPV of NIS111.3-128.1m

We have pushed back our launch timelines for Eye-D VS-101 and TeaRx by about one year, and have also rolled forward our estimates and adjusted certain cost and forex assumptions. We now obtain an rNPV valuation of NIS111.3-128.1m (versus NIS112.5-134.3m, previously). BioLight finished 2017 with NIS15.8m in net cash, but NIS6.5m is held at IOPtima, and c NIS3.5m is held at other subsidiaries. As BioLight prefers to avoid inter-corporate cash transfers, the parent company only had c NIS5.8m in net cash available at YE17 and hence, we forecast that BioLight will require NIS5m funding imminently to sustain its near-term operations, prior to the receipt of its first payment from Chengdu (corresponding to the second stage of the acquisition).

24 April 2018

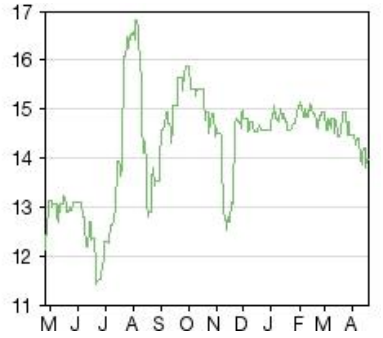
Price*	**NIS13.41**
Market cap	**NIS48m**

*Priced at 20 April 2018

NIS3.51/US$

Net cash (NISm) at 31 December 2017	15.8
Shares in issue	3.6m
Free float	33%
Code	BOLT
Primary exchange	TASE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(3.2)	(5.2)	35.0
Rel (local)	(2.1)	(1.9)	23.5

52-week high/low	NIS16.8	NIS11.3

Business description

Based in Israel, BioLight Life Sciences is an emerging ophthalmic company focused on the development and commercialisation of product candidates that address ocular conditions. VS-101 is directed towards the treatment of glaucoma and TeaRx is intended for use in dry eye diagnostics.

Next events

Start US pivotal study for TeaRx	H218
Start Phase IIb Eye-D VS-10 study	H218

Analysts

Pooya Hemami, CFA	+1 646 653 7026
Maxim Jacobs, CFA	+1 646 653 7027

healthcare@edisongroup.com

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First stage of IOPtima divestiture completed

BioLight announced on 29 March that the first stage of the agreement for the sale of IOPtima to Chinese pharmaceutical company Chengdu was completed, whereby Chengdu placed a direct investment of $7m into IOPtima for a 19% stake in the company. This values IOPtima at about $37m (including the added capital infusion). IOPtima had a net cash position of NIS6.48m (approximately $1.84m) at 31 December 2017. Prior to the Chengdu investment, BioLight (through its wholly owned XL Vision Sciences subsidiary) owned about 70% of IOPtima's share capital, and two investment funds held the majority of the remaining c 30%. Following the completion of the first stage, BioLight holds approximately 57% of the issued and outstanding share capital of IOPtima (and approximately 55% on a fully-diluted basis). In addition, Chengdu becomes the exclusive distributor for IOPtima's main product, IOPtiMate,[1] in China (historically the product's largest market) for at least three years.

Cash infusions expected in future IOPtima transaction stages

In the three subsequent stages of the IOPtima acquisition transaction, which are contingent on the fulfilment of several specified pre-conditions, Chengdu will purchase the remaining IOPtima shares from the remaining shareholders (including BioLight), which should lead to cash infusions to BioLight. The preconditions include the completion of certain IOPtima operational objectives including the renewal of IOPtiMate's registration with the Chinese Food and Drug Authority (CFDA), as well as the approval by the applicable Chinese authorities to permit the outflow of investment capital (and the associated forex conversions) to purchase assets outside of China (to allow for the payment by Chengdu for the acquisition of IOPtima shares at each stage).

The second stage of the transaction has been guided to occur within six months of the first. In this second stage, Chengdu would acquire additional shares in IOPtima from the existing shareholders (reflecting 41% of total shares outstanding) for $17.2m (about NIS60.7m), thereby raising its stake to 60%. Based on such metrics, IOPtima would be valued at about $42m by this point, and BioLight's equity ownership stake in IOPtima would be reduced to c 27-28%. If all other conditions are met, as we anticipate, we estimate that BioLight will receive approximately $12m in cash proceeds as part of this stage.

Up to $27.3m in total proceeds for IOPtima sale by mid-2021

In the two remaining stages, scheduled for Q219 and Q221, Chengdu would acquire the remaining shares in IOPtima (acquiring 20% in each stage), with the price to be paid determined using a pricing formula dependent on IOPtima's profitability and operational results (and that is calculated separately for each stage), and that can reflect an IOPtima valuation of between $40.5m and $56.25m. By the end of the fourth stage, Chengdu will have full ownership and control of IOPtima. If the transaction is completed in its entirety, BioLight expects that it will generate gross cash flow proceeds between $23m and $27.3m (ie by mid-2021).

Eye-D VS-101 now the lead driver of BioLight pipeline

With the divestiture of IOPtima well underway, BioLight is concentrating on its remaining pipeline development products, of which we believe Eye-D VS-101 holds the strongest market potential. The Eye-D VS-101 is an insert that is placed in the lower lid conjunctiva in an in-office procedure

[1] IOPtiMate is a proprietary carbon-dioxide laser-assisted sclerectomy (CLASS) device marketed by IOPtima for the treatment of glaucoma.

that delivers a controlled amount over several months of latanoprost, a widely used prostaglandin F2α analogue (PGA) that lowers intraocular pressure (IOP) in patients with glaucoma. The product is being developed as an extended-dose treatment for glaucoma by BioLight's ViSci subsidiary (of which it holds a 97% interest).

In July 2017, BioLight reported positive results from its 12-week Phase I/IIa study on Eye-D VS-101, which assessed 77 patients across 19 US clinical sites. The firm reported that a single placement of Eye-D VS-101 at one of the three tested doses provided a sustained reduction in diurnal IOP[2] of 24% at 12 weeks; in this arm baseline diurnal IOP was 23.5mmHg and 12-week diurnal IOP was 17.9mmHg. The firm reported that the VS-101 insert was well tolerated, and most adverse events were expected, and found to be mild and transient. The company has not yet specified whether there were any patient discontinuations/drop-outs and which specific adverse events occurred, but with any foreign body implant or insert, the risk of dry eye or mechanical corneal irritation is to be considered.

Unmet need for continuous-dosage glaucoma therapy

We believe there is a strong unmet need for continuous-dosage glaucoma medication delivery systems, given that many patients are elderly and may have difficulties applying topical eye drops properly each day. Okeke et al.[3] determined that 50% of glaucoma patients do not adhere to their regimen 75% of the time. Poor treatment compliance is associated with worsening glaucoma progression and to date, we are not aware of a viable approved continuous-dosage glaucoma drug delivery system. We continue to estimate a continuous glaucoma drug delivery system such as Eye-D VS-101 could target up to 30% of the glaucoma population, or up to 0.83 million people in the US, reflecting those patients poorly compliant with topical medication.

Next Eye-D VS-101 study could start in H218

We believe the next step for VS-101 development will likely be a larger Phase IIb study using as a base, the identified preferred dose found in the now-completed Phase I/IIa study. BioLight may seek to partner the product prior to starting the next study, or await further capital infusion (such as through the attainment of initial proceeds from the IOPtima sale), before embarking on starting such a study. Assuming the firm proceeds with this trial and is successful, we anticipate the following step would involve a pivotal Phase III under the 505(b)(2) regulatory pathway. Under 505(b)(2), the applicant may rely on much of the existing data already established on latanoprost, and hence the pivotal study would likely be shorter and less costly than what would be required for a new drug application or premarket approval.

Given that EyeD VS-101 has not yet begun further clinical studies since our 28 November 2017 update report, we are pushing back our development timelines. Whereas we had previously anticipated the start of Phase IIb studies in H118, with a possible Phase III trial starting by late 2018 or early 2019 (leading to US commercialisation in 2020), we now assume that BioLight will start the Phase IIb study in H218, and will spend c $7m in VS-101 R&D from mid-2018 through study completion in H219. We continue to assume a 505(b)2 development pathway, with BioLight partnering the product prior to the start of Phase III studies. We now estimate the Phase III study would start in H219 at the earliest, and that commercialisation would occur in 2021. We continue to assume that BioLight will be entitled to a 25% royalty on net sales.

[2] As IOP can fluctuate throughout the day, a diurnal measure comprising the mean average of threemeasures throughout the day (8:00am, 10:00am, and 4:00pm) was used to measure IOP across all study arms at all tested intervals.

[3] Okeke CO, Quigley HA, Jampel HD, et al. Ophthalmology. 2009;116:191–9

Competition in continuous-dose glaucoma market

While the early VS-101 Phase I/IIa data appears potentially promising, there are emerging competitive products under development for extended-dose glaucoma treatment. Many extended dose PGA-drug eluting platforms are in development, and several are at more advanced stages than Eye-D VS-101 and may reach the market more quickly.

Exhibit 1: Selected extended-dose glaucoma treatment platforms under development

Product	Company	Stage or status	Description	Notes
Bitamoprost SR	Allergan	Phase III underway	Biodegradable, intracameral (injection into anterior chamber angle) implant providing gradual release of bimatoprost (a PGA).	In Phase I/II study (n=75), a single administration maintained IOP reduction in 92% of patients at four months, and 71% at six months, with favourable efficacy and safety.
ENV515 (travoprost XR)	Envisia Therapeutics	Phase II underway	Biodegradable proprietary nanoparticle formulation of PGA travoprost, injected into anterior chamber, aiming for lower IOP for up to 6 months per dose.	Interim 11-month analysis of first Phase II study cohort showed sustained IOP reduction of 25% vs baseline and favorable safety, dose escalation phase of trial underway.
Helios insert (bimatoprost ring)	Forsight Vision5 (Allergan)	Phase II	Non-invasive ring that rests on ocular surface (under the eyelids) and slowly releases approved PGA (bimatoprost) over several months, to lower IOP.	Non-invasive nature of device a potential differentiator vs most other extended-dose products; Phase III study planned; 130-pt Phase II study showed mean IOP reduction of 4-6mmHg at 12 weeks, and sustained reduction at six months.
iDose	Glaukos	Phase II	Implant that is injected and secured in the anterior chamber, and designed to provide a sustained release of a PGA (travoprost) to lower IOP.	Data from interim cohort (n=74) of US Phase II study (n=154) reported in early 2018, showed a 30% reduction in IOP at 12 months. Company plans a 1,000-pt Phase III study in H118.
L-PPDS	Mati Therapeutics	Phase II	punctal plug (placed in nasolacrymal duct) that slowly elutes PGA drug latanoprost.	120-pt Phase II study assessing effect on IOP at 12-wks (NCT02014142).
OTX-TP	Ocular Therapeutix	Phase III planned	Depot placed non-invasively into punctum and designed to slowly deliver PGA travoprost onto ocular surface for upto 90 days.	First of two planned Phase III studies started in Oct 2016 (n=550), with IOP changes at weeks two, six, and 12 as primary endpoints; data expected in Q418.

Source: Edison Investment Research, company reports

Allergan's Bimatoprost SR is in Phase III studies but requires a more invasive injection into theocular globe (and not simply into conjunctiva, like VS-101); Envisia's ENV515 and Glaukos's iDose similarly use ocular injections. Some competing platforms use more recent approved PGA drugs like travoprost or bimatoprost.

A less invasive extended-dose treatment alternative is the Helios insert (ForSight Vision5, acquired by Allergan in August 2016 for $95m plus milestones), which is a ring that rests on the ocular surface and elutes bimatoprost. This insert is scheduled to enter Phase III trials shortly. Given positive Phase I/IIa data with prolonged IOP reduction and the non-invasive nature of EyeD VS-101 instillation, one could compare the Eye-D VS-101 programme's stage and status with that of the Helios programme at the time of its purchase by Allergan. The $95m amount paid by Allergan is decidedly above BioLight's current market capitalisation, although we highlight that the Helios insert had considerably more human data (251 human patients treated across three clinical studies) at the time of the Allergan deal.

Products inserted into the punctum (also relatively non-invasive) are Mati's L-PPDs and Ocular Therapeutix's OTX-TP. Ultimately, the success of VS-101 will depend on its competitive profile in terms of IOP-lowering and ease of application, and patient comfort compared to alternatives.

TeaRx assesses multiple dry eye biomarkers

BioLight's DiagnosTear subsidiary (of which it holds an 88% ownership interest) is advancing TeaRx, a rapid, semi-quantitative, point-of-care (POC) diagnostic providing a multi-assay analysis

of tear film constituents to identify and monitor patients with dry eye syndrome (DES). DES is a multifactorial, chronic and potentially progressive condition affecting up to 20 million people in the US[4] where the eye produces insufficient tears or tears with unbalanced composition. TeaRx is differentiated from most existing DES diagnostic tools[5] in that it provides a semi-quantitative objective measure (ie a scale of up to eight different ranges) of three separate biomarkers using a single 2µL patient sample of tear film. The system is relatively low cost as it does not require a dedicated core analysis system (unlike the TearLab systems, for instance).

TeaRx consists of a reusable tear collector (likely costing under $100), with single-use consumables being disposable sterile cartridges and multichannel test cassettes (MTCs); the company estimates that the combined cost of the provider of the per-use consumables (disposable cartridge and MTC), would be $10-20. After collecting 2µL of tears and performing test procedures (diluting, applying reagent, etc) and waiting about 10 minutes, a scaled score results for each of the three biomarkers. TeaRx also combines the score of the three biomarkers into a single DES severity composite score.

Companion diagnostic opportunity for TeaRx

In addition to POC in-office diagnostic testing, BioLight is positioning TeaRx as a potential companion diagnostic device to firms developing emerging DES treatment candidates. As DES is a multifactorial condition with different potential causes and contributors, which can possibly be identified through measuring different biomarkers, the TeaRx multi-parameter assay can potentially differentiate sub populations of responders and non-responders to the proposed DES drug treatment. DiagnosTear signed a services agreement in Q117 with an undisclosed pharmaceutical company, with DiagnosTear providing analysis services using the TeaRx multi-parameter diagnostic assays as part of a clinical trial for DES. BioLight indicates this contract agreement should provide revenue in the hundreds of thousands of NIS, and a positive gross margin, over the term of the services agreement (likely to be within 12 months), and that the product candidate is in Phase III studies. BioLIght is seeking additional companion diagnostic collaborations for TeaRx.

TeaRx guided to start US pivotal trial in H218

BioLight concluded two US clinical studies (in 2015 and 2016) comparing TeaRx's composite DES diagnostic measure with a composite of four established legacy DES assessment tests. The studies showed a strong positive correlation between TeaRx and the four applied tools, but the company will need to complete another US study prior to obtaining FDA 510(k) regulatory clearance. BioLight management indicates that it has received agreement from the FDA on the proposed protocol for this study, and plans to start the study in H218, which pushes back the potential US launch for TeaRx as a diagnostic tool into H219. We had previously modelled that a US launch could occur in H218.

The company recently completed an 82-patient TeaRx diagnostic study in the US (41 healthy subjects, 41 with DES) and expects to announce the results shortly. A CE Mark filing is anticipated by the company in 2018. Although the company may conduct a 'soft' launch in certain smaller European markets in 2018, we believe the firm plans to launch TeaRx in the larger European markets in conjunction with its planned US launch (H219), and hence we do not anticipate substantial TeaRx sales before H219.

[4] International Dry Eye WorkShop. 2007 report of the International Dry Eye WorkShop (DEWS). Ocul Surf. 2007;5:61-204.

[5] Such as TearLab's Osmolarity system (measuring tear osmolarity) and RPS Inc.'s InflammaDry (measuring inflammation marker Matrix metallopeptidase 9, or MMP-9).

Awaiting further advancement on Lipitear

In addition to the above, BioLight is also developing and commercialising Lipitear, a topical lubricant eye drop for DES. BioLight obtained worldwide rights (excluding Italy and Israel) to Lipitear in 2016. Lipitear is comprised of microemulsions of tiny beads of aqueous solution and phospholipids enveloped by a lipidic surface, which is believed to help protect the aqueous component from evaporation, potentially allowing for more sustained contact time and retention. The firm believes this structure enables the product to form a tear film-like elastic shield, controlling the evaporation of the tear film.

Lipitear has CE mark approval in Europe as a Class III medical device, and BioLight may seek clearance of the product as an OTC (over-the-counter) lubricant in the US, and potentially as a medical device or drug in China. To date, Lipitear has been commercialised in a limited number of European territories and there is limited data on the sales trajectory thus far.

BioLight is also investigating potentially applying the Lipitear vehicle as a drug delivery platform for active pharmaceutical ingredients, proposing that the product can increase contact time of the ingredient with surface, leading to potential slow drug release capabilities and improving compliance. The company is in preclinical work for applying the platform with potential anti-glaucoma drugs, for instance.

We continue to view the OTC and ocular lubricant sector to be highly competitive, and we note that several existing OTC artificial tear products combine both aqueous and lipid or hydrophobic components to delay evaporation (including Novartis's Systane Balance, Allergan's Refresh Optive and Ocusoft's Retaine MGD). We believe strong marketing activities are needed to obtain commercial success and we await further advancements (on commercial results or partnership strategy) before incorporating Lipitear into our forecasts.

2017 results reflect lower IOPtima sales activity

BioLight reported 2017 financial results in late March 2018, with 2017 revenue of NIS1.21m (down 43% year-on-year, y-o-y), an EBITDA loss of NIS26.8m (up 32% y-o-y), and a reported net loss of NIS26.8m (down 20% y-o-y). This 2017 net loss figure included NIS3.04m in losses attributable to non-controlling interests, including those attributed to the Micromedic subsidiary (BioLight owns 27% of Micromedic and consolidates its financials in its results). Excluding the non-controlling interests, the 2017 net loss attributable to BioLight shareholders was NIS17.3m.

While BioLight does not break down its revenue by product line or subsidiary, we estimate that as in prior periods, the large majority of reported 2017 revenue reflected IOPtima-related sales (including capital equipment sales and per-procedure recurring revenue).

IOPtima revenue declined y-o-y as its primary distributor for China suspended its continuing sales, due to IOPtima's ongoing negotiations at the time for it to be sold to Chengdu (who now becomes the new distributor in Asia given that the sale process has commenced). Hence, a majority of IOPtima sales in China were put on hold in 2017 pending the result of the IOPtima sale negotiations with Chengdu.

We believe that a small proportion of 2017 revenue (proportion undisclosed by the company) was recognised from the analysis services agreement entered by DiagnosTear (one of BioLight's subsidiaries, with an 88% ownership interest) with an undisclosed pharmaceutical company in February 2017. Under their agreement, the undisclosed partner will use DiagnosTear's TeaRx multi-parameter diagnostic assays as part of a clinical trial for DES. BioLight indicates this entire contract agreement should provide revenue of hundreds of thousands of Israeli shekels, and a positive

gross margin, over the term of the services agreement (which we estimate could last into early 2018).

Although BioLight consolidates the financial results of the Micromedic subsidiary in its financials, our forecasts do not include projections or considerations for Micromedic.

Valuation

As stated earlier, we have pushed back our development and launch timelines for Eye-D VS-101 and TeaRx. This results in lower R&D expenditure forecasts for 2018 (NIS16.0m vs NIS19.5m, previously) and higher forecasts for 2019 (NIS17.0m vs NIS13.2m, previously). After adjusting for population growth, we now also project that peak royalty revenue to BioLight from Eye-D VS-101 will be $72.3m in 2027 (vs $69.8m in 2026, previously), and peak sales for TeaRx will be $20.7m in 2026 (vs $19.8m in 202, previously). We have also reduced our G&A expense forecasts based on the reported 2017 financials.

Although there are conditions attached to the remaining stages of the IOPtima transaction, including operational objectives that must be met for the second (and subsequent) stages to proceed, we view most of these as customary for a transaction of this nature and in our view it is likely that the transaction will be completed as planned or guided by the company. That said, we continue to attach a discounted-factor analysis to the expected cash flows to BioLight as part of the different parts of the transaction.

The table below provides a summary analysis of the expected proceeds to BioLight and timing for stages two through four of the purchase transaction. We apply a 12.5% discount rate to these cash flows (for illustrative purposes only, the final column also shows the present value if a higher 25% discount rate is used). For stages three and four, for the assumed sales of BioLight's remaining IOPtima shares, we assume the mid-point of the IOPtima firm value range provided by the terms of the transaction ($48.38m, or midway between $40.5m to $56.25m figures provided by the firm). Based on this analysis, we estimate that the total non-discounted proceeds to BioLight from the sale of its IOPtima stake would be $25.3m. Using a 12.5% annual discount rate, that the discounted proceeds would be $22.2m (NIS78.1m).

Exhibit 2: Assessment of cash flows to be received as part of IOPtima sale to Chengdu

Transaction stage	Period	Estimated ownership (%) of IOPtima held by BioLight before sale*	Estimated change in BioLight's IOPtima stake (%)*	Non-discounted cash proceeds ($m)	Proceeds discounted at 12.5% pa	Proceeds discounted at 25.0% pa
2	Q318	56	28.5	12.0	11.7	11.3
3	Q219	27.5	13.75	6.65	5.9	5.3
4	Q221	13.75	13.75	6.65	4.7	3.4
Total			**56**	**25.30**	**22.2**	**20.1**

Source: Edison Investment Research. Note: *Expressed as a percentage of total IOPtima shares outstanding

We have not changed our peak market share forecasts for TeaRx and Eye-D VS-101, although we have rolled forward our forecasts by two quarters.

Exhibit 3: BioLight Life Sciences rNPV assumptions

Product contributions (net of R&D costs)	Indication	rNPV (NISm)	rNPV/share (NIS)	Probability of success	Launch year	Peak sales (US$m)
VS-101 (97% weighted)	Glaucoma	123.2	33.91	30.0%	2021	$72.3 in 2027
TeaRx (88% weighted)	DES diagnosis	26.3	7.25	50.0%	2019	$20.7 in 2026
Corporate costs & expenses						
SG&A expenses		(56.9)	(15.66)			
Net capex, NWC & taxes		(54.3)	(14.94)			
Discounted value of future IOPtima sale proceeds		78.1	21.49			
Value of Micromedic shares (MCTC, TASE)*		3.1	0.85			
Total rNPV		119.6	32.90			
Net cash (debt) (Q417) excluding net cash held by IOPtima subsidiary		9.3	2.55			
Total equity value**		128.9	35.45			
FD shares outstanding (000) (YE17)		3,634				

Source: Edison Investment Research. Note: *5.29m shares held with 17 April 2018 price of NIS0.585 per share. **Excludes the impact from any dilution resulting from any future equity offerings.

We continue to apply an rNPV model with a 12.5% cost of capital. For both Eye-D VS-101 and TeaRx, we provide a weighted rNPV based on BioLight's ownership of the associated subsidiary company. After including the discounted proceeds from the IOPtima sale in our valuation, rolling forward our forecasts, and adjusting forex assumptions (and the public market value of held Micromedic shares), we now obtain an rNPV of NIS111.3-128.1m (vs NIS112.5-134.3m, previously). We assume that that none of the cash currently held at IOPtima will be returned to BioLight following the completion of the Chengdu transaction. Hence, the net cash position (NIS9.3m at Q417) used in our equity valuation calculation now excludes the amount of net cash held at the IOPtima subsidiary (NIS6.48m at Q417).

Financials

BioLight expects to cease consolidating its financial reports with those of IOPtima once the second stage of the divestiture transaction is completed, we no longer project any IOPtima-related revenues and expenses in our forecasts starting in Q318.

BioLight finished YE17 with NIS15.77m in net cash (NIS15.36m cash and equivalents and NIS0.41m in short-term deposits). However, as stated above, NIS6.48m of this cash is held at IOPtima, and in addition, NIS2.85m is held at Micromedic and NIS0.66m is held at other BioLight subsidiaries. As BioLight prefers to avoid inter-corporate cash transfers to the parent company, its corporate level only had c NIS5.77m in net cash available at YE17. Hence, we believe that BioLight is likely to need funds imminently, to fund its near-term operations, prior to obtaining its first payment for Chengdu (corresponding to the second stage of the acquisition). BioLight is not scheduled to receive any proceeds from the IOPtima sale until mid-2018.

BioLight had a 2017 operating cash burn rate (including all subsidiaries) of NIS25.8m, and we forecast its 2018 burn rate will be similar. We now model that BioLight will raise NIS5.0m in the form of debt funding in the coming weeks to maintain operating flexibility until Q318, when we project it to receive $12m from the sale of (estimated) half of its current position in IOPtima. Once proceeds are received from the second tranche of the IOPtima sale, we do not expect further funding to be needed to support BioLight's development programs (we expect VS-101 to be launched in 2021 and BioLight would subsequently generate sustainable positive cash flows).

Exhibit 4: Financial summary

NIS000s	2015	2016	2017	2018e	2019e	2020e
31-December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue	1,391	2,111	1,209	700	892	7,612
Cost of Sales	(734)	(996)	(759)	(420)	(402)	(3,425)
Sales, General & Administrative	(11,956)	(10,360)	(12,424)	(7,640)	(7,903)	(9,479)
Research & Development	(13,045)	(10,982)	(14,794)	(16,000)	(17,000)	(5,800)
EBITDA	(24,344)	(20,227)	(26,768)	(23,360)	(24,413)	(11,092)
Depreciation	(1,306)	(3,190)	(351)	(2,400)	(2,400)	(2,400)
Amortization	0	0	0	0	0	0
Operating Profit (before exceptionals)	(25,650)	(23,417)	(27,119)	(25,760)	(26,813)	(13,492)
Exceptionals	(2,475)	(7,357)	(207)	0	0	0
Other	0	0	0	0	0	0
Operating Profit	(28,125)	(30,774)	(27,326)	(25,760)	(26,813)	(13,492)
Net Interest	543	(2,836)	483	230	326	165
Profit Before Tax (norm)	(25,107)	(26,253)	(26,636)	(25,530)	(26,487)	(13,328)
Profit Before Tax (FRS 3)	(27,582)	(33,610)	(26,843)	(25,530)	(26,487)	(13,328)
Tax	0	0	0	0	0	0
Profit After Tax and minority interests (norm)	(16,784)	(14,467)	(17,053)	(24,822)	(25,815)	(13,544)
Profit After Tax and minority interests (FRS 3)	(19,259)	(21,824)	(17,260)	(24,822)	(25,815)	(13,544)
Average Number of Shares Outstanding (m)	2.4	2.7	3.2	3.6	3.6	3.6
EPS - normalised (NIS)	(6.96)	(5.37)	(5.29)	(6.83)	(7.10)	(3.73)
EPS - normalised and fully diluted (NIS)	(6.96)	(5.37)	(5.29)	(6.83)	(7.10)	(3.73)
EPS - (IFRS) (NIS)	(7.98)	(8.10)	(5.35)	(6.83)	(7.10)	(3.73)
Dividend per share (NIS)	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET						
Fixed Assets	9,832	5,282	4,903	(31,415)	(50,777)	(52,177)
Intangible Assets	6,869	3,910	3,910	(38,247)	(61,610)	(61,610)
Tangible Assets	2,963	1,372	993	6,832	10,832	9,432
Current Assets	53,439	30,031	19,860	29,097	22,791	11,144
Short-term investments	385	417	412	412	412	412
Cash	50,697	25,057	15,355	28,685	21,319	6,562
Other	2,357	4,557	4,093	0	1,059	4,170
Current Liabilities	(6,605)	(6,988)	(7,259)	0	(147)	(644)
Creditors	(6,605)	(6,988)	(7,259)	0	(147)	(644)
Short term borrowings	0	0	0	0	0	0
Long Term Liabilities	(9,605)	(11,915)	(9,473)	(14,473)	(14,473)	(14,473)
Long term borrowings	0	0	0	(5,000)	(5,000)	(5,000)
Other long term liabilities	(9,605)	(11,915)	(9,473)	(9,473)	(9,473)	(9,473)
Net Assets	47,061	16,410	8,031	(16,791)	(42,606)	(56,150)
CASH FLOW						
Operating Cash Flow	(24,580)	(24,106)	(25,801)	(25,818)	(24,653)	(13,922)
Net Interest	543	(2,836)	483	230	326	165
Tax	0	0	0	0	0	0
Capex	(182)	(370)	(117)	(8,239)	(6,400)	(1,000)
Acquisitions/disposals	(837)	(227)	(402)	42,157	23,362	0
Financing	47,320	2,554	10,976	0	0	0
Net Cash Flow	22,264	(24,985)	(14,861)	8,330	(7,365)	(14,757)
Opening net debt/(cash)	(28,604)	(51,082)	(25,474)	(15,767)	(24,097)	(16,731)
HP finance leases initiated	0	0	0	0	0	0
Other	214	(623)	5,154	0	0	0
Closing net debt/(cash)	(51,082)	(25,474)	(15,767)	(24,097)	(16,731)	(1,974)

Source: BioLight Life Sciences reports, Edison Investment Research. Note: The reported financial results (from 2017 and earlier) consolidate Micromedic's financials, and forecast financial results (2018e and beyond) do not include Micromedic operations.

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
295 Madison Avenue, 18th Floor
10017, New York
US

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia

Tel Aviv +44 (0)20 3734 1007
Medinat Hayehudim 60
Herzilya Pituach, 46766
Israel