FROST & SULLIVAN
INDEPENDENT EQUITY RESEARCH

Q1-2018 Update Report

21 June, 2018

VONETIZE

Agreements signed with content providers expand operations to the US, LATAM, Africa, CIS and Europe; purchase of controlling interest by Desilu Studios Inc. materially confirms market potential for its product; target price raised to NIS 1.85

Primary Exchange: TASE

Ticker: TLV: VNTZ

Sector: ICT

Industry: VOD/OTT

Data as at 7 May, 2018
(Source: TASE)

Closing price: NIS 1.48

Market cap: NIS 57.4M

# of shares: 37,984,489

Stock performance (Y.T.D.): 2.63%

Daily-trading-vol. (12 mos.): NIS 356K

Stock target price: NIS 1.85

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Company Overview

Vonetize PLC offers video on demand (VOD) and over-the-top (OTT) content services, and technology platforms as fully-managed services for set-top boxes, smartphones, smart TVs and other Internet-connected devices. The company offers multiscreen end-to-end video content solutions including premium content from Hollywood studios; cloud-based digital video delivery of live and VOD content; content management systems; billing; CRM; and marketing/business intelligence (BI) analysis systems. Headquartered in Israel, the company is also active in Latin America, Africa, the US and Europe. Vonetize has been listed on the Tel Aviv Stock Exchange (TASE: VNTZ) since July 2016. It was established and incorporated in Cyprus as Pixelate T.V. Ltd. in April 2011, and rebranded in February 2016.

Highlights & Analysis

Vonetize released its annual report on 29 March, 2018 detailing the following:

Agreement signed with Roku Inc. (NASDAQ: ROKU) for the integration of Vonetize's services into set-top boxes and televisions imbedded with Roku's technology.

- Roku is a major player in the industry offering services such as Hulu, Netflix, and Channel Bollywood. In all, viewers spend 1.5 billion hours a month viewing its content.
- Roku's main market is in the US, but also has a well-established presence in Western Europe and Latin America.

Desilu Studios Inc. purchased control of Vonetize at a very high premium on the share price prior to announcement.

- As reported in an Immediate Update report dated 12 March, 2018, the purchase arrangement is comprised of two phases.
  - Under the first phase, 10% of the shares will be purchased immediately in cash (representing a valuation of NIS 174M / $50M).
  - Under the second, up to 15.5 million shares (approx. 44% of total shares) will be acquired under a share swap after Desilu has completed an IPO, or equivalent.

We increase Vonetize's equity value to $20.1M / NIS 70.3M corresponding to a target price ranging between NIS 1.75 and NIS 1.96; a mean of NIS 1.85.

- Revenues for 2017 totaled $1.3M an 85% increase on those during 2016, this was mainly due to an increase in revenues in Brazil and Israel, the latter being a result of the Triple C agreement. Which has since been annulled.
- The company's equity as at 31.12.2017 decreased by $4M, mainly due to higher liabilities taken on during 2017.
- The company's accountants voiced concern with the company's current assets to current liabilities ratio.

Parameters	2016A	2017A	2018E	2019E	2020E
Revenues ($K)	728	1,344	3,658	6,071	8,625
Operating profit (loss) ($K)	-5,738	-5,699	-2,124	166	1,551
EPS ($)	-0.21	-0.16	-0.05	0.00	0.14

Updates for Q4-2017

2017 Annual Financial Results

Revenues for 2017 totaled $1.3M an 85% increase on those during 2016, this was mainly due to an increase in revenues in Brazil and Israel, the latter being a result of the, recently annulled, Triple C and Gidol deal.

Cost of Revenues totaled $3.9M for 2017 a 22% increase from 2016. The increase can be primarily attributed to write-downs and provisions made by the Company, changes in reclassification of contractors, a decrease of $215K, and a real increase in content costs resulting from a direct increase in sales.

Research & Development expenses totaled $1.2M in 2017, a decrease of 3% from 2016. The decrease is negligible, and makes for non-substantive inference.

Sales, Marketing, General and Administrative expenses totaled $2.5M for 2017, an increase of 3% on S&M and G&A expenses for 2016. The increase is negligible, and makes for non-substantive inference.

Net Loss for 2017 totaled $5.6M, a decrease of 6% on the loss incurred for 2016. This progress can be attributed to the increase in revenue and relative stability in incurred expenses outlined above. Net loss is comprised of operating loss (the sum of the figures listed above, which totaled $5.7M in 2017 a decrease of 1% from 2016), financial income (which totaled $23K for 2017, an increase of 110% from 2016), and income tax (which totaled $15K for 2017 and solely concerns the activities of the Company's US-based subsidiary).

Net cash totaled $911K at 31 December, 2017 compared with NIS $1.9M at 31 December, 2016. This decrease is derived mainly from the acquisition of rights and content, current general and administrative activity, and a debt to capital raising deficit.

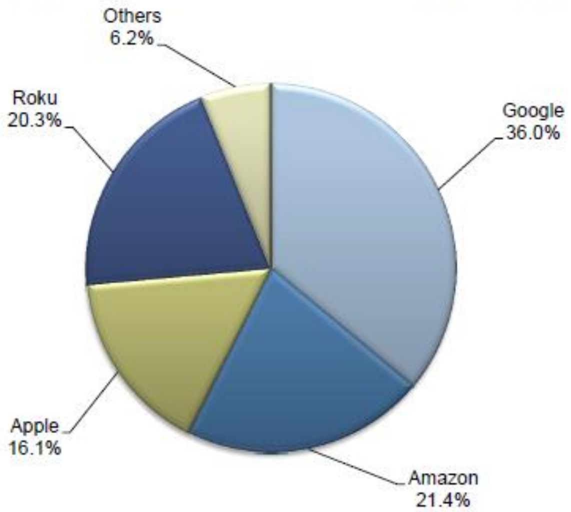
Net cash used in operating activities throughout 2017 totaled $5.7M, this was an increase of about $1.5M from 2016, and is primarily attributable to increased acquisitions of content.

Analysis of Significant Milestones over the past 12 months

While Vonetize operates in a highly competitive environment, it aims to become a market leader in the provision of VOD and Internet Protocol Television (IPTV).

The distribution agreement with Roku has expanded reach to lucrative markets in the US and Western Europe, and provided for an additional distribution channel in LATAM. Various agreements with leading global OEMs have expanded Vonetize's presence in the SmartTV segment in LATAM, particularly Mexico and Brazil. The agreement signed with Roku, is a game changer for Vonetize. According to Frost & Sullivan, Roku has an impressive market share of 20.3% in the global Media Streaming Devices market.

Media Streaming Devices Market: Percent of Unit Shipments, Global, 2017



*"Other" companies include NetGear, Nvidia, TiVo, Western Digital, Xioami, etc..

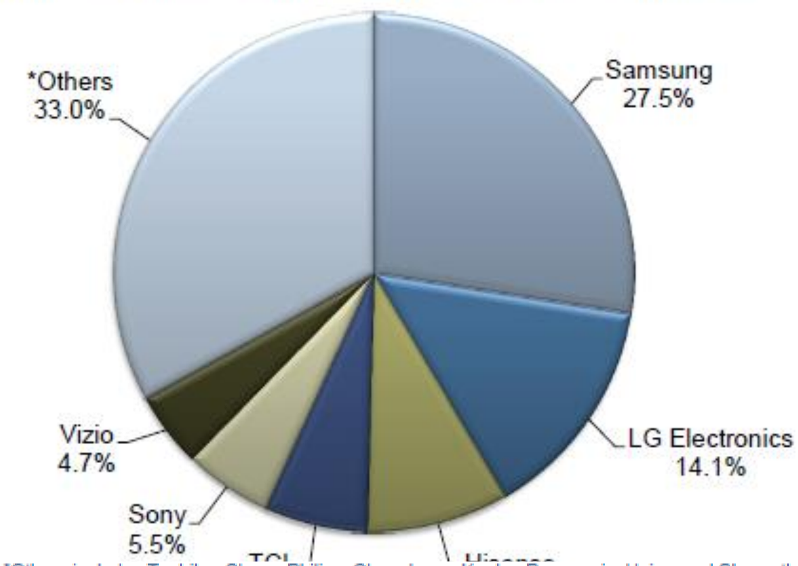
Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan

Samsung: Vonetize's SmartVOD application is pre-installed on Samsung Smart TVs in Israel, Brazil, and Mexico.

Vonetize reported the conclusion of a unique joint venture with the Film and Content Studio Warner Brothers and the television OEM, Samsung. According to the agreement Vonetize has the right to broadcast, as of January 25, 2018, the studio's new films, via the manufacturer's smart TV applications in Brazil and Mexico via 4K-HDR.

LG: Vonetize's SmartVOD application is pre-installed on LG Smart TVs in Israel and Brazil.

Smart TVs Market: Market Share by Units, Global, 2017



*Others includes Toshiba, Sharp, Philips, Changhong, Konka, Panasonic, Haier, and Skyworth
Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan

TCL and others: On January 16, 2018, it was announced that Vonetize had signed an agreement with respect to the distribution of its services with Fuxxum, which is developing a Smart TV platform. According to information provided by Fuxxum, this will mean Vonetize's product will be pre-installed on approx. 1.5 million TVs in Latin America covering brands such as; TCL, Sanyo, Daewoo, Hitachi, and Toshiba.

In March 2018, Desilu Studios Inc. purchased control of Vonetize by committing to acquire a total stake of up 54% in the company at a high premium on the share price prior to announcement. The deal is in two stages: 10% now for cash and 44% in a share swap when Desilu lists for trading in the US.

> **Stage (1)** Desilu is buying its stake from CEO Noam Josephides (29%), CTO Oren Levy (10.2%) and Director Dean Salomon (13.5%). Under the sale agreement, Desilu buys 10% of the shares for cash at a valuation of $50 million (NIS 174 million), effective immediately.
>
> **Stage (2)** In the second stage, Desilu plans to list for trading in the US and to buy the remaining 44% of the controlling shareholders' shares in Vonetize through a share swap.

Josephides and Salomon will continue in their posts. The buyer has committed to vote in favor of employing the current controlling shareholders for a minimum period of 36 months.

Desilu was founded as Desilu Productions by husband and wife Desi Arnaz and Lucille Ball. Among its productions are "I Love Lucy", "Star Trek", and "The Untouchables". Desilu is currently estimated to be worth $2 billion.[1] It is headed by billionaire Charles B. Hensley, and based in Los Angeles. Desilu says that its technology arm in its Los Angeles post production facilities will work closely with Vonetize's team to innovate and fully integrate the technology, which the studio plans to include as a driving force in many facets of its operations, from direct to consumer content offering to interactive experiences and digital commerce.

We view Vonetize as an opportunity for long term growth as a small-sized company in the fast-growing VOD/IPTV space, wherein the investment entails the typical risks associated with an early-stage company.

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[1] Globse, 18 March, 2018

We increase Vonetize's equity value to $20.1M / NIS 70.3M corresponding to a target price ranging between NIS 1.75 and NIS 1.96; a mean of NIS 1.85.

Stock Movement (12 months)

Executive Summary

Vonetize is active in the Video on Demand (VOD) and, more recently, the Over-The-Top (OTT) television markets. The company's platform enables internet streaming, billing and monetization on any connected device, and includes video content licensed for distribution in 59 countries. Its vast library of video content includes Hollywood films, TV Series, niche genres, and local content.

Products

The company's flagship SmartVOD is an end-to-end solution that includes front-end client applications, content management systems, user management, and CDN infrastructure (supporting 3D, 4K), Digital Rights Management (DRM), billing, and customer service.

During May 2017, the company announced a new offering, its Smart solution that is based on its SmartVOD with the addition of live TV channel delivery and cloud recording/catch-up capabilities. The result is a "TV Everywhere" model that enables full IP-based pay-TV, wherein users can access video content across multiple platforms, including on the internet, set-top boxes, mobile devices and smart TVs through Vonetizes' applications.

Business Models

Vonetize operates under B2B business models, partnering with Communications Service Providers (CSPs) and consumer electronics manufacturers. Vonetize cooperates with these players to pre-install and bundle its service to end-users as a mobile application or as full solution imbedded on Smart TVs, set-top boxes or other internet-connected devices. The company has a growing B2C model, offering its SmartVOD product directly to mobile subscribers via the Google Play and Apple app stores.

Target Markets

Vonetize aims to become a market leader in the provision of VOD and IPTV, primarily in emerging countries, with a current focus on Africa and Latin America. In addition, it is focused on Israel, which provides a large base of subscribers as well as a beta-site (a sample group of early-adoptive end-users for the testing of new products prior to global commercial release). In 2017, and early 2018, the company made significant strides to enter the coveted US market by signing distribution and purchase agreements with Roku Inc. and Desilu Studios Inc. respectively. Progress has been made to enter the Russian market, and to expand operations in Latin America. Finally, the agreement with Roku additionally provides the company with an initial opportunity to access the lucrative Western European market.

Frost & Sullivan forecasts that Internet will continue to be the largest and fastest growing segment for VOD subscribers. However, it should be noted that Vonetize operates in a highly competitive global environment, which includes a large number of B2B and B2C players that are providing content for viewing on smartphones, smart TVs, tablets, and other Internet-connected devices.

Vision

Vonetize aims to be a market leader in premium video content solutions, primarily in emerging markets where the company has identified the greatest potential in terms of adequate technology infrastructure and positive competitive conditions.

Towards this goal, Vonetize provides an end-to-end solution that comprises premium and local video content, as well as an integrated technology platform. The latter includes, but is not limited to, pre-installed VOD applications on smart TVs and other devices, live streaming applications, cloud-based digital video recording, content management systems, streaming, billing and multiscreen support for a range of devices.

Strategy

Vonetize's strategy is to position itself first and foremost as a B2B player. Accordingly, CSPs and consumer electronics manufacturers pay the marketing expenses, while Vonetize is responsible for delivering the product, content, management and operational know-how.

To realize their strategy, the company is intent on:

- Focusing on faster time-to-market in emerging markets with VOD / IPTV offerings
- Securing licenses for new content (especially new movies from major studios) within a relatively short time of their being distributed to theaters, and before they are authorized for distribution by competitors
- Maintaining technological and business flexibility, by enabling video delivery via a wide range of devices, and supporting diverse monetization and payment models
- Developing, partnering, and acquiring new technologies

Geographically, Vonetize is currently focused on Israel, the United States, and to a certain extent Western Europe. Another major focus of the company is emerging markets in the CIS, Africa and Latin America, where demand is growing for content services. Especially in Africa, viewers will adopt VOD directly, expediting the technology adoption curve past traditional television. In the future, the company intends to expand its presence in the above markets and possibly enter the Asia-Pacific and India.

While Vonetize is currently distributing mainstream content, the company is contemplating diversification into content such as music, original productions, and games.

Contents

Market Analysis

Market Overview

Vonetize is active in the Video on Demand (VOD) and, more recently, the Internet Protocol Television (IPTV) markets.

VOD allows users to select and view video content such as movies and TV shows at their convenience, rather than at scheduled broadcast times. IPTV refers to television content that is delivered via Internet Protocols (IP), rather than terrestrial, satellite, and cable television technologies.

Vonetize's video content is delivered as Over-The-Top (OTT) media. OTT refers to content that is transmitted over Communications Service Provider (CSPs') IP networks to devices such as mobile phones, PCs, and Smart TVs. These CSPs do not have control over, or distribute the content; nonetheless, in the majority of cases, CSPs are essential to the VOD and IPTV ecosystems, as they provide data bundles for online video and TV streaming.

In addition to partnering with CSPs, Vonetize partners with consumer electronics manufacturers to deliver premium video content.

Geographically, the analysis will be focused on emerging markets (Africa, Russia and Latin America) as well as the United States. Aside from its home market in Israel, these are the main target regions for Vonetize.

Market Need

More and more subscribers are seeking reasonably-priced but rich VOD and IPTV content, and service providers are responding with more content, flexible payment models, and operability across more devices and operating systems.

As a result, video content is increasingly delivered over the internet. According to a recent Frost & Sullivan report: "Internet will continue to be the largest and fastest growing segment for VOD subscribers and titles throughout the forecast period because of changing consumer behaviors and viewership patterns and improving accessibility to reasonably priced VOD service packages with rich catalogues."

Both VOD and IPTV offer subscribers the flexibility they seek in selecting and viewing content across a range of devices (including mobile phones, smart TVs, PCs, and Tablets), rather than via the traditional option of viewing scheduled broadcast television programs.

Market Sizes & Growth Rates

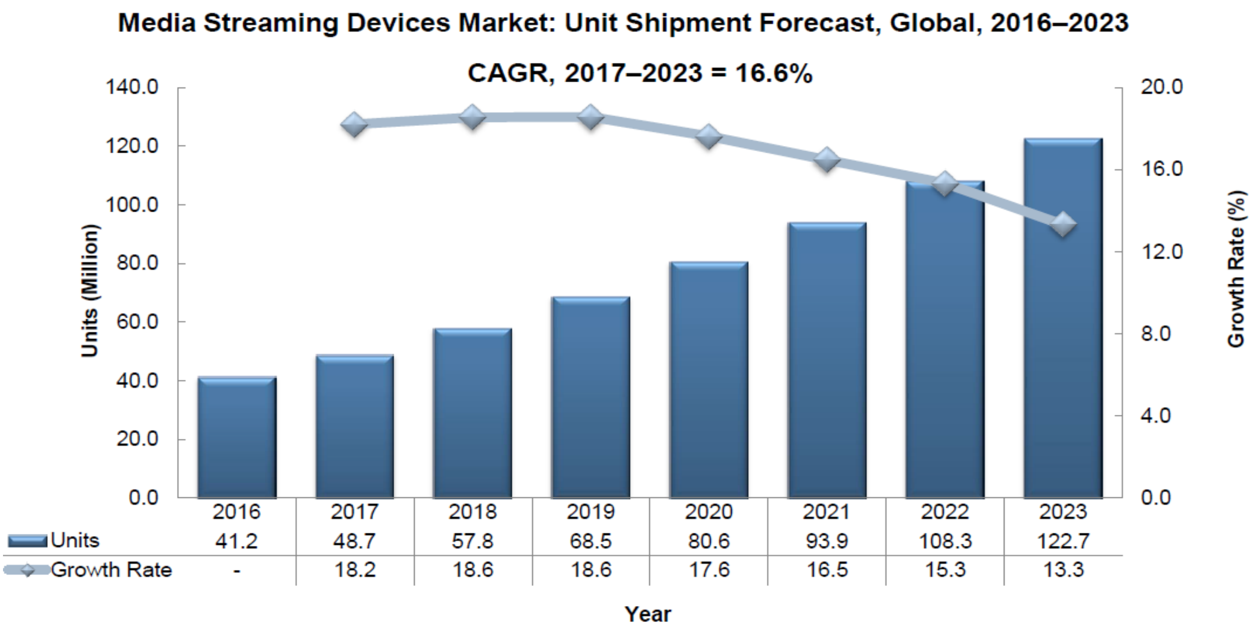
VOD Market: Forecast by Number of Subscribers

Frost & Sullivan estimates that the VOD market is on-track to become the principal viewing platform for stored television and film content. By the mid-2020s traditional television will transition into a more limited platform exclusively for live programming such as news, sport, and the arts. This will significantly decrease the substitutes with which VOD currently competes. The VOD market is valued at $43.4 billion in 2017, and is forecasted to grow at a CAGR of 8.4% to $57.7 billion by 2022.

Media Streaming Devices Market: Forecast by Number of Units Shipped

Frost & Sullivan expects unit shipments for the global media streaming devices market to increase from 48.7 Million in 2017 to 122.7 Million in 2023, at a compound annual growth rate (CAGR) of 16.6%. The high market share concentration among the top four global vendors–Google, Amazon, Roku, and Apple–creates a strong marketing barrier to entry for new participants and is eroding margins for existing products in the market. Business disputes, such as Amazon not selling Apple/Google streaming products for a time, and

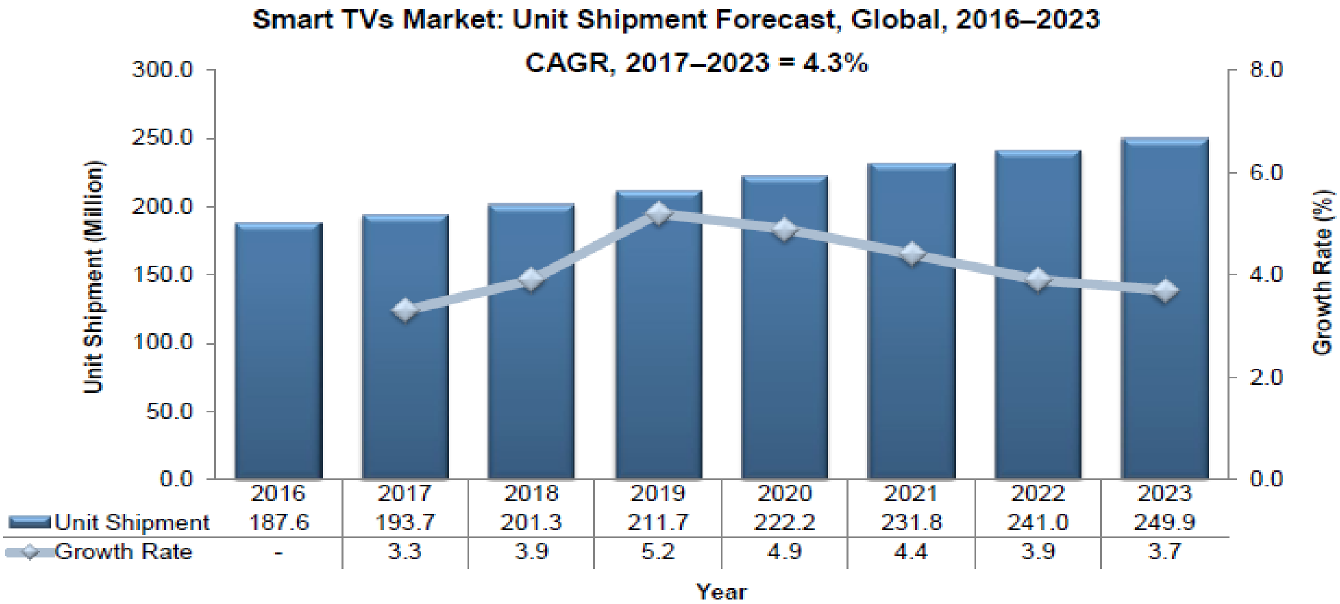
Apple not having access to Amazon video until late 2017, encourages consumers to stick to particular ecosystems, though vendors like Roku remain neutral. The US is still the single largest market for media streaming devices as accompanying services, such as Amazon, Hulu, and Netflix, launched first in the region.



Source: Frost & Sullivan

Smart TVs Market: Forecast by Number of Units Shipped

Frost & Sullivan estimates the global SmartTV market at 201.3 million units shipped for 2017, a market value in excess of $200 billion, with a CAGR of 4.3% in the forecast period (2017-23) Frost & Sullivan estimates the market to exceed $250 billion in value by 2023. The market is being particularly driven by 4K/HDR adoption.



Source: Frost & Sullivan

OTT Market: Forecast by Revenue

Global OTT TV and video revenues are expected to total $64.78 billion in 2021. As Vonetize is focused on the Latin American and Sub-Saharan African markets, it is important to note that:

- Latin American revenues will more than double between 2016 and 2021, forecasted to reach $3.6 billion.

- Revenues will increase by a factor of approximately 13 between 2016 and 2021, expected to reach $467 million.[2]

Moreover, SVOD will become the largest revenue source in 2020 (growing from $9.9 billion in 2015 to $21.6 billion), overtaking AVOD that is expected to reach $21 billion by 2020.[3]

African Market

Africa is a “mobile-first” continent. Mobile Internet subscriber penetration in Africa was 25% in 2015, and is expected to increase to 41% by 2020. Percentages in Sub-Saharan Africa were similar with 24% in 2015, which is expected to increase to 39% by 2020.[4] The number of smartphone connections has almost doubled over the last two years and totals 226 million. According to the GSMA, 500 million additional smartphone connections are expected in Africa by 2020.[5] According to Vonetize’s estimations, Africa will provide a potential market of 600 million subscribers over the next two years.

LATAM Market

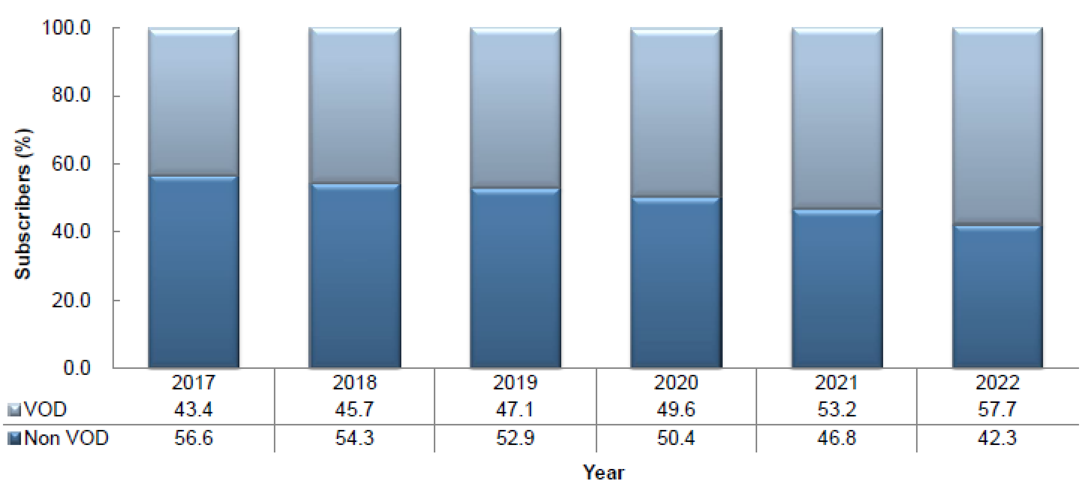
In contrast to Africa, Latin America is not a "mobile-first" continent. Instead, smart TVs, tablets, laptops, and broadband Internet set the stage. According to a survey conducted by Smartclip, with LG and Nielsen: Brazil has 16 million smart TVs, and nearly half of all smart TV viewing in Brazil is for VOD content.[6]

The GSMA forecasts 450 million mobile Internet subscribers in LATAM by 2020. Mobile subscriber penetration is forecast to increase from 65% of the region’s population in 2015 to 78% by 2020. But, percentages vary widely by country, from as low as 28% in Cuba, to above 90% in Argentina, Chile and Uruguay.[7]

In a study covering 18 Latin America countries, OTT TV and video revenues were expected to reach $3.6 billion in 2021, more than three times the revenue recorded 2015. Moreover, SVOD will remain the region’s largest OTT revenue source over the next five years, contributing $2.1 billion by 2021.[8]

In Brazil, the largest LATAM market, the VOD market C.A.G.R. is particularly strong at 8.4% as Pay TV providers begin to offer the service to improve customer experience and loyalty.

Pay TV Services Market: Percent Subscribers Forecast by Type, Brazil, 2017–2022



Trends & Drivers

Note: All figures are rounded. The base year is 2017. Source: Frost & Sullivan

[2] Broadband TV News. *Global OTT TV and video revenues to generate $65 billion*. July 2016.
[3] Broadband TV News. *OTT TV and video revenues to rocket to $51 billion*. June 2015.
[4] GSMA. *The Mobile Economy: Africa 2016*. 2016.
[5] Ibid.
[6] Rapid TV News. *On-demand viewing drives smart TV consumption in Brazil*. May 2016.
[7] GSMA. *Mobile Internet Users in Latin America to Grow By 50 Per Cent By 2020*. September 2016.
[8] Digital TV Research. *Latin America OTT TV and Video Forecasts*. June 2016.

Trends and drivers supporting increased use of VOD and IPTV services include:

- Increasingly faster internet connectivity
- Increase in smartphone penetration, and growing availability of lower cost smartphones
- Improved delivery of video as 4G services are launched
- Increasingly innovative digital payment methods, including mobile money and pre-paid cards
- Limited bandwidth that is being addressed with video compression to deliver content over slow connections.
- Partnerships between CSPs and VOD providers that allow subscribers to access content at zero data costs.
- Allowing subscribers to download content for offline viewing, due to slow download speeds.

Restraints

Key restraints include:

- Consumers that hesitate or are unable to purchase online
- Pirated content
- High cost of VOD operations
- Expensive data packages

Vonetize views existing restraints as challenges to be addressed and they are succeeding in this, by:

- Supporting alternative payment methods such as mobile carrier billing, debit cards, mobile money, e-wallets, paper vouchers, prepaid cards, and redeemable codes
- Enabling daily and weekly subscriptions of content packages, as many consumers in emerging markets do not purchase data packages from their mobile network operators on a monthly basis

Marketing & Sales

Target Markets & Customers

Vonetize's strategy is to position itself first and foremost as a B2B player. This approach places the expense and marketing efforts on Vonetize's distribution partners, with the company instead being responsible for delivering the product, content, management, and operational know-how.

That being said, the company also sells video content directly to mobile subscribers via a B2C model (primarily genre applications) by providing their application for downloading through open platforms and application stores such as Google Play and Apple AppStore, to drive consumers to their content ecosystem.

While Vonetize's end-users include mobile subscribers, the company's target customers are primarily:

- **Communications Service Providers (CSPs)** with whom they will establish distribution agreements of content services through a pre-installed model, and bundles with mobile data packages, devices and triple-play offerings. CSPs require an end-to-end content platform but prefer using their own billing, content management teams and video delivery providers. According to Vonetize, its end-to-end video content will enable its CSP customers to launch a full premium content service within approximately three months, with no significant CAPEX.
- **Consumer electronics manufacturers** of smart TVs, tablets, and a range of Internet-connected devices. Vonetize pre-installs its application on smart TVs, and by doing so, generates user traffic to their content services with minimal expenses (and no marketing expenses). In this case, Vonetize technology is utilized for billing and clearance, as consumer electronics manufacturers do not have such capabilities.

Marketing

For the most part, Vonetize does not engage in direct-to-consumer marketing. Rather, their CSP and consumer electronics manufacturer partners are responsible for marketing the company's services to their consumers and subscribers.

A current exception is Brazil, where Vonetize has launched B2C activities, and where it is engaged in marketing, primarily through social networks and blogs. Marketing spend in Brazil is minimal, as most of the traffic to SmartVOD stems from the pre-Installation status it has acquired from Smart TV manufacturers such as Samsung.

In Israel, the bulk of marketing and customer acquisition is carried out by Vonetize's distribution partners, for example the Globus MAX cinema theater chain that has paid for media, screen space and in-theater sales spots to sell Vonetize's Smart VOD service.

Sales

In its capacity as a B2B player, Vonetize is focused on partnering with CSPs and consumer electronics manufacturers. The company currently pre-installs its application on Samsung Smart TVs in Israel and Brazil, and on LG Smart TVs in Israel.

- It launched on three CSPs in Africa during 2017.
- In January 2018 the company also announced a distribution agreement with Foxxum in Latin America
    - This will make its software available on Toshiba, Hitachi, Daewoo, Sanyo, TCL and other SmartTVs in LATAM.

In addition, the company also implements a B2C model as it sells its application directly through stores such as Google Play and iTunes AppStore.

Geographies

Israel - The Company's SmartVOD application is pre-installed on Samsung and LG Smart TVs (for technical and service details see our initiation of coverage report dated 8 June 2017).

Vonetize has ended its distribution agreement with Triple C. On May 1 2018, the Company launched Israel's first ever legal streaming service in Israel to be open to all platforms: TV, Mobile and PC. *Muviz* will offer theatrcial new releases for rent and sale as soon as they end their theatrical run, in high quality formats (Full-HD and 4K-HDR). Contrary to other streaming services, MUVIZ does not require any subscription fees or commitments and it is available to anyone looking for a film on a Pay-Per-View basis. Rental titles are available for 48 hours for 20.90 NIS.

Africa - Vonetize has content rights in place in 33 countries in sub-Saharan Africa. For full details on the B2B service launched via the company's mobile application and distributed through local and global CSPs since Q3-2017 see our initiation of coverage report dated 8 June 2017.*

*For regulatory restraints that may affect this operation see our initiation of coverage report dated 8 June 2017

Latin America - Content has been licensed for use by Vonetize in 25 Latin American countries. Vonetize launched its service in Brazil in December 2015, where the company's application was pre-installed on Samsung Smart TVs and gained over 1.5M users within 15 months of operation. LG Smart TVs in Brazil are pre-installed with Vonetize's application since Q3-2017. The company's service was launched in Mexico in Q2-2017 and pre-installed on Samsung Smart TVs (for further technical and service details see our initiation of coverage report dated 8 June 2017).

Vonetize reported the conclusion of a unique joint venture with the Film and Content Studio Warner Brothers and the television OEM, Samsung, according to which the company received the right to broadcast, as of January 25, 2018, the studio's new films, via the manufacturer's televisions in Brazil and Mexico on 4K-HDR.

Additionally on January 16, 2018, it was announced that Vonetize had signed an agreement with respect to the distribution of its services with Fuxxum, which is developing a Smart TV platform. According to information provided by Fuxxum, this will mean Vonetize's product will be pre-installed on approx. 1.5 million TVs in Latin America covering brands such as; TCL, Sanyo, Daewoo, Hitachi, and Toshiba.

Finally, the agreement signed with Roku (see below) though primarily aimed at entering the US market, provides for an additional distribution channel of Vonetize's content in LATAM, through Roku streaming devices and programs.

Russia and the CIS – Vonetize began a pilot streaming of their content via a leading Russian media company in late 2017.

The United States - The company reported on February 3, 2018, that it had signed an agreement with Roku for the distribution of Vonetize's services via Addressable TV (which deals with the distribution of the Company's services in a targeted advertising format). Roku manufactures and distributes smart TV systems, and set-top boxes that incorporate Roku's technology and other entertainment equipment.

The announcement reflects, for the first time, the Company's entry into the focused advertising field. Roku and Vonetize will distribute the airtime inventory of the advertising and each side will enjoy the proceeds of these broadcasts.

In addition to the hardware distribution as stated above, Roku's technology is also a platform for distribution, according to information provided by Roku, encompassing about 19 million active users every month (most of them using Hulu, and various video content services such as Netflix). In the US, viewers spend about 1.5 billion hours a month, using its technologies and platforms. Despite the US having the most attractive market, the agreement covers distribution of Vonetize's product across 16 countries in Europe and the Americas.

Western Europe - Vonetize has agreements in place with EE TV (IPTV) and Freeview (digital terrestrial television), wherein the company provides three applications (Bollywood Channel, Baby Channel, and Corazon) based on an AVOD model, a free service to generate brand awareness and data on user usage.

In addition, based on the above update regarding entrance to the US market through a partnership agreement with Roku, Vonetize, under the same partnership now has a presence in France, the UK and Germany. Frost & Sullivan analysis concludes that these markets account for upwards of 50% of the T.A.M. in Western Europe and are consequently ideal for further expansion of the Company's presence across the rest of the continent.

The following further information can be found in our initiation report (8.6.2017)

1. **Business Partners**
    a. Types of customers
    b. Revenue & revenue sharing models
        i. Customer service models,
2. **Competitive Analysis**
3. **Technology;** Vonetize's platform comprises the following:

   a. Client Application - view, business, and data layers
   b. Smart Admin - cloud-based, scalable video and services ecosystem
   c. Business Intelligence (BI) and Analytics
   d. Server architecture that scales with user growth
      i. Content Management System (CMS)
      ii. Customer Relationship Management (CRM)
      iii. Digital Rights Management (DRM)
   e. Real-time Ad-insertion engine
   f. Video Delivery - live and VOD

4. **Product / Service Offering:** Smart and SmartVOD

Appendix

Appendix I - Financial Reports

Balance Sheet (USD 000s)	31.12.2015	31.12.2016	31.12.2017
Current Assets			
Cash and cash equivalents	1,308	1,925	911
Short-term deposits	248	347	1,098
Accounts receivable (VOD libraries)	830	504	341
Total current assets	**2,386**	**2,776**	**2,350**
Non-Current Assets			
Restricted deposits	36	23	157
Long-term deposits	619	308	143
Net PPE	58	49	0
Total non-current assets	**713**	**380**	**300**
Total assets	**3,099**	**3,156**	**2,650**
Current Liabilities			
Cash Balance Withdrawn	31	14	26
Taxes	342	401	449
Accounts payable (VOD libraries)	656	1,457	1,898
Other Accounts payable	673	965	909
Financial Obligations to controlling shareholders from acquisition transaction	0	692	571
Total current liabilities	**1,702**	**3,529**	**3,853**
Non-Current Liabilities			
Financial obligations to controlling shareholders	0	516	0
Accounts payable (VOD libraries)	76	0	146
Bonds	0	0	3,629
Warrants exercisable into shares	0	31	718
Total non-current liabilities	**76**	**547**	**4,493**
Total liabilities	**1,778**	**4,076**	**8,346**
Total equity	**1,321**	**-920**	**-5,696**
Total liabilities and equity	**3,099**	**3,156**	**2,650**

Profit and Loss Statement, USD 000s	2015	2016	2017
Gross Loss	57	2,038	2,043
Research and development expenses	689	1,194	1,156
General, administrative and other expenses	2,184	2,506	2,481
Operating Loss	**2,930**	**5,738**	**5,680**
Financial Expenses	-100	-241	-619
Financial Income	16	5	642
Net Loss	**3,014**	**5,974**	**5,657**
Tax	-146	-39	15
Comprehensive Loss	**-3,160**	**-6,013**	**-5,672**
Basic and diluted loss per share	0.130	0.210	-0.160

Appendix II – Team Bios

Kobi Hazan is the Lead Analyst for Frost & Sullivan's Independent Equity Research practice. He has over 14 years of experience in capital markets, including research, analysis, investment advisory, and management. Mr. Hazan served as a Fund Manager for provident and mutual funds at Analyst Ltd. and, since 2012, he runs the Amida Israel Fund, a hedge fund specializing in Israeli equities. Kobi holds a BA (Economics and Management) from The College of Management Academic Studies. He is licensed as an Investment Advisor in Israel.

Dr. Tiran Rothman is Director of Operations at Frost & Sullivan, Israel and also oversees the Firm's Independent Equity Research practice. He has over a decade's experience in financial research and analysis, obtained through positions at a boutique office for economic valuations, as chief economist at the AMPAL group, and as co-founder and analyst at Bioassociate Biotech Consulting. Dr. Rothman also serves as Head of the Economics & Management School at Wizo Academic College, Haifa. Tiran holds a PhD (Economics), MBA (Finance), and was a visiting scholar at Stern Business School, NYU.

Daniel Grunstein is a Consulting Analyst at Frost & Sullivan in Israel and has been working on the TASE program for the past 14 months. Daniel has five years of work experience in research and international business development in Australia and Israel. Daniel holds a BA (Economics) from the University of Sydney, and an MBA (Innovation & Strategy) from Tel Aviv University.

Nadav Ofir is Head of Consulting at Frost & Sullivan in Israel. He has over 12 years of experience in consulting and providing research and economic analysis for companies in various industries, including in the energy and real estate sectors. Nadav holds a BA (International Relations) from the Hebrew University of Jerusalem, and an MEI Masters of Entrepreneurship and Innovation) from Swinburne University of Technology (Australia).

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