

ANALYSIS EFFICACY PROJECT

The analysis project was launched in 2016 in order to raise the investors' level of knowledge of about TASE listed technology and biomed companies and the markets in which the companies operate, thus creating appropriate pricing and increasing the exposure of investors from Israel and abroad. Its goal is to encourage investments in these companies by removing the barrier of lacking understanding in the market.

DATA

- We examined all the companies that participated in the analysis project from 2016 through the end of 2020. Of them, 12 companies were reviewed by the Edison Company, while the remaining 18 companies were reviewed by Frost and Sullivan, for a total of 30 companies.
- The main part of the examination focused on the publication of the initial report to estimate the degree of influence of the publication of the report in the project. In the framework of the project, each company was reviewed for at least two years.
- In the context of the project, we examined turnover, share yields, capital raised, and data from the reading of the reports by international institutions and investment bodies.

METHODOLOGY

- The study was based on an econometric model used in “event” studies in which the excess return is examined in relation to the Tel Aviv Blue Tech Index (“**Tech Index**”).¹
- The examination of turnover was tested in relation to 90 trading days before the publication of the initiation report and 90 trading days following it, as well as during one year from the date of commencement of the review up to the date of issue of this report.
- An examination of the influence on the share yields of the reviewed companies in relation to the Tech Index as a reference index.
- The raising of capital was examined in the years 2019 and 2020, based on information published on the website of the Tel Aviv Stock Exchange.
- The report reading data was extracted from the economic sites on which the reports were published.

ANALYSIS

Turnover:

- The average daily turnover on the Tel Aviv Stock Exchange in the share market (excluding ETFs) rose in 2020 to about NIS 1.349 billion, compared to about NIS 974 billion in 2019 (an increase of about 38% in relation to 2019) and about NIS 949 million in 2018.
- The turnover at the **overall** annual level in the **Tech Index**, with no direct connection to the analysis project, rose by about 112% in 2020 compared to 2019, while turnover rose by about 21% in the **biomed** companies.

¹ Kliger, D. & Gurevich, G., Event studies for financial research: A comprehensive guide. (2014). New York: Springer.

- **In the companies included in the project**, there is a significantly sharper increase in The average daily turnover on the Tel Aviv Stock Exchange in the share market (excluding ETFs) rose in 2020 to about NIS 1.349 billion, compared to about NIS 974 billion in 2019 (an increase of about 38% in relation to 2019) and about NIS 949 million in 2018.²
- The turnover at the overall annual level in the Tech Index, with no direct connection to the analysis project, rose by about 112% in 2020 compared to 2019, while turnover rose by about 21% in the biomed companies.
- In the companies included in the project, there is a significantly sharper increase in turnover cumulatively, at both the annual level and the point level following the publication of the analysis report.
 - During 2020, there was an increase in the turnover of the reviewed companies in excess of 191% (excluding Augwind). The turnover of Augwind increased eightyfold in 2020 and brings the average to over 600%.
 - Within the **technology** companies reviewed by Frost and Sullivan, the turnover increased tenfold!
 - Within the **biomed** companies reviewed by Frost and Sullivan, the turnover in 2020 rose by about 134%.

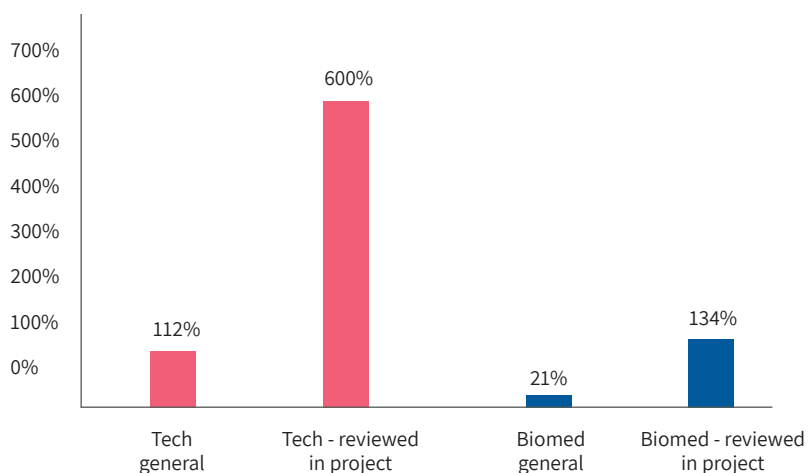
A close examination of the turnover “calibrated” according to the date of publication of the analysis, i.e., how much did the turnover increase immediately following the publication at different time constants and in relation to 90 days before the date of publication of the analysis, showed:

- After about 90 trading days from the date of publication – about a 172% increase in turnover.
- After about a year from the publication of the analysis report – about a 153% increase in turnover.
- Until the date of writing of this report and on average for each of the companies reviewed in the project, about a 131% increase in turnover.

² An article about the turnover on the Stock Exchange, 2021: https://info.tase.co.il/Heb/Statistics/ResearchReviews/2021/Pages/Stat_141_Research_2021_01_381334.aspx

CHANGE IN TURNOVER

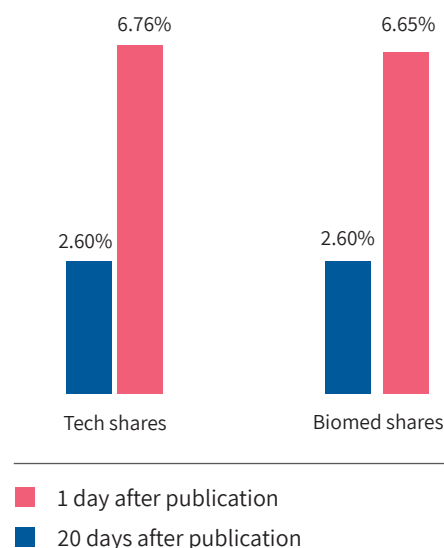
in 2020 in relation to 2019



SHARE REVENUE

- We identified a significant influence in the very publication of the analysis report one trading day after the publication of the report, as well as a sustained influence over the trading days following the publication of the report.³
- **All the companies in the project** – The tech shares rose by about 2.60% one day after the publication, and by about 6.76% 20 trading days after the publication of the analysis report; the biomed shares rose by about 2.60% one day after the publication, and by about 6.65% 20 trading days after the publication of the analysis report.⁴
- **The companies reviewed by Frost and Sullivan** – We also examined the specific influence of the Frost and Sullivan consulting and research company. The revenue of the tech shares increased by about 2.90% one day after the publication of their reports, and by about 8.27% 20 trading days after the publication of the analysis reports; the biotech shares increased by about 3.26% one day after publication, and by about 5.74% 20 trading days after publication of the analysis reports.

SHARE REVENUE ABOVE THE REFERENCE INDEX



³ We recall that the examination was done on each company separately in relation to the concrete period in which it was reviewed, and therefore all the data are “calibrated” to the date of publication, and these are presented only in the alpha (the revenue in excess of the TA Blue Tech Index in this case) – a methodology customary in econometrics and called event study analysis.

⁴ The share revenue in relation to the market (TA 125) increased one day after the publication by about 2.49%, and by about 4.11% 20 trading days after the publication of the analysis report.

CAPITAL RAISING AND PRIVATE ALLOCATIONS

- As indicated above, we examined all the companies that participated in the analysis project from 2016 to the end of 2020, for a total of 30 companies.
- In the examination for the years 2019 and 2020, it appears that there was a significant increase in capital raised by the companies reviewed in the analysis project compared to companies that were not in the project.
- In 2019, 18 companies were reviewed, and in 2020, a similar number was reviewed. These constituted 22 percent of all the companies in the Tech Index (about 80 companies were included in the Tech Index in the years 2019–2020).
- In 2019, all the public high-tech companies raised about NIS 3.7 billion, while the companies in the analysis project raised about NIS 1.5 billion, i.e. about 41% of the total amount of the high-tech companies. That is, the companies reviewed in the project raised twice as much as a proportion of their weight in the tech sector.
- In 2020, the high-tech companies raised (from capital and private allocations) about NIS 13.08 billion, while the companies in the analysis project raised about NIS 2.8 billion, an increase of about 87% in comparison with 2019, while their share in capital raised decreased to about 21% of the total.

DATA FROM THE READING OF THE REPORTS

The publication of the analysis reports was made over a variety of platforms:

- The Tel Aviv Stock Exchange website.
- International economic sites.
- Direct mailing to investors in Israel and abroad.
- Publication of a notice for the international press.
- Publication on the international website of Frost and Sullivan.
- Wide publication in the press and on international blogs and websites as detailed below:

Published on



Bloomberg



Investing.com

S&P Global
Market Intelligence



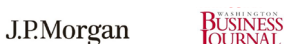
Financial Readers



Morgan Stanley CITADEL



Press Coverage



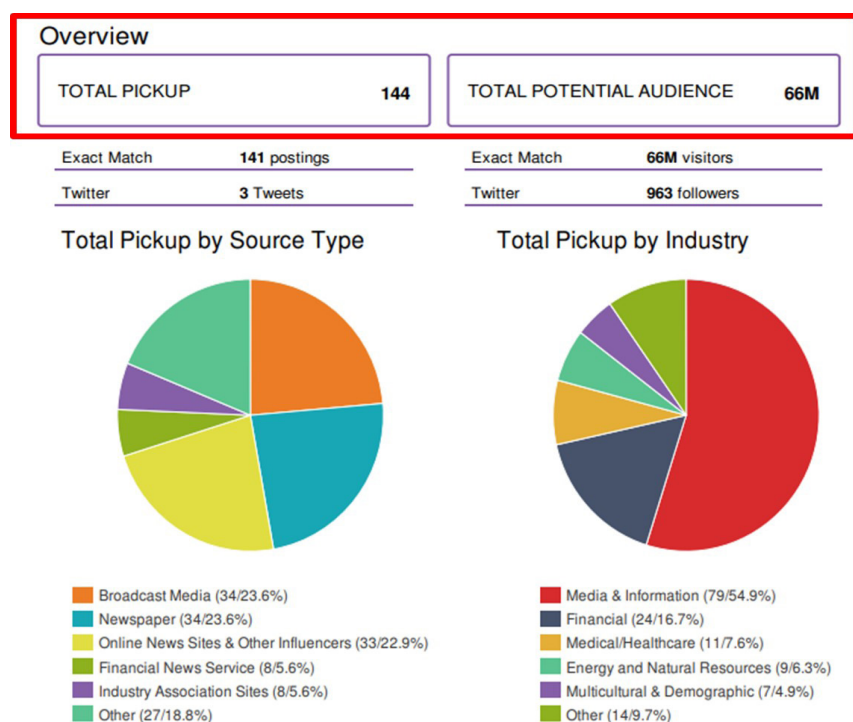
Industrial Readers



READER DATA

- The publication is being done in more than 67 countries, over thousands of websites and newspapers.
- The overall reading public of the Frost and Sullivan reports numbers over 60 million readers (one example is given below) throughout the world, of which over 20,000 per years are investors.
- About 60% of the readers of the reports are from the United States and Europe.

Below is an example of one of the reading reports (Electreon) which was published and the share of the public exposed to it.



Is there efficacy for the investors in the capital market? Have the target prices in the analysis reports succeeded in reflecting what is actually happening in the market and helping in decision-making?

The efficacy for the market was assessed from three aspects: Does the market respond to the analysis reports? Is the market aided by the milestones fixed in the analysis and does this permit it to better understand where the company is headed? Does the target price in fact “hit” the share price?

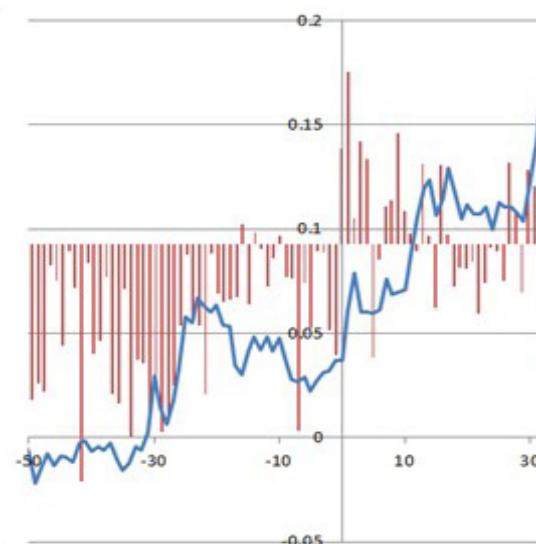
1. The market responds rapidly and distinctly to the analysis report. The data show that the turnover increases sharply, the share price rises on the average by over 7% in the month following the publication.
2. The milestones examined in the analysis project show a high precision of about 91% when compared with actual events that occurred. For example, if a company is expected to announce the results of an experiment in a certain quarter, these events were reviewed in the analysis report and were shown, in fact, to be beneficial to the investors. An examination of the companies in the study showed that about 91% of all the projected milestones did in fact occur during the expected period.
3. The target price is a target price which reflects the share price expected in the next 12 months. In the examination of the companies reviewed by us in the project, **the share price reached the target within 12 months in 43% of cases, while studies in the sector show that most analyses in the American market succeed in reaching the target price in only 24% of the cases.**⁵

ADDENDUM

In the graph below, the behavior of share revenue is described in comparison with the market. In other words, by how much did the share rise above the TA-125 Index during the time period before and after the publication of the analysis report? The graph incorporates all the companies in the analysis project between the years 2016 and 2020, where “Day 0” is the date of publication of the first analysis.

A direct and marked influence of the publication of the analysis report on the market can be seen, both in turnover (columns in red) and in the behavior of the share after the publication of the analysis.

- Columns in red – behavior of turnover around the trading day.
- Blue line – cumulative revenue above the reference index (CAAR – Cumulated Average Abnormal Return).



It can be seen that on “Day 0” (X axis), which is the date of publication of the analysis report, there is a significant (and marked) influence on the revenue (blue line) as well as on the rising turnover (red columns).

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⁵ Kerl, A. G. (2011). Target price accuracy. Business Research, 4(1), 74–96.