**Update report August 31, 2020**

**First commercial agreement in Germany; First line is expected to operate in Tel Aviv (Q4 20); NIS 182 million was raised and an additional amount may be raised soon of NIS 122, which together create financial immunity; target price increase to NIS 293**

**Stock Exchange: TASE**

**Symbol:** TLV:ELWS

**Sector:** Technology

**Sub-sector:** Cleantech

**Stock Price Target:** NIS 293

Closing Price: NIS

Market Cap: billion NIS

# of Shares: 8.5 million

Stock Performance (3 mos.): 44.05%

Average Daily Trading Volume (3 mos.): 3,783 shares

**Dr. Tiran Rothman - Lead Analyst**

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**Conclusion**

During the first half, Electreon made significant progress in product maturation and serial production processes, thus advancing toward commercial readiness.

The company is focusing in the coming year on tenders for public transport in major European cities, demonstration projects for countries interested in testing the technology and private entities; The company is already in the early stages of sales in a number of countries, including Israel, Germany, Sweden, Italy and France, and is also considering entering the American market.

**In light of recent developments and mainly the sale agreement to EnBW and progress in existing projects, we are updating the value of the company to NIS 2.8b; average target price of NIS 293.**

**Company reports and updates during the second quarter and after:**

* **Sales project for EnBW** - the first and most significant sales agreement that includes a static charging system, an electric bus (battery-based) and maintenance and operation services. The transaction amount has not been announced at this time. In the second phase, EnBW will purchase a dynamic road section within a complex and in the third phase, EnBW will purchase a dynamic road section on a public road. The second and third phase is conditional on an announcement by EnBW that will be delivered to the company by December 31, 2020.
* **Raising capital** - During the quarter, the Company raised NIS 182 million, in which options were also issued, which, if exercised, will amount to an additional NIS 122 million.
* **Tel Aviv Project** - During the next month, work and operation of the road near Tel Aviv University will begin. The electric bus has arrived in Israel and will undergo tests. In October, a shuttle will operate on a 2-kilometer route, of which about 600 meters is a dynamic electric road and a static charging station at the terminal.
* **Sweden project** - In October, completion work for 1.6 km will begin and a bus and truck will start operating.
* **Italy** - In Italy there is a desire to examine an electric road that will be installed on a toll road in the Lombardy region. The company is considering taking part in the project; **California** - In California, there is an outline for the transfer of heavy transportation (buses and trucks in the first phase) to electric propulsion in the coming years. In the company's opinion, the market potential is great and the possibilities for starting activity in the American market are being examined.

**Recall that Electreon’s solution** is an answer to the world’s current and imminent problems – urban pollution and the need for low key charging infrastructure within city areas.

**The Company’s go-to-market strategy** is to focus on cities (buses, taxis and fleet operations); and on highways (trolley, trucks, and intercity buses). The Company has also identified Europe as the main entry point, focusing on Sweden, Germany, France and Italy as well as the US (California) while continuing its activity with Tel Aviv municipality.

**From a business model point of view, it expanded its business model – from only charging infrastructure (km of roads and vehicle units) to a service model. The Company is focusing on charging as a service, a part of MaaS (Mobility as a Service), a growing business model used by top mobility firms.**

**We maintain our value for Electreon at $432M / NIS 1.53B; the average target price is NIS 181.**

We will update our valuation based on upcoming potential catalysts: Completion of deployment of the ERS in Sweden and Tel Aviv Projects in Q4 2020 as well as new commercial agreements. For a comprehensive analysis of Electreon including market players, business models, trends, market sizes and valuation see our last [**Annual Q4**](https://ww2.frost.com/research/equity-research/electreon-wireless-ltd/) [**Report**](https://ww2.frost.com/research/equity-research/electreon-wireless-ltd/) published May 27 as well as other quarterly reports on the same link.

**Executive Summary:**

**Analysis of company progress**

**Upcoming Potential Catalysts**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Type | Event | Significance | Timeline | Status |
| Market validation for highway | Initiating a pilot in Sweden for bus and long-haul truck | High | Q4 2019 | Achieved |
| Market validation for City bus | Initiating a pilot in Tel Aviv for bus | High | Q4 2019 | Achieved |
| Regulatory validation | approval from Swedish authorities for the deployment of ERS system | High | Q4 2019 | Achieved |
| Technology capability | Present a static and dynamic charging of long-haul truck | High | Q1 2020 | Achieved |
| Technology validation | Completion of deployment of ERS in Sweden and Tel Aviv Projects | High | Q4 2020 | In Progress |
| Commercial project | Sign an agreement for commercial project | Medium | Q4 2020 | In Progress |

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