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ISI announces the indicative price range for its planned IPO on the Tel Aviv Stock Exchange

Tel Aviv, 31 January 2022. ImageSat International (I.S.I.) Ltd. (“ISI” or the “Company”), a leading provider of comprehensive space-based intelligence and information solutions and services, including VVHR¹ satellite imaging services, AI based analytical solutions as well as satellite systems and ground-based infrastructure, announces the indicative price range for its planned initial public offering and listing of new and existing ordinary shares (the “Offer Shares”) on the Tel Aviv Stock Exchange (the “Offering”).

The indicative price range in respect of the Offering (the “Offering Price Range”) has been set at ILS 19.0 – 25.0 per Offer Share, implying a pre-money equity valuation of between c. ILS 960 – 1,270 million (approximately \$300 – 400 million).

The Offering is expected to raise approximately ILS 320 – 480 million (approximately \$100 – 150 million). The Offering will consist of (a) new shares (the “New Shares”) comprising approximately 66.7% of the total Offer Shares, representing up to approximately 25.0% of the Company’s pro-forma fully diluted share capital, and (b) existing ordinary shares of the Company (the “Existing Shares”) comprising approximately 33.3% of the total Offer Shares, representing up to approximately 12.5% of the Company’s pro-forma fully diluted share capital.

The primary proceeds of the Offering will be used by the Company during the next two years, *inter alia*, towards growth capital expenditure for its planned constellation launches as it seeks to leverage its strong commercial momentum and the significant market growth anticipated for its services.

The final price in respect of the Offering (the “Offering Price”) and the final offer size will be determined following a bookbuilding process, which commences today and is expected to be completed on or around 8 February 2022. The ordinary shares of the Company are expected to be admitted to trading on the Tel Aviv Stock Exchange (“TASE”). Subject to acceleration or extension of the timetable for the Offering, trading of the ordinary shares of the Company on the TASE is expected to commence on or around 15 February 2022 (“Admission Date”).

Expected details of the Offering²

- The Offering Price Range has been set at ILS 19.0 – 25.0 per Offer Share.
- The Offering is expected to raise approximately ILS 320 – 480 million (approximately \$100 – 150 million) and shall consist of:
 - New Shares, comprising of approximately 66.7% of the total Offer Shares and representing up to approximately 25.0% of the Company’s pro-forma fully diluted

¹ Very very high resolution (less than 0.5 m²)

² Dates herein are tentative and may change at the discretion of the Company and may be moved forward, backward or postponed



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share capital, raising up to approximately ILS 320 million or up to approximately \$100 million³;

- the sale of Existing Shares by current shareholders, including FIMI Partnership, Discount Capital, Mr. Noam Segal (CEO of ISI) and Mr. Kfir Aviv (CFO of ISI), comprising of approximately 33.3% of the total Offer Shares and representing up to approximately 12.5% of the Company's pro-forma fully diluted share capital and up to approximately ILS 160 million or up to approximately \$50 million³.
- The Offering Price in respect of the IPO is expected to be published following the Israel Securities Authority's approval of the final prospectus on or around 9 February 2022 (the "Pricing Date").
- Subject to acceleration or extension of the timetable of the Offering, trading of ordinary shares of the Company on the TASE is expected to commence on or around the Admission Date.
- Following completion of the anticipated Offering⁴, FIMI Partnership, Israeli Aerospace Industries, Discount Capital, Mr. Noam Segal (CEO of ISI) and Mr. Kfir Aviv (CFO of ISI) will hold up to approximately 28.12%, 29.03%, 10.88%, 2.15% and 0.52% of the Company's pro-forma fully diluted share capital, respectively.
- In connection with the Offering, the Company and certain members of the Company's management are expected to enter into a 12-month lock-up from the Pricing Date. Additionally, the Company's key existing shareholders are expected to enter into a 6-month lock-up from the Pricing Date. The lock-up restrictions will be subject to certain customary exemptions and may otherwise only be waived with the prior written consent of UBS.
- The Offering consists of an offering of the Offer Shares in Israel to institutional investors, as such term is defined in the Securities Regulations (The Manner of Offering Securities to the Public), 5767-2007 and to institutional investors incorporated outside of Israel (the "Foreign Institutional Offerees") meaning (i) to "qualifying investors" outside the United States in "offshore transactions" as defined in, and in reliance on, Regulation S under the United States Securities Act of 1933 (the "Securities Act"), and (ii) within the United States to certain "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the Securities Act.
- In addition, the offer to the Foreign Institutional Offerees is limited to investors that also meet one of the conditions set forth below, and any Foreign Institutional Offeree that purchases shares in an issuance outside Israel shall be deemed to have declared, when purchasing the shares in the issuance, that it meets one of the following conditions: (1) the investor is an entity with equity exceeding ILS 50 million or an equivalent amount in a different currency, on the basis of its latest financial statements; or (2) the investor is an entity that, together with any entity controlling it, controlled by it, or under common control as such investor, (i) manages assets of a total amount exceeding ILS 100 million or an equivalent amount in a different currency, provided that the shares that were purchased in connection with the Offering shall be purchased for the assets that it manages; and/or (ii) owns and invests, on a discretionary basis, in securities of issuers that are not affiliated with such entity, in a cumulative amount exceeding ILS100 million or an equivalent amount in a different currency.
- UBS AG London Branch is acting as Sole Global Coordinator and Bookrunner in connection with the Offering. Discount Capital Underwriting Ltd and Barak Capital Underwriting Ltd are acting as Local (Israeli) Distributors.
- Additional details are disclosed in the updated public draft of the prospectus dated 31 January 2022, which is available on the TASE MAYA portal. An English translation of the updated public

³ Based on the exchange rate, USD/ILS of 3.20

⁴ Assuming the total offering size of 16,842,105 shares (c. ILS 320m or c. \$100m) at offering price of ILS 19.0



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draft of the prospectus will be annexed to an international memorandum which will be made available in connection with the bookbuilding process.

Company overview

- Founded in 1997, ISI offers a broad set of integrated solutions to address customers' needs across the full space-based intelligence value chain - satellite services based on the EROS Next Generation constellation, artificial intelligence ("AI") & Analytics and space-based intelligence infrastructure
- ISI has a long operational track record with the Company undergoing significant transition since 2015 under new leadership, who dedicated focused resources to research and development activities.
- As a result of these efforts, the Company has an accelerating backlog⁵, which has grown from approximately \$39 million in 2019 to \$171.1 million⁶ in December 2021, and its pipeline⁷ has grown from less than \$500 million in 2019 to approximately \$1.8 billion in December 2021.
- The current key shareholders are: the FIMI Partnership, the leading private equity firm in Israel (44%); Israeli Aerospace Industries (38%), a leading global aerospace & defense enterprise; and Discount Capital Ltd., the investment management and banking arm of Discount Group, the third largest bank in Israel (17%).

Key Investment highlights

- A leading provider of space-based intelligence and information solutions, delivering insights from a comprehensive, integrated portfolio of high quality, multi-sourced imagery data, AI-driven analytics, and turn-key space infrastructure solutions to government and commercial customers across the whole satellite value chain. ISI's technical capabilities ranging from the quality of the imagery to the breadth of solutions, and cost effectiveness, leveraging the long-term partnerships, are important differentiators that power its commercial performance and future growth potential.
- Differentiated strategic partnerships providing access to valuable satellite imagery data and technologies creating a leading constellation on an asset-light and capital efficient basis driving the positive cash flow profile. Through commercialization of the partners' spare capacity and owning other satellites with them on a joint basis, ISI has access to a large imaging capacity and access to a world-class constellation without the associated capital investment, ongoing costs and development time, positioning it well to capture the market growth.
- Significant growth potential driven by newly expanded range of capabilities, particularly, the EROS NG Constellation which is expected to increase the imaging collection capacity from 24 million to 224 million square kilometers, and strengthening the market position and providing for new selling opportunities to existing clients as well as adding new clients.
- Operates in an attractive, large and fast-growing market with favorable tailwinds with total addressable market (TAM⁸) expected to grow from \$19.9 billion in 2020 to \$26.6 billion by

⁵ Expected revenue from signed contracts pending operational execution

⁶ Based on the actual backlog as of December 31, 2021 (\$153.4M) and an additional \$17.7M which represents the unrecognized revenues from a new agreement signed subsequent to the balance sheet date and has a retroactive effect for 2021

⁷ Total value of potential opportunities currently pursued by the company and expected to translate into revenue by 2032

⁸ ISI's total potential market size in defense and commercial sectors, in areas of systems and infrastructure, electro-optical data processing and distribution, and AI and analytics



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2025 and \$76.0 billion by 2030 (14% CAGR)⁹ underpinned by growth coming from both the defense, government and commercial end markets.

- Increasing spending in the global defense and intelligence markets driven by usage in multiple areas e.g. ability to monitor and predict adversary or non-state actor activities, maritime domain awareness for surveillance of coastlines, border security etc. This market, ISI's historical focus area, is expected to grow from \$9.4 billion in 2020 to \$25.0 billion in 2030 (10% CAGR)⁶.
- Increasing applications in commercial end-market across industries e.g. agriculture for the prediction and enhancement of crop yields; aviation for improved weather and turbulence data; Finance to monitor commodity supplies globally etc. The market is expected to grow from \$10.5 billion in 2020 to \$51.0 billion in 2030 (17% CAGR)⁶.
- Highly scalable business model with strong revenue visibility, and operating leverage:
 - \$1,761 million of pipeline, \$164.4 million of contracted revenue backlog as of September 2021.
 - Strong expected revenue 2021-24 CAGR of c.42% and expected EBITDA¹⁰ margin of 55% for the same period underpinned by newly commercialized and to be launched EROS satellites¹¹.
- Entrepreneurial, innovative and experienced team with cumulative experience of more than 150 years and background in aerospace, defense, and technology roles and well as extensive experience in building client relationships and innovation is driving a transformative strategy and business execution, bringing ISI to the forefront of the space industry.

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⁹ Source: Quilty analytics LLC - ISI Commercial Due Diligence Report, dated October 20, 2021, which was prepared at the request of the Company

¹⁰ Net income plus depreciation, plus finance expenses (net), plus taxes on income

¹¹ Revenue and EBITDA guidance based on company's backlog and pipeline expectations for 2024, based on certain assumptions and adjustments of management are subject to number of uncertainties



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Subject to their legal and regulatory obligations, neither UBS AG London Branch ("UBS"), Discount Capital Underwriting Ltd and Barak Capital Underwriting Ltd (together, the "Banks"), the Company, the selling shareholders, nor any of their respective affiliates or any of their respective directors, officers, employees or agents, or advisors intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this document to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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This announcement does not constitute an offer of securities to the public in any member states of the European Economic Area ("EEA") or the United Kingdom (each, a "Relevant State"). No prospectus has been or will be approved in any Relevant State in respect of the Offer Shares. This announcement is only addressed to and directed at persons in Relevant States who are "qualified investors" (i) within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (as amended or superseded, the "Prospectus Regulation") in the case of the EEA and (ii) in the case of the United Kingdom, within the meaning of the Prospectus Regulation as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (together, "Qualified Investors"). In the United Kingdom, this announcement is being distributed to, and is directed only at, Qualified Investors who are persons (i) having professional experience in matters relating to investments falling within Article 19(5) of the



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Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") (ii) falling within Article 49(2)(a) to (e) of the Order, or (iii) to whom it may otherwise lawfully be communicated (all such persons who are also Qualified Investors being referred to as "Relevant Persons"). This announcement and information contained herein must not be acted on or relied on (i) in the United Kingdom, by persons who are not Relevant Persons, and (ii) in any other Relevant State, by persons who are not Qualified Investors. Any investment or investment activity to which this announcement and information contained herein relates is available only to or will be engaged in only with, (i) Relevant Persons in the United Kingdom, and (ii) Qualified Investors in any other Relevant State.

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Investors should not subscribe for or purchase any Shares referred to in this announcement except on the basis of information in the updated public draft of the prospectus dated 31 January 2022, the international memorandum, the pricing supplement and the final prospectus that is expected to be published by the Company on 9 February 2022. The information in this announcement is subject to change.

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The date of the admission of the Offer Shares to trading on the TASE (the "Admission") may be influenced by factors such as market conditions. There is no guarantee that the Admission will occur, and you should not base your financial decisions on the Company's intentions in relation to the Admission at this stage. Acquiring investments to which this announcement relates may expose an investor to a significant risk of losing all of the amount invested. Persons considering making such investments should consult an authorized person specializing in advising on such investments. This announcement does not constitute a recommendation concerning the Offering. The value of Offer Shares can decrease as well as increase. Potential investors should consult a professional advisor as to the suitability of the Offering for the person concerned.

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eligible counterparties, each as defined in the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, "distributors" (for the purposes of the UK Product Governance Requirements) should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the joint global coordinators and joint bookrunners and the co-manager will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

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