

RADA ELECTRONIC INDUSTRIES LTD
Form FWP
July 24, 2015

Filed Pursuant To Rule 433
Registration No. 333-204695
Issuer Free Writing Prospectus dated July 24, 2015
Relating to Preliminary Prospectus dated July 15, 2015

RADA Electronic Industries (Nasdaq: RADA)
Investment Overview
July 2015

RADA Electronic Industries Ltd. (the “Company”) has filed a registration statement (including a prospectus) with the Securities and Exchange Commission for the offering to which this presentation relates. Before you invest, you should read the prospectus in that registration statement and other documents that the Company has filed with the Securities and Exchange Commission for more complete information about the Company and the offering. You may get these documents for free by visiting EDGAR on the

Commission’s website at www.sec.gov.

This presentation contains certain statements that may be deemed to be “forward looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. Reference is made in particular to the descriptions of our plans and objectives for future operations, assumptions underlying such plans and objectives and other forward looking terminology such as “will”, “would”, “may”, “should”, “estimates”, “expects”, “believes”, “anticipates”, “intends”, “predicts”, “targets”, or similar terms, variations of such terms or the negatives of such terms. Forward looking statements are based on management’s current expectations. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect.

The Company’s actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors including but not limited to those risks and uncertainties relating to difficulties or delays in development, testing, regulatory approval, production and marketing of the Company’s product candidate and those risks and uncertainties associated with the protection of the Company’s intellectual property rights. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these factors. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Other than as required under the securities laws, the Company does not assume a duty to update these forward-looking statements.

This presentation shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities of the Company nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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DISCLAIMER

PRELIMINARY PUBLIC OFFERING TERMS

Issuer: RADA Electronic Industries Ltd.
(Nasdaq: RADA)
Type of Offering: Public Follow-on Offering
Book Runner: Chardan Capital Markets, LLC.
Offering amount: Up to \$8,500,000
Securities being Offered: Common
Over-Allotment Option: 15 %
Exchange: NASDAQ

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Capital Markets Performances
Market Cap \$18.0 million
Price \$1.88/share
90-Day ATV \$1,800,000
EV/EBITDA (LTM) 14.3x
Preliminary Offering Terms

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USE OF PROCEEDS

| | (\$MM) |
|-------------------------------|--------|
| Debt Repayment | \$7.6 |
| Transaction Fees and Expenses | \$0.9 |
| Total | \$8.5 |

COMPANY OVERVIEW

§ RADA Electronic Industries Ltd. is a defense electronics contractor specializing in the development, manufacture and sale of avionics solutions, inertial navigation systems and ground-based radars

§ Founded in 1970 and went public in 1985

§ Headquartered in Netanya, Israel and currently has 110 employees

§ Company primarily sells to United States, domestic Israel, Asia and Latin America

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PRODUCTS

§ Avionics: Data/video recording, Intelligence, Surveillance (“ISR”) and Reconnaissance upgrades and Build-to-Spec/Build-to-Print units for manned platforms & Unmanned Aerial Vehicles (“UAV”)

§ Inertial navigation systems (“INS”): includes Micro Electro Mechanical System (“MEMS”) and Fiber Optic Gyro (“FOG”) technologies based Inertial Measurement Units (“IMUs”) and INS for air and land platforms

§ Radars: compact Active Electronically-Scanned Array (“AESA”) systems, particularly for active protection, hostile fire detection, air defense, and border surveillance

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SELECTED CUSTOMERS & PARTNERS

Avionics

INS

FACH

IAF

IDF

Radars

HISTORICAL FINANCIALS OVERVIEW

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§ With the maturing of the FOG, MEMS and AESA technologies, RADA was able to scale back R&D in 2014 and roll out new radar and INS products

§ Company retired a low margin Latin American contract in 2013 and the gross margin improved by a large degree; it no longer intends to pursue similar contracts

POTENTIAL FUTURE CONTRACTS

Avionics:

- HD mission recorder for F-16
- Indian AF SU-30 upgrades
- Indian Army LCH recorder
 - Chilean AF upgrades

Radars:

- IDF hostile fire detection
- Boeing / LM / USN high energy laser systems
 - India BSF HFD
 - S. Korea C-UAS
- Various VSHORAD

Inertial Navigation System:

- HAL Light Utility Helicopter (LUH) INS
 - Indra Radar pod INS
 - Rafael Litening pod ISU

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In the next 5 years:

- § A new entrant to the greater radar and INS markets armed with mature and proprietary technology
 - Sophisticated software that allows use of less expensive sensors for INS
 - INS produced in Israel, competing effectively against European players
 - Incorporates cost-reducing telecom components for Radars
- New radar products are being tested by Boeing, Lockheed Martin, DRS and the U.S. Navy
 - § Offered in a different price class than equivalent-performance products, providing medium-grade capabilities at lower prices
- Industry-standard products primarily compete within an established framework of price-performance tradeoffs
- Top-tier, best-performing products are frequently unaffordable, especially in a budget-constrained environment
- Continued technology development can move RADA portfolio into a higher price/performance class

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RADA'S COST-EFFECTIVE PRICING STRATEGY

RADA's COMPETITIVE ADVANTAGES

| Products | Key Competitors | Current Competitive Strengths |
|----------|---------------------------|--|
| Avionics | TEAC (UTC) | <ul style="list-style-type: none"> • Established international track record and reputation • Experienced management team, history of strong partnerships • Product development based on providing low-cost, high-capability • ISR upgrades leverage intimate relationships with customer |
| | Elbit | |
| INS | Zodiac | <ul style="list-style-type: none"> • Unique approach to market • Offering MEMS systems with dramatically upgraded software packages to increase accuracy • FOG technology provides opportunity to displace traditional high-cost prime contractors on current aircraft applications • No ITAR-driven restrictions on technology transfer • Well-established existing relationships with key customers |
| | IAI | |
| | ARINC | |
| | Honeywell | |
| Radar | Sagem | <ul style="list-style-type: none"> • “Software-defined radar” is adaptable to multiple applications • Major contract with a leading MOD • AESA technology enables compact, affordable and high-performance radar systems • Strategic alliance with DRS in the U.S. |
| | Thales | |
| | NGC | |
| | IAI/Tamam | |
| | Technovative Applications | |
| | Saab | |
| | Mustang | |
| | EADS Defence | |

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CURRENT OPERATION OVERVIEW

Revenue Breakdown By Region

(2014YE)

Revenue Breakdown By Business Line

(2014YE)

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INS: Future Growth

-Indicative price as low as 50%-
80% of European rivals'

Radar: Future Growth

-Indicative price as low as 30% of
global rivals'

-Sales to Israel, U.S. and Europe

Avionics: Stable Demand

-Stable demand expected in the
near term

INS

4%

Avionics

87%

Avionics

25%

INS

30%

Radar

45%

BUSINESS STRATEGY BY PRODUCT

CURRENT REVENUE MIX

(2014YE)

REVENUE MIX GOALS

(in 5 years)

Radar

3%

| Name | Position | Bio |
|------------------|--------------------|--|
| Herzle Bodinger | Executive Chairman | § Served as executive chairman since 1998 § 1998-2001 & 2006-2007: first joined in 1997 as chief executive officer of the U.S. subsidiary and appointed CEO § 1992-1996: served as the Commander of the IAF § Joined RADA in 2000 and served as CEO since 2007 § 2000-2003: served as COO until 2003 § 2003-2007: VP of marketing and sales |
| Zvi Alon | CEO | § Previously in various managerial positions with IAI and served as active and reserve fighter pilot in the IAF for 40 years |
| Shiri Lazarovich | CFO | § Served as CFO since 2007 § 2004-2007: served as controller § Previously worked at PwC, Israel |

MANAGEMENT OVERVIEW

INVESTMENT HIGHLIGHTS

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Radars & INS

Growth

Competitive pricing points underpinned by superior technology

Global Military

Export Exposure

Increased global sales channels span broad range of A&D geographic
markets: Israel, U.S., Asia, Latin America and Europe

Stable Avionics

Business

Profitable avionics product line provides stable, cash-generating
business

Appendix

| | 2014YE |
|---|--|
| | (U.S. dollars in thousands, except per share data) |
| Revenues | \$ 22,481 |
| Cost of revenues | 15,944 |
| Gross profit | 6,537 |
| Research and development, net | 789 |
| Marketing and selling | 2,392 |
| General and administrative | 1,901 |
| Operating income | 1,455 |
| Financial expense, net | 1,254 |
| Net Income | 201 |
| Net income loss attributable to non-controlling interest | 7 |
| Net income attributable to RADA Electronic Industries' shareholders | \$ 208 |

CONSOLIDATED INCOME STATEMENT

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March 31, 2015

Unaudited

(U.S dollars in thousands, except per share data)

| | |
|--|-----------|
| Current Assets: | |
| Cash and cash equivalents | \$ 2,229 |
| Trade Receivables | 3,467 |
| Others | 2,785 |
| Inventories | 6,810 |
| Total current assets | 15,291 |
| | |
| Long-term Receivables And Other Deposits | 1,388 |
| Property, Plant And Equipment, Net | 2,912 |
| Goodwill | 587 |
| Total Assets | \$ 20,178 |
| | |
| Total current liabilities | 16,146 |
| Total long-term liabilities | 636 |
| | |
| Shareholders' Equity | |
| Paid-in capital | 71,003 |
| Accumulated deficit | (68,223) |
| Total RADA shareholders' equity | 2,780 |
| Non-controlling interest | 616 |
| Total Equity | 3,396 |
| Total Liabilities & Equity | \$ 20,178 |

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CONSOLIDATED BALANCE SHEET

PRODUCT OFFERING DETAILS

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GLOBAL INS & RADAR MARKET OVERVIEW

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Description
Technology
Differentiators
Performance
V.S. Price
INS
Radar

State-of-the-art fiber-optic gyro (FOG)- and micro-electromechanical systems (MEMS)-based inertial navigation and attitude control solutions

Solid-state, fully digital (software-defined) pulse Doppler-based non-uniform active electronically-scanned array (AESA) radars with hemispheric spatial coverage & multi-mission capabilities

- Sophisticated proprietary sensor fusion algorithms
- Embedded modular design principles allow integration of multiple diverse sensor inputs
- Proprietary antenna design, usage of COTS components
- Superior signal processing provides multipath cancellation, ECCM (jamming resistance), very wide target velocity range
 - Representative application: blended INS/GPS solution
- Indicative performance (FOG): <0.05 static accuracy (1σ)
- Indicative price: $\sim 0.5-0.8x$ of equivalent-performance rival
 - Representative application: Hostile fire detection system
- Indicative performance: 10km (81mm mortar), $<150m$ POO
 - Indicative price: $\sim 0.3x$ of equivalent-performance rival

Identified

Potential

- Create products suitable for primary aircraft navigation
- Build on data fusion techniques for sustained aircraft & ground vehicle navigation in GPS-denied environments
 - Expand detection envelope to slow/stationary targets
- Integrate with C-RAM and C-UAS systems such as high energy lasers and nano UAV neutralization systems

FEATURES OF INS & RADAR

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