

## MIRA INFORM REPORT

<b>Report No. :</b>	524387
<b>Report Date :</b>	09.08.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	LGM PHARMA (YES PHARMA) LTD.
<b>Formerly Known As :</b>	YES PHARMA LTD
<b>Registered Office :</b>	15 Hamelacha Street, Har Tuv A Industrial Park, Nocham Enterprises HAR-TUV, 9980101
<b>Country :</b>	Israel
<b>Financials (as on) :</b>	31.12.2015
<b>Date of Incorporation :</b>	17.01.2005
<b>Legal Form :</b>	Private Limited Company
<b>Line of Business :</b>	Agencies in the field of cGMP pharma ingredients to leading pharmaceutical companies, including pharma intermediates, Active Pharmaceuticals Ingredient's (APIs), formulations to biopharmaceuticals.
<b>No. of Employees :</b>	13

**RATING & COMMENTS**

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

**MIRA's Rating :**

A

Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

<b>Status :</b>	Good
<b>Payment Behaviour :</b>	Regular
<b>Litigation :</b>	Clear

**NOTES :**

Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

**ECGC Country Risk Classification List**

Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
Israel	B1	B1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

### ISRAEL - ECONOMIC OVERVIEW

Israel has a technologically advanced free market economy. Cut diamonds, high-technology equipment, and pharmaceuticals are among its leading exports. Its major imports include crude oil, grains, raw materials, and military equipment. Israel usually posts sizable trade deficits, which are offset by tourism and other service exports, as well as significant foreign investment inflows.

Between 2004 and 2013, growth averaged nearly 5% per year, led by exports. The global financial crisis of 2008-09 spurred a brief recession in Israel, but the country entered the crisis with solid fundamentals, following years of prudent fiscal policy and a resilient banking sector. Israel's economy also weathered the 2011 Arab Spring because strong trade ties outside the Middle East insulated the economy from spillover effects.

Slowing domestic and international demand and decreased investment resulting from Israel's uncertain security situation reduced GDP growth to an average of roughly 2.8% per year during the period 2014-17. Natural gas fields discovered off Israel's coast since 2009 have brightened Israel's energy security outlook. The Tamar and Leviathan fields were some of the world's largest offshore natural gas finds in the last decade. Political and regulatory issues have delayed the development of the massive Leviathan field, but production from Tamar provided a 0.8% boost to Israel's GDP in 2013 and a 0.3% boost in 2014. One of the most carbon intense OECD countries, Israel generates about 57% of its power from coal and only 2.6% from renewable sources.

Income inequality and high housing and commodity prices continue to be a concern for many Israelis. Israel's income inequality and poverty rates are among the highest of OECD countries, and there is a broad perception among the public that a small number of "tycoons" have a cartel-like grip over the major parts of the economy. Government officials have called for reforms to boost the housing supply and to increase competition in the banking sector to address these public grievances. Despite calls for reforms, the restricted housing supply continues to impact younger Israelis seeking to purchase homes. Tariffs and non-tariff barriers, coupled with guaranteed prices and customs tariffs for farmers kept food prices high in 2016. Private consumption is expected to drive growth through 2018, with consumers benefitting from low inflation and a strong currency.

In the long term, Israel faces structural issues including low labor participation rates for its fastest growing social segments - the ultraorthodox and Arab-Israeli communities. Also, Israel's progressive, globally competitive, knowledge-based technology sector employs only about 8% of the workforce, with the rest mostly employed in manufacturing and services - sectors which face downward wage pressures from global competition. Expenditures on educational institutions remain low compared to most other OECD countries with similar GDP per capita.

Source : CIA

## **COMPANY NAME AND ADDRESS**

RE: LGM PHARMA LTD.

Correct Name: **LGM PHARMA (YES PHARMA) LTD.**

(Also trading as LGM PHARMA and/or YES PHARMA)

Telephone 972 2 992 99 33

Mobile 972 54 432 60 38

Fax 972 2 992 99 55

Email: [info@yespharma.com](mailto:info@yespharma.com); [info@lgmpharma.com](mailto:info@lgmpharma.com)

15 Hamelacha Street  
Har Tuv A Industrial Park  
Nocham Enterprises Har-Tuv, 9980101, Israel

## **HISTORY & LEGAL FORMATION**

A private limited company, incorporated as per file No. 51-363979-9 on the 17.01.2005.

Originally registered under the name YES PHARMA LTD., which changed to the present name on the 13.04.2015.

## **SHARE CAPITAL**

Authorized share capital NIS 10,000.00, divided into -  
1,000,000 ordinary shares of NIS 0.01 each,  
of which 10,000 shares amounting to NIS 100.00 were issued.

## **SHAREHOLDERS**

Subject is fully owned by YES PHARMA ISRAEL (2008) LTD., owned by NEW HARBOR CAPITAL MANAGEMENT LLC, an American private equity firm.

Gideon Schurder, who held 100% in subject, sold most of his holdings to NEW HARBOR in the end of 2017, and is left with 13% (in a company which has holdings in NEW HARBOR). Subject's employees also have minor holdings.

## ***DIRECTORS***

1. Gideon Schurder, General Manager, born in 1976,
2. Jocelyn Stanley, of the USA, Partner in NEW HARBOR,
3. Tom Formolo, Partner in NEW HARBOR.

## ***BUSINESS***

Agencies in the field of cGMP pharma ingredients to leading pharmaceutical companies, including pharma intermediates, Active Pharmaceuticals Ingredient's (APIs), formulations to biopharmaceuticals.

Also international traders in raw materials for the pharmaceutical field.

All sales are on a commission basis.

Almost 100% of sales are export.

All of subject's suppliers are foreign.

Among customers: TEVA PHARMACEUTICAL INDUSTRIES, DEXCEL, TARO PHARMACEUTICAL INDUSTRIES, PERRIGO ISRAEL, CTS CHEMICAL INDUSTRIES, RAFA LABORATORIES, TRIMA ISRAEL PHARMACEUTICAL PRODUCTS MAABAROT, REKAH PHARMACEUTICAL, VITAMED, LYCORED, FOAMIX, AMBROSIA SUPHERB, JERUSALEM PHARMACEUTICALS, BEIT JALA PHARMACEUTICALS, BIRZEIT PHARMACEUTICALS, SAM-ON, etc.

Sole local agents of:

CIPLA, NICHOLAS PIRAML, INDSWIFT, RANDEXY, BENZOCEM, all of India,  
STEROID, of Italy,  
INTERQUIM, CRYSTAL PHARMA, both of Spain,  
ACG, of India (in the capsule field).

Operating from rented premises, on an area of 520 sq. meters, in 15 Hamelacha Street, Har Tuv A Industrial Park, Nocham Enterprises Har-Tuv, Mateh Yehuda Regional Council, situated near Beit Shemesh. Also operating from offices and facilities in the USA (headquarters in Erlanger, KY).

Website: [www.yespharma.com](http://www.yespharma.com); [www.lgmpharma.com](http://www.lgmpharma.com)

*Note:* Subject left the premises Sofri House (No. 33), it is no longer relevant.

Having 13 employees (had 18 employees in 2017).

## ***MEANS***

Work is based on orders.

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Subject's B/S shows (last obtainable):

	<u>31.12.2014</u>	<u>NIS</u>	<u>31.12.2015</u>
<b><u>ASSETS</u></b>			
Current assets			
Cash and cash equivalents	634,804		251,863
Customers	8,780,499		9,699,037
Stock	5,276,051		8,228,276
Other debtors and current assets	<u>10,180,048</u>		<u>7,453,716</u>
	24,871,402		25,632,892
Fixed assets (net)	<u>351,359</u>		<u>297,717</u>
	<u>25,222,761</u>		<u>25,930,609</u>
	=====		=====
<b><u>LIABILITIES</u></b>			
Current liabilities			
Current liabilities	13,150,789		10,674,822
Non-current liabilities	2,190,277		1,755,808
Equity	<u>9,881,695</u>		<u>13,499,979</u>
	<u>25,222,761</u>		<u>25,930,609</u>
	=====		=====

There is 1 charge for an unlimited amount registered on the company assets (financial assets), in favor of Bank Hapoalim Ltd. Charge placed in 2017.

**REVENUES**

Subject's solo sales in (*NIS* currency):

	<u>Statement of Income</u>	
	<u>NIS</u>	
	<u>Year ended 31.12</u>	
	<u>2014</u>	<u>2015</u>
Revenues	99,609,398	103,612,165
Gross profit	21,241,871	17,919,984
Operating profit	17,116,808	12,039,904
Profits before taxes on income	17,358,416	11,748,284
Net profit	12,658,030	8,618,284

2016 sales claimed to be NIS 106,000,000, almost 100% were for export.  
2017 sales claimed to be NIS 96,000,000, almost 100% were for export.

## ***OTHER COMPANIES***

YES PHARMA ISRAEL 2008 LTD., parent company, agencies in Israel for pharmaceutical raw materials, operating on a very low volume.  
STEREOKEM INC, 33.3%, USA, developers of chemical processes for the manufacture of active pharmaceutical ingredients (APIs).  
LGM PHARMA LLC, USA.

## ***BANKERS***

Bank Hapoalim Ltd., Jerusalem Business Branch (No.436), Jerusalem, account No. 222000.

Bank Leumi Le'Israel Ltd., Har Hotzvim Business Branch (No. 968), Jerusalem, account No. 566200/73.

A check with the Central Banks' database did not reveal anything detrimental on subject's a/m accounts.

## ***CHARACTER AND REPUTATION***

Nothing unfavorable learned.

Subject is ISO 9001:2008 certified.

NEW HARBOR CAPITAL, who acquired control in subject in November 2017, is a Chicago-based private equity firm with over US\$400 million of capital under management, focused on investing in lower middle market, growth-oriented healthcare, education and business services companies. Since 2000, the NEW HARBOR team has completed over 200 investments.

In February 2010 subject announced on the implementation of ERP/CRM System (Priority, carried out by ESHBEL TECHNOLOGIES) into their infrastructure.

In 2013 subject acquired of 33.3% of Santa Clara, CA, USA based STEREOKEM INC., in return for an investment of US\$2.5 million. Much of STEREOKEM's business is concentrated in India, via its fully owned subsidiary in Hyderabad, India.

Over 90% of sales by the local Israeli Pharmaceutical Industry are for export.

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Sales for exports of pharmaceuticals (mainly human uses, also veterinary use) in 2017 reached US\$ 7,538 million, compared to export of US\$ 6,905.8 million in 2016, US\$ 6,809.4 million in 2015, US\$ 6,485.3 million in 2014, and US\$ 6,317.7 million in 2013.

## **SUMMARY**

Good for trade engagements.

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**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 68.65
UK Pound	1	INR 88.82
Euro	1	INR 79.72
ILS	1	INR 18.65

**Note :** Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	NIY
<b>Report Prepared by :</b>	KET

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)