

## MIRA INFORM REPORT

<b>Report No. :</b>	542173
<b>Report Date :</b>	04.12.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	MORPHISEC INFORMATION SECURITY 2014 LTD.
<b>Formerly Known As :</b>	TITANIUM INFORMATION SECURITY LTD.
<b>Registered Office :</b>	77 Haenergia Street Beer Sheva 8470912
<b>Country :</b>	Israel
<b>Date of Incorporation :</b>	30.06.2014
<b>Legal Form :</b>	Private limited company
<b>Line of Business :</b>	Developers, exporters and marketers of cyber security tools for threat prevention and blocking advanced attacks in real time.
<b>No. of Employees :</b>	45 (February 2018)

### RATING & COMMENTS

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

<b>MIRA's Rating :</b>	A
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Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

<b>Status :</b>	Satisfactory
<b>Payment Behaviour :</b>	Slow but Correct
<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.

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**ECGC Country Risk Classification List**

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
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**

### **MORPHISEC INFORMATION SECURITY 2014 LTD.**

(Also known as MORPHISEC LTD.)

Telephone 972 8 856 37 31

Mobile 972 54 222 97 39 (Ronen Yehosua)

972 54 222 97 39 (Nir Yaakov, CFO)

Email: [info@morphisec.com](mailto:info@morphisec.com)

77 Haenergia Street

BEER SHEVA 8470912 Israel

## **HISTORY & LEGAL FORMATION**

A private limited company, incorporated as per file No. 51-509565-1 on the 30.06.2014 under the name TITANIUM INFORMATION SECURITY LTD., which changed to the present name on the 19.11.2014.

Subject is a spin-off the Technological Incubators Project (of JERUSALEM VENTURE PARTNERS Cyber Incubator).

Subject's knowhow is based on research which was carried out in Ben Gurion University.

## **SHARE CAPITAL**

Authorized share capital NIS 100,000.00, divided into -  
312,200 preference A shares (issued),  
481,234 preference A1 shares (481,233 shares issued),  
547,073 preference B shares (issued),  
8,659,493 ordinary shares (627,146 shares issued), all of NIS 0.01 each,  
of which shares amounting to NIS 19,676,52 were issued.

## **SHAREHOLDERS**

1. JVP VII CYBER STRATEGIC PARTNERS LP, part of JERUSALEM VENTURE PARTNERS (JVP) Group,
2. Ronen Yehoshua,
3. B. G. NEGEV TECHNOLOGIES AND APPLICATIONS LTD., the commercialization arm of Ben Gurion University,
4. Mordechai Guri,
5. PORTAGE EVOLUTION EQUITY CAP LLC, of the USA,
6. GE VENTURES LTD., the investment arm of GENERAL ELECTRIC (GE),
7. DEUTSCHE TELEKOM VENTURE CAPITAL PARTNERS, the investment arm of DEUTSCHE TELEKOM,

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8. OURCROWD, an Israeli VC Fund,
9. Prof. Yuval Elovici,
10. Ms. Irit Mimran,
11. Gavriel Kedma,
12. LA MAISON ITF SARL,
13. EVALUATION EQUITY CAPITAL LTD.,
14. ATLAS SERVICE BELGIUM,
15. KEDEM MORPHISEC INVESTMENT LP.

According to an online data base ORANGE DIGITAL VENTURES also invested in subject (possibly via a/m companies)

## ***DIRECTORS***

1. Ronen Yehoshua, General Manager,
2. Prof. Yuval Elovici,
3. Yoav Tzruya, of JVP,
4. Gadi Tirosh, of JVP,
5. Rami Prunier.

Role Holders in the Company (Registered)  
ERNST & YOUNG (ISRAEL) LTD., CPA.

## ***BUSINESS***

Developers, exporters and marketers of cyber security tools for threat prevention and blocking advanced attacks in real time.

Sales have begun in June 2016, mostly all for export.

Among clientele: YASKAWA MOTOMAN ROBOTICS, DAN HOTELS, LAGARDERE ACTIVE, US Department of Homeland Security.

Operating from premises in 77 Haenergia Street, Beer Sheva (*to where they moved from 6 Helkikey Ha'or Street, Gav Yam Park Bldg. 2, Beer Sheva*). Also operating from a branches in the Boston, USA and Paris, France.

Website: [www.morphisec.com](http://www.morphisec.com)

According to a report from February 2018 having 45 employees (had 26 employees in 2016). Current number of employees not forthcoming.

## ***MEANS***

According to an Israeli online Venture Capital database, subject raised a total of US\$ 20.5 million in 3 rounds:

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1. In February 2014 raised US\$ 1.5 million from JVP as part of its Incubator company.
2. In October 2015 raised US\$ 7 million from JVP, DEUTSCHE TELEKOM, GE VENTURES, PORTAGE EVOLUTION and OURCROWD.
3. In February 2018 raised US\$ 12 million from JVP, DEUTSCHE TELEKOM, GE VENTURES and ORANGE DIGITAL VENTURES.

According to our knowledge, data appearing in the a/m database is deemed to be approved by the company's officials.

Other financial data not forthcoming.

There are no charges registered on the company's assets.

## **REVENUES**

Sales begun in June 2016.  
Sales figures not forthcoming.

## **OTHER COMPANIES**

JERUSALEM VENTURE PARTNERS (JVP), a veteran VC firm with several funds, focusing on investments in early stage companies in the digital media space including software, hardware and content. Has over US\$ 900 million under management, and offices in Israel, North America, Europe and China. Founded by Erel Margalit and managed by the partners Gadi Tirosh, Raffi Kesten and Kobi Rozengarten.

OURCROWD, an Israeli VC, specializing in crowdfunding hybrid platform for accredited investors to invest in Israeli startups.

DEUTSCHE TELEKOM VENTURE CAPITAL, the Venture Capital Company of DEUTSCHE TELEKOM, Investment activities focus on Europe, the United States and Israel, with invested in more than 190 companies.

GE VENTURES, the venture capital subsidiary of GENERAL ELECTRIC., investing up to US\$ 150 million annually in startups in the healthcare, energy, software, and advanced manufacturing sectors.

PORTAGE EVOLUTION EQUITY, a US investment firm.

## **BANKERS**

Bank Leumi Le'Israel Ltd., Migdalei Paz Branch (No. 666), Ramat Gan.

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## **CHARACTER AND REPUTATION**

Nothing unfavorable learned.

So far subject's CFO did not update any data. He asked us to send him an email with our request (though not ask on financial data since they are not disclosing financial data as a principle). We sent the email, so far without response.

As soon as he returns to us with further data (he said he will), we shall update you accordingly.

Subject won first place in cyber security competition at an RSA Conference in 2014.

In May 2016 subject was recognized by GARTNER as a 'Cool Vendor' in Security for Technology and Service Providers.

In June 2016 subject was named a top startup to watch in Startup50's Big 50-2016 report.

In September 2018 subject reported it took top place in three XCellence award categories and was nominated for another at The Channel Company's Midsize Enterprise Summit®: Fall 2018 (MES Fall) conference.

In October 2018 subject receives top honors at Fall 2018 Midmarket CIO Forum.

In October 2018 subject received an award from the US Department of Homeland Security (DHS) Science and Technology Directorate (S&T) to extend, deploy, test and evaluate a Moving Target Defense (MTD)-based cybersecurity solution for virtual desktop infrastructure (VDI) environments.

According to The National Cyber Bureau in the Prime Minister's office, sales of local cyber companies reached US\$ 6 billion, comprising 10% of global cyber sales (an increase from 8% of total sales in 2013). The local cyber market value is expected to exceed US\$ 100 billion in 2018.

According to the Start-up Nation survey, as of the end of 2016, there were 362 companies operating in the cyber field in Israel, mainly in the networks security, verification and anti-fraud, encryption and privacy. 60 companies were established in 2015 and 65 established in 2016, 60% of which have completed their 1<sup>st</sup> capital raising round (well higher than the 21% rate for all the start-up industry). Total capital raised by cyber firms in 2016 totaled US\$ 581 million, 10% higher than 2015 (20% rise in 2015 from 2014), where average investment in the start-ups stood on US\$ 9 million in 2016. Moreover, the Israeli cyber industry captured around 15% of the total investment in cyber globally, second only to American firms.

There are 60 international companies' R&D cyber centers in Israel.

According to IVC in 2016, in the past 5 years, average exit for cyber company was US\$ 66 million (with 16 exits in 2015 and 15 in 2016).

## **SUMMARY**

Notwithstanding the lack of updated data from subject's CFO so far, considered good for trade engagements.

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 70.03
UK Pound	1	INR 89.50
Euro	1	INR 79.59
ILS	1	INR 18.90

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

**INFORMATION DETAILS**

Analysis Done by :	DIV
Report Prepared by :	TRU

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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)