

MIRA INFORM REPORT

Report No. :	546246
Report Date :	27.12.2018

IDENTIFICATION DETAILS

Name :	ENZYMOTEC LTD.
Registered Office :	Sagi 2000 Industrial Park, Kfar Baruch Junction, Emek Yizrael Regional Council
Country :	Israel
Financials (as on) :	30.07.2017
Date of Incorporation :	09.03.1998
Legal Form :	Private Limited Company
Line of Business :	Developers, manufacturers, exporters and marketers of enzymatic modification solutions and biosynthesis processes, for the foodstuff, chemicals and pharmaceutical fields. Also supplying baby food additives.
No. of Employees :	5,400 [Group]

RATING & COMMENTS

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

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

Status :	Satisfactory
Payment Behaviour :	No Complaints
Litigation :	Clear

NOTES :

Any query related to this report can be made on e-mail : 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 & ADDRESS

ENZYMOTEC LTD.

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HISTORY & LEGAL FORMATION

Originally established as a private limited company, incorporated as per file No. 51-260924-9 on the 09.03.1998 under the auspices of NAYOT Technological incubator in Nazareth Illit, controlled by XT HI-TECH INVESTMENTS 1992) LTD. (formerly OFER TECHNOLOGIES LTD.).

In September 2013 subject preformed an IPO on the NASDAQ, raising US\$ 71 million, converting into a public limited company (keeping same registration No.).

On the 11.01.2018, following FRUTAROM LTD.'s acquisition of all shares held by public and other shareholders (mainly GALAM LTD and by PAULSON & CO. INC.), subject's shares were delisted from trade, and re-converted into a private limited company.

Note: In the Registrar of Companies, subject's legal status is "public limited company", however in FRUTAROM's financial statements, its states that subject is now a private limited company.

On the 09.05.2013 fully owned subsidiary PERSAPIENS LTD. was merged into subject.

On the 11.01.2018 FRUTAROM TECH LTD. was merged into subject.

SHARE CAPITAL

Authorized share capital NIS 1,000,000.00, divided into: – 100,000,000 shares of NIS 0.01 each, of which 22,958,783 shares amounting to NIS 229,587.83 were issued.

SHAREHOLDERS

Subject is fully owned by FRUTAROM LTD., fully owned by FRUTAROM INDUSTRIES LTD., fully owned by INTERNATIONAL FLAVORS & FRAGRANCES INC. (hereafter IFF INC.), a public limited company, whose shares traded on the New York Stock Exchange.

In August 2017 FRUTAROM acquired 7.5% of subject for US\$ 13 million.

In January 2018 FRUTAROM reached full ownership ENZYMOTEC, paying US\$ 210 million.

In October 2018 IFF completed the acquisition of FRUTAROM INDUSTRIES, which until then was a public limited company, shares traded on the Tel Aviv Stock Exchange (TASE), according to a value of US\$ 6.4 billion, in which FRUTAROM INDUSTRIES merged into IFF and IFF started to be traded on the TASE.

DIRECTORS

1. Arie (Ari) Rosenthal, General Manager,
2. Amos Anatot, President of FRUTAROM INDUSTRIES,
3. Alon Granot, CFO of FRUTAROM INDUSTRIES,
4. Yonatan Glickman.

BUSINESS

Developers, manufacturers, exporters and marketers of enzymatic modification solutions and biosynthesis processes, for the foodstuff, chemicals and pharmaceutical fields. Also supplying baby food additives.

Operating 2 segments: Nutrition segment (81.6% of 2016 revenues) and VAYA Pharma segment (18.4% of 2015 revenues).

Following a/m acquisition by FRUTAROM, subject sold its Krill activities (which comprised 23.2% of total revenues) to a Norwegian company for US\$ 26.4 million.

Note: We are informed by Ms. Shuli, of Accountancy, that in the near future all of subject's activities will be transferred into parent company FRUTAROM. Exact transfer date not forthcoming as yet, subject is active commercially.

97% of 2016 sales were for export, to over 40 countries (53% of sales are to North America). Among foreign clients: NBJY, GMC, NUMICO, VITAMINE SHOP, ELDER PHARMACEUTICALS (India), ALSIANO (Denmark), IL DONG (Korea), LIFEGUARD (USA), PROTEIN PLUS (Russia), NESTLE, and more.

Among other clientele: TEVA PHARMACEUTICALS.

Most purchasing is from import.

Operating from owned premises (offices and plant), on an area of 9,960 sq. meters (6,480 sq. meters built), in Sagi 2000 Industrial Park (located at close proximity to Kfar Baruch), in Emek Yizrael Regional Council.

Also operates from offices in the USA, China, Singapore and Hong Kong.

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As of end of 2016 had 205 employees, of which 124 in Israel and 65 in USA.
According to a report from December 2017, ENZYMOTEC intends to lay-off several tens of employees following the merger. Current number of employees not forthcoming.
Having some 5,400 employees serving FRUTAROM Group worldwide as of end of 2017.

MEANS

In September 2013 subject completed an IPO on the NASDAQ raising US\$ 71 million.
Subject was valued at US\$ ~ 227 million for the acquisition by FRUTAROM.

Subject invested some US\$ 20 million in the erection of its plant in Sagi 2000 Industrial Park, near Migdal Ha'emek.

R&D investment in 2016: US\$ 7.4 million (US\$ 6.1 million in 2015).

Consolidated B/S shows (last obtainable):

	US\$ (thousands)	
	<u>30.07.2017</u>	<u>31.12.2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	10,586	7,581
Other financial assets	29,127	34,934
Trade receivables	10,524	10,038
Other receivables	2,647	2,027
Inventories	<u>23,751</u>	<u>26,331</u>
	76,635	80,911
Fixed assets (net)	28,846	29,008
Noncurrent assets	<u>50,061</u>	<u>37,030</u>
	<u>155,542</u>	<u>146,949</u>
	=====	=====
LIABILITIES		
Current liabilities	14,628	8,929
Non-current liabilities	1,484	1,420
Equity	<u>139,430</u>	<u>136,600</u>
	<u>155,542</u>	<u>146,949</u>
	=====	=====

There no charges registered on the company's assets.

FRUTAROM INDUSTRIES consolidated financial indicators:

	US\$ (thousands)	
	<u>31.12.2017</u>	<u>30.09.2018</u>

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Total assets	1,947,188	2,239,966
Equity	878,913	904,122

INTERNATIONAL FLAVORS & FRAGRANCES INC. consolidated financial indicators:

	US\$ (thousands)	
	31.12.2017	30.09.2018
Total assets	4,598,926	9,615,542
Equity	1,684,202	4,031,814

IFF current market value US\$ 13,673.8 million.

REVENUES

	Consolidated Statement of Income		
	US\$ (thousands)		
	Year ended 31.12		
	2016	2015	2014
Revenues	47,696	50,391	47,103
Gross profit	29,987	30,756	28,787
Operating profit (loss)	(3,114)	6,174	7,292
Profits (loss) before taxes on income	(2,857)	6,645	7,791
Net profit (loss)	(2,923)	6,683	7,838
	=====	=====	=====

Consolidated revenues for the first 9 months of 2017 were US\$ 38,687,000 (4% increase compared to the parallel period in 2016), making a gross profit of US\$ 24,469,000, an operating loss of US\$ 2,676,000, and a net loss of US\$ 1,856,000. Later sales data not forthcoming.

FRUTAROM INDUSTRIES consolidated sales:

2017 sales were US\$ 1,362,396,000, making a net profit of US\$ 151,563,000.

First 9 months of 2018 sales were US\$ 1,148,014,000, making a net profit of US\$ 94,776,000.

IFF consolidated sales:

2017 sales were US\$ 3,398,719,000, making a net profit of US\$ 295,665,000.

First 9 months of 2018 sales were US\$ 2,758,492,000, making a net profit of US\$ 324,281,000.

OTHER COMPANIES

ENZYMOTEC U.S.A. INC., 100%

VAYA PHARMA INC., 100%, USA

ENZYMOTEC AUSTRALIA PTY LTD., 100%, Australia

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ENZYMOTEC SINGAPORE PTE LTD., 100%, Singapore
VAYA PHARMA HONG KONG LIMITED., 100%
VAYA PHARMA PTE LTD. Singapore 80%
ADVANCED LIPIDS AB, 50%, Sweden, infant nutrition products for use in infant formula.

FRUTAROM INDUSTRIES LTD., a holding company, fully owns FRUTAROM LTD., who directly and via subsidiaries are developers, producers and marketers in the fields of flavors and fragrances for the food & beverages, personal care and more, in 2 lines:

- Flavors Division: flavors, savory solutions, seasonings and food systems.
- Specialty Fine Ingredients Division: natural flavor extracts, functional food ingredients, natural pharmaceutical/nutraceutical extracts, specialty essential oils, citrus products and aroma chemicals.

Having many subsidiaries worldwide.

INTERNATIONAL FLAVORS & FRAGRANCES INC. (IFF) are developers, manufactures and marketers flavors and fragrances for the food, beverage, personal care and household products industries. The company operates in two business segments: Flavors and Fragrances.

BANKERS

According to our (since subject's officials did not disclose bank data, we are unable to verify the u/m bank details): Israel Discount Bank Ltd., Tel Aviv Main Branch (No. 010), Tel Aviv.

CHARACTER AND REPUTATION

Nothing unfavorable learnt.

Subject operates under ISO-9001:2000 and HACCP standards and products have FDA and EMEA approvals. In February 2014 subject was awarded the 'Outstanding Exporter' award by the Ministry of Economy (one of the 8 Israeli export companies that were awarded) for the remarkable 2012 rise in sales for export.

In 2008, subject announced the establishment of a subsidiary in the USA, in order to capitalize on the potential of the American market.

Subject established ADVANCED LIPIDS, a joint venture with Swedish company AARHUSKARLSHAMN AB, also known as AAK, one of the world's leading manufacturers of specialty vegetable oils and fats.

In December 2013, subject signed a joint venture agreement with Polar Omega A/S for the commercialization of Omega-PC.

In December 2013 subject reported it reached a compromise regarding an IP dispute with NEPTUNE and ACASTI.

FRUTAROM estimates the global market in which it operates at US\$ 25 billion.

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According to research firm LEFFINGWELL & ASSOCIATES, FRUTAROM is ranked (2015) amongst the 10 largest companies in the world in the fields of food flavors and flavor extracts.

FRUTAROM expansion strategy includes acquisition of companies, which increase its product variety and market penetration.

IFF is among the 5 largest global companies in its field.

According to the Central Bureau of Statistics (CBS) data, investments in imported machinery & equipment of the manufacturing industry in 2017 (quantity change percent change on previous year) in the food industry increased by 11% and summed up to NIS 584.5 million. That is after 12.5% increase in 2016 and 11.3% decrease in 2015.

SUMMARY

Good for trade engagements.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 69.99
UK Pound	1	INR 88.95
Euro	1	INR 79.82
ILS	1	INR 18.59

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

INFORMATION DETAILS

Analysis Done by :	NIY
Report Prepared by :	TPT

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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)