

## A seat at the game changing table

Shekel Brainweigh (ASX:SBW) is an OEM supplier of accurate/fast weighing technology to Blue Chip clients the likes of GE Healthcare (Infant care), Toshiba and Fujitsu (self-checkouts). The group has a long history of market leadership in this space and has exclusive supplier status with these customers as a result. Adjusted group EBITDA has been positive for the last 2-years, which is a rarity amongst peers and provides a healthy base for new product development. Like most peers SBW is looking to extend its market leading technology into new verticals, with early partnerships and products very encouraging, in our view. Defining these potential markets is not easy, but there is no doubt the group **HAS A SEAT AT THE GAME CHANGING TABLE WITH SERIOUS PARTNERS**. Considering current profitability and the future revenue potential of new products/verticals, SBW is trading at an unwarranted discount to our selected peer group across a wide range of metrics. On an EV/sales basis the group trades at a 70% discount to its nearest peer and >89% discount to the remainder. A limited free float is the major hurdle for investment, but for those with a medium-term time frame, entry at current levels should prove fruitful.

### Scope

This report has been commissioned by Shekel Brainweigh Ltd to present an explanation of the business model and to explore the existing legacy business and the opportunities available in applying this technology to new verticals.

### Business model

Shekel Brainweigh produces weighing scale hardware that is employed by OEM's for self-checkout and healthcare applications requiring speed and accuracy. Prices received from customers is typically fixed, and gross margins are in-line with that achieved by most OEM equipment suppliers. The group is now looking to extend this weighing technology into new verticals, opening up larger market opportunities, potentially higher gross margins and some recurring SaaS style revenue from data processing.

### Base case valuation of \$0.51/share or \$70.5m

Our base case DCF valuation is A\$0.51/share or A\$70.5m. As a sense check this would place the business on an FY18 EV/sales of only 2.6x, still at a discount to the bulk of the peer group. It is also worth noting that the EV/EBITDA multiple for the core business at current prices was around 4.7x FY17 and 5.0x FY18 adjusted for one-offs and the higher R&D spend. Investors are paying very little if anything for new product development. Key sensitivities in the DCF revolve around the WACC (currently 12.6%) and assumptions surrounding smart shelves.

#### Historical earnings and RaaS Advisory estimates

Year end	Revenue (US\$m)	EBITDA reported (US\$m)	NPAT reported (US\$m)	EPS (\$US) (c)	P/E (x)	EV/Sales (x)
12/18a	18.7	(0.3)	(1.2)	(0.01)	26.3	0.43
12/19e	20.3	0.9	0.2	0.00	32.3	0.56
12/20e	23.9	2.4	1.3	0.01	10.6	0.46
12/21e	28.2	4.5	2.9	0.02	5.4	0.33
12/22e	31.7	6.6	4.6	0.04	3.6	0.17

Source: Company data, RaaS Advisory Estimates for FY19e, FY20e, FY21e and FY22e

Technology - Hardware

3<sup>rd</sup> June 2019

#### Share details

ASX Code	SBW
Share price	\$0.18
Market Capitalisation	A\$25.0M
Shares on issue	139.0M
Cash at 31 December 2018	A\$8.9M
Free float	~20%

#### Share performance (since listing)



#### Upside Case

- Strong growth expected in the group's core self-checkout and healthcare markets.
- New verticals are nearing commercialisation, with significant opportunities.
- Mix shift to recurring SaaS fees will increase gross margins and lower days receivables.

#### Downside Case

- Low liquidity with 20% free float
- US currency translation adds complexity for investors
- Near term ROE likely to be impacted by R&D expenditure

#### Board of Directors

Dave Sharma	Non-Executive Chairman
Yoram Ben-Porat	Chief Executive Officer
Isaac Ravi	Non-Executive Director
Beth Kaplan	Non-Executive Director
Tzipi Avioz	Non-Executive Director
Sophie Raven	Non-Executive Director

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## Shekel Brainweigh Ltd

**Shekel Brainweigh Ltd (ASX:SBW) was listed in November 2018, having raised A\$10.15m in an IPO at \$0.35/share to fund working capital and new product development. Despite significant progress on new product development, including the first commercial sales of Innovendi (smart vending machine) and a significant partnership agreement with Madix in the US (smart shelving), the share price has been weak since listing. Natural post IPO share register transition and a lower headline FY18 result are likely key reasons for this weakness, but we feel are short-term/educational in nature. Considering current profitability and the future revenue potential of new products/verticals, SBW is trading at an unwarranted discount to our selected peer group across a wide range of metrics. On an EV/sales basis the group trades at a 70% discount to the nearest peer, and a >89% discount to the balance. This note will examine the FY18 result, explore the market potential of core and future products and provide insights into valuation.**

### Investment case

The following summarises the medium-term investment case for buying SBW today:

- SBW's core business in load cell weights is profitable, adjusted for clear one-off items in FY18. This is a rarity for small technology players and provides a strong platform for new product development;
- The group's products have significant validation with market leading customers including GE Healthcare, Toshiba and Fujitsu. Experience in dealing with such customers will only help new product development in new markets with large players;
- Market growth rates in self-checkout machines are forecast in the double-digit range until at least 2024 by a range of forecasters as tier one retailers move into new markets, internet penetration increases, improving technology (including fraud prevention) and small business adopt the solutions;
- The new vending machine product, Innovendi, is already available commercially with first orders placed and ~40 units delivered in 1H19. Defining the end-market opportunity is difficult but the product is commercial and management performance rights targets (if 100% achieved) would imply a ~\$36m revenue opportunity alone, twice the current revenue;
- Smart Shelving Bays is another new product initiative, with "paying" pilot trials being undertaken by some of the world's largest retailers. Once again, SBW has partnered with one of the world's largest shelving manufacturers, Madix out of the US as the exclusive provider of weighing sensor technology;
- Considering a profitable and growing core business in the load cell weights business, early commercial traction in Innovendi and the partners/potential involved in smart shelving, the current financial metrics relative to "hardware technology" peers are undemanding.

### DCF Valuation at \$0.51/share (market capitalisation of A\$70.5m)

We have considered the following valuation methods:

- Discounted cash flow
- Peer EV/sales multiples
- Expected cash flow profile implicit in the current share price

Our base case DCF valuation is A\$0.51/share.

## SBW's scale weighing technology

SBW's product portfolio uses a combination of some or all of the following to provide accurate weighing information:

- **Hardware;** Load cells which take weight measurements at high speed to provide fast and accurate, weighing and scaling, which incorporates electronic boards.
- **Firmware;** Computer software embedded in the electronic boards which calculates weights and locations.
- **Software;** Displays accurate weight in the users desired measurement and confirms product identification.

GE highlights on its website that its scales used in infant incubators can achieve:

- Accuracy to +/- 0.35oz (10g);
- Range 0.66lbs to 17.6lbs (300grms to 8kg).

We believe the latest sensors under development for smart shelving achieve rates superior to the above.

SBW has a number of registered patents, designs and trademarks, including a number of applications which have been filed and remain pending across the countries the group operates in.

SBW's products are ISO 13485 and ISO 9001 certified and undergo additional quality checks under both internal and external guidelines.

## The self-checkout markets

The self-checkout market is broken into (2) categories:

- Standalone;
- Wall Mounted.

Within these categories, the market is broken into:

- Hardware
- Software
- Services.

SBW is exposed predominantly to the hardware component of the standalone self-checkout machine market, used mostly in supermarkets, hypermarkets and discount department stores. SBW supplies the weighing scales to OEMs which assemble and sell the end-product under their own brand name.

There are a number of OEM self-checkout producers in the market including NCR, NEC, Toshiba, Fujitsu, ECR Software, Pan-Oston, IER, PCMS Group, Diebold Nixdorf and ITAB Scan flow.

Of these players, SBW is the exclusive supplier to:

- Toshiba
- Fujitsu
- Diebold Nixdorf.

Toshiba reported in July 2018 that its global market share had increased from 14.5% to 21.0% in the 12 months to June 2018, which correlates well with the growth in SBW's unit sales to Toshiba in the 12-months to December 2018 (from 12.8k units to 18.8k units). Toshiba is also a global market leader in the Point of Sale (POS) market with ~24% market share.

An example of a self-checkout machine is the Toshiba System 7 self-checkout machine below.

### Exhibit 1: Toshiba Self-Checkout System 7



Source: Toshiba Website

#### Industry growth drivers

There are several independent research reports looking at the growth rates of the self-checkout markets out to 2025. All predict low double-digit growth per annum, including:

- Verified Market Research, which forecasts a CAGR growth rate between 2017 and 2025 of 10.6%, from US\$2.7bn to US\$4.95bn;
- P&S Market Research, which forecasts a CAGR growth rate for the Americas of 10.9% between 2019 and 2024 to reach US\$7.1bn;
- Transparency Market Research, which forecasts a CAGR growth rate of 10.9% globally between 2017 and 2025 to reach US\$5.85bn.

Key reasons for this growth are listed below, and include:

- Labour cost savings
- Resolves labour shortages, particularly in the US where the unemployment rate is ~3.6%
- Improving technology, with higher speeds and lower upfront costs increasing attractiveness
- Increased internet penetration, as the terminals are internet/Wi-Fi reliant
- Increased digital transactions
- Increasing Smartphone penetration, increasing the ease/convenience of checkout payment options
- Growing retail presence of large retailers in developing countries. A good example is Walmart which now has more stores outside the US, including ~2,440 (of ~11,500) in Mexico
- The increasing adoption by small business (lower costs, efficiencies etc)

Technology continues to improve in the space, with Fujitsu recently releasing a new solution that uses AI to reduce fraud rates by adding low-cost cameras to existing checkouts and using AI to cross check scanned items, helping to detect and prevent fraudulent barcode use by consumers.

## The healthcare market

SBW's exposure to the healthcare market is predominantly as a supplier of weighing scales to GE OEM products such as the Giraffe OmniBed Carestation for infants, highlighted in the exhibit below. ~800 units are also sold into the ATOM incubator manufactured in Japan.

The in-bed scale system is highlighted on the GE website as a key product offering, highlighting:

- Accuracy to +/- 0.35oz (10g);
- Range 0.66lbs to 17.6lbs (300grms to 8kg).

GE is the largest single customer of SBW, representing ~19% of total sales in FY'18 and ~25% of total hardware sales (ex-project revenues). Total unit sales to GE in FY18 were 9,827.

The healthcare market is highly regulated, so supplying into this market with a global leader should be seen as "sticky" revenue.

### **Exhibit 2: GE's Giraffe OmniBed Carestation**



Source: GE website

## New verticals under development

As we highlight in our "peer comparison" section later in the report, many OEM hardware technology suppliers across a wide range of industries are looking to expand their technology into new verticals in the OEM and/or own brand space.

Under its "Retail Solutions Suite", SBW has so far identified two broad verticals for new product development, utilising the core weighing systems. We examine both markets below.

### **Innovendi (vending machines)**

Now in commercial production, Innovendi utilises the group's product aware surface/ultra-thin load cell technology in an internally designed vending machine. The machine automates the entire vending machine

process, from product selection to payment, offering customers real-time information and automated restocking notifications.

The business model incorporates:

- An initial hardware sale;
- Recurring SaaS style data fees.

Early pilots have indicated customers spend more on average using Innovendi than the traditional vending machine due to the ease/temptation of use, which justifies a customers' initial investment.

**Exhibit 3: Innovendi vending machine**



Source: Company website

Senior management is highly incentivised to hit sales targets across the globe, with 11.56m performance rights broken into unit sales targets across key regions (exhibit 4 below).

Based on our analysis, the achievement of 100% performance rights implies ~US\$36m in hardware sales revenues before any data fees are taken into account, more than twice the current revenues.

**Exhibit 4: Innovendi performance rights unit targets**

Region	Milestone units required	% of rights to vest
Israel	800	10%
China	2,000	25%
US	2,000	25%
Western Europe	2,400	30%
Australia	400	5%
Eastern Europe	400	5%
<b>Total</b>	<b>8,000</b>	<b>100%</b>

Source: Company financials

## Smart Shelving

Without doubt, the most exciting product under development for SBW is “smart shelving”, which is currently being trialled as 5-shelf units or bays across a number of retailers.

Again, using the group’s product aware surface/ultra-thin load cell weighing technology, SBW has partnered with a US-based market leading shelving manufacturer, Madix, which supplies some of the world’s largest retailers. The JV will see SBW’s load-cells incorporated into Madix designs and offered as Madix-only smart shelf offering.

Currently conducting “paid” trials with a large US DIY and large US Supermarket chain, design is slated for completion by Q419.

The idea behind the technology is that the ultra-thin sensor pads are integrated into the physical shelving design and can identify when a product is removed or replaced, alerting the store manager/staff in real time to stock movement including the need to restock. The data can also be used for store planograms in order to maximise customer traffic flow.

We suspect one of the trial partners in the US is Walmart, with the below link highlighting a real-life trial Walmart is conducting in the US named Intelligent Retail Lab (IRL).

<https://news.walmart.com/2019/04/25/walmarts-new-intelligent-retail-lab-shows-a-glimpse-into-the-future-of-retail-irl>

The IRL is a real world/physical store based in Levittown New York, and incorporates:

- 30,000 SKU’s
- 4,500sqm of selling space
- The processing power of 1.6 terabytes of data every second.

The video clearly highlights the importance of better inventory control, having the right product on the shelves at all times, and that the developments in AI will be as game changing for retail as e-commerce has been.

It is also clear that retailers are unlikely to rush into such technology, requiring significant learnings to sort the practical from the impractical. Integrating the new technology with existing systems such as ERMs and POS could also be a challenge.

In our analysis of the potential market for smart shelving, we have used Walmart as a guide in how to measure the long-term potential for SBW. Full implementation with a customer is likely to be over many years in-line with refurbish cycles, and our numbers currently reflect a fraction of the market size indicated below.

<b>Exhibit 5: Smart shelf potential using Walmart as a guide</b>		
<b>Consideration</b>	<b>Workings</b>	<b>Comment</b>
Total Walmart store numbers	11,766	Store numbers as at December 2018
Applicable for IRL adoption	6,170	Developed countries only
Bays per store	40	Mainly gondola ends assumed
Potential Walmart orders (no)	246,800	Does not include lifecycle replacements
Estimated value for SBW (US\$m)	62	Assumes US\$250 hardware per bay
Ongoing SaaS Fees (p.a)(US\$m)	89	Assumes \$30/month/Bay

Source: RaaS estimates



## Competing technologies

While by no means a complete summary of competing technologies the following section highlights some of the technologies under development and lists some pros and cons of each.

The ultimate goal with technologies in the space is to deliver a cashier-less checkout with a high degree of accuracy and low implementation costs.

### Radio Frequency Identification (RFID)

RFID is the technology of encoding digital data in RFID tags or smart labels, which are captured by a reader via radio waves and stored as data in a database.

Exhibit 6: RFID Pros & Cons	
PROs	CONs
Does not require line-of sight scanning (can read from any orientation)	Cost – largely deployed on high value goods
Reduces labour costs	Radio interference from metals, liquids and the like
Increases visibility of inventory with real-time updates	Upgrades (cost) required across the supply chain
Can track product across the supply chain	Cost in managing data
Capture/hold large amounts of data	
Source: RaaS estimates	

### AI-based image recognition

A broad term which involves the capture of data by a combination of any or all of cameras, sensors and AI algorithms to identify what product is removed from a shelf and by who in real time.

Perhaps the best example of AI image recognition is the 11 AmazonGo stores currently being trialled across the US, the first of which opened in Seattle in 2016.

A number of start-ups have also entered the space, including Grabango, Standard Cognition and Trigo Vision, while rumours persist that it is on the radar of both Microsoft and Google, as the technology is similar to that being employed in driverless cars.

Exhibit 7: Pros & Cons of AI based image recognition	
PROs	CONs
Some of the world's biggest and best technology companies continue to focus on the technology as the holy grail.	Only being trialled in small stores (280sqm) with limited SKU's
Cost savings of a cashier-less store	Cost – Amazon's first store was thought to cost US\$1m with all the hardware and software requirements
	Some question whether stores can be retro-fitted
	Use of facial recognition software may prove contentious
	Have to be a "member" of the store/chain to use the store
	Said to have difficulty differentiating seasonal SKU's
Source: RaaS estimates	

### Autonomous Mobile Robots

As the name suggest autonomous mobile robots move up and down store aisles providing inventory data, cleaning functions and general advice.

Bossanova is a good example of a pioneer in this space, already having 50 robots in Walmart stores moving to 350. These robots provide data on in-stock positions, stock pricing relative to plan and stock positioning relative to planograms.

**Exhibit 8: Pros & Cons of Shelf Scanning Robots**

PROs	CONs
Seems to be used more as cleaning/risk management solution than an inventory scanning device	Inventory management is not in real time (have to wait until robot circles back)
Can provide information to customers on request	Adds to store traffic
Novelty factor	

Source: RaaS estimates

## Recent financial results

SBW is a December year-end and reports in US\$. CY18 is the company's most recent full-year result.

The FY18 results included significant charges for:

- IPO costs;
- Share based payments
- Non-cash related currency changes at the interest line.

Adjusted for these charges, SBW has achieved a positive EBITDA in both FY17 and FY18, a rarity in the technology sector with companies undertaking product development.

The lower FY18 EBITDA result was primarily driven by a significant (80% or \$738k) increase R&D spend associated with new product development. This spend should be seen as the cost of new/higher revenues in future years.

<b>Exhibit 9: SBW operating performance by half-year</b>						
Variable	1H17	1H18	% Chg	2H17	2H18	% Chg
Sales	8.6	8.8	1%	9.6	9.9	3%
Gross Profit	5.2	5.5	6%	5.3	4.9	-9%
GP%	60%	63%		55%	49%	
Operating costs	2.5	2.8	9%	2.6	3.8	47%
<b>EBITDA</b>	<b>2.6</b>	<b>2.7</b>	<b>4%</b>	<b>2.8</b>	<b>1.1</b>	<b>-60%</b>
(EBITDA margin)	0.3	0.3	2%	0.3	0.1	-62%
Adjustments	0.0	0.3		0.0	-1.8	
Reported EBITDA	2.6	2.4	-8%	2.8	-0.7	nm

Source: Company financials and RaaS Analysis

At the current share price, it is worth noting the adjusted historical EV/EBITDA multiples for SBW are:

- FY17 – 4.7x
- FY18 – 7.1x, or ~5.0x adjusted for the increase in R&D spend in FY18 over FY17. This highlights the strength and value of the underlying core business.

## RaaS' Earnings Estimates for SBW

### Sales

Key sales considerations and assumptions for SBW sales growth are listed below:

- Project/service revenue is forecast to be flat as new human resources are deployed to new product development
- Solid growth is expected from the core business as world class customers at least hold share in growing markets
- New product revenues are forecast from 1H19, becoming significant in FY21.

Project/services revenue was said to be ~50% of revenue in FY16, reducing to around 30% in FY18 (or ~US\$5.5m). This trend is expected to continue going forward as the core business continues to grow and the "retail solution suite" begins to contribute in a meaningful way from FY21 onwards.

As discussed in the self-checkout market section, ~10% CAGR growth rates are forecast by a number of research houses into FY25. We have assumed SBW's customers hold share and grow in-line with market, despite recent trends highlighting market share gains.

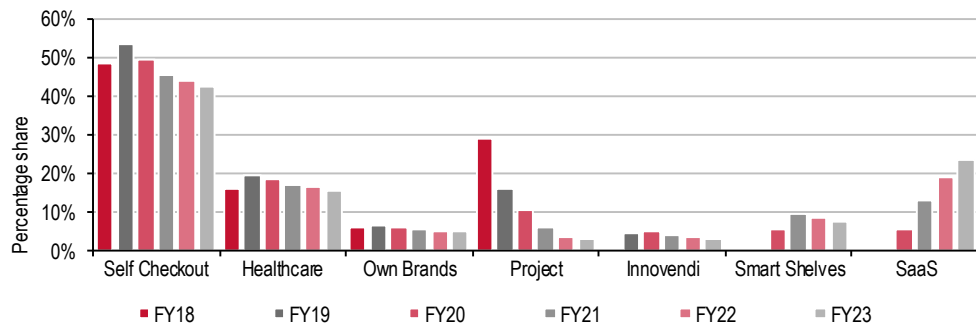
We have modelled revenues from Innovendi from 1H19, as units from the Tnuva agreement begin to be shipped (the first 40 were shipped in April 2019). This contract calls for 1,200 units over 7-years (out to FY25), while further orders have been received from other customers. Our numbers currently assume 1,100 units by FY24.

As for the “smart shelf” product, where do we start! We need to make assumptions on:

- A price per unit per bay;
- How many bays within a store are applicable for the technology;
- How many stores in a customer’s portfolio are applicable for the technology;
- What is the potential data/SaaS revenue associated with this product.

Given our assumption that SBW is trialling its product in Walmart’s IRL in a JV with Madix, we have used Walmart as the basis of accessing the smart shelving potential over the medium-term. Using our assumptions from Exhibit 5 on page 8, a 7% penetration into the applicable store base of Walmart would imply a ~US\$2m in hardware revenues and a recurring ~US\$6m in SaaS data fees by FY24.

#### Exhibit 10: Forecast SBW sales mix to FY23



Source: RaaS estimates

We have modelled SBW’s unit sales using the date the company has supplied the market for 2018 for its self-checkout sales to Toshiba, Fujitsu and Diebold Nixdorf and to GE Healthcare in incubator sales. We note that the company has also referred to other customers such as Data Logic which uses SBW’s load cell technology in its scanner-scales and Atom, a Japanese incubator manufacturer in its past presentations but has not published the sales.

#### Exhibit 11: SBW product sales by units

Vertical	2018	2019F	2020F	2021F	2022F
Self-checkout (Toshiba, Fujitsu, DN)	35,286	37,050	40,755	44,831	49,314
GE Healthcare	9,827	11,301	12,657	13,923	15,315
Innovendi	0	130	230	240	240
Smart shelf Bays	0	0	2,478	4,985	5,025

Source: Company Financials & RaaS estimates

#### Gross Profit

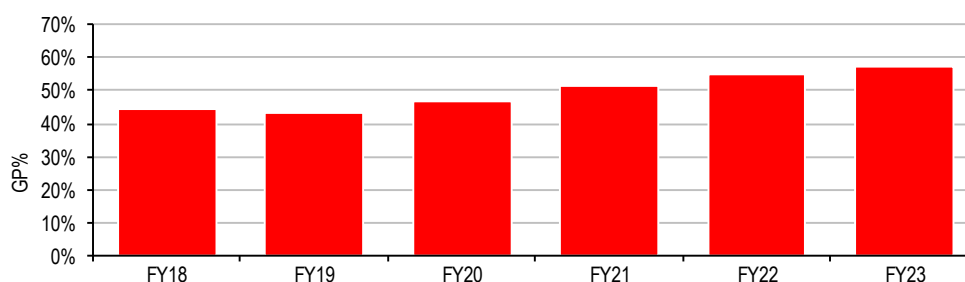
Key gross profit considerations and assumptions are listed below:

- The mix shift away from project/service revenue to hardware and software revenue is forecast to increase gross margins over time;
- Gross margins on new products are forecast at similar levels to other hardware sales (~45-55%);
- SaaS margins are forecast at ~90%.

From a mix perspective the lower forecast project/service revenue will ultimately be more than offset by the higher sales from new products under development at a higher forecast gross margin (~50% for hardware and ~90% for software against 15%).

The net result of our sales and mix forecasts has gross margins increasing from 45% in FY18 to 53% by FY23.

**Exhibit 12: SBW gross margin estimates to FY23**



Source: RaaS Group estimates

## Operating Costs

Key operating cost considerations and assumptions are listed below:

- Increased R&D spend from FY19 in-line with new product development/lower capitalisation.
- An SG&A assumption for new products.
- Modest SG&A and Admin increases.
- The beginning of amortisation.

R&D spend is forecast to increase to \$2.8m in FY19 from \$1.65m in FY18 on the back of new product development and lower capitalisation, and remain elevated medium-term. This is the key reasons for the forecast decline in EBITDA over FY19, albeit remaining positive. We have forecast R&D spend at >10% of sales until FY24.

We have assumed an SG&A charge of 15% of sales for new products despite much of the marketing likely to be being undertaken by JV partners such as Madix (by their sales reps and in their catalogues). SBW will still need sales reps in the field supporting the product launch and have already made some key hires in this space.

Our P&L assumptions out to FY22 are detailed in the table below, and further in Exhibit 20.

**Exhibit 13: SBW divisional earnings forecasts**

US\$	2018A*	2019F	2020F	2021F	2022F
Sales	18.7	20.3	23.9	28.2	31.7
Gross Profit	8.3	8.8	10.9	13.6	16.1
GP%	44.5%	43.5%	45.6%	48.4%	50.8%
SG&A	6.5	7.9	8.5	9.1	9.5
EBITDA	1.8	0.9	2.4	4.5	6.6
D&A	0.2	0.5	0.5	0.5	0.5
EBIT	1.6	0.4	1.8	4.0	6.1

Source: Company Financials & RaaS estimates \* Adjusted for "one-offs"

## Other Financial Commentary

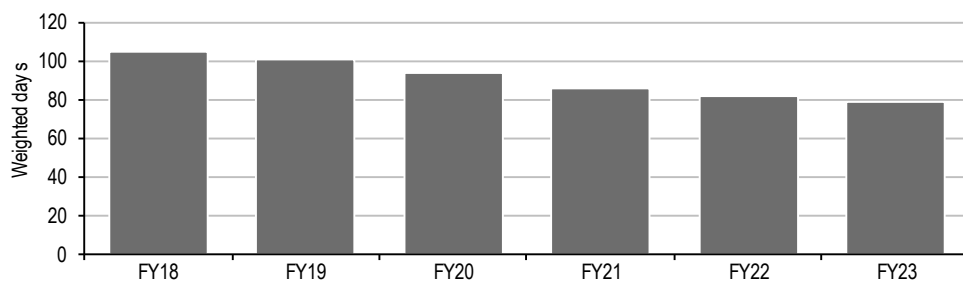
### Balance sheet

Key points to note with regards to the balance sheet and key forecasts include:

- **Capitalised R&D spend.** SBW had US\$1.96m in capitalised R&D spend on the balance sheet at December 2018. Now that Innovendi is commercialised and there are paid trials for “smart shelves” we expect lower software capitalisation and the beginning of amortisation in FY19.
- **High days receivables but expected to reduce.** By our calculations SBW’s days receivables were 109 days in FY18, up from 106 days in FY17. This is high relative to peers and a function of doing business with large customers. The company manages this with a trade finance facility.

As own brands such as Innovendi and the monthly SaaS revenues increase (30-day terms) we expect the days receivables to decline. SBW has also employed a new Purchasing Manager based in China to help procurement.

**Exhibit 14: SBW forecast days receivables to FY23**



Source: RaaS Group estimates

- **Strong cash position.** SBW closed December 2018 with US\$6.2m cash (A\$8.9m), providing significant funding options and creditability (given they are dealing with major companies) for new product development.
- **Short-term debt is trade finance related.** SBW closed December 2018 with US\$3.9m in short-term loans which are directly related to the difference between trade payables and receivables (\$3.69m). As a result, we treat this as trade finance and do not net off against cash.

### Cash Flow

Key points to note with regards to cash flow and key forecasts include:

- **High working capital demands with growth.** Working capital is a major cash drain for SBW as the business grows given its high days receivables and inventory requirements.
- **Lower capitalised software spend.** We expect SBW to continue capitalising development software relating to new product, but those related to Innovendi and “smart shelves” now goes through the P&L.
- **Low capital expenditure.** The business has very low capital expenditure requirements, being 0.007% of sales in FY18.

### **Options**

In addition to the 11.56m performance rights relating to the unit sales performance of Innovendi SBW has the following options on issue:

- 4.17m Lead Manager options with a strike price of \$0.42c and an expiry date of 20 November 2021;
- 19.4m Employee Share Plan (ESP) options with a strike price of \$0.20c with an expiry date of 11 March 2028.

Given they are currently out of the market we have not diluted for these options in our current assumptions.

## Peer Comparison

We consider listed peers to SBW to be:

- Small/micro-cap in size;
- Predominantly a technology hardware producer making a “one-time” unit sale;
- Supplying OEMs with components to a branded end-product;
- Utilising a core technology to develop new products or push into new verticals;
- Dealing mainly with Blue-Chip customers.

While the technologies and potential market opportunities may vary by industry and product, these companies share similar challenges in terms of gross margins, brand recognition, balancing payables and receivables and funding growth requirements.

Below we summarise selected peers and list some key financial metrics across the peer group.

**Micro-X (ASX:MX1).** A producer of lightweight, portable X-Ray machines (the Nano) using carbon nanotube technology for distribution by US Healthcare giant Carestream, under the Carestream brand. The group is looking to expand its product portfolio by developing a “rugged” version of the Nano and a mobile backscatter device for explosives detection.

**Mobilicom (ASX:MOB).** A producer of communication solutions for mission critical and remote mobile private networks, using a technology that merges 4G and mobile MESH networks. This technology is also being employed in a new offering for the Commercial Drone and Robotic sectors (Sky Hopper).

**Elsight (ASX: ELS).** Supplies OEMs with advanced communication technology that securely transmits data, professional 4K and audio transmission in real time. The group targets security cameras, drones, tablets, autonomous vehicles and utilities. The group is in the process of launching its next generation “Halo” product due for launch Q4CY19.

**IKE GPS (NZX: IKE).** Has two key own brand products, IKE and Spike, which are smart laser-based measurement tools with accompanying software analytics. IKE targets telco and utility companies while Spike targets the signage and engineering market.

**Atomos (ASX:AMS).** A global video technology company that enhances video content creation, connecting the imaging and computer world. The product is own brand, but an add-on to devices such as cameras.

**Revasum (ASX:RVS).** A producer of equipment to make semi-conductors, with each unit selling for ~\$650k. Revenue is split between new unit sales (75%) and spare parts (25%).

**Pivotal Systems (ASX:PVS).** A producer of gas flow control solutions integral to the production of semi-conductors. Its customers are OEMs or Integrated Device Manufacturers (IDM’s); 25 customers have now said to have validated the technology.

**Exhibit 15: Peer financial comparison**

Company Name	Ticker	Share price (cps)	Mkt Cap (\$m)	Dec-18 Debt/(cash) (\$m)	FY18 Adj EBITDA (\$m)	FY18 sales (\$m)	FY18 GP%	FY18 WC/Sales	FY18 EV/Sales	FY18 R&D/sales
MicroX	MX1	0.29	43	1.5	(13.4)	1.6	61%	43%	27.8	461%
Mobilicom	MOB	0.09	24	(3.9)	(3.1)	1.4	73%	4%	14.2	87%
Elsight	ELS	0.55	52	(5.0)	(4.0)	2.4	54%	34%	19.6	54%
IKE GPS	IKE	0.54	49	(5.0)	(1.0)	7.7	52%	24%	5.7	39%
Atomos	AMS	1.32	201	(5.0)	(0.6)	35.6	47%	7%	5.5	11%
Revasum	RVS	1.43	109	(34.9)	1.1	38.9	37%	39%	1.9	14%
Pivotal Systems	PVS	1.64	183	(25.0)	0.1	29.0	30%	24%	5.4	15%
Shekel Brainweigh	SBW	0.18	25	(8.9)	2.5	26.7	45%	33%	0.6	15%

Sources: Company financials, Thomson Reuters, Stockopedia Prices as at 30 May 2019



Relative to peers we would highlight that SBW:

- Has by far the lowest EV/sales multiple at 0.6x, sitting 70% below the nearest peer (RVS at 1.9x) and an even bigger discount to the remaining peers (>89%);
- Is one of only three peers to record a positive adjusted EBITDA in FY18, and the highest by some margin;
- Has a gross margin, working capital to sales and R&D/sales metric in-line with most operators;
- Is one of only four players with substantial sales revenues;

From an industry viewpoint, privately-owned Vetek out of Sweden look to be the closest competitor, producing a large range of weighing devices and we believe the exclusive supplier to NCR in the self-checkout market.

## DCF valuation

We are of the view that the discounted cashflow methodology is the most appropriate methodology for valuing SBW given a solid trading history, some well disclosed trading metrics and solid colour on new product development.

That said there remain significant assumptions with regards to new product pricing, penetration and the costs associated with going to market.

Our DCF valuation is \$0.51/share, with 51% in the terminal value, and a 10-year CAGR in free cashflows from 2020 of 40%. The key assumptions are highlighted in the following exhibit.

<b>Exhibit 16: Base Case DCF valuation</b>	
<b>Parameters</b>	<b>Outcome</b>
Discount Rate / WACC	12.6%
Beta	1.5x
Terminal growth rate assumption	2.2%
Sum of PV	29.7
PV of terminal Value	32.0
PV of Enterprise	61.7
Debt (Cash)	(8.8)
Net Value - Shareholder	70.5
No of shares on issue*	139
<b>NPV</b>	<b>A\$0.51</b>
Source: RaaS estimates	

## Reverse DCF

We have undertaken a reverse DCF to highlight the growth rate in free cashflows being applied in the current share price. Using the same parameters as that applied in our base case DCF, we estimate that the market is pricing in a CAGR in free cashflows from 2020 of 24%, which in our view seems modest based on the growth potential for both the core business and its retail innovation solutions.

### Exhibit 17: Reverse DCF

Parameters	Outcome
Discount Rate / WACC	12.6%
Beta	1.5x
Terminal growth rate assumption	2.2%
Sum of PV	5.5
PV of terminal Value	10.6
<b>PV of Enterprise</b>	<b>16.2</b>
Debt (Cash)	(8.8)
Net Value - Shareholder	25.0
No of shares on issue	139.0
NPV	A\$0.18

Source: RaaS estimates

### Sensitivity analysis

The table below highlights how the change to some key variables impacts our base case valuation. As a general comment the assumptions around the “smart shelf” unit sales and resultant SaaS pricing are key operational drivers, while a change in the discount rate (WACC) is also a major driver.

As new product unit pricing, penetration and gross margins become clearer this discount rate will naturally decline.

### Exhibit 18: SBW product sales by units

Vertical	Current	+/-	Change (cps)	Change (%)	Comments
WACC	12.6%	1.0%	0.07	15%	Major sensitivity
MT growth rate	10.0%	1.0%	0.01	2%	Modest impact
Smart Shelf unit sales (to 2023)	17,500	1,750	0.04	8%	Key new product
Smart shelf SaaS fee	\$30/mth	\$3	0.03	6%	Key pricing assumption
Innovendi unit sales (to 2023)	1,100	100	0.01	2%	Well below rights target

Source: Company Financials & RaaS estimates

## SWOT analysis

In our view the strengths and opportunities for Shekel Brainweigh outweigh the weaknesses and threats.

<b>Exhibit 19: Strengths, Weaknesses, Opportunities, Threats</b>	
<b>Strengths</b>	<b>Opportunities</b>
Customers are market leaders in their respective fields, including GE in Healthcare, Toshiba and Fujitsu in self-checkout and Madix in shelving.	Take an existing, market leading product and apply it to new and much larger verticals.
The legacy business is profitable, which is unusual in the technology space.	Grow with key OEM partners, who are demonstrating market share gains.
The legacy markets remain in "growth" mode	Move from a science/mathematical focused business to a commercially focused business.
New product development is close to commercialisation	
<b>Weaknesses</b>	<b>Threats</b>
Small company relative to peers means they are a "taker" on things like payment terms	An element of product "push" may result in customers not embracing the technology currently under development
Limited free float and small cap nature may limit funding	New technology replacing or superseding weighing scales
	Performance rights incentivise sales of Innovendi over other products

Source: RaaS analysis

## Board and management

### Directors

**Mr Dave Sharma, Non-Executive Chairman**, has just won the Federal seat of Wentworth in NSW, although at time of writing, the final count has yet to be confirmed. Mr Sharma is the former Australian Ambassador to Israel.

**Mr Yoram Ben-Porat, Executive Director & CEO**, founded NUR Macroprinters Ltd in 1988, was CEO between 1988 and 2000 overseeing its listing on NASDAQ in 1995 and ultimately selling to Hewlett Packard in 2007 for US\$117.5m In 2007. Mr Ben-also co-founded Nomad Media Solutions Ltd, a Swiss media and technology company, but is no longer involved in the company's management.

**Mr Isaac Raviv, Non-Executive Director**, has over 30-years managerial experience across the technology sector for both private and public Israel and international companies, playing an important role in mergers & acquisitions and fund-raising initiatives with a technology focus. Between 1994-2015 Mr Raviv was CEO of IDR International Marketing, a business development and marketing company focusing on marketing worldwide Israeli technology products.

**Mrs Beth Kaplan, Non-Executive Director**, has held a number of directorships and managerial roles for retail and technology companies. She has a deep knowledge in marketing, logistics and optimising retail operations. Mrs Kaplan currently serves as a director of two public companies (Meredith Corporation and Howard Hughes Corporations) and three private companies (Framebridge, Leessa Sleep Limited and Rent the Runway). Mrs Kaplan has been a venture partner and the managing member at Axcel Partners LLC for over 10-years.

**Mrs Tzipi Avioz, Non-Executive Director**, has held a number of senior IT executive positions in major Australian companies including as director of information technology at AMP Ltd and group head of digital commerce for Woolworths. Ms Avioz also currently is the executive vice president of customer success at Mirakl Inc.

**Mrs Sophie Raven, Non-Executive Director**, brings extensive experience with ASX-listed companies as a non-executive director, company secretary and legal counsel, in the areas of corporate governance, investment funds, cross-border structuring, M&A, legal due diligence and corporate transactions in both Australia and internationally.



## Management

**Mr Yedidia Yossef, Deputy Chief Executive Officer**, has over 25-years' managerial experience in product engineering and development in the telecommunications sector. He has deep exposure in taking products from the initial stages of development through manufacturing and production processes to introduction and distribution to both Israeli and international markets.

**Mr Barak Nir, Chief Financial Officer**, has over 25-years' experience serving as chair, CEO and chief financial officer for several international private and public companies in the fields of real estate, finance and electronics. Previous roles have included chairman of Eilor, an industrial company in the field of magnetic cores, and CFO of Kiryat Anavim.

**Mr Guy Moshe, Chief Technology Officer** has four years of autonomous retail experience with a strong understanding of AI algorithms and advanced technical solutions from initial concept to a valuable operating solution. Between 2014-2016, Mr Moshe was the co-founder and CEO of Supersmart Ltd, overseeing the development of an algorithm for shopping carts to become instant checkouts.

**Exhibit 20: Financial Year Financial Summary**

Shekel Brainweigh (SBW.AX)						Share price (30 May 2019)						A\$	0.18						
Profit and Loss (US\$m)						Interim (US\$m)						H118A	H218A	H119F	H219F	H120F	H220F		
Y/E 31 Dec	FY18A	FY19F	FY20F	FY21F	FY22F	Revenue	8.8	9.9	9.4	10.9	11.1	12.8	EBITDA	0.2	(0.5)	0.3	0.6	1.0	1.4
Revenue	18.7	20.3	23.9	28.2	31.7	EBIT	0.1	(0.6)	0.1	0.3	0.7	1.1	NPAT (normalised)	(0.0)	(1.1)	0.0	0.2	0.5	0.8
Gross profit	8.3	8.8	10.9	13.6	16.1	Minorities	0.0	0.0	0.0	0.0	0.0	0.0	NPAT (reported)	(0.0)	(1.1)	0.0	0.2	0.5	0.8
GP margin %	44.5%	43.5%	45.6%	48.4%	50.8%	EPS (normalised)	(0.000)	(0.010)	0.000	0.002	0.004	0.006	EPS (reported)	(0.000)	(0.010)	0.000	0.002	0.004	0.006
EBITDA	(0.3)	0.9	2.4	4.5	6.6	Dividend (cps)	0.000	0.000	0.000	0.000	0.000	0.000	Imputation	0.0	0.0	0.0	0.0	0.0	0.0
Depn	0.2	0.2	0.2	0.2	0.2	Operating cash flow	na	na	na	na	na	na	Free Cash flow	na	na	na	na	na	na
Amort	0.0	0.3	0.3	0.3	0.3	Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	0.5	1.6	3.4	6.1	8.6	
EBIT	(0.1)	1.4	2.9	5.1	7.1	Significant items	0.0	0.0	0.0	0.0	0.0	NPAT (reported)	0.5	1.6	3.4	6.1	8.6		
Interest	0.7	(0.0)	0.0	0.1	0.0	Cash flow (US\$m)	0.0	0.0	0.0	0.0	0.0	YE 31 Dec	FY18A	FY19F	FY20F	FY21F	FY22F		
Tax	(0.1)	0.2	0.5	1.0	1.5	EBITDA	(0.3)	0.9	2.4	4.5	6.6	EBITDA	(0.3)	0.9	2.4	4.5	6.6		
Minorities	0.0	0.0	0.0	0.0	0.0	Interest	0.7	(0.0)	0.0	0.1	0.0	Interest	0.7	(0.0)	0.0	0.1	0.0		
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Tax	0.0	(0.1)	(0.3)	(0.7)	(1.2)	Tax	0.0	(0.1)	(0.3)	(0.7)	(1.2)		
NPAT pre significant items	0.5	1.6	3.4	6.1	8.6	Working capital changes	(0.0)	(0.4)	(1.1)	(1.2)	(1.0)	Working capital changes	(0.0)	(0.4)	(1.1)	(1.2)	(1.0)		
Significant items	0.0	0.0	0.0	0.0	0.0	Operating cash flow	0.4	0.4	0.9	2.7	4.3	Operating cash flow	0.4	0.4	0.9	2.7	4.3		
NPAT (reported)	0.5	1.6	3.4	6.1	8.6	Mtce capex	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	Mtce capex	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)		
Cash flow (US\$m)	0.0	0.0	0.0	0.0	0.0	Free cash flow	0.2	0.2	0.7	2.4	4.1	Free cash flow	0.2	0.2	0.7	2.4	4.1		
YE 31 Dec	FY18A	FY19F	FY20F	FY21F	FY22F	Capitalised Software	(0.8)	(0.3)	(0.3)	(0.3)	(0.3)	Capitalised Software	(0.8)	(0.3)	(0.3)	(0.3)	(0.3)		
EBITDA	(0.3)	0.9	2.4	4.5	6.6	Acquisitions/Disposals	(0.2)	0.0	0.0	0.0	0.0	Acquisitions/Disposals	(0.2)	0.0	0.0	0.0	0.0		
Interest	0.7	(0.0)	0.0	0.1	0.0	Other	0.0	0.0	0.0	0.0	0.0	Other	0.0	0.0	0.0	0.0	0.0		
Tax	0.0	(0.1)	(0.3)	(0.7)	(1.2)	Cash flow pre financing	(0.8)	(0.1)	0.3	2.1	3.7	Cash flow pre financing	(0.8)	(0.1)	0.3	2.1	3.7		
Working capital changes	(0.0)	(0.4)	(1.1)	(1.2)	(1.0)	Equity	6.1	0.0	0.0	0.0	0.0	Equity	6.1	0.0	0.0	0.0	0.0		
Operating cash flow	0.4	0.4	0.9	2.7	4.3	Debt	(0.4)	0.0	0.0	0.0	0.0	Debt	(0.4)	0.0	0.0	0.0	0.0		
Mtce capex	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	Net Dividends paid	0.0	0.0	0.0	0.0	0.0	Net Dividends paid	0.0	0.0	0.0	0.0	0.0		
Free cash flow	0.2	0.2	0.7	2.4	4.1	Net cash flow for year	4.9	(0.1)	0.3	2.1	3.7	Net cash flow for year	4.9	(0.1)	0.3	2.1	3.7		
Capitalised Software	(0.8)	(0.3)	(0.3)	(0.3)	(0.3)	Balance sheet (US\$m)	0.0	0.0	0.0	0.0	0.0	Balance sheet (US\$m)	0.0	0.0	0.0	0.0	0.0		
Acquisitions/Disposals	(0.2)	0.0	0.0	0.0	0.0	YE 31 Dec	FY18A	FY19F	FY20F	FY21F	FY22F	YE 31 Dec	FY18A	FY19F	FY20F	FY21F	FY22F		
Other	0.0	0.0	0.0	0.0	0.0	Cash	6.3	6.1	6.5	8.3	12.1	Cash	6.3	6.1	6.5	8.3	12.1		
Cash flow pre financing	(0.8)	(0.1)	0.3	2.1	3.7	Accounts receivable	5.6	5.8	6.6	7.4	8.0	Accounts receivable	5.6	5.8	6.6	7.4	8.0		
Equity	6.1	0.0	0.0	0.0	0.0	Inventory	3.2	3.6	4.5	5.5	6.4	Inventory	3.2	3.6	4.5	5.5	6.4		
Debt	(0.4)	0.0	0.0	0.0	0.0	Other current assets	2.0	2.1	2.2	2.3	2.5	Other current assets	2.0	2.1	2.2	2.3	2.5		
Net Dividends paid	0.0	0.0	0.0	0.0	0.0	Total current assets	17.0	17.6	19.7	23.6	28.9	Total current assets	17.0	17.6	19.7	23.6	28.9		
Net cash flow for year	4.9	(0.1)	0.3	2.1	3.7	PPE	0.5	0.6	0.6	0.7	0.8	PPE	0.5	0.6	0.6	0.7	0.8		
Balance sheet (US\$m)	0.0	0.0	0.0	0.0	0.0	Intangibles	2.0	1.9	1.9	1.9	2.0	Intangibles	2.0	1.9	1.9	1.9	2.0		
YE 31 Dec	FY18A	FY19F	FY20F	FY21F	FY22F	Investments	0.0	0.0	0.0	0.0	0.0	Investments	0.0	0.0	0.0	0.0	0.0		
Cash	6.3	6.1	6.5	8.3	12.1	Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Deferred tax asset	0.0	0.0	0.0	0.0	0.0		
Accounts receivable	5.6	5.8	6.6	7.4	8.0	Other non current assets	0.2	0.2	0.2	0.2	0.2	Other non current assets	0.2	0.2	0.2	0.2	0.2		
Inventory	3.2	3.6	4.5	5.5	6.4	Total non current assets	2.7	2.7	2.8	2.8	3.0	Total non current assets	2.7	2.7	2.8	2.8	3.0		
Other current assets	2.0	2.1	2.2	2.3	2.5	Total Assets	19.7	20.3	22.5	26.4	31.9	Total Assets	19.7	20.3	22.5	26.4	31.9		
Total current assets	17.0	17.6	19.7	23.6	28.9	Accounts payable	1.9	2.0	2.4	2.8	3.2	Accounts payable	1.9	2.0	2.4	2.8	3.2		
PPE	0.5	0.6	0.6	0.7	0.8	Short term debt	4.0	4.0	4.0	4.0	4.0	Short term debt	4.0	4.0	4.0	4.0	4.0		
Intangibles	2.0	1.9	1.9	1.9	2.0	Tax payable	0.0	0.0	0.0	0.0	0.0	Tax payable	0.0	0.0	0.0	0.0	0.0		
Investments	0.0	0.0	0.0	0.0	0.0	Other	1.4	1.5	1.8	2.1	2.4	Other	1.4	1.5	1.8	2.1	2.4		
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Total current liabilities	7.2	7.5	8.2	8.9	9.5	Total current liabilities	7.2	7.5	8.2	8.9	9.5		
Other non current assets	0.2	0.2	0.2	0.2	0.2	Long term debt	0.0	0.0	0.0	0.0	0.0	Long term debt	0.0	0.0	0.0	0.0	0.0		
Total non current assets	2.7	2.7	2.8	2.8	3.0	Other non current liabs	0.3	0.4	0.5	0.8	1.0	Other non current liabs	0.3	0.4	0.5	0.8	1.0		
Total Assets	19.7	20.3	22.5	26.4	31.9	Total long term liabilities	0.3	0.4	0.5	0.8	1.0	Total long term liabilities	0.3	0.4	0.5	0.8	1.0		
Accounts payable	1.9	2.0	2.4	2.8	3.2	Total Liabilities	7.5	7.9	8.7	9.7	10.5	Total Liabilities	7.5	7.9	8.7	9.7	10.5		
Short term debt	4.0	4.0	4.0	4.0	4.0	Net Assets	12.3	12.5	13.8	16.7	21.3	Net Assets	12.3	12.5	13.8	16.7	21.3		
Tax payable	0.0	0.0	0.0	0.0	0.0	Share capital	7.7	7.7	7.7	7.7	7.7	Share capital	7.7	7.7	7.7	7.7	7.7		
Other	1.4	1.5	1.8	2.1	2.4	Accumulated profits/losses	2.9	3.1	4.4	7.4	12.0	Accumulated profits/losses	2.9	3.1	4.4	7.4	12.0		
Total current liabilities	7.2	7.5	8.2	8.9	9.5	Reserves	1.3	1.3	1.3	1.3	1.3	Reserves	1.3	1.3	1.3	1.3	1.3		
Long term debt	0.0	0.0	0.0	0.0	0.0	Minorities	0.3	0.3	0.3	0.3	0.3	Minorities	0.3	0.3	0.3	0.3	0.3		
Other non current liabs	0.3	0.4	0.5	0.8	1.0	Total Shareholder funds	12.3	12.5	13.8	16.7	21.3	Total Shareholder funds	12.3	12.5	13.8	16.7	21.3		
Total long term liabilities	0.3	0.4	0.5	0.8	1.0	Share price (30 May 2019)							Share price (30 May 2019)						
Total Liabilities	7.5	7.9	8.7	9.7	10.5	A\$							A\$						
Net Assets	12.3	12.5	13.8	16.7	21.3	0.18							0.18						
Share capital	7.7	7.7	7.7	7.7	7.7	Interim (US\$m)							Interim (US\$m)						
Accumulated profits/losses	2.9	3.1	4.4	7.4	12.0	H118A							H118A						
Reserves	1.3	1.3	1.3	1.3	1.3	H218A							H218A						
Minorities	0.3	0.3	0.3	0.3	0.3	H119F							H119F						
Total Shareholder funds	12.3	12.5	13.8	16.7	21.3	H219F							H219F						
Free Cash flow Yield	(5.2%)	(0.6%)	1.8%	10.8%	21.2%	H120F							H120F						
						H220F							H220F						

Source: RaaS Advisory



# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 26<sup>th</sup> November 2018**



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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

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### **Our dealing service**

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

### **How are we paid?**

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

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### **Complaints**

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR’s internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren’t satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: [www.afca.org.au](http://www.afca.org.au); Email: [info@afca.org.au](mailto:info@afca.org.au); Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

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