

Relatively resilient without R&D sacrifice

Shekel Brainweigh Limited (ASX:SBW) has released its unaudited accounts for 1HCY20, with the results far better than feared in the early stages of COVID uncertainty. Group sales declined only 5% to US\$7.9m, driven predominantly by the group's own brand, Healthweigh, which was impacted by a distributor's temporary closure. R&D spend remained elevated in order to bring new products to market, and in this light a US\$2.0m EBIT loss was well within forecast. Some COVID-related operating cost savings aided the result as management sought to progress commercialisation momentum with existing resources. Cash resources are tight and the company is "intensively dealing with money raising" to sure up the balance sheet. New Retail sales were modest but paid trials and customer interest remains, as too does the strong partnership alliances. While no guidance was given we expect improvement from pent-up demand over 2HCY20, remembering historically the 2H is always stronger (~45/55 skew). Despite a solid share price rally since our last update we still believe no value is being attributed to the New Retail division if the core scales business is valued at 6x ex-R&D EBIT (which we estimate at US\$2.0m-\$2.5m). Our DCF valuation remains relatively unchanged, just impacted slightly from the higher A\$ (earnings translation). The group continues to trade well below our selected peer group on an EV/sales basis.

Business model

SBW produces weighing scale hardware/software that is employed by OEMs for self-checkout and healthcare applications requiring speed and accuracy. Prices received from customers are typically fixed, and gross margins are in-line with that achieved by most OEM equipment suppliers. The group is looking to extend this market leading technology into new verticals, opening up larger market opportunities, potentially higher gross margins and some recurring SaaS style revenue from data analytics. One of the new verticals (Innovendi vending machines) is in commercialisation while others are nearing commercialisation (Innovendi Dry (previously called Soter), smart shelving and the Micro-market Capsule).

1HCY20 result and outlook implications

Relative to initial fears unit sales and therefore revenue across the group held up well over the COVID disrupted half, with revenue down 5% to US\$7.9m. R&D spend was maintained at elevated levels in order to maintain the momentum of commercial launch, and represented 21.5% of sales over the half. In this light the \$2.0m EBIT loss was within expectations. Looking forward the 2H has historically been the strongest period for SBW sales and earnings, and we expect some further pent-up demand this year.

Base case valuation A\$0.38/share fully diluted

We have reduced our base case DCF valuation to A\$0.38/share (\$53m) from A\$0.40/share predominantly driven by the higher A\$ and resulting US\$ translation. While the share price has improved significantly since our last update we still believe there is little value being attributed to the New Retail Division despite a number of products in the early stages of commercialisation. SBW continues to trade at a discount to our nominated peers.

Historical earnings and RaaS Advisory estimates on a reported basis

Year end	Revenue (US\$m)	EBIT (US\$m)	NPAT (US\$m)	EPS (c)	PER (x)	EV/sales(x)
12/19a	18.8	(2.1)	(2.4)	(0.02)	(7.3)	0.82
12/20e	18.9	(2.3)	(2.6)	(0.02)	(8.3)	0.87
12/21e	23.6	0.2	(0.1)	0.00	53.6	0.75
12/22e	26.8	2.0	1.3	0.01	10.8	0.63

Source: Company Data, RaaS Advisory Estimates

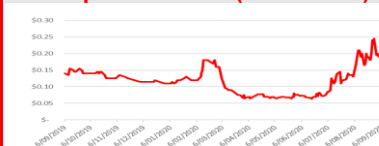
Technology – Hardware/software

7 September 2020

Share details

ASX Code	SBW
Share price at 2nd Sep	\$0.19
Market Capitalisation	\$26.4M
Shares on issue	139M
Enterprise value	\$23.1M
Cash at 30 Jun '20	\$3.3M
Free float	~13.6%

Share performance (12 months)



Upside Case

- Strong growth expected in the group's core self-checkout and healthcare markets
- New verticals have commenced 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
- Currency translation from USD and AASB16 adds complexity for investors
- Near term ROE likely to be impacted by R&D expenditure

Management

Arik Shor	Executive Director/CEO
Barak Nir	Chief Financial Officer
Guy Moshe	Chief Technology Officer

Company contact

Danny Nadri Australian Manager

danny@shekelbrainweigh.com

RaaS Advisory contact details

John Burgess* +61 410 439 723
john.burgess@raasgroup.com

Finola Burke +61 414 354 712
finola.burke@raasgroup.com

*The author holds shares

1HCY20 result comments

Despite early predictions of “a large reduction in sales volumes for the duration of the pandemic crisis” SBW delivered a relatively strong result in 1HCY20, with sales down only 5%, EBIT losses holding around \$2.0m and R&D spending maintained at elevated levels as New Retail products continue to be developed. Relative to the peers we use for SBW this was an excellent performance.

Key points to note from the 1HCY20 accounts include:

- **Sales** down just 5% despite COVID disruptions. While we don’t have unit sales our higher-level understanding is self-checkout was modestly down, Healthcare up and own brand products Healthweigh down significantly due to distributor closures. Historically 1H sales are always lower than the 2H (~45%/55%), with the skew to 2H20 likely to be greater this year.

New retail sales were modest and lower than expected due to COVID disruptions representing \$0.1m of the \$7.9m over the half.

- **Gross margins** down from 45% to 40%, adjusting for the first-time amortisation of capitalised software (which we have moved into operating costs from COGS), driven by the mix shift relating to higher margin own brand Healthweigh sales.

Even adjusting for the amortisation New Retail COGS were higher than sales.

- **R&D spend** was maintained at elevated levels at \$1.7m or 21.5% of sales as new products continue to be developed. This is encouraging given COVID disruptions and the company’s limited funding.
- **EBITDA** was a loss of \$1.7m, adding back rent paid to operating costs.

Exhibit 1: 1HCY20 results summary			
Line item (US\$m)	1H19	1H20	Comment
Sales	8.4	7.9	-5% - not as bad as initial guidance
Gross Profit	3.8	3.2	Adjusted for amortisation
GP%	45%	40%	1H19 was a strong base
Operating costs	5.1	4.9	Includes some COVID related savings
R&D (ex SBP)	2.1	1.7	Lower than 1H19 but still elevated
Other	3.0	3.2	
EBITDA	-1.3	-1.7	Modestly negative due to R&D spend
Deprecation	0.1	0.1	Excludes AASB16 impacts
Amortisation	0.0	0.2	Capitalised software
EBIT	-1.3	-2.0	
(EBIT margin)	-15.0%	-21.6%	
(EBITDA margin)	-15.9%	-25.5%	
Share based pay	0.4	0.2	
Other	0.0	0.0	
Reported EBIT	-1.7	-2.2	

Sources: Company financials & RaaS estimates

Other key comments relating to the result include:

- **Cash balance of \$2.3m (A\$3.3m)**, which included a €400k loan from the French Government (further highlighting the link to Groupe-Casino). This is tight and the company is “intensively dealing with raising money”.
- **\$4.4m working capital facility against \$2.0m net receivables**. While short-term debt is essentially a working capital facility it does currently exceed net receivables. The company breached debt covenants (surrounding debt/EBITDA) this half but has been waived until February 2021.

Segment reporting

Divisionally the impact of the New Retail divisions on group earnings can be seen in exhibit 2 below with negative COGS (before amortisation) and a significant operating cost base including the R&D spend is the key reason for operating losses.

The Scales division is cycling ~\$0.8m EBIT in the PCP with a similar R&D spend, with the loss of sales volume impacting earnings.

Exhibit 2: 1HCY20 results summary			
Line item (US\$m)	Scales	New retail	Total
Sales	7.8	0.1	7.9
COGS	4.5	0.3	4.8
Gross Profit	3.3	-0.2	3.2
GP%	42%	nm	40%
Operating costs (R&D)	4.5	1.8	6.5
	0.8	0.9	1.7
Reported EBIT	0.0	-2.0	-2.0

Sources: Company financials & RaaS

R&D allocations

Adjusted for share-based payments we estimate SBW spent US\$1.64m in R&D over 1H20.

The table below splits out this spend by segment. We estimate a US\$0.9m spend for the New Retail division and US\$0.8m for the Scales division.

Within the Scales business we estimate continued spending on the Edgify product which is looking to use AI and cameras to better identify product at the checkout and potentially be retro-fitted to any checkout machine irrespective of whether SBW supplies the OEM weighing systems.

Exhibit 3: SBW R&D breakdown		
Line item	US\$	Comments
Reported	1,803,000	Per P&L
less Share based payments	151,000	Not treating as R&D
add capitalised software	0	Key new Retail products in commercialisation
Underlying Spend	1,652,000	
New Retail	890,000	All growth and down from ~US\$1.30m in 1H19
Scales	762,000	A combination of maintenance & growth and in-line with 1H19

Source: Company financial & RaaS estimates

Outlook

Our estimates have been updated for the 1HCY20 result and any outlook comments, with key assumptions summarised below.

- **Traditional Scales business.** We expect a 42%/58% 1H/2H sales split over CY20 as COVID impacts ease and we see some pent-up demand, particularly in Healthweigh as distributors come back on-line.
- **Innovendi.** Following modest 1HCY20 unit sales we have lowered our medium-term expectations despite significant market interest. That said we expect ~70 units sales in 2H20 against ~4 in 1H.
- **Innovendi Dry (previously called Soter)** We have delayed any Innovendi Dry sales until CY21.
- **The capsule.** We suspect the paid trials currently underway for the capsule are related to Groupe-Casino trials in France, given the snippet in Exhibit 4 below by Groupe-Casino themselves in their recent annual report.

This is a massive market opportunity for SBW with one of the world’s largest retailers and has application for the likes of Universities and Airports (eventually!).

- **Funding.** We currently have no equity or debt/hybrid raisings in our numbers but acknowledge that funding is required to take the group well into commercialisation. A successful and well-structured raise will be a re-rating catalyst.

Exhibit 4: Exert from Groupe-Casino Annual report

“A REVOLUTION IN THE RETAIL LANDSCAPE”

When we started discussions for the Black Box automated store project, Casino Group’s vision was perfectly clear. We meet with many retailers across the globe, and Casino Group is one of the very few that know exactly what they can provide to customers thanks to new technology. It’s a pleasure to work with a partner that knows what it wants! As a result, decisions can be taken easily, and the project can be set up really quickly. Together, with the Group’s retail expertise and our smart shelf technology, we are spearheading a veritable revolution in the retail landscape. It’s the first fully autonomous store in Europe, offering customers a completely new experience. This is a very important signal to the market, and a highly concrete way to get closer to what consumers expect.



RAMI BAHAR

Chief Business Development Officer, Shekel Brainweigh

Source: 2019 Annual Report, Page 23, Vercé

Our 2HCY20 estimates are tabled in exhibit 5 below. We expect a modest increase in 2HCY20 sales growth off a modest base, and well above 1HCY20 due to historical seasonality.

R&D spend is expected to remain elevated and EBITDA breakeven achieved.

Exhibit 5: 2HCY20 earnings estimates

Line item	2H19A	2H20F	Comment
Sales	10.4	10.9	+5% and seasonally strongest half
Gross Profit	4.4	5.1	
GP%	42%	46%	Improved mix from own band sales
Operating costs	3.8	4.8	
R&D (ex SBP)	0.8	1.8	R&D remains elevated
Other	3.0	3.0	
EBITDA	0.6	0.2	Modestly profitable at the EBITDA line
Deprecation	0.1	0.1	
Amortisation	0.0	0.2	Continued software amortisation
EBIT	0.5	-0.1	
(EBIT margin)	5.7%	2.1%	
(EBITDA margin)	5.0%	-0.9%	
Share based pay	0.2	0.0	
Other	0.7	0.0	
Reported EBIT	-0.4	-0.1	

Sources: Company financials & RaaS estimates

Longer –term unit sales assumptions

The table below highlights our current unit sales assumptions by key product category. For FY20 we have skewed expected sales to the second half but lowered Healthcare and Innovendi slightly.

This table does not include the expected increase in SaaS/data analytic fees which result from New Retail sales, which accelerate as units increase in circulation.

Year-end	2019A	2020F	2021F	2022F	2023F
Self-checkout	34,587	35,285	37,402	39,647	42,025
Healthcare	16,500	14,850	16,038	17,321	18,707
Innovendi	110	99	350	400	400
Innovendi Dry	0	50	350	400	400
Smart Shelves	0	50	300	525	900
Capsule	0	0	25	50	100

Source: Company Financials & RaaS estimates

Peer comparison update

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 OEM’s with components to a branded end-product;
- Utilising their core technology to develop new products or push into new verticals;
- Dealing mainly with Blue-Chip customers.

While the technologies and potential addressable markets 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.

SBW continues to trade at a material discount to all selected peers including a 70% discount to the next lowest EV/sales (RVS). Like most small, loss making companies there has been some serious share price erosion across the peer group over the last month.

Considering SBW’s material sales, modest PBT losses and solid GP% the current discount in our view is unjustified.

Exhibit 7: Peer financial comparison

Company Name	Ticker	Share price (cps)	Mkt Cap (\$m)	Jun-30 Debt/(cash) (A\$m)	CY20 Adj PBT (A\$m)	CY20 sales (A\$m)	CY20 GP%	CY20 WC/Sales	CY20 EV/Sales	CY20 R&D/sales
Pivotal Systems		1.15	137	-7.4	-8.0	24.0	10%	60%	5.4	23%
Atomos *		0.65	121	-18.8	-8.1	44.4	40%	29%	2.3	24%
Revasum		0.20	18	-1.1	-19.5	15.0	13%	72%	1.1	31%
Elsight		0.61	64	-2.4	-4.0	0.8	10%	-12%	77.2	221%
MicroX *		0.19	66	-10.3	-10.0	4.3	16%	54%	13.1	58%
Mobilicom		0.09	22	-3.6	-1.2	1.2	67%	18%	15.3	113%
Shekel Brainweigh		0.20	28	-3.7	-3.4	26.9	44%	37%	0.9	22%

Sources: Company financials, Thomson Reuters *FY20 June year-end, 1H20 numbers & consensus where available

DCF Valuation

Our base case DCF valuation now sits at \$0.38/share (or A\$53m), down from our most recent update (A\$0.40), with the higher A\$ relative to the US\$ the main driver.

Exhibit 8: Base case DCF valuation	
Parameters	
Discount Rate / WACC	10.8%
Terminal growth rate assumption (inflation adjusted)	2.0%
In A\$m	
Present value of cashflows	16.5
Present value of terminal value	32.6
PV of enterprise	49.1
Net value (\$m)	52.7
Net value per share	\$0.38
Source: RaaS estimates	

Exhibit 9: Financial Summary

Shekel Brainweigh (SBW.ASX)						Share price (4 September 2020)						A\$	0.19				
Profit and Loss (US\$m)						Interim (US\$m)						H118A	H218A	H119A	H219A	H120	H220F
Y/E 31 Dec	FY18A	FY19A	FY20F	FY21F	FY22F	Revenue	8.8	9.9	8.4	10.4	7.9	10.9					
Revenue	18.7	18.8	18.9	23.6	26.8	EBITDA	0.2	(0.5)	(1.6)	(0.3)	(1.9)	0.2					
Gross profit	8.3	8.2	8.2	11.2	13.1	EBIT	0.1	(0.6)	(1.7)	(0.4)	(2.2)	(0.1)					
GP margin %	44.5%	43.7%	43.6%	47.4%	48.7%	NPATA (normalised)	(0.0)	(1.1)	(1.6)	(0.9)	(2.1)	0.0					
EBITDA	(0.3)	(1.9)	(1.6)	0.9	2.7	Adjustments	0.0	0.0	(0.5)	(0.8)	(0.4)	(0.2)					
Depn	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	NPAT (reported)	(0.0)	(1.1)	(2.1)	(1.6)	(2.5)	(0.2)					
Amort	0.0	0.0	(0.5)	(0.5)	(0.5)	EPS (normalised)	(0.000)	(0.010)	(0.011)	(0.006)	(0.015)	0.000					
EBIT	(0.5)	(2.1)	(2.3)	0.2	2.0	EPS (reported)	(0.000)	(0.010)	(0.015)	(0.012)	(0.018)	(0.002)					
Interest	(0.7)	(0.3)	(0.3)	(0.2)	(0.3)	Dividend (cps)	0.000	0.000	0.000	0.000	0.000	0.000					
Tax	0.1	(0.0)	(0.0)	(0.1)	(0.5)	Imputation	0.0	0.0	0.0	0.0	0.0	0.0					
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	na	na	na	na	na	na					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	na	na	na	na	na	na					
NPAT pre significant items	(1.2)	(2.4)	(2.6)	(0.1)	1.3	Divisionals	H118A	H218A	H119	H219	H120	H220F					
Significant items	(0.4)	(1.2)	0.0	0.0	0.0	Traditional Scales	8.8	9.9	8.4	10.4	6.4	9.2					
NPAT (reported)	(1.5)	(3.6)	(2.6)	(0.1)	1.3	New Retail	-	-	-	-	1.5	1.7					
Cash flow (US\$m)							Total Revenue	8.8	9.9	8.4	10.4	7.9	10.9				
Y/E 31 Dec	FY18A	FY19A	FY20F	FY21F	FY22F	Gross profit	3.3	5.1	3.8	4.4	3.2	5.1					
Adj EBITDA inc. rent	0.8	(0.7)	(1.5)	1.0	2.9	Gross Profit Margin %	37.2%	51.0%	45.5%	42.2%	39.7%	46.4%					
Interest	(0.2)	(0.2)	(0.3)	(0.2)	(0.3)	R&D	0.5	1.1	2.1	0.8	1.7	1.8					
Tax	0.0	0.2	(0.0)	(0.1)	(0.3)	General & Admin & Other	2.2	2.6	3.0	3.0	3.2	3.0					
Working capital changes	0.5	(0.9)	1.2	(1.5)	(1.0)	One-off costs & Non-cash	0.3	1.8	0.4	0.9	0.2	-					
Operating cash flow	1.2	(1.6)	(0.7)	(0.8)	1.3	Total costs	3.1	5.6	5.4	4.7	5.0	4.8					
Mtce capex	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	EBITDA	0.2	(0.5)	(1.6)	(0.3)	(1.9)	0.2					
Free cash flow	1.0	(1.8)	(0.9)	(1.0)	1.1	EBITDA margin %	2.1%	(5.1%)	(19.2%)	(3.0%)	(23.5%)	2.1%					
Capitaised Software	(0.8)	(1.3)	0.0	0.0	0.0	Margins, Leverage, Returns	FY18A	FY19A	FY20F	FY21F	FY22F						
Acquisitions/Disposals	(0.2)	(0.1)	0.0	0.0	0.0	EBITDA margin %		(1.7%)	(10.2%)	(8.7%)	3.7%	10.1%					
Other	0.0	0.0	0.0	0.0	0.0	EBIT margin %		(2.8%)	(11.1%)	(12.0%)	0.9%	7.5%					
Cash flow pre financing	0.0	(3.2)	(0.9)	(1.0)	1.1	NPAT margin (pre significant items)		(6.2%)	(13.0%)	(13.7%)	-0.5%	4.7%					
Equity	6.1	0.0	0.0	0.0	0.0	Net Debt (Cash)	-	6.25	-	2.57	-	1.50	-	0.30	-	1.20	
Debt	(0.4)	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	nm	nm	nm	nm	nm					
Net Dividends paid	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	33.8%	21.4%	18.0%	4.3%	13.0%					
Net cash flow for year	5.7	(3.2)	(0.9)	(1.0)	1.1	EBIT interest cover (x)	(x)	n/a	n/a	n/a	108.7%	12.4%					
Balance sheet (US\$m)							ROA		(2.2%)	(10.6%)	(12.4%)	1.2%	9.8%				
Y/E 31 Dec	FY18A	FY19A	FY20F	FY21F	FY22F	ROE		(9.4%)	(25.9%)	(37.8%)	(1.8%)	15.7%					
Cash	6.3	2.6	1.5	0.3	1.2	NTA (per share)		0.11	0.07	0.05	0.04	0.04					
Accounts receivable	5.6	5.8	5.1	6.0	6.6	Working capital		6.9	7.8	6.7	8.2	9.2					
Inventory	3.2	3.5	3.5	4.5	5.2	WC/Sales (%)		37.0%	41.6%	35.4%	34.8%	34.2%					
Other current assets	2.0	1.5	1.5	1.9	2.1	Revenue growth		2.4%	0.9%	0.3%	25.0%	13.8%					
Total current assets	17.0	13.4	11.6	12.7	15.1	EBIT growth pa		nm	nm	nm	(109.3%)	851.6%					
PPE	0.5	0.6	0.7	0.7	0.8	Pricing		FY18A	FY19A	FY20F	FY21F	FY22F					
Intangibles	2.0	3.2	2.8	2.3	1.8	No of shares (y/e)	(m)	113	139	139	139	139					
Right of Use Asset	0.0	2.4	1.7	0.9	2.5	Weighted Av Dil Shares	(m)	113	139	139	139	139					
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS Reported	US cps	(0.01)	(0.02)	(0.02)	0.00	0.01					
Other non current assets	0.2	0.0	0.4	1.7	2.4	EPS Normalised/Diluted	US cps	(0.01)	(0.02)	(0.02)	0.00	0.01					
Total non current assets	2.7	6.2	5.5	5.6	7.5	EPS growth (norm/dil)		nm	nm	nm	nm	398%					
Total Assets	19.7	19.6	17.1	18.3	22.7	DPS	cps	0.000	0.000	0.000	0.000	0.000					
Accounts payable	1.9	1.5	1.9	2.3	2.7	DPS Growth		n/a	n/a	n/a	n/a	na					
Short term debt	4.0	4.1	4.1	5.1	5.8	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Lease Liability	0.0	1.8	1.5	0.7	2.3	Dividend imputation		0	0	0	0	0					
Other	1.4	2.6	2.6	3.2	3.7	PE (x)		27.8	-	7.3	-	8.3	53.6	10.8			
Total current liabilities	7.2	9.9	10.0	11.3	14.4	PE market		12.0	12.0	12.0	12.0	12.0					
Long term debt	0.0	0.0	0.0	0.0	0.0	Premium/(discount)			(161.2%)	(169.4%)	346.8%	(10.3%)					
Other non current liabs	0.3	0.3	0.3	0.3	0.3	EV/EBITDA		nm	nm	(9.2)	19.3	6.7					
Total long term liabilities	0.3	0.3	0.3	0.3	0.3	Price/FCF share	US cps	(0.007)	(0.022)	(0.008)	(0.009)	0.006					
Total Liabilities	7.5	10.2	10.2	11.6	14.7	Free Cash flow Yield		(4.9%)	(16.5%)	(5.8%)	(6.5%)	4.8%					
Net Assets	12.3	9.5	6.9	6.7	8.0												
Share capital	7.7	7.7	7.7	7.7	7.7												
Accumulated profits/losses	2.9	(0.5)	(3.1)	(3.2)	(2.0)												
Reserves	1.3	1.8	1.8	1.8	1.8												
Minorities	0.3	0.4	0.4	0.4	0.4												
Total Shareholder funds	12.3	9.5	6.9	6.7	8.0												

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: 26th November 2018



About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

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

Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

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

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

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.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

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; Email: info@afca.org.au; Telephone: 1800931678 (free call)

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

Professional Indemnity Insurance

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.

DISCLAIMERS and DISCLOSURES

This report has been commissioned by Shekel Brainweigh Ltd prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise. Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2020 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved