Research as a Service

Shekel Brainweigh Ltd

1H FY19 Results Commentary

Upping the ante in new product development

Technology – Hardware/software

12th September 2019

Shekel Brainweigh Limited (ASX:SBW) has reported a 1H19 adjusted EBIT loss of US$1.3m, against a US$0.4m profit in the PCP. However, there are some significant movements in line items that need to be considered. Sales were down 4% on timing differences that are expected to be recouped in 2H19. Gross profit was up 18% on significantly higher margins. R&D expenditure rose 40% (or US$1.5m), well above forecast and the major reason for the EBITDA reversal. This predominantly relates to new product development which is yet to generate income, but promises serious revenue opportunities. A prime example is the just announced R&D collaborative agreement with the European arm of Hitachi Ltd (TYO:2501) to develop and jointly commercialise an Autonomous Store Bundle using Shekel's weighing technology and Hitachi's optical sensors. Looking forward SBW has an historical skew to 2H revenues and earnings, and this is expected to continue in 2H19. R&D spend is expected to remain elevated, but implicit in this spend is the bringing forward of new product opportunities. SBW is nearing the inflection point of new product spend generating new product sales. Considering this, the current SBW EV/sales multiple of 0.4x against the nearest peer of 1.9x is unjustified, as is the negative valuation implied for the new retail division.

Business model

Shekel Brainweigh 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 now looking to extend this market leading weighing 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 (Vending Machines) is in commercialisation while another (Smart Shelves) is undergoing paid trials in the US and has now formed a collaborative agreement with Hitachi Europe.

Key take outs from the 1H19 result & future implications

Sales revenue was 3.9% lower than the previous corresponding period and missed our forecast on the back of order timing, particularly relating to GE Healthcare and Fujitsu. We expect some catch-up in 2H but not enough to hit our previous revenue estimates. Gross margins were higher than forecast driven by the mix in owned vs. agent distributors. We have modestly adjusted the GP% higher for 2H19 for a continuation of this trend. R&D spend was above forecast adjusting for share based payments, and we now forecast 2H19 and CY 19 to be 40% and 38% higher respectively than previous estimates. On the plus side the interest & commercialisation potential of both Innovendi and Smart Shelves is arguably higher & more near-term than expected, hence the accelerated spend.

Base case valuation remains A$0.50/share fully diluted

Our base case DCF valuation for SBW remains at A$0.50/share or A$69.5m. Looking at valuation another way, an 8x EBIT multiple applied to our core EBIT estimates for FY19 implies a negative $10m valuation for new products at the current share price.

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)
Dec-18a	18.7	(0.5)	(1.2)	(0.01)	19.7	0.24
Dec-19e	19.2	(1.6)	(1.7)	(0.01)	nm	0.41
Dec-20e	22.4	(0.3)	(0.5)	(0.00)	nm	0.40
Dec-21e	24.5	0.8	0.3	0.01	17.8	0.35

Source: Company Data, RaaS Advisory Estimates

Share details

ASX Code	SBW
Share price 1th Sept	$0.135
Market Capitalisation	$18.77M
Shares on issue	139M
Enterprise value	~$12.0M
Cash at 30 Jun '19	$6.8M
Free float	~20%

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 adds complexity for investors
- Near term ROE likely to be impacted by R&D expenditure

Management

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1H19 result in detail

The 1H19 SBW result saw some significant movements by line item which resulted in an EBIT turnaround of US$1.7m (from US$0.4m to -US$1.3m) before share-based payments/one-off adjustments.

Firstly, sales declined 4% on the previous corresponding period (PCP), below our forecast of 7% growth. The timing of orders between halves was given as the major reason for this decline, with management confident of a recovery in 2H19.

The gross margin was 800bps higher than the PCP and 180bps higher than our forecast on the back of the distributor mix between owned and third party in Healthcare (owned having a higher margin).

Operating costs were 68% higher in the half, driven by a 290% increase in new product R&D spend (excluding share-based payments). Underlying cost increases were more like 15%.

Adjustments have been made for share based payments included in reported R&D ($355k).

SBW has adopted the new AASB16 accounting standard with regard to leases, which has negatively impacted the P&L by ~US$188k this half. The net effect of AASB16 is a reduction in rental expense of US$432k, an increase in depreciation of US$396k and an increase interest expense of US$224k. We anticipate a similar impact in 2H19 and have adjusted our numbers accordingly.

At the interest line we have adjusted for non-cash charges relating to currency movements.

Exhibit 1: SBW half-year result summary (US$m) and our second half forecast

Variable	1H18	1H19	% Chg	2H18	2H19F	% Chg
Sales	**8.7**	**8.4**	**(4%)**	**9.9**	**10.8**	**9%**
Gross Profit	3.3	3.8	18%	5.1	5.0	(1%)
GP%	37%	45%		51%	46%	
Operating costs	**2.8**	**4.6**	**68%**	**3.8**	**4.3**	24%
R&D (ex SBP)	0.5	2.1	290%	1.1	1.9	70%
Other	2.2	2.6	15%	2.6	2.4	5%
EBITDA Adj.	0.5	(0.8)	(271%)	1.3	0.7	(76%)
Depreciation	0.1	0.5	397%	0.1	0.5	371%
Amortisation	0.0	0.0		0.0	0.2	
EBIT	0.4	(1.3)	(435%)	1.2	0.0	(97%)
(EBITDA margin)	5.5%	(9.8%)		13.1%	6.6%	
(EBIT Margin)	4.4%	(15.4%)		12.0%	0.0%	
SBP & other	0.3	0.4		1.8	0.0	
Reported EBIT	0.1	(1.7)	nm	(0.6)	0.0	nm

Source: Company financials and RaaS Analysis

Colour on the new Retail division

For the first time, SBW has separated the financial metrics of their core Scales division and the new Retail division over the half. This gives us the opportunity to separate the costs associated with new product development from the core scales division for valuation purposes.

It is important to note the scales division also incorporates some R&D spend (new own brand products under development) and that sales and earnings seasonality is historically skewed to the second half. The table below applies an 8x EBIT multiple to both annualised reported 1H19 EBIT for the core business and our forecast FY19 EBIT which takes into account the expected seasonality. On this analysis we estimate that the market is applying a negative value of between A$0.5m and A$10m for new product development depending on which assumptions are used.

Exhibit 2: Implied valuation of the new Retail division

Explanation	1H19 result annualised	FY19 RaaS forecast
Scales EBIT (US$)	1.7	2.5
Assumed Multiple	8.0x	8.0x
Valuation (US$m)	13.5	20.0
Valuation (A$m)	19.8	29.4
Current Mkt Cap (A$m)	19.5	19.5
Implied value of new products (A$m)	-0.4	-10.0

Source: RaaS estimates

Implications for forecast numbers

With new information on previous half-year data, the 1H19 result and outlook comments and AASB16 adjustments we make the following changes and/or observations to our forward assumptions:

- FY19 revenues are lowered 4% due to the miss in 1H19. This still implies 2H19 sales growth of 9% and FY19 growth of 3%.
- No change to longer-term assumptions of self-checkout & healthcare unit sales growing in-line with expected market growth rates of 8%-10%. This growth is being driven by small business and developing world adoption, aided by affordability/cost saving potential and growing internet penetration/developed world ownership respectively.
- FY19 GP% increased marginally on the back of the 1H19 strength.
- R&D expenses increased 40% on prior forecasts, which themselves were 75% above FY18. This is offset slightly from a cash flow perspective by a reduction in capitalised R&D expenditure. A number of recent R&D partnerships recently announced (see later section) are adding to the R&D spend requirements of the business, but also be definition to new product opportunities.
- Higher depreciation in-line with the new lease accounting standards, offset by lower rental expenses at the operating cost line.

New product update

Innovendi

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

SBW has an agreement in place with Tnuva (a subsidiary of Bright Foods) for the supply of 1,200 units over the next 7-years. In addition to this the company "is in ongoing negotiations with global leaders of vending machines operators and manufacturers in the US, the UK and Europe for the sale of Innovendi machines". We note our current numbers imply volumes below the Tnuva agreement, let alone potential new contracts.

Production has been moved to Hungary with an established vending machine manufacturer in order to deliver the scale required for these orders, and any new modules under development.

Speaking of new modules, SBW has for the first time revealed a prototype for a "Micro Market Capsule", which looks to be multiple vending machines enclosed in a secure container, their answer to a fully automated/check-out free convenience store (see below).

Exhibit 3: Innovendi Micro Market Capsule

Source: 1H19 Company results presentation

As a reminder, several members of senior management are highly incentivised through the issue of performance options (equating to 8% of issued capital) to achieve the sale of 8,000 units across six specific regions. Delivery of all milestones would imply ~US$32m in revenue before any SaaS/data related fees by our estimates.

Smart Shelves

Paid trails with a number of market leading retailers continues, while we believe shelving partner Madix out of the US are progressing towards a release of the first commercial version of the product. Given the paid trial status of this product R&D expenditure can no longer be capitalised.

Our numbers currently assume first sales in 1H20, which may be ambitious but at the same time not material to our forecasts in that period. Our numbers include a ramp-up in unit sales over time but we stress forecasting this with any accuracy at this point in time is difficult.

Other

By combining Shekel's market leading weighting technology including inbuilt AI software with other technologies it is envisaged a product can be developed offering a complete end to end autonomous shopping experience for customers, incorporating shopper identification, virtual checkout management and billing without the need for a checkout.

Two recent announcements post our initiation on this vision include:

Edgify

As announced in August 2019, SBW has signed a non-binding MOU with UK software company Edgify to jointly combine their core technology competencies, advanced weighing and visual recognition respectively, to develop visual recognition capabilities/software for self-checkout systems. The ultimate vision is a product that speeds up the selection process at a self-checkout machine (particularly relating to fresh produce), that can be retro fitted to BOTH Shekel based OEM's and competitor OEM's and incorporated in new Shekel OEM systems going forward. It is envisaged the software will not require expensive servers, cloud storage or cameras to operate, while fees will be SaaS based for other OEM manufacturers. Fresh produce substitution is a major cost for retailers employing self-checkout systems, and it is hoped this technology can reduce such losses and improve the ROE of self-checkout investment.

The MOU has several milestones for SBW payments to Edify, including US$100k for model completion, US$50k for model demonstration and US$50k for successful installation and integration.

Hitachi Europe

SBW has announced today that it has signed an R&D collaboration agreement with Hitachi Europe, part of the Japanese multinational technology conglomerate Hitachi Ltd (TYO:2501). Hitachi Europe is one of the leading manufacturers of motion sensors in the global optical storage market, which aids in the identification and tracking of shoppers without requiring visible light to capture details such as colour and facial features that cameras require.

The Hitachi "Lidar" sensor uses lasers instead of sound to measure and store data. It is said to be effective at close range, has high resolution and is cost effective. From a retail perspective they can analyse product interactions, store arrangement, foot traffic, staffing, long-line alerts and messaging. The collaboration agreement will see Hitachi combine its optical storage sensors with Shekel's product aware shelves technology to create a new technology, Autonomous Store Bundle. The collaboration will include joint marketing from Hitachi and Shekel for the commercialisation of the product when it is developed. Proof of Concept of the technology and showcases in EMEA (Europe, Middle East and Africa) is expected during H1 CY20.

The technology will enable shoppers, identified through their payment devices for billing and clearance purposes, to move freely in an autonomous store area collecting products from shelves, be automatically charged, and leave the store with the selected products without going through a checkout device. Convenience stores are the initial target market for the technology.

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 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.

Since our last update SBW has materially underperformed the peer group on modest volumes, and now trades at a ~80% EV/sales discount to the nearest peer based on reported CY18 sales (forecast for CY19 are not available for all companies). There have been some significant downward moves in the net cash position of some peers.

Considering SBW's material sales, EBITDA profitability and R&D spend relative to sales, the current discount in our view is unjustified.

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Exhibit 4: Peer financial comparison

Company Name	Ticker	Share price (cps)	Mkt Cap ($m)	Jun-19 Debt/(cash) (A$m)	CY18 Adj EBITDA (A$m)	CY18 sales (A$m)	CY18 GP%	CY18 WC/Sales	CY18 EV/Sales	CY18 R&D/sales
MicroX *	MX1	0.31	47	6.4	-12.4	1.9	11%	18%	28.1	250%
Mobilicom	MOB	0.08	21	-6.9	-3.1	1.4	73%	4%	9.6	87%
Elsight	ELS	0.35	34	3.1	-4.1	2.5	54%	34%	14.7	54%
IKE GPS #	IKE	0.66	59	-3.5	-3.0	8.0	67%	30%	7.0	40%
Atomos *	AMS	1.45	220	-5.0	1.8	55.6	47%	13%	3.9	7%
Revasum	RVS	1.38	106	-17.8	1.2	40.0	37%	39%	2.2	14%
Pivotal Systems	PVS	1.49	166	-14.3	0.1	29.9	30%	24%	5.1	15%
Shekel Brainweigh	SBW	0.14	19	-7.6	2.6	27.4	45%	33%	0.4	21%

Sources: Company financials, Thomson Reuters, Stockopedia *June-19 year-end #March-19 year-end Prices at 12 September

DCF Valuation

Our base case DCF valuation is $0.50/share, relatively unchanged from our initiation (A$0.51), aided by the weakness in the A$ and lower bond yields, offset by lower near-term earnings and a higher beta for forecast risk, particularly relating to smart shelves.

At $0.50/share the EV/sales multiple would be 2.3x, equal to RVS in the peer group but still below all others.

Exhibit 5: Base case DCF valuation

Parameters	
Discount Rate / WACC	13%
Terminal growth rate assumption (inflation adjusted)	2.0%
In A$m	
Present value of cashflows	28
Present value of terminal value	32
PV of enterprise	62
Net value ($m)	69
Net value per share	$0.50

Source: RaaS estimates

Exhibit 6: Financial Summary

Shekel Brainweigh (ASX:SBW)					
Profit and Loss (US$m)					
Y/E 31 Dec	**FY18A**	**FY19F**	**FY20F**	**FY21F**	**FY22F**
Revenue	18.7	19.2	22.4	24.5	29.0
Gross profit	8.3	8.8	10.6	11.9	14.8
GP margin %	44.5%	45.8%	47.1%	48.6%	51.0%
EBITDA	(0.3)	(0.5)	1.1	2.1	4.9
Depn	0.2	0.9	1.0	1.0	1.0
Amort	0.0	0.2	0.4	0.4	0.4
EBIT	(0.1)	0.7	2.4	3.5	6.3
Interest	0.7	0.3	0.2	0.2	0.3
Tax	(0.1)	(0.2)	(0.0)	0.2	0.9
Minorities	0.0	0.0	0.0	0.0	0.0
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0
NPAT pre significant items	0.5	0.8	2.6	3.9	7.4
Significant items	0.0	0.0	0.0	0.0	0.0
NPAT (reported)	**0.5**	**0.8**	**2.6**	**3.9**	**7.4**
Cash flow (US$m)					
Y/E 31 Dec	**FY18A**	**FY19F**	**FY20F**	**FY21F**	**FY22F**
EBITDA + rent expense	(0.3)	(1.3)	0.2	1.2	4.0
Interest	0.7	0.3	0.2	0.2	0.3
Tax	0.0	0.1	0.1	(0.1)	(0.5)
Working capital changes	(0.0)	0.7	(0.9)	(0.4)	(1.2)
Operating cash flow	0.4	(0.2)	(0.3)	1.0	2.5
Mtce capex	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Free cash flow	0.2	(0.4)	(0.5)	0.8	2.3
Capitaised Software	(0.8)	(0.1)	0.0	0.0	0.0
Acquisitions/Disposals	(0.2)	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Cash flow pre financing	(0.8)	(0.5)	(0.5)	0.8	2.3
Equity	6.1	0.0	0.0	0.0	0.0
Debt	(0.4)	0.0	0.0	0.0	0.0
Net Dividends paid	0.0	0.0	0.0	0.0	0.0
Net cash flow for year	4.9	(0.5)	(0.5)	0.8	2.3
Balance sheet (US$m)					
Y/E 31 Dec	**FY18A**	**FY19F**	**FY20F**	**FY21F**	**FY22F**
Cash	6.3	5.2	4.2	4.5	6.3
Accounts receivable	5.6	5.5	6.2	6.4	7.3
Inventory	3.2	3.3	4.1	4.6	5.7
Other current assets	2.0	2.0	2.1	2.2	2.4
Total current assets	*17.0*	*16.1*	*16.6*	*17.7*	*21.6*
PPE	0.5	0.6	0.6	0.7	0.8
Intangibles	2.0	1.8	1.4	1.0	0.6
Right of Use Asset	0.0	1.9	1.1	0.3	1.9
Deferred tax asset	0.0	0.0	0.0	0.0	0.0
Other non current assets	0.2	0.2	0.5	1.0	1.7
Total non current assets	*2.7*	*4.4*	*3.7*	*3.0*	*5.0*
Total Assets	19.7	20.5	20.2	20.7	26.6
Accounts payable	1.9	1.9	2.3	2.5	2.9
Short term debt	4.0	4.1	4.8	5.2	6.2
Lease Liability	0.0	1.7	0.9	0.1	1.7
Other	1.4	2.1	2.5	2.7	3.2
Total current liabilities	*7.2*	*9.9*	*10.4*	*10.5*	*14.0*
Long term debt	0.0	0.0	0.0	0.0	0.0
Other non current liabs	0.3	2.3	1.2	0.4	2.0
Total long term liabilities	*0.3*	*2.3*	*1.2*	*0.4*	*2.0*
Total Liabilities	7.5	12.2	11.6	10.9	16.0
Net Assets	**12.3**	**8.4**	**8.7**	**9.8**	**10.6**
Share capital	7.7	7.7	7.7	7.7	7.7
Accumulated profits/losses	2.9	0.7	0.2	0.6	3.0
Reserves	1.3	1.3	1.3	1.3	1.3
Minorities	0.3	0.3	0.3	0.3	0.3
Total Shareholder funds	**12.3**	**10.1**	**9.6**	**9.9**	**12.3**

Share price (11 September 2019)						A$	0.14
Interim (US$m)		**H118A**	**H218A**	**H119A**	**H219F**	**H120F**	**H220F**
Revenue		8.7	9.9	8.4	10.8	9.9	12.5
EBITDA		0.2	(0.5)	(1.2)	0.7	(0.4)	1.5
EBIT		0.1	(0.6)	(1.7)	0.0	(1.1)	0.8
NPATA (normalised)		(0.0)	(1.1)	(1.6)	0.1	(0.8)	0.7
Adjustments		0.0	0.0	(0.4)	(0.2)	(0.2)	(0.2)
NPAT (reported)		(0.0)	(1.1)	(2.1)	(0.1)	(1.0)	0.5
EPS (normalised)		(0.000)	(0.010)	(0.012)	0.001	(0.005)	0.005
EPS (reported)		(0.000)	(0.010)	(0.015)	(0.001)	(0.007)	0.003
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
Operating cash flow		na	na	na	na	na	na
Free Cash flow		na	na	na	na	na	na
Divisionals		**H118A**	**H218A**	**H119**	**H219F**	**H120F**	**H220F**
Hardware		5.9	7.0	5.5	7.9	6.9	9.6
Project/Service (est)		2.8	2.9	2.9	2.9	2.9	2.9
Total Revenue		**8.7**	**9.9**	**8.4**	**10.8**	**9.9**	**12.5**
Gross profit		3.3	5.1	3.8	5.0	4.6	6.0
Gross Profit Margin %		37.2%	51.0%	45.5%	46.1%	46.1%	47.9%
R&D		0.5	1.1	2.1	1.9	2.2	2.0
General & Admin & Other		2.2	2.6	2.6	2.4	2.7	2.5
One-off costs/Non-cash		0.3	1.8	0.4	-	-	-
Total costs		**3.1**	**5.6**	**5.0**	**4.3**	**4.9**	**4.5**
EBITDA		**0.2**	**(0.5)**	**(1.2)**	**0.7**	**(0.3)**	**1.5**
EBITDA margin %		2.1%	(5.1%)	(14.0%)	6.6%	(3.3%)	12.1%
Margins, Leverage, Returns			**FY18A**	**FY19F**	**FY20F**	**FY21F**	**FY22F**
EBITDA margin %			(1.7%)	(2.4%)	4.8%	8.6%	17.0%
EBIT margin %			(0.7%)	3.5%	10.9%	14.1%	21.7%
NPAT margin (pre significant items)			2.8%	4.2%	11.8%	16.0%	25.5%
Net Debt (Cash)			- 6.25	- 5.20	- 4.19	- 4.51	- 6.31
Net debt/EBITDA (x)	(x)		nm	nm	nm	nm	nm
ND/ND+Equity (%)	(%)		33.8%	34.0%	30.4%	31.3%	33.8%
EBIT interest cover (x)	(x)		n/a	(43.7%)	(9.9%)	(6.6%)	(4.0%)
ROA			(0.6%)	3.4%	11.9%	17.0%	26.6%
ROE			(9.5%)	(17.3%)	(5.1%)	3.2%	19.8%
NTA (per share)			0.11	0.07	0.07	0.06	0.08
Working capital			6.9	6.9	8.0	8.5	10.0
WC/Sales (%)			**37.0%**	**35.9%**	**35.7%**	**34.7%**	**34.7%**
Revenue growth			2.4%	3.0%	16.6%	9.5%	18.0%
EBIT growth pa			nm	nm	258.0%	42.7%	81.3%
Pricing			**FY18A**	**FY19F**	**FY20F**	**FY21F**	**FY22F**
No of shares (y/e)	(m)		113	139	139	139	139
Weighted Av Dil Shares	(m)		113	139	139	139	139
EPS Reported	US cps		(0.01)	(0.01)	(0.00)	0.01	0.02
EPS Normalised/Diluted	US cps		(0.01)	(0.01)	(0.00)	0.01	0.02
EPS growth (norm/dil)			nm	nm	nm	nm	296%
DPS	cps		0.000	0.000	0.000	0.000	0.000
DPS Growth			n/a	n/a	n/a	n/a	na
Dividend yield			0.0%	0.0%	0.0%	0.0%	0.0%
Dividend imputation			0	0	0	0	0
PE (x)			19.7	- 8.2	- 143.6	17.8	4.5
PE market			15.2	15.2	15.2	15.2	15.2
Premium/(discount)				(154.3%)	(1044.5%)	16.8%	(70.5%)
EV/EBITDA			nm	(13.8)	7.0	4.1	1.7
FCF/Share	US cps		(0.007)	(0.008)	(0.007)	0.002	0.013
Price/FCF share			(14.5)	(12.5)	(13.0)	40.8	7.3
Free Cash flow Yield			(6.9%)	(8.0%)	(7.7%)	2.5%	13.7%

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

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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 from if needed.

How are we paid?

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

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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.

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