

### Launching real-time video everywhere

Harvest Technology Group Limited (ASX:HTG) licenses its proprietary video compression and encryption technology for low-bandwidth, high-latency applications needing secure real-time streaming video communication. The company delivers solutions for data transfer from anywhere via satellite or congested networks. Harvest offers a solution which enables real-time monitoring of remote locations, real-time feedback for field technicians, and secure video conferencing. In 2022 Harvest has launched two new product platforms with further product developments expected. The company raised \$6.78m in March via a private placement in preparation for an increase in sales tempo and customer numbers. Harvest is on the verge of large-scale roll-out of the Infinity Nodestream secure video transmission product suite through reseller agreements with the major maritime satellite communications operators. The company has launched its own Remote Inspection Service (RiS) and a US business focused on enabling remote field technician support via real-time video over low-bandwidth networks and satellite. Finally, Harvest has successfully trialled Nodestream with Cisco's Webex video conferencing product. The company has a successful product and is now focused on converting these opportunities to revenues.

#### Business model

Harvest licenses its hardware and software solutions to customers. The company has a Perth Headquarters and has expanded over the past twelve months, establishing sales offices in the US and UK/EMEA. HTG is currently focused on converting reseller agreements with Inmarsat, Speedcast and Marlink maritime satellite service providers into actual licensed customers with the target of more than 1,000 licences by end CY22.

#### Q3 focused on positioning and gathering momentum

Vessel operations ceased in Q2 hence revenues were down in Q3 ending in a quarterly operating cashflow of -\$3.65m. HTG retains \$6.96m cash and reports a strong increase in monthly recurring revenue (MRR) for its core Infinity Nodestream product. This fiscal year Harvest has raised capital, launched a US SaaS business (Opsivity), launched the Remote Inspection Service (RiS) using Infinity Nodestream to domestic customers, provided a proof of concept for integration with Cisco Webex, signed three maritime satellite reseller deals, and successfully demonstrated capacity to the Australian Defence Force and Federal Government. Events are moving quickly, and we expect to see these opportunities convert to sales over the course of CY22 and CY23. The company is targeting 1,000 Nodestream licences by December 2022 from less than 100 at the end of March.

#### Valuation base case at \$167m (\$0.29/share)

Our valuation is based on a DCF using a Beta of 1.47x and risk-free rate of 3.5%. We have modelled three cases differentiated by customer conversion rate, cost of hardware manufacture and licence fee received. Our downside case values HTG at \$123m, while we can estimate upside to \$347m. The crucial period to achieve sufficient momentum in sales to justify these valuations is in CY22.

#### Historical earnings and RaaS estimates (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA reported	NPAT reported	EPS* (c)	EV/Sales (x)	Price / Book (x)
06/21a	8.3	(7.5)	(10.2)	(2.1)	4.4	0.92
06/22f	1.7	(9.4)	(12.2)	(2.3)	27.7	0.84
06/23f	8.0	(3.0)	(5.8)	(1.0)	6.8	0.95
06/24f	13.3	1.9	(0.9)	(0.3)	4.5	1.01

Source: Company data; RaaS Advisory Estimates for FY22f to FY24f. FY22 Revenue excludes \$2.7m from discontinued vessel operations

### Software & Services

16 June 2022

#### Share Details

ASX code	HTG
Share price (15-June)	\$0.10
Market capitalisation	\$55.9M
Shares on issue	588.9M
Net cash 31-Mar-2022	\$6.945M
Free float	~64%

#### Share Performance (12 months)



#### Upside Case

- Fast conversion of current leads
- Strong Australian government take-up
- Inmarsat uses as part of key selling proposition for FleetXpress satellite service

#### Downside Case

- Lower conversion
- Slower take-up due to economic / COVID issues
- Difficulty in scaling / supply of hardware

#### Board of Directors

Jeffrey Sengelman	Non-Executive Chairman
Rod Evans	Non-Executive Director
Marcus Machin	Non-Executive Director
Stuart Carmichael	Non-Executive Director
Paul Guilfoyle	Managing Director/CEO

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## Harvest Technology Group Limited

HTG has developed a leading video compression and encryption platform in response to an increasing need for secure, low-bandwidth, high-latency transmission of video data. The Nodestream product is ahead of peers and addresses concerns of the moment in the current geo-political climate. The company has established strong distribution via the leading providers of marine satellite communications and is well advanced in demonstrating the capacity of the product in wider conferencing and other land-based solutions in both remote locations and highly congested networks. We feel Harvest is at a significant moment in the company's development.

### Investment Case

In our view, Harvest Technology Group Limited is well positioned to grow strongly in the next two years due to:

- Strong product capabilities and differentiation with competitors well behind in capacity;
- Reseller agreements with the main providers of marine satellite communications;
- Rapidly increasing demand for remote and high-latency video communications;
- Very prospective interest from the Australian Government and Defence;
- Demonstrated capacity to integrate with the Cisco WebEx conferencing platform;
- Services businesses launched in Australia (RiS) and the US (Opsivity) with excellent margin potential; and
- Second-generation software / SaaS solutions to be launched in 2022.

### DCF Valuation

We have considered the following valuation methods:

- Discounted cash flow; and
- Peer comparison.

Our base-case DCF is \$166.8m or \$0.29/share suggesting strong potential share price growth as the company matures. Peer comparisons using Price/Book and EV/Revenue tend to support this potential.

#### Exhibit 1: Valuation methodologies addressed in this report

Valuation method	Discount rate	EV/Revenue (x)	CAGR in FCF %	Value in A\$m	Value per share
Base-case DCF valuation	13.0%	21.0	n.a.	\$166.8	\$0.29
An upside-case DCF	13.0%	24.4	45	\$347.3	\$0.61
A downside-case DCF	13.0%	16.7	n.a.	\$123.7	\$0.22

Source: RaaS analysis

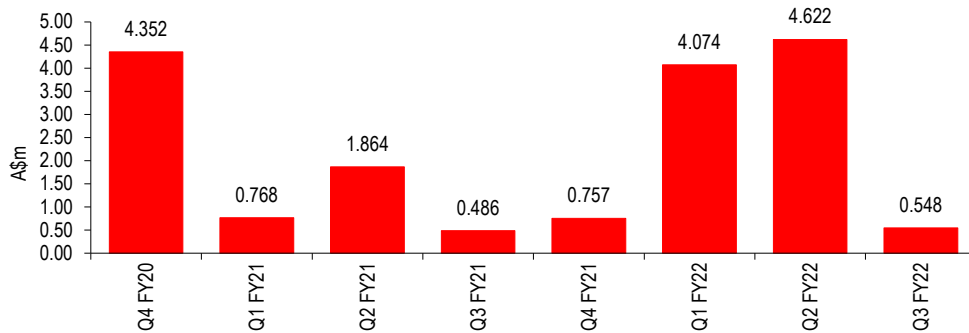
## Q3 FY22 Results Analysis

Harvest completed a transition away from operating vessels for remote projects to a video hardware and software focus in October 2021 leaving licensing of hardware and software currently the main sources of income:

- Sale of licensed encryption and video compression hardware;
- Remote Inspection Service launched in March 2022; and
- Opsivity real-time remote field support services launched in late 2021.

Quarterly receipts reflect the currently lumpy nature of project work for contract customers and the end of vessel operations which reduces both revenues and costs.

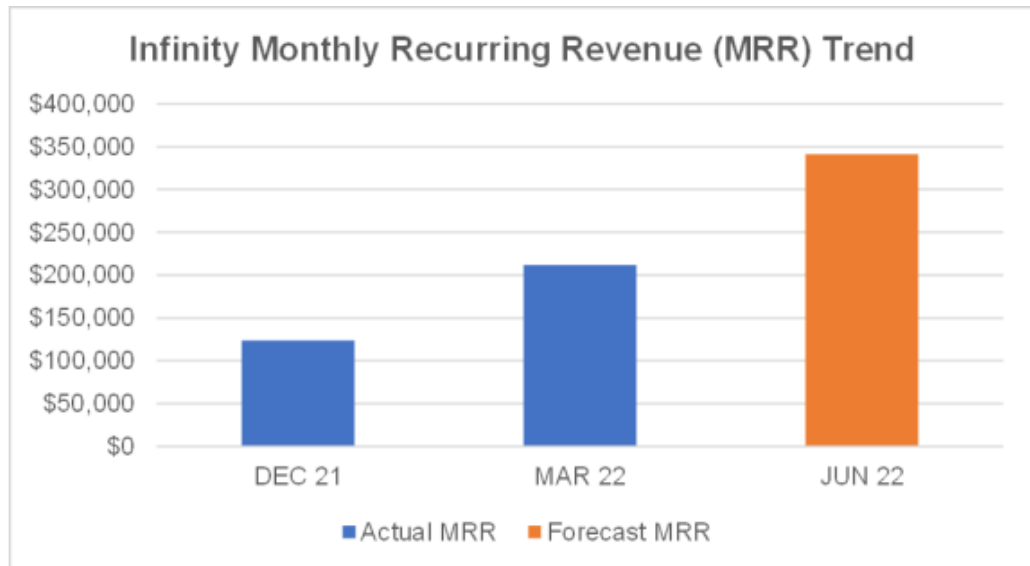
**Exhibit 2: Quarterly receipts from customers**



Source: Company reports

Harvest reported strong growth in recurring revenues from the Infinity (Nodestream) product suite with forecast growth remaining high at 60%+.

**Exhibit 3: Product revenue growth**



Source: Company Q3 FY22 report. Monthly recurring revenue (MRR) represents a blended revenue figure across all Infinity products and services sold to customers.

**Exhibit 4: Q3 FY22 versus previous quarters (in A\$m unless otherwise stated)**

	Q3 FY21	Q1 FY22	Q2 FY22	Q3 FY22
Cash receipts	1.864	4.074	4.622	0.548
Payments to suppliers	(1.228)	(1.528)	(1.206)	(3.431)
R&D	(0.477)	(1.084)	(0.935)	(1.070)
Other	0.000	0.000	0.000	0.000
Operating cashflow	(1.327)	(1.526)	(1.435)	(3.648)
<b>Free cashflow</b>	<b>(1.327)</b>	<b>(1.526)</b>	<b>(1.435)</b>	<b>(3.648)</b>
Net cash at the end of the period	6.752	4.006	5.171	6.961
Monthly cash burn	(0.442)	(0.509)	(0.478)	(1.216)
<b>Quarters of cash on hand</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>2</b>

Source: Company data

## Key Events in The Quarter

- Generated 71.4% higher monthly recurring revenue (MRR) from the Infinity product line compared to quarter to December 2021, remaining on target for \$300K-\$350k MRR by June 2022;
- Signed a master services agreement with Inmarsat as a certified application provider;
- Signed a global reseller agreement with Marlink, the third-largest maritime satellite services provider;
- HTG's remote inspection system RiS was released from exclusivity and launched on 15 March 2022;
- Completed a placement of \$6.78m (before costs);
- Craig Byron transitioned into the role of the Group's CFO; and
- UK sales branch established to support activities across the UK and EMEA.

## Key Points

- Strong customer pipeline from satellite operators;
- Australian government interest growing;
- No comparable product available yet;
- At the beginning of the technology take-up phase when the largest changes to operations will be seen;
- Strong tailwind from reducing the need for remote staffing, improved services over poor networks, and moving to higher standards of cyber-security and encryption levels; and
- Additional impetus from increasing satellite density and network availability but a congested spectrum. Maintaining signal quality becomes increasingly difficult.

## Business Model

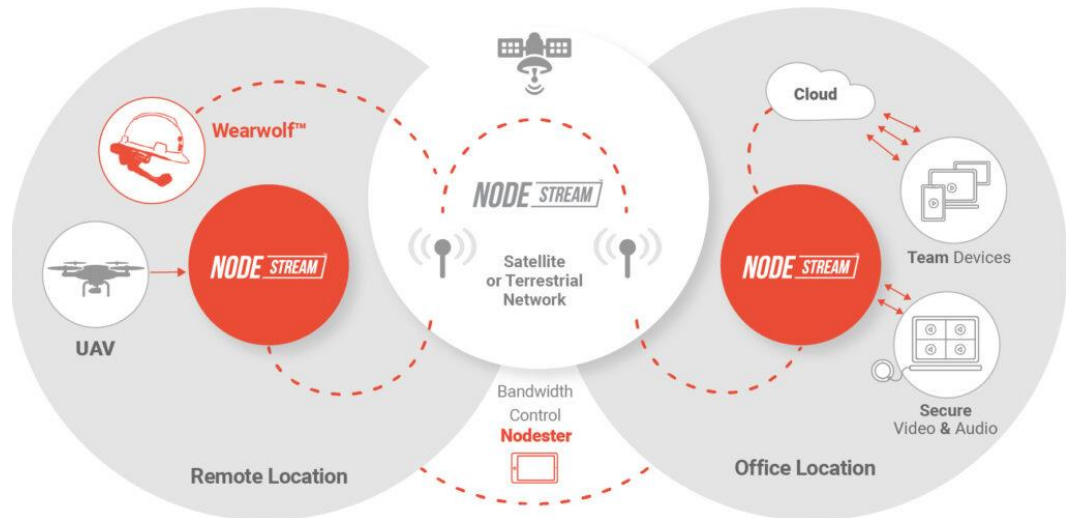
Harvest's key intellectual property is algorithmic compression and encryption of video signals and the management of the video stream enabling transmission of live video over low-bandwidth / high-latency connections while retaining connectivity and clarity. The company has developed the ability to provide a live video connection from anywhere to anywhere with transfer rates as low as 32 kbps. There are many obvious uses of video compression and encryption and many protocols and algorithms designed to deliver reliable video streams across different networks. The limitations of most of these solutions are that they are designed for either (1) Very low-quality video; or (2) Higher bandwidth is used to ensure a reliable transmission. Using satellite, optic fibre, Wi-Fi, coaxial cable, microwave with these protocols implies that a significant proportion of available bandwidth will be used to maintain video signal integrity. Entertainment streaming services such as Netflix have been enabled by modern higher-bandwidth networks combined with video algorithms which manage delivery of the signal as a stream rather than a full download - reducing picture clarity as necessary to maintain a continuous video stream.

With Nodestream, Harvest takes this approach to the next level delivering flexibility to a network manager or application designer:

- Allows scalable resolution in the range from 1,080p to 144p;
- Choice of latency;
- 384-bit encryption;
- Delivers a reliable video and audio stream to almost any device capable of showing or sending video; and
- Enables seamless integration of low- and high-bandwidth video in, for example, conference calls including participants in remote locations.

The company has a range of options from pieces of the solution up to complete systems including full Remote Inspection Services (RiS) enabling remote monitoring of operations via livestreaming to a central location. The system is enabled on mobile devices, headsets, and installs on a normal Android or iOS handset. Harvest has focused on delivering a flexibly specified, adaptive network which enables integration of live remote monitoring into industrial and security operations. Combined with military level encryption the solution is extremely robust.

**Exhibit 5: Harvest product interaction and purposes**



Source: Company data

**Exhibit 6: Harvest hardware and software products**



Source: Company data <https://harvest.technology/products/>; Products L to R – Infinity Nodestream, Nodestream 2 AVR, Infinity Nodestar software, Infinity RiS, Opsivity US real-time field support.

**The Opportunity**

Harvest has identified several opportunities for its Nodestream product – both in improving existing services and enabling transformation of services via remote oversight or real-time video communication to remote sites (at sea, undersea, on towers etc.). These include:

- Improving communication with shipping by improving bandwidth allocation on relatively low-volume satellite connections;
- Remote industrial site management – e.g., gas and petroleum production plants and pipeline monitoring; and
- Real-time interaction between a central location and a remote worker supporting learning and ensuring correct processes

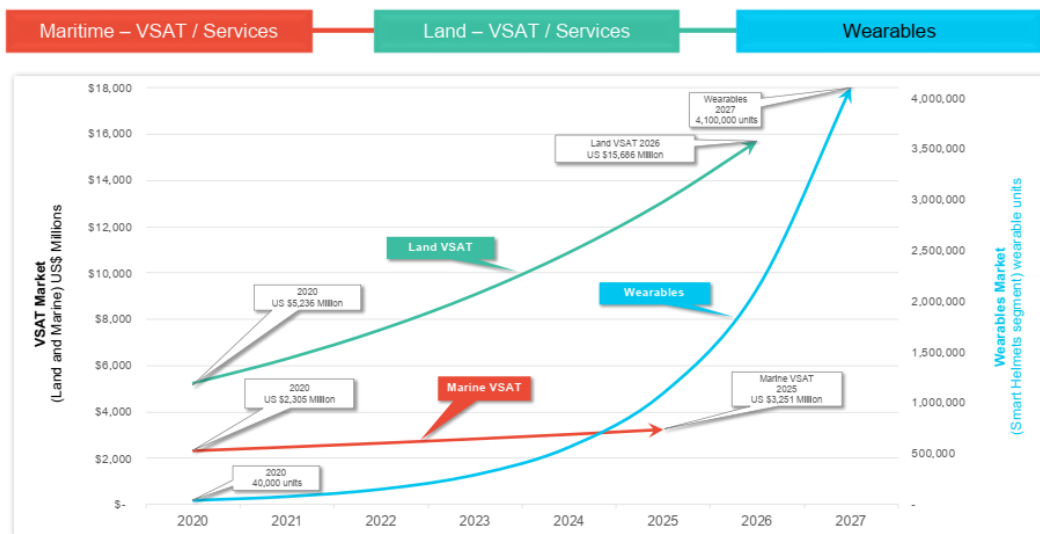
Enabled by advancements in capability and affordability, industry and society are benefitting from significant changes in information technology - both from hardware due to improved chip capacity and software via SaaS-based solutions which provide greater flexibility, security and capacity. But new solutions are available only where they can be applied. One of the main limitations is available bandwidth.

Global communications are enabled by satellite communications and undersea optic fibre cables. (The recent eruption in Tonga highlighted the risks of depending on a single service - the sole cable between Tonga and Fiji was severed, isolating the country during a period of disaster. Service has been restored via cable repairs and a satellite link). Remote areas and the maritime sector remain dependent on satellites and other lower-bandwidth solutions (e.g., microwave repeaters).

Maritime satellite solutions are generally provided through L-band, Ku-band, and Ka-band frequency-based satellite communication services. Satellites may be in low-earth orbit (LEO, e.g., Elon Musk’s Starlink network and the Iridium communications network), geosynchronous and higher orbits (Inmarsat, Intelsat and similar). Our society’s need for bandwidth to enable internet-based solutions is driving more satellite launches and potentially degrading the quality of service due to interference from competing signals. Along with demand from the internet-of-things (IoT) this creates the need for a solution that can deliver connectivity to enable higher-quality, real-time transmission at lower bandwidth and with **lower** latency.

In addition to maritime demand, land-based services and wearables offer higher growth opportunities (Exhibit 5) as satellite density increases (e.g. Starlink). We have focused our modelling on maritime given the large and still early opportunity in the sector, nevertheless there is a strong market growth path.

**Exhibit 7: Key markets identified by Harvest**



Source:

- Land and Marine VSAT: Maritime Satellite Communication Market Global Forecast To 2025 - MarketsandMarkets Research Private Ltd June 2020
- Wearables Market for Smart Helmets segment: Global Smart Augmented Reality (AR) Glasses Industry - Global Industry Analysts July 2020

Source: Company data. VSAT is Very Small Aperture Terminal (Dish diameter < 3 metres).

The scale of markets currently using satellite communications and in need of secure bandwidth management is large. Studies<sup>1</sup> identify maritime satellite communications as a US\$2.3b sector growing to US\$3.2b by 2025 (CAGR 7.1%). The military communications market size is estimated at US\$33.4b growing to US\$40.6b by 2025 (CAGR 4.0%)<sup>2</sup>. The broader market for video surveillance is expected to grow from US\$41.3b in 2019 to US\$86.5b by 2027 (CAGR 9.6%).<sup>3</sup> The global video conferencing market, propelled by COVID-related impacts,

<sup>1</sup> Maritime Satellite Communications Market by Component, MarketsandMarkets, <https://www.marketsandmarkets.com/Market-Reports/maritime-satellite-communication-market-113822978.html>.

<sup>2</sup> Military Communications Market by Communication Type, MarketsandMarkets, <https://www.marketsandmarkets.com/Market-Reports/military-communications-market-66198542.html>.

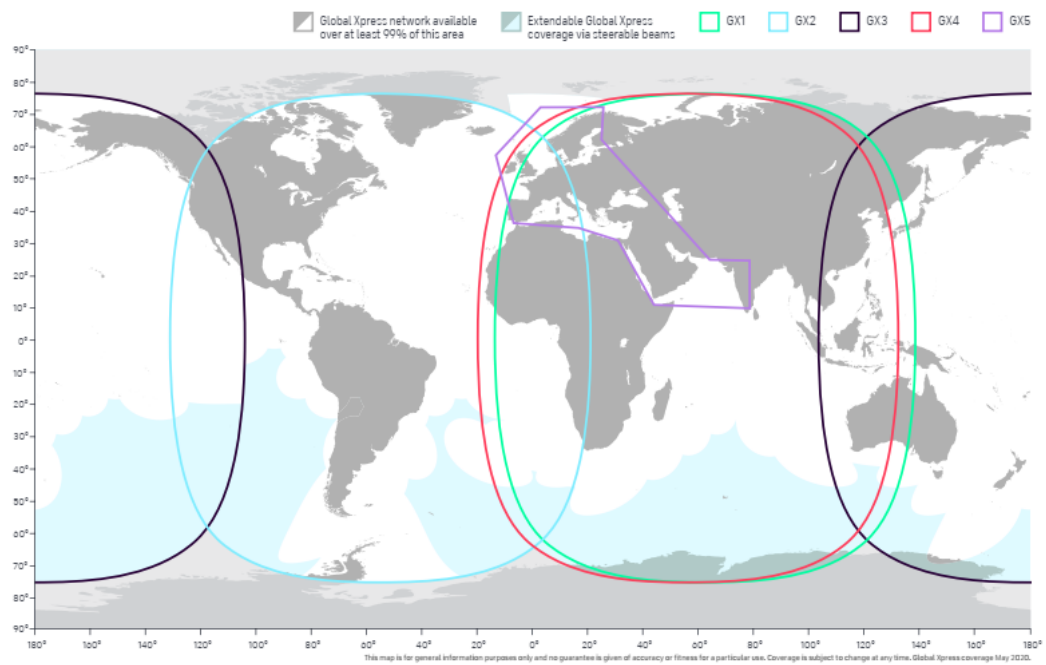
<sup>3</sup> Video Surveillance Market By End-Use Verticals, Emergen Research, <https://www.emergenresearch.com/industry-report/video-surveillance-market>.



is estimated to grow from US\$9.2b in 2021 to US\$22.5b by 2026 (CAGR 19.7%).<sup>4</sup> Regardless of the accuracy of these estimates, the obvious conclusion is that there is a lot of need for secure video transmission. We can add to the above sectors demand for UAVs (drones) with real-time video capacity for military, security, agricultural and remote industrial inspection purposes.

Major satellite communications providers and potential or existing customers include Inmarsat (UK-based, now owned by Viasat Inc US), Iridium Communications (US), Thuraya (UAE), Hughes Network Systems (US), KVH Industries (US), Viasat (US), Speedcast (Australia), ST Engineering (Singapore), NSSGlobal (England), Marlink (France), ORBOCOMM (US), Navarino (Greece), Network Innovations (Canada), GTMaritime (England), AST Group (UK), Isotropic Networks (Wisconsin), Norsat International (Ontario), Satcom Global (Canada), Intelsat (US), and Orbit Communication Systems (Israel).<sup>5</sup> Harvest has reseller agreements with Inmarsat, Speedcast and Marlink, and is in negotiation with other potential resellers.

**Exhibit 8: Inmarsat Fleet Xpress satellite communications coverage**



Source: Inmarsat company data; MarketsandMarkets

<sup>4</sup> Video Conferencing Market by Component, MarketsandMarkets, <https://www.marketsandmarkets.com/Market-Reports/video-conferencing-market-99384414.html>.

<sup>5</sup> Leading Players in the Maritime Satellite Communication Market, MarketsandMarkets, <https://www.marketsandmarkets.com/ResearchInsight/maritime-satellite-communication-market.asp>.

## Competitors

While there are a multitude of companies offering video-compression equipment and services aimed at large-scale broadcast and web and video conferencing, we have been unable to identify a clear competitor to Harvest in delivery of real-time streaming, high-latency, low-bandwidth, encrypted video. The alternatives are:

- Don't attempt it;
- Ensure high available bandwidth (e.g., Nextgen provides an undersea optic fibre backbone for networking in the offshore North-West Shelf platforms); or
- Deal with low-quality, delayed transmissions as the price of connection.

For most applications in this space the win is being able to connect at all. Delivering that connection with a high-quality video and audio feed remains a difficult, even unattainable, objective.

An example of these issues is provided by the Volvo Ocean Race<sup>6</sup>. The race is a professional, fully crewed, around-the-world race in monohull yachts focused on delivering a full daily media experience for the fans. Each boat has a dedicated media crewperson using drones, interviews and still photos to provide a dramatic picture of life on the boats while racing. Despite the resources onboard very little of the coverage is live and that is mostly patchy audio. Inmarsat provided the satellite service for the last race. Using Harvest technology these links could be live streaming video over Inmarsat satellite linkages. The group does not yet have a competitor able to deliver that. The advantages of live video for industrial shipping are also clear with crews spending longer at sea with limited communications.

### Exhibit 9: Inmarsat communications installation



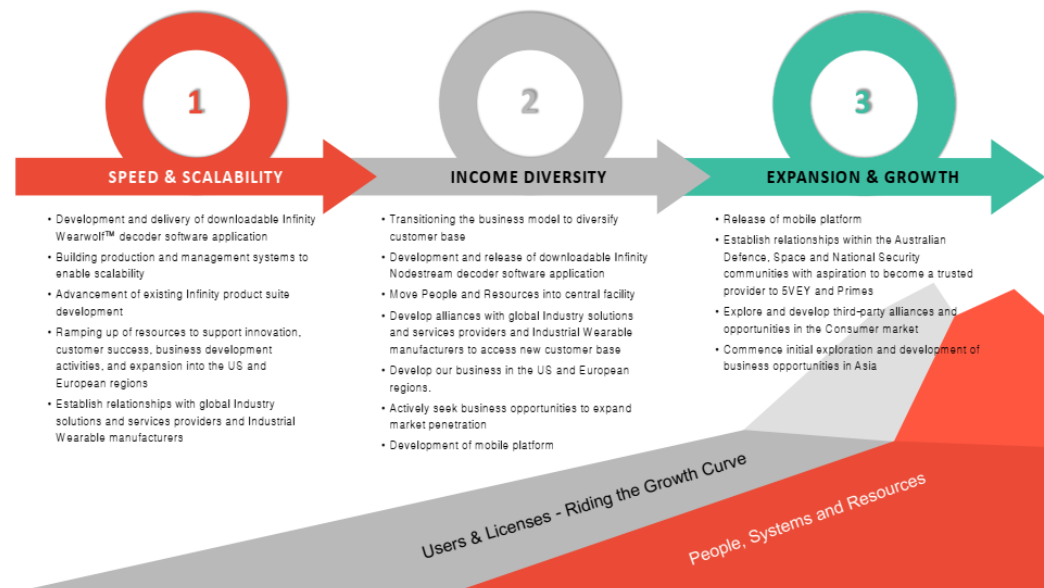
Source: Google Images; The Ocean Race

## Company Background and Development

Harvest was previously known as Smart Marine Systems focused on operating vessels and producing a 'clever buoy' for marine monitoring. The company became Harvest Technology Group in April 2020 after purchasing Advanced Offshore Streaming P/L in 2019, developer of the encrypted transfer of satellite data using low-bandwidth technology. Harvest has since followed a clear three-phase strategic path towards: (1) Improving speed to market and scalability; (2) Diversifying sources of income; and (3) Expansion and growth.

<sup>6</sup> Now 'The Ocean Race', next starts in Spain in January 2023.

**Exhibit 10: Harvest strategic plan October 2020**



Source: Company data

Refreshingly in the volatile environment of the past two years, the company has stuck to the plan and is delivering against the KPIs. Harvest now has signed reseller agreements with the three largest providers of remote and maritime satellite services and can accelerate licence take-up in the sector. The company also launched a remote field team management business in the US in October 2021 with the renaming of Harvest US following the acquisition of a small US SaaS company.

**Exhibit 11: Harvest progress vs strategic plan - update January 2022**



Source: Company data

With these reassuring milestones in mind, we have modelled Harvest’s possible revenue generation as the maritime reseller agreements mature and included the impact of current negotiations with domestic Australian government and corporate customers.

**Business Forecasts and Modelling**

Despite the scale of the opportunities available to the company we have restricted our forecasts to relate to take-up by already identified groups of customers and focused on the delivery of video services to the global shipping industry serviced by Inmarsat, Speedcast and Marlink. The recent launch of new products brings a wide range of additional opportunities to the company but forecasting returns from these seems

presumptuous at this early stage. We have also not included estimates for HTG's US launch of the Opsivity real-time remote field technician support.

We have constructed three cases using information regarding qualified leads from HTG in the Inmarsat Fleet Xpress business, developing sales in the Speedcast and Marlink customer base, Australian Defence Force and government interest, and other domestic enquiries.<sup>7</sup>

Crucial hurdles in the process include:

- Government purchasing constraints;
- ADF project planning;
- Inmarsat sales process;
- Manufacturing scale-up for production of Nodestream hardware;
- Successful testing and commercial rollout of HTG's SaaS version of Nodestar allowing better central control and less hardware;
- Moving from the reseller agreement to actual sales education and conversion;
- Scaling up to accommodate a larger effective sales force; and
- Manufacturing and delivery logistics for Nodestream hardware.

Harvest has been working toward this result since the strategic plan was announced in October 2020. We are confident that scaling up to full commercial operations will be effectively managed.

#### Exhibit 12: RaaS forecast assumptions

Starting assumptions	Base case		Downside case		Upside case	
	H123	Change to FY25	H123	Change to FY25	H123	Change to FY25
<b>Licensed services new demand</b>						
Inmarsat demand – licence nos.	292	13%	268	10%	487	49%
Speedcast demand – licence nos.	35	13%	32	10%	58	49%
Marlink demand – licence nos.	21	13%	19	10%	35	49%
All direct – licence nos.	238	10%	204	8%	341	12%
Gross margin	79%		80%		81%	
Reseller initial licence conversion rate	60%		55%		63%	
Defence / Govt. initial conversion rate	70%		60%		80%	
Other conversion rate	70%		60%		80%	

Source: RaaS estimates

Our forecasts are based on conversion of identified prospects within the Inmarsat Fleet Xpress subscriber base and a share of new Fleet Xpress subscribers, plus lesser penetration of the Speedcast and Marlink customer bases. We emphasise that new and about-to-be-launched products and reseller agreements have not been included in the forecasts. These promise considerable upside to our forecasts if Harvest can successfully launch and manage the growth of the new business (Opsivity) and products (Nodestream SaaS etc). Finally, progressing the integration of Nodestream with Speedcast and Marlink maritime communications products will bring further licensing opportunities.

The three cases presented depend crucially on:

- Initial conversion rates for Inmarsat Fleet Xpress-related opportunities'
- Government and Defence subscription in Australia;
- Reseller licence fees vs. direct customer licence and services revenues; and
- Average cost of goods sold for Nodestream hardware units.

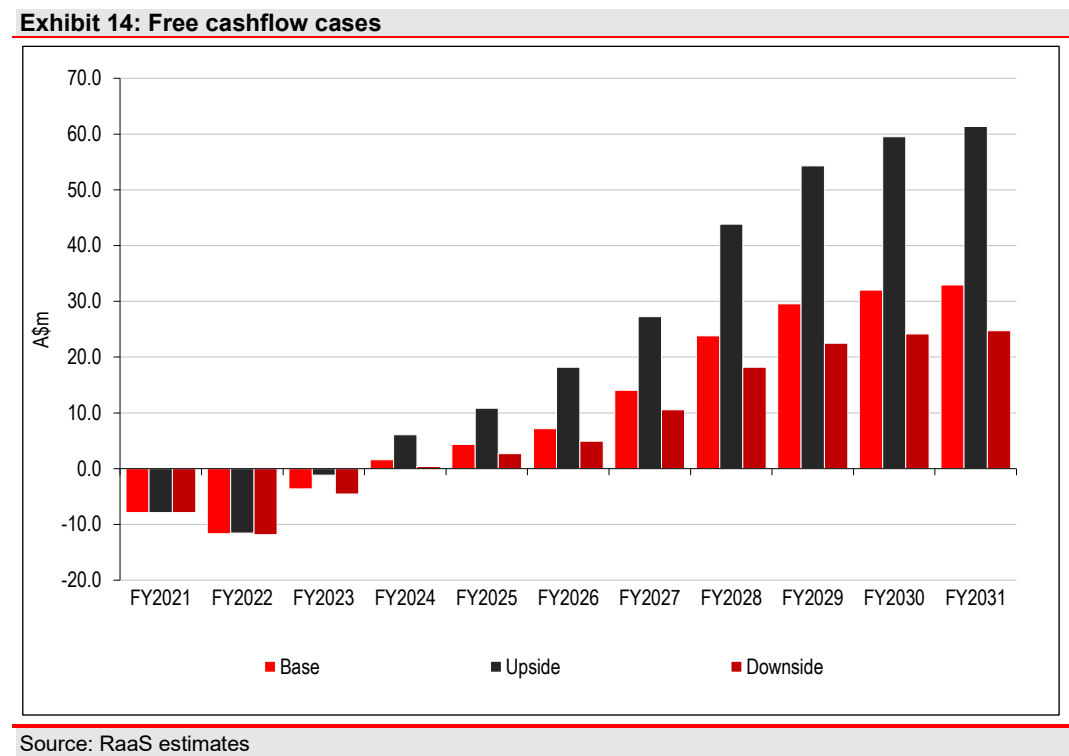
<sup>7</sup> The ADF is an Inmarsat Virtual Satellite Network operator following renewal (until 2027) of the \$221m satellite communications contract in March 2021. Inmarsat news. <https://www.inmarsat.com/en/news/latest-news/government/2021/australian-defence-force-takes-control-with-inmarsat-virtual-sat.htm>

Our DCF outcomes are based on a (10-year bond) risk-free rate of 3.5% and an assumed Equity Beta of 1.47 vs. the measured Beta of 0.93<sup>8</sup>.

<b>Exhibit 13: Case valuation range</b>			
	<b>Base case</b>	<b>Downside case</b>	<b>Upside case</b>
DCF valuation p.s.	\$0.316	\$0.235	\$0.659
DCF value \$m	166.8	123.7	347.3
Revenue FY23 \$m	8.0	7.4	14.2
EBITDA FY23 \$m	(3.0)	(3.5)	2.6
Revenue FY32 \$m	69.2	55.6	123.7
EBITDA FY32 \$m	54.1	40.1	107.9
CAGR in revenue %	24.2	22.3	24.1

Source: RaaS estimates

The forecasts and DCF outcomes highlight that if Harvest is successful in its plans – which seem achievable – the company’s share price is relatively depressed at present. We expect Harvest to turn cashflow positive during FY23 with substantial cash-generation potential thereafter.



<sup>8</sup> Refinitiv observed five-year monthly beta.

## SWOT Analysis

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

<b>Exhibit 15: Strengths, Weaknesses, Opportunities, Threats</b>	
<b>Strengths</b>	<b>Opportunities</b>
Strong product differentiation	Additional maritime reseller agreements add potential sales
Superior technology solution	Land-based operations
Disciplined delivery	Defence Force applications
Clear strategy and execution on plan	Government and corporate demand for secure video rising
	Transformation of industry management of remote / field activities
	Fewer humans needed to deliver more services
	Secure video-conferencing market e.g., Cisco Webex
	Increasing network congestion
<b>Weaknesses</b>	<b>Threats</b>
Yet to deliver the first major ramp up in licence growth	Uncertainty may limit speed of industry process transition
Still a relatively small sales force	The alternative for fixed installations may be to install more bandwidth via optic fibre
Supply chain constraints likely to have some impact	

Source: RaaS analysis

## Key Risks

### **New Technology**

Harvest is the new technology and thus represents a step forward in delivery of real-time streaming secure video on low-bandwidth and congested networks.

### **Customer Conversion**

We have yet to see Harvest successfully convert these opportunities to licences.

### **Key Personnel**

Clearly the founders are key person risks, however, the recent retirement of Colin Napier as CFO has been well-handled.

### **Research and Development**

We are likely to see continuing research and development spend to stay ahead of competitors, but this is not expected to be significantly above current levels.

### **International Operations**

Harvest has yet to operate outside of Australia at scale. The Opsivity business in the US was established partly via acquisition in late 2021. There will be challenges associated with further expansion opportunities, however, management and the board have previously managed international operations.

### **Intellectual Property**

Harvest has strong IP in the Nodestream algorithms, however, these are difficult to securely patent.

## Board and Management

### Directors

#### **Jeffrey Sengelman DSC AM CSC MAICD – Chairman**

Mr Sengelman is a retired Major General in the Australian Defence Force, with a distinguished career spanning almost 40 years, most recently as Special Operations Commander, Australia. He has been an adviser to Government and the Chief of the Defence Force on security issues of national significance, and a principal adviser on counter terrorism. Mr Sengelman holds a Bachelor of Arts, a Master of Arts in International Relations and a Master of Arts in Strategic Studies and is a graduate of the Australian Command and Staff College, United States Army War College, and a Fellow of the Harvard Kennedy School of Government.

#### **Paul Guilfoyle – Executive Director, Group CEO, Founder**

Mr Guilfoyle has 20 years' experience in the marine services and technology sectors with a proven track record in business transformation and spearheading strategic shifts within an organisation. He is focused on driving future competitive advantage and profit performance, and ensuring customers receive first-rate service quality.

#### **Marcus Machin - Non-Executive Director**

A law graduate of Cambridge University, Mr. Machin has extensive international experience in finance, shipping, and oil and gas. Based in Dubai for the past 25 years, initially as the Finance Director for a major regional participant in oil services, engineering, vessel-owning and investment, Mr. Machin established arabCapital in 2000 as a corporate finance and advisory practice focused primarily on the international shipping and oil services sectors. Since 2000, arabCapital has worked in association with the Tufton Finance Group (Tufton) London, a finance house focused on shipping and oil services and together with Tufton has concluded over US\$1.0 billion of institutional investments in managed investment fund vehicles.

#### **Rod Evans – Non-Executive Director**

Mr Evans is an experienced company director and has been involved in successful start-ups, turnarounds, and business growth across medium and large-scale businesses. He currently chairs the boards of Cranecorp Australia, a crane services business, and Ashburton Assurance Australasia, a quality assurance audit business. He has held previous board positions in civil, financial services, water supply, venture capital and community not-for-profit. Mr Evans has held a range of executive roles in strategy and investment, including Managing Director of an ASX-listed venture capital provider, and senior executive roles in corporate strategy with Alinta Limited and Neptune Marine Service Limited. He has also headed the resource sector investment attraction programme for the Western Australian Government. He is currently the principal of The Ideas Factory Australia, a specialist ideation and strategy business. During his career Mr Evans has worked on mergers, acquisitions, and new initiatives in Australia and overseas with values up to AUD\$20 billion.

#### **Stuart Carmichael – Independent Non-Executive Director**

Mr Stuart Carmichael is currently a partner at independent corporate advisory group Ventnor Capital and has extensive international corporate advisory, mergers and acquisitions, and operational experience. Mr Carmichael held various senior executive leadership positions with UGL, DTZ, AJG and KPMG Corporate Finance. He has extensive corporate and operational experience across multiple geographies having lived and worked in the US, UK, Europe, the Middle East and Australia. Mr Carmichael's sector experience includes the construction, transportation and logistics, facilities management, corporate real estate and professional services sectors. He graduated from the University of Western Australia with a Bachelor of Commerce degree, majoring in Accounting and Finance, and is a qualified Chartered Accountant. Mr Carmichael also currently serves as Non-Executive Chairman of K-Tig Ltd (ASX:KTG) and is a non-executive director of ClearVue Technologies Ltd (ASX:CVU), De.mem Ltd (ASX:DEM), and Orexplore Technologies Ltd (ASX:OXT).





## **Management**

**Paul Guilfoyle, CEO, see above.**

### **Linda Shields, Group Chief Commercial Officer, Founder**

Ms Shields has 25 years' experience in marketing services, client relations, business systems implementation, and commercial management, spanning hospitality, retail, finance, property, marine, energy, and resource sectors.

### **Craig Byron - Group Chief Financial Officer**

Mr Byron is a highly experienced CFO and chartered accountant with over 30 years' experience gained across a wide variety of industry sectors, both within Australia and internationally, in senior finance, business development and commercial roles and operating at board level. He more recently worked for logistics group LS Sadleirs and Minderoo / Tattarang Group.

### **Jaron Warburton - Head of Innovation, Founder**

Mr Warburton is an experienced leader in innovation with a strong engineering background and history of software and firmware innovations and advancements in the energy sector. He is skilled in petroleum, gas, safety management systems, electronics hardware design and Java.

### **Jimmy Dean - Head of Solution Architecture, Founder**

Mr Deans is a proven innovation manager and problem solver with an extensive 28-year remote environment career in offshore oil and gas, mining and the Royal Australian Navy.

### **Patrick Neise - Group Chief Technology Officer**

Mr Neise is a nuclear submariner in the U.S. Navy and Red Team member of the U.S. National Security Agency (NSA). He was previously Chief Information Security Officer and Chief of Engineering at RealWear. Mr Neise holds a Doctorate in Engineering, Master's in Information Security Engineering, Master's in Information Technology Management, and Bachelor's in Electrical Engineering.

### **Damiain Brown – GM Embedded Systems**

Damiain started his career in broadcast engineering before transitioning to subsea asset integrity. He brings over 20 years of technical, operational and management experience to his role and has a demonstrated track record in scaling business and delivering large scale projects. In his role with Harvest Technology Group Damiain leverages his knowledge and experience to drive products and solutions to market as well as servicing enterprise, bespoke and augmented systems requirements.



## Peer Comparison

Exhibit 16: Comparable IT and SaaS companies							
Code	Company	Market Cap. (A\$m)	PE (x)	EV/EBITDA (x)	Price/Sales (x)	Price/Book (x)	ROE FY0 (%)
WSP	Whispir Ltd	13,691.1	--	3.5	2.4	2.1	(25.6)
KNO	Knosys Ltd	7,371.9	--	n.a.	3.8	1.7	(8.6)
RDY	Readytech Holdings Ltd	6,746.8	124.8	16.1	6.2	4.2	4.0
CDA	Codan Ltd	1,407.7	15.5	20.6	3.2	4.6	32.8
FLX	Felix Group Holdings Ltd	1,024.5	--	n.a.	8.5	4.3	--
IXU	IXUP Ltd	466.7	--	n.a.	2,705.8	8.2	-130.2
RCW	Rightcrowd Ltd	281.7	--	n.a.	1.2	0.7	(22.7)
DUB	Dubber Corp Ltd	232.1	--	n.a.	10.2	3.9	(75.0)
COS	Cosol Ltd	154.7	19.5	9.3	2.3	3.2	17.9
3DP	Pointerra Ltd	150.3	--	n.a.	129,667.3	32.5	(52.0)
IOD	Iodm Ltd	146.6	--	n.a.	127.0	332.2	(461.9)
NET	Netlinkz Ltd	144.9	--	n.a.	9.9	6.8	(217.5)
DSE	Dropsuite Ltd	120.3	--	659.1	10.2	5.4	(0.3)
AVA	Ava Risk Group Ltd	92.3	3.3	4.5	0.7	1.4	47.9
FCT	Firstwave Cloud Technology Ltd	90.5	--	1.6	11.1	6.0	(71.5)
UBN	Urbanise com Ltd	88.0	--	n.a.	3.1	2.5	(29.7)
YOJ	Yojee Ltd	72.8	--	n.a.	62.3	3.2	(70.8)
<b>HTG</b>	<b>Harvest Technology Group Ltd</b>	<b>62.3</b>	<b>--</b>	<b>n.a.</b>	<b>7.5</b>	<b>3.9</b>	<b>(71.9)</b>
SPZ	Smart Parking Ltd	58.7	11.1	43.2	2.8	3.4	35.1
AR9	Archtis Ltd	58.5	--	n.a.	8.0	1.9	(22.6)
LVT	Livetiles Ltd	53.0	--	n.a.	1.2	1.0	(43.8)
XF1	Xref Ltd	48.8	1,171.1	0.1	6.6	--	--
MSL	MSL Solutions Ltd	44.1	65.1	10.1	2.5	4.0	6.0
RCL	ReadCloud Ltd	43.4	--	n.a.	3.8	2.2	(11.2)
MP1	Megaport Ltd	42.8	--	n.a.	13.2	5.7	(28.1)
SEN	Senetas Corp Ltd	40.4	--	n.a.	1.7	2.5	(20.7)
SP3	Spectur Ltd	36.6	--	n.a.	1.0	2.1	(70.6)
K2F	K2FLY Ltd	34.9	--	n.a.	5.0	2.9	(43.9)
DTC	Damstra Holdings Ltd	25.7	--	152.3	0.9	0.2	(9.8)
BCC	Beam Communications Holdings Ltd	23.5	35.6	13.8	1.3	2.0	5.8
DLT	Delta Drone International Ltd	21.9	--	n.a.	1.0	0.6	(17.8)
AND	Ansarada Group Ltd	15.2	163.7	17.3	4.6	2.8	2.2
LNU	Linius Technologies Ltd	13.8	--	n.a.	125.8	4.0	-156.4
Sample average			178.9	73.2	4,024.9	14.4	(48.7)
<b>Sample median</b>			<b>35.6</b>	<b>13.8</b>	<b>4.6</b>	<b>3.2</b>	<b>(22.7)</b>

Source: Refinitiv, RaaS, Ratios trailing twelve months, ROE FY0. Prices at June 10.

Harvest has no direct listed competitor on the ASX, however, similar-stage and other SaaS companies provide valuation comparisons. Price/Sales and Price/Book are the broadest indicators in this group of early to late-stage companies. Harvest sits slightly above the sample median highlighting the expectation of high growth in the next few years.

## Recent Events

### Exhibit 17: Significant operational announcements

Date	Event	Description
9/10/2019	News	SM8 Set to Acquire Advanced Offshore Streaming
9/10/2019	News	SM8 Investor Presentation - Business Acquisition
28/11/2019	Capital raise	Non-Renounceable Rights Issue Offer Document
10/12/2019	News	Acquisition of AOS Successfully Completed
30/01/2020	Quarterly	December 2019 Quarterly Activities and Cash Flow Report
27/02/2020	News	Group Rebranding & Product Launch
15/03/2020	News	Award of Vessel Supply Contract & Technology Demonstration
22/03/2020	News	Revenue Milestone Achieved & Remote Support Services Update
2/04/2020	Name	Change of Name and ASX Code
20/04/2020	News	Harvest enters into Global Agreement with AST Australia
29/04/2020	Quarterly	March 2020 Quarterly Activities and Cash Flow Report
11/06/2020	Capital raise	HTG to Raise \$10 Million to Accelerate Growth
21/07/2020	News	Unmanned Aerial Vehicle Integration
31/07/2020	Quarterly	June 2020 Quarterly Activities and Cash Flow Report
17/08/2020	News	RemTeq Agnostic Remote Control Platform
31/08/2020	Annual	Preliminary Final Report
11/09/2020	Management	Appointment of US Regional Lead
6/10/2020	News	Inmarsat, AST and HTG enter into Global Marketing Alliance
7/10/2020	News	HTG recognised as an ABA100 Winner for Technology Innovation
15/10/2020	News	HTG launches Three-Phase Corporate Strategic Plan
30/10/2020	Quarterly	September 2020 Quarterly Activities and Cash Flow Report
5/01/2021	News	Iristick & HTG agree to further develop smart safety glasses
28/01/2021	News	Nodestream Downloadable Decoder Application
29/01/2021	Quarterly	December 2020 Quarterly Activities and Cash Flow Report
2/02/2021	News	HTG to Appoint David Fosberg as Chief Customer Officer
26/02/2021	Interim	Harvest Technology Group Ltd Interim H1
22/03/2021	News	Investor Presentation
22/04/2021	News	HTG to acquire US based SaaS company SnapSupport Inc.
29/04/2021	Quarterly	March 2021 Quarterly Activities and Cash Flow Report
2/05/2021	Capital raise	HTG Receives Firm Commitments to Raise \$7.6 Million
14/06/2021	Acquisition	Harvest Executes Formal SPA for U.S. Acquisition
26/07/2021	Quarterly	June 2021 Quarterly Activities and Cash Flow Report
15/08/2021	News	Vessel Redelivery Shines Spotlight on Technology
30/08/2021	Annual	Appendix 4E and Preliminary Final Report
5/09/2021	News	HTG & Innovation Central Perth to Tackle Global Connectivity
29/09/2021	Annual	Full Year Statutory Accounts
5/10/2021	News	HTG Commences Phase 2 With Launch Of Opsivity To Market
13/10/2021	News	HTG signs reseller agreement with Speedcast
19/10/2021	News	HTG Expands Ecosystem with Inmarsat Global
26/10/2021	Quarterly	Quarterly Activities/Appendix 4C Cash Flow Report
13/12/2021	News	Investor Presentation
13/12/2021	Capital raise	Harvest Launches Equity Raising to Pursue Strategic Growth
14/12/2021	Capital raise	Successful Completion of Institutional Entitlement Offer
21/12/2021	News	Harvest to Supply Infinity Nodestream Systems to TechnipFMC
23/01/2022	News	HTG signs MSA to join Inmarsat's Marine Network
30/01/2022	Quarterly	Quarterly Activities/Appendix 4C Cash Flow Report
27/02/2022	Capital raise	Harvest Receives Binding Commitments for \$6.78 Million
15/03/2022	News	HTG's Flagship RiS Remote Inspection System Product Launch
22/03/2022	News	HTG Marlink Reseller Agreement
27/03/2022	News	HTG Trading Update
30/03/2022	Capital raise	Options Prospectus

Source: Company data

**Exhibit 18: Financial Summary**

Harvest Technology Group Ltd						Share price (Date)		15/06/2022		A\$ 0.10		
Profit and Loss (A\$m)						Interim (A\$m)						
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	1H21 A	2H21 A	1H22 E	2H22 E	1H23 E	2H23 E	
Sales Revenue	11.6	8.3	1.7	8.0	13.3	Revenue	2.2	6.1	0.9	0.9	2.8	5.2
Gross Profit	4.6	1.7	1.3	6.7	11.9	EBITDA	(4.9)	(2.6)	(5.3)	(4.1)	(2.6)	(0.4)
EBITDA	(2.7)	(7.5)	(9.4)	(3.0)	1.9	EBIT	(6.8)	(4.4)	(6.2)	(5.1)	(3.6)	(1.3)
Deprn	(3.4)	(3.6)	(1.4)	(1.0)	(0.9)	NPAT (normalised)	(6.3)	(4.0)	(6.7)	(5.5)	(4.0)	(1.8)
Amort	0.0	0.0	(0.5)	(0.9)	(0.8)	Minorities	-	-	-	-	-	-
EBIT	(6.1)	(11.1)	(11.3)	(4.9)	0.1	NPAT (reported)	(6.3)	(4.0)	(7.2)	(5.5)	(4.0)	(1.8)
Interest	0.0	0.0	(0.2)	(0.5)	(0.5)	EPS (normalised)	(1.35)	(0.75)	(1.26)	(1.05)	(0.71)	(0.31)
Tax	0.7	1.6	(0.2)	0.0	(0.0)	EPS (reported)	(1.37)	(0.75)	(1.37)	(0.98)	(0.71)	(0.31)
Minorities	0.0	0.0	0.0	0.0	0.0	Dividend (cps)	-	-	-	-	-	-
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Imputation	30.0	30.0	30.0	30.0	30.0	30.0
NPAT pre significant items	(5.7)	(10.2)	(12.2)	(5.8)	(0.9)	Operating cash flow	(3.6)	(5.5)	(3.2)	(5.4)	(3.0)	(1.0)
Significant items	(0.1)	(0.1)	(0.5)	0.0	0.0	Free Cash flow	(3.4)	(5.3)	(2.5)	(5.0)	(2.6)	(0.5)
<b>NPAT (reported)</b>	<b>(5.8)</b>	<b>(10.3)</b>	<b>(12.8)</b>	<b>(5.8)</b>	<b>(0.9)</b>	<b>Divisions</b>	<b>1H21 A</b>	<b>2H21 A</b>	<b>1H22 E</b>	<b>2H22 E</b>	<b>1H23 E</b>	<b>2H23 E</b>
<b>Cash flow (A\$m)</b>						All Licenced Services ex D	0.0	0.0	0.8	0.9	2.8	5.2
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	COGS	(2.7)	(3.8)	(0.2)	(0.2)	(0.6)	(0.6)
EBITDA	(2.7)	(7.5)	(9.4)	(3.0)	1.9	Employment	(3.0)	(3.5)	(2.9)	(2.9)	(3.0)	(3.0)
Interest	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	Technology, licence fees	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(0.2)	(0.0)	(0.1)	0.0	(0.0)	Other costs	(0.4)	(0.4)	(0.3)	(0.7)	(0.7)	(0.7)
Working capital changes	2.3	(1.0)	1.4	(0.5)	(0.4)	EBITDA	(4.9)	(2.6)	(5.3)	(4.1)	(2.6)	(0.4)
Operating cash flow	(1.1)	(9.1)	(8.6)	(4.0)	0.9	<b>Margins, Leverage, Returns</b>						
Mtce capex	(0.1)	(0.4)	(1.1)	(0.9)	(0.9)	FY20A	FY21A	FY22F	FY23F	FY24F		
Free cash flow	(1.2)	(9.4)	(9.7)	(4.9)	0.1	EBITDA	n.a.	n.a.	n.a.	n.a.	14.1%	
Growth capex	0.0	0.0	0.0	0.0	0.0	EBIT	n.a.	n.a.	n.a.	n.a.	0.9%	
Acquisitions/Disposals	(3.2)	(0.8)	0.0	0.0	0.0	NPAT pre significant items	n.a.	n.a.	n.a.	n.a.	n.a.	
Other	(0.6)	(0.2)	0.0	0.0	0.0	Net Debt (Cash)		4.5	2.7	(0.6)	(5.6)	(5.5)
Cash flow pre financing	(5.0)	(10.4)	(9.7)	(4.9)	0.1	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	(2.9)
Equity	11.5	9.2	8.8	0.0	0.0	ND/ND+Equity (%)	(%)	(56%)	(20%)	5%	47%	50.5%
Debt	2.4	(2.8)	(0.6)	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	4.2
Dividends paid	0.0	0.0	0.0	0.0	0.0	ROA		n.a.	n.a.	n.a.	n.a.	1%
Net cash flow for year	8.9	(4.0)	(1.5)	(4.9)	0.1	ROE		n.a.	n.a.	n.a.	n.a.	n.a.
<b>Balance sheet (A\$m)</b>						ROIC		n.a.	n.a.	n.a.	n.a.	1%
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	NTA (per share)		0.02	0.01	0.01	n/a	n/a
Cash	11.3	6.8	5.0	0.1	0.1	Working capital		(1.3)	(3.0)	0.2	0.7	1.2
Accounts receivable	0.0	0.0	0.1	0.7	1.1	WC/Sales (%)		(11%)	(36%)	11%	9%	9%
Inventory	0.1	0.2	0.1	0.2	0.2	Revenue growth		3630%	(28%)	(79%)	364%	67%
Other current assets	1.1	6.6	1.6	1.6	1.6	EBIT growth pa		n/a	n/a	n/a	n/a	-102%
Total current assets	12.5	13.5	6.9	2.5	3.0	<b>Pricing</b>						
PPE	3.4	0.5	2.9	2.9	2.8	No of shares (y/e)	(m)	463	527	527	566	566
Intangibles and Goodwill	7.8	10.3	9.2	8.3	7.5	Weighted Av Dil Shares	(m)	463	531	531	527	566
Investments	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(1.3)	(2.1)	(2.4)	(1.0)	(0.3)
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	(1.2)	(2.1)	(2.3)	(1.0)	(0.3)
Other non current assets	0.6	0.3	0.2	0.2	0.2	EPS growth (norm/dil)		n.a.	72%	10%	-56%	-70%
Total non current assets	11.8	11.1	12.4	11.4	10.5	DPS	cps	-	-	-	-	-
<b>Total Assets</b>	<b>24.3</b>	<b>24.6</b>	<b>19.2</b>	<b>14.0</b>	<b>13.6</b>	DPS Growth		n.a.	n.a.	n.a.	n.a.	n.a.
Accounts payable	1.4	3.2	0.0	0.1	0.1	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%
Short term debt	2.6	0.5	0.3	0.3	0.3	Dividend imputation		30	30	30	30	30
Tax payable	0.0	0.0	0.0	0.0	0.0	PE (x)		-7.6	-4.5	-4.0	-9.2	-30.9
Other current liabilities	0.7	1.5	1.5	1.9	2.4	PE market		16.0	16.0	16.2	16.5	16.5
Total current liabilities	4.7	5.2	1.8	2.3	2.8	Premium/discount		(147%)	(128%)	(125%)	(156%)	(287%)
Long term debt	4.2	3.6	5.4	5.4	5.4	EV/EBITDA		-15.2	-5.7	-5.0	-18.0	31.7
Other non current liab	2.8	0.0	0.0	0.0	0.0	FCF/Share	cps	-0.3	-0.2	-1.6	-1.3	-0.5
Total long term liabilities	7.0	3.6	5.4	5.4	5.4	Price/FCF share		-33.9	-50.6	-5.8	-7.2	-17.4
<b>Total Liabilities</b>	<b>11.7</b>	<b>8.8</b>	<b>7.2</b>	<b>7.7</b>	<b>8.2</b>	Free Cash flow Yield		(3.0%)	(2.0%)	(17.3%)	(13.9%)	(5.7%)
<b>Net Assets</b>	<b>12.6</b>	<b>15.8</b>	<b>12.1</b>	<b>6.3</b>	<b>5.4</b>							
Share capital	12.6	15.8	17.6	17.6	17.6							
Accumulated profits/losses	0.0	0.0	(5.5)	(11.4)	(12.2)							
Reserves	0.0	0.0	0.0	0.0	0.0							
Minorities	0.0	0.0	0.0	0.0	0.0							
<b>Total Shareholder funds</b>	<b>12.6</b>	<b>15.8</b>	<b>12.1</b>	<b>6.3</b>	<b>5.4</b>							

Source: Company data for actuals; RaaS analysis; FY22 Revenue excludes \$2.7m from discontinued vessel operations



# 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: 6<sup>th</sup> May 2021**

### 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

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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.

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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

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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.

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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.

### 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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