



A digital platform to transform agency businesses

Based in Israel, Gefen Technologies (ASX:GFN) is set to disrupt highly regulated, agency-based industries through its digital Arena platform. The digital platform is aimed at empowering agents and increasing their sales potential. That is achieved by automating non-core processes, offering cross-selling opportunities, and matching the customers' needs through algorithm-driven analysis run on a proprietary machine learning engine, displacing tedious legacy systems in the process.

AI-driven algorithms to improve hit rate

GFN's digital platform leverages its proprietary machine learning engine to create algorithms to derive detailed customer-related analysis. The analysis enables agents to match the needs of the customers with the relevant products and improve their hit rate and efficiency.

Periodicity leads to a recurring revenue base

The products sold by agents in GFN's key markets usually have a limited term and need to be repurchased/renewed after regular intervals. Periodic renewal/repurchase of products ensures that agents service repeat orders which builds a stream of recurring revenue for agents and consequently for GFN.

Vying for a share of a US\$625.0bn market

The Insurance and Financial Services sectors are the key markets for Gefen Technologies. These markets are undergoing a paradigm shift in terms of digital disruption, stricter regulations and changing customer needs which will drive their growth and present a market opportunity of US\$625.0b by 2025. Additionally, the company's plans to enter the Mortgage Broking market in FY22 will augment its addressable market further.

Valuation range of A\$1.04–A\$1.16 per share

We value GFN at A\$1.04 per share base case and A\$1.16 optimistic case using a DCF approach. We believe GFN has significant scope to re-rate owing to its transition to a new model and the potential of its digital platform.

Share Price: A\$0.077

ASX: GFN

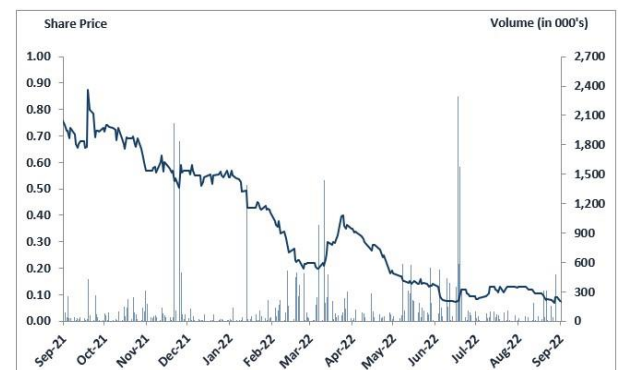
Sector: Technology

14 September 2022

Market Cap. (A\$ m)	9.9
# Shares outstanding (m)	128.2
# Shares fully diluted (m)	128.2
Market Cap Full. Dil. (A\$m)	9.9
Free Float	46.9%
12-months high/low (A\$)	0.88/0.07
Avg. daily volume ('000s)	179.5
Website	www.gefentechnologies.com

Source: Company, Pitt Street Research

Share price (A\$) and avg. daily volume (k, r.h.s.)



Source: Thomson Reuters, Pitt Street Research

Valuation metrics	
DCF fair valuation range (A\$)	1.04-1.16
WACC	15.0%
Assumed terminal growth rate	3.0%

Source: Pitt Street Research

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Disclosure: Pitt Street directors own shares in GFN



Financial Statements

Profit & Loss (US\$ m)	2022E	2023E	2024E	2025E	2026E
Sales Revenue	20	35	52	75	105
Operating expenses	(14)	(18)	(23)	(29)	(35)
Profit before tax (before exceptionals)	(4)	(0)	4	10	21
Tax expense	0	0	0	0	0.0
Cash Flow (US\$ m)	2022E	2023E	2024E	2025E	2026E
Profit after tax	(4)	(0)	4	10	21
Depreciation	2	2	3	3	4
Change in trade and other receivables	(0)	(2)	(2)	(2)	(2)
Change in trade payables	(0)	0	0	0	0
Operating cashflow	(2)	1	5	12	22
Capex	(4)	(4)	(4)	(4)	(4)
Other investing activities	-	-	-	-	-
Investing cashflow	(4)	(4)	(4)	(4)	(4)
Dividends (ords & pref)	-	-	-	-	-
Equity raised (repurchased)	-	-	-	-	-
Debt drawdown (repaid)	(1)	5	(2)	(1)	(1)
Net change in cash	(8)	1	(1)	6	17
Cash at End Period	3	4	3	9	26
Balance Sheet (A\$ m)	2022E	2023E	2024E	2025E	2026E
Cash	3	4	3	9	26
Total Assets	31	36	39	48	68
Total Debt (Including Lease Liability)	3	3	7	6	4
Total Liabilities	14	19	18	17	16
Shareholders' Funds	15	14	18	29	49
Ratios	2022E	2023E	2024E	2025E	2026E
Net Debt/Equity (x)	0	(0)	0	(0.12)	(0)
Interest cover (x)	NM	0	11	28	62
Return on Equity (%)	-25%	-2%	22%	35%	42%

Estimates: Pitt Street Research



Table of Contents

Introduction to Gefen Technologies	4
Key reasons to look at Gefen Technologies	5
A digital Arena to empower agents	6
Platform built to displace legacy systems	6
<i>Improves communication with customers and enables agents to focus on selling</i>	<i>6</i>
<i>Uses data-driven analysis to suggest suitable products</i>	<i>7</i>
<i>Positive feedback from previous customers highlights impact</i>	<i>7</i>
Per-transaction fee charged from agents	8
<i>Product renewal/resale creates a recurring base of revenue</i>	<i>8</i>
Looking to diversify its business operations	9
<i>Further monetisation of the platform</i>	<i>9</i>
<i>Introduction to new markets</i>	<i>9</i>
Strong operating metrics underpin topline growth	9
Strategic initiatives to drive deeper market penetration and horizontal expansion	10
<i>Partnerships for expansion</i>	<i>10</i>
<i>Acquisition of independent agents</i>	<i>11</i>
<i>Continuous improvement of the platform</i>	<i>11</i>
Well-funded to pursue growth	11
A substantial total addressable market with a huge scope for expansion in various sectors	12
Evolving dynamics to drive market growth	13
Competitive Landscape	13
Valuation of A\$1.04-\$1.16 per share	16
<i>Re-rating</i>	<i>17</i>
<i>Risks</i>	<i>17</i>
Experienced Leadership Team	18
Appendix I – Analyst certification	19
Appendix II – Glossary	20
Appendix III – Major Shareholders	20
General Advice Warning, Disclaimer & Disclosures	21



Introduction to Gefen Technologies

Gefen Technologies is an Israel-based tech company. It offers sales and marketing services through a digital platform to agents operating in highly regulated industries (such as Insurance, Financial Services and Pharmaceuticals) to improve their sales performance.

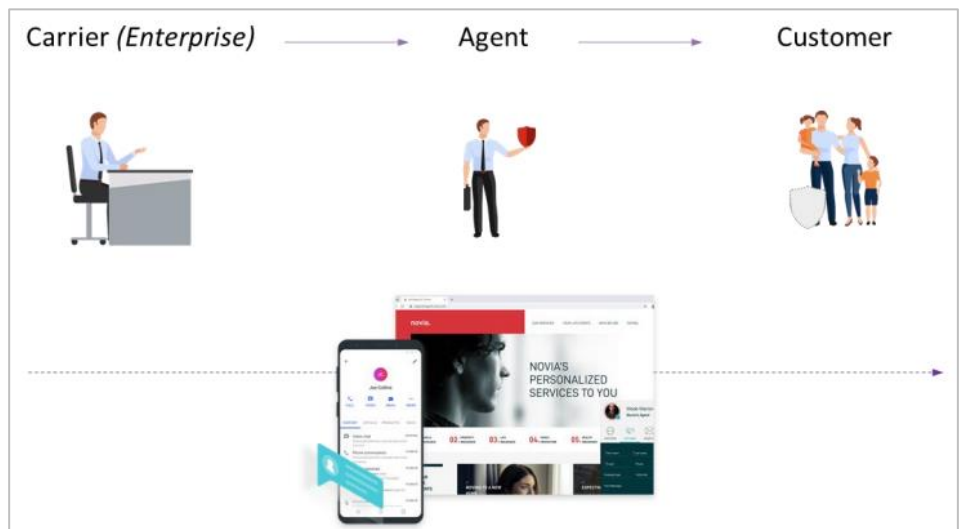
Agents have traditionally employed spreadsheets and legacy customer relationship management (CRM) systems when facilitating a transaction between the carriers and end-customers. These are cumbersome and fail to equip agents with the means to fulfil their sales potential.

Gefen Technologies identified this gap as an opportunity to disrupt the market and developed its platform to zero in on the needs of the agents. The platform acts as an end-to-end channel for all stakeholders and focuses on increasing the agents' transaction volume.

The company initially on boards and integrates agents on the platform to form a digital Arena (a community of agents). It utilises its proprietary big data and AI-powered system to automate manually implemented processes, manage logs for compliance requirements and drive algorithm-based analysis to pair products (existing or new/customised) with the needs of the end-customers (Figure 1).

Gefen has built an end-to-end sales platform for agents in highly regulated industries

Figure 1: End-to-end channel created through the platform



Source: Company Prospectus, Investors, Company Website

As agents access and interact with new customers and translate those interactions into product sales, the agents earn commissions. Gefen Technologies charges a percentage of these commissions (between 15-50%) as a per-transaction fee. That reiterates its clear focus on boosting agent sales (because if agents do not sell, the platform does not generate revenue).

While the company primarily concentrates on the Insurance and Financial Services sectors in Israel, the platform is highly scalable and sector-agnostic in its applicability. It offers massive scope for expansion across sectors and geographies, which will lead to more agents and upselling/cross-selling opportunities (in turn benefitting Gefen Technologies). In FY22, for example, the company will look to improve penetration in the existing markets, broaden its horizons and enter the Mortgage Broking markets.

The platform offers massive scope for expansion across sectors and geographies.



Key reasons to look at Gefen Technologies

Gefen's proprietary machine learning engine drives higher success rate

An integral component of the digital platform developed by Gefen Technologies is its proprietary Gefen Query Language (GFL) machine-learning engine. It combines AI and Big Data to create algorithms which recommends suitable products for end-customers based on several distinct factors. This allows agents to meet the needs of the customers more effectively through data-driven analysis and achieve a higher success rate.

A recurring revenue base which captures a share of the customers' wallets

Gefen Technologies' business model focuses on increasing the sales of agents and charges them 15-50% of the revenue earned by them on each sale made through its platform. Since the revenue earned by the agents is commission on the products sold to end-customers, charging a fee on the commission gives the company access to a share of the customers' wallets. The products usually sold to end-customers by agents have a limited term and need to be renewed/repurchased. The renewal/resale of these products leads to repeat sales for the agents and, in turn, the company enabling it to build a base of recurring revenue.

Addressable market of US\$625.0b by 2025

Gefen's digital arena platform has been built to cater to agents, who facilitate transactions in highly regulated industries. The company primarily operates in the Insurance and Financing Services industry, within which the insurance brokerage and agencies segment is expected to grow at a CAGR of 5.4% and provide an opportunity to capture a share in the US\$440.1b market by 2025 and the Investment Banking and Brokerage market is expected to grow at a CAGR of 11.1% to a US\$184.9b market by 2025. The total addressable market will grow further as Gefen Technologies improves penetration across geographies and enters the Mortgage Broking market in FY22.

Digital transformation and evolving consumer needs will provide industry tailwinds

Digital adoption has proliferated in businesses operating in diverse industries in the last decade. Incorporating big data and AI in business processes leads to a host of operational and regulatory compliance-related benefits for participants in highly regulated industries. Technological advancements are also shaping customer preferences, which are now more inclined towards dealing with digitally enabled businesses. These changes in market dynamics will bring tailwinds to the target markets and help sustain growth.

Strong leadership team with experience in leading online businesses

Gefen Technologies is operated under the leadership of a management team with years of experience in building online platforms. The two CEOs bring on board a combined 33 years of experience in managing online businesses. The Chief Architect (and Chairman) possesses significant expertise in comprehensively developing digital platforms. The COO has 20 years of experience in research & development (R&D) and Operations-related domain, in the Insurtech and Fintech sectors.

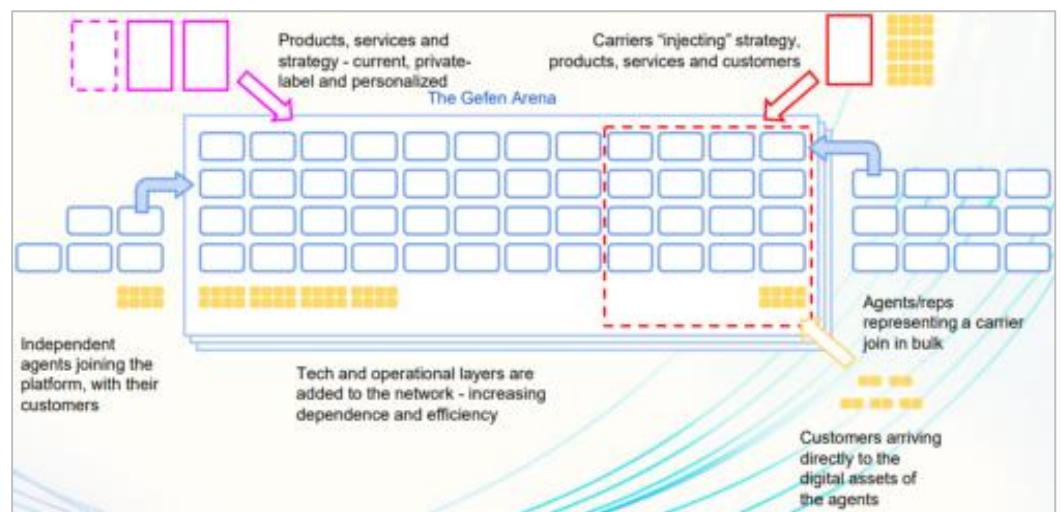


A digital Arena to empower agents

Gefen Technologies offers end-to-end sales and marketing solutions to agents in highly regulated industries through its driven digital arena platform.

Initially developed as a product distribution tool to cater to carriers (through a Software-as-a-Service (SaaS) model), the platform is a digital marketplace which connects carriers, agents, and end-customers (Figure 2). It equips the agents with the required analytical capabilities to enable them to match the needs of the customers with the products of the carriers, thus augmenting their selling opportunities. The product matching algorithm also presents product cross-selling opportunities to agents (as they can sell products from different geographies and industries, apart from their fields of expertise).

Figure 2: The digital Arena platform blueprint



Source: Investor Presentation – March 2022, Investors, Company Website

Platform built to displace legacy systems

Agents in highly regulated industries usually rely on legacy IT systems and spreadsheets to collect, manage and comprehend the data of their end-customers. Not only are the legacy systems tedious and time-consuming to manage, but they also usually involve a negligible level of automation. As a result, numerous auxiliary tasks need to be manually performed by the agents, which shifts concentration away from the core task of selling products.

A wave of digital transformation has served as a catalyst in these industries, resulting in the development of digital platforms and software, which help address some concerns. However, most of them either fail to connect the stakeholders and equip agents successfully or operate on a model that is too expensive for agents to adopt, usually in the case of independent agents which account for 50% of the insurance market.

Improves communication with customers and enables agents to focus on selling

Gefen Technologies' digital platform integrates AI and Big Data, to alleviate the concerns associated with legacy systems in a comprehensive manner, to disrupt the market.

The platform acts as an end-to-end digital channel for carriers, agents and customers that enables agents to focus solely on effecting more transactions.

Gefen is disrupting a market dominated by legacy CRM systems



It involves a high level of automation which to perform non-core activities, distribute content with a click and improve the level of interaction with customers. These functionalities make the platform attractive for agents and improves their efficiency.

The provision of a direct channel for communication also benefits the customers and leads to improved customer service, as evidenced by an NPS score of 8.5/10 (compared to the industry average of 3.0/10). Carriers also indirectly benefit from the use of the platform by agents as they gain from an ease in data collection and analysis, better communication channels, improved compliance requirements' management and higher product sales.

Uses data-driven analysis to suggest suitable products

The platform is built around the company's proprietary Gefen Query Language (GQL) machine learning engine. It is embedded with Big Data and AI capabilities to run algorithms through the dataset points collected from carriers, agents, and end-customers. It helps to assess, analyse, and recommend the products (existing or new, tailor-made) that the agents can sell to the end-customers based on their requirements and habits which increases their hit rate.

Integral to the whole value proposition of the platform, the machine-learning-engine-empowered algorithm regularly generates new analysis based on distinct factors that agents and agencies would not have access to. For example, the engine can suggest what other products the customer could buy by estimating the customer's income group by analysing their historical product purchases. This level of detail in analysis creates significant upsell opportunities for the agents. In case the analysis is not fruitful (in terms of success rate), the engine discards it and produces other decision-influencing output to encourage transactions.

Positive feedback from previous customers highlights impact

In FY21, before the platform transitioned to an agent-oriented model, the company serviced TAL, a life insurance carrier. The data collected by TAL serves as an indication of the functionality and utility of the platform to agents:

60% of TAL's agents said the platform assisted in acquiring new customers

100% of TAL's agents said the platform assisted in retaining clients

60% of TAL's agents said the platform provided upselling opportunities

The digital platform matches customers' needs with products through its algorithms



Per-transaction fee charged from agents

Gefen Technologies’ digital arena platform revolves around on-boarding agents, either by partnering with them or by acquiring agent networks. Agents sell the carriers’ products through the platform, instead of legacy systems and channels, to the end customers and receive a commission (a percentage of sales) in return.

Gefen Technologies’ platform facilitates the entire sales process, in addition to providing related auxiliary services, and monetises it by charging a transaction-based fee for the sales completed through the platform. The revenue generation typically starts after a 3-6-month duration from the on-boarding of agents on the platform.

The transaction fee can be defined as a commission earned on commission, where Gefen Technologies charges between 15% to 50% of the income of the agents i.e. commission earned on sales through its platform. Thus, the company indirectly captures a share in the wallet of end-customers. The percentage charged from the agents depends on factors such as products, commission scheme of the agents, industry expertise of the agents and contract renewals.

The business model (Figure 3), which was exclusively adopted in the beginning of 2022, levies no upfront costs and no subscription license fee on the agents for using the platform. This ensures that they get the fair end of the bargain, with a fee levied only on sales completed and not on the use of the platform.

Revenue generated from transactions completed through the platform (on a % of sales basis)

Figure 3: The business model of the company



Source: Investor Presentation – March 2022, Investors, Company Website

Product renewal/resale creates a recurring base of revenue

The products sold by the agents through the platform, especially in the Insurance market, usually have a limited period of validity. After the completion of the term, end-customers usually renew/repurchase the products which results in repeat transactions. This enables Gefen Technologies to build a base of recurring revenue as agents sell products to the same customers on a regular basis after regular intervals, a share of which flows down to Gefen Technologies.

Focus on increasing sales volume of agents



Looking to diversify its business operations

In the coming years, Gefen Technologies will look to add new products from various sectors/countries and diversify its revenue streams to make the platform more attractive, provide the end-customers with more options and put the company in a position to extract financial gains from it.

Further monetisation of the platform

Gefen Technologies aims to add two new revenue streams to its system diversify its sources of revenue and derive additional value from its end-to-end platform by further monetising the services offered on it:

- Advertising Solutions: The company would look to earn media placement revenue by running promotional campaigns through its platform for agents on social media websites and ad networks (For example, Google and Facebook).
- Processing Fees: Within this stream, the company will charge a transaction fee on the payments made through its platform for carrier and agent activities completed on the platform. With every transaction, the company would then generate revenue by charging a per-transaction fee and a processing fee.

Introduction to new markets

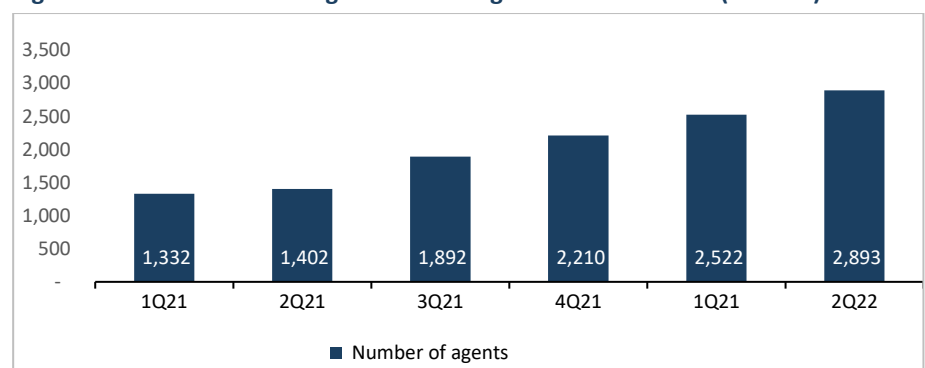
The company's operations are centred around one geographical location (Israel) and one end-user industry (Insurance and Financial Services). Considering the size and scope of agent-based industries, the company is focused on expanding horizons, both geographically to newer markets such as North America (the partnership with Sapiens Group seeks to achieve that) and Asia (particularly in the UAE) and across end-user verticals to enter other similar industries (such as Energy, Pharmaceuticals and Automotive). In FY22, the company would look to cement its position in the Insurance and Financial Services markets in Israel and enter the mortgage broking markets.

Strong operating metrics underpin topline growth

The business model is built around agent sales on the platform, hence operating metrics related to on-boarding and engagement levels of agents and end-customers are critical to its success.

The number of agents has grown considerably in the last 6 quarters (Figure 4), with the platform catering to 2.2k agents in 4Q22 (CY), which further increased to 2.9k agents in 2Q22 (more than double the number in 1Q21).

Figure 4: Number of active agents on the digital Arena Platform (in 000's)



Source: 2Q22 press release, Investors, Company Website

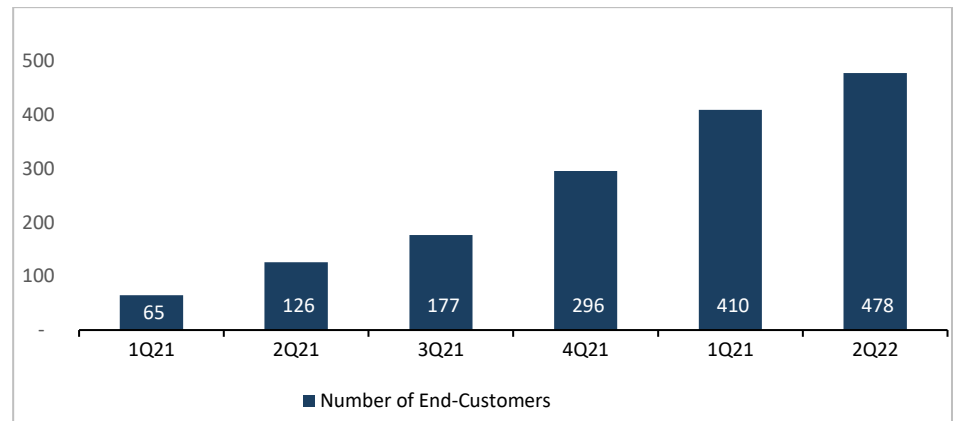
Expansion across new sectors, addition of new revenue streams and platform upgradation are key components of the overall strategy



Gefen has experienced growth across all key operating metrics since transition to new model

The growth in the number of agents directly translates to an increase in the number of end-user customers that transact on the platform, which generate revenue for the company. The agent growth numbers brought about a fourfold improvement in the number of end-user customers using the platform in 4Q21 (CY) with 296k end-user customers (as compared with 65k end-user customers in 1Q21), which further saw a significant increase to 478k end-user customers in 2Q22 (Figure 5).

Figure 5: Number of End-customers on the platform (in 000's)



Source: 2Q22 press release, Investors, Company Website

The agents and end-user customers subsequently drive the 'Arena Events', which indicate the engagement level on the platform. The 1.1m 'Arena Events' recorded by the company in 4Q21 (as compared with 639k in 3Q21) represent the number of transactions and transaction-related interactions initiated by the carrier or the end-user on the platform.

The strong growth in the operating metrics in the preceding quarters was reflected in the 52% y/y growth in per-transaction revenue which the company achieved in FY21 in spite of the 3–6-month lag. It also helped increase the contribution of this revenue stream to the total revenue (before the new model was adopted) to 78% in FY21 from 60% in FY20.

Strategic initiatives to drive deeper market penetration and horizontal expansion

Gefen Technologies is reliant on certain key metrics for driving its growth, its carefully designed strategic plan has been devised to prioritise growth in these metrics through both organic and inorganic means. To reach its goals, it has adopted a multi-pronged customer-centric approach, covering the different stakeholders and geographies:

Partnerships for expansion

Entering partnerships and joint ventures (JVs) forms an important pillar of the strategy to pursue growth. Gefen Technologies will look to target conglomerates and agent networks to accomplish its objective of building an end-to-end digital Arena network, transcending geographies.

Previously (in FY21), the company has partnered with major names such as Four Seasons Financial Planning, Sapiens Group, Canadian Insurance Centre, and IA Financial Group in various geographies.

Partnering with conglomerates would provide Gefen Technologies access to their large agent and end-customer base.



Acquisition of independent agents

Independent agents make up ~50% of all agents active in the market. Before January 2020, the platform of the company only catered to tied agents. Recognising the massive opportunity, it was passing up, the company revamped its strategy to acquire independent agent network groups, promote its platform, on board the agents and enable them to access the digital Arena platform. Doing so would allow the company to build its end-customer user base efficiently and lower Gefen Technologies' cost of acquisition (in an industry with very high customer acquisition costs).

Continuous improvement of the platform

Parallel to implementing the organic/inorganic strategic campaigns, Gefen Technologies is focused on regular upgrades and advancements of the platform. For FY22, the company will focus on improving the channels of communication across the platform and introducing features such as customer self-service. Further, it will look to increase the level of automation in the platform with a specific focus on agent commissions and price quoting while also providing access to data through mobiles to agents and customers. Even in the coming years, platform improvements are expected to remain a key part of the company's overall growth strategy.

Well-funded to pursue growth

Successful implementation of the different aspects of the growth plan related to the agents, carriers and platform would entail a noticeable level of financial investment by Gefen Technologies.

To meet these objectives, Gefen Technologies concluded an initial public offering (IPO) in July 2021 and raised US\$18.4m. Since then, the company has expended US\$12.8m in pursuing growth strategies, with the remaining also earmarked for investments in processes, marketing, building relationships and mergers and acquisitions (M&A) (Figure 6).

Figure 6: Investment completed (in US\$000's) till 2Q22 from funds raised in IPO

Financial Head	Invested Amount	Earmarked for investment
Sales and Marketing	6,219	3,974
Business Development	2,767	1,270
Research and Development	5,594	1,760
Working Capital and Administrative Costs	1,568	3,900

Source: 2Q22 press release, Investors, Company Website

At the end of 2Q22, the company had a cash balance of US\$5.7m, which positioned it well enough to fund the strategic campaigns in the short term.

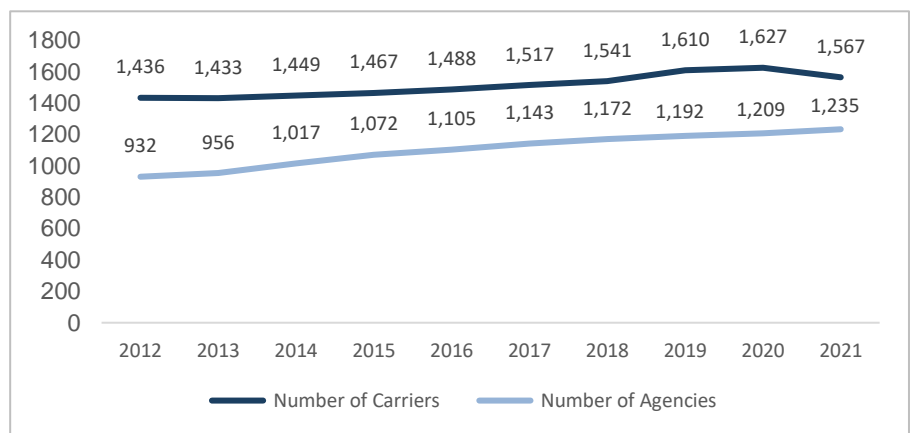
As the company inches closer to breakeven level and then profitability, as evidenced by the significant fall in a net loss of US\$9.8m to US\$2.4m in FY21 over the course of a year, the cash generated from its operating activities will increase, leading to an improvement in its overall cash position and enhancing its ability to fund its own growth in the coming years.



A substantial total addressable market with a huge scope for expansion in various sectors

Gefen Technologies identifies all agent-based, highly regulated, and compliance-heavy industries as its target markets. At present, though, the company operates within the Insurance market. The market saw growth across the number of carriers operating within the industry (by 9.1% to 1.6m from 2012 to 2021) in the U.S., which subsequently led to growth in the number of brokerage firms and agencies (by 32.6% to 1.2m in that period) in the market (Figure 7).

Figure 7: Active carriers and agencies in the U.S. Insurance market

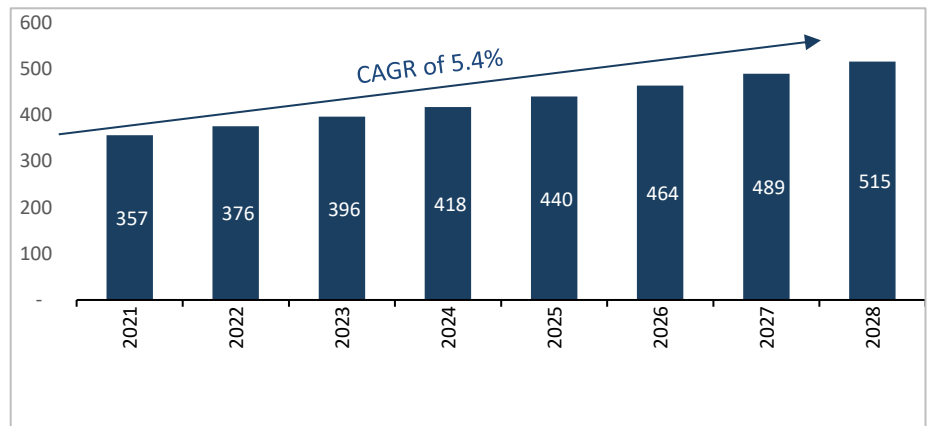


Source: 'Facts + Statistics: Industry Overview', iii.org

This period of growth coincided with further development in direct-to-consumer products (which eliminate the need for agents) in the market. Agents (independent and tied), however, continue to be the primary distribution channel for insurance products (holding 89% share in the life insurance market, for example, in 2021 as compared with 77% in 2012).

Since agents are expected to play a key part in the insurance market, the Insurance brokerage and agency market is anticipated to grow at a CAGR of 5.4% from 2021 to 2028 to open a potential TAM of US\$515.3b for the company (Figure 8).

Figure 8: Market Size of Global Insurance Brokerages and Agencies market



Source: Investor Presentation – March 2022, Investors, Company Website

Additionally, the rise of fields such as big data and AI has led the transition in insurance (and other highly regulated industries) towards digital

Insurance agencies and brokerages' sales are expected to grow which increases the total addressable market for the company



transformation. This evolution in the industry has paved the way for significant innovation and opportunities to disrupt the market for tech-based companies (such as Gefen Technologies).

Besides the Insurance market, the company is also operating in the Investment Banking and Brokerage market (a potential US\$184.9b market by 2025). Other Financial Services industries, such as the Mortgage Broking, and Non-financial services industries, such as Pharmaceuticals, Automotive and Energy, also represent potential market opportunities for expansion.

Evolving dynamics to drive market growth

Industry-specific needs for agents: The nature of business in several industries necessitates using agents as part of the transaction process. Complexities in the products sold, the need for tailor-made solutions, regulatory requirements and the consumer's lack of information are some of the factors which make the involvement of agents in the sales process appropriate for business activities.

Embracing changes in customer preferences: In the last decade, consumer preferences and choices have undergone considerable changes. A study conducted in Germany before the COVID-19 pandemic concluded that 84% of the respondents preferred to use digital insurance channels. In comparison, another study highlighted the growing popularity of insurtech companies (44% of customers were willing to buy insurance from insurtech firms in 2020 as compared with only 7% in 2016). Digital platforms for insurance (and other agent-based industries) enable carriers/agents to meet the ever-changing demands of the customers and a customer-centric approach is enabling the market for digital technologies within highly regulated industries to proliferate.

Upside to digital adoption: Transitioning to digital platforms and channels offers several benefits to carriers, agents, and customers in highly regulated industries, such as time and cost optimisation, better communication between stakeholders and adherence to compliance requirements. Incorporating digital technologies enables businesses to offer a seamless platform for product sale and helps obtain increased efficiency across all major business functions. This has encouraged adoption among businesses which has created novel opportunities within the industry that are now driving growth.

Competitive Landscape

The company operates in a competitive industry, which is marked by the presence of several direct and indirect competitors. Some of them offer similar services through similar platforms, while others have adopted a distinct approach to the market. Competition in the industry is fostered by the different functionalities of the platforms, the end-customer sectors targeted, the focus area (carriers, agents, end-customers), the business model (SaaS, per-transaction) and the range of services offered to the stakeholders.

Certain players (for example, Adobe and HubSpot) focus on catering to the needs of the carriers, but not the agents specifically. In contrast, a few others, such as WeFox, focus on servicing agents (like Gefen Technologies) rather than carriers, but only in the Insurance sector (unlike Gefen Technologies).

Numerous players itching to capture a share of the market



Robo-Agent, an indirect competitor, seeks to eliminate the use of agents through the provision of commodity products to cater to a niche segment of the comprehensive market.

As the rate of digital adoption increases, we expect the industry to become more competitive. At present, however, Gefen Technologies' focus on serving agents across sectors and its unique business model provides it with a competitive edge as the easily scalable platform enables agents to realise superior value from it (in terms of sales volume and efficiency) which also benefits the carriers and end-customers indirectly. A few companies that Gefen Technologies is directly competing with to capture a share of the market is depicted below (Figure 9).

Figure 9: Comparison of Gefen Technologies' platform vs that of direct competitors

	Gefen	Wefox	HubSpot	Mailchimp	Sitecore	Adobe	MS Dynamics
End-to-end Marketplace Needs, products, distribution	✓	✓	✗	✗	✗	✗	✗
Distributed CMS Compliant and monitored	✓	✗	✓*	✓*	✓	✓*	✓*
Distributed EMS (Email Management System) Compliant and monitored	✓	✗	✓*	✓*	✓*	✓*	✓*
Chat and Video On record, centrally controlled	✓	✓*	✓*	✗	✗	✗	✗
Social Marketing & Ads Multi-layer and compliant	✓	✗	✓*	✓*	✗	✓*	✓*
Full automation actions (On-Behalf mode)	✓	✓*	✗	✗	✓*	✓*	✓*
Customers digital history	✓	✓*	✓	✓*	✓*	✓*	✓*
Data driven sales AI enabled	✓	✓*	✗	✗	✓*	✓*	✓*

✓* = Partial Solution Offered

Source: Investor Presentation – August 2021, Investors, Company Website

WeFox is a direct competitor with a similar business model

- **WeFox:** WeFox is a Germany-based insurtech firm that operates a platform that connects agents with end-customers to facilitate sales, generating revenue by taking a cut of the broker's commission. It also sells its products through the agent network it has built. Currently operating in 5 countries, it plans to expand geographically and add more insurance products to its platform. It raised US\$400m in a Series D funding round at a post-money valuation of US\$4.5b last month.
- **Adobe:** Adobe is a well-established US-headquartered software company which offers digital marketing and media solutions and applications. While it is recognised for its digital media applications (Photoshop, InDesign, etc.), it also operates a marketing platform for businesses. Known as the Adobe Commerce on Cloud, Adobe's marketing platform is a digital cloud system that offers a flexible, scalable platform which offers highly customisable e-commerce capabilities to businesses (B2B or B2C), enabling them to deliver end-to-end purchase experiences to their customers, create engaging content through data-driven insights and run their sales channels. It generates revenue by charging an annual licence fee for the use of the platform.
- **Microsoft:** One of the biggest tech companies in the world, Microsoft also operates a cloud-based applications platform known as Microsoft



Dynamics 365. It is a SaaS platform which bundles the capabilities of ERP, CRM and HCM software and combines them to provide automated sales and marketing tools to businesses to connect to customers and convert leads. It generates revenue through one-off on-premises installations, SaaS subscription fees as well as a hybrid model.

- **Mailchimp:** Mailchimp is a US-headquartered company which operates a digital marketing platform. The platform is an automated email marketing tool which enables small businesses to communicate with customers to grow business sales. It enables businesses to send newsletters and emails and offers built-in email performance analytics and pre-designed email templates. Apart from email marketing, it enables the creation of landing pages and social media ads and offers simple CRM tools. While it offers some basic services for free, it charges a monthly subscription fee for more essential business needs.
- **SiteCore:** SiteCore is a US-based company which operates a SaaS-based digital experience platform which offers end-to-end pre-sale and post-sale marketing solutions to businesses. It offers tools to create and distribute content across all channels, collect and analyse customer data, send emails on an automated basis, manage orders, and provide customised digital experiences based on AI-driven insights.
- **HubSpot:** HubSpot is a US-based listed company that has developed a CRM platform to offer sales, marketing, and customer service capabilities to businesses. The platform is easy to use and integrate and helps to generate more leads, automate marketing communication and analytics, automate non-core tasks, connect with customers, and manage and create content. The company generates revenue through monthly subscriptions for the services offered (based on functions such as sales, marketing, and customer service) and as an entire CRM suite.



Valuation of A\$1.04-\$1.16 per share

Our basic valuation approach for GFN is as follows:

We have built a DCF for GFN, incorporating its growth plans over a period of 5 years (Figure 10). The company operates in one geographic location (Israel) and one industry (Insurance) and our growth projections incorporate the company's expansion and monetisation plans across geographies and industries (especially Finance and Mortgage Broking).

The revenue for the company has been forecast assuming the number of end-customers on the platform at the end of each year and the average product sale to each end-customer. By FY26, we forecast 9.5k agents on the platform, 2,701 end-customers, 310 end-customers onboarded per agent and a US\$39 average transaction fee per end-customer.

The firm's value is the summation of the present value of free cash flows for FY22 to FY26 and the present value of GFN's terminal value. We have used a WACC of 15.0% and a terminal growth rate of 3.0%. See Figure 11 for the DCF value using various WAACs.

Figure 10: DCF valuation for Gefen Technologies

Valuation (US\$'000s)	Base case	Bull case
Present value of FCF	6,517	12,111
Present value of Terminal FCF	86,148	97,596
Enterprise Value	92,665	109,707
Net debt (cash)	(103)	5,924
Equity value	92,768	103,783
US\$/A\$ Exchange Rate	1.4	1.4
Equity value (A\$'000s)	132,705	148,461
Share outstanding (FY 2022E)	128,120	128,120
Implied price (A\$ cents)	103.58	115.88
Adjusted Current price (A\$ cents)	7.7	7.7
Upside (%)	1,245.2%	1,404.9%

Valuation per share of A\$1.03 base case and A\$1.15 bull case

Source: Pitt Street Research

Note: Gefen Technologies' financials are reported in US\$ and its share price is quoted in A\$

Figure 11: DCF value in A\$ cents using various WACCs

Sensitivity Analysis						
WACC	15.03%					
Terminal Growth Rate	3.00%					
Implied Price (A\$ cents)	103.58	13.3%	14.0%	15.03%	16.0%	17.0%
Change in Terminal Growth Rate	1.50%	115.16	102.43	91.67	82.48	74.54
	2.00%	120.55	106.84	95.33	85.56	77.16
	2.50%	126.44	111.63	99.29	88.86	79.95
	3.00%	132.92	116.86	102.58	92.43	82.95
	3.50%	140.09	122.59	104.24	96.27	86.16
	4.00%	148.04	128.89	113.32	100.44	89.62
4.50%	156.93	135.84	118.88	104.97	93.36	

Source: Pitt Street Research



Re-rating

We believe GFN is undervalued at its current market cap and may see a re-rating based on the following factors:

- 1) Entry into new sectors such as the Mortgage Broking market and new geographies such as the UAE
- 2) Ensuring deeper market penetration in the Insurance and Financial Services market
- 3) Acquisition of independent agent networks and tied agents to build a community of agents
- 4) On-boarding of end-customers on the platform indirectly through the agents
- 5) Addition of new products to make the list more extensive and drive upselling and cross-selling opportunities
- 6) Improvements in product mix in terms of the percentage charged from the agents for transactions completed on the platform

Risks

- **Carriers adopting DTC approach:** Insurance and Financial Services companies have traditionally sold products through an agent. However, lately, new players have attempted to adopt a DTC approach to selling products. Since the company relies on agents to generate sales, a reduction of the number of agents or elimination of agents from the transaction process would significantly hamper the operational and financial performance of the company
- **Entry of big tech players:** Companies such as Amazon and Facebook are looking to diversify further and enter the financial services market with a DTC channel. Additionally, existing players, such as Adobe and Microsoft, which focus on improving the experiences of carriers, could also enter the agents' side of the business. Competing with these players would entail a lot of investment and strategic know-how and could potentially squeeze out the market share from the smaller players
- **Development of in-house technology:** Agents usually employ external spreadsheet and CRM software to meet their needs, with digital platforms being evolved alternatives to those systems. However, in time, carriers or agencies have started to develop internal software to address the exact needs of their agents, rendering external software redundant. The emergence of this trend could pose a threat to the platform's utility and the company's operations



Experienced Leadership Team

Gefen Technologies' current leadership team has extensive experience:

- **Co-founder, Chief Architect and Chairman Elad Daniel** oversees the technology-related aspects of Gefen's platform, including the development of future capabilities and upgradation of existing features. An expert in developing digital enterprise platforms from scratch, he has valuable experience in implementing e-commerce, advertising, enterprise ICT and cloud solutions and has been involved in Israel's technology and start-up ecosystem since 2001. He has held leading positions in Niram-Gitan Group, SQ Link, WoodenArk and Mamaherb. He has a degree in Bachelor of Engineering from Tel Aviv University and is a former officer (Major) in an elite IDF special forces unit.
- **Co-CEO and Founder David Nash** oversees the commercial operations at Gefen Technologies, including the business relationships and legal aspects. He has over 18 years of work experience of working with online businesses. Previously, he has served as the CEO at WoodenArk and Nitzanim Energy Ltd. He has a Bachelor of Laws and a Bachelor of Arts (Law & Business Administration) degree.
- **Co-CEO Orni Daniel** focuses on the global aspects of Gefen Technologies. A former pilot in the Israeli Air Force and a former squadron deputy commander, he has more than 15 years of experience in handling global online operations in different fields such as gaming, e-commerce, and finance etc. He also co-founded Mamaherb, which received a World Summit Award from United Nations in the e-Health category, in 2009. He holds a Bachelor of Laws, cum laude, and a Bachelor of Business degree.
- **CTO AND COO Tomer Ben-Ari** has over 20 years of experience in R&D and Operations-related roles in Insurtech and Fintech sectors. He has led the development of various technology products and helped built efficient technology teams and processes. He has previously worked as a General Manager of R&D and Innovation at Barclays Bank (Tel Aviv) and held a few senior management R&D positions at other companies. He holds a Master of Science (Computer Sciences) degree and a Bachelor of Arts (Computer Sciences) degree from the Israeli university IDC Herzliya.
- **CFO Avishai Malka** has over 12 years of experience across Israel-based, globally listed companies in the commercial and financial advisory domain. He is a Chartered Public Accountant (CPA) and has served as the CFO at Baran International (Tel Aviv listed) more than 5 years, managing the global finance and accounting operations and leading M&A transactions. He has previously worked at Deloitte and Kornit Digital Ltd. He also serves on the advisory board of Solaer Renewable Energies, having navigated it through its IPO in February 2021.



Appendix I – Analyst certification

Marc Kennis has been an equities analyst since 1996.

- Marc obtained a Master of Science degree in Economics from Tilburg University, Netherlands, in 1996 and a post-graduate degree in investment analysis in 2001
- Since 1996, he has worked for a variety of brokers and banks in the Netherlands, including ING and Rabobank, where his focus has been on the technology sector, including the semiconductor sector
- After moving to Sydney in 2014, he worked for several Sydney-based brokers before setting up TMT Analytics Pty Ltd, an issuer-sponsored equity research firm
- In July 2016, with Stuart Roberts, Marc co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including technology companies

Nick Sundich is an equities research analyst at Pitt Street Research.

- Nick obtained a Bachelor of Commerce/Bachelor of Arts from the University of Sydney in 2018. He has also completed the CFA Investment Foundations program.
- He joined Pitt Street Research in January 2022. Previously he worked for over three years as a financial journalist at Stockhead.
- While at university, he worked for a handful of corporate advisory firms.



Appendix II – Glossary

AI: AI refers to Artificial Intelligence. It is the simulation of human intelligence processes by machines.

Big Data: Big Data refer to data in large volumes or high level of complexity that cannot be processed through traditional methods.

Carrier: It refers to insurance companies which insure the insurance or reinsurance.

CRM: CRM refers to Customer Relationship Management. It is a process/system that enables companies to manage, track and analyse their interactions with their customers.

Cross-selling: It refers to selling a different product to the same customer.

DTC: It refers to Direct to Consumer. It is a channel of distribution of products which does not involve agents.

Independent agent: It refers to an insurance agent which sells products from different carriers.

Insurtech: It refers to innovations created to improve the efficiency of the insurance industry.

Machine Learning: It refers to use and development of computer systems to adapt and learn, without instructions, through algorithms and statistical models which identify and analyse patterns in data.

NPS: It refers to Net Promoter Score. It is a metric used to measure customer experiences which indicates the likelihood that a customer would recommend the company/product/service to other potential customers.

Upselling: It refers to selling additional products to the same customer.

SaaS: It refers to Software-as-a-Service. It is a business model which involves licensing of a software on a subscription basis.

Tied Agents: It refers to agents which sell products of one carrier.

Appendix III – Major Shareholders

Investors	Ownership (%)
Elad Daniel	15.22
David Nash	15.22
Orni Daniel	15.22
Regal Funds Management Pty Limited and its associates	7.91
Hashtid Invest	7.91
Fineline PCB	6.77

Source: Bloomberg

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