

Immediate Update

1 July, 2018



Brainsway

The company's main competitor has completed an IPO, providing for a new benchmark to Brainsway's valuation; target price unchanged.

Primary Exchange: TASE

Ticker: TLV: BRIN

Sector: Biotechnology

Industry: Medical Devices

Data as at 1 July, 2018

(Source: TASE)

Closing price: NIS 18.7

Market cap: NIS 310.3M

of shares: 16,640,446

Stock performance (Y.T.D.): 2.1%

Daily-trading-vol. (12 mos.): NIS 424K

Stock target price: NIS 27.5

Company Overview

Brainsway Ltd. ([TASE:BRIN](#)) (hereinafter Brainsway or "the company") is an Israeli medical device firm focused on the development and commercialization of an H-coil helmet device for Deep Transcranial Magnetic Stimulation (dTMS). dTMS enables non-invasive activation of deep brain structures that can cover a broad range of brain disorders. The company has FDA market approval for Major Depressive Disorder, and wide reimbursement coverage for this indication. The company has recently received positive results in Obsessive Compulsive Disorder (OCD) patients, and will apply for market approval in the US for this indication. Approximately 15,000 patients were treated to date with Brainsway's device.

Highlights & Analysis

Neuronetics Inc. ([NASDAQ:STIM](#)) Brainsway's main competitor filed an IPO on 31 May 2018. Its public valuation was released on 27 June. The company has raised \$94M by issuing 5.5 million shares at \$17 per share, above the expected range of between \$14 and \$16 per share.

- Neuronetics Inc. is a commercial stage medical device company focused on designing, developing and marketing products that treat patients who suffer from psychiatric disorders, namely depression and anxiety.
 - The global anxiety disorders and depression treatment market is expected to be valued at \$18.3 billion by 2025.
 - Neuronetics has identified Japan, the EU and the US as its key target markets, and is witnessing increasing revenues in these geographies.

Neuronetics' market value is priced at \$326 million; its enterprise value is estimated at \$252 million

- To date, Neuronetics, has 781 installed systems and runs solely under a lease-based business model, generating \$40.4M in 2017, i.e. \$52,000 per system leased. Thus, we calculate a "system multiple" of \$323,000.

We assume Brainsway currently has 360 systems leased (400 systems by the end of 2018). 360 systems at \$323,000 a piece yields an enterprise value of \$116.3 million enterprise value. In our [previous valuation](#) we evaluated Brainsway at \$118 million.

- Neuronetics' IPO provides for a benchmark of a similar company operating in a market with higher liquidity

We maintain our [previous valuation](#) of \$129.5 million/NIS 453 million; a target price ranging between NIS 26.3 and NIS 28.6; a mean of NIS 27.5.

Frost & Sullivan

Research & Consulting Ltd.

A: Abba Even 1, Herzliya Pituach

T: +972 (0) 9 950 2888

E: equity.research@frost.com

W: www.frost.com/equityresearch

Kobi Hazan - Lead Analyst

Competitive Landscape - Update

Neuroentics plans to use proceeds from the IPO to further commercialization of the NeuroStar Advanced Therapy System, primarily through expanding the sales and customer support team and product enhancement. In contrast, Brainsway directs a significant proportion of recruited capital into expanding their clinical pipeline to treat more indications with their devices and thus reach a wider target market.

As of March 31, 2018, Neuroentics had \$20.4 million in cash and \$42.9 million in total liabilities; a cash to liabilities ratio of 0.48. In contrast, on the same date Brainsway had a cash to liabilities ratio of 1.27. The table below compares the key financial metrics of each company from the past two audited annual reports.

2016 (USD 000s)									
Company	Revenues	Gross Profit	Expenses						EBITDA
			S&M		G&A		R&D		
			Sum	%*	Sum	%*	Sum	%*	
Neuroentics	34,228	27,606	21,794	64%	6,926	20%	8,223	24%	(9,337)
Brainsway	11,524	9,097	5,180	45%	2,194	19%	3,792	33%	(2,069)
2017 (USD 000s)									
Neuroentics	40,433	30,801	27,900	69%	8,572	21%	7,937	20%	(13,608)
Brainsway	11,145	8,550	6,331	57%	3,487	31%	5,343	48%	(6,611)
									*% of Revenues

Disclaimers, disclosures, and insights for more responsible investment decisions

Definitions: "Frost & Sullivan" – A company registered in California, USA with branches and subsidiaries in other regions, including in Israel, and including any other relevant Frost & Sullivan entities, such as Frost & Sullivan Research & Consulting Ltd. ("FSRC"), a wholly owned subsidiary of Frost & Sullivan that is registered in Israel – as applicable. "The Company" or "Participant" – The company that is analyzed in a report and participates in the TASE Scheme; "Report", "Research Note" or "Analysis" – The content, or any part thereof where applicable, contained in a document such as a Research Note and/or any other previous or later document authored by "Frost & Sullivan", regardless if it has been authored in the frame of the "Analysis Program", if included in the database at www.frost.com and regardless of the Analysis format-online, a digital file or hard copy; "Invest", "Investment" or "Investment decision" – Any decision and/or a recommendation to Buy, Hold or Sell any security of The Company.

The purpose of the Report is to enable a more informed investment decision. Yet, nothing in a Report shall constitute a recommendation or solicitation to make any Investment Decision, so Frost & Sullivan takes no responsibility and shall not be deemed responsible for any specific decision, including an Investment Decision, and will not be liable for any actual, consequential, or punitive damages directly or indirectly related to The Report. Without derogating from the generality of the above, you shall consider the following clarifications, disclosure recommendations, and disclaimers. The Report does not include any personal or personalized advice as it cannot consider the particular investment criteria, needs, preferences, priorities, limitations, financial situation, risk aversion, and any other particular circumstances and factors that shall impact an investment decision. Nevertheless, according to the Israeli law, this report can serve as a *raison d'être* off which an individual/entity may make an investment decision.

Frost & Sullivan makes no warranty nor representation, expressed or implied, as to the completeness and accuracy of the Report at the time of any investment decision, and no liability shall attach thereto, considering the following among other reasons: The Report may not include the most updated and relevant information from all relevant sources, including later Reports, if any, at the time of the investment decision, so any investment decision shall consider these; The Analysis considers data, information and assessments provided by the company and from sources that were published by third parties (however, even reliable sources contain unknown errors from time to time); the methodology focused on major known products, activities and target markets of the Company that may have a significant impact on its performance as per our discretion, but it may ignore other elements; the Company was not allowed to share any insider information; any investment decision must be based on a clear understanding of the technologies, products, business environments, and any other drivers and restraints of the company's performance, regardless if such information is mentioned in the Report or not; an investment decision shall consider any relevant updated information, such as the company's website and reports on Magna; information and assessments contained in the Report are obtained from sources believed by us to be reliable (however, any source may contain unknown errors. All expressions of opinions, forecasts or estimates reflect the judgment at the time of writing, based on the Company's latest financial report, and some additional information (they are subject to change without any notice). You shall consider the entire analysis contained in the Reports. No specific part of a Report, including any summary that is provided for convenience only, shall serve per se as a basis for any investment decision. In case you perceive a contradiction between any parts of the Report, you shall avoid any investment decision before such contradiction is resolved.

Risks, valuation, and projections: Any stock price or equity value referred to in The Report may fluctuate. Past performance is not indicative of future performance, future returns are not guaranteed, and a loss of original capital may occur. Nothing contained in the Report is or should be relied on as, a promise or representation as to the future. The projected financial information is prepared expressly for use herein and is based upon the stated assumptions and Frost & Sullivan's analysis of information available at the time that this Report was prepared. There is no representation, warranty, or other assurance that any of the projections will be realized. The Report contains forward-looking statements, such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions. Undue reliance should not be placed on the forward-looking statements because there is no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, they involve inherent risks and uncertainties. Forward-looking information or statements contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results to be materially different from current projections. Macro level factors that are not directly analyzed in the Report, such as interest rates and exchange rates, any events related to the eco-system, clients, suppliers, competitors, regulators, and others may fluctuate at any time. An investment decision must consider the Risks described in the Report and any other relevant Reports, if any, including the latest financial reports of the company. R&D activities shall be considered as high risk, even if such risks are not specifically discussed in the Report. Any investment decision shall consider the impact of negative and even worst case scenarios. Any relevant forward-looking statements as defined in Section 27A of the Securities Act of 1933 and Section 21E the Securities Exchange Act of 1934 (as amended) are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995

TASE Analysis Scheme: The Report is authored by Frost & Sullivan Research & Consulting Ltd. within the framework of the Analysis Scheme of the Tel Aviv Stock Exchange ("TASE") regarding the provision of analysis services on companies that participate in the analysis scheme (see details: www.tase.co.il/LPages/TechAnalysis/Tase_Analysis_Site/index.html, www.tase.co.il/LPages/InvestorRelations/english/tase-analysis-program.html), an agreement that the company has signed with TASE ("The Agreement") and the regulation and supervision of the Israel Security Authority (ISA). FSRC and its lead analyst are licensed by the ISA as investment advisors. Accordingly, the following implications and disclosure requirements shall apply.

The agreement with the Tel-Aviv Stock Exchange Ltd. regarding participation in the scheme for research analysis of public companies does not and shall not constitute an agreement on the part of the Tel-Aviv Stock Exchange Ltd. or the Israel Securities Authority to the content of the Equity Research Notes or to the recommendations contained therein.

As per the Agreement and/or ISA regulations: A summary of the Report shall also be published in Hebrew. In the event of any contradiction, inconsistency, discrepancy, ambiguity or variance between the English Report and the Hebrew summary of said Report, the English version shall prevail. The Report shall include a description of the Participant and its business activities, which shall inter alia relate to matters such as: shareholders; management; products; relevant intellectual property; the business environment in which the Participant operates; the Participant's standing in such an environment including current and forecasted trends; a description of past and current financial positions of the Participant; and a forecast regarding future developments and any other matter which in the professional view of Frost & Sullivan (as defined below) should be addressed in a research Report (of the nature published) and which may affect the decision of a reasonable investor contemplating an investment in the Participant's securities. An equity research abstract shall accompany each Equity Research Report, describing the main points addressed. A thorough analysis and discussion will be included in Reports where the investment case has materially changed. Short update notes, in which the investment case has not materially changed, will include a summary valuation discussion. Subject to the agreement, Frost & Sullivan Research & Consulting Ltd. is entitled to an annual fee to be paid directly by the TASE. The fees shall be in the range of 35 to 50 thousand USD per each participant. Each participant shall pay fees for its participation in the Scheme directly to the TASE.

The named lead analyst and analysts responsible for this Report certify that the views expressed in the Report accurately reflect their personal views about the Company and its securities and that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation or view contained in the Report. Neither said analysts nor Frost & Sullivan trade or directly own any securities in the company.

© 2018 All rights reserved to Frost & Sullivan and Frost & Sullivan Research & Consulting Ltd. Any content, including any documents, may not be published, lent, reproduced, quoted or resold without the written permission of the companies.

Credit to Experts: Dr. Tiran Rothman and Daniel Grunstein

About Frost & Sullivan

Frost & Sullivan* is a global leader in strategic and financial consulting, as well as, market and technology research. Frost & Sullivan is comprised of an integrated global team of 1,800, including; analysts, experts, and growth strategy consultants across 50 branches on six continents, including in Herzliya Pituach, Israel. Frost & Sullivan's Independent Equity Research leverages the in-house experience accumulated from working with leading players in medical technologies, life sciences, ICT, cybersecurity, renewable energy, and other industrial fields, for the past 55 years. Alongside, we utilize our tens of thousands proprietary of market and technology research reports, and economic forecasts. For additional information visit: www.frost.com. For access to our reports and further information on our Independent Equity Research program visit www.frost.com/equityresearch.

*Frost & Sullivan Research and Consulting Ltd., a wholly owned subsidiary of Frost & Sullivan, is registered and licensed in Israel to practice as an investment adviser.

What is Independent Equity Research?

Nearly all equity research is nowadays performed by stock brokers, investment banks, and other entities which have a financial interest in the stock being analyzed. On the other hand, Independent Equity Research is a boutique service offered by only a few firms worldwide. The aim of such research is to provide an unbiased opinion on the state of the company and potential forthcoming changes, including in their share price. The analysis does not constitute investment advice, and analysts are prohibited from trading any securities being analyzed. Furthermore, a company like Frost & Sullivan conducting Independent Equity Research services is reimbursed by a third party entity and not the company directly. Compensation is received up front to further secure the independence of the coverage.

Analysis Program with the Tel Aviv Stock Exchange (TASE)

Frost & Sullivan is delighted to have been selected to participate in the Analysis Program initiated by the Tel Aviv Stock Exchange Analysis (TASE). Within the framework of the program, Frost & Sullivan produces equity research reports on Technology and Biomed (Healthcare) companies that are listed on the TASE, and disseminates them on exchange message boards and through leading business media channels. Key goals of the program are to enhance global awareness of these companies and to enable more informed investment decisions by investors that are interested in "hot" Israeli Hi-Tech and Healthcare companies. The terms of the program are governed by the agreement that we signed with the TASE and the Israel Securities Authority (ISA) regulator.

For further inquiries, please contact our lead analyst.

Kobi Hazan

T: +972 (0) 9 950 2888

E: equity.research@frost.com

Some of the companies we cover



BIOLINEARX



VONETIZE!

