FROST & SULLIVAN

INDEPENDENT EQUITY RESEARCH

AURA SMART AIR LTD UPDATE REPORT

07.12.2021

Completed pilot program with leading Australian transportation company; established production plant in US; signed MoUs with exclusive distributors in several countries; price target unchanged

Stock Exchange
TASE

Symbol
AUSA

Sector
Technology

Sub-sector
Cleantech

Stock price target
NIS 10.26

Closing price
NIS 7.37

Market cap
NIS 180 Mn

No. of shares
24.4 Mn

Average Daily Trading Volume
752 stocks

Stock Performance (3 months)
-13.75%

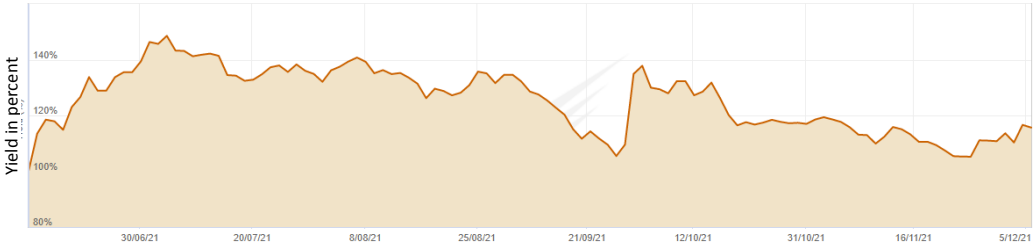
Aura Smart Air Ltd. (TASE: AUSA) was established in 2018 to provide an international standard and technology platform to manage air quality in enclosed spaces. The company develops, markets, distributes, and operates platforms for internal air purification in Israel and abroad. The company currently employs approximately 50 employees in Israel, the United States, and India. The technology developed by the company provides a complete solution to the problem of air purification and disinfection in enclosed spaces. The company has intellectual property in registration processes in the form of patents, design, and trademarks.

Q3 and the passing months highlights:

- Completed a pilot program with a leading Australian transport company to install its technology in its bus fleet.
- Signed MoUs in numerous countries for the exclusive distribution of its products, accompanied by initial purchase orders
- Successfully completed a test in a lab in California, proving the company's technology successfully destroyed 99.998% of the virus in an enclosed space.
- Established a production plant in the US to ramp up sales in the country.
- Received approval from US and Israeli governmental bodies, resulting in winning a tender to supply air purification for schools in Jerusalem

Strategy – Aura Smart Air offers hardware and software to its customers, focusing on (i) HW & SW product sales; (ii) services, including parts and updates; and (iii) data collection and analysis. Aura Smart Air is differentiated from its competition due to its lower cost, ease of installation and maintenance, and engineering structure. The company's focus has largely been on the B2B and B2G markets, though more recently the company pivoted to the B2B2C market, by providing hotel guests access to their air data on their phones and using the hotel as a marketplace for Aura products.

Year	Revenues (000 US$)	Operating income (000 US$)
2021E	11,097	-3,411
2022E	45,369	-3,667
2023E	126,999	1,911



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Key events in the passing months and Q3 2021:

- The company signed a financing agreement with a banking corporation with a credit line of $4.5 million with a low interest rate, exhibiting the company's capabilities in the financing segment.
- On July 1, Aura Smart Air began a pilot with Delos Welltek Australia Pty Ltd., an Australian company that specialized in health solutions for companies and organizations. The pilot, which will take place over a number of weeks, will be carried out on buses run by CDC NSW, one of the leading transport companies in Australia, with a fleet of approx. 2,800 buses.
    - On October 1, following the successful pilot, the company received an initial order of approx. $350,000 for the Aura Air system.
- On July 15, the company signed a MoU with Molex LLC, an American subsidiary of Koch Industries Inc. Molex LLC is a leading supplier of connectors and interconnect components and operates in the fields of infrastructure, electromechanical systems, control, automation, and communication.
- On July 26, the company announced that it obtained approval from the U.S. Environmental Protection Agency (EPA) for its flagship product.
- On October 3, the company announced that its system had successfully passed initial testing in the Innovative Bioanalysis laboratory in California, which is approved for BSL-3 safety level trials, according to the protocols of the US Center for Disease Control (CDC). The trial found that Aura Smart Air's air purification system destroyed 99.998% of the virus in an enclosed space 2.5 meters by 2.5 meters and 3 meters high. The company reported that 30 minutes after the start of the trial, the system had already destroyed 87.37% of the virus in the air.
    - The company presented the results of its tests to the Ministry of Health's Medical Equipment Unit, and received confirmation of its approval the following week on October 10. The company estimates that the approval of the Ministry of Health in combination with local development and production in Israel will give it an advantage in various tenders in the field of air quality of government bodies such as the Ministry of Education, the Ministry of Health, etc.
- On October 4, Aura Smart Air completed the establishment of a manufacturing plant in the US in conjunction with a subsidiary of the industrial group Beth-El America LLC. The plant has an annual production rate of 180,000 units. In addition, the manufacturing plant will enable the reduction of delivery times to the American market, reduce the dependence on shipping prices and their availability and, more importantly, reduce the dependence on the availability of components.
- On October 6, the company signed a MoU with a Nigerian company, Viamor Healthcare Limited, for the exclusive distribution of its products in Nigeria. Simultaneously with the MoU, the distributor issued an initial and binding order of approximately $1.1 million for the purchase of Air Aura products – the Aura Air, Aura Air Mini, and Ray Filter.
- On November 12, the company reported that it signed a non-binding MoU with Intrawave PTE Ltd., a Singaporean company, to be the exclusive distributor in Singapore. Concurrent with the signing of the MoU and as a condition for its entry into the agreement, the Intrawave has placed an initial and binding order of approx. $200,000 for the purchase of the Air Aura system
- On December 5, the Ministry of Education announced that Aura Smart Air has won the tender for the supply of air purification systems in classrooms in 50-100 schools throughout Jerusalem in the amount of NIS 1.6 million for the duration of 12 months.

Investment Thesis

Indoor air purifiers and monitors are gaining widespread popularity due to their effect in reducing asthma and other breathing-related ailments. The impact of COVID-19 has added momentum to the already growing market. Though manufacturers did not expect a manifold growth in 2020, they agree that the growth will be significantly higher than before. The global air purifier market was valued at $10.38 billion in 2020 and is expected to reach $21.15 billion by 2027 with a CAGR of 10.7%[1].

Aura Smart Air Ltd. (TASE: AUSA) was established in 2018 to provide an international standard and technology platform to manage air quality in enclosed spaces. The Company develops, markets, distributes, and operates platforms for internal air purification all over the world. The technology developed by the Company provides a complete solution to the problem of air purification and disinfection in enclosed spaces. The Company has intellectual property in registration processes in the form of patents, designs, and trademarks. The Company's product line includes the Aura Air, Aura Air Mini, filters, and software (a B2B dashboard for fleet management, API capabilities, and analytic tools to the end-users). The unique Aura Air technology provides air purification to both indoor and outdoor pollution. It removes harmful indoor particles and outdoor pollution concerns, including industrial emissions (VOC, PM 2.5, PM10, NO, NOX), global warming (CO, O3 – ozone, temperature, humidity), as well as plants and allergens (grass, pollen).

The Company is built on three main pillars:

1. Air monitoring, purification, and disinfection, using a set of unique technologies that collect pollutants and actively eliminate airborne bacteria, mold spores, fungal spores, and viruses.
2. Artificial intelligence developed to function with a wide variety of building management systems that allow independent automated operations to be performed according to Aura Air's data-based insights.
3. Predictive analysis of indoor and outdoor air quality in real-time based on algorithmic models.

Aura Smart Air offers hardware and software to its customers, with its business split into 3 main areas: (i) HW & SW product sales; (ii) services, including parts and updates; and (iii) data. Aura Smart Air is differentiated from its competition due to its lower cost, ease of installation and maintenance, and engineering structure.

We forecast that by 2026 Aura Smart Air will generate revenues of USD 11.1 million in 2021 and will attain USD 273.7 million in revenues by 2026.

[1] https://www.prnewswire.com/news-releases/global-air-purifier-market-size-is-projected-to-usd-21-15-bn-by-2027-says-brandessence-market-research-301432392.html

1. Company Overview

General

Aura Smart Air Ltd. (TASE: AUSA) was established in 2018 to provide an international standard and technology platform to manage air quality in enclosed spaces. The Company develops, markets, distributes, and operates platforms for internal air purification in Israel and abroad. Below is a timeline of the Company's development:

The Company currently employs approximately 50 employees in Israel, the United States, and India. The technology developed by the Company provides a complete solution to the problem of air quality in enclosed spaces by providing 4 unique and patented stages of purification and disinfection. The Company has intellectual property in registration processes in the form of patents, designs, and trademarks.

In order to address various factors of air pollution and the accompanying problems, the Company has developed a platform for managing air quality in enclosed spaces that works to monitor the indoor air quality, filter, and purify it while destroying pests and the various air pollutants. The system, which is automatically synchronized to smart building management systems, is able to effectively filter and purify all pollutants in the enclosed space while monitoring real-time air quality data in order to provide insights and smart recommendations to system users, whether they are private, business, or institutional customers. In addition, the system can provide information and data through the system management software that the Company develops. The Company uses a unique technology that allows it to achieve impressive air purification results by using substances and components that have been found to be effective in neutralizing bacteria, viruses, and parasites that destroy, among other things, the proteins on the cell membrane.

Pillars of the Company

The Company is built on three main pillars:

1. **Air monitoring, purification, and disinfection**, using a set of unique technologies that collect pollutants and actively eliminate airborne bacteria, mold spores, fungal spores, and viruses.
2. **Artificial intelligence** developed to function with a wide variety of building management systems that allow independent automated operations to be performed according to Aura Air's data-based insights.
3. **Predictive analysis** of indoor and outdoor air quality in real-time based on algorithmic models.

Clinical trial and collaboration with Sheba Tel Hashomer hospital

A report published by Sheba Tel Hashomer hospital in February 2021 confirms the high purification capabilities of the Company's technology. The results of the study illustrate that the Company's devices are capable of killing a coronavirus (IBV) that is similar in its characteristics to the SARS-CoV-2 virus that leads to an epidemic with an impressive 99.9% efficiency. The results are illustrated in the table below:

Filter	Coronavirus Reduction Ratio (%)
HEPA	99.72%
SCF	99.97%
Sterionizer LP™	99.96%
Sterionizer HP™	99.94%
UVC LED	99.96%

Source: Aura Air

More recently, in October 2021, the Company reported positive results on the purification of indoor air with the SAR-COV-2 virus in a trial conducted in the Innovative Bioanalysis laboratory in California. The trial showed that the Aura Smart Air's purification system destroyed 99.998% of the virus in an enclosed space of 2.5 meters by 2.5 meters and 3 meters high. The Company reported that 30 minutes after the start of the trial, the system had destroyed 87.37% of the virus in the air. News of these findings caused the Company's share price to jump 25%, giving the Company a market cap of NIS 225 million.[2]

Company strategy

Aura Smart Air offers hardware and software to its customers, with its business split into 3 main areas: (i) HW & SW product sales; (ii) services, including parts and updates; and (iii) data. Aura Smart Air is differentiated from its competition due to its lower cost, ease of installation and maintenance, and engineering structure. The Company's customers include:

- B2B, e.g., office buildings, co-working spaces, multi-family housing units, hotels, pharmacies, nursing homes, shopping centers, elevators
- B2G, e.g., hospitals, educational institutions, public transportation, government offices and buildings
- D2C, e.g., parents, young families, older population, people with respiratory problems or allergies, smart homes

In the U.S., Aura Smart Air intends to begin targeting B2B customers, then transition to B2B2C with brands that sell to private customers, control and automation companies that work with businesses, and distributors of semi-medical products for hospitals and nursing homes. From that point, the Company intends to enter into direct-to-consumer sales. In Europe, Asia, and Australia, the Company plans to focus on municipal and government centers and repurchases from distributors. Following success stories in a number of segments, they will plan to enter new segments, finally establishing themselves as the local standard. In India, the Company is currently setting a foundation and building relationships with distributors, after which it plans to sell directly to business customers.

[2] https://en.globes.co.il/en/article-Aura-jumps-on-trial-purifying-indoor-air-of-Covid-virus-1001385970

2. Products & Technology Overview

Aura Air

Aura Air applies four unique steps of air purification and disinfection: pre-filtration, ray-filtration, sterionization, and UVC. Aura's Air technology is proven to disinfect 99.9% of viruses, bacteria, volatile organic compounds (VOCs) and allergens.

1. **Pre-filter** removes big particles of airborne dust, such as dust, pollen, animal hair.
2. **Ray-Filter™** consists of 3 unique antibacterial layers**:** (i) HEPA, a 99.98% effective particle filter of 330 microns, (ii) a carbon layer that absorbs Volatile Organic Compounds (VOC) and bad odors, and (iii) a smart copper fabric that filters viruses, bacteria, and more. The trademark is in the process of registration.
3. **Sterionizer™** component based on bipolar ionization technology that produces positive and negative ions. It completes the purification and disinfection processes. The charged oxygen molecules O2+ and O2- with high chemical activity react with water molecules in the air, forming OH radicals and H2O2 (Hydrogen Peroxide). With this chemical reaction, the oxidants break down the protein structure of pollutants and make them harmless.
4. **UVC LEDs** – Effective in neutralizing bacteria, viruses, and parasites by destroying proteins on the cell membrane.

Source: Aura Ai

Aura Air Mini

This portable air purifier provides protection from harmful air pollutants using the Sterionizer™ ionization technology. It distributes positive and negative ions into the air and destroys the protein structures of pest cells. It is a portable device with a powerful and rechargeable battery, small enough to be carried in a personal bag. This product provides significant potential for a dire need in taxis.

The Indoor/Outdoor Pollution Technology

The unique Aura Air technology provides air purification to both indoor and outdoor pollution. It removes harmful indoor particles origin from cooking (smoke, CO), cleaning products (VOC), pets (PM10, CO2, PM 2.5), furniture (VOC) and the environment (humidity). The purification dedicated to outdoor pollution concerns industrial emissions (VOC, PM 2.5, PM10, NO, NOX), global warming (CO, O3 – ozone, temperature, humidity), as well as plants and allergens (grass, pollen).

Data Center

The system includes a platform for management, control, and monitoring for business customers with many products and allows the product to operate autonomously. The platform interfaces with building management systems (BMS), air conditioning systems, and other information systems. The system includes an application that enables smart and accurate management and customization for the end-user.

Regulation

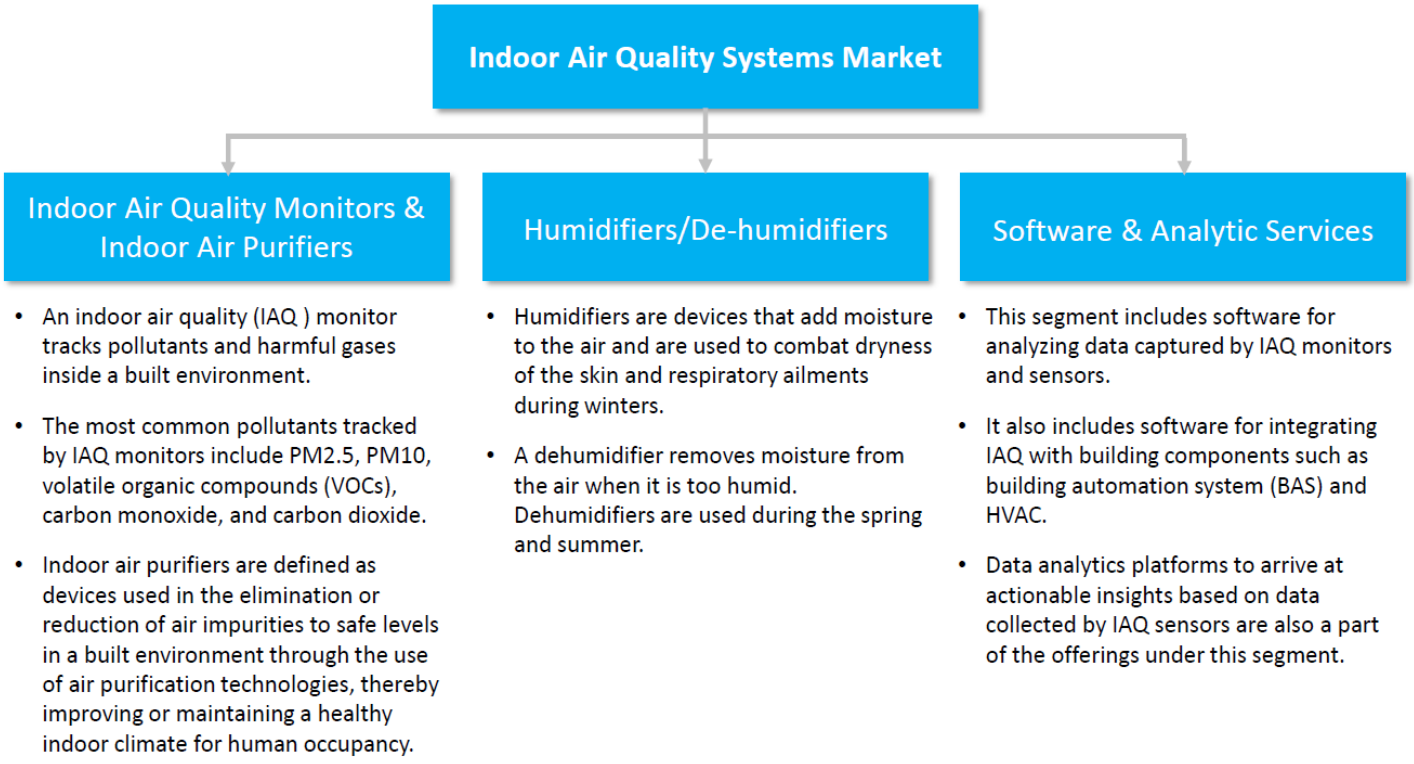
Aura Air's products meet the requirements of the U.S. Environmental Protection Agency (EPA), are in the process of receiving product approval from the U.S. Food and Drug Administration (FDA), and are in discussions at government levels regarding the issue of air quality regulations in enclosed spaces.

3. Market Overview

Indoor Air Quality (IAQ) Systems Market Segmentation

Indoor air quality (IAQ) systems include products that monitor and purify pollutants and other air conditions in a closed environment. Indoor air purification is defined as the elimination or reduction of air impurities to safe levels in a built environment through the use of a device (or multiple devices), thereby improving or maintaining a healthy indoor climate for human occupancy. The IAQ systems market is segmented as Indoor Air Quality Monitors & Indoor Air Purifiers; Humidifiers/De-humidifiers; and Software & Analytic Services.

Figure 8: Indoor Air Quality Systems Market Segmentation



Source: Frost & Sullivan

The vertical or end-user segmentation includes Commercial (Office, Retail, Hospitality – restaurants and hotels); Institutional (K-12, colleges, healthcare buildings); Residential; and Others (Government Buildings, Museums, Transport (Flights, Buses, Cars), Airports, Railway/Metro Stations). Regional segmentation of the IAQ systems market includes North America, Europe, Asia-Pacific (APAC), and Rest-of-World (RoW; comprises Middle East, Africa, and Latin America).

Market Drivers & Restraints

Frost & Sullivan analyzes market prospects and potential based on force field analysis using key market drivers and restraints. The shortlisted drivers are then ranked based on the intensity of their impact (low–medium–high) over the intervals of the forecast period.

The leading market drivers include rising pollution levels and deteriorating air quality in major cities, in addition to increased consumer awareness about poor air quality. Closely following these is rising concern over the growing incidence of airborne diseases, especially in light of the severe impact of COVID-19.

A decline in prices of air purifiers due to the market entry of consumer-appliance brands is also expected to drive the demand further. Seasonal demand in several countries serves as the peak demand periods – examples are the stubble burning in Punjab and Haryana during winters in India, bushfires in Australia during peak summer, and the wildfires in California spanning two seasons.

The uppermost restraint is the high capital investment, and high maintenance costs are also a major deterrent for the purchase of air purifiers, especially in the residential segment. In addition, there are few enabling regulations encouraging adoption.

Figure 10: Indoor Air Quality Systems Market: Growth Drivers, Global, 2020–2026

Drive	1-2 Years	3-4 Years	5-7 Years
Increasing pollution levels and deteriorating air quality in major cities, as well as rising consumer awareness about poor air quality	High	High	High
Rising concerns regarding increasing airborne diseases, especially after the severe impact of COVID-19	High	Medium	Medium
Improving air quality in commercial buildings, especially offices, to ensure a safe workplace and the focus on well being of employees	High	Medium	Medium
Use of IAQ systems to monitor occupancy and achieve energy efficiency of HVAC systems	Medium	High	High
Smart cities, WELL Building Standard, and Green Building initiatives	Medium	Medium	High
Increase in disposable income and improving standard of living in several developing countries	Low	Low	Medium

Source: Frost & Sullivan

Figure 11: Indoor Air Quality Systems Market: Growth Restraints, Global, 2020–2026

Drive	1-2 Years	3-4 Years	5-7 Years
High capital investment an high maintenance costs are a major deterrent for the purchase of air purifiers, especially in the residential segment. While price are going down, the average cost of air purifier is $320, with is still considered expensive.	High	High	Medium
Lack of enabling regulations to drive adoption, There are several recommendations by government and environmental agencies, but there are no mandates as of now.	High	Medium	Low
Some air purifiers produce hazardous by-products such as ozone or nitrous oxide that pose a severe threat to the occupants.	Medium	Medium	Low

Source: Frost & Sullivan

Market Growth Opportunity Analysis

KEY TAKEAWAYS

- The global air purifier market was valued at $10.38 billion in 2020 and is expected to reach $21.15 billion by 2027 with a CAGR of 10.7%[3].
- Partnerships with building management system (BMS) and heating, ventilation, and air condition (HVAC) solution providers; affordable pricing; ability to track and contain multiple pollutants; and a multi-channel growth strategy are the top success factors in this market.
- Indoor air purifiers and monitors are gaining widespread popularity due to their effect in reducing asthma and other breathing-related ailments. The impact of COVID-19 has added momentum to the already growing market. Though manufacturers did not expect a manifold growth in 2020, they agree that the growth will be significantly higher than before.
- Institutional building segments comprising schools and hospitals will witness massive growth during the forecast period, followed by transport and public buildings. Offices are likely to increase spending on improving air quality while the residential segment will maintain its current growth.

[3] https://www.prnewswire.com/news-releases/global-air-purifier-market-size-is-projected-to-usd-21-15-bn-by-2027-says-brandessence-market-research-301432392.html

5. Valuation Method & Approach

The valuation of a startup company in its early stages can be challenging due to limited cash flow (if any) and uncertainty regarding the future. As part of a Discounted Cash Flow (DCF), the accepted method used in financial valuations, there are several modifications to a startup company's valuation. In general, there are three primary methods within the DCF method:

1. **Real Options** - valuation method designated for programs/companies where the assessment is binary during the initial phases and based upon science-regulatory assessment only (binomial model with certain adjustments).

2. **Pipeline assessment** - valuation method used for programs/companies before the market stage. The Company's value is the total discounted cash flow, plus allocated costs and assessment of the future technological basis. The assessment of the future technological basis is established based on the Company's ability to "produce" new projects and their feed rate potential.

3. **DCF valuation** - similar to companies not operating in the life sciences field, this method applies to companies with products that have a positive cash flow from operations.

Company Financial Overview

Aura Smart Air's revenue amounted to USD 3.78 million in 2020, solely from its Aura Air product. In the first half of 2021, the Company reported USD 6.38 million in revenue, with the Aura Air accounting for 96.1% of sales and Aura Air Mini accounting for 3.9%. The Company mainly sells to distributors, which comprise 91% of their sales. In 2020, North America accounted for 38% of the Company's sales, with the stated goal of reaching 70% by 2023.

Aura Smart Air's equity as of June 31, 2021, is USD 14.84 million according to its balance sheet and has USD 9.9 million in cash, according to the Company's management. The Company's R&D costs amounted to 24.6% of its revenues, which is in line with standard R&D expenditures for startup companies. However, Aura Smart Air projects that its R&D costs will decrease dramatically in terms of its percentage of revenues, converging to 8% by 2026. Sales and marketing (S&M) and general and administration (G&A) expenses account for 13.2% and 19.8%, respectively. The Company forecasts that these costs will decrease to 10% and 2.5%, respectively, by 2026. For FY 2020, the Company recorded an EBIT of USD -1.34 million but expects that to grow, based on the aforementioned decreased expenses, to grow to USD 20.58 million by 2026. The Company reported a net loss of USD 2.82 million in the first half of 2021.

Revenue Model

Aura Smart Air offers three products: the Aura Air, the Aura Air Mini, and Aura Air replacement filters. The Company has ascertained that the filters need to be replaced twice a year. It has also determined that the Aura Air and Aura Air Mini have a life span of 3 years, after which they predict 50% of customers will purchase

replacement devices. Based on these assumptions, below are the projected sales and revenues (in $ thousands) through FY 2026 for each product:

Figure 1: Revenue projections from Aura Air, 2020 - 2026

Price per unit: $350	A2020	E2021	2022	2023	2024	2025	2026
Units exp. sold	10,800	23,556	102,804	271,800	285,390	299,660	314,642
Follow-up purchases					11,778	51,402	135,900
Total Aura Air units sold		23,556	102,804	271,800	297,168	351,062	450,542
Revenue	**$ 3,780**	**$ 8,245**	**$ 35,981**	**$ 95,130**	**$ 104,009**	**$ 122,872**	**$ 157,690**

Figure 2: Revenue projections from Aura Air Mini, 2020 - 2026

Price per unit: $100	A2020	E2021	2022	2023	2024	2025	2026
Units exp. sold		2,617	11,423	30,200	31,710	33,296	34,960
Follow-up purchases					1,309	5,712	15,100
Total Aura Air units sold		2,617	11,423	30,200	33,019	39,008	50,060
Revenue		**$ 262**	**$ 1,142**	**$ 3,020**	**$ 3,302**	**$ 3,901**	**$ 5,006**

Figure 3: Revenue projections from Filters, 2020 - 2026

Price per unit: $55	A2020	E2021	2022	2023	2024	2025	2026
Aura Air units in ciruclation	10,800	23,556	102,804	271,800	297,168	351,062	450,542
Aura Air units in ciruclation - Y2			23,556	102,804	271,800	297,168	351,062
Aura Air units in ciruclation - Y3				23,556	102,804	271,800	297,168
Total units by customers		23,556	126,360	398,160	671,772	920,030	1,098,772
Average units by customers		23,556	74,958	262,260	534,966	795,901	1,009,401
Revenues from filters		**$ 2,591**	**$ 8,245**	**$ 28,849**	**$ 58,846**	**$ 87,549**	**$ 111,034**

Figure 4: Total Aura Smart Air revenues projections, 2020 - 2026

Year	A2020	E2021	2022	2023	2024	2025	2026
Aura Air	$ 3,780	$ 8,245	$ 35,981	$ 95,130	$ 104,009	$ 122,872	$ 157,690
Aura Air Mini		$ 262	$ 1,142	$ 3,020	$ 3,302	$ 3,901	$ 5,006
Filters		$ 2,591	$ 8,245	$ 28,849	$ 58,846	$ 87,549	$ 111,034
Total	**$ 3,780**	**$ 11,097**	**$ 45,369**	**$ 126,999**	**$ 166,157**	**$ 214,322**	**$ 273,730**

As shown above, we project that Aura Smart Air's revenues will increase dramatically over the coming years, based on the Company's early success with Aura Air, along with the increasing demand for air purification due to COVID-19. On the chart below, we display the estimated increase in revenues during the period:

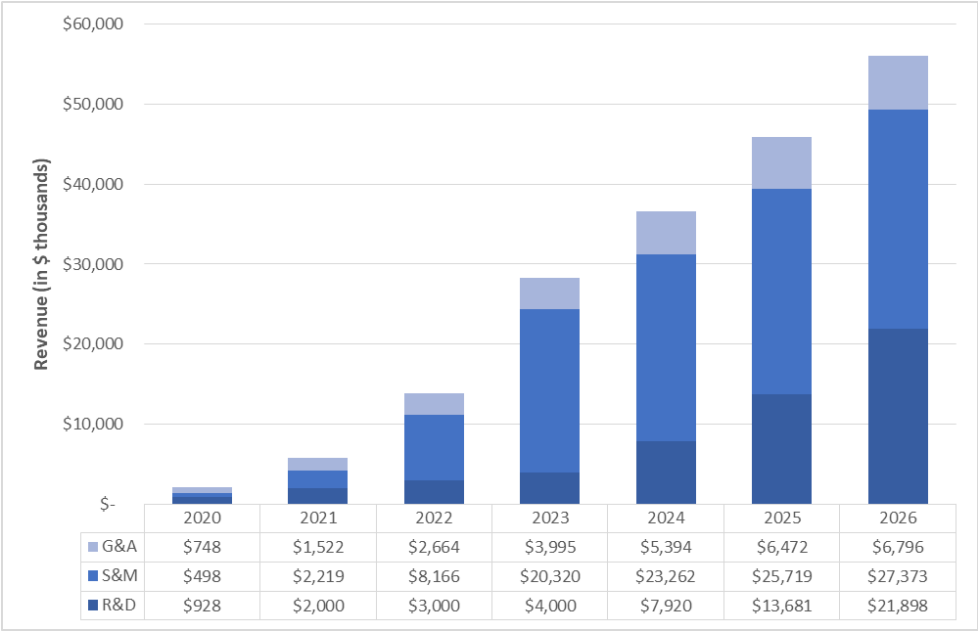
Figure 5: Aura Smart Air Revenue forecast, 2020 – 2026, by product

	2020	2021	2022	2023	2024	2025	2026
Filters		$2,591	$8,245	$28,849	$58,846	$87,549	$111,034
Aura Air Mini		$262	$1,142	$3,020	$3,302	$3,901	$5,006
Aura Air	$3,780	$8,244	$35,982	$95,130	$104,009	$122,872	$157,690

Operating expenses

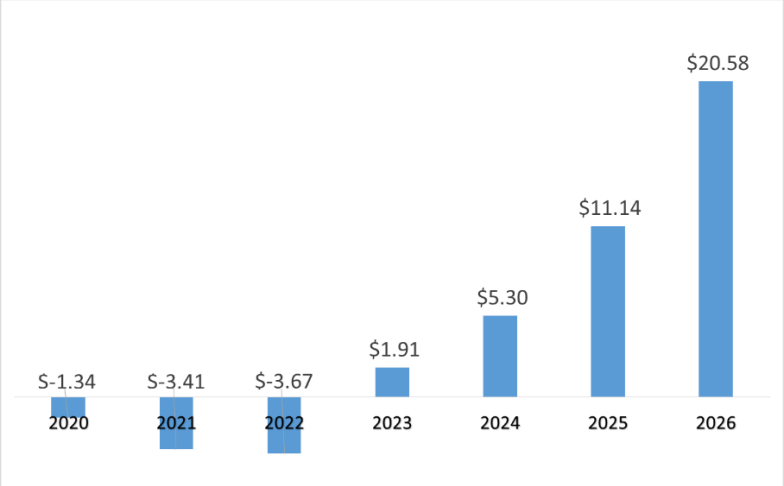
We evaluated Aura Smart Air's equity value based on the Company's three product offerings, taking into account the research & development (R&D), sales & marketing (S&M), and general & administration (G&A) expense projections. In the graph below, we depict the Company's operating expenses forecast through 2026:

Figure 6: Aura Smart Air operating expenses forecast, 2020 – 2026



	2020	2021	2022	2023	2024	2025	2026
G&A	$748	$1,522	$2,664	$3,995	$5,394	$6,472	$6,796
S&M	$498	$2,219	$8,166	$20,320	$23,262	$25,719	$27,373
R&D	$928	$2,000	$3,000	$4,000	$7,920	$13,681	$21,898

Figure 7: Aura Smart Air operating income forecast, 2020 – 2026 (in $ Millions)



Additional points:

- Tax – we use statutory tax rates.
- WC – we assume 30 net days of working capital needs.
- CAPM – we use 16.71% based on our CAPM model (see appendix A)
- Non-operational assets and liabilities – the Company has USD 9.9 million and no loans as of 30/09/2021.

Below is our equity value breakdown:

Parameters	(000, $)
Enterprise Value	67,721.031
Cash	9,900.000
Equity value (000, $)	77,621.03
Equity value (000, NIS)	250,715.93

Based on the above parameters, we evaluate the Company's equity value at NIS 250.7 million.

Sensitivity Analysis

The table below presents Aura Smart Air's share price target concerning the capitalization rate. We set a range of 0.5% change from our CAPM model (see Appendix B). The Company has 24.44 million shares as of October 11, 2021.

Cap rate	Price target
16.21%	9.8
16.71%	10.26
17.21%	10.75

We estimate the price target to be in the range of NIS 9.8 to NIS 10.75 with a mean of NIS 10.26.

Appendix #1: Capital Asset Pricing Model (CAPM)

Cost of equity capital (ke) represents the return required by investors. The capitalization rate is calculated using the CAPM (Capital Asset Pricing Model). It is based on a long-term 30-year T-bond with a market risk premium and is based on Professor Aswath Damodaran's (NYU) commonly used sample (www.damodaran.com). As of January 8, 2021, the Israeli market risk is estimated at 5.4%.

The three-year market regression Beta is 0.81, according to a sample of 86 firms (at various stages), representing the environmental and waste services sector (www.damodaran.com). We also add specific risk premiums to the Company as a large part of its sales are conducted outside of Israel with different regulatory risks.

The Capital Asset Pricing Model (CAPM) is estimated as follows:

$$ER_i = R_f + \beta_i(R_m - R_f)$$

The Company's financial structure, based on the CAPM, is as follows:

	s	data	Source
Long-term (20 years)	R(f)	2.12%	Israel Bonds - 0142
Market risk primium	R(m)-R(f)	5.40%	based on Damodaran (8/1/2021) - Israel
Beta unleveraged	β	0.81	Beta sample - Environmental & Waste Services (Demodaran, 2021), 86 firms
Cost of Capital	R(k)	6.5%	
Size Premium - micro-cap		8.24%	10z decimal - Duff & Phelps, 2021
Additional risk		2.00%	
CAPM	CAPM	**16.71%**	

Appendix #2: About Frost & Sullivan

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