

Shekel Brainweigh Ltd

FY22 Result & Q1 FY23 trading update

Aiming for EBITDA breakeven in Q4 CY23

Shekel Brainweigh Limited (ASX:SBW) reported FY22 sales growth of 14% to US\$26.3m, which included 117% growth in Retail Innovation sales to US\$2.0m. Revenue growth has continued into Q1 FY23 with 13% underlying growth, driven by 32% growth in the Self-Checkout division. We estimate an adjusted FY22 EBITDA loss (before amortisation, one-off costs and share-based payments) of US\$3.3m, in-line with CY21 and impacted by a ~530bps decline in gross margin, predominantly in H2 FY22. Management is aiming for their first EBITDA positive quarter in Q4 CY23, which our numbers more or less reflect. We have made two significant adjustments to our numbers going forward, (1) lowering gross margin assumptions by ~500bps over the forecast period, and (2) assumed a convertible note conversion at a 25% discount to the LAST CAPITAL RAISE price of \$0.20/share, but not until CY24, resulting in the issue of 48m shares or 20% of issued capital. The result is a reduction in our DCF from \$0.37/share to \$0.22/share, which equates to 1.3x revenues, just a touch above the sale price of the Healthweigh product line business in December 2022 (at 1.1x revenues).

Business model

SBW produces weighing scale hardware and software that is employed by OEMs for self-checkout and healthcare applications requiring speed and accuracy. Prices received from customers are typically fixed, and gross margins are in-line with that achieved by most OEM equipment suppliers. The group is looking to extend this market-leading technology into new verticals, opening up larger market opportunities, potentially higher gross margins and some recurring SaaS-style revenue from data analytics. New products include automated vending machines Innovendi and Hubz, an Autonomous Micro-market Capsule and weighing systems for smart shopping carts, while products nearing commercialisation includes Fast Track, product recognition software/hardware for retail self-checkouts.

Change in sales focus for CY23

SBW have enough products in commercialisation now to get a feel for both market interest and likely timeframe of adoption. The timeframe factor will become a bigger focus into CY23, with SBW investing in resources that are likely to see a faster conversion to sales in order to achieve EBITDA breakeven in Q4 CY23. Smart Carts, Hubz and customised smart shelves are likely to be the key sales focus, with Innovendi, micro-market capsules and Fast Track on the back burner. Working capital funding has been secured via a US\$6.25m loan & option agreement while we have assumed the convertible note is not converted until May 2024. Conversion beforehand at contracted terms remains a risk in terms of dilution.

Base-case valuation A\$0.22/share supported by Scales profit

Our base-case DCF valuation for SBW has declined from \$0.37/share to \$0.22/share on a lower Convertible Note conversion price assumption and lower gross margin assumptions over the forecast period. Using our FY22 divisional EBIT estimates we value the Scales division at A\$24.4m (8x EBIT and \$0.082/share), implying a -A\$7.4m value for Retail Innovation despite ~US\$12.7m R&D spend over the last 4-years.

Historical earnings and RaaS Advisory estimates on a reported basis (in US\$m unless otherwise stated)

Year end	Revenue	Adj. EBITDA	Adj. NPAT	EPS (c)	PER (x)	EV/sales(x)
12/21a	23.1	(3.3)	(4.4)	(0.03)	(2.0)	0.50
12/22a	26.4	(3.4)	(5.1)	(0.03)	(2.0)	0.51
12/23e	26.9	(2.4)	(4.1)	(0.02)	(2.7)	0.56
12/24e	31.8	(0.3)	(1.6)	(0.00)	(9.8)	0.34

Source: Company data, RaaS Advisory estimates

Technology – Hardware & Software

1 May 2023

Share Details

ASX code	SBW
Share price	\$0.07
Market capitalisation #	\$17.1M
Shares on issue #	243.5M
Enterprise value	\$23.4M
Net debt at Dec-31	A\$6.3M
Free float	~27%
# Diluted for CN	

Share Performance (12 months)



Upside Case

- Rapid uptake in contactless vending solutions
- Retailers adopt SBW's solution to contactless retail checkout
- Mix shift to recurring SaaS fees will increase gross margins and lower days receivables

Downside Case

- Low liquidity with ~27% free float
- New products fail to gain significant traction
- Convertible Note holders own 35% of the company

Management

Arik Schor	Executive Chairman
Barak Nir	Chief Financial Officer
Nir Lesham	GM, Innovation & Scales

Company Contact

Danny Nadri	Australian Manager
-------------	--------------------

danny@shekelbrainweigh.com

RaaS Contacts

John Burgess*	+61 410 439 723 john.burgess@raasgroup.com
Finola Burke	+61 414 354 712 finola.burke@raasgroup.com

*The analyst holds shares

CY22 Result Summary

Our numbers take SBW reported numbers and adjust for:

- **Amortisation** at the COGS line which totalled ~US\$467k in both CY21 and CY22;
- **AASB16-related depreciation**, adding back cash rental costs to operating costs;
- **Share-based payments** totalling US\$739k in CY22 and US\$866k in CY21; and
- **Costs deemed abnormal**, which in CY22 included US\$239k, and in CY21 US\$600m in CY21.

The table below summarises the CY22 result. Key observations include:

- **14% sales growth to \$US26.3m**, with Retail Self-Checkout +25%, Healthcare +3%, Retail Innovation +117% and Local Industry & Services flat.

Retail Innovation sales reached US\$2.0m, up from US\$0.9m in the prior period despite some delay in the delivery of orders.

- **Gross margins down 530bps** to 38.1%, with H2 CY22 down 770bps to 36.7%, still being impacted by elevated shipping costs, higher raw material costs and adverse FX movements. This has been the case across most of our selected hardware peer group. Gross profit as a result was flat against CY21 and down 12% in H2.
- **R&D spend slowed** to US\$3.5m, down 15% on CY21 as product development migrates to sales and marketing. We estimate total R&D spend of US\$12.7m over the past four years to CY22.
- **“Other costs” grew at ~10%** ex-share-based payments, below the rate of sales growth due to the addition of new sales & marketing heads.
- **Reduced cash burn**, with the company citing monthly burn down to US\$283k/month against US\$403k/month in the PCP.

Divisionally, we estimate the core Scales division achieved EBITA of US\$2.1m, below the estimated US\$3.0m in CY21, impacted by gross margin pressures relating to supply chain costs. We estimate a Retail Innovation loss of US\$4.7m, below the US\$5.3m loss estimated for CY21 on the back of sales leverage to the cost base.

Exhibit 1: SBW divisional earnings summary – CY22 (in US\$m unless otherwise stated)

Line item	H1 CY22	H2 CY22	CY22	Comment
Sales	13.1	13.2	26.3	As reported
Scales	12.1	12.2	24.3	Retail self-checkout + Medical OEM
Retail Innovation	1.0	1.0	2.0	New products
Adjusted EBITA	-2.5	-0.4	-2.6	RaaS estimates
Scales	0.5	1.3	2.1	
Retail Innovation	-3.0	-1.7	-4.7	

Sources: Company financials and RaaS estimates

Exhibit 2 and 3 below summarise the H2 CY22 and CY22 results in more detail.

Exhibit 2: H2 CY22 SBW result summary (in US\$m unless otherwise stated)

Line item (US\$)	H2 '21	H2 '22	% CHG	Comment
Sales	12.5	13.2	6	+8.7% adjusted for HW sale
Gross profit	5.5	4.9	(12)	Input cost and freight pressures
GP%	44	37	-773bps	
Operating costs	6.6	6.0	(9)	
R&D (ex-SBP)	2.4	1.8	-23	Slowing
Other (ex-SBP)	4.2	4.4	4	Well managed
EBITDA	-1.0	-1.1	6	
Depreciation	0.1	0.2		
Amortisation	0.2	0.2		
EBIT	-1.4	-1.5	10	In-line with the pcq despite GP decline
(EBITDA margin %)	(8.4)	(8.3)		
(EBIT margin %)	(11.1)	(11.6)		
Share-based payments/other	0.8	0.0		
Other	0.0	0.2		
Reported EBIT	-2.2	-1.8	(18)	

Sources: Company financials and RaaS estimates

Exhibit 3: CY22 SBW result summary (in US\$m unless otherwise stated)

Line item (US\$)	CY21	CY22	% CHG	Comment
Sales	23.1	26.4	14	~+15.6% ex Healthweigh
Gross profit	10.0	10.0	0	
GP%	43.3	38.1	-530bps	
Operating costs	12.5	12.4	0	Lower R&D, higher sales & marketing
R&D (ex-SBP)	4.1	3.5	(16)	
Other (ex-SBP)	8.4	9.2	10	
EBITDA	-2.5	-2.4	(3)	In-line with the PCP
Depreciation	0.2	0.4		
Amortisation	0.5	0.5		
EBIT	-3.2	-3.2	2	
(EBITDA margin %)	(-0.7)	(9.0)		
(EBIT margin %)	(13.7)	(12.3)		
Share-based payments/other	0.9	0.7		
Other	0.6	0.2		
Reported EBIT	-4.7	-4.2	(10)	

Sources: Company financials and RaaS estimates

CY23 Outlook

Key considerations for CY23 and beyond include:

- **Q1 FY23 revenue growth was 13%** (adjusted for the sale of the Healthweigh product line), with Self-Checkout sales +32%, Medical +13.5% and Industrial down. This was ahead of management expectations and in-line with RaaS estimates for H1 FY23 (+14%);

Both legacy customers and new customers are contributing to the growth for Self-Checkout.

- **Continued pressure on gross margins** is likely and now forecast given the steep decline in H2 FY22.
- **Lower underlying R&D spend** as the focus moves from development to commercialisation.
- **Modest growth in other operating costs** as management look balance costs with the requirement for more sales & marketing effort and achieving EBITDA breakeven in Q4 FY23.
- **Convertible Note conversion.** Convertible note holders can convert notes into ordinary shares from May 2023. We have updated our assumptions for conversion to May 2024 at a price equal to the last capital raise (\$0.20/share) which implies a conversion price of \$0.15/share. Given share market conditions and liquidity we do not believe conversion at current prices is in the spirit of the original agreement.

- **Unit sales.** While not disclosed by the company we have estimates in place for key products given varying unit price sales and market uptake. In summary we see more near-term focus on the Hubz, Smart Carts and other smart shelf applications while the micro capsule and Innovendi unit sales have been reduced.

Unit sales

Our revised new product unit sale forecasts reflect changes in the near-term focus of SBW to better match the current market uptake, including:

- **Innovendi** sales to Tnuva continues to track at around 80 units per annum, and despite a recently signed Master Distribution agreement with AVS in Australia that promises unit sales we make no changes to current unit sales assumptions.
- **Hubz** will see an increased sales focus driven by SBW personnel, as initial trial conversions to commercial sales have been below expectations. We expect unit sales to accelerate in CY23, particularly in Europe and the US.
- **Smart Carts** has seen a major increase in focus following the initial order from A2Z Advanced Solutions (NASDAQ:AZ) for their “Cust2mate” smart cart and demonstration at the NRF convention. A range of new designs including DIY kits is likely to see an acceleration in unit sales.

SBW reports “multiple (5+) large retailers and smart Cart manufacturers are currently in process to pilot SBW’s Scale up Cart technology and SBW expects some of these trials will convert to sales in H2 CY23”.

- **The capsule/autonomous store** is likely to see modest near-term unit sales as the concept remains predominantly at trial stage with most users. We have significantly lowered near-term expectations as a result but believe in the concept longer-term.
- **Smart Shelves** comprises all other initiatives and continues to grow in the background with a range of uses being trialled/examined.

Exhibit 4: SBW new product sales by units

December Year-end	2020f	2021f	2022f	2023f	2024f
Innovendi - Old	41	81	100	100	100
Innovendi - New	41	81	80	80	80
Hubz Kit - Old	10	60	400	550	700
Hubz Kit - New	10	60	328	600	800
Smart Shelves - Old	50	60	400	650	800
Smart Shelves - New	50	60	330	520	800
Capsules - Old	0	4	15	45	90
Capsules - New	0	4	8	12	35
Smart Cart – Old	0	0	2,900	4,700	5,000
Smart Cart - New	0	0	2,500	5,500	6,700

Source: RaaS estimates

Earnings changes

SBW earnings estimates have been revised down over the forecast period for three key reasons:

- **Lower revenues** on the back of the sale of the Healthweigh product lines (~12.5% of sales) and modestly lower organic growth assumptions.
- **Significantly lower GP% assumptions** on the back of the pressures seen in H2 CY22 from input cost and freight pressures. This has been a factor for most listed hardware peers.

- **Lower conversion assumptions for the US\$5m convertible note**, which we now forecast to convert at \$0.15/share (down from \$0.26/share), resulting in the issue of 48m ordinary shares or 20% of issued capital. There remains a risk that CN holders convert anytime from May 2023 at a 25% discount to VWAP.

Exhibit 5: RaaS SBW earnings adjustments (in US\$m unless stated)

Variable	FY22a	FY23f	FY24f	FY25f	Comments
Revenues					
Previous	28.9	33.5	38.4	41.4	
Revised	26.4	28.0	31.8	35.3	
% CHG	(8.7)	(16.4)	(17.2)	(14.7)	(12% is Healthweigh)
Adj. EBIT					
Previous	-2.0	2.1	4.9	6.4	Lower gross margin
Revised	-4.2	-3.2	-1.1	0.5	Less operating leverage
% CHG	107	nm	nm	nm	
Adj EPS					
Previous	-0.010	0.012	0.021	0.027	Lower EBIT
Revised	-0.026	-0.018	-0.005	0.003	Dilutive CN issue
% CHG	nm	nm	nm	(89)	

Source: Company announcements and RaaS estimates

Convertible note

In April 2021 SBW announced the issue of a US\$5m four-year convertible note to a single investor, Kvutzat Yavne, a Kibbutz from the central district of Israel. For Kvutzat Yavne, it secures a 7% interest rate for two years and a 25% discount to the VWAP on conversion from May 2023. Key points to note with regards to the structure of the convertible note are listed below:

- **Four-year maturity date;**
- **7% interest rate, payable quarterly;**
- **Exercise of ALL notes (not some) into equity possible after two years;**
- **...or upon the sale of the company or most of its assets, a capital raise >5% shares on issue or de-listing; and**
- **A conversion price of 75% of the VWAP during the preceding 25 days.**

We had forecast a share price on conversion of \$0.35/share, equal to our valuation, resulting in a conversion price of \$0.26/share.

Given the current share price and limited liquidity we now forecast a price of \$0.20/share which is the latest capital raise price, and a conversion price of \$0.15/share in May 2024, resulting in the issue of 48m shares or 20% of issued capital. We do not believe conversion at the current VWAP was the intention of the initial agreement.

Conversion in May 2023 at a 25% discount to VWAP would more than double the new shares on issue and see Kvutzat become the major shareholder.

Exhibit 6: Convertible note dilution at various share prices

VWAP price at Conversion (A\$)	\$0.08	\$0.11	\$0.13	\$0.15	\$0.20
Implied Conversion Price (cps)	0.06	0.08	0.10	0.11	0.15
Shares issued (m)	119.0	86.6	73.3	63.5	47.6
Dilution on current share count	62%	45%	38%	33%	25%

Source: RaaS estimates

Sale of the of Healthweigh product line

In November 2022 SBW announced the sale of their Healthweigh product line, an own brand manufacturer/distributor of a range of healthcare and fitness scales including Physician, Special Needs, Portable and Baby/Neonatal to its key US distributor Rice Lake Weighing Systems.

The sale price of US\$3.43m represented 1.1x annual revenues of US\$3.1m, with the proceeds used to pay down the loan & option agreement struck in May 2022. SBW received \$1.9m in CY22 with the balance due during H1 CY23.

The implied valuation for the balance of SBW's revenue at a 1.1x revenue multiple is \$0.18/share diluted for CN conversion. We think the balance of the SBW business deserves a premium to this multiple, with our DCF implying a multiple closer to 1.3x.

New loan & option agreement

In February 2023 SBW announced a further US\$6.25m in funding in the form of an unsecured loan from a group of lenders in two tranches, US\$2.95m initially and \$US3.297m upon execution, together with the issue of 4.4m unlisted options.

Terms of the loan are for working capital only at a fixed rate of 8%, with all amounts advanced to SBW repayable in cash within 12 months.

The options exercise period is 24 months from the first drawdown date with an exercise price equal to 75% of the VWAP in the 30 days preceding the exercise date of the option.

New Product Update

The micro-market

Casino Group out of France, which operates >11,000 multi-banner stores across France and Latin America, continues to trial two stores including one as a store-within-a-store in Rue De Marseille in Paris.

The first US store using SBW technology opened January 2022. Nourish + Bloom, a start-up autonomous convenience food concept, opened its first store in Fayetteville GA in January using a technology combination from Hitachi Vantara, UST and SBW. The store is ~140sqm stocking 1,500 SKUs.

A joint venture store between Lagardere Travel Retail (5,000 stores across Travel Essentials, Duty Free, Fashion and Foodservice) and Atos (leading digital integrator globally) branded 'Quick N' Easy' has gone live in Brussels Airport, Belgium selling a range of beers and chocolates.

A store within a store is also trialling with SuperPharm in Israel

The stores can be restocked in busy locations while providing retailers with potential new after-hours revenue. Retrofitting existing stores is also an option.

Locations such as train stations, airports, campuses and hospitals are the targets for this concept.

The Hubz

A commercial partnership between SBW, Imbera Cooling (commercial refrigeration manufacturer since 1941) and Parlevel Systems (San Antonio-based vending management system provider), the Hubz is a refrigerated vending machine capable of stocking a wide range of products for use in a wide range of locations, including medical centres, shared office spaces, hotels, convenience stores, shopping malls, transport hubs, apartment blocks and universities.

~30 units were delivered to a number of users between July and September 2021 for initial trials, with the first “commercial” order received from Belgium food group Colruyt in November 2021 for 67 units, with a further 40 units since ordered and 60 units delivered into the US.

SBW estimates via third-party research that the US intelligent vending machine market has an estimated value of US\$3.0b.

SBW provide the weighing units as an OEM supplier, which we refer to as Hubz kits, and are likely to take more responsibility for the marketing of the product as early sales have been below expectations.

Smart Cart

SBW supplies the weighing units used for A2Z Advanced Solutions (NASDAQ:AZ) “Cust2mate” smart cart. This self-serve all-in one cart is currently being trialled by Evergreen Supermarkets in New York/New Jersey, and SBW recently received the first US\$1.6m order for the delivery of “thousands” of weighing units.

The Smart Cart continues to undergo several iterations including DIY kits which were recently showcased at the NRF convention in New York.

Multiple (5+) retailers and smart Cart manufacturers are currently in process to pilot the Scale up technology.

Fast Track

Fast Track has been in development since mid-2019, and after some legal issues with the original development partner, is expected to launch commercially late in CY23.

Fast Track overlays existing weighing technology with a camera and AI software to identify fresh produce faster and more accurately, reducing checkout times while increasing accuracy. Fast Track is expected to be an added product choice for new sales and can be retrofitted to units already in the field.

We have nothing in our numbers for this initiative as there is little commercial details available but there is an estimated 900k self-checkout unit in the field globally that the product may have application.

Valuation

Sum of the parts

We utilise the disclosure of divisional splits between Scales and the Retail Innovation division to highlight the value within SBW currently. Using forecast CY22 divisionals, we derive a valuation of the group’s Scales business of A\$24.4m (8x CY22 EBIT).

This implies value for the group’s Retail Innovation division of -A\$7.4m fully diluted for convertible notes despite having multiple products at the early stages of commercialisation and an R&D spend of ~US\$12m over the last 4-years.

Exhibit 7: SBW divisional valuation				
Line item	H1 '22a	H2 '22f	FY22f	Comment
Reported EBIT (US\$)	0.8	1.3	2.1	H1 '21 as reported, H2 '21 RaaS estimate
Assessed EBIT multiple			8.0x	
Valuation of Scales (US\$)			16.6	
Valuation of Scales (A\$) (@\$0.68)			24.4	Converting US\$ valuation into A\$ at \$0.68
Current mkt. cap.inc CN (A\$)			17.0	Includes CN dilution
Implied Retail Innovation (A\$)			(7.4)	
Sources: Company financials and RaaS estimates				

Discounted cash flow

Our DCF valuation has decreased to \$0.22/share (from \$0.37/share) due a lower assumed CN conversion price and lower FY23-FY28 GP% assumptions. There are many moving parts and assumptions in the DCF that small changes in assumptions around working capital and R&D spend can have a big impact on assessed valuation. Current key assumptions include:

- **Share price at CN conversion of \$0.20/share**, down for \$0.35/share. At this price the conversion price would be \$0.15/share (25% discount) and the dilution ~20%;
- **Discount rate 11.3%** incorporating a beta of 1.2x, RFR of 3.5% and equity risk premium of 6.5%;
- **Medium-term growth rate** outside the forecast period of 10%;
- **USD/AUD \$0.68**;
- **Terminal growth** rate of 2.2%; and
- **Sustainable gross margin of 43%**, down from 49% but higher than the 38% recorded in CY22 aided by higher-margin SaaS and data analytics fees, and some recoupment of margins following the input cost/freight cost pressures.

Exhibit 8: SBW base-case DCF valuation

Parameters	Outcome
Discount rate / WACC	11.3%
Beta	1.2x
Terminal growth rate assumption	2.2%
Sum of PV	-\$0.7m
PV of terminal value	\$49.6m
PV of enterprise	\$48.9m
Debt (cash)	(\$4.2m)
Net value - shareholder	\$53.1m
No. of shares on issue (191.7m ordinary + 29m CN)	244.0m
NPV (\$ per share)	\$0.22

Source: RaaS estimates

Core Product Portfolio Reminder

Self-checkout

SBW provides the precision weighing systems/units that sit within the self-checkout machines of Toshiba, Fujitsu, Diebold Nixdorf, Zebra, ITAB and Datalogic.

When last disclosed the group sold >30k units per annum to these OEM customers.

Healthcare

SBW provides the precision weighing systems/units that sit within a number of healthcare products including premature baby warmers and incubators to the likes of GE, Atom and Fenam.

When last disclosed the group sold >16k combined units across healthcare.

Industrial

SBW also designs and manufactures bespoke industrial scale weighing equipment often referred to as “special projects”. An example is a food manufacturer that requires the weight of a product to sit within the bounds of regulatory requirements (i.e. the labelled weight).

These projects are lumpy in nature, tend to be confined to Israel and have been delivered across manufacturing, agriculture, airports and for the military.

Exhibit 9: Financial Summary

Shekel Brainweigh (SBW.ASX)						Share price (28 April 2023)						A\$	0.070	
Profit and Loss (US\$m)						Interim (US\$m)								
Y/E 31 Dec	CY20A	CY21A	CY22A	CY23F	CY24F	H121A	H221A	H122A	H222A	H123F	H223F			
Revenue	18.3	23.1	26.4	28.0	31.8	10.6	12.5	13.1	13.2	13.3	14.7			
Gross profit	7.4	10.0	10.0	10.2	12.2	(1.5)	(1.8)	(2.0)	(1.4)	(1.6)	(0.7)			
GP margin %	40.6%	43.3%	38.1%	36.5%	38.6%	(1.8)	(2.2)	(2.4)	(1.8)	(2.1)	(1.2)			
EBITDA	(2.7)	(3.3)	(3.4)	(2.4)	(0.3)	(1.8)	(2.1)	(2.3)	(2.3)	(2.3)	(1.4)			
Depn	(0.4)	(0.2)	(0.4)	(0.4)	(0.4)	(0.9)	(2.0)	0.7	(0.2)	(0.2)	(0.2)			
Amort	(0.9)	(0.5)	(0.5)	(0.4)	(0.4)	(2.7)	(4.2)	(1.7)	(2.5)	(2.5)	(1.6)			
EBIT	(4.0)	(4.0)	(4.2)	(3.2)	(1.1)	(0.012)	(0.014)	(0.013)	(0.013)	(0.012)	(0.007)			
Interest	(0.4)	(0.3)	(0.5)	(0.8)	(0.5)	(0.018)	(0.023)	(0.009)	(0.014)	(0.013)	(0.008)			
Tax	(0.0)	(0.0)	(0.4)	0.0	0.0	0.000	0.000	0.000	0.000	0.000	0.000			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
NPAT pre significant item	(4.4)	(4.4)	(5.1)	(4.1)	(1.6)	Operating cash flow	na	na	na	na	na			
Significant items	0.0	(2.5)	0.0	0.0	0.0	Free Cash flow	na	na	na	na	na			
NPAT (reported)	(4.4)	(6.8)	(5.1)	(4.1)	(1.6)	Divisonals	H121A	H221F	H122F	H222A	H123F	H223F		
						Traditional Scales	10.2	12.0	12.1	12.2	12.0	12.8		
						New Retail	0.4	0.5	1.0	1.0	1.3	1.9		
						Total Revenue	10.6	12.5	13.1	13.2	13.3	14.7		
Cash flow (US\$m)						Total Revenue								
Y/E 31 Dec	CY20A	CY21A	CY22A	CY23F	CY24F									
Adj EBITDA inc. rent	(2.3)	(2.5)	(2.6)	(2.4)	(0.3)	Gross profit	4.5	5.5	5.2	4.9	4.8	5.4		
Interest	(0.4)	(0.3)	(0.5)	(0.8)	(0.5)	Gross Profit Margin %	42.1%	44.4%	39.5%	36.7%	36.1%	36.9%		
Tax	0.0	0.0	0.0	0.0	0.0	R&D	1.7	2.4	1.6	1.8	1.5	1.7		
Working capital/other	1.1	(3.0)	(1.3)	0.8	(0.7)	General & Admin & Other	4.2	4.2	4.8	4.4	5.0	4.5		
Operating cash flow	(1.5)	(5.8)	(4.4)	(2.5)	(1.4)	One-off costs & Non-cash	0.7	0.8	0.7	0.3	-	-		
Mtce capex	(0.3)	(0.5)	(0.3)	(0.3)	(0.3)	Total costs	6.6	7.4	7.2	6.5	6.5	6.2		
Free cash flow	(1.8)	(6.4)	(4.7)	(2.7)	(1.7)	EBITDA	(2.1)	(1.8)	(2.0)	(1.6)	(1.6)	(0.7)		
Capitalised Software	0.0	(0.4)	(0.0)	0.0	0.0	EBITDA margin %	(19.6%)	(14.8%)	(15.2%)	(12.1%)	(12.3%)	(5.1%)		
Acquisitions/Disposals	0.0	0.0	2.0	1.4	0.0	Margins, Leverage, Returns		CY20A	CY21A	CY22A	CY23F	CY24F		
Other	0.6	0.3	(0.6)	0.4	0.4	EBITDA margin %		(14.6%)	-14.4%	-12.7%	-8.5%	-0.9%		
Cash flow pre financing	(1.2)	(6.5)	(2.8)	(1.3)	(1.3)	EBIT margin %		(21.9%)	-17.5%	-16.0%	-11.6%	-3.6%		
Equity	0.0	0.0	0.0	0.0	0.0	NPAT margin (pre significant items)		(24.1%)	-19.0%	-19.4%	-14.5%	-5.0%		
Debt	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)		-	1.48	4.02	4.61	5.50	-0.20	
Net Dividends paid	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	nm	nm	nm	nm	nm		
Net cash flow for year	(1.2)	(6.5)	(2.8)	(1.3)	(1.3)	ND/ND+Equity (%)	(%)	21.7%	188.5%	106.6%	59.3%	15.2%		
Balance sheet (US\$m)						EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	n/a		
Y/E 31 Dec	CY20A	CY21A	CY22A	CY23F	CY24F	ROA	nm	(19.2%)	(16.7%)	(13.0%)	(4.7%)			
Cash	1.5	2.0	1.9	1.0	0.2	ROE		-83%	-232%	-1798%	108%	-139%		
Accounts receivable	5.4	7.6	8.2	7.4	7.5	NTA (per share)		0.03	0.01	0.00	-0.02	0.00		
Inventory	3.5	4.9	5.1	5.7	6.5	Working capital		6.7	9.8	11.0	10.2	10.9		
Other current assets	1.7	1.2	2.1	2.3	2.7	WC/Sales (%)		36.6%	42.2%	41.8%	36.6%	34.4%		
Total current assets	12.1	15.8	17.3	16.4	16.8	Revenue growth		(2.7%)	26.2%	14.1%	6.3%	13.3%		
PPE	0.6	0.8	0.8	0.7	1.0	EBIT growth pa		nm	n/a	n/a	n/a	n/a		
Intangibles	2.3	2.0	1.4	1.0	0.5	Pricing		CY20A	CY21A	CY22A	CY23F	CY24F		
Right of Use Asset	2.0	6.3	6.1	6.1	6.1	No of shares (y/e)	(m)	153	152	182	196	228		
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	153	152	182	196	228		
Other non current assets	0.0	0.0	0.0	0.0	0.0	EPS Reported	US cps	(0.02)	(0.03)	(0.03)	(0.02)	(0.00)		
Total non current assets	4.9	9.1	8.4	7.8	7.6	EPS Normalised/Diluted	US cps	(0.02)	(0.03)	(0.03)	(0.02)	(0.00)		
Total Assets	17.0	24.9	25.7	24.2	24.4	EPS growth (norm/dil)		nm	nm	n/a	n/a	n/a		
Accounts payable	2.2	2.8	2.3	2.8	3.0	DPS	cps	0.000	0.000	0.000	0.000	0.000		
Short term debt	4.8	4.0	6.3	6.7	6.7	DPS Growth		n/a	n/a	na	na	na		
Lease Liability	1.6	5.9	5.1	5.1	5.1	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%		
Other	2.7	3.6	4.5	5.0	5.0	Dividend imputation		0	0	0	0	0		
Total current liabilities	11.4	16.2	18.1	19.5	19.8	PE (x)		-	2.4	-	2.0	-	2.7	-
Convertible Note	0.0	6.0	6.5	6.5	0.0	PE market		15.0	15.0	15.0	15.0	15.0		
Other non current liabs	0.3	0.7	0.8	1.9	3.5	Premium/(discount)		(115.9%)	(113.1%)	(113.2%)	(117.7%)	(165.5%)		
Total long term liabilities	0.3	6.8	7.3	8.4	3.5	EV/EBITDA		(2.1)	(3.7)	(4.1)	(5.9)	(35.8)		
Total Liabilities	11.7	23.0	25.4	27.9	23.3	FCF/Share	US cps	(0.010)	(0.048)	(0.023)	(0.005)	(0.006)		
Net Assets	5.3	1.9	0.3	(3.8)	1.1	Price/FCF share		(4.7)	(1.0)	(2.2)	(10.8)	(8.6)		
Share capital	7.7	9.9	13.2	13.2	19.7	Free Cash flow Yield		(21.2%)	(98.5%)	(46.2%)	(9.3%)	(11.6%)		
Accumulated profits/losses	(5.0)	(11.5)	(15.0)	(19.1)	(20.6)									
Reserves	2.1	3.0	1.5	1.5	1.5									
Minorities	0.5	0.5	0.6	0.6	0.6									
Total Shareholder funds	5.3	1.9	0.3	(3.8)	1.1									

Source: RaaS Advisory

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License (“AFSL”) number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS’s services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

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

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS’s representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR’s internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren’t satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been commissioned by Shekel Brainweigh Ltd prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2023 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.