

# Shekel Brainweigh Ltd

## H1 FY22 Result & Outlook

### Holding underlying earnings despite COGS pressures/R&D

Shekel Brainweigh Limited (ASX:SBW) has reported H1 FY22 sales growth of 23.5% to US\$13.1m, which included ~165% growth in Retail Innovation sales to US\$1.0m. We estimate an adjusted EBITDA loss (before amortisation, one-off costs and share-based payments) of US\$1.6m, slightly above the US\$1.5m in the pcp on the back of gross margin pressures (down ~240bps) due to supply chain/freight costs. Relative to our selected peers this is a solid effort with the likes of (ASX:RVS) down 770bps, (ASX:AMS) down 770bps and (ASX:PVS) a whopping 3,960bps. Some key orders including the first Smart Cart order (US\$1.6m) and a second order from Belgium retailer Colruyt were also delayed for these reasons and are now due in H2 CY22. SBW has also managed inventory well relative to peers and now has a superior WC/sales ratio. From a valuation perspective we continue to highlight a negative A\$11.6m value for the Retail Innovation division if we assume 8x adjusted CY21a EBIT of US\$2.9m (A\$4.2m) for the Scales division. This is despite a number of new products at or near commercialisation, evidenced by three consecutive halves of growth. Our DCF valuation is A\$0.37/share.

### 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.

### Business well managed relative to peers in tough environment

All our selected hardware with embedded software peers have incurred the same input cost and freight pressures over H1 CY22, but SBW have managed these pressures relatively well evidenced by reported GP% and working capital management. Most peers have seen a sharp reduction in GP% and sharp increase in working capital/revenues with little sales growth. SBW's was one of few to deliver sales growth and recorded a modest decline in GP% and modest increase in working capital/revenues. SBW has also reduced cash burn by 30% over the period (to US\$283k/month), with further improvement expected in 2H FY22.

### Base-case valuation A\$0.37/share supported by Scales profit

Our base-case DCF valuation for SBW has increased to \$0.37/share (from \$0.35/share) on the back of a period rollover and lower AUDUSD assumptions despite an increased share count from recently converted shares and forecast CN conversion price. Using our FY21a divisional EBIT estimates we value the Scales division at A\$34.5m (8x EBIT and \$0.18/share), implying a negative A\$11.6m value for Retail Innovation, which supports our DCF.

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

Year end	Revenue	Adj. EBIT	Adj. NPAT	EPS (c)	PER (x)	EV/sales(x)
12/20a	18.3	(4.0)	(4.4)	(0.02)	(4.1)	0.65
12/21a	23.1	(3.6)	(4.0)	(0.02)	(3.8)	0.76
12/22f	28.9	(2.0)	(2.4)	(0.01)	(8.3)	0.79
12/23f	33.5	2.1	1.9	0.01	7.0	0.70

Source: Company data, RaaS estimates for FY22f and FY23f

### Technology – Hardware & Software

7<sup>th</sup> September 2022

#### Share Details

ASX code	SBW
Share price (6 Sept)	\$0.11
Market capitalisation	\$21.1M
Shares on issue	191.7M
Enterprise value	\$25.4M
Net debt at Jun-30 #	A\$4.3M
Free float	~27%

# Includes convertible note, excludes WC facility

#### 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
- Low share price at Convertible Note conversion date (March 2023)

#### 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

## H1 FY22 Result Summary

Our numbers take SBW reported numbers and adjust for:

- **Amortisation** at the COGS line which totalled ~US\$243k in H1 CY22;
- **AASB16-related depreciation**, adding back cash rental costs to operating costs;
- **Share-based payments included** totalling US\$716k, ~US\$240k in R&D and the balance in G&A); and
- **Costs deemed abnormal**, which in H1 CY21 included US\$600k in redundancy costs and none in H1 CY22.

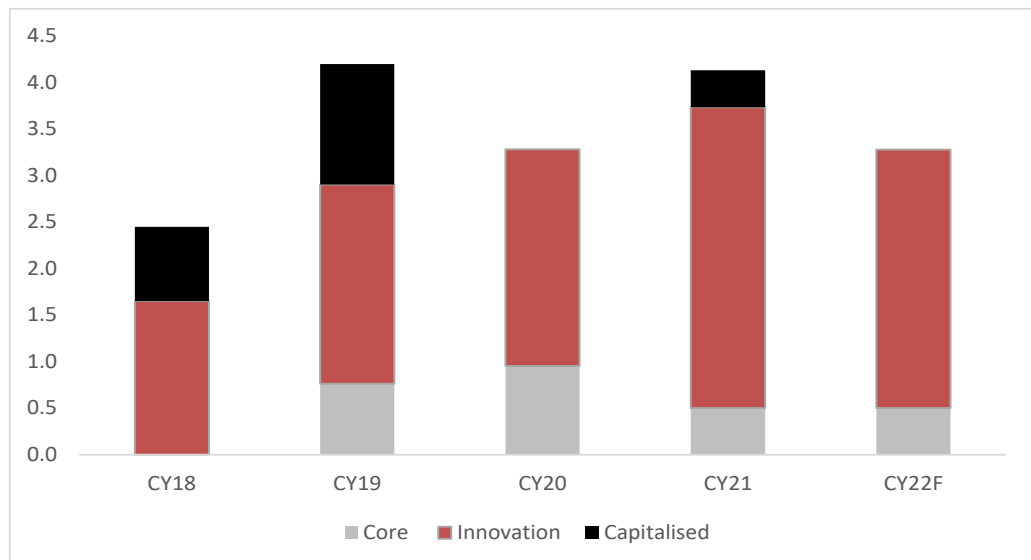
The table below summarises the H1 CY22 result. Key observations include:

- **23% sales growth to \$US13.1m**, with Healthcare rising 26%, Retail 34%, Retail Innovation 165% and Local Industry & Services up 4%.

Retail Innovation sales reached US\$1.0m, up from US\$0.4m in the prior period and US\$0.5m in H2 CY21 despite some delay in the delivery of orders.

- **Gross margins down 240bps** off a low base and still being impacted by elevated shipping costs and higher raw material costs. This has been true across most of our select peer group (hardware players using chips – RVS -3,960bps, AMS -770bps, RVS 530bps). Gross profit increased 16% against revenue growth of 23.5%.
- **Adjusted R&D spend stabilising** at US\$1.8m as new product development continues. We estimate total R&D spend of US\$12.2m over the past four years including CY22f.
- **“Other costs” grew at ~15%** ex-share based payments, below the rate of sales growth despite the addition of new heads, with no abnormal adjustments.
- **Reduced cash burn**, with the company citing monthly burn down to US\$283k/months against US\$403k/month in the PCP. This burn should reduce further in 2H FY22 due to seasonality.

**Exhibit 1: SBW R&D spend CY19-CY22f**



Source: Company financials and RaaS estimates

Divisionally, we estimate the core Scales division achieved EBITA of US\$0.5m, down from an adjusted H1 CY22 of US\$1.0m, impacted by gross margin pressures relating to supply chain costs. We estimate a Retail Innovation loss of US\$3.0m, slightly below H1 CY21 on the back of higher sales leverage to the cost base.

Importantly, the H2 is seasonally the strongest for SBW and should see a higher EBITDA contribution relative to H1 as higher sales leverage a stable cost base.

**Exhibit 2: SBW divisional earnings summary – CY21 (in US\$m unless otherwise stated)**

Line item	H1 CY20	H1 CY21	H1 CY22f	Comment
<b>Sales</b>	7.9	10.6	13.1	
Scales	7.8	10.2	12.1	18% underlying growth in core business
Retail Innovation	0.1	0.4	1.0	Continued progress for new products
<b>Adjusted EBITA</b>	(2.6)	(2.3)	(2.5)	
Scales	(0.5)	1.0	0.5	Estimate for H1 CY22 EBITA mix
Retail Innovation	(2.2)	(3.2)	(3.0)	

Sources: Company financials and RaaS estimates

**Exhibit 3: H1 CY22 SBW result summary (in US\$m unless otherwise stated)**

Line item (US\$)	H1 '21	H2 '22	% CHG	Comment
<b>Sales</b>	10.6	13.1	23	<b>Solid given some order delays</b>
Gross profit	4.2	4.9	16	
GP%	40	37		240bps lower due to supply chain/COGS costs
<b>Operating costs</b>	5.7	6.5	14	
R&D (ex-SBP)	1.6	1.8	12	
Other (ex-SBP)	4.1	4.8	15	
<b>EBITDA</b>	(1.5)	(1.6)	9	<b>Stable despite GP% pressure</b>
Depreciation	0.1	0.2		
Amortisation	0.2	0.2		
<b>EBIT</b>	(1.9)	(2.1)	10	
(EBITDA margin %)	(14.2)	(12.5)		
(EBIT margin %)	(17.6)	(15.8)		
Share-based payments/other	0.1	0.7		
Other	0.6	0.0		
<b>Reported EBIT</b>	(2.6)	(2.8)	8	

Sources: Company financials and RaaS estimates

## CY22 Outlook

There are a range of factors pointing to a continuation of sales growth in CY22 and a continued reduction in underlying EBITDA losses (ex-abnormals/non-cash), including:

- **Order backlog** from H1 CY22 due to supply chain issues includes the initial US\$1.6m Smart Cart order from A2Z Advanced Solutions (NASDAQ:AZ) “Cust2mate”, currently on trial with Evergreen supermarkets in New York, the second order for 40 Hubz kits from Smart Technics BV [a subsidiary of Colruyt Group (EBR:COLR)], and some retail self-checkout systems.
- **H2 seasonality**, with sales over the past three years averaging a 45%/55% H1/H2 split, and EBITA a greater skew to the H2 given sales leverage to a similar cost base.

**Exhibit 4: SBW historical/forecast half-year seasonality**

Line item	H1 (June half) %	H2 (Dec half) %	Comment
<b>Core sales</b>			
2020	43	57	Consistent sales seasonality
2021	46	54	
2022f	46	54	Similar skew forecast to FY21 in FY22
<b>Core adj. EBITA</b>			
2020	(43)	143	Impacted by Covid in H1 CY20
2021	32	68	
2022	13	87	Lower R&D skews FY22 to the 2H

Sources: Company financials and RaaS estimates

- **Lower underlying R&D spend** forecast to the tune of ~US\$0.4m.
- **Trade show benefits** from participation at the NRF (New York), Eurocic (Germany), NAMA (Chicago) and AVA (Sydney) in recent months.
- **Stabilisation in input cost pressures** as management look to recoup input costs pressures via price increases, albeit there is risk to the downside in terms of timing. Gross margins have fallen from 45% to 42% over the past three years.

**Exhibit 5: H2 CY22 earnings summary (in US\$m unless otherwise stated)**

Line item (US\$)	H2 CY21a	H2 CY22f	% CHG	Comment
<b>Sales</b>	<b>12.5</b>	<b>15.8</b>	<b>26</b>	<b>Aided by order backlog</b>
Gross profit	5.3	6.6	26	
GP%	42%	42%		Some stabilisation in GP% forecast
Operating costs	5.8	5.5	-5	
R&D (ex-SBP)	2.1	1.7	-21	Lower R&D forecast
Other	3.7	3.8	5	Other costs stabilising
<b>EBITDA</b>	<b>(0.5)</b>	<b>1.1</b>	<b>nm</b>	<b>Loss to profit forecast</b>
Depreciation	0.1	0.1		
Amortisation	0.2	0.2		
<b>EBIT</b>	<b>(0.9)</b>	<b>0.7</b>	<b>nm</b>	<b>Loss to profit forecast</b>
(EBITDA margin %)	(4.3)	7.0		
(EBIT margin %)	(7.0)	4.8		
SBP/other	0.8	0.0		
Other	0.0	0.0		
Reported EBIT	(1.7)	0.7	nm	

Sources: Company financials and RaaS estimates

## Medium-Term Outlook

### Unit sales

Our revised new product unit sales numbers are presented in the following table. Highlights include:

- **Innovendi** has consistently been below the ~170 units per year Tnuva agreement (1,200 units across seven years) and our unit expectations now reflect this.
- **Hubz** has delivered >170 units to date including an initial 60 units into the US. We expect unit sales to accelerate in H2 CY22.
- **The capsule** is likely to see continued modest unit sales while the concept is firmed-up in terms of its use as a stand-alone store and/or store-within-a-store.
- **Smart Shelves** comprises all other initiatives and continues to build in the background with a number of trials.
- **The initial US\$1.6m Smart Cart** order for A2Z Advanced Solutions (NASDAQ:AZ) “Cust2mate” smart cart. SBW has received a ‘strong indication’ of a second order from a different customer.

**Exhibit 6: SBW new product sales by units**

Year-end	2020f	2021f	2022f	2023f	2024f
Innovendi - Old	41	81	100	100	na
Innovendi - New	41	81	90	100	100
Hubz Kit - Old	10	60	400	550	na
Hubz Kit - New	10	60	410	550	700
Smart Shelves - Old	50	60	400	650	na
Smart Shelves - New	50	60	400	650	800
Capsules - Old	0	4	15	45	na
Capsules - New	0	4	15	45	90
Smart Cart - Old	0	0	2,900	4,700	na
Smart Cart - New	0	0	2,900	4,700	5,000

Source: Company financials and RaaS estimates

Overall earnings revisions centre around:

- **Modestly higher sales** on the back of order backlogs and the strong momentum in new products.
- **Modestly lower GP% assumptions** as margin recovery is pushed out ~12-months due to continued supply shortages and input cost pressures.
- **Lower EPS** driven by ~13% more shares on issue over recent months.

**Exhibit 7: RaaS SBW earnings adjustments (in US\$m unless stated)**

Variable	FY22f	FY23f	FY24f	FY25f	Comments
<b>Revenues</b>					
Previous	27.7	32.2	37.0	40.0	
Revised	28.9	33.5	38.4	41.4	Order backlogs & new products
<b>% CHG</b>	<b>4.3</b>	<b>4.0</b>	<b>3.7</b>	<b>3.6</b>	
<b>Adj. EBIT</b>					
Previous	-0.9	2.5	5.0	6.5	
Revised	-2.0	2.1	4.9	6.4	Lower R&D
<b>% CHG</b>	<b>(131.7)</b>	<b>(14.2)</b>	<b>(1.9)</b>	<b>(1.3)</b>	Lower GP%
<b>Adj EPS</b>					
Previous	0.00	0.02	0.02	0.03	
Revised	-0.01	0.01	0.02	0.03	Lower GP% in FY23
<b>% CHG</b>	<b>144.7</b>	<b>(21.0)</b>	<b>(11.1)</b>	<b>(10.7)</b>	More shares on issue

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 March 2023. For existing SBW shareholders, the funding adds to the potential delivery of new products. Delivery of such sales should result in a higher share price and therefore lower dilution from the note conversion. 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.

The share price in March 2023 will be all-important for existing shareholder dilution, with various issue prices and resulting dilutions listed in the table below. We now assume a share price at conversion of \$0.33, implying dilution of ~17% to the current share count.

<b>Exhibit 8: Convertible note dilution at various share prices</b>					
<b>Share price (A\$)</b>	<b>\$0.12</b>	<b>\$0.20</b>	<b>\$0.35</b>	<b>\$0.30</b>	<b>\$0.33</b>
75% discount (cps)	0.09	0.15	0.19	0.23	0.25
Shares issued (m)	77.2	46.3	37.0	30.9	28.1
Dilution on current share count	46%	28%	22%	19%	17%

Source: RaaS estimates

### Loan & option agreement

In May 2022 SBW announced a further US\$3m in funding in the form of an unsecured loan from a group of lenders, together with the issue of 4.5m 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.

We have forecast at US\$1.5m drawdown in FY22.

## New Product Update

### The micro-market

Casino Group out of France, which operates >11,000 multi-banner stores across France and Latin America, has taken delivery of its second “Capsule”, trialling it as a store-within-a-store in Rue De Marseille in Paris.

The new store has the autonomous store section as part of the standard store during the day, and when the store closes can utilise the autonomous functionality for sales during the night via a mobile payment app.

The first US store using SBW technology opened January 2021. 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 with plans to roll out >500 stores across the US. A second US store is planned for H2 CY22.

A store within a store is trialling with SuperPharm in Israel while a purchase order from Atos, a world leading IT integrator, was also received for an autonomous store in Belgium.

This model solves the problem of restocking in busy locations while providing the retailer with new after-hours revenue. It also opens the door for options when retrofitting existing stores.

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.

The unit is manufactured with established distribution channels across Latin America and the US. ~30 units were delivered to a number of users between July and September for initial trials, and the first “commercial”

order was 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 will provide the weighing units as an OEM supplier, which we refer to as Hubz kits.

### **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 announced the first US\$1.6m order requiring the delivery of "thousands" of weighing units over H2 CY22.

### **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 CY22.

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.

Live trials have been underway for three months to allow SBW better understanding of the system and any modifications required under a real-life environment.

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

## **Peer Comparison**

We have updated our assessed peer group to incorporate FY22 results. Our assessed peer group represents small-cap hardware-based technology players utilising an underlying technology to expand into new verticals.

The numbers below are a mixture of FY22a and CY22f results. From a SBW viewpoint:

- There are few valuation insights to be gained from the comparisons as all peers outside AMS are loss making, and many of the metrics deteriorating over the past 12 months due to COGS pressures;
- SBW gross margins and WC/sales are now superior to the peer average, holding relatively well over the past 12 months compared to peers;
- Gross profit margins for most players deteriorated sharply on the back of material cost and freight price increases. While SBW GP% declined 240bps in H1 CY22, PVS was down 3,960bps, AMS 770bps and RVS 5830bps;

**Exhibit 9: Peer group GP% and Working Capital metrics June 2022 vs June 2021**

Company	% Revenue growth (June 22 vs June 21)	GP% (@June 22)	%CHG GP% (June 22 vs June 21)	WC/Revenues	%CHG WC/Rev (June 22 vs June 21)
MX1 (Micro-X)	138	55	58	58	(11)
BDT (Birddog)	0	27	2	54	28
AMS (Atomos)	4	40	(8)	37	26
PVS (Pivotal)	(35)	(3)	(37)	55	20
RVS (Revasum)	61	30	(18)	48	(1)
SBW (Shekel)	23	37	(2)	32	2

Source: Company announcements & RaaS estimates

- SBW is the only peer with debt, most of it in the form of a convertible note. We have excluded the working capital facility from the debt calculation

**Exhibit 10: Peer financial comparison (in A\$m unless otherwise stated)**

Company Name	Ticker	Share price (cps)	Mkt cap.	Jun-30 net debt/(cash)	FY22 adj. PBT	FY22 sales	FY22 GP%	FY22 WC/Sales	FY22 EV/Sales	FY22 R&D/Sales
MicroX	MX1	0.14	64	(10.3)	(10.0)	8.9	55	58	6.1	49
Birddog	BDT	0.17	35	(23.0)	(2.0)	38.2	27	54	0.3	3
Atomos	AMS	0.19	34	(2.3)	4.4	81.9	40	37	0.4	6
Revasum*	RVS	0.18	19	(3.3)	(7.1)	20.0	30	48	0.8	33
Pivotal Systems*	PVS	0.09	14	(4.6)	(20.0)	31.3	(3)	55	0.3	30
<b>AVERAGE</b>							30	50	0.5x	18#
Shekel Brainweigh *	SBW	0.12	23	6.1	(0.8)	41.2	40	39	0.7	12

Sources: Company financials, RaaS estimates; \*CY22F, otherwise FY22A.

# ex-MX1

## Valuation

### Sum of the parts

We utilise the disclosure of the previous divisional splits between Scales and the Retail Innovation division to highlight the value within SBW currently. Using actual CY21 divisionals, we derive a valuation of the group's Scales business of A\$34.5m (8x CY21 EBIT).

This implies a negative value for the group's Retail Innovation division of A\$11.6m despite having multiple products in paid pilots and early stages of commercialisation.

**Exhibit 11: SBW divisional valuation**

Line item	H1 '21a	H2 '21f	FY21f	Comment
Reported EBIT (US\$)	0.6	1.7	2.3	H1 '21 as reported, H2 '21 RaaS estimate
Adjusted EBIT (US\$)	1.2	1.7	2.9	H1 '21 adjusted for one-offs
Assessed EBIT multiple			8.0x	
Valuation of Scales (US\$)			23.5	
Valuation of Scales (A\$) (@\$0.68)			34.5	Converting US\$ valuation into A\$ at \$0.68
Current mkt. cap. (A\$)			22.9	
Implied value Retail Innovation division (A\$)			(11.6)	This despite ongoing sales momentum

Sources: Company financials and RaaS estimates



### Discounted cash flow

Our DCF valuation has increased to \$0.37/share (from \$0.35/share) due to a period rollover, higher revenue assumptions and a lower AUDUSD assumption which benefits SBW on translation of USD earnings into AUD. Offsetting the valuation somewhat is the issue of 22.5m shares in June 2022, predominantly management share rights, a lower assumed CN conversion price and lower FY23-FY24 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 (March 2023) of \$0.33/share**, down for \$0.45/share. At this price the conversion price would be \$0.25/share (25% discount) and the dilution ~17%;
- **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**, down from \$0.74;
- **Terminal growth** rate of 2.2%; and
- **Sustainable gross margin of 49%** against ~40% in CY22, aided by higher-margin SaaS and data analytics fees, and some recoupment of margins following the input cost/freight cost pressures of CY22.

#### Exhibit 12: SBW base-case DCF valuation

Parameters	Outcome
Discount rate / WACC	11.3%
Beta	1.2x
Terminal growth rate assumption	2.2%
Sum of PV	\$14.1m
PV of terminal value	\$54.7m
PV of enterprise	\$65.7m
Debt (cash) excluding CN	(\$4.2m)
Net value - shareholder	\$83.9m
No. of shares on issue (191.7m ordinary + 29m CN)	220.0m
<b>NPV (\$ per share)</b>	<b>\$0.37</b>

Source: RaaS estimates

### DCF Sensitivity Analysis

With solid revenues momentum in new product sales in the early phases of commercialisation, framing medium-term numbers is always subject to both upside and downside risk, so we summarise key sensitivities to our current DCF assumptions in the table below.

#### Exhibit 13: SBW DCF sensitivity

Variable	Current	+/-	CHG (cps)	Comment
WACC (%)	11.3	1.0	7.1	Mainly driven by the beta and RFR assumption
Sustaining GP (%)	49.0	1.0	1.9	Driven by SaaS and new product mix
Sustaining R&D/revenues (%)	6.0	1.0	1.9	Ongoing product development
MT growth rate (%)	10.0	1.0	1.1	>FY27
CN Conversion price (cps)	0.33	0.01	0.2	March/April 2023

Sources: Company financials and 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 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.

The group also sells a range of weighing equipment under its own Healthweigh brand.

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 14: Financial Summary**

Shekel Brainweigh (SBW.ASX)						Share price (2 September 2022)						A\$	0.120					
<b>Profit and Loss (US\$m)</b>						<b>Interim (US\$m)</b>						<b>H120A</b>	<b>H220A</b>	<b>H121A</b>	<b>H221A</b>	<b>H122A</b>	<b>H222F</b>	
<b>Y/E 31 Dec</b>	<b>CY19A</b>	<b>CY20A</b>	<b>CY21A</b>	<b>CY22F</b>	<b>CY23F</b>	Revenue	7.9	10.4	10.6	12.5	13.1	15.8						
Revenue	18.8	18.3	23.1	28.9	33.5	EBITDA	(1.6)	(1.0)	(1.6)	(1.3)	(2.4)	1.1						
Gross profit	8.2	7.4	9.5	11.5	15.0	EBIT	(2.1)	(1.9)	(1.9)	(1.7)	(2.8)	0.7						
GP margin %	43.7%	40.6%	41.1%	40.0%	44.8%	NPATA (adjusted)	(1.8)	(1.6)	(1.9)	(1.6)	(2.7)	0.8						
EBITDA	(1.2)	(2.7)	(2.9)	(1.3)	2.8	Adjustments	(0.7)	(0.3)	(0.9)	(2.0)	0.7	(0.2)						
Depn	(0.2)	(0.4)	(0.2)	(0.3)	(0.2)	NPAT (reported)	(2.5)	(1.9)	(2.8)	(3.6)	(2.0)	0.6						
Amort	0.0	(0.9)	(0.5)	(0.5)	(0.5)	EPS (adjusted)	(0.012)	(0.011)	(0.012)	(0.010)	(0.015)	0.005						
EBIT	(1.4)	(4.0)	(3.6)	(2.0)	2.1	EPS (reported)	(0.016)	(0.012)	(0.018)	(0.020)	(0.011)	0.003						
Interest	(0.3)	(0.4)	(0.3)	(0.3)	(0.2)	Dividend (cps)	0.000	0.000	0.000	0.000	0.000	0.000						
Tax	(0.0)	(0.0)	(0.0)	0.0	0.0	Imputation	0.0	0.0	0.0	0.0	0.0	0.0						
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	na	na	na	na	na	na						
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	na	na	na	na	na	na						
<b>NPAT pre significant item</b>	<b>(1.7)</b>	<b>(4.4)</b>	<b>(4.0)</b>	<b>(2.4)</b>	<b>1.9</b>	<b>Divisionals</b>	<b>H120</b>	<b>H220</b>	<b>H121A</b>	<b>H221F</b>	<b>H122F</b>	<b>H222F</b>						
Significant items	(1.5)	0.0	(2.5)	0.0	0.0	Traditional Scales	7.8	10.2	10.2	12.0	12.1	14.1						
<b>NPAT (reported)</b>	<b>(3.2)</b>	<b>(4.4)</b>	<b>(6.4)</b>	<b>(2.4)</b>	<b>1.9</b>	New Retail	0.1	0.2	0.4	0.5	1.0	1.7						
<b>Cash flow (US\$m)</b>							Total Revenue	<b>7.9</b>	<b>10.4</b>	<b>10.6</b>	<b>12.5</b>	<b>13.1</b>	<b>15.8</b>					
<b>Y/E 31 Dec</b>	<b>CY19A</b>	<b>CY20A</b>	<b>CY21A</b>	<b>CY22F</b>	<b>CY23F</b>													
Adj EBITDA inc. rent	0.0	(2.3)	(2.0)	(0.5)	2.8	Gross profit	3.2	4.3	4.2	5.3	4.9	6.6						
Interest	(0.2)	(0.4)	(0.3)	(0.3)	(0.2)	Gross Profit Margin %	39.7%	41.3%	39.7%	42.2%	37.3%	42.1%						
Tax	0.2	0.0	0.0	(0.0)	0.0	R&D	1.4	1.9	1.6	2.1	1.8	1.7						
Working capital changes	(0.9)	1.1	(3.0)	(1.4)	(1.6)	General & Admin & Other	3.2	3.2	4.1	3.7	4.8	3.8						
Operating cash flow	(0.9)	(1.5)	(5.4)	(2.3)	1.0	One-off costs & Non-cash	0.2	0.3	0.7	0.8	0.7	-						
Mtce capex	(0.2)	(0.3)	(0.5)	(0.6)	(0.6)	Total costs	<b>4.8</b>	<b>5.3</b>	<b>6.4</b>	<b>6.6</b>	<b>7.3</b>	<b>5.5</b>						
Free cash flow	(1.1)	(1.8)	(5.9)	(2.8)	0.4	<b>EBITDA</b>	<b>(1.6)</b>	<b>(1.0)</b>	<b>(2.2)</b>	<b>(1.3)</b>	<b>(2.4)</b>	<b>1.1</b>						
Capitalised Software	(1.3)	0.0	(0.4)	0.0	0.0	EBITDA margin %	(20.6%)	(9.9%)	(20.5%)	(10.7%)	(18.0%)	7.0%						
Acquisitions/Disposals	(0.1)	0.0	0.0	0.0	0.0	Margins, Leverage, Returns	<b>CY19A</b>	<b>CY20A</b>	<b>CY21A</b>	<b>CY22F</b>	<b>CY23F</b>							
Other	0.0	0.0	0.0	0.0	0.0	EBITDA margin %		(6.5%)	(14.6%)	-12.6%	-4.3%	8.3%						
Cash flow pre financing	(2.5)	(1.8)	(6.3)	(2.8)	0.4	EBIT margin %		(7.3%)	(21.9%)	-15.6%	-7.1%	6.3%						
Equity	0.0	0.0	0.0	0.0	0.0	NPAT margin (pre significant items)		(9.3%)	(24.1%)	-17.1%	-8.2%	5.6%						
Debt	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)	-	2.57	- 1.48	4.02	6.78	6.37						
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	(2.5)	(1.8)	(6.3)	(2.8)	0.4	ND/ND+Equity (%)	(%)	21.4%	21.7%	188.5%	105.1%	152.8%						
<b>Balance sheet (US\$m)</b>							EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	11.4%					
<b>Y/E 31 Dec</b>	<b>CY19A</b>	<b>CY20A</b>	<b>CY21A</b>	<b>CY22F</b>	<b>CY23F</b>	ROA		(14.1%)	(21.8%)	(17.2%)	(7.6%)	6.9%						
Cash	2.6	1.5	2.0	0.7	1.1	ROE		(18.5%)	(82.5%)	(209.7%)	(716.9%)	85.0%						
Accounts receivable	5.8	5.4	7.6	8.7	9.8	<b>NTA (per share)</b>			0.07	0.03	0.01	-0.01	0.00					
Inventory	3.5	3.5	4.9	5.9	7.0	<b>Working capital</b>			7.8	6.7	9.8	11.1	12.7					
Other current assets	1.5	1.7	1.2	1.4	1.6	<b>WC/Sales (%)</b>			<b>41.6%</b>	<b>36.6%</b>	<b>42.2%</b>	<b>38.6%</b>	<b>37.9%</b>					
<b>Total current assets</b>	<b>13.4</b>	<b>12.1</b>	<b>15.8</b>	<b>16.8</b>	<b>19.5</b>	<b>Revenue growth</b>			0.9%	(2.7%)	26.2%	25.0%	16.1%					
PPE	0.6	0.6	0.8	1.1	1.5	<b>EBIT growth pa</b>			nm	nm	n/a	n/a	(203.6%)					
Intangibles	3.2	2.3	2.0	1.6	1.1	<b>Pricing</b>			<b>CY19A</b>	<b>CY20A</b>	<b>CY21A</b>	<b>CY22F</b>	<b>CY23F</b>					
Right of Use Asset	2.4	2.0	6.3	7.9	7.1	No of shares (y/e)	(m)											
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)											
Other non current assets	0.0	0.0	0.0	1.5	2.9	EPS Reported	US cps		(0.01)	(0.02)	(0.02)	(0.01)	0.01					
<b>Total non current assets</b>	<b>6.2</b>	<b>4.9</b>	<b>9.1</b>	<b>12.0</b>	<b>12.5</b>	EPS Normalised/Diluted	US cps		(0.01)	(0.02)	(0.02)	(0.01)	0.01					
<b>Total Assets</b>	<b>19.6</b>	<b>17.0</b>	<b>24.9</b>	<b>28.8</b>	<b>31.9</b>	EPS growth (norm/dil)			nm	nm	nm	n/a	-218%					
Accounts payable	1.5	2.2	2.8	3.5	4.0	DPS	cps		0.000	0.000	0.000	0.000	0.000					
Short term debt	4.1	4.8	4.0	4.9	5.7	DPS Growth			n/a	n/a	n/a	na	na					
Lease Liability	1.8	1.6	5.9	7.7	6.9	Dividend yield			0.0%	0.0%	0.0%	0.0%	0.0%					
Other	2.6	2.7	3.6	4.5	5.2	Dividend imputation			0	0	0	0	0					
<b>Total current liabilities</b>	<b>9.9</b>	<b>11.4</b>	<b>16.2</b>	<b>20.6</b>	<b>21.9</b>	PE (x)			- 6.5	- 4.1	- 3.8	- 8.3	7.0					
Convertible Note	0.0	0.0	6.0	7.5	7.5	PE market			18.0	18.0	18.0	18.0	18.0					
Other non current liabs	0.3	0.3	0.7	0.3	0.3	Premium/(discount)			(136.1%)	(122.7%)	(120.9%)	(145.9%)	(61.2%)					
<b>Total long term liabilities</b>	<b>0.3</b>	<b>0.3</b>	<b>6.8</b>	<b>7.8</b>	<b>7.8</b>	EV/EBITDA			nm	(4.3)	(6.1)	(16.7)	8.3					
<b>Total Liabilities</b>	<b>10.2</b>	<b>11.7</b>	<b>23.0</b>	<b>28.5</b>	<b>29.7</b>	FCF/Share	US cps		(0.013)	(0.010)	(0.046)	(0.020)	0.002					
<b>Net Assets</b>	<b>9.5</b>	<b>5.3</b>	<b>1.9</b>	<b>0.3</b>	<b>2.2</b>	Price/FCF share			(6.7)	(8.1)	(1.8)	(4.2)	39.2					
Share capital	7.7	7.7	9.9	10.7	10.7	Free Cash flow Yield			(15.0%)	(12.4%)	(54.2%)	(23.6%)	2.5%					
Accumulated profits/losses	(0.5)	(5.0)	(11.5)	(13.8)	(12.0)													
Reserves	1.8	2.1	3.0	3.0	3.0													
Minorities	0.4	0.5	0.5	0.5	0.5													
<b>Total Shareholder funds</b>	<b>9.5</b>	<b>5.3</b>	<b>1.9</b>	<b>0.3</b>	<b>2.2</b>													

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# FINANCIAL SERVICES GUIDE

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Corporate Authorised Representative, number 1248415

of

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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](mailto:finola.burke@raasgroup.com)

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