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FY20 Result: Shekel Brainweigh positioned for growth in 2021

Shekel Brainweigh (ASX: SBW) a global weighing technology firm has announced its financial result for the 12-month period ended 31 December 2020 (FY20), reporting a statutory net loss after tax of US\$4.6 million, compared to a loss of US\$3.3 million in the previous corresponding period (pcp, FY19).

Year ended 31 December (US\$ million)	Shekel Brainweigh Group		
	FY20	FY19	Change %
Revenue	18.3	18.8	-3%
Cost of revenue	(11.3)	(10.6)	7%
Gross profit / (loss)	7	8.2	-15%
<i>Gross margin</i>	<i>38%</i>	<i>44%</i>	<i>-16%</i>
Operating expenses and R&D	(10.9)	(9.85)	11%
Impairment on financial asset	0.25	(0.7)	
EBIT	(3.7)	(2.35)	-63%
Finance expense	(0.7)	(0.7)	0%
Income tax expense	0	(0.25)	
Net loss after tax	(4.4)	(3.3)	-33%

Arik Schor, Chairman and CEO of Shekel Brainweigh, said: “Shekel continued to operate its business profitably posting a gross profit of US\$7 million as well as launching new products in both divisions and winning new clients in new sectors. Pleasingly, the Retail Innovation division has started to generate revenue.

“In the second half of FY20, total revenue from the Group resumed to pre-COVID levels of US\$10.4 million.

“When I joined this company in July 2020, my three priorities were: fixing the capital structure to support our growth plans; getting the core division, Shekel Scales, back on track of strong growth; and delivering our promises on the Retail Innovation division. Shekel’s continuing investment in R&D for both the Shekel Scales and the Retail Innovation divisions means these divisions are positioned for growth in 2021.

“During the year we refreshed the Board and Management and appointed a new Chief Executive Officer for the Shekel Scales division. We also undertook a A\$2.1 million private placement which was successfully completed in January 2021.

“Shekel’s flagship product the Micro-Market Capsule - BlackBox - was launched in France and the second generation micro-coolers and hubz, a joint product with vending giant Parlevel Systems and Imbera Cooling was launched in the United States market.”

FY20 financial result

Revenue of US\$18.3 million was US\$0.5 million or 3% lower than FY19. This was achieved in an extremely uncertain and volatile environment across the globe where Shekel operates and is testament to the long-term stability of Shekel Brainweigh.

Cost of revenue was US\$11.3 million, up US\$0.9 million or 7%, driven mainly by erosion of the US dollar against the NIS and Increase in depreciation due to the start of sales of an intangible asset.

Gross profit was US\$7 million, down US\$1.2 million or 15% on the pcp, and **gross margin** was 38%, down from 44% (pcp).

Operating expenses, including R&D, rose by US\$1.1 million or 11% (pcp), to support the launch and delivery on new product rollout.

Earnings Before Interest and Tax (EBIT) was US\$-3.7 million, down 63% (pcp)

The **statutory net loss after tax** was US\$4.4 million, compared to a loss of US\$3.3 million in FY19, as a result of a decline in gross profit and continued ongoing investment in R&D, mainly in the Retail Innovation Division.

Business overview

Shekel Scales

- Continued manufacturing and delivery of systems globally during COVID.
- Gaining new clients including for its self-checkout scales.
- In the retail market, demand for self-checkout technology fell by 10% due to a change in the ordering policy of one of the OEM customers. There was a 6% increase in sales in medical OEM markets in the United States and Europe.
- The impact of COVID on hospitals and medical centers reduced demand for medical device business across the Healthweigh product line by 45%. This was partially offset by higher sales in the Israeli market across all segments, after winning medical and retail tenders in Israeli market.
- In the healthcare market, orders for Shekel's proprietary incubator sensor weighing technology rose by 6% following increased orders from Atom and GE Healthcare. While COVID disrupted the distribution of Healthweigh products, orders in the healthcare sector rebounded in the second half, predominantly as a result of a return in distributor activities.
- Development of a new solution for smart kart, allowing mobile self-check out on the smart kart itself.
- Significant increase in the Industrial special projects' activities. The industrial projects are highly profitable and carry high top-line sales. We are on track to materialize sales in 2021.
- In FY20, Shekel signed an agreement to develop a software as a service version of the Fast Track self-checkout solution. This enables retailers to significantly reduce losses, errors and checkout-time at the point-of-sale (POS) and to improve the checkout experience for customers. Development of this solution is progressing as planned with the aim of launching Fast Track in the second half of 2021 and seeing fully commercialised systems in the market by end of 2021.

Retail Innovation

- Commercialization of products and reporting its first revenue of US\$0.3 million. This included US\$0.2 million from product and Proof-of-Concept (POC) pilots and US\$0.1 million of revenue from sales of Innovendi – Shekel's self-service smart micro market system – and supporting software services.
- Despite 2020 being a challenging year for introducing new solutions, the division successfully commenced pilots. The division now has seven paid pilots, including a first order from Australia, reflecting the increased demand for new solutions and for the autonomous store.
- Launch of Shekel's flagship Micro-Market Capsule – BlackBox - with a major retailer Casino Groups Monoprix, France, the first fully autonomous store of its kind.
- Progressed with the product development and go-to-market readiness of solutions while prudently investing in R&D.
- Actively managing relations with its major partners, including the continued development of its strategic relations with Intel, as a member of the "IoT Alliance"®. In FY20, Certification of Shekel's Micro-Market Capsule by Intel®, and recognition of both Innovendi and hubz as a Market Ready Solution, which enables Shekel to participate in joint marketing and sales efforts with Intel®.

Capital position

Cash balance at 31 December 2020 was US\$1.47 million¹ compared to US\$2.57 at 31 December 2019. Following FY20, Shekel completed a A\$2.1 million private placement.

This announcement has been approved for release by the Board of Directors.

¹ Inclusive of Euro 400,000 loan from the French Government - under its COVID support scheme - to Shekel's subsidiary in France.

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About Shekel Brainweigh (“Shekel” or “the Company”)

Shekel Brainweigh has for over 40 years been a global leader in developing scale and weighing technology. The company provides weighing solutions to the highly regulated retail and healthcare markets via global giants such as G.E Healthcare, Toshiba, Fujitsu, Diebold Nixdorf and others.

Utilising its experience in weighing technology, Shekel Brainweigh is developing a suite of new products aimed at meeting the challenges that traditional retailers face today, such as store automation, operational efficiency including overstock and understock inventory issues and enhancing the consumer experience.

Shekel’s patented combination of weighing technology with Artificial Intelligence (AI) and Internet of Things (IoT) technology has led to the development of its “Product Aware Technology”. Shekel Brainweigh is committed to continuing to innovate and expand into global markets.

To learn more about Shekel Brainweigh, visit www.shekelbrainweigh.com