

Sales growth to continue in CY22 on a number of fronts

Shekel Brainweigh Limited (ASX:SBW) has reported CY21 sales growth of 26% to US\$23.1m, which included ~240% growth in Retail Innovation sales. On our estimates adjusted EBITDA (before amortisation, one-off costs and share-based payments) was US\$2.0m, 10% below CY20 despite a 14% increase in R&D spend. Gross margins were in-line with CY20 at 41% despite supply chain pressures including higher chip costs for SBW's weighing hardware. Cash conversion was ~45%, impacted by higher inventories in anticipation of strong CY22 sales and higher receivables given the strength in Q4 CY21 sales. CY22 will be aided by a backlog in orders, second year of sales for Hubz and the micro-market capsule, a US\$1.6m order for weighing units for A2Z's Smart Cart (7% of total CY21 sales) and new European customers for the Scales division. From a valuation perspective, if we assume adjusted CY21 EBIT of US\$2.5m (A\$3.5m) for the Scales division and apply an 8x multiple we get a A\$27m value against the current market cap of \$23m. This implies a negative \$4.5m value for the Retail Innovation division despite >A\$10m in R&D spend over the past three years and new products at or near commercialisation.

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 revenues from data analytics. Two new products (Innovendi and Hubz vending machines) are in commercialisation while others are close (Autonomous Micro-market Capsule, Smart Carts and Fast Track product identification software/hardware).

CY22 shaping up as another year of growth and narrowing loss

Cycling 26% sales growth (to US\$23.1m) and an underlying (RaaS) EBITDA loss of US\$2.0m, we are forecasting 20% sales growth and a further narrowing in underlying EBITDA over CY22. On the sales front the new US\$1.6m Smart Cart supply agreement with A2Z alone represents 7% of CY21 sales. The Hubz and Smart Capsule will be year-2 into commercialisation while a backlog of orders should benefit the core scales division, together with new customer additions (mainly in Europe). At the EBITDA line we expect a modest recovery in gross margin and a stabilisation of the cost base, albeit R&D spend remains at elevated levels.

Base-case valuation A\$0.35/share supported by Scales profit

Our base-case DCF valuation for SBW is now \$0.35/share (down from \$0.37/share) following fine-tuning of a number of assumptions including shares on issue following the recent capital raise. Using our adjusted FY21 EBIT forecast for the Scales division and applying an 8x multiple we derive a valuation of A\$27.0m alone, well above the current market cap and implying a negative A\$4.5m value for the Retail Innovation division despite multiple products in the market. A \$0.35/share DCF implies a fully diluted market cap of A\$64m.

Historical earnings and RaaS Advisory estimates on a reported basis

Year end	Revenue (US\$m)	Adj. EBIT (US\$m)	Adj. NPAT (US\$m)	EPS (c)	PER (x)	EV/sales(x)
12/20a	18.3	(4.0)	(4.4)	(0.02)	(4.8)	0.77
12/21a	23.1	(3.6)	(4.0)	(0.02)	(4.4)	0.86
12/22e	27.7	(0.9)	(1.2)	(0.00)	(23.3)	0.81
12/23e	32.2	2.5	2.2	0.02	6.3	0.67

Source: Company Data, RaaS Advisory Estimates

Technology – Hardware & Software

10th March 2022

Share Details

ASX code	SBW
Share price	\$0.14
Market capitalisation	\$23.3M
Shares on issue	166.8M
Enterprise value	\$27.6M
Net debt at Dec-31 #	A\$4.3M
Free float	~27%

Includes convertible note, excludes WC facility

Share Performance (12 months)



Upside Case

- Recovery from COVID-induced decline in core self-checkout and healthcare products
- Key global 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

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*The analyst holds shares

H2 FY21/CY21 Result Summary

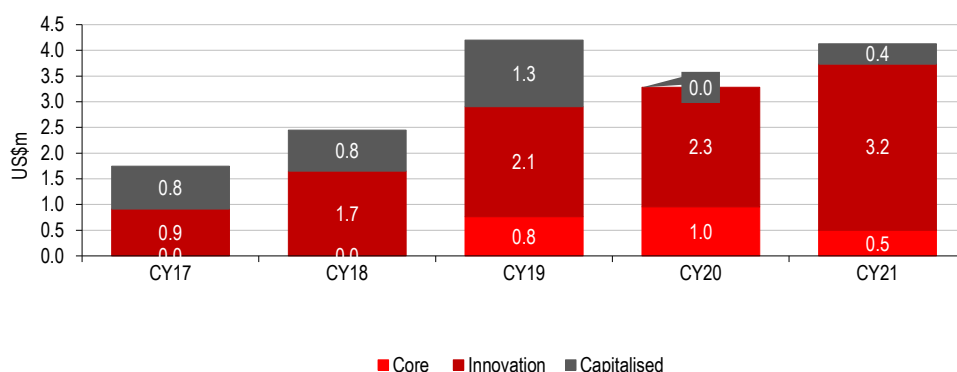
Our numbers take SBW reported numbers and adjust for:

- **Amortisation** at the COGS line which totalled US\$234k in H1 CY21 and US\$233k in H2 CY21;
- **AASB16-related depreciation**, adding back cash rental costs to operating costs;
- **Share-based payments included in R&D** and which were significant in H2 CY21 (US\$802k); and
- **Costs deemed abnormal**, which in H1 CY21 included US\$600k in redundancy costs.

The table below summarises the H2 CY21 result. Key observations include:

- **20% sales growth to \$US12.5m.** New contract wins in the core Scales division and the cycling of COVID-impacted sales across all key products (self-checkout, industrial local projects in Israel and own brand healthcare) were the key drivers to this growth.
- **Gross margins up 100bps** off a low base but still being impacted by elevated shipping costs and higher raw material costs, with similar trends seen in the first half.
- **Adjusted R&D spend remains elevated** at US\$2.1m as new product development continues, taking the total for CY21 to US\$3.7mn. We estimate total R&D spend of US\$9.4m over the past three years.
- **“Other costs” growing at ~14%**, well below the rate of sales growth with no abnormal adjustments.

Exhibit 1: SBW R&D spend CY17-CY21



Source: Company financials and RaaS estimates

Divisionally, the core Scales division reported a US\$600k EBIT contribution in H1 CY21 which included ~US\$600k in “one-off” costs relating to the capital raise and redundancy payments. We estimate a higher contribution in H2 CY21 (yet to be disclosed) given historical seasonality. The Retail Innovation division recorded an EBIT loss of US\$3.2m in H1 CY21 on the back of higher operating costs (including R&D) and modest sales revenues. With higher sales we estimate a smaller loss in H2 CY22.

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

Line item	H121	H221	CY21	Comment
Sales	10.62	12.48	23.10	As reported
Scales	10.24	11.93	22.17	
Retail Innovation	0.38	0.55	0.93	
Adjusted EBIT	(1.94)	(1.63)	(3.51)	H1 as reported adjusted for abnormals
Scales	1.24	1.32	2.56	H2 estimates
Retail Innovation	(3.20)	(2.83)	(6.01)	

Sources: Company financials and RaaS estimates

Exhibit 3: H1 CY21 SBW result summary (in US\$m unless otherwise stated)

Line item (US\$)	H220	H221	% CHG	Comment
Sales	10.4	12.5	20	Impacted by some shipment delays
Gross profit	4.3	5.3	23	
GP%	41	42		100bps improvement despite cost pressures
Operating costs	5.1	5.8	15	
R&D (ex-SBP)	1.9	2.1	16	Elevated R&D remains
Other	3.2	3.7	14	
EBITDA	(0.8)	(0.5)	(33)	US\$300k improvement despite R&D
Depreciation	0.4	0.1		
Amortisation	0.5	0.2		Lower amortisation (a one-off in H2 CY20)
EBIT	(1.6)	(0.9)	(48)	\$200k better than RaaS estimates
(EBITDA margin)	(7.5)	(4.2)		
(EBIT Margin)	(15.9)	(6.9)		
Share-based payments/other	0.3	0.8		
Other	0.0	0.0		
Reported EBIT	(1.9)	(1.7)	(13)	

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 reduction in underlying EBITDA losses (ex-abnormals/non-cash), including:

- **Order backlog** from H2 CY21 due to supply chain issues and evidenced by the build-up in inventory as at December 2021.
- **First Smart Cart weighing unit order for US\$1.6m (+7% alone)**, for A2Z Advanced Solutions (NASDAQ:AZ) "Cust2mate" smart cart, currently on trial with Evergreen supermarkets in New York.
- **Year two of key new products**, particularly the automated vending machine Hubz and Micro-Market capsule under various trial formats (stand-alone, shop-within-a-shop).
- **Some recoupment of input cost pressures** are expected over CY22 in the form of price increases. Gross margins have fallen from 45% to 41% over the past three years.
- **Fast Track launch now set for late CY22**. We have nothing in our numbers for this initiative as there is little commercial details available.

Exhibit 4: CY22 earnings summary (in US\$m unless otherwise stated)

Line item (US\$)	CY21A	CY22F	% CHG	Comment
Sales	23.1	27.7	20	Backlog, new customers and new products
Gross Profit	9.5	12.1	28	Some recovery of cost increases
GP%	41%	44%		
Operating costs	11.5	12.3	7	Stabilising
R&D (ex-SBP)	3.7	4.1	10	R&D forecast to remain elevated
Other	7.8	8.2	5	Other costs moderating
EBITDA	(2.0)	(0.2)	(91)	
Depreciation	0.2	0.2	(8)	
Amortisation	0.5	0.5	0	
EBIT	(2.7)	(0.9)	(68)	
(EBITDA margin %)	(8.8%)	0.0		
(EBIT margin %)	(11.9%)	0.0		
SBP/other	0.9	0.0		
Other	0.6	0.0		
Reported EBIT	(4.2)	(0.9)	(79)	

Sources: Company financials and RaaS estimates

Medium-Term Outlook

Unit sales

Our revised new product unit sales numbers are presented in the following table

- **Innovendi** has consistently been below the ~170 units per year Tnuva agreement (1,200 units across seven years) so we have used recent years as a better guide.
- **Hubz** delivered ~30 trial units and their first commercial order of 67 units to the Colruyt Group in Belgium over Q4 CY21. We expect unit sales to accelerate in CY22 with US orders *(the home of key partners) yet to be seen.
- **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 US\$1.6m Smart Cart** order for A2Z Advanced Solutions (NASDAQ:AZ) "Cust2mate" smart cart requires the delivery of "thousands of units" to satisfy, and we have incorporated accordingly.

Exhibit 5: SBW new product sales by units

Year-end	2019F	2020F	2021F	2022F	2023F
Innovendi - Old	na	41	81	160	180
Innovendi - New	na	41	81	100	100
Hubz Kit - Old	0	10	60	350	550
Hubz Kit - New	0	10	60	400	550
Smart Shelves - Old		50	61	250	400
Smart Shelves - New		50	60	400	650
Capsules - Old	0	0	4	20	50
Capsules - New	0	0	4	15	45
Smart Cart - Old	0	0	0	0	0
Smart Cart - New	0	0	0	2,900	4,700

Source: Company financials 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. We view the convertible note terms issued to Kvutzat Yavne as attractive to both Kvutzat Yavne and existing SBW shareholders. 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, funding now looks sufficient to deliver the promises and potential 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 have assumed a share price at conversion of \$0.45, implying dilution of ~12% to the current share count.

Exhibit 6: Convertible note dilution at various share prices

Share price (A\$)	\$0.14	\$0.25	\$0.35	\$0.45	\$0.55
75% discount	0.11	0.19	0.26	0.34	0.41
Shares issued	62.7	35.1	25.1	19.5	15.9
Dilution on current share count	40%	22%	16%	12%	10%

Source: RaaS estimates

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. Similar trials with other retailers are also under way in Israel and Asia.

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 by Belgium food group Colruyt in November 2021 for 67 units.

SBW estimates via third-party research that the US intelligent vending machine market had 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 CY22 for the first time.

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.

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 CY21 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 FY22F and CY21A results. From a SBW viewpoint:

- 60% discount to the peer average (ex-MX1) on an EV/Sales basis;
- Gross margins and WC/sales (ex MOB & MX1) both around the peer average;
- All peers outside of AMS are forecast to be loss making (ex-amortisation) in CY21/FY22; and
- While R&D/Sales is at the lower end of peers, absolute spend is mid-range given the high sales base.

Exhibit 7: Peer financial comparison (in A\$m unless otherwise stated)

Company Name	Ticker	Share price (cps)	Mkt cap.	Dec-31 net debt/(cash)	CY21 adj. PBT	CY21 sales	CY21 GP%	CY21 WC/Sales	CY21 EV/Sales	CY21 R&D/Sales
Atomos*	AMS	0.84	156	(16.8)	6.4	95.0	47%	15%	1.5	5%
Revasum	RVS	0.68	72	(5.9)	(7.1)	18.8	35%	49%	3.5	34%
MicroX*	MX1	0.16	74	(19.9)	(10.0)	2.8	(7%)	168%	19.2	100%
Pivotal Systems	PVS	0.55	77	(5.3)	(7.0)	40.0	31%	42%	1.8	22%
Birdog*	BDT	0.32	65	(25.4)	1.2	46.0	28%	46%	0.9	3%
Mobilicom	MOB	0.05	14	(4.0)	(2.2)	3.5	65%	1%	3.0	69%
AVERAGE (ex-MX1)							41%	38%	2.1	26%
Shekel Brainweigh	SBW	0.14	23	4.7	-2.8	31.6	41%	37%	0.9	18%

Sources: Company financials, Refinitiv Eikon; *FY22 June year-end, otherwise CY21

Valuation

Sum of the parts

We utilise the disclosure of the divisional splits between Scales and the Retail Innovation division to highlight the value within SBW currently. Using CY21 divisionals, we derive a valuation of the group's Scales business of A\$28m (8x CY21 EBIT).

This implies a negative value for the group's Retail Innovation division of A\$4.5m despite having multiple products in paid pilots and early stages of commercialisation.

Exhibit 8: SBW divisional valuation

Line item	H121A	H221F	FY21F	Comment
Reported EBIT (US\$)	0.6	1.3	1.9	H121 as reported, H221 RaaS estimate
Adjusted EBIT (US\$)	1.2	1.3	2.5	H121 adjusted for one-offs
Assessed EBIT multiple			8.0x	
Valuation (US\$)			20.1	
Valuation (A\$) (@\$0.74)			27.9	Converting US\$ valuation into A\$ at \$0.72
Current mkt. cap. (A\$)			23.3	
Implied value Retail			(4.5)	
Innovation division (A\$)				

Sources: Company financials and RaaS estimates

Discounted cash flow

We have fine-tuned our DCF assumptions to incorporate the recent capital raising and CY21 result trends and the result is a reduction from A\$0.37/share to \$0.35/share. There are so many moving parts and assumptions in this 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 \$0.45/share.** At this price the conversion price would be \$0.35/share (25% discount) and the dilution ~12%;
- **Discount rate 10.4%** incorporating a beta of 1.2x, RFR of 2.0% and equity risk premium of 7.08%;
- **Medium-term growth rate** outside the forecast period of 10%;
- **Terminal growth** rate of 2.2%;
- **Sustainable gross margin 49%** against ~41% in CY21, aided by higher-margin SaaS and data analytics fees, and some recoupment of margins following the input costs pressures of CY21.

Exhibit 9: SBW base-case DCF valuation

Parameters	Outcome
Discount rate / WACC	10.4%
Beta	1.2x
Terminal growth rate assumption	2.2%
Sum of PV	\$9.5m
PV of terminal value	\$51.5m
PV of enterprise	\$61.0m
Debt (cash) excluding CN	(\$3.8m)
Net value - shareholder	\$64.8m
No. of shares on issue (166.8 ordinary + 19.3 CN)	186.1m
NPV (\$ per share)	\$0.35
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 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 10: Financial Summary

Shekel Brainweigh (SBW.ASX)						Share price (9 March 2022)						A\$	0.140
Profit and Loss (US\$m)						Interim (US\$m)							
Y/E 31 Dec	CY19A	CY20A	CY21A	CY22F	CY23F	Revenue	H120A	H220A	H121A	H221A	H122F	H222F	
Revenue	18.8	18.3	23.1	27.7	32.2	EBITDA	(1.6)	(1.0)	(1.6)	(1.3)	(1.0)	0.8	
Gross profit	8.2	7.4	9.5	12.1	14.9	EBIT	(2.1)	(1.9)	(1.9)	(1.7)	(1.3)	0.4	
GP margin %	43.7%	40.6%	41.1%	43.7%	46.4%	NPATA (adjusted)	(1.8)	(1.6)	(1.9)	(1.6)	(1.2)	0.5	
EBITDA	(1.2)	(2.7)	(2.9)	(0.2)	3.1	Adjustments	(0.7)	(0.3)	(0.9)	(2.0)	(0.2)	(0.2)	
Depn	(0.2)	(0.4)	(0.2)	(0.2)	(0.2)	NPAT (reported)	(2.5)	(1.9)	(2.8)	(3.6)	(1.5)	0.3	
Amort	0.0	(0.9)	(0.5)	(0.5)	(0.5)	EPS (adjusted)	(0.012)	(0.011)	(0.012)	(0.010)	(0.007)	0.003	
EBIT	(1.4)	(4.0)	(3.6)	(0.9)	2.5	EPS (reported)	(0.016)	(0.012)	(0.018)	(0.022)	(0.009)	0.002	
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	
NPAT pre significant items	(1.7)	(4.4)	(4.0)	(1.2)	2.2	Divisionals	H120	H220	H121A	H221F	H221F	H221F	
Significant items	(1.5)	0.0	(2.5)	0.0	0.0	Traditional Scales	7.8	10.2	10.2	12.0	11.6	13.4	
NPAT (reported)	(3.2)	(4.4)	(6.4)	(1.2)	2.2	New Retail	0.1	0.2	0.4	0.5	1.0	1.7	
Cash flow (US\$m)						Total Revenue	7.9	10.4	10.6	12.5	12.6	15.1	
Y/E 31 Dec	CY19A	CY20A	CY21A	CY22F	CY23F								
Adj EBITDA inc. rent	0.0	(2.3)	(2.0)	(0.2)	3.1	Gross profit	3.2	4.3	4.2	5.3	5.5	6.6	
Interest	(0.2)	(0.4)	(0.3)	(0.3)	(0.2)	Gross Profit Margin %	39.7%	41.3%	39.7%	42.2%	43.3%	44.0%	
Tax	0.2	0.0	0.0	(0.0)	0.0	R&D	1.4	1.9	1.6	2.1	2.1	2.0	
Working capital changes	(0.9)	1.1	(3.0)	(0.9)	(1.6)	General & Admin & Other	3.2	3.2	4.1	3.7	4.4	3.8	
Operating cash flow	(0.9)	(1.5)	(5.4)	(1.4)	1.3	One-off costs & Non-cash	0.2	0.3	0.7	0.8	-	-	
Mtce capex	(0.2)	(0.3)	(0.5)	(0.6)	(0.6)	Total costs	4.8	5.3	6.4	6.6	6.5	5.8	
Free cash flow	(1.1)	(1.8)	(5.9)	(2.0)	0.7	EBITDA	(1.6)	(1.0)	(2.2)	(1.3)	(1.0)	0.8	
Capitalised Software	(1.3)	0.0	(0.4)	0.0	0.0	EBITDA margin %	(20.6%)	(9.9%)	(20.5%)	(10.7%)	(7.8%)	5.3%	
Acquisitions/Disposals	(0.1)	0.0	0.0	0.0	0.0								
Other	0.0	0.0	0.0	0.0	0.0	Margins, Leverage, Returns		CY19A	CY20A	CY21A	CY22F	CY23F	
Cash flow pre financing	(2.5)	(1.8)	(6.3)	(2.0)	0.7	EBITDA margin %		(6.5%)	(14.6%)	-12.6%	-0.7%	9.7%	
Equity	0.0	0.0	0.0	0.0	0.0	EBIT margin %		(7.3%)	(21.9%)	-15.6%	-3.2%	7.6%	
Debt	0.0	0.0	0.0	0.0	0.0	NPAT margin (pre significant items)		(9.3%)	(24.1%)	-17.1%	-4.3%	6.9%	
Net Dividends paid	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)	-	2.57	- 1.48	4.02	5.20	4.48	
Net cash flow for year	(2.5)	(1.8)	(6.3)	(2.0)	0.7	Net debt/EBITDA (x)	(x)	nm	nm	nm	nm	nm	
Balance sheet (US\$m)						ND/ND+Equity (%)	(%)	21.4%	21.7%	188.5%	140.5%	588.7%	
Y/E 31 Dec	CY19A	CY20A	CY21A	CY22F	CY23F	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	9.8%	
Cash	2.6	1.5	2.0	0.8	1.5	ROA		(14.1%)	(21.8%)	(17.2%)	(3.3%)	8.3%	
Accounts receivable	5.8	5.4	7.6	8.3	9.4	ROE		(18.5%)	(82.5%)	(209.7%)	(79.3%)	59.7%	
Inventory	3.5	3.5	4.9	5.6	6.7	NTA (per share)		0.07	0.03	0.01	0.00	0.01	
Other current assets	1.5	1.7	1.2	1.4	1.6	Working capital		7.8	6.7	9.8	10.6	12.2	
Total current assets	13.4	12.1	15.8	16.2	19.2	WC/Sales (%)		41.6%	36.6%	42.2%	38.5%	37.9%	
PPE	0.6	0.6	0.8	1.1	1.5	Revenue growth		0.9%	(2.7%)	26.2%	19.8%	16.4%	
Intangibles	3.2	2.3	2.0	1.6	1.1	EBIT growth pa		nm	nm	n/a	n/a	(379.9%)	
Right of Use Asset	2.4	2.0	6.3	7.8	6.9	Pricing		CY19A	CY20A	CY21A	CY22F	CY23F	
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	139	153	153	167	167	
Other non current assets	0.0	0.0	0.0	1.1	2.5	Weighted Av Dil Shares	(m)	139	153	153	167	167	
Total non current assets	6.2	4.9	9.1	11.7	12.0	EPS Reported	US cps	(0.01)	(0.02)	(0.02)	(0.00)	0.02	
Total Assets	19.6	17.0	24.9	27.8	31.2	EPS Normalised/Diluted	US cps	(0.01)	(0.02)	(0.02)	(0.00)	0.02	
Accounts payable	1.5	2.2	2.8	3.3	3.9	EPS growth (norm/dil)		nm	nm	nm	n/a	-472%	
Short term debt	4.1	4.8	4.0	4.7	5.5	DPS	cps	0.000	0.000	0.000	0.000	0.000	
Lease Liability	1.8	1.6	5.9	7.6	6.7	DPS Growth		n/a	n/a	n/a	na	na	
Other	2.6	2.7	3.6	4.3	5.0	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	
Total current liabilities	9.9	11.4	16.2	20.0	21.1	Dividend imputation		0	0	0	0	0	
Convertible Note	0.0	0.0	6.0	6.0	6.0	PE (x)	-	7.6	- 4.8	- 4.4	- 23.3	6.3	
Other non current liabs	0.3	0.3	0.7	0.3	0.3	PE market		18.0	18.0	18.0	18.0	18.0	
Total long term liabilities	0.3	0.3	6.8	6.3	6.3	Premium/(discount)		(142.1%)	(126.5%)	(124.6%)	(229.2%)	(65.2%)	
Total Liabilities	10.2	11.7	23.0	26.3	27.5	EV/EBITDA		nm	(5.2)	(6.9)	(107.9)	7.0	
Net Assets	9.5	5.3	1.9	1.5	3.7	FCF/Share	US cps	(0.013)	(0.010)	(0.045)	(0.012)	0.004	
Share capital	7.7	7.7	9.9	10.7	10.7	Price/FCF share		(7.8)	(9.4)	(2.2)	(8.3)	22.8	
Accumulated profits/losses	(0.5)	(5.0)	(11.5)	(12.7)	(10.5)	Free Cash flow Yield		(12.8%)	(10.6%)	(46.2%)	(12.1%)	4.4%	
Reserves	1.8	2.1	3.0	3.0	3.0								
Minorities	0.4	0.5	0.5	0.5	0.5								
Total Shareholder funds	9.5	5.3	1.9	1.5	3.7								

Source: RaaS Advisory

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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