

Shekel Brainweigh Announces 2019 Half Year Results

Advanced weighing technology company **Shekel Brainweigh Limited** (“Shekel” or the “Company”) today announces results for the half year period ending 30 June 2019.

H1 19 Financial Overview:

Note: All financials expressed in US dollars

- Total group revenues \$8.4m (down from \$8.8m in H1 18) due to some orders finalised at the end of H1 19, with sales acceleration to be reflected in second half of FY19.
- Cost of revenues \$4.6m (down from \$5.5m in H1 18).
- Gross profit at \$3.8m (up from \$3.3m in H1 18).
- Research & Development expenses up from \$832,000 in H1 18 to \$2.4m to drive Shekel’s new Retail Innovation Division. These expenses were forecasted and funded using a portion of the IPO proceeds.
- Financial expenses of \$615,000 up from \$51,000 in H1 18 due to a new accounting rule-IFRS16 (\$224,000) and currency exchange differences (\$194,000) (both issues are not cash issues).
- Early commercialisation from Retail Innovation Division with sales of \$103,000, classified as reduction to the R&D expense in accordance with accounting rules.
- Underlying profit (loss) of \$2.0m (from loss of \$14,000 in H1 18) as a result of funds deployed back into the new Retail Innovation Division; while Shekel Scales, the Company’s core legacy business, as a standalone division made an underlying profit of \$407,000.
- Shekel remains well funded to pursue growth opportunities with cash of \$5.1m as of 30 June 2019 (from \$6.2m at FY18).

Operational Highlights:

The Company operates under two distinct business segments, the well-established core business Shekel Scales and the newly created and separate Retail Innovation Division.

Shekel Scales

Shekel Scales’ weighing technology is used in the retail industry in commercial Point of Sales (POS) equipment such as retail self-checkouts; and in healthcare in precision weighing systems (i.e. incubators and warmers), in addition to Shekel’s own Healthweigh brand.

Shekel Scales is the Company’s core division and has historically been the major contributor to Group revenues and profits, with revenues historically weighted towards the second half of the year.

- **Retail Sales:** continued stable demand with an increase in unit orders from major customers Toshiba and Diebold Nixdorf compared to prior corresponding period (in line with the

Company's assumption of continued growth in the self-checkout (SCO) market. Units sold in H1 19 include:

- 8,533 units to **Toshiba's** self-checkout systems (up from 8,400 in H1 18)
- 2,671 units to **Diebold Nixdorf's** self-checkout systems (up from 1,701 in H1 18)
- 3,518 units to **Fujitsu** (down from 5,401 in H1 18)

- **Healthcare Sales:** continued demand from long standing customers, with a few orders finalised at the end of H1 19 with sales to be reflected in H2 19.
 - 660 units to **Atom** (up from 595 in H1 18)
 - 336 units to **Fanem** (up from 180 in H1 18)
 - 2,428 units to **GE Healthcare** (down from 3,697 in H1 18)

- Post period end, an MOU was signed with UK software company Edgify to develop the first of its kind visual recognition technology in self-checkouts for real time product identification (fruit & vegetables). The technology is expected to provide a capability to identify fresh produce automatically on self-checkouts without the shopper having to select the actual item at the checkout. The solution will reduce the human error factor, targeting a 99% accuracy compared to 50-60% of current technologies, and deliver a faster and higher quality experience.

Retail Innovation Division

Shekel has placed strong emphasis on the Retail Innovation Division to capitalise on the global demand for retail store automation, such as "grab and go" technology which enables brick and mortar retailers to transition with the e-commerce revolution. The division was established at the time of the Company's IPO with funds raised deployed for R&D to drive future growth.

The weighing technology accurately provides weight and location of products in real-time unlocking on-shelf activity into valuable insights for retailers. The technology is distinct from Shekel Scales and products include Innovendi (autonomous vending machines), Smart Shelf (instant recognition when a product is removed or replaced from a retail shelf), Goopi (in store automatic customised video advertising technology) and Fast Track (visual recognition technology in self-checkouts).

- Shekel has made early progress with the first commercial commitment for orders of 1,200 autonomous vending machines, Innovendi, sold to a subsidiary of **Tnuva Group**, over a seven year period (with a minimum commitment of 100 machines a year). Tnuva is the largest food manufacturer in Israel, owned by Chinese food conglomerate **Bright Food Group**. The delivery of initial machines commenced during the period with initial sales of \$103,000 received, which due to accounting rules were written in the financial report as decrease of R&D expenses.
- As a validation of Shekel's concept, technology giant **Intel** invited the Company to join the 'Open Retail Initiative', a collaboration amongst blue-chip industry partners to enable the rapid deployment of Internet of Things (IoT) based solutions to change the way retailers operate.
- To accelerate product development, BD and sales, Shekel appointed senior executive Mr. Udi Wiesner as General Manager of the division, post period end.



- Continued progress with Madix, one of the largest retail shelf manufacturers in North America to develop a joint solution.

Outlook

FY19 Priorities

Shekel Scales

- Advance sales from blue-chip customers to capture increased share in retail and healthcare industries.
- Progress agreement with Edgify to develop visual recognition technology for self-checkout systems.
- Launch of new products under the Healthweigh brand.

Retail Innovation Division

- Leverage the Innovendi solution as a platform to penetrate large global markets for smart vending and Micro markets.
- Continued pilots of Smart Shelf.
- Further collaboration with go to market partners such as Madix.
- Continued focus on R&D with early commercialisation of Innovendi and paid POCs (proof of concepts) as the division will serve as a future additional revenue stream.

Shekel Brainweigh Chief Executive Officer, Yoram Ben Porat, commented:

“We received good orders in the first half of the year, and despite some order delays, actual revenues will be reflected in the second half of 2019. Our Shekel Scales division still made a profit and as historically occurred, sales are expected to accelerate in the second half of the year.”

“Demand for our precision weighing technologies continues to grow. We have strengthened our partnerships, many of whom we have long term exclusivity agreements. In addition many of our blue-chip customers have increased their orders compared to the prior corresponding period, underpinning Shekel’s relevance and market position in weighing technology. We will continue to focus on our core division Shekel Scales, while building on the significant opportunity in the new Retail Innovation Division to capture the global demand in retail store automation.”

“This is an exciting time for global retail automation, and Shekel has developed the digital tools to allow retailers to better compete with e-commerce, enabling product recognition in full scale, to improve retailers’ insights into products and increase efficiencies and consumer experience. The commitment to order 1,200 of our fully autonomous vending machines, Innovendi, is an excellent validation of our new technology. The Company is in ongoing negotiations with global leaders of vending machines operators and manufacturers in the U.S., the UK and Europe for the sale of Innovendi machines. This gives us great confidence that our new products will gain market traction; led by the recent appointment of Udi Wiesner.”

“Our balance sheet remains strong to pursue opportunities ahead, and I believe we are well positioned to deliver solid growth in the second half of FY19 and beyond.”

Ends



Investor relations and media enquiries

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About Shekel Brainweigh

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 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 the "Product Aware Surface Technology". Shekel Brainweigh is committed to continuing to innovate and expand into global markets.

To learn more about Shekel Brainweigh, visit <http://www.shekelbrainweigh.com/>