

A background image showing a view of Earth from space, with a bright sun rising over the horizon, creating a lens flare effect. A yellow curved line is positioned above the sun.

# INVESTOR PRESENTATION FY19 RESULTS

16 April 2020

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# Shekel Brainweigh

## World -leading weighing technology & AI innovator

### Technology innovator with significant income

- A precision technology company developing market leading IP
- 'Genius-lab' based in Israel
- SBW supplies to leading global blue-chip customers in the healthcare and retail markets – GE Healthcare, Toshiba, Fujitsu, Atom
- Long-term contracts with globally diverse, market leading customers

### Platform for growth – leveraging existing technology to develop AI-based solutions

- Experienced management with successful track record and a vision for the future
- Launched AI Innovation platform – to leverage proven sensor technology to enable retail AI applications

### Shekel Brainweigh (ASX: SBW)

Global Industry Classification Standard	Information Technology sector, Software & Services industry group
<b>FY19 revenue</b>	<b>US\$18.8 million (A\$32.5 million)</b>
<b>FY19 gross profit</b>	<b>US\$8.1 million (A\$14.0 million)</b>
Market cap <sup>1</sup>	A\$9.2 million <sup>1</sup>
Employees	Approximately 180
Markets	Europe, UK, USA, Australia, Japan, China, Israel
Shares issued	139 million
Financial year-end	31 December
Shareholders	<ul style="list-style-type: none"> <li>• Axcel Partners 38%</li> <li>• Consepta 25%</li> <li>• Agricultural Cooperative Society 17%</li> <li>• Free float 20%</li> </ul>

<sup>1</sup> As of 31 March 2020

# 'Best in class' technology enables AI -based innovations

## Core business

*'Best in class' technology; blue-chip clients; global reach*

### Healthcare: digital weighing technology

- Shekel pioneered chip technology with sensors for incubators and baby warmers
- Highly regulated market and high barriers to entry
- Long-standing partnership with GE Healthcare
- Healthweigh®: Shekel wide range of healthcare equipment featuring unique designs
- Supplies hospitals, long term care and private practices

### Grocery retail market: integrated self - checkout systems

- Rigorous control processes and compliance with accuracy standards
- Sold over 600,000 self-checkout systems globally to blue-chip customers
- Deep global market

## AI platform based Autonomous retail

*Evolution of automated retail*

### Innovendi: new generation vending machine

- Utilises load cell technology and enables unattended multi-product shopping and real-time restocking notifications
- Triple times revenue per machine, compared to traditional vending machine
- Commercialisation achieved in FY19 with orders in Israel and the UK

### Product aware technology

- Real-time inventory visibility, reduced shrinkage and analytics of consumer behavior
- Trial in collaboration with leading retail shelf manufacturer Madix
- Proof of concept (POC) in Australia with a leading retailer

### Capsule: redefining the store experience

- AI-enabled micro market store based on joint R&D with Hitachi using technology that uses video-less shoppers tracking
- Tracking without cameras – not privacy-invasive
- Enhanced end-user experience: faster and easier checkout
- POC commenced in Europe with a leading retailer

## Build 'big data' assets

*Potential to revolutionise retail*

### New purpose from weighing data leveraging Internet of Things

- Strategic marketing
- Super-efficient supply chain
- Economic and market forecasting

### AI-enabled self -checkout

- Leverages new generation self-checkout systems
- Addresses shrinkage and frees up 'real estate'
- Forefront at data processing: low processing intensity
- Trials commenced: world's first software that automatically recognises products by image and weight

# FY19 major milestones

## Retail Innovation - platform for growth:

- ✓ Appointed a CEO and more than doubled the R&D team
- ✓ Opened the Australian office
- ✓ Strategic partnership with Intel, Hitachi and Edgify

## Acceleration & commercialisation:

- ✓ Early commercialisation of Innovendi in Israel and UK
- ✓ Launch of the 'walk out, check out' autonomous micro store Capsule in Europe
- ✓ Strategic cooperation with Madix

## Continued strong earnings:

- ✓ 30,000 systems sold to core retail customers and 16,000 systems to healthcare customers and to global market distributors
- ✓ Gaining new clients in Sweden, Poland and the Netherlands

**A year of putting in place building blocks**

# Covid -19 trading update: business continuity and resilience

<p><b>People &amp; safety</b></p> <ul style="list-style-type: none"> <li>• No reported incidence of Covid-19 among staff.</li> <li>• Except for employees on the production line, remaining employees have cut working time and salaries to 60-80 per cent.</li> <li>• Some of the remaining staff are working from home.</li> </ul>	<p><b>Business continuity</b></p> <ul style="list-style-type: none"> <li>• 22 per cent of employees in Israel are on unpaid leave as of 19 March 2020.</li> <li>• Management and Board members have taken a 30 per cent voluntary pay cut for 60-90 days.</li> </ul>	<p><b>Financial</b></p> <ul style="list-style-type: none"> <li>• Undertaking proactive measures to strengthen the financial position.</li> <li>• Cash balance of US\$1.9 million (A\$3.1 million) as at 30 March 2020.</li> <li>• Shekel is applying for a business long term loan offered by the Israeli Government in an eligible amount of US\$1.25 million.</li> </ul>
<p><b>Supply chain</b></p> <ul style="list-style-type: none"> <li>• Production of existing orders remains ongoing. Both of the Company's factories in China (Beijing and Ningbo) are operational and working to complete orders for delivery in April-May.</li> </ul>	<p><b>Demand</b></p> <ul style="list-style-type: none"> <li>• Long-term customers reaffirmed their orders for Q2 FY20.</li> </ul>	<p><b>Opportunity/Disruption</b></p> <ul style="list-style-type: none"> <li>• Signs of interest in deploying autonomous shopping technology to comply with "social distancing rules".</li> </ul>



# **The future: revolutionising retailing**



# Traditional retail is disrupted

- Retailers' profitability is under pressure – declining margins and increased competition, mainly as a result of increased online shopping (e-commerce)
- Traditional retail face considerable challenges presented by new technologies rapidly closing information and geo-location gaps
- New trend of moving from hypermarkets to urban micro markets
- Customers demand fast and easy shopping experience
- This calls for autonomous and frictionless shopping experience – getting more relevant since recent global events

- Hypermarkets
- Supermarkets
- Single item stores
- Fuel stations
- Retail pharmacies



- Interactive kiosks
- Self-checkout systems
- Barcode
- Radio-frequency identification
- Electronic shelf labels
- Autonomous guided vehicle
- Automatic storage and retrieval
- Automated conveyor

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*The Global Retail Automation Market is expected to exceed more than US\$ 19.5 billion by 2024 at a CAGR of 11%<sup>1</sup>*

<sup>1</sup> 'Retail Automation Market - Global Forecast by 2020 – 2025', Market Research Engine, January 2020

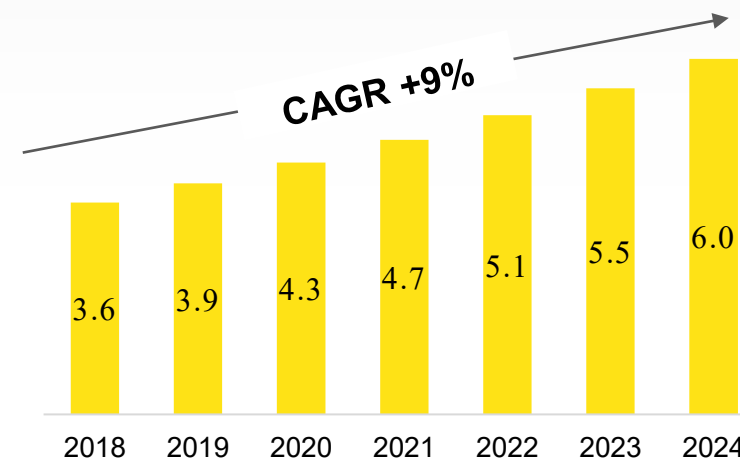


# Global self-checkout market

## Global opportunity multi-billion market

- The global self-checkout systems market is estimated to surpass US\$6.5 billion by 2024 from US\$3.7 billion in 2018<sup>1</sup>
- The number of self-checkouts worldwide is expected to increase to 468,000 by 2021, up from 240,000 in 2016<sup>2</sup>
- Supermarkets offer on average more than 35,000 different items and people are opting for the cashless self-checkout option on account of lesser complexity and lower price
- Retailers are looking for greater efficiency, accuracy, reduced shrinkage (theft) and an enhanced customer experience

Forecast of global deployment of self-checkout systems<sup>1</sup> (US\$ billion)



### Top players in global self-checkout market<sup>3</sup>

1. NCR Corporation
2. Toshiba TEC Corporation\*
3. Diebold Nixdorf Incorporated\*
4. Fujitsu Limited IBM Corp\*

*\*Customers of Shekel Brainweigh*

<sup>1</sup> PR Newswire, June 2018

<sup>2</sup> The Guardian, May 2018

<sup>3</sup> PR Newsire, June 2019

# Shekel Brainweigh's scalable product line roadmap



Revenue model: one -off payment followed by SaaS monthly revenue model

# Building a platform for future shopping 4.0

- Capitalising on the global retail movement towards in-store automation through our unique solutions
- Adding optionality to the business model to add recurring revenue
- Commercialisation of Innovendi
- Capsule autonomous store POCs in Europe as ‘walk out, check out’ concept
- Fast track technology to support retailers’ efficiency and customer experience

## AVAILABILITY



- ✓ 24/7 DIY shopping
- ✓ Frictionless shopping experience

## RETAIL INSIGHTS



- ✓ Real time inventory management
- ✓ Personalised and targeted information

## OPERATIONAL EXCELLENCE



- ✓ Avoid out of shelf situation
- ✓ Better predict over-stock
- ✓ Reduce labor

**Core business: 'best in class' weighing technology  
in the Healthcare & Retail markets globally**

# Core products: Healthcare

- The healthcare market is highly regulated with high barriers of entry
- Exclusive supplier of weighing technology to a major healthcare client
- In partnership with Atom designing a next generation incubator to be finalised by 2021
- Supplier of Healthweigh® line for the global market distributors
- 16,000 precision weighing systems sold in FY19

## OEM

Shekel was among the first companies to have its precision weighing systems integrated into incubators and warmers for premature babies



Revenue model: one-off payment

## Healthweigh®

Shekel offers a wide range of healthcare and fitness scales under its Healthweigh® brand, featuring unique designs

Healthweigh®  
Physician Scales



Healthweigh®  
Special Needs Scales



Healthweigh®  
Baby & Neonatal Scales



# Core business strength: Retail self-checkout technology for blue -chip OEMs

- Strong growth in demand by OEMs for integrated weighing technology
- Global blue-chip customers: supplier of self-checkout technology to Toshiba, Fujitsu, Diebold Nixdorf, and Datalogic
- 30,000 systems sold in FY19



**RETAIL**

Shekel Customers

Go to Market partners



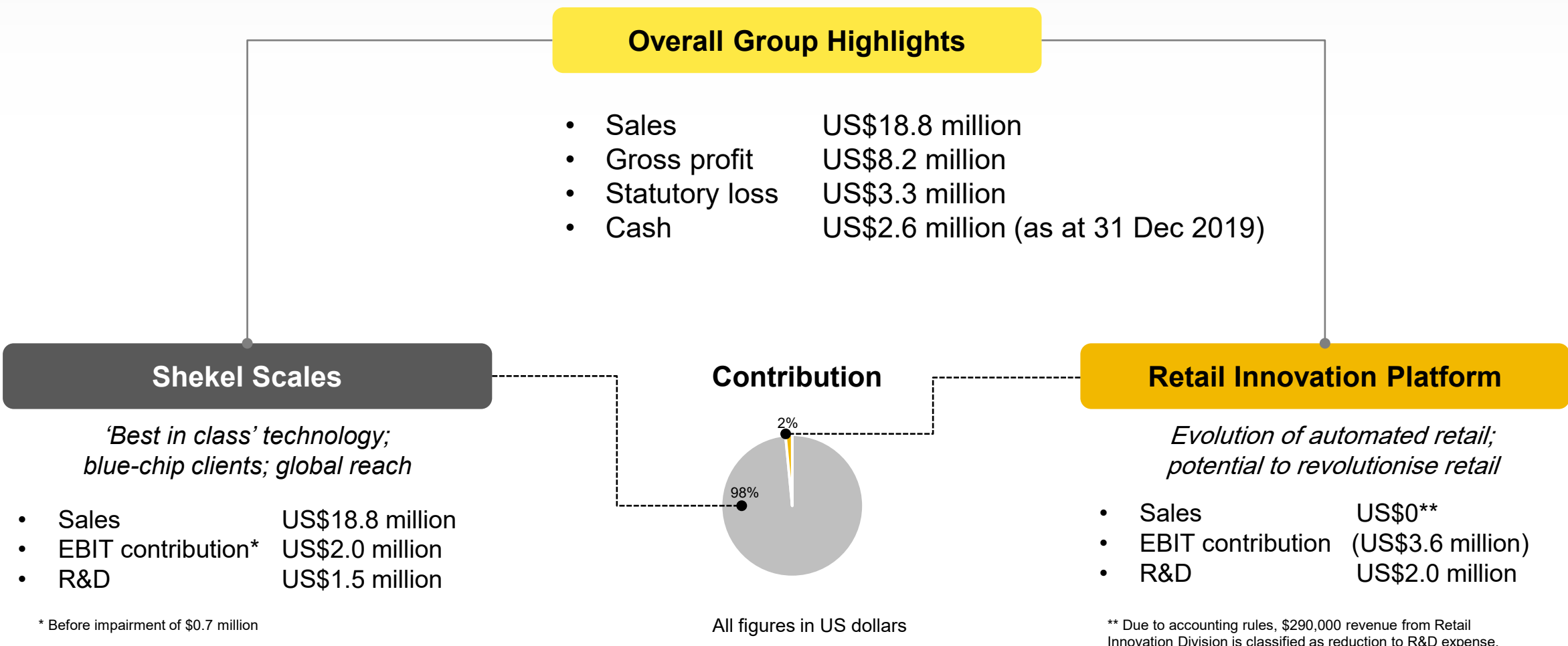
Supply World's Largest Retailers

Introduction of new autonomous retail solutions to potential customers



# FY19 results overview

# FY19 result: strong underlying business





# FY19 result

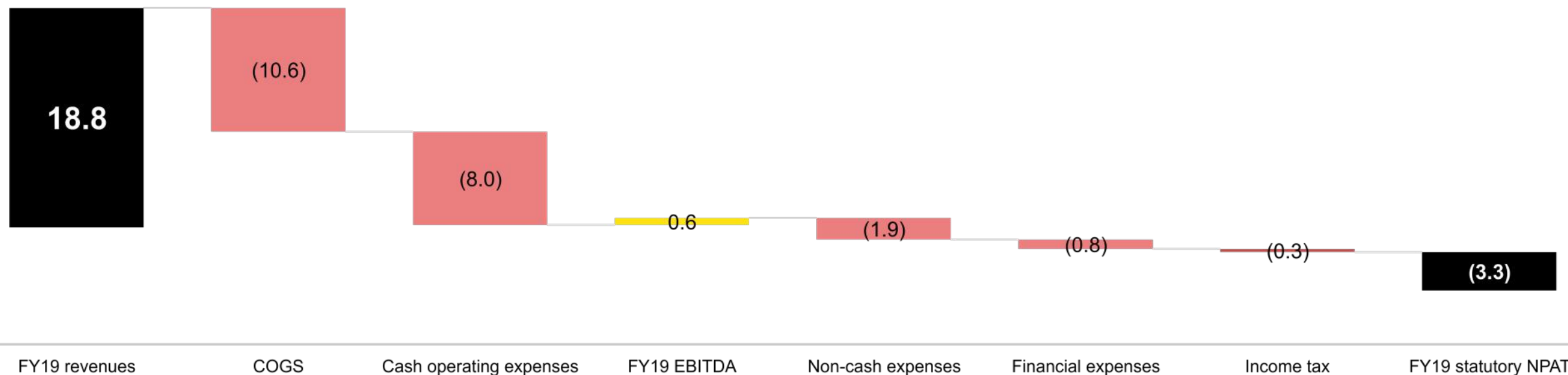
(US\$ million)	Shekel Scales		Retail Innovation		Group	
	FY19	FY18	FY19	FY18	FY19	FY18
Revenue	18.8	18.7	-	-	18.8	18.7
Cost of revenue	10.6	10.3	-	-	10.6	10.3
<b>Segment gross profit</b>	<b>8.2</b>	<b>8.3</b>	-	-	<b>8.2</b>	<b>8.3</b>
Research and development expenses	(1.5)	(0.7)	(2.0)	(1.7)	(3.5)	(2.5)
Selling and marketing expenses	(2.1)	(2.4)	(0.2)	-	(2.3)	(2.4)
General and administrative expenses	(2.6)	(2.3)	(1.5)	(1.6)	(4.1)	(4.0)
<b>Segment profit (loss) before impairment</b>	<b>2.0</b>	<b>2.9</b>	<b>(3.6)</b>	<b>(3.4)</b>	<b>(1.6)</b>	<b>(0.5)</b>
Impairment of financial asset					(0.7)	-
<b>EBIT</b>					<b>(2.3)</b>	<b>(0.5)</b>
Finance expenses					(0.8)	(0.7)
Tax on income					(0.3)	0.1
<b>Loss for the year</b>					<b>(3.3)</b>	<b>(1.2)</b>

Note: Numbers may not add up down the columns due to rounding of individual line items

# Underlying cash operating earnings from core business

- Underlying earnings of US\$0.6 million
- Non-cash expenses include an expected financial asset impairment of US\$0.7 million

Revenue to statutory NPAT (US\$ million)



# Balance sheet

US\$ million	31 Dec 2019	31 Dec 2018
<b>Current assets</b>		
Cash and cash equivalents	2.6	6.8
Trade accounts and other receivables	7.1	6.2
Inventories	3.5	3.2
Loans to related parties	0.2	0.9
<b>Total current assets</b>	<b>13.4</b>	<b>17.0</b>
<b>Non-current assets</b>		
Right of use assets	2.4	-
Property, plant and equipment	0.6	0.5
Intangible assets	3.2	2.0
Deferred tax assets	-	0.2
<b>Total non-current assets</b>	<b>6.2</b>	<b>2.7</b>
<b>Total assets</b>	<b>19.6</b>	<b>19.7</b>
<b>Liabilities</b>		
Short term loans	4.1	4.0
Trade accounts and other payables	4.0	3.3
<b>Total current liabilities</b>	<b>8.1</b>	<b>7.2</b>
<b>Non-current liabilities</b>		
Lease liabilities	1.8	-
Employee benefits and other liabilities	0.3	0.3
<b>Total non-current liabilities</b>	<b>2.1</b>	<b>0.3</b>
<b>Total liabilities</b>	<b>10.2</b>	<b>7.5</b>
<b>Total shareholders' equity</b>	<b>9.5</b>	<b>12.3</b>
<b>Total liabilities and equity</b>	<b>19.6</b>	<b>19.7</b>

Note: Numbers may not add up down the columns due to rounding of individual line items

# Why invest in SBW: potential to revolutionise retail

## 1 'Best in class' technology, unique intellectual property

- SBW competitive edge: 'best in class' technology – highest accuracy
- IP engineered by 'genius-lab'
- Forefront application of AI-enabled technology and leveraging IoT

## 2 Visionary leadership with a track record of innovation & commercialisation

- Highly experienced management team with a vision for the future
- Strong culture delivering R&D excellence
- Successful track-record of commercialisation in an extremely high-barrier market

## 3 Leverage proven sensor technology to enable retail AI -based applications and data collection

- Significant income (annual earnings of A\$32.5 million above A\$9.2 million market cap)
- Established supply chain: global blue-chip customers with long-standing and long-term contracts
- Effective and active cost management

### The future: building big data assets platform of growth

- Strong growth opportunities in the autonomous retail space
- New products and services focussed recurring fees sales model
- Monetise big data assets and 4.0 shopping revolution

# Appendix

# Fit-for-future platform for growth



## Core business: Shekel Scales



**Yedidia Yossef**

**CEO, Shekel Scales**

Over 25 years' experience in telecommunications, including at **Motorola**, taking products from development to international distribution.

## Growth platform: Retail Innovation



**Udi Wiesner**

**General Manager,  
Retail Innovation Division**

Mr. Wiesner brings 20 years in technology leadership including GM of the Israeli branch of **US multinational firm VeriFone**.

# HD weight accuracy



## IoT Load Sensors

HW

**3000** Divisions

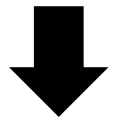
**10,000** Divisions

**500,000** Divisions

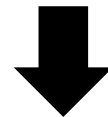
**700** ms

**200** ms

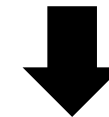
**200** ms



$$e = \frac{3000 \text{ gr}}{3,000} \approx 1 \text{ gr}$$



$$e = \frac{3000 \text{ gr}}{10,000} \approx 0.3 \text{ gr}$$



$$e = \frac{3000 \text{ gr}}{500,000} \approx 0.006 \text{ gr}$$

# Checkout evolution



**POS Checkout**



**Self Checkout**



**Shekel Fast Track**



**Autonomous Shopping**

1980-1990's

2000-201x's

2019

2019

SHEKEL is an OEM provider to:



SHEKEL's joint product With:



SHEKEL's product in collaboration with:

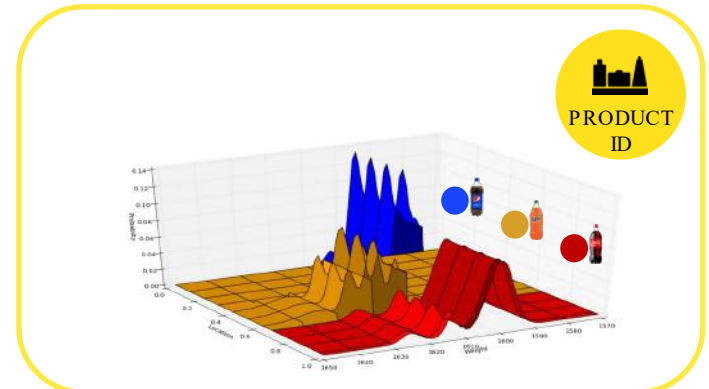




# Product Aware Technology

End-to-end platform to convert any shelf to a Product Aware Shelf, designed to identify and monitor product movements on the surface, and record each transaction

- The one weighing platform consists of four distinct sensors<sup>1</sup> that respond to pressure anywhere on the platform, irrespective of location
- These sensors are considered to be significantly faster and are more accurate than other sensors in the market
- These four sensors equal and form part of an interactive surface
- This interactive surface is an enabling technology that facilitates recognition of multiple packed goods, no matter the weight



<sup>1</sup> Watch demo: <https://shekelbrainweigh.com/retail/products/product-aware-shelf>

# AI-enabled Smart Bay

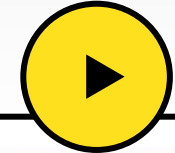
Converting standard retail shelf by adding Shekel Brainweigh 's ultra -thin weighing technology

- Provides retailers with real-time data on shelf inventory levels (items removed or replaced from a retail shelf)
- Technology enables 'grab-and-go' service for retailers
- Out-of-stock situations are minimised by ensuring on shelf availability
- Inventory shrinkage diminished by controlling stock quantities
- Big data retail insights provided in real time on consumer behaviour
- Durability of the scales
- Can be integrated as a complementary solution in high scale autonomous store computer vision based projects
- Revenue model: one-off payment followed by SaaS monthly revenue model

## Traction

- ✓ The bay is trialled in a number of locations around the world, including in Australia by a major retailer
- ✓ Cooperation with Madix, a leading US retail shelf manufacturer for the integration of Shekel's technology

Watch demo<sup>1</sup>:



<sup>1</sup> Link at: <https://youtu.be/3O16-ueFbu8>

# Innovendi self-service vending machine solution

## Global vending machines market

- Intelligent Vending Machine Market to hit US\$30 billion by 2024 compared with US\$11 billion in 2017<sup>1</sup>
- The global installed base of connected vending machines reached an estimated 2.6 million units in 2017, expected to reach 5.4 million units by 2022<sup>2</sup>

## Benefits for retailers and consumer packaged goods

- Unattended automated locked vending machine using Shekel Brainweigh Product Aware Technology allows for products to be sold at any location anytime
- Automated replenishment plans
- Sales, inventory status and consumer behaviour communicated in real-time
- Smarter than traditional vending machines
- Revenue model: one-off payment followed by SaaS monthly revenue model

## Traction

- ✓ First commercial order for a minimum of 1,200 machines received from a subsidiary of Tnuva, Israel's largest dairy manufacturer, and subsidiary of Bright Food, China's second largest food manufacturer.
- ✓ Strong potential in Europe, Australia and the US with the growth of vending machines as a form of autonomous retail, or part of a micro market
- ✓ Number of pilots underway

Watch demo<sup>3</sup>:



<sup>1</sup> Global Market Insights, January 2019

<sup>2</sup> Berg Insights, April 2018

<sup>3</sup> Link at: <https://www.youtube.com/watch?v=Z65ipRrk44Y>

# Capsule : autonomous micro market will be the most convenient way for daily shopping

## Redefining the store experience with self -checkout

- Flawless identification and tracking of shoppers in an autonomous store area
- Seamless collection of products from shelves, being automatically charged, and leaving the store without the need to go through a checkout device
- Attractive to 24-hour stores (eg airports, campuses and workplaces)
- Opportunities from “social distancing rules”
- Revenue model: one-off payment followed by SaaS monthly revenue model

## Traction

- ✓ Unveiled the Capsule at the National Retail Federation Big Show in cooperation with technology giants Hitachi, Intel, HP and Madix
- ✓ Technology based on Hitachi’s LiDAR sensors and Shekel’s Product Aware Shelves
- ✓ Pilot at a major European retailer

Watch demo<sup>1</sup>



<sup>1</sup> Link at: <https://drive.google.com/file/d/14JCRLuVGGcZBqdMQ-T5Bblw6xIThx3FD/view>

# New visual recognition technology in self-checkouts

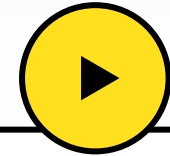
## Collaboration with UK software company Edgify

- Visual recognition technology in self-checkouts for real-time fresh produce identification (fruit and vegetables)
- Capability to identify fresh produce automatically without shopper having to select the actual item at the self-checkout
- The average retailer loses 1.38 per cent of its profits due to product “shrinkage”- loss from mis-scanned products<sup>1</sup>
- Revenue model: one-off payment followed by SaaS monthly revenue model

## Advantages

- ✓ Technology does not require servers or cloud storage
- ✓ Targeting up to 99 per cent accuracy in detection compared to 50-60 per cent from current market technologies
- ✓ Allows for a faster checkout process for consumers
- ✓ Reduce shrinkage
- ✓ Reduce staff
- ✓ Higher security for retailers

Watch demo<sup>2</sup>



 **Shekel Fast Track**  
Fresh Goods Recognition



Sample picture of personal computer scale with camera by Edgify

<sup>1</sup> 2019 National Retail Security Survey, National Retail Federation, 2019

<sup>2</sup> Link at: <https://www.youtube.com/watch?v=GBCCAHFw7gs>

# THANK YOU



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