

# POSITIONED FOR GROWTH IN A POST-COVID RETAIL WORLD

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*John Burgess and Finola Burke are experienced equities research professionals, each with 20+ years in investment research at the big end of town before joining forces at Research as a Service (RaaS) to focus on microcaps that they believe the market has missed/mispriced. Here they explain why they were attracted to seek out scales manufacturer and retail automation disruptor Shekel Brainweigh (ASX: SBW) as a RaaS research client.*



**T**ailwinds behind Shekel Brainweigh's (SBW) store automation technology have gathered pace.

Like changes seen across the economy, the wave of digitisation ushered in by the COVID-19 pandemic has accelerated disruptions in retail, such as cashier-less shopping.

Alongside the growth recorded by its established scales and weighing hardware business, SBW's Retail Innovation Division has used the change in retail conditions to boost its commercialisation pipeline.

This pipeline has been several years in the making, with an estimated US\$13m+ invested in R&D since the beginning of 2018. We see the fruits of this investment coming to the fore in CY21.

The company's IoT innovations are based on its Product Aware Shelf (PAS) technology, and combines Hitachi LiDAR sensor and loadcell with its artificial intelligence (AI) to drive real-time processing of the in-store experience.

The technology has been adapted for two key formats, an autonomous vending machine which began with the Innovendi, a product with >100 units in the field currently with certification as a Market ready IoT solution by Intel.

More recently the Hubz was launched, a "second generation" smart fridge developed by SBW alongside US refrigeration major Imbera and US-based vending payments software expert Parlevel.

The second format is the "Capsule", a fully automated mini-store (25-40sqm) suited to 24-hour convenience and/or stores that can take pressure off peak hour trade. The concept has been trialled and validated by major French retailer Casino Monoprix in Paris late CY20, with further deployments expected over CY21.

SBW's Retail Innovation Division is backed by a long-established and profitable industrial business. The scales business traditionally has generated EBIT of US\$2.0m and sales of US\$18-20m. This should be seen as the base from which this business can grow given a restructure and renewed focus on growth under new CEO Nir Leshem, who joined SBW in late CY20. He previously headed up strategy and marketing for a key division of US conglomerate, 3m.

The business is also extending its product mix in response to opportunities that have arisen in its key industries. SBW is building out its self-check-out systems to include a software-as-a-service offering in addition to the scales hardware already sold to clients internationally. SBW has earmarked the second half of 2021 for the product's launch. Other initiatives earmarked for CY21 include Fast Track, AI software using cameras to better identify products at self-checkout, and Smart carts, shopping carts that don't require scanning at checkout.

SBW, which listed on the ASX in 2018, recently reported its best Q1 revenue result for the March quarter, up 18 per cent year-on-year to US\$4.6 million. With the operating environment favouring the strategic growth initiatives SBW has named as its focus, both its Retail Innovation Division and scales business have a strong footing to deliver on strategy and growth goals.

