

INITIATING COVERAGE

Equity | Food Safety/ Chemicals

Save Foods Inc.
(NASDAQ:SVFD; Target Price: \$5.50)

Save Foods comes across as a highly relevant opportunity given the fact that there is a rising demand for quality inspections, increased awareness of foodborne illnesses, and the necessity to avoid food contamination. Governments are significantly raising the importance of food safety. As a result, to comply with the increasingly stringent quality standards worldwide, food companies now have the option to subject their finished products to various all-encompassing green procedures of Save Foods for improved safety, quality, and freshness at every step from field to fork. The company's products don't leave any residues that pose a toxicological risk while reducing the concentration and residues of conventional fungicides employed.

INVESTMENT THESIS

This is our first report on Save Foods and we look to provide a detailed account of the various drivers that will be responsible for the company's growth in the coming years. Despite catering to a sizable addressable market, Save Foods is currently trading at valuation ratios far lower than its competitors. It is important to note that Save Foods has increased test programs from over the past year and has converted a significant number of customers from its pilot projects and made them paying clients. All these developments put the company at an inflection point for rapid commercial scale-up. With its tie-ups in key international markets in the EU, Mexico, and Morocco, the revenue growth trajectory of Save Foods is expected to be strong. We are highly bullish on Save Foods' stock. Baptista Research looks to evaluate the different factors that could influence Save Foods' price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

COMPANY OVERVIEW

Save Foods, Inc. is a recently listed agri-food technology company that develops and promotes eco-friendly green solutions for the food industry to improve food safety and the shelf life of fresh produce. Its products are based on a unique mixture of food acids and disinfectants with oxidizing agent bases for cleaning, sanitizing, and monitoring diseases on fresh fruit that is safe for human consumption and prolongs its shelf life by limiting its decay. They offer solutions like SavePROTECT or PeroStar, a processing aid for the post-harvest application that is added to fruit and vegetable wash water, as well as SF3HS and SF3H, a post-harvest cleaning and disinfection solution to control plant and foodborne infections. Additionally, it offers SpuDefender to stop potato sprouts after harvest and FreshProtect to stop citrus fruit from going bad after harvest. The company was founded in 2009 and has its headquarters in Miami, Florida.

Key Report Highlights

Industry View:	Attractive
Stock Rating:	Buy
Price Target:	\$5.50
Current Price:	\$1.77
52-Week-Range:	\$1.37 - \$8.75

Annual Income Statement	2021	2022E	2023E
Revenues	0.44	0.58	1.68
Cost of Goods Sold	-0.15	-0.15	-0.42
Gross Income (excl. D&A)	0.29	0.44	1.26
EBITDA	-4.65	-4.76	-3.94
EBIT (incl. extraordinary exp)	-4.70	-4.83	-4.00
Net Income	-4.82	-4.83	-4.00
Cash from Operations	-4.10	-4.38	-3.65
Free Cash Flows	-4.03	-4.30	-3.57

Growth & Margins	2021	2022E	2023E
Sales Growth	91.3%	32.0%	189.0%
EBITDA Margin	-1056.8%	-820.3%	-234.6%
EBIT Margin	-1068.2%	-831.2%	-238.5%
Net Profit Margin	-1095.5%	-831.2%	-238.5%

Valuation Ratios	2022E	2023E	2024E
EV/ Sales	23.1	15.8	5.0
EV/ EBITDA	NA	NA	38.4
EV/ EBIT	NA	-5.5	-10.5
Price/Earnings	NA	NA	41.1

KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

1.	PRODUCT OFFERINGS & BENEFITS
2.	SOLID MACRO
3.	NEW PARTNERSHIPS IN MOROCCO
4.	GROWTH POTENTIAL IN EUROPE
5.	POTENTIAL CONTRACTS WITH MEXICAN LIME PACKERS
6.	EXPERIENCED MANAGEMENT TEAM

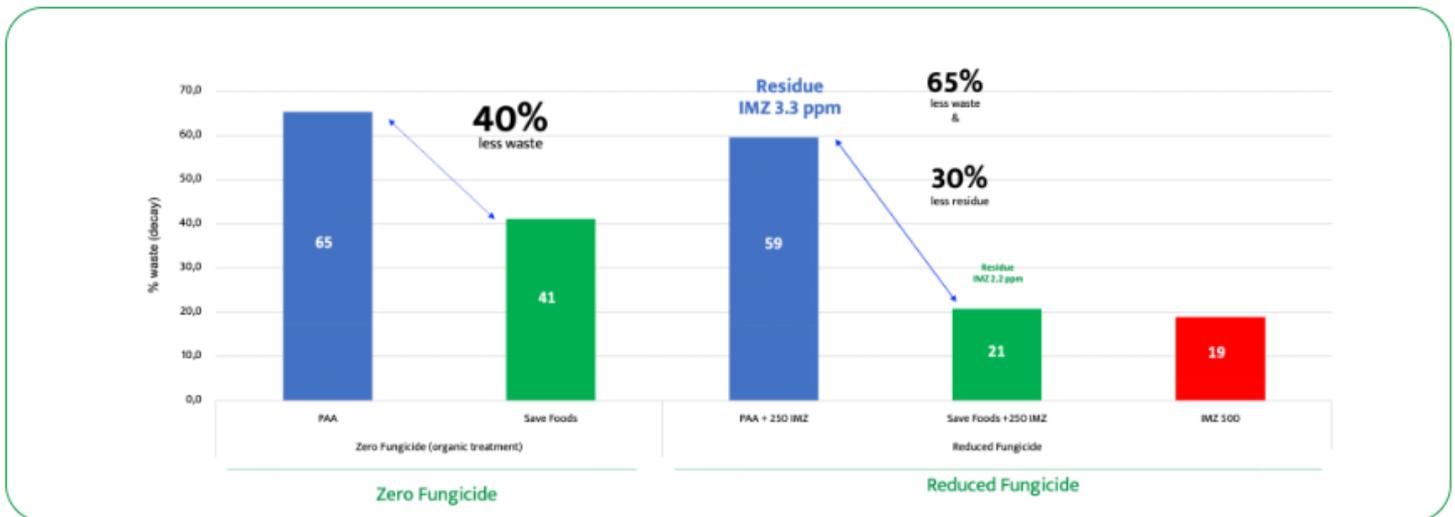
Product Offerings & Benefits

- Save Foods' core product offerings include the SavePROTECT or PeroStar, a processing aid for the post-harvest application that is added to fruit and vegetable wash water and the SF3HS and SF3H, a post-harvest cleaning and disinfection solution to control plant and foodborne infections.
- Its other products are the SpuDefender to stop potato sprouts after harvest and FreshProtect to stop citrus fruit from going bad after harvest (catering heavily to Mexican lime packers).
- Using oxidizers and eco-friendly treatments from Save Foods, fresh food is protected from microbial deterioration and pathogens that could result in foodborne illnesses.
- Its unique procedures maintain the product's freshness throughout time while leaving no harmful residues on the crop or in the environment.
- Their approach may be used from field to fork at all stages because their product portfolio incorporates fungicides, sanitizers, adjuvants, as well as dosing and monitoring systems.

- As per the management, the volume of rotting fruit at the retail level is reportedly being reduced by an average of 50% as a result of Save Foods treatments.
- Many retail companies in the U.S. and Europe sell fresh items that have undergone their technology's treatment. Their products are easy to use, don't require complicated procedures or specialist machinery, and have a range of uses that are suitable for the different supply chain stakeholders.

Outstanding Efficiencies when combined with Pesticides

Clementines Infected with High Level of Green Mold



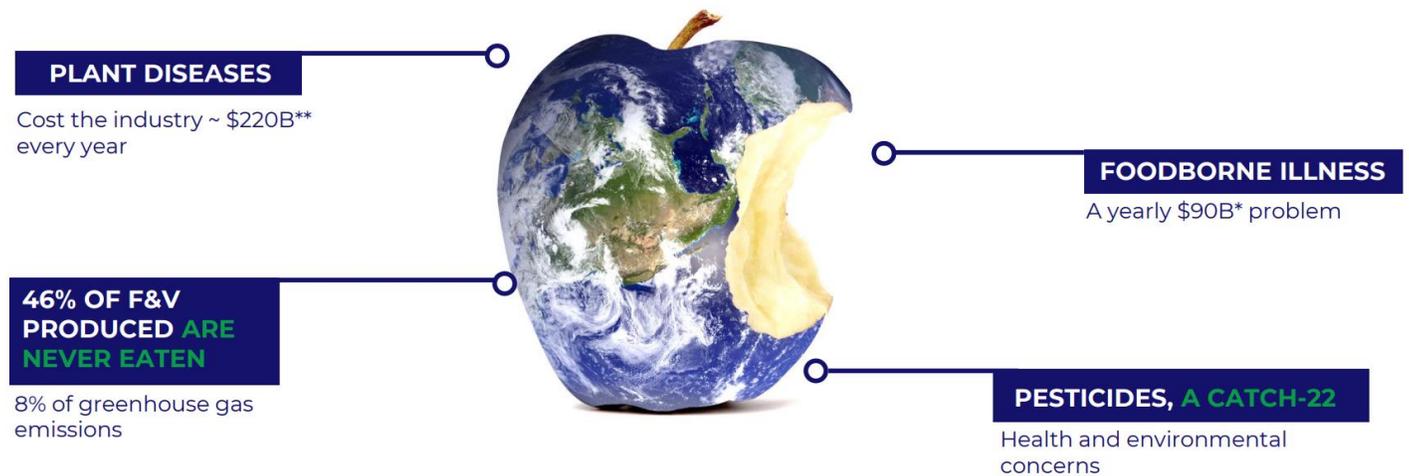
Source: Company Presentation

- Moreover, Save Foods uses environmentally friendly techniques to treat fruits and vegetables in order to reduce food waste and guarantee food safety.
- When applied in non-organic settings, their treatments rely on specialized combinations of food acids combined with sanitizers and fungicides based on oxidizing agents at low concentrations.
- Traditional fungicides, all of which have defined maximum residual levels, therefore require fewer post-harvest applications. When diluted to the required levels, the fruit and vegetable wash has no smell and won't irritate your eyes, skin, or airways.

- It is worth highlighting that each ingredient in the mixture has been given the GRAS (Generally Recognized As Safe) designation by the FDA when used as intended in fruit and vegetable wash applications.
- Additionally, the blend of acids used in Save Foods adjuvants does not leave any toxicologically doubtful residues on the surface of the treated product. It is important to note that 7 patent families cover their technology, counting 9 issued patents and 6 pending applications.:

Solid Macro

GLOBAL FRESH PRODUCE INDUSTRY'S CHALLENGES



Source: Company Presentation

- As per macro research, the global population is expected to have grown to the 10 billion mark by 2050. This is expected to cause a 50% rise in demand for agricultural products.
- One of the biggest concerns for Governments today is providing enough safe and wholesome food to this large population.
- One way to counter this challenge is minimizing food waste and contamination. Over 664 million tonnes of fresh fruits and vegetables are wasted and lost annually, from farm to table. Besides, each year, contaminated food causes almost 1 in 10 illnesses, with a total annual cost of \$90 billion.
- This demonstrates the high level of relevance of Save Foods' products and the substantial size of the company's potential market.
- The company offers manufacturers, packers, and retailers of food assistance in cutting waste, improving the efficiency of the supply chain, increasing revenues, and extending shelf life.

- The management has observed commercial validation of its distinctive food acid or adjuvant and oxidizer or sanitizer combinations on citrus fruits, mango, avocado, bell pepper, pears, micro greens, and various freshly cut vegetables.
- Many fruits and vegetables, such as bananas, apples, lychee, papaya, berries, asparagus, lettuce, and tomato, are also being used to examine the effectiveness of their treatment.
- Additionally, the advantages of its products and treatments for pre-harvest applications are being assessed. The management is making all of these efforts to increase the company's addressable market and potential for revenue development.

New Partnerships In Morocco

- Save Foods has excellent growth potential in food export oriented markets like Morocco which can prove as an excellent platform for business expansion.
- The company established key partnerships with the Accentis company and Korair to provide its offerings to Moroccan food exporters.
- It is worth highlighting that approximately 60% of Morocco's agricultural exports are sent to the European Union, making it one of the world's top exporters of fruits and vegetables.
- One of the biggest problems for international agricultural trade is pesticide residues. The European market has some of the strictest rules on the use of pesticides in the whole world. Many top European shops are also demanding a lower bar than the statutory requirements.
- In 2020, Moroccan product sales to the EU broke all previous records. Morocco sent 651 million kilos of fruit and 793 million vegetables to the EU that year, worth around \$961 million.
- Save Foods' management believes Moroccan exporters will feel more confident adopting Save Foods' pesticide-reduction techniques to join the European market.
- On the other hand, global interest in Save Foods' treatments is rising due to stricter rules connected to food safety and quality assurance, particularly in the European Union.
- Major exporting nations like Morocco look for novel approaches to address shifting market dynamics and better satisfy legal requirements and consumer demands. For exporters of goods, compliance with regulatory requirements is a prerequisite.
- Post-harvest losses in Morocco are estimated to be between 20 and 40% which represents an opportunity for Save Foods.
- Overall, the eco-crop protection treatment from Save Foods should help extend the window of opportunity for growers, retailers, and consumers to transport, sell, store, and consume vegetables.

Growth Potential In Europe

- The Save Foods management is seeing an increasing traction among European wholesalers and retailers who are showing a growing interest in Save Foods' cutting-edge eco-treatment.
- Given the fact that the company applies an innovative eco-treatment across various product lines, including avocados, bell peppers, and mangos, most of its clients in the EU have observed higher quality products with longer freshness.
- The Save Foods management is confident that as more distributors and retailers learn about the company's innovative strategy and its various potential benefits, demand for the treatments will rise.
- They also expect their creative eco-treatment to be cost-effective and workflow-neutral while meeting the strict EU pesticide restrictions.
- As European regulators and traders move toward a zero-tolerance policy on pesticide residue restrictions, an increasing number of European distributors and retailers are undertaking pilot projects with Save Foods to reduce fresh produce wastage throughout the whole food supply chain.
- It is worth highlighting that Europe contributes around \$60 billion, or 44%, of the worldwide trade value of fresh fruit and vegetables and is home to five of the top 10 importers in the world.
- This indicates a massive addressable market for Save Foods which is already building a reputation in the EU region.
- As a result, the management forecasts strong demand in the near and medium terms as major food suppliers continue to see promise in Save Food's ground-breaking treatments.

Potential Contracts With Mexican Lime Packers

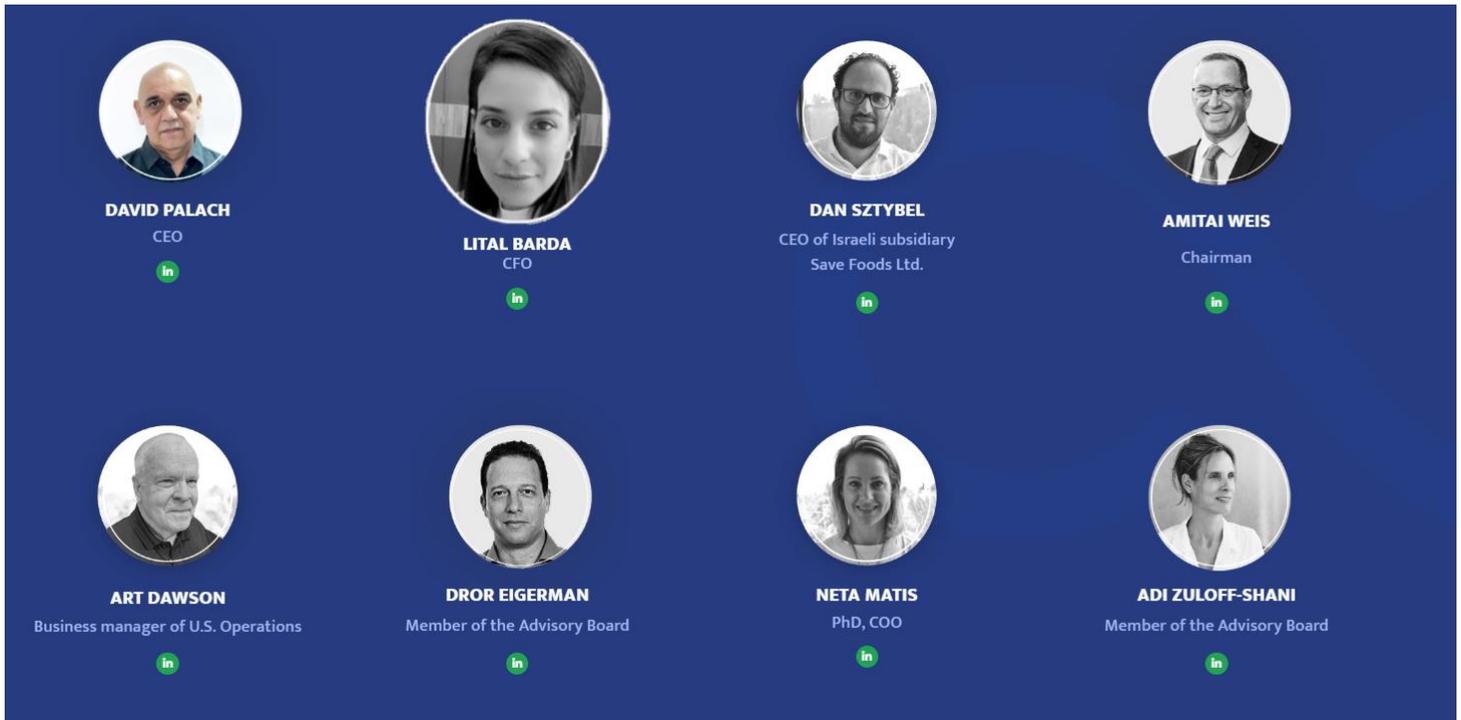
- As per the company's recent press release, Save Foods announced a new commercial adoption of its eco-crop protection treatment by Mexican lime packers after completing several pilot programs in Veracruz, Mexico.
- The management has added a number of new paying clients to their expanding network as a result of the successful trial initiatives.
- They are confident that as they continue to promote their eco-crop protection treatment and its advantageous effects on the food supply chain, the region's increasing interest in their solutions from potential clients will result in sustainable growth.
- The company has received feedback from U.S. retailers that limes treated with Save Foods' eco-crop protection have a shelf life extension of more than five days when compared to limes that had not been treated.
- Its research data show that extending shelf life can reduce waste, which can lead to retailers making an extra \$185 per ton of limes.
- The management stated that the packers also benefit from the U.S. retailers' 25% rise in product volume.



Source: Company Website

- We can see the difference in the quality of fruit before and after the Save Foods treatment in the above snapshot.
- It is worth mentioning that with almost 18% of global sales value, Mexico is the second-largest exporter of limes. Mexico's citrus exports climbed in 2021, the Ministry of Agriculture and Rural Development reports, reaching a total of over \$912 million and yielding more than 2.9 million tons of lime.
- This implies a huge market for Save Foods' offerings. Veracruz is the largest Persian lime-producing state in the nation, where Save Foods' newest customers are located. This state produces the crop year-round, with 50–60% destined for export.
- The company should get a significant amount of business from this region in the long run.

Experienced Management Team



Source: Company Presentation

- Save Foods' organization is spearheaded by CEO David Palach who has served at the helm since January 2021. Mr. Palach has prior entrepreneurship experience and has owned and served as CEO of S.T. Sporting LTD and Sun Light Lightning Solutions LTD, companies operating in the environmental industry since 2009 and 2015, respectively.
- He is ably supported by the company's Israel unit CEO, Mr. Dan Szybel. Mr. Szybel has extensive leadership experience and previously served as the CEO of the company from April 2019 to January 2021 and the VP of business development from October 2018 to March 2019.
- Mr. Szybel has served as principal at Goldmed Ltd., a consulting firm from September 2016 to September 2018 and was the founder of Dan Szybel Consulting Group, a boutique firm advising global leaders and emerging startups in the healthcare field on strategy, partnerships, and investments. He also co-founded MyndYou, a digital health-tech company and also led the life sciences and healthcare advisory team at Kost, Forer, Gabbay & Kasierer, a member firm of Ernst & Young Global from July 2007 to November 2014.
- Save Foods' CFO is Mr. Shlomo Zakai who is in office since August 2017. Mr. Zakai has served as CFO of UAS Drone Corp., Sonovia Ltd, Blue Sphere Corporation, and Todos Medical Ltd and almost all of these are publicly listed companies. He has previously worked as an accountant for nine years at Kost, Forer, Gabbay & Kasierer as well.
- The company's CTO, Mr. Ben Yehuda has been in office since its inception in 2009. He has been a leading entrepreneur in the area of environmentally friendly solutions using hydrogen peroxide in many applications.

- Last but not the least, Dr. Nina Matis is Save Foods' VP of research and development since January 2019. She has served in various roles at Virdia Inc. including head of process development from January 2017 to October 2018 and research and development chemist from January 2012 to December 2017 and has a proven track record of leading innovation and proficiency in developing refinery-scale agricultural processes.
- Overall, the team's vast experience and knowledge should act as an enabler for Save Foods' growth in the long run.

HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS

Particulars	9/30/21	12/31/21	3/31/22	6/30/22
Revenues	0.07	0.19	0.09	0.03
<i>% growth</i>		171.4%	-52.6%	-66.7%
Cost of Goods Sold	-0.05	-0.08	-0.04	-0.01
<i>% of revenue</i>	-71.4%	-42.1%	-44.4%	-33.3%
Gross Income (excl. D&A)	0.02	0.11	0.05	0.02
<i>% of revenue</i>	28.6%	57.9%	55.6%	66.7%
EBITDA	-1.27	-1.55	-1.34	-1.27
<i>% of revenue</i>	-1814.3%	-815.8%	-1488.9%	-4233.3%
Depreciation & Amortization	0.02	0.02	0.01	0.01
<i>% of Fixed Assets</i>	10.0%	8.7%	3.6%	3.8%
Extraordinary Expenses	0.00	0.00	0.00	0.00
EBIT (incl. extraordinary exp)	-1.29	-1.57	-1.35	-1.28
<i>% of revenue</i>	-1842.9%	-826.3%	-1500.0%	-4266.7%
Pretax Income	-1.30	-1.57	-1.34	-1.26
<i>% of revenue</i>	-1857.1%	-826.3%	-1488.9%	-4200.0%
Income Tax	-0.01	-0.01	-0.01	0.00
<i>% rate</i>	0.8%	0.6%	0.7%	0.0%
Net Income	-1.29	-1.56	-1.33	-1.26
<i>% of revenue</i>	-1842.9%	-821.1%	-1477.8%	-4200.0%

- Let us start off with analyzing the most recent and historical quarterly data reported by the company.
- Save Foods Inc has reported a top-line of \$0.03 million in its recent quarterly result which is a -66.67% depreciation over the previous quarter.
- The company reported a positive gross margin of 66.67% for the quarter ended 6/30/22.
- Its EBITDA for the quarter was \$-1.27 million and the EBITDA margin was -4233.33%.
- This was a -2744.44% margin contraction at the EBITDA level which is definitely a negative outcome.
- Save Foods Inc's operating income (EBIT) was reported at \$-1.28 million and a margin of -4266.67%.
- This EBIT margin dropped by 2766.67% in this quarter.
- The company's pre-tax margin for the quarter was -4200.00%.
- Save Foods Inc reported a net income of \$-1.26 million which resulted in a diluted earnings per share (EPS) of \$-0.44.
- Now let us move on to the cash flow generation in the recent quarter.
- Save Foods Inc burnt \$-1.27 million in terms of operating cash flows for the quarter ended 6/30/22.
- The company was able to convert about -4233.33% of its revenues into operating cash flows in the recent quarter.
- This quarter's EBITDA-to-operating cash flow conversion ratio is 100.00%
- Overall, Save Foods Inc delivered a negative free cash flow of \$1.27 million for the past quarter.

Particulars	2018	2019	2020	2021
Revenues	0.43	0.18	0.23	0.44
<i>% growth</i>		-58.1%	27.8%	91.3%
Cost of Goods Sold	-0.13	-0.17	-0.06	-0.15
<i>% of revenue</i>	-30.2%	-94.4%	-26.1%	-34.1%
Gross Income (excl. D&A)	0.30	0.01	0.17	0.29

<i>% of revenue</i>	69.8%	5.6%	73.9%	65.9%
EBITDA	-0.44	-1.90	-1.30	-4.65
<i>% of revenue</i>	-102.3%	-1055.6%	-565.2%	-1056.8%
Depreciation & Amortization	0.04	0.03	0.05	0.06
<i>% of Fixed Assets</i>	44.4%	23.1%	71.4%	26.1%
Extraordinary Expenses	0.00	0.00	0.00	-0.01
EBIT (incl. extraordinary exp)	-0.48	-1.93	-1.35	-4.70
<i>% of revenue</i>	-111.6%	-1072.2%	-587.0%	-1068.2%
Pretax Income	-0.44	-1.99	-1.61	-4.87
<i>% of revenue</i>	-102.3%	-1105.6%	-700.0%	-1106.8%
Income Tax	-0.08	-0.02	-0.02	-0.05
<i>% rate</i>	18.2%	1.0%	1.2%	1.0%
Net Income	-0.36	-1.97	-1.59	-4.82
<i>% of revenue</i>	-83.7%	-1094.4%	-691.3%	-1095.5%

- When we analyze the company's annualized historical income statement, we see that the top-line was \$0.44 million for the previous financial year ending in 2021.
- The revenue growth was 91.30% in 2021 as compared to around 27.78% in 2020.
- Save Foods Inc's cost of goods sold has decreased from -26.09% to -34.09% as a percentage of the top-line resulting in a rise in the gross margins.
- The company's overall annual EBITDA margin of -1056.82% is higher than the reported quarterly EBITDA margin for the most recent quarter.
- Non-cash expenses in the form of depreciation and amortization have gone up as compared to the result in 2020.

Particulars	2018	2019	2020	2021
Assets				
Net Intangible Fixed Assets	0.00	0.00	0.00	0.00
Net Tangible Fixed Assets	0.09	0.13	0.07	0.23
Total Fixed Assets	0.09	0.13	0.07	0.23
<i>% of revenue</i>	<i>20.9%</i>	<i>72.2%</i>	<i>30.4%</i>	<i>52.3%</i>
LT Investments	0.00	0.00	0.00	0.00
Inventories	0.04	0.02	0.02	0.02
<i>% of revenue</i>	<i>9.3%</i>	<i>11.1%</i>	<i>8.7%</i>	<i>4.5%</i>
Accounts Receivable	0.14	0.06	0.15	0.17

<i>% of revenue</i>	32.6%	33.3%	65.2%	38.6%
Cash and ST Investments	0.46	0.29	0.24	6.75
<i>% of revenue</i>	107.0%	161.1%	104.3%	1534.1%
Other Current Assets	0.04	0.05	0.09	0.29
Total Current Assets	0.68	0.42	0.50	7.23
Other Assets	0.09	0.11	0.12	0.14
Total Assets	0.86	0.66	0.69	7.60
Liabilities & Shareholder's Equity				
Equity & Minorities	0.21	-0.41	-0.46	6.42
LT Debt	0.04	0.30	0.21	0.00
Other LT Liabilities	0.13	0.15	0.15	0.25
Total LT Liabilities	0.17	0.45	0.36	0.25
ST Debt	0.00	0.00	0.00	0.00
Accounts Payable	0.20	0.24	0.20	0.54

<i>% of COGS</i>	46.5%	133.3%	87.0%	122.7%
Other ST Liabilities	0.28	0.38	0.59	0.39
Total Current Liabilities	0.48	0.62	0.79	0.93
Total Liabilities	0.65	1.07	1.15	1.18
Total Liabilities & Shareholder's Equity	0.86	0.66	0.69	7.60

- Moving on to the company's historical annualized balance sheet, when we analyze the fixed assets versus the revenues, we see that the percentage has evolved from 30.43% to 52.27%
- Its receivables of \$0.17 million are about 38.64% of the top-line.
- Save Foods Inc has close to \$6.75 million in terms of liquidity i.e. cash and short term investments.
- On the other hand, its payables for 2021 account for around 122.73% of the cost of goods sold.
- The company's long term debt is around 0.0x times its equity.

Operating Ratios	2018	2019	2020	2021
Receivables Turnover	3.1	3.0	1.5	2.6
Days Receivable	118.8	121.7	238.0	141.0
Inventory Turnover	-3.3	-8.5	-3.0	-7.5

Inventory Days	-112.3	-42.9	-121.7	-48.7
Payables Turnover	-0.7	-0.7	-0.3	-0.3
Days Payable	-561.5	-515.3	-1216.7	-1314.0
Fixed Asset Turnover	4.8	1.4	3.3	1.9
Total Asset Turnover	0.5	0.3	0.3	0.1

Other Performance Ratios	2018	2019	2020	2021
Return on Assets	-41.9%	-298.5%	-230.4%	-63.4%
Return on Equity	-171.4%	480.5%	345.7%	-75.1%

- The company does not pay any dividend.
- Save Foods Inc's total common shares outstanding have increased in 2021 by 75.78% implying a share issuance.
- The receivables turnover helps quantify a company's effectiveness in collecting the money owed by clients and demonstrates how well it uses and manages the credit it extends to customers.
- As per the days receivable, the company takes an average period of 141.0 days to collect money from its clients which appears to be on the higher side and blocking its working capital.
- The inventory turnover shows the number of times a given company has sold and replaced inventory during the year and is an indicator of how many days of working capital is blocked in inventory.
- As per the inventory days ratio, Save Foods Inc holds an average inventory of -48.7 days which appears to be reasonable.
- The accounts payable turnover is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. It shows how many days of credit a company gets from its suppliers.
- As per the days payable, the company takes an average period of -1314.0 days to pay off its creditors which appears to be on the lower side and implies that it gets limited credit.
- The fixed asset turnover ratio measures how well a company generates sales from its tangible as well as intangible fixed assets. The higher the ratio, the greater the company's efficiency to its assets to generate revenues.
- Save Foods Inc's fixed assets turnover ratio of 1.9 has decreased in 2021 indicating that the company is generating lower revenues from its fixed assets.
- The total asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The higher the asset turnover ratio, the more efficient a company is, with respect to using its assets to generate revenues.
- Save Foods Inc's total assets turnover has decreased to 0.06 in 2021.
- Return on assets is an excellent indicator of how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.
- On the other hand, the return on equity of a company measures the value creation of the management and profitability in relation to stockholders' equity.
- The company's overall Return on Assets is -63.42%.
- Save Foods Inc's Return on Equity is -75.08%. The company's Return on Equity is lower than its Return on Assets and this is because it does not resort to using significant capital gearing.

Particulars	2020	2021	2022E	2023E	2024E
Revenues	0.23	0.44	0.58	1.68	8.34
<i>% growth</i>		91.3%	32.0%	189.0%	396.9%
Cost of Goods Sold	-0.06	-0.15	-0.15	-0.42	-2.05
<i>% of revenue</i>	-26.1%	-34.1%	-25.0%	-24.8%	-24.6%
Gross Income (excl. D&A)	0.17	0.29	0.44	1.26	6.29
<i>% of revenue</i>	73.9%	65.9%	75.0%	75.2%	75.4%
EBITDA	-1.30	-4.65	-4.76	-3.94	1.09
<i>% of revenue</i>	-565.2%	-1056.8%	-820.3%	-234.6%	13.1%
Depreciation & Amortization	0.05	0.06	0.06	0.07	0.07
EBIT	-1.35	-4.70	-4.83	-4.00	1.02
<i>% of revenue</i>	-587.0%	-1068.2%	-831.2%	-238.5%	12.2%
EBT (GAAP)	-1.61	-4.87	-4.83	-4.00	1.02
<i>% of revenue</i>	-700.0%	-1106.8%	-831.2%	-238.5%	12.2%
Net Income (GAAP)	-1.59	-4.82	-4.83	-4.00	1.02
<i>% of revenue</i>	-691.3%	-1095.5%	-831.2%	-238.5%	12.2%

Particulars	2020	2021	2022E	2023E	2024E
Net Income (GAAP)	-1.59	-4.82	-4.83	-4.00	1.02
+ Depreciation & Amortization	0.05	0.06	0.06	0.07	0.07

+/- Working Capital, Deferred Taxes & Other Adjustments	0.74	0.66	0.39	0.28	-0.05
Cash Flow from Operations	-0.80	-4.10	-4.38	-3.65	1.04
<i>% of EBITDA</i>	<i>61.5%</i>	<i>88.2%</i>	<i>91.9%</i>	<i>92.8%</i>	<i>95.5%</i>
Capital Expenditure	0.00	0.07	0.08	0.08	0.09
<i>% of revenues</i>	<i>0.0%</i>	<i>-15.9%</i>	<i>-13.1%</i>	<i>-5.0%</i>	<i>-1.1%</i>
Other Investment Cash Flow items	0.01	0.01	0.01	0.01	0.01
Cash Flow after Investments	0.01	0.08	0.09	0.09	0.10
Free Cash Flow	-0.80	-4.03	-4.30	-3.57	1.13

Growth & Margins	2020	2021	2022E	2023E	2024E
Sales Growth	27.8%	91.3%	32.0%	189.0%	396.9%
EBITDA Margin	-565.2%	-1056.8%	-820.3%	-234.6%	13.1%
EBIT Margin	-587.0%	-1068.2%	-831.2%	-238.5%	12.2%
Net Profit Margin	-691.3%	-1095.5%	-831.2%	-238.5%	12.2%

Leverage Ratios	2020	2021	2022E	2023E	2024E
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Net Debt	0	-7	-988	-1,724	-2,613
Net Debt/ Equity	0.1	-1.1			
Net Debt/ EBITDA	NA	NA	NA	NA	NA

- Now let us move on to Baptista Research's forecasts for Save Foods Inc's income statement and cash flows.
- We forecast a top-line growth of 32.0% for 2022, around 189.0% for 2023, and about 189.0% for 2024.
- This growth is expected to translate into an EBITDA of \$-4.7644 million in 2022 with a margin of -820.32%
- Save Foods Inc's EBIT margin is expected to be -831.16% in 2022, about -238.54% in 2023, and -238.54% in 2024.
- We expect the growth to follow a similar trend in 2023 and 2024.
- In terms of the cash flows, we expect Save Foods Inc to generate around \$-4.3784836 million in operating cash flows in 2022.
- This implies an EBITDA-to-Operating-Cash-Flow conversion ratio of 91.90%
- Save Foods Inc is expected to invest a lower amount in capex and other investing activities in 2022.
- Overall, the company is expected to generate free cash flows to the tune of \$-4.3021836 million in 2022.

DISCOUNTED CASH FLOW (DCF) VALUATION

Key DCF Assumptions

WACC	14.9%
CoD	3.7%
CoE	15.1%
Market Rate	6.0%
Risk Free Rate	3.5%
Beta	1.94
Perpetual Growth Rate (g)	12.7%
Terminal Value	51.0
Tax Rate	0.0%

- For the purpose of carrying out the discounted cash flow valuation of Save Foods Inc, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years.
- The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 3.45%.
- The company's stock is more volatile than the market as a whole and has a beta of 1.9 which we shall use without leveraging the same as we are going for the enterprise value approach.
- This is used in order to arrive at the cost of equity (CoE) of 15.1% which appears reasonable for a company like Save Foods Inc.
- Based on the company's long term debt and interest payments, the cost of debt is 3.7%. After incorporating the CoE and the CoD and average tax rate of 0.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 14.9%.
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 5.0 to our forecasted revenues of 2024.

EV and Market Cap	Current	2022E	2023E	2024E
Price (\$)	1.8	5.5	8.8	14.5
Outstanding Number of shares (million)	2.9	2.9	2.9	2.9
Total Market Cap (billion)	0.005	0.016	0.025	0.042
Net Debt	-7	-2	1	0
Enterprise Value (billion)	0.00	0.01	0.03	0.04

- After applying the discount rate (WACC) of 14.9%, we arrive at a price target of \$5.5 for 2022.
- Our target price at the end of 2023 is \$8.8 and for 2024 is \$14.5 which implies a total appreciation of nearly 720.9% in the coming 3 years in the stock price.
- During this phase, we see the EV/ EBITDA to be in the range of 38.43 and 38.43
- The EV/ EBIT will be in the range of -10.45 to -5.50 over the coming 3 years.

Valuation Ratios	Current	2022E	2023E	2024E
EV/ Sales	-3.8	23.1	15.8	5.0
EV/ EBITDA	0.4	NA	NA	38.4
EV/ EBIT	0.4	NA	-5.5	-10.5
Price/Earnings	NA	NA	NA	41.1

KEY RISKS

- It is important to highlight the key risks associated with an investment in Save Foods Holdings as well as the inherent risks associated with the financial projections and price forecasts presented in this report.
- The future of Save Foods's business will depend upon its ability to obtain and retain packaged food customers and when needed, obtain sufficient financing and support from creditors, while it continues to strive to achieve and maintain profitable operations.
- Moreover, the growth and success of Save Foods's business depend on its ability to develop new organic products for enhanced food safety to cater to regulatory requirements. It will also be required to keep pace with rapid changes in technology.
- There is a possibility that the company may not be successful in anticipating or responding to these developments in a timely manner and the failure to adapt to these services and technologies may result in the growth of the company being hampered.
- As it operates in a highly regulated domain of food safety, Save Foods does rely on the fact that there would be adequate regulatory support in key markets like EU in order to continue scaling. It also has a dependence on third parties to grow and scale the company. Therefore, any change in pledged relationships may badly affect them and subject them to liability.
- In order to accommodate growth and compete effectively, the Save Foods management will need working capital to maintain adequate inventory levels, develop additional procedures and controls and increase, train, motivate and manage its work force. There is a possibility that Save Foods's management may struggle to successfully implement and execute their business tactics, operating strategies and growth initiatives. If the management fails to accomplish their growth and organizational modification effectively, it may destroy their business and operational results.
- One of the most significant risks that the company is currently facing is the ongoing global impact of the pandemic as well as the geopolitical situation between Russia and Ukraine which could have a material impact on Save Foods' research and operations.
- It is important to highlight that Save Foods is serving the global market since less than a decade which means it has a very limited operating history. As a result, many potential investors find it difficult to evaluate its business prospects and management.
- It is worth highlighting that the extent to which Covid-19 impacts the financial results of the company is highly uncertain and could significantly disrupt the operations including sales, manufacturing and supply chain-related activities. It could also result in social, economic, and labor instability in the countries where the customers and suppliers operate.
- With respect to our price projection, we would like to clarify that the valuation of Save Foods Holdings in this report is specific to the date of the analysis i.e. 02-11-2022.
- Another one of the biggest risks to Save Foods Holdings' model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true if the COVID-19 situation persists for too long. With respect to our price projection, we would like to clarify that the valuation of Save Foods Holdings in this report is specific to the date of the analysis i.e. 2nd November 2022.

- We must emphasize that the projected valuation and the share price of Save Foods Holdings are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

ANALYST RATINGS

- Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

ANALYST INDUSTRY VIEWS

- Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

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