

03 February 2025

## Customer discussions ramp up

### NEED TO KNOW

- Significant step-up in traction with potential customers following the signing of the deal with onsemi (ON.US) at the end of 2024; onsemi's stature in the industry increases our confidence in the outlook.
- Management focussed (and incentivised) to sign 2 more chip manufacturers (and 3 product companies), and gain Qualification with DB HiTek before Dec 2025.
- No surprises in the quarterly cash report.

In its 2Q FY25 trading update, Weebit highlighted that the licence agreement with onsemi (ON.US) that was signed at the end of 2024 has resulted in a step-change in traction with potential customers.

Onsemi's #1 position (and 46% market share) in the Auto sensor industry is providing Weebit with increased confidence around its targets for another 2 chip manufacturers and 3 product companies in 2025 - especially given the and recent increase in customer discussions. Qualification with DB HiTek are progressing but the target has been softened from "mid-2025" to "sometime in "2025".

Weebit has \$97m cash (at 31 Dec 2024), and expenses remain consistent with historical levels. No surprises in the cash flow numbers disclosed.

### Investment Thesis

**Leadership position in AI hardware at the edge:** Weebit is the leading independent proponent for the #1 next-generation memory solution called ReRAM, which is crucial in solving the constraints of current memory technology (Flash) in Edge network devices.

**Significant near-term catalysts:** Weebit is on the verge of achieving Qualification with DB HiTek, has now signed with onsemi, and we expect additional licence agreements with major chip manufacturers and product companies. This will serve to validate the technology in the market, and crystallise the pathway to sustainable long-term royalties.

**Highly credentialed board and management:** Chair was previously #2 at Intel Corporation and critical to the development of the Pentium chip. Experience of the other directors includes President and COO of AMD, Inc., founder of Tower Semiconductor Ltd, and broad C-suite experience in tech start-ups and exits. Weebit has important strategic relationships with firms such as French-based CEA-Leti.

### Valuation

No change to forecasts or valuation.

### Risks

Key risks to our thesis include regulatory risk, commercialisation risk (related to the possibility of unsuccessful commercial returns), financial risks and operational risk (such as risks relating to cybersecurity and attracting and retaining key staff).

### Equity Research Australia

#### Technology Hardware & Equipment

**Andrew Johnston**, Senior Analyst

andrew.johnston@mstaccess.com.au



Weebit Nano is a developer of advanced semiconductor memory technology. The company's Resistive RAM (ReRAM) addresses the growing need for higher performance and lower power memory solutions in a range of new electronic products such as Internet of Things (IoT) devices, smartphones, robotics, autonomous vehicles, 5G communications and artificial intelligence. [www.weebit-nano.com](http://www.weebit-nano.com)

Valuation	<b>A\$7.86</b> (unchanged)
Current price	<b>A\$2.27</b>
Market cap	<b>A\$469m</b>
Cash on hand	<b>\$97m</b>

### Additional Resources

Corporate videos - [We've got what it takes](#)

- [Meet the CEO](#)

- [Blog](#)

### Upcoming Catalysts / Next News

#### Period

Feb 2025	- 1H25 result
mid-2025	- Qual. progress with DB HiTek
Next 12 months	- Licensing agreements

### Share Price (A\$)



Source: FactSet, MST Access

## Financial Summary - Weebit Nano Limited

Year end 30 June		FY23A	FY24A	FY25E	FY26E	FY27E
Core PE	x	n/m	n/m	n/m	n/m	n/m
EV/EBIT	x	n/m	n/m	n/m	n/m	n/m
EV/EBITDA	x	n/m	n/m	n/m	n/m	n/m
<b>EV / Rev</b>	<b>x</b>	<b>n/m</b>	<b>n/m</b>	<b>179.0x</b>	<b>64.2x</b>	<b>19.4x</b>
FCF Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%

Profit & Loss Statement	A\$m	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue & Other Income		-	1.0	2.3	7.1	21.4
Change pcp	%		n/m	126.8%	207.6%	201.2%
Overheads		(40.0)	(46.0)	(24.9)	(47.1)	(47.6)
<b>EBITDA</b>		<b>(40.0)</b>	<b>(45.0)</b>	<b>(22.6)</b>	<b>(40.0)</b>	<b>(26.2)</b>
margin	%	n/m	n/m	n/m	n/m	n/m
Depreciation & Amortisation		(0.3)	(0.4)	(0.3)	(0.8)	(0.8)
<b>EBIT</b>		<b>(40.3)</b>	<b>(45.3)</b>	<b>(22.9)</b>	<b>(40.8)</b>	<b>(27.0)</b>
Net interest		1.3	4.1	-	2.3	1.6
Pre-tax Profit		(39.0)	(41.2)	(22.9)	(38.5)	(25.4)
Tax		-	-	-	-	-
<b>NPAT (underlying)</b>		<b>(39.0)</b>	<b>(41.2)</b>	<b>(22.9)</b>	<b>(38.5)</b>	<b>(25.4)</b>
Significant items		-	-	-	-	-
NPAT (Reported)		(39.0)	(41.2)	(22.9)	(38.5)	(25.4)

Per Share Data		FY23A	FY24A	FY25E	FY26E	FY27E
Shares on issue (basic)	m	187.5	188.9	206.6	217.7	217.7
<b>Underlying EPS</b>	<b>cps</b>	<b>(22.2)</b>	<b>(21.9)</b>	<b>(11.1)</b>	<b>(17.7)</b>	<b>(11.7)</b>
growth pcp	%	n/m	n/m	n/m	n/m	n/m
Reported EPS	cps	(22.2)	(21.9)	(11.1)	(17.7)	(11.7)
growth pcp	%	n/m	n/m	n/m	n/m	n/m
DPS (declared)	cps	-	-	-	-	-
Payout	%	0%	0%	0%	0%	0%

Balance sheet	A\$m	FY23A	FY24A	FY25E	FY26E	FY27E
Cash		88.0	62.9	55.8	38.6	80.2
Receivables		1.0	1.6	2.0	2.0	2.0
PPE		0.3	1.2	0.5	0.5	0.5
Right-of-Use		0.3	0.4	-	-	-
Other Assets		-	-	-	-	-
<b>Total Assets</b>		<b>89.5</b>	<b>66.0</b>	<b>58.3</b>	<b>41.1</b>	<b>82.7</b>
Payables		4.4	3.7	4.0	4.0	4.0
Borrowings		-	-	-	-	-
Lease Liabilities		0.3	0.4	-	-	-
Provisions / other		-	-	-	-	-
<b>Total Liabilities</b>		<b>4.7</b>	<b>4.1</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>
Shareholders' Funds		84.8	61.9	54.3	37.1	78.7
<b>Net Debt (incl. Lease Liab)</b>		<b>(87.7)</b>	<b>(62.4)</b>	<b>(55.8)</b>	<b>(38.6)</b>	<b>(80.2)</b>

Cashflow statement	A\$m	FY23A	FY24A	FY25E	FY26E	FY27E
EBITDA		(40.0)	(45.0)	(22.6)	(40.0)	(26.2)
Net interest and tax		1.4	3.1	-	2.3	1.6
Working capital movements		7.8	(1.3)	(0.1)	-	-
Other		10.3	18.5	15.8	21.3	17.0
<b>Operating CF</b>		<b>(20.5)</b>	<b>(24.7)</b>	<b>(6.9)</b>	<b>(16.4)</b>	<b>(7.6)</b>
Capital expenditure		(0.0)	(1.0)	(0.8)	(0.8)	(0.8)
Investments & Other		(0.0)	0.0	-	-	-
<b>Investing CF</b>		<b>(0.1)</b>	<b>(1.0)</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(0.8)</b>
Borrowings / Funding		-	-	-	-	-
Equity		57.7	0.5	-	-	50.0
Dividend		-	-	-	-	-
<b>Financing CF</b>		<b>57.7</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>50.0</b>
<b>Net change in cash</b>		<b>37.1</b>	<b>(25.3)</b>	<b>(7.7)</b>	<b>(17.2)</b>	<b>41.6</b>

Stock information	
Share Price (AS)	AS\$2.27
Market capitalisation (A\$m)	469
<b>Valuation (A\$)</b>	<b>\$7.86</b>
Shares on issue (Basic) (m)	206.6
Shares on issue (diluted) (m)	246.6

	1H21	1H22	1H23	2H23	1H24	2H24
	-	-	-	-	0.2	0.9
	n/m	n/m	n/m	n/m	n/m	n/m
	(21.5)	(6.0)	(22.4)	(17.6)	(26.9)	(19.1)
	<b>(21.5)</b>	<b>(6.0)</b>	<b>(22.4)</b>	<b>(17.6)</b>	<b>(26.7)</b>	<b>(18.2)</b>
	n/m	n/m	n/m	n/m	n/m	n/m
	-	-	(0.2)	(0.2)	(0.2)	(0.2)
	<b>(21.5)</b>	<b>(6.0)</b>	<b>(22.5)</b>	<b>(17.8)</b>	<b>(26.9)</b>	<b>(18.4)</b>
	(0.0)	(0.2)	0.3	1.0	1.7	2.4
	(21.5)	(6.2)	(22.3)	(16.8)	(25.2)	(16.0)
	-	-	-	-	-	-
	<b>(21.5)</b>	<b>(6.2)</b>	<b>(22.3)</b>	<b>(16.8)</b>	<b>(25.2)</b>	<b>(16.0)</b>
	-	-	-	-	-	-
	(21.5)	(6.2)	(22.3)	(16.8)	(25.2)	(16.0)

Performance ratios	FY23A	FY24A	FY25E	FY26E	FY27E
ROE	n/m	n/m	n/m	n/m	n/m
ROA	n/m	n/m	n/m	n/m	n/m
Net Debt / EBITDA	n/m	n/m	n/m	n/m	n/m
Fixed Charge Cover	n/m	n/m	n/m	n/m	n/m
Price to Book	5.0x	6.9x	8.6x	13.3x	6.3x
Market cap (Y/E / Spot)	97	429	469	494	494
Net debt / (cash)	(88.0)	(62.9)	(55.8)	(38.6)	(80.2)
Enterprise value	9	366	413	456	414

### Customers and targets

Customer	Type *	Date signed	Status
DB HiTek	foundry	19-Oct-23	qualifying
onsemi	IDM	31-Dec-24	qualifying

**Dec 2025 targets**

- signing new foundries or IDMs: 2
- signing new product companies: 3
- Achieving Qualification at DB HiTek

#  
foundry - manufactures chips for third parties  
IDM - integrated device manufacturer; chips and devices

### Share price and volume



## 2Q25 update

The quarterly update that was released on 31 Jan highlighted the key achievements over the 3 months to 31 December. The most significant of these (by a very large margin) was the signing of a licence agreement with NASDAQ listed US chip and device manufacturer, onsemi (ON.US). In addition to being a Tier-1 chip manufacturer, it holds the #1 market position for auto and industrial sensors (46% market share in the auto sector), and #2 position in power management (refer our [previously published note](#)).

Given that the competitive advantages of Weebit's ReRAM technology appear most applicable to Auto applications, it is difficult to imagine a better customer for Weebit than onsemi. It is obviously important for the potential revenue that this relationship will ultimately generate for Weebit, but also for the validation provided by a customer with nearly 50% market share in such an important segment.

On Weebit's "Meet the CEO" call on 31 Jan, management emphasised the strong uplift in discussions with potential customers that has occurred since the licencing with onsemi was announced at the beginning of January.

This bodes well for Weebit to hit its targets for (calendar) 2025 which are also hurdles for the CEO equity based compensation:

- three new licensing agreements with chip manufacturing companies (foundries or IDMs) - this is now two given the signing of onsemi
- three new agreements with product companies
- Complete qualification with DB HiTek

From an equity compensation hurdle perspective, the target for the completion of the Qualification process with DB HiTek was set for 2025, management had previously guided to completion of this process by mid-2025. In the quarterly release, management softened their timeline target. The stated completion of the Qualification process with DB HiTek is now "some time in 2025". We would consider the slippage of a few months on this target will be more than offset by continued signing of leading and credible chip manufacturers and product companies.

### Financial analysis

No surprises in the 2Q FY25 quarterly cash flow report.

- \$97m cash in the bank
- staff costs and admin costs similar to 1Q
- R&D is up sharply on 1Q but that tends to fluctuate as payments to R&D partner CEA-Leti are milestone based and are weighted to 2Q
- Cash receipts \$0.49m vs MSTe FY25 revenue of \$2.3m. Given the accounting treatment of licence fees, a significant proportion of the total expected licence fees over ~2 years are recognised as revenue upon execution of the licence agreement. Cash receipts from the licensee are based around achieving milestones on the path to Qualification. As a result, revenue will exceed customer receipts in the period when Weebit executes new licence agreements. Given the licence agreement with onsemi was signed before the end of Dec-24, we would expect that the 2H accounts will include revenue associated with the onsemi licence and be well in excess of the combined cash receipts for 1H of \$0.483m

## Forecasts, valuation, catalysts and risks

Our forecasts and valuation remain unchanged. Refer to our [previous report](#) for details.

### Catalysts

With significant revenue and earnings still a number of years away, we identify the following events that prove up the business model and are likely to be share price catalysts.

- Progress towards Qualification with DB HiTek and onsemi
- Establishing licence agreements with chip manufacturers (foundries and IDMS) especially global leaders
- Foundries and IDM's producing wafer's with Weebit's ReRAM even if they are not licensees – similar to the path taken by Global Foundries

- Licence agreements with product companies
- Progress towards Weebit's ReRAM being used in discrete memory applications
- Progress towards ReRAM being the memory technology of choice for neuromorphic computing

## Risks & sensitivities

The key risks to the success of Weebit and our valuation are based around the ability of the Company to continue the development of its ReRAM technology and to successfully commercialise it with foundries and IDM's licencing the technology and ultimately using it to produce chips for their customers.

Even if the commercialisation of ReRAM proves successful, there remains a risk of not achieving an acceptable commercial return, especially if newer technologies overtake the Company's innovations.

The industry in which the Company is involved is subject to global competition with a variety of companies are working to develop alternative data storage solutions, including the development of technologies that are based on the concept of ReRAM.

The remaining risks are typical of the risks that face a global company operating in a high growth environment:

- Currency exchange rate risk: the Company anticipates generating the majority of its revenue in US dollars. Costs are denominated mainly in ILS, USD, EURO and AUD.
- Capital risk: There are both market and company specific risks around Weebit's ability to raise capital if it is required, albeit this is unlikely in the near term.
- Key personnel: success is reliant on the Company being able to attract and retain qualified and capable staff.
- Cybersecurity and data protection – As its memory technology is applied to electronic products, Weebit Nano collects a substantial amount of confidential data. Human or system errors exposing this data could breach these confidentiality requirements and could expose Weebit to loss of IP and penalties from third parties.
- Regulatory and compliance: these risks cover: bribery and corruption regulations; privacy, taxation legislation; and accounting standards.

The situation in Israel presents a specific risk although that risk is subsiding. Weebit Nano's operations in Israel remain unaffected by military activities in Israel. The Company's lab is operating in a secure facility inclusive of a bomb shelter, uninterruptible power supply, and constant software and data backup to the server. All employees have a home office setup in which they can work remotely if needed, with access to a nearby bomb shelters in case of emergencies. In the event that conditions in Israel escalate to the point of operational challenges, Weebit Nano is strategically prepared to relocate to France and sustain its operations. However, any escalation of military activities and attacks in Israel could adversely affect the Company's Israel operations and could negatively impact its financial performance.

# Company disclosures

The companies and securities mentioned in this report, include:

Weebit Nano (WBT.AX) | Price A\$2.27 | Valuation A\$7.86;

Price and valuation as at 03 February 2025 (\* not covered)

## Additional disclosures

This report has been prepared and issued by Andrew Johnston of MST Access in consideration of a fee payable by: Weebit Nano (WBT.AX)

## Other disclosures, disclaimers and certificates

## Methodology & Disclosures

MST Access is a registered business name of MST Financial Services Limited (ABN 617 475 180 "MST Financial Services"), which is a limited liability company incorporated in Australia on 10 April 2017 and holds an Australian Financial Services Licence (AFSL 500 557). This research is issued in Australia through MST Access, which is the research division of MST Financial Services. The research and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by MST Access is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a financial product you should read any relevant Product Disclosure Statement or like instrument.

**ECM and corporate advisory services:** MST Financial Services provides equity capital markets ("ECM") and corporate advisory services through its capital markets division, MST Capital Markets ("MST Capital"). MST Capital provides these services to a range of companies including clients of MST Access. As such, MST Capital may in the future provide ECM and/or corporate advisory services and, accordingly, may receive fees from providing such services. However, MST Financial Services has measures in place to ensure the independence of its research division is maintained, including information barriers between its Capital Markets and Research teams. In addition, neither MST Access, nor any of its research analysts, receive any financial benefit that is based on the revenues generated by MST Capital or any other division of MST Financial Services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently certified. Opinions contained in this report represent those of MST Access at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results and estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of liability:** To the fullest extent allowed by law, MST Access shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained in this report. No guarantees or warranties regarding accuracy, completeness or fitness for purpose are provided by MST Access, and under no circumstances will any of MST Financial Services' officers, representatives, associates or agents be liable for any loss or damage, whether direct, incidental or consequential, caused by reliance on or use of the content.

## General Advice Warning

MST Access Research may not be construed as personal advice or recommendation. MST Access encourages investors to seek independent financial advice regarding the suitability of investments for their individual circumstances and recommends that investments be independently evaluated. Investments involve risks and the value of any investment or income may go down as well as up. Investors may not get back the full amount invested. Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realised. If provided, and unless otherwise stated, the closing price provided is that of the primary exchange for the issuer's securities or investments. The information contained within MST Access Research is published solely for information purposes and is not a solicitation or offer to buy or sell any financial instrument or participate in any trading or investment strategy. Analysis contained within MST Access Research publications is based upon publicly available information and may include numerous assumptions. Investors should be aware that different assumptions can and do result in materially different results.

MST Access Research is distributed only as may be permitted by law. It is not intended for distribution or use by any person or entity located in a jurisdiction where distribution, publication, availability or use would be prohibited. MST makes no claim that MST Access Research content may be lawfully viewed or accessed outside of Australia. Access to MST Access Research content may not be legal for certain persons and in certain jurisdictions. If you access this service or content from outside of Australia, you are responsible for compliance with the laws of your jurisdiction and/or the jurisdiction of the third party receiving such content. MST Access Research is provided to our clients through our proprietary research portal and distributed electronically by MST Financial Services to its MST Access clients. Some MST Access Research products may also be made available to its clients via third party vendors or distributed through alternative electronic means as a convenience. Such alternative distribution methods are at MST Financial Services' discretion.

## Access & Use

Any access to or use of MST Access Research is subject to the [Terms and Conditions](#) of MST Access Research. By accessing or using MST Access Research you hereby agree to be bound by our Terms and Conditions and hereby consent to MST Financial Services collecting and using your personal data (including cookies) in accordance with our [Privacy Policy](#), including for the purpose of a) setting your preferences and b) collecting readership data so we may deliver an improved and personalised service to you. If you do not agree to our Terms and Conditions and/or if you do not wish to consent to MST Financial Services' use of your personal data, please do not access this service.

Copyright of the information contained within MST Access Research (including trademarks and service marks) are the property of their respective owners. MST Access Research, video interviews and other materials, or any portion thereof, may not be reprinted, reproduced, sold or redistributed without the prior written consent of MST Financial Services.