

23th July 2019

Total Brain

Mainstream validation continues apace

Total Brain (ASX:TTB) is an early stage company which has developed a brain performance management platform powered by the largest standardized neuroscientific database in the world formed over almost two decades and with \$50m of R&D funding. The company has joined the American Heart Association's (AMA) Centre for Health Technology and Innovation's (CHTI) Innovators Network to study the impact of heart rate variability on stress and blood pressure. Total Brain is one of 12 smaller firms in the Innovators Network which CHTI set up to improve patient care in the digital healthcare economy. The purpose of the collaboration is to incorporate heart rate monitoring with the Total Brain app via the use of wearable technology. If successful it will also create an instantaneous feedback loop for a Total Brain user via a wearable device potentially driving immediate behavioural change to improve mental health and fitness. The collaboration with AMA continues Total Brain's mainstream validation and follows its partnership with Mental Health America (MHA) to offer a free trial of its Brain Performance app to its 77m members. We maintain our base case DCF valuation of \$0.123/share which is generated from a WACC of 14.9%, terminal value of 2.2% and CAGR in free cashflows from 2022 of 47%.

Business model

Total Brain operates a subscription as a service (SaaS) model for its Brain Performance Management Platform. The science behind the platform has been developed over almost two decades with input from the leading academic institutions in the field. This has generated a proprietary neuroscientific database of scale which underpins the scientific validation that differentiates Total Brain from other brain training and wellness applications. The app, promoted by affinity partners, assesses the four core brain capacities (emotion, feeling, cognition, self-control), pre-screens seven common mental health conditions and delivers personalised brain and mind/body training.

Mainstream validation

In the past six months Total Brain has forged partnerships with two of America's oldest and largest voluntary, health-focused organisations, Mental Health America and the American Heart Association's Centre for Health Technology and Innovation. This validation of Total Brain's Brain Performance Management Platform will, in our view, assist the company's commercial rollout. Evidence of the company's momentum has already emerged in the final quarter of FY19, with three US companies contracted to offer TTB's mental health and fitness app to their employees, ~70,000 in aggregate.

Valuation of A\$103.6m

We have used the discounted cashflow methodology to value Total Brain, arriving at a base case valuation of \$103.6m or \$0.123/share. This valuation assumes, and dilutes for, a \$5m capital raising at \$0.08/share in FY20. Our \$103.6m base case valuation is generated from a WACC of 14.9%, terminal value 2.2% and a CAGR of free positive cashflows from 2022 of 47.0%. In our view, continued demonstrated success with the new strategy should underpin Total Brain's share price performance.

Historical earnings and RaaS Advisory estimates (in A\$m)

| Year end | Revenue | EBITDA reported | NPAT reported | EPS (c) | PER (x) | EV/Sales (x) |
|----------|---------|-----------------|---------------|---------|---------|--------------|
| 06/18a | 2.6 | (4.9) | (23.1) | (6.38) | na | 7.6 |
| 06/19e | 3.3 | (7.4) | (6.8) | (1.02) | na | 4.5 |
| 06/20e | 8.7 | (5.5) | (4.1) | (0.52) | na | 2.0 |
| 06/21e | 19.0 | 1.4 | 0.7 | 0.08 | 30.0 | 0.9 |

Source: Company data, RaaS Advisory Estimates for FY19e, FY20e, FY21e

Share details

| | |
|-----------------------|---------------------|
| ASX Code | TTB |
| Share Price | \$0.025 |
| Market Capitalisation | \$21M |
| Number of shares | 777.7M |
| Enterprise Value | ~\$16.5M |
| Sector | Healthcare Services |
| Free Float | ~57% |

Share price performance (12-months)



Upside Case

- Highly scalable SaaS model
- Customers achieve high ROI with ~A\$8,900 in savings per employee
- Targeting predominantly US corporates and consumers

Downside Case

- Need to sell at the Enterprise level which means a sales cycle of 9-12 months for the B2B product
- New consumer product still being fully trialled in market
- Commercial success to date has been elusive

Catalysts

- Further evidence of conversion of leads to B2C subscriptions and leads revenues
- Confirmation of more lead conversions with US corporates

Company contact

Emil Vasilev (CFO) +646 763 3264
emil@totalbrain.com

RaaS Advisory contact

Finola Burke +61 414 354 712
finola.burke@raasgroup.com

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License (“AFSL”) number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS’s services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the 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 particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS’s representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR’s internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren’t satisfied with an outcome, you may contact AFCA, see below.

BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMER and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363) on behalf of Total Brain. RaaS is paid for the research it produces by way of a monthly retainer. The authors of this report may own shares in this company and if so, this will be clearly displayed on the front page of this report. RaaS's analysts adhere to a strict trading policy. This disclaimer and disclosure should be read in conjunction with RaaS Advisory's Financial Services Guide on the previous two pages or at www.raasgroup.com. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; neither RaaS Advisory nor Total Brain can guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory is a Corporate Authorised Representative under AFSL licence No 456663. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, 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. Past performance is not a guarantee of future performance. To the maximum extent permitted by law, RaaS Advisory, its affiliates, the respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. Copyright 2019 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.