

9<sup>th</sup> August 2019

## Total Brain

### Quarterly conference call takeaways

Total Brain (ASX:TTB) is the developer of a neuroscience-based mental health & fitness 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 hosted its 4<sup>th</sup> quarter FY19 conference call at 9.00am AEST today. CEO Louis Gagnon noted that Total Brain had secured further validation of its B2C Affinity strategy with the just signed collaborative agreement with New York-based Everyday Health, one of the largest consumer health websites in the US. In the first phase of the deal, Total Brain will expose its app to a small, but growing portion of Everyday Health's audience with the goal being to engage those visitors with Total Brain content in exchange for them registering with both services. This follows the two-year collaborative agreement announced on Wednesday with CNA Insurance in which the US commercial property and casualty insurance giant will pay for Total Brain's app to be delivered to 77,000 of its pre-identified customers with the aim to reduce incidents and claim rates through use of the Total Brain platform.

### Business model

Total Brain operates a subscription as a service (SaaS) model for its mental health and fitness 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.

### Quarterly conference call takeaways

Total Brain's CEO Louis Gagnon noted that the company remains focused on three core components in its strategy: accelerate the sales cycles with B2B corporates through new channel partnerships and the account-based marketing strategy; diversify into target sectors with shorter sales cycles through B2C affinity relationships and testing the scalability of the clinical market; and retain and upsell to existing clients. The recent agreements signed with Everyday Health, CNA Insurance, American Heart Association and employee benefits packaging firm NFP are all extensions of this strategy. The company noted that Total Brain 2.0, the next-generation experience of the platform, was using machine-learning algorithms to improve flexibility and personalisation of the app.

### Valuation of A\$103.6m or \$0.123/share unchanged

We have used the discounted cashflow methodology to value Total Brain, arriving at a base case valuation of \$103.6m or \$0.123/share and 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)

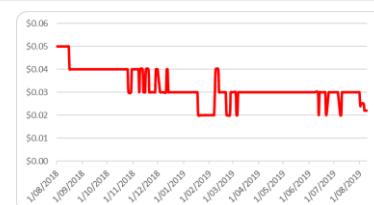
Year end	Revenue	EBITDA reported	NPAT reported	EPS (c)	PER (x)	EV/Sales (x)
06/18a	2.6	(4.9)	(23.1)	(6.38)	na	7.0
06/19e	3.3	(7.4)	(6.8)	(1.02)	na	3.6
06/20e	8.7	(5.5)	(4.1)	(0.52)	na	1.7
06/21e	19.0	1.4	0.7	0.08	27.6	0.8

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

#### Share details

ASX Code	TTB
Share Price	\$0.022
Market Capitalisation	\$17.1M
Number of shares	777.7M
Enterprise Value	\$11.9M
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

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## FINANCIAL SERVICES GUIDE

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