

Total Brain

Partners with One Mind at Work

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 has announced that it has partnered with global not for profit employer coalition One Mind at Work to offer its members a free corporate mental health assessment and a three-month unlimited license for their employees to access Total Brain's self-care tools. In exchange, Total Brain will reach more than 6m employees across more than 25 global corporations. One Mind at Work was founded by private investor and philanthropist Garen Staglin and former US congressman Patrick Kennedy in 2011. Total Brain and One Mind at Work intend to use the data collected in the anonymous assessment period to create a US Mental Health Index against which corporations and individuals can measure their progress and performance. While the initial arrangement is free, we see an opportunity for Total Brain to capture new corporate clients longer term. Our base case DCF valuation is \$1.25/share or \$143m with \$0.83/share in the terminal value.

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.

One Mind at Work partnership

Total Brain will offer One Mind at Work's members a free corporate mental health assessment using Total Brain's platform and a three-month unlimited license for their employees to access the platform's self-care tools. One Mind at Work is a not for profit coalition of 25 global corporates and 18 research/content partners founded in 2011 by former US congressman Patrick Kennedy (Senator Ted Kennedy's son) and private investor and philanthropist Garen Staglin. Corporate members include Bank of America, Johnson & Johnson, Levi Strauss and Co, and Walgreens. Total Brain and One Mind at Work intend to create a US Mental Health Index from the data gathered, delivering a national benchmark for corporates and individuals to measure progress and performance in mental health matters. Ultimately we anticipate this initiative will deliver additional corporate clients and channel partners to Total Brain.

Valuation of A\$143m or \$1.25/share

We have used the discounted cashflow methodology to value Total Brain, arriving at a base case valuation of \$143m or \$1.25/share and generated from a WACC of 14.7%, terminal value 2.2% and a CAGR of free positive cashflows from 2023 of 41.0%. In our view, continued validation of the company's technology should underpin Total Brain's share price performance in the near term.

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

Year end	Revenue	EBITDA reported	NPAT reported	EPS* (c)	PER (x)	EV/Sales (x)
06/19a	2.6	(6.7)	(8.6)	(12.16)	na	5.7
06/20e	5.4	(6.8)	(7.0)	(7.81)	na	4.8
06/21e	12.3	(1.8)	(1.5)	(1.38)	na	2.4
06/22e	20.8	4.0	2.7	2.49	13.6	1.4

Source: Company data, RaaS Advisory Estimates for FY20e, FY21e, and FY22e * EPS normalised for one-time items

Share details

ASX Code	TTB
Share Price (16 Apr 2020)	\$0.34
Market Capitalisation	\$39.74M
Number of shares	108.3M
Enterprise Value	\$25M
Sector	Healthcare Services
Free Float	~57%

Share price performance (12-months)



Upside Case

- Highly scalable SaaS model
- Significant validation achieved over the past six months with major US organisations and companies adopting Total Brain's technology
- 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 trialed 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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AFSL 456663

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

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