

20 May 2020

Total Brain

US Mental Health Index highlights COVID-19 impact

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 the findings of its first US Mental Health Index in conjunction with global not for profit employer coalition One Mind at Work. The study, conducted from February to April, highlights that stress levels amongst Americans rose 38% across that period while anxiety levels were up 54% across the board. Those aged 40-59 years have been hardest hit, with this age group experiencing a 52% increase in stress, an 83% increase in anxiety and 2.9x more likely to be depressed. The health index also identified that it was taking Americans 15% more time to complete tasks, which could directly impact national productivity. Total Brain and One Mind at Work plan to release the index on a monthly basis. As we flagged in our report of 17 April [Partners with One Mind at Work](#), we see the partnership with One Mind at Work delivering opportunities for Total Brain to capture new corporate clients longer term. Our base case DCF valuation is \$1.27/share or \$138m with \$0.85/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.

US Mental Health Index compiled with One Mind at Work

Total Brain and One Mind at Work, not for profit coalition of 25 global corporates and 18 research/content partners, have released the findings of their first US Mental Health Index which randomly sampled 500 participants a week from the first week of February to end of April. The index found that anxiety and stress levels had risen across each age group with a 54% increase in anxiety levels and 38% lift in stress levels. People aged from 40-59 years experienced the greatest increases, up 83% in anxiety and 52% in stress. The index also found that it was taking Americans 15% more time to complete tasks. Those aged from 20-39 responded that it was taking them 22% more time to complete tasks. The Mental Health Index can be [accessed here](#).

Valuation of A\$138m or \$1.27/share

We have used the discounted cashflow methodology to value Total Brain, arriving at a base case valuation of \$138m or \$1.27/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	8.3
06/20e	5.4	(6.8)	(7.0)	(7.81)	na	7.0
06/21e	12.3	(1.8)	(1.5)	(1.38)	na	3.3
06/22e	20.8	4.0	2.7	2.49	18.2	1.9

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

Share details

ASX Code	TTB
Share Price (20 May)	\$0.455
Market Capitalisation	\$50.3M
Number of shares	108.3M
Enterprise Value	~\$36.8M
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 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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