

Waiting for the curtain to rise

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 reported Q4 cash receipts of \$1.6m down 6.4% on the same quarter in FY20 which included a \$1m upfront payment for a large contract. On a constant currency basis, Q4 receipts grew 2.0% year on year. The company noted that pending IBM transaction with the US Veteran Affairs administration for the deployment of the Mental Fitness 360 platform and GRIT application is nearing execution, signalled by a public announcement in June on the US government website, Sam.gov, that the contract award was imminent. We have adjusted our forecasts to take into account this delay, and now expect the contract to commence in September. We have also incorporated the Hamptons Life D2C deal, on which Total Brain expects to execute binding agreements in the current quarter. The Hamptons Life D2C licence will deliver \$2.35m per year in additional revenue for three years from the date of signing and then \$0.35m ongoing. Total Brain will hold a 5-year option to acquire up to 50% ownership of the D2C business which we have not included in our forecasts. Our forecasts now also include the additional shares issued in the recently completed \$6.5m share placement and entitlements offer. Our base case DCF valuation is now \$0.87/share (previously \$1.20) following these adjustments. On the old share count the valuation is \$1.07/share.

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.

Adjusting for IBM delay, Hamptons and capital raise

We have incorporated the Hamptons D2C opportunity together with the recently announced Eastman Corporation 3-year deal in our forecasts from FY22 and ongoing. However, we have also pushed out the timing of revenues from the IBM Mental Fitness 360 programme which has been delayed awaiting sign off from US Veterans. In its Q4 update and investor presentation, Total Brain has referred to the public announcement by the Veterans Administration on the US government website SAM.gov which suggests that the IBM GRIT platform had been selected for the mandate, highlighting July 20th as the tentative contract award date which has since passed. Given the delays, we are assuming that the IBM deal will commence in September and start generating revenues in October, following a 45-day implementation period. This has resulted in the exclusion of IBM from our FY21 forecasts and Q1 of FY22. Our forecasts and share count also include the recently completed \$6.5m institutional share placement and entitlements offer. In our view, Total Brain's investment in its product and people positions it to quickly capitalise on the opportunities presented in the IBM and Hamptons deals and as new clients emerge.

Base case valuation is \$116m or \$0.87/share

Our base case DCF valuation is \$0.87/share after adjusting for the new share count following the share placement and entitlements offer and adjusting expectations from the IBM Mental Health 360 programme. We see commencement of the US Veterans contract with IBM Mental Health 360 as the key near term catalyst for Total Brain's share price.

Historical earnings and RaaS Advisory estimates

Year end	Revenue (A\$m)	Gross Profit (A\$m)	EBITDA reported (A\$m)	NPAT reported (A\$m)	EPS* (c)	EV/Sales (x)
06/19a	2.6	2.3	(6.7)	(8.6)	(12.21)	3.6
06/20a	3.9	3.2	(7.4)	(7.6)	(8.07)	3.5
06/21e	3.6	3.2	(8.9)	(9.2)	(8.52)	8.9
06/22e	12.3	10.4	(3.3)	(3.9)	(3.01)	2.7

Source: Company data, RaaS estimates for FY21e, FY22e *adj for one-time items

Healthcare services

4 August 2021

Share details

ASX Code	TTB
Share price (3 August)	\$0.24
Market Capitalisation	\$31.9M
Shares on issue	133M
Net cash (est)	\$7.6m
Free float	~57%

Share performance (12 months)



Upside Case

- Hamptons Life D2C deal has potential to be a significant part of Total Brain's business
- Significant validation achieved with IBM choosing the platform as the engine for Mental Fitness 360
- Targeting predominantly US corporates and consumers

Downside Case

- Enterprise sales cycle for the B2B product takes from 9-18 months
- New consumer product yet to be fully trialed in market
- Commercial success to date has been elusive

Board of Directors

Dr Evian Gordon	Executive Chairman/ Founder
Louis Gagnon	Managing Director/ CEO
Matthew Morgan	Non-Executive Director
David Torrible	Non-Executive Director
David Daglio	Non-Executive Director

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Q4 result analysis

Total Brain has reported Q4 FY21 cash receipts of \$1.6m, down 6.4% on the same quarter in FY20 which included a \$1m up-front payment for a large contract and a 9% more favourable USD/AUD exchange rate. On a constant currency basis, Q4 FY21's cash receipts were up 2.0%. Outgoing payments increased just 3.0% despite a 13.7% increase in quarter-on-quarter employee expenses to \$2.1m and a 70% increase in advertising and marketing costs to \$0.32m. Government grants for payroll relief meant that operating cashflow for Q4 FY21 was positive. For FY21, Total Brain recorded cash receipts of \$3.86m, down on FY20 with some of this currency related. Cost containment within the group ensured that cash payments declined 4.5% year on year.

Exhibit 1: Total Brain Q4 FY21 cashflows vs Q4 FY20 and FY21 vs FY20						
In A\$m unless otherwise stated	Q4 FY20	Q4 FY21	% chg	FY20	FY21	% chg
Cash receipts	1.713	1.604	(6.4%)	4.997	3.859	(22.8%)
Payments to suppliers & employees	(2.659)	(2.740)	3.0%	(12.004)	(11.463)	(4.5%)
Government grants	1.252	1.394	11.3%	2.590	2.614	0.9%
Total operational spend	0.306	0.258	(15.7%)	(4.417)	(4.990)	13.0%
Monthly net operational spend	0.102	0.086	(15.7%)	(0.368)	(0.416)	13.0%

Source: Company reports

Hamptons Life D2C deal

During the quarter, Total Brain entered into a non-binding heads of agreement with Hamptons Life, a fast growing health and wellness organisation focused on disease prevention through lifestyle changes. The agreement, which the company expects to be executed in the current quarter, will see Hamptons Life pay \$6m, upfront, for a perpetual, global exclusive license for the Direct-to-Consumer version of Total Brain's platform. The license agreement will see Total Brain deliver product integration and development services over three years with the revenue recognised when the service is delivered. In addition, Hamptons Life will pay an annual maintenance fee of \$0.35m and Total Brain will retain an option to acquire up to 50% of the D2C business within 5 years. Hamptons Life will also need to maintain minimum annual commercial outcomes to retain exclusivity. We see this transaction as complementary to Total Brain's existing B2B, Affinity and Clinical businesses and a potentially meaningful contributor to earnings longer term.

IBM Mental Health 360 transaction with US Veterans Affairs

Total Brain noted that in June 2021, the Veteran Affairs administration released a public announcement about the deployment of the IBM Mental Fitness 360 platform and GRIT transaction on the US government website Sam.gov, indicating that the contract award was imminent. The company expects the contract to be executed in the very short term. We have adjusted our assumptions to have this contract commence in September, with revenues to roll in from October 2021, which effectively has pushed our forecasts for the transaction back by seven months.

Heart Rate Variability Functionality

Also in the quarter, Total Brain launched heart rate variability functionality to its product offering with two versions available. Discrete HRV is in beta rollout with users given the ability to calculate their stress levels in the moment via their smartphone camera. The reading takes one to two minutes and has proven 90% accurate relative to the heart rate sensor strap which is considered the gold standard measurement. A pilot study has shown significant engagement (6.4x per day) when available as wearable wrist functionality, and a 25% decrease in stress levels after employing the technology for three months. The new product feature is currently accessible by smartphone camera and will soon be available on wearable wrist technology. Total Brain owns all the rights to the discrete HRV technology.

The second version, continuous HRV, is a working prototype which measures stress levels constantly with the help of a Garmin wearable device. It is 4 times more accurate than the next best alternative and is expected

to launch by calendar year end. This technology has been licenced from UK based, HRV technology leader, Felix. The technology has been validated at Yale University, is used in multiple studies at Cambridge University and being recommended at Harvard University. Total Brain plans to offer two versions of HRV functionality to customers: as a discrete HRV which enables users to calculate their stress levels in-the-moment via their smartphone camera with 90% accuracy; and continuous HRV which measures stress levels constantly with the help of a Garmin wearable device, delivering 4x greater accuracy than its next best alternative and 30x the resolution for signal processing. These new features are expected to drive faster take-up of Total Brain’s platform across the B2B, Affinity and clinical markets.

Events post Q4

Expanded clinical opportunity

Post quarter end, Total Brain entered into a contract with Bayridge Counselling Centres, a Canadian counselling facility with more than 40 therapists. Total Brain will be rolled out to an initial cohort of 500 behavioural health patients with the ability to increase the number of licences throughout the year. The initial deployment represents \$0.04m in revenue to Total Brain.

Eastman contract

In mid-July, Total Brain announced it had entered into a three-year, renewable contract to provide its mental health software to Fortune 500 company, Eastman Corporation. Under the deal, Total Brain will be rolled out to around 10,500 US employees and their spouses/domestic partner, presenting \$0.25m in Annual Recurring Revenue to the company. Revenue is expected to commence in this current quarter.

Capital Raise

On July 20, the company announced it had received commitments to raise \$6.5m via a \$2.5m placement and a \$4m fully underwritten, non-renounceable 1 for 7 entitlement offer. Participants in the placement and entitlement offer receive 1 free attaching option for every 2 share issued. The options have an exercise price of \$0.36 and expire 12 months from the date of issue. We have included the conversion of these options in our modelling.

Earnings adjustments

We have adjusted our forecasts to reflect the Hamptons Life deal and the Eastman contract but we have also pushed back our revenue forecasts for the IBM Mental Fitness 360 programme rollout to commence in September 2021 with revenues rolling in from October. This has resulted in a reduction in our FY21 and FY22 forecasts. Our forecasts do not include anything for the HRV rollout which could materially benefit the company through increased B2B contracts in FY22 and nor do we include conversion of Total Brain’s option to acquire 50% of the D2C business or anything beyond the initial deal as announced. We set out our changes in the following exhibit.

Exhibit 2: Earnings adjustments				
	FY21 old	FY21 new	FY22 old	FY22 new
Revenue	5.9	3.6	14.1	9.9
Gross profit	5.1	3.2	12.0	8.4
EBITDA underlying	(6.9)	(8.9)	(1.8)	(5.3)
EBIT underlying	(7.3)	(9.3)	(2.3)	(5.8)
NPBT	(7.3)	(9.2)	(2.3)	(5.9)
NPAT	(7.3)	(9.2)	(2.3)	(5.9)
Source: RaaS estimates				

DCF valuation

We are of the view that the discounted cashflow methodology is the most appropriate methodology for valuing early stage companies. Our base case DCF valuation of Total Brain is \$115.6m which derives a \$0.87/share valuation (previously \$1.20/share on a 23% lower share count). Using the old share count, the valuation is \$1.07/share. Our terminal value is \$0.59/share within this valuation.

Exhibit 3: Base Case DCF valuation	
Parameters	Outcome
Discount Rate / WACC	14.7%
Beta	2.0
Terminal growth rate assumption	2.20%
Sum of PV	34.7
PV of terminal Value	73.3
PV of Enterprise	108.0
Debt (Cash)	(7.6)
Net Value - Shareholder	115.6
No of shares on issue (m)	133
NPV	\$0.87
Source: RaaS estimates	

Exhibit 4: Financial year financial summary (In A\$m)

Total Brain (TTB.AX)						Share price (2 August 2021)						A\$ 0.24											
Profit and Loss (A\$m)						Interim (A\$m)						H120A		H220A		H121F		H221F		H122F		H222F	
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	Revenue	H120A	H220A	H121F	H221F	H122F	H222F											
Revenue	2.6	2.6	3.9	3.6	9.9	2.2	1.7	2.0	1.6	4.1	5.8												
Gross profit	2.5	2.3	3.2	3.2	8.4	(3.8)	(3.6)	(3.9)	(4.9)	(3.2)	(2.1)												
GP margin %	95.3%	87.8%	83.4%	89.4%	84.7%	(3.9)	(3.7)	(4.1)	(5.2)	(3.4)	(2.4)												
EBITDA	(4.9)	(6.7)	(7.4)	(8.9)	(5.3)	0.0	0.0	0.0	0.0	0.0	0.0												
Deprn	(0.0)	(0.0)	(0.1)	(0.1)	(0.0)	(3.9)	(3.7)	(4.1)	(5.2)	(3.5)	(2.4)												
Amort	(0.1)	(0.4)	(0.2)	(0.4)	(0.5)	(4.8)	(3.3)	(3.7)	(4.8)	(2.7)	(1.8)												
EBIT	(23.4)	(7.2)	(7.7)	(9.3)	(5.8)	(4.8)	(3.3)	(3.7)	(4.8)	(2.7)	(1.8)												
Interest	(0.5)	0.0	0.0	(0.0)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0												
Tax	0.8	0.0	0.0	0.1	0.0	30.0	30.0	30.0	30.0	30.0	30.0												
Minorities	0.0	0.0	0.0	0.0	0.0	(4.3)	(1.7)	(4.3)	(0.7)	(2.7)	(1.9)												
Equity accounted assoc	(0.0)	0.0	0.0	0.0	0.0	(3.2)	(0.1)	(1.8)	2.6	(2.7)	(1.1)												
NPAT pre significant items	(23.1)	(8.6)	(7.6)	(9.2)	(5.9)	Divisionals						H120A	H220A	H121F	H221F	H122F	H222F						
Significant items	0.0	0.0	0.0	0.0	0.0	Total Brain - Corporate						1.1	1.2	1.3	0.8	1.5	2.2						
NPAT (reported)	(23.1)	(8.6)	(7.6)	(9.2)	(5.9)	Total Brain Affinity						0.1	0.3	0.6	0.6	1.2	2.2						
Cash flow (A\$m)						Total Brain - D2C						-	-	-	-	1.2	1.2						
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	Other revenues						0.9	0.2	0.2	0.2	0.3	0.3 <td colspan="5"></td>						
EBITDA	(4.9)	(6.7)	(7.4)	(8.9)	(5.3)	Total Revenue						2.1	1.7	2.0	1.6	4.1	5.8						
Interest	0.0	0.0	0.0	(0.0)	(0.1)	Gross profit						1.8	1.4	1.9	1.3	3.5	4.9						
Tax	0.0	0.0	0.0	0.0	0.0	Gross Profit Margin %						86%	87%	94%	85%	85%	85%						
Working capital changes	1.0	1.1	1.4	3.9	0.8	Employment						3.7	3.1	4.0	4.4	4.7	5.0						
Operating cash flow	(3.9)	(5.6)	(6.0)	(5.0)	(4.6)	Marketing						0.4	0.5	0.4	0.5	0.6	0.6						
Mtce capex	0.0	0.0	(0.1)	(0.1)	(0.1)	Other costs						1.5	1.2	1.2	1.3	1.4	1.4						
Free cash flow	(3.9)	(5.6)	(6.1)	(5.1)	(4.7)	Total costs						5.6	4.8	5.6	6.3	6.7	7.1						
Growth capex	(1.7)	(2.7)	(2.6)	(5.8)	(0.7)	EBITDA						(3.8)	(3.4)	(3.8)	(4.9)	(3.2)	(2.1)						
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	Margins, Leverage, Returns						FY18A		FY19A	FY20A	FY21F	FY22F						
Other	(0.1)	0.1	0.0	0.0	0.0	EBITDA margin %						(186.7%)	(258.7%)	(191.6%)	(247.2%)	(53.3%)							
Cash flow pre financing	(5.7)	(8.2)	(8.7)	(10.8)	(5.4)	EBIT margin %						(893.4%)	(274.8%)	(197.6%)	(259.0%)	(58.6%)							
Equity	10.5	6.7	13.7	1.8	6.2	NPAT margin (pre significant items)						(882.9%)	(329.4%)	(197.2%)	(257.3%)	(59.2%)							
Debt	(0.1)	0.0	1.1	0.0	2.3	Net Debt (Cash)						6.62	5.21	10.00	0.43	1.23							
Dividends paid	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)						(x)	n/a	n/a	n/a	n/a	n/a						
Net cash flow for year	4.7	(1.5)	6.0	(9.0)	3.1	ND/ND+Equity (%)						(%)	(43.6%)	(34.8%)	(61.0%)	(2.4%)	(6.9%)						
Balance sheet (A\$m)						EBIT interest cover (x)						(x)	n/a	n/a	n/a	n/a	n/a						
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	ROA						(95.8%)	(32.3%)	(30.2%)	(35.5%)	(23.7%)							
Cash	6.6	5.2	11.1	1.4	4.5	ROE						(124.4%)	(40.8%)	(32.8%)	(40.9%)	(31.4%)							
Accounts receivable	1.3	0.8	2.8	0.7	0.9	ROIC						(162.5%)	(109.5%)	(159.0%)	(130.0%)	(141.8%)							
Inventory	0.0	0.0	0.0	0.0	0.0	NTA (per share)						41.0%	34.4%	27.8%	14.0%	13.0%							
Other current assets	0.0	0.2	0.1	0.4	0.4	Working capital						82.8%	35.3%	237.6%	59.6%	75.6%							
Total current assets	8.0	6.2	14.1	2.5	5.8	WC/Sales (%)						31.6%	13.6%	61.3%	16.6%	7.6%							
PPE	0.2	0.2	0.3	0.3	0.4	Revenue growth						10.4%	(0.5%)	49.0%	(7.6%)	177.7%							
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT growth pa						n/a	n/a	n/a	n/a	n/a							
Intangibles	14.7	14.9	15.0	19.9	20.1	Pricing						FY18A		FY19A	FY20A	FY21F	FY22F						
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)						(m)	53	59	95	133	146						
Other non current assets	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares						(m)	36	59	95	129	144						
Total non current assets	14.9	15.2	15.3	20.3	20.5	EPS Reported						cps	(6.38)	(14.58)	(8.07)	(8.52)	(4.50)						
Total Assets	22.9	21.4	29.4	22.8	26.3	EPS Normalised/Diluted						cps	(12.98)	(12.21)	(8.07)	(8.52)	(4.50)						
Accounts payable	0.5	0.5	0.5	0.1	0.1	EPS growth (norm/dil)						n/a	n/a	n/a	n/a	n/a	nm						
Short term debt	0.0	0.0	1.1	1.0	1.0	DPS						cps	-	-	-	-	-						
Tax payable	0.0	0.0	0.0	0.0	0.0	DPS Growth						n/a	n/a	n/a	n/a	n/a	n/a						
Deferred revenue	0.5	0.6	1.4	3.0	3.2	Dividend yield						0.0%	0.0%	0.0%	0.0%	0.0%							
Total current liabilities	1.0	1.1	3.0	4.1	4.3	Dividend imputation						30	30	30	30	30							
Long term debt	0.0	0.0	0.0	0.0	2.3	PE (x)						-	-	-	-	-							
Other non current liabs	0.1	0.1	0.1	0.0	0.0	PE market						18.3	18.3	18.3	18.3	18.3							
Total long term liabilities	0.1	0.1	0.1	0.0	2.3	Premium/(discount)						(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)							
Total Liabilities	1.1	1.2	3.0	4.1	6.7	EV/Sales						7.4	3.4	3.3	8.5	3.3							
Net Assets	21.8	20.2	26.4	18.7	19.8	FCF/Share						cps	(7.3)	(9.6)	(6.2)	(3.7)	(3.1)						
Share capital	58.1	64.8	78.4	80.3	86.4	Price/FCF share						(3.3)	(2.5)	(3.9)	(6.5)	(7.8)							
Accumulated profits/losses	(40.2)	(48.8)	(56.4)	(65.6)	(71.5)	Free Cash flow Yield						(30.4%)	(40.0%)	(25.8%)	(15.4%)	(12.8%)							
Reserves	3.9	4.2	4.4	4.0	4.0																		
Minorities	0.0	0.0	0.0	0.0	0.0																		
Total Shareholder funds	21.8	20.2	26.4	18.7	19.8																		

Source: RaaS Advisory

Exhibit 5: Calendar year financial summary (in A\$m)

Total Brain (ASX:TTB)						Share price (2 August 2021)						A\$	0.24				
Profit and Loss (A\$m)						Interim (A\$m)						H1CY20A	H2CY20F	H1CY21F	H2CY21F	H1CY22F	H2CY22F
Y/E December 31	CY18A	CY19A	CY20F	CY21F	CY22F	Revenue	1.7	2.0	1.6	4.1	5.8	7.3					
Revenue	2.7	3.7	3.7	5.7	13.1	EBITDA	(3.6)	(3.9)	(4.9)	(3.2)	(2.1)	(1.4)					
Gross profit	2.5	3.1	3.3	4.8	11.0	EBIT	(3.7)	(4.1)	(5.2)	(3.4)	(2.4)	(1.6)					
GP margin %	93.5%	84.2%	89.2%	84.7%	84.2%	NPAT (normalised)	(3.7)	(4.1)	(5.2)	(3.5)	(2.4)	(1.3)					
EBITDA	(10.2)	(7.5)	(7.6)	(8.1)	(3.5)	Minorities	0.0	0.0	0.0	0.0	0.0	0.0					
Depn	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	NPAT (reported)	(3.7)	(4.1)	(5.2)	(3.5)	(2.4)	(1.3)					
Amort	(0.2)	(0.3)	(0.2)	(0.5)	(0.5)	EPS (normalised)	(3.3)	(3.7)	(4.8)	(2.7)	(1.8)	(0.9)					
EBIT	(13.9)	(7.9)	(7.8)	(8.6)	(4.0)	EPS (reported)	(3.3)	(3.7)	(4.8)	(2.7)	(1.8)	(0.9)					
Interest	0.0	0.0	0.0	(0.0)	(0.1)	Dividend (cps)	0.0	0.0	0.0	0.0	0.0	0.0					
Tax	0.0	0.0	0.1	0.0	0.5	Imputation	30.0	30.0	30.0	30.0	30.0	30.0					
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(1.7)	(4.3)	(0.7)	(2.7)	(1.9)	(1.2)					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.1)	(1.8)	2.6	(2.7)	(1.1)	(0.4)					
NPAT pre significant items	(15.5)	(8.0)	(7.8)	(8.6)	(3.7)	Divisionals						H1CY20A	H2CY20F	H1CY21F	H2CY21F	H1CY22F	H2CY22F
Significant items	0.0	0.0	0.0	0.0	0.0	Total Brain - Corporate	1.2	1.3	0.8	1.5	2.2	2.5					
NPAT (reported)	(15.5)	(8.0)	(7.8)	(8.6)	(3.7)	Total Brain Affinity	0.3	0.6	0.6	1.2	2.2	3.0					
Cash flow (A\$m)						Total Brain D2C	-	-	-	1.2	1.2	1.2					
Y/E December 31	CY18A	CY19A	CY20F	CY21F	CY22F	Other revenues	0.2	0.2	0.2	0.3	0.3	0.6					
EBITDA	(10.2)	(7.5)	(7.6)	(8.1)	(3.5)	Total Revenue	1.7	2.0	1.6	4.1	5.8	7.3					
Interest	0.0	0.0	0.0	(0.0)	(0.1)	Gross profit	1.4	1.9	1.3	3.5	4.9	6.1					
Tax	0.0	0.0	0.0	0.0	0.0	Gross Profit Margin %	82%	92%	85%	85%	85%	84%					
Working capital changes	5.7	(0.1)	1.5	4.8	0.5	Employment	3.1	4.0	4.4	4.7	5.0	5.4					
Operating cash flow	(4.5)	(7.7)	(6.0)	(3.4)	(3.2)	Marketing	0.5	0.4	0.5	0.6	0.6	0.6					
Mtce capex	0.0	(0.0)	(0.1)	(0.1)	(0.1)	Other costs	1.2	1.2	1.3	1.4	1.4	1.5					
Free cash flow	(4.5)	(7.7)	(6.1)	(3.4)	(3.3)	Total costs	4.8	5.6	6.3	6.7	7.1	7.5					
Growth capex	(2.8)	(2.5)	(4.0)	(3.2)	(1.5)	EBITDA	(3.4)	(3.8)	(4.9)	(3.2)	(2.1)	(1.4)					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	Margins, Leverage, Returns						CY18A	CY19A	CY20F	CY21F	CY22F	
Other	(0.1)	0.1	0.0	0.0	0.0	EBITDA margin %	(384.5%)	(204.7%)	(204.8%)	-143%	-27%						
Cash flow pre financing	(7.4)	(10.0)	(10.2)	(6.7)	(4.8)	EBIT margin %	(521.2%)	(215.3%)	(212.6%)	-151%	-31%						
Equity	1.2	14.8	5.6	8.0	2.0	NPAT margin (pre significant items)	(582.8%)	(216.3%)	(211.1%)	-152%	-28%						
Debt	0.0	0.0	1.1	0.0	2.3	Net Debt (Cash)		3.27	7.62	2.72	3.95	1.17					
Dividends paid	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	n/a					
Net cash flow for year	(6.1)	4.7	(3.5)	1.3	(0.4)	ND/ND+Equity (%)	(%)	(22.9%)	(46.2%)	(14.1%)	(22.8%)	(6.4%)					
Balance sheet (A\$m)						EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	n/a					
Y/E December 31	CY18A	CY19A	CY20F	CY21F	CY22F	ROA		(62.3%)	(36.1%)	(31.6%)	(33.5%)	(14.6%)					
Cash	3.3	7.6	3.7	6.1	5.7	ROE		(94.3%)	(38.3%)	(33.8%)	(40.0%)	(18.0%)					
Accounts receivable	0.5	2.5	2.5	0.7	1.0	ROIC		(102.9%)	(223.5%)	(96.0%)	(154.5%)	(50.9%)					
Inventory	0.0	0.0	0.0	0.0	0.0	NTA (per share)		33.0%	41.1%	23.2%	16.0%	13.5%					
Other current assets	0.1	0.3	0.4	0.4	0.4	Working capital		(6.6%)	193.3%	199.3%	58.8%	89.8%					
Total current assets	3.8	10.4	6.6	7.2	7.1	WC/Sales (%)		(2.5%)	52.4%	54.0%	10.3%	6.9%					
PPE	0.2	0.2	0.3	0.3	0.4	Revenue growth		12.3%	38.5%	0.1%	54.2%	130.3%					
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT growth pa		n/a	n/a	n/a	n/a	n/a					
Investments	0.0	0.0	0.0	0.0	0.0	Pricing		CY18A	CY19A	CY20F	CY21F	CY22F					
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	53	95	108	133	146					
Other non current assets	14.5	14.7	17.4	19.7	20.7	Weighted Av Dil Shares	(m)	590	95	108	133	146					
Total non current assets	14.8	15.0	17.7	20.0	21.1	EPS Reported	cps	(29.19)	(9.97)	(7.06)	(7.38)	(2.68)					
Total Assets	18.6	25.4	24.3	27.2	28.1	EPS Normalised/Diluted	cps	(29.19)	(9.97)	(7.06)	(7.38)	(2.68)					
Accounts payable	0.5	0.6	0.5	0.1	0.1	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	n/a					
Short term debt	0.0	0.0	1.0	1.0	1.0	DPS	cps	-	-	-	-	-					
Tax payable	0.0	0.0	0.0	0.0	0.0	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Deferred revenue	0.4	0.6	0.8	3.2	3.3	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Total current liabilities	0.9	1.1	2.3	4.3	4.4	Dividend imputation		30	30	30	30	30					
Long term debt	0.0	0.0	0.0	1.2	3.5	PE (x)		-	-	-	-	-					
Other non current liabs	0.1	0.1	0.0	0.0	0.0	PE market		18.3	18.3	18.3	18.3	18.3					
Total long term liabilities	0.1	0.1	0.0	1.2	3.5	Premium/discount		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)					
Total Liabilities	1.0	1.2	2.3	5.4	7.9	EV/Sales		7.3	4.8	4.3	5.5	2.6					
Net Assets	17.5	24.1	21.9	21.7	20.3	FCF/Share	cps	(7.3)	(5.9)	(5.4)	(3.7)	(3.1)					
Share capital	58.1	72.6	78.4	86.4	88.4	Price/FCF share		(3.3)	(4.1)	(4.4)	(6.5)	7.8					
Accumulated profits/losses	(44.8)	(52.7)	(60.5)	(69.1)	(72.8)	Free Cash flow Yield		(30.4%)	(24.7%)	(22.6%)	(15.4%)	(12.8%)					
Reserves	4.2	4.3	4.0	4.0	4.0												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	17.5	24.1	21.9	21.3	19.6												

Source: RaaS Advisory



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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- how we transact with you
- how we are paid, and
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