

8 August 2022

Total Brain

Binding agreement to sell assets to SonderMind

Total Brain (ASX:TTB) is the developer of a neuroscience-based mental health and fitness platform powered by the largest standardized neuroscientific database in the world formed over almost two decades. The company has announced that it has reached a binding agreement to sell its assets to US private-equity backed group SonderMind for US\$10m. The purchase price is less: any debt-funding provided by SonderMind to underpin Total Brain's working capital requirements until completion of the proposed transaction; the value of assumed employee entitlements for those employees who accept SonderMind's offer of employment; and an agreed adjustment of approximately US\$0.133m in tax liabilities. SonderMind has already made available US\$0.5m to Total Brain via a letter of credit which the company has fully drawn and an additional US\$2.0m may be made available to the company should funds be required prior to completion. Subject to shareholder approval of the sale, the company intends to pay out outstanding liabilities and fees, including the \$1.28m convertible note held by shareholder Zoltan Varga, and following these payments, conduct a share-buyback to enable shareholders to liquidate their investment in the company. On completion of the share buyback, Total Brain will apply to the ASX for de-listing and commence the winding-up process. The directors of the company have unanimously recommended that Total Brain shareholders vote in favour of the proposed transaction.

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.

Recent Q4 Performance

Total Brain recently reported Q4 FY22 cash receipts of \$1.56m and net operating cashflow of \$1.2m, assisted by \$2.37m in government grants. Operating cash receipts were down 3% year-on-year and 5% quarter-on-quarter. FY22 cash receipts were \$7.7m and the net operating cash outflow for the year was \$1.97m. The company ended the quarter with net debt of \$0.56m. The company noted that during the quarter, it had renewed four population health clients representing US\$0.59m in Annual Recurring Revenues (ARR). This included the five-year contract extension with the American Association of Retired Persons (AARP) which delivered total recurring revenues of US\$2.7m over the contract term.

Next Steps

Total Brain will despatch a notice of meeting to shareholders and Independent Expert's Report to shareholders by mid-August with the view to holding an Extraordinary General Meeting in mid-September for completion of the proposed transaction in late September. The proposed transaction is subject to a number of conditions which need to be satisfied or waived including approval of the transaction by TTB shareholders, no breach of warranty by either SonderMind or Total Brain, no material adverse change occurring in relation to TTB's business, third-party consents to assign or novate contracts to SonderMind, key employees accepting employment with SonderMind, no insolvency event occurring within the TTB group, and agreement of the terms on which interim funding is provided by SonderMind to the company.

Share Details

ASX code	TTB
Share price (intraday)	\$0.046
Market capitalisation	\$6.1M
Number of shares	133.4M
Net debt (30 June 2022)	\$0.56M
Sector	Healthcare Services
Free float	~57%

Share Price Performance (12-months)



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FINANCIAL SERVICES GUIDE

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AFSL 456663

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- complaint processes

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

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