

### FY20 sales up 49%, DCF is \$1.29/share

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. Total Brain reported a 49% lift in FY20 revenue to \$3.9m driven by growth in corporate subscriptions and subscriptions generated by affinity partnerships. The company signed more than 20 contracts and partnerships representing more than \$2.1m in annual recurring revenue in the year. ARR now stands at around \$4.5m. Cost containment was a significant feature in the FY20 result, with costs of goods sold, employment costs and operating costs all coming in lower than our forecasts. We have incorporated the FY20 results into our model and rolled the model for the new financial year. Our base case valuation is adjusted to \$1.29/share (previously \$1.27/share) and on a fully diluted basis for all options on issue is \$1.22/share. In our view, continued momentum with new contracts should underpin Total Brain's share price performance.

### 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.

### Better than forecast cost containment

Total Brain reported a 49% increase in revenue in FY20 to \$3.9m and a net loss of \$7.6m. Top line, the result was below our forecasts for \$5.4m chiefly for lower than forecast contributions from licence fees from iSpot and from B2B corporate, but costs were also \$1m lower than our forecasts. Employment costs for the year were \$6.8m, up from \$5.5m but below our expectations for \$7.4m with COVID-19 playing a part in the decision to more carefully add to the team. We have taken the results into account for FY21 and FY22 making adjustments to both the top line and costs line with the net result being a reduction in our forecasts for both years.

### Base case valuation upgraded to \$1.29/share

We use the discounted cashflow methodology to value Total Brain. Having incorporated the FY20 results and rolled the model we arrive at a base case valuation of \$140.6m or \$1.29/share (previously \$137m or \$1.27/share) on a WACC of 14.7%. Our valuation reflects a 34.6% CAGR in free cashflows from 2023-2030. Using the same WACC, the last closing share price of \$0.39 reflects an estimated 10.4% CAGR in free cashflows from 2022-2030.

#### Historical earnings and RaaS Advisory estimates

| Year end | Revenue (A\$m) | EBITDA reported (A\$m) | NPAT reported (A\$m) | EPS* (c) | P/E (x) | EV/Sales (x) |
|----------|----------------|------------------------|----------------------|----------|---------|--------------|
| 06/19    | 2.6            | (6.7)                  | (8.6)                | (12.21)  | na      | 6.8          |
| 06/20    | 3.9            | (7.4)                  | (7.6)                | (8.07)   | na      | 7.0          |
| 06/21e   | 7.4            | (3.6)                  | (2.9)                | (2.65)   | na      | 4.8          |
| 06/22e   | 16.8           | 3.5                    | 2.1                  | 1.97     | 19.8    | 2.1          |

Source: Company data, RaaS Advisory Estimates for FY20e, FY21e, FY22e \*adj for one-time items

### Healthcare services

1 September 2020

#### Share details

|                       |          |
|-----------------------|----------|
| ASX Code              | TTB      |
| Share price           | \$0.39   |
| Market Capitalisation | \$42.24M |
| Shares on issue       | 108.3M   |
| Net cash at June 30   | \$10.0m  |
| Free float            | ~57%     |

#### Share performance (12 months)



#### Upside Case

- Highly scalable SaaS model
- Significant validation from IBM choosing the platform as the engine for Mental Health 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 trialled in market
- Commercial success to date has been elusive

#### Board of Directors

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

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\*The analyst holds shares

## FY20 result

Total Brain reported a 49% increase in revenue to \$3.9m in FY20 and 42% increase in gross profit to \$3.2m. The net loss for the year was \$7.6m which was an 11% reduction on the \$8.6m loss in FY19. While revenues were lower than we had forecast, cash receipts were in line with our forecasts (\$4.9m versus our forecast for \$5.0m). The company also ended the year with much higher than expected contract liabilities (or unearned income) of \$0.96m, versus \$0.21m a year before and our forecast for \$0.33m.

| <b>Exhibit 1: FY20 results snapshot versus FY19 and RaaS fct (in A\$m unless otherwise noted)</b> |       |       |       |          |
|---|-------|-------|-------|----------|
| Year ending June 30   | FY19  | FY20  | % chg | RaaS fct |
| Revenue   | 2.6   | 3.9   | 49%   | 5.4      |
| Gross profit  | 2.3   | 3.2   | 42%   | 4.4      |
| EBITDA underlying   | (6.7) | (7.4) | 10%   | (6.8)    |
| EBIT underlying   | (7.2) | (7.7) | 7%    | (7.1)    |
| NPAT reported   | (8.6) | (7.6) | (11%) | (7.0)    |
| NPAT underlying   | (8.6) | (7.6) | (11%) | (7.0)    |
| Source: Company data, RaaS forecasts  |       |       |       |          |

## Operational progress

The growth in affinity partnerships is a key plank in the company's strategy with this revenue stream increasing by 106% in FY20, in line with our expectations. The company's corporate revenues increased 27% to \$2.26m in FY20 but was below our forecast for the year with COVID-19 playing a part in 2H growth (up 9% to \$1.18m over H1FY20 versus our forecast for \$1.8m for the half). Revenues from data licencing and iSPOT in FY20 were up substantially on FY19 but the second half growth that we had anticipated did not translate into revenues.

| <b>Exhibit 2: Revenue breakdown FY20 vs FY19 and RaaS fct (in A\$m unless otherwise noted)</b> |             |             |              |             |
|--|-------------|-------------|--------------|-------------|
| Year ending June 30  | FY19        | FY20        | % chg        | RaaS fct.   |
| Total Brain Corporate  | 1.79        | 2.26        | 26.6%        | 2.88        |
| Total Brain Affinity   | 0.19        | 0.40        | 105.8%       | 0.41        |
| Total Brain all other  | 0.09        | 0.14        | 59.1%        | 0.22        |
| Clinical   | 0.32        | 0.30        | -7.8%        | 0.35        |
| Discovery  | 0.04        | 0.03        | -18.6%       | 0.04        |
| iSPOT/data licencing   | 0.17        | 0.74        | 344.1%       | 1.46        |
| <b>Total Revenue</b>   | <b>2.60</b> | <b>3.88</b> | <b>49.0%</b> | <b>5.36</b> |
| Source: Company annual report, RaaS forecasts  |             |             |              |             |

Total Brain's costs for the year were well contained, rising less than 20% over FY19. Corporate and operating costs in particular were well contained, growing just 6.6% year on year to \$3.55m and below our forecast for \$3.79m. Employment costs were up 23% to \$6.8m but well below our forecast for \$7.37m for the year.

| <b>Exhibit 3: Costs breakdown FY20 vs FY19 and RaaS fct (in A\$m unless otherwise noted)</b> |             |              |              |              |
|--|-------------|--------------|--------------|--------------|
| Year ending June 30  | FY19        | FY20         | % chg        | RaaS         |
| COGS   | 0.32        | 0.64         | 100.0%       | 0.95         |
| Employment   | 5.53        | 6.81         | 23.1%        | 7.37         |
| Corporate and operating  | 3.33        | 3.55         | 6.6%         | 3.79         |
| <b>Total Costs</b>   | <b>9.18</b> | <b>11.00</b> | <b>19.8%</b> | <b>12.11</b> |
| Source: Company annual report, RaaS forecasts  |             |              |              |              |

## Earnings Adjustments

We have incorporated the FY20 result in our forecast which has resulted in some forward adjustments on both revenues and costs. The costs containment in FY20 was better than forecast, with COGS and employments costs well contained during the second half. We have assumed that the company keeps a check on its cost base through FY21 in response to the continued uncertainty being brought about by COVID-19. Correspondingly, we have adjusted our revenue estimates, predominantly for lower iSPOT/data licencing revenues and lower corporate sales over the next 12 months. The net impact has been a reduction to our forecasts for FY21 and FY22.

**Exhibit 4: Earnings Adjustment for FY21 and FY22 (in A\$m unless otherwise stated)**

| Year ending June 30 | FY21 old | FY21 new | FY22 old | FY22 new |
|---------------------|----------|----------|----------|----------|
| Revenue             | 12.6     | 7.4      | 21.5     | 16.8     |
| Gross profit        | 10.4     | 6.3      | 17.7     | 14.3     |
| EBITDA underlying   | (1.6)    | (3.6)    | 4.6      | 3.5      |
| EBIT underlying     | (2.0)    | (4.0)    | 4.1      | 3.1      |
| NPBT                | (1.8)    | (4.0)    | 4.3      | 2.9      |
| NPAT                | (1.3)    | (2.9)    | 3.1      | 2.1      |

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. Having rolled our model for the new financial year and adjusted our costs forecasts to reflect the lower starting cost base in FY21, our base case valuation has increased to \$1.29/share or \$140.6m (previously \$137m or \$1.27/share). This includes some in the money options (0.3m). If we include the 6.94M \$0.80 options issued to employees and with various expiry dates, the valuation is \$1.22/share. Our terminal value is \$0.73/share within this valuation. Our valuation assumes a CAGR in free cashflows from FY22-30 of 34.6%. As a sense check, the CAGR in free cashflows built into the current share price is 10.4%.

**Exhibit 5: Base Case DCF valuation**

| Parameters                                       | Outcome |
|--|---------|
| Discount Rate / WACC                             | 14.7%   |
| Beta   | 2.1     |
| Terminal growth rate assumption                  | 2.20%   |
| Sum of PV  | 56.7    |
| PV of terminal Value                             | 73.9    |
| PV of Enterprise                                 | 130.6   |
| Debt (Cash) at June 301                          | (10.0)  |
| Net Value - Shareholder                          | 140.6   |
| No of shares on issue (m) + in the money options | 108.6   |
| NPV  | \$1.29  |

Source: RaaS estimates

## Exhibit 6: Financial year financial summary

| Total Brain (TTB.AX)        |        |        |        |        |        | Share price (August 31 2020)        |       |          |          |          |          | A\$      | 0.39 |
|-----------------------------|--------|--------|--------|--------|--------|-------------------------------------|-------|----------|----------|----------|----------|----------|------|
| Profit and Loss (A\$m)      |        |        |        |        |        | Interim (A\$m)                      |       |          |          |          |          |          |      |
| Y/E 30 June                 | FY18A  | FY19A  | FY20A  | FY21F  | FY22F  | Revenue                             | H119A | H219A    | H120A    | H220A    | H121F    | H221F    |      |
| Revenue                     | 2.6    | 2.6    | 3.9    | 7.4    | 16.8   | EBITDA                              | (4.4) | (3.7)    | (3.8)    | (3.6)    | (3.0)    | (0.7)    |      |
| Gross profit                | 2.5    | 2.3    | 3.2    | 6.3    | 14.3   | EBIT                                | (4.5) | (4.0)    | (3.9)    | (3.7)    | (3.2)    | (0.9)    |      |
| GP margin %                 | 95.3%  | 87.8%  | 83.4%  | 84.7%  | 84.7%  | NPAT (normalised)                   | (4.5) | (4.1)    | (3.9)    | (3.7)    | (2.3)    | (0.6)    |      |
| EBITDA                      | (4.9)  | (6.7)  | (7.4)  | (3.6)  | 3.5    | Minorities                          | 0.0   | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |      |
| Depn                        | (0.0)  | (0.0)  | (0.1)  | (0.0)  | (0.0)  | NPAT (reported)                     | (4.5) | (4.1)    | (3.9)    | (3.7)    | (2.3)    | (0.6)    |      |
| Amort                       | (0.1)  | (0.4)  | (0.2)  | (0.4)  | (0.4)  | EPS (normalised)                    | (6.9) | (0.6)    | (4.8)    | (3.3)    | (2.1)    | (0.6)    |      |
| EBIT                        | (23.4) | (7.2)  | (7.7)  | (4.0)  | 3.1    | EPS (reported)                      | (6.9) | (0.6)    | (4.8)    | (3.3)    | (2.1)    | (0.6)    |      |
| Interest                    | (0.5)  | 0.0    | 0.0    | 0.1    | (0.1)  | Dividend (cps)                      | 0.0   | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |      |
| Tax                         | 0.8    | 0.0    | 0.0    | 1.1    | (0.8)  | 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                 | (2.3) | (3.4)    | (4.3)    | (1.7)    | 0.2      | (0.9)    |      |
| Equity accounted assoc      | (0.0)  | 0.0    | 0.0    | 0.0    | 0.0    | Free Cash flow                      | (1.0) | (2.0)    | (3.2)    | (0.1)    | 1.2      | 0.1      |      |
| NPAT pre significant items  | (23.1) | (8.6)  | (7.6)  | (2.9)  | 2.1    | Divisionals                         | H119A | H219A    | H120A    | H220A    | H121F    | H221F    |      |
| Significant items           | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | Total Brain - Corporate             | 0.9   | 0.9      | 1.1      | 1.2      | 1.6      | 2.5      |      |
| NPAT (reported)             | (23.1) | (8.6)  | (7.6)  | (2.9)  | 2.1    | Total Brain Affinity                | -     | 0.2      | 0.1      | 0.3      | 0.5      | 2.4      |      |
| Cash flow (A\$m)            |        |        |        |        |        | Other revenues                      | 0.2   | 0.4      | 1.0      | 0.2      | 0.2      | 0.2      |      |
| Y/E 30 June                 | FY18A  | FY19A  | FY20A  | FY21F  | FY22F  | Total Revenue                       | 1.1   | 1.5      | 2.2      | 1.7      | 2.3      | 5.1      |      |
| EBITDA                      | (4.9)  | (6.7)  | (7.4)  | (3.6)  | 3.5    |                                     |       |          |          |          |          |          |      |
| Interest                    | 0.0    | 0.0    | 0.0    | 0.1    | (0.1)  | Gross profit                        | 1.0   | 1.3      | 1.8      | 1.4      | 1.9      | 4.3      |      |
| Tax                         | 0.0    | 0.0    | 0.0    | 0.0    | (0.8)  | Gross Profit Margin %               | 89%   | 87%      | 82%      | 85%      | 85%      | 85%      |      |
| Working capital changes     | 1.0    | 1.1    | 1.4    | 2.8    | (0.7)  | Employment                          | 2.8   | 2.7      | 3.7      | 3.1      | 3.2      | 3.2      |      |
| Operating cash flow         | (3.9)  | (5.6)  | (6.0)  | (0.8)  | 1.9    | Marketing                           | 0.4   | 0.4      | 0.4      | 0.5      | 0.5      | 0.5      |      |
| Mtce capex                  | 0.0    | 0.0    | (0.1)  | (0.1)  | (0.1)  | Other costs                         | 1.2   | 1.3      | 1.5      | 1.2      | 1.2      | 1.3      |      |
| Free cash flow              | (3.9)  | (5.6)  | (6.1)  | (0.9)  | 1.8    | Total costs                         | 4.4   | 4.4      | 5.6      | 4.8      | 4.9      | 5.0      |      |
| Growth capex                | (1.7)  | (2.7)  | (2.6)  | (2.0)  | (2.0)  | EBITDA                              | (3.4) | (3.1)    | (3.8)    | (3.4)    | (3.0)    | (0.7)    |      |
| Acquisitions/Disposals      | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | EBITDA margin %                     | nm    | nm       | nm       | nm       | nm       | -13%     |      |
| Other                       | (0.1)  | 0.1    | 0.0    | 0.0    | 0.0    |                                     |       |          |          |          |          |          |      |
| Cash flow pre financing     | (5.7)  | (8.2)  | (8.7)  | (2.9)  | (0.2)  | Margins, Leverage, Returns          | FY18A | FY19A    | FY20A    | FY21F    | FY22F    |          |      |
| Equity                      | 10.5   | 6.7    | 13.7   | 0.0    | 0.0    | EBITDA margin %                     |       | (186.7%) | (258.7%) | (191.6%) | (49.2%)  | 21%      |      |
| Debt                        | (0.1)  | 0.0    | 1.1    | 2.2    | 2.2    | EBIT margin %                       |       | (893.4%) | (274.8%) | (197.6%) | (54.9%)  | 18%      |      |
| Dividends paid              | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | NPAT margin (pre significant items) |       | (882.9%) | (329.4%) | (197.2%) | (39.0%)  | 13%      |      |
| Net cash flow for year      | 4.7    | (1.5)  | 6.0    | (0.6)  | 2.0    | Net Debt (Cash)                     |       | 6.62     | 5.21     | 10.00    | 7.14     | 6.93     |      |
| Balance sheet (A\$m)        |        |        |        |        |        | Net debt/EBITDA (x)                 | (x)   | n/a      | n/a      | n/a      | n/a      | 1.97     |      |
| Y/E 30 June                 | FY18A  | FY19A  | FY20A  | FY21F  | FY22F  | ND/ND+Equity (%)                    | (%)   | (43.6%)  | (34.8%)  | (61.0%)  | (44.1%)  | (37.4%)  |      |
| Cash                        | 6.6    | 5.2    | 11.1   | 10.5   | 12.5   | EBIT interest cover (x)             | (x)   | n/a      | n/a      | n/a      | n/a      | 3.8%     |      |
| Accounts receivable         | 1.3    | 0.8    | 2.8    | 0.9    | 1.2    | ROA                                 |       | (95.8%)  | (32.3%)  | (30.2%)  | (14.0%)  | 10.1%    |      |
| Inventory                   | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | ROE                                 |       | (124.4%) | (40.8%)  | (32.8%)  | (11.6%)  | 8.7%     |      |
| Other current assets        | 0.0    | 0.2    | 0.1    | 0.1    | 0.1    | ROIC                                |       | (162.5%) | (109.5%) | (159.0%) | (66.1%)  | 56.9%    |      |
| Total current assets        | 8.0    | 6.2    | 14.1   | 11.5   | 13.8   | NTA (per share)                     |       | 41.0%    | 34.4%    | 27.8%    | 21.6%    | 23.5%    |      |
| PPE                         | 0.2    | 0.2    | 0.3    | 0.4    | 0.4    | Working capital                     |       | 82.8%    | 35.3%    | 237.6%   | 64.3%    | 95.5%    |      |
| Goodwill                    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | WC/Sales (%)                        |       | 31.6%    | 13.6%    | 61.3%    | 8.7%     | 5.7%     |      |
| Intangibles                 | 14.7   | 14.9   | 15.0   | 16.6   | 18.2   | Revenue growth                      |       | 10.4%    | (0.5%)   | 49.0%    | 90.2%    | 128.2%   |      |
| Deferred tax asset          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | EBIT growth pa                      |       | n/a      | n/a      | n/a      | n/a      | (175.6%) |      |
| Other non current assets    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | Pricing                             | FY18A | FY19A    | FY20A    | FY21F    | FY22F    |          |      |
| Total non current assets    | 14.9   | 15.2   | 15.3   | 17.0   | 18.6   | No of shares (y/e)                  | (m)   | 53       | 59       | 95       | 108      | 108      |      |
| Total Assets                | 22.9   | 21.4   | 29.4   | 28.4   | 32.4   | Weighted Av Dil Shares              | (m)   | 36       | 59       | 95       | 108      | 108      |      |
| Accounts payable            | 0.5    | 0.5    | 0.5    | 0.2    | 0.2    | EPS Reported                        | cps   | (6.38)   | (14.58)  | (8.07)   | (2.65)   | 1.97     |      |
| Short term debt             | 0.0    | 0.0    | 1.1    | 1.1    | 1.1    | EPS Normalised/Diluted              | cps   | (12.98)  | (12.21)  | (8.07)   | (2.65)   | 1.97     |      |
| Tax payable                 | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | EPS growth (norm/dil)               |       | n/a      | n/a      | n/a      | n/a      | nm       |      |
| Deferred revenue            | 0.5    | 0.6    | 1.4    | 1.5    | 1.1    | DPS                                 | cps   | -        | -        | -        | -        | -        |      |
| Total current liabilities   | 1.0    | 1.1    | 3.0    | 2.8    | 2.4    | DPS Growth                          |       | n/a      | n/a      | n/a      | n/a      | n/a      |      |
| Long term debt              | 0.0    | 0.0    | 0.0    | 2.2    | 4.4    | Dividend yield                      |       | 0.0%     | 0.0%     | 0.0%     | 0.0%     | 0.0%     |      |
| Other non current liab      | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | Dividend imputation                 |       | 30       | 30       | 30       | 30       | 30       |      |
| Total long term liabilities | 0.1    | 0.1    | 0.1    | 2.3    | 4.5    | PE (x)                              |       | -        | -        | -        | -        | 19.8     |      |
| Total Liabilities           | 1.1    | 1.2    | 3.0    | 5.1    | 6.9    | PE market                           |       | 15.6     | 15.6     | 15.6     | 15.6     | 15.6     |      |
| Net Assets                  | 21.8   | 20.2   | 26.4   | 23.3   | 25.5   | Premium/discount                    |       | (100.0%) | (100.0%) | (100.0%) | (100.0%) | 26.9%    |      |
| Share capital               | 58.1   | 64.8   | 78.4   | 78.4   | 78.4   | EV/EBITDA                           |       | (5.6)    | (2.6)    | (3.6)    | (9.7)    | 10.0     |      |
| Accumulated profits/losses  | (40.2) | (48.8) | (56.4) | (59.5) | (57.3) | FCF/Share                           | cps   | (7.3)    | (9.6)    | (6.2)    | (0.6)    | 1.8      |      |
| Reserves                    | 3.9    | 4.2    | 4.4    | 4.4    | 4.4    | Price/FCF share                     |       | (5.3)    | (4.1)    | (6.3)    | (61.0)   | 21.4     |      |
| Minorities                  | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | Free Cash flow Yield                |       | (18.7%)  | (24.6%)  | (15.9%)  | (1.6%)   | 4.7%     |      |
| Total Shareholder funds     | 21.8   | 20.2   | 26.4   | 23.3   | 25.5   |                                     |       |          |          |          |          |          |      |

Source: RaaS Advisory

## Exhibit 7: Calendar year financial summary

| Total Brain (ASX:TTB)       |        |        |        |        |        | Share price (31 August 2020)        |         |          |          |          |          | AS         |         | 0.39  |       |       |     |     |
|-----------------------------|--------|--------|--------|--------|--------|-------------------------------------|---------|----------|----------|----------|----------|------------|---------|-------|-------|-------|-----|-----|
| Profit and Loss (A\$m)      |        |        |        |        |        | Interim (A\$m)                      |         | H1CY18A  | H2CY18A  | H1CY19F  | H2CY19A  | H1CY20A    | H2CY20F |       |       |       |     |     |
| Y/E December 31             | CY18A  | CY19A  | CY20F  | CY21F  | CY22F  | Revenue                             | 1.6     | 1.1      | 1.5      | 2.2      | 1.7      | 2.3        |         |       |       |       |     |     |
| Revenue                     | 2.7    | 3.7    | 4.0    | 12.5   | 21.1   | EBITDA                              | (5.9)   | (4.4)    | (3.7)    | (3.8)    | (3.6)    | (3.0)      |         |       |       |       |     |     |
| Gross profit                | 2.5    | 3.1    | 3.4    | 10.6   | 17.7   | EBIT                                | (9.3)   | (4.5)    | (4.0)    | (3.9)    | (3.7)    | (3.2)      |         |       |       |       |     |     |
| GP margin %                 | 93.5%  | 84.2%  | 84.7%  | 84.7%  | 84.2%  | NPAT (normalised)                   | (11.0)  | (4.5)    | (4.1)    | (3.9)    | (3.7)    | (2.3)      |         |       |       |       |     |     |
| EBITDA                      | (10.2) | (7.5)  | (6.6)  | 0.4    | 6.5    | 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)                     | (11.0)  | (4.5)    | (4.1)    | (3.9)    | (3.7)    | (2.3)      |         |       |       |       |     |     |
| Amort                       | (0.2)  | (0.3)  | (0.2)  | (0.4)  | (0.4)  | EPS (normalised)                    | (20.9)  | (6.9)    | (0.6)    | (4.8)    | (3.3)    | (2.1)      |         |       |       |       |     |     |
| EBIT                        | (13.9) | (7.9)  | (6.9)  | (0.0)  | 6.0    | EPS (reported)                      | (20.9)  | (6.9)    | (0.6)    | (4.8)    | (3.3)    | (2.1)      |         |       |       |       |     |     |
| Interest                    | 0.0    | 0.0    | 0.1    | (0.0)  | (0.2)  | Dividend (cps)                      | 0.0     | 0.0      | 0.0      | 0.0      | 0.0      | 0.0        |         |       |       |       |     |     |
| Tax                         | 0.0    | 0.0    | 0.9    | 0.0    | (1.6)  | 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                 | (2.2)   | (2.3)    | (3.4)    | (4.3)    | (1.7)    | 0.2        |         |       |       |       |     |     |
| Equity accounted assoc      | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | Free Cash flow                      | (0.8)   | (1.0)    | (2.0)    | (3.2)    | (0.1)    | 1.2        |         |       |       |       |     |     |
| NPAT pre significant items  | (15.5) | (8.0)  | (6.0)  | (0.0)  | 4.2    | Divisionals                         | H1CY18A | H2CY18A  | H1CY19A  | H2CY19A  | H1CY20A  | H2CY20F    |         |       |       |       |     |     |
| Significant items           | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | Total Brain - Corporate             | 0.7     | 0.9      | 0.9      | 1.1      | 1.2      | 1.6        |         |       |       |       |     |     |
| NPAT (reported)             | (15.5) | (8.0)  | (6.0)  | (0.0)  | 4.2    | Total Brain Affinity                | 0.4     | -        | 0.2      | 0.1      | 0.3      | 0.5        |         |       |       |       |     |     |
| Cash flow (A\$m)            |        |        |        |        |        | Other revenues                      |         |          |          |          |          |            | 0.5     | 0.2   | 0.4   | 1.0   | 0.2 | 0.2 |
| Y/E December 31             | CY18A  | CY19A  | CY20F  | CY21F  | CY22F  | Total Revenue                       | 1.5     | 1.1      | 1.5      | 2.2      | 1.7      | 2.3        |         |       |       |       |     |     |
| EBITDA                      | (10.2) | (7.5)  | (6.6)  | 0.4    | 6.5    | Gross profit                        | 1.5     | 1.0      | 1.3      | 1.8      | 1.4      | 1.9        |         |       |       |       |     |     |
| Interest                    | 0.0    | 0.0    | 0.1    | (0.0)  | (0.2)  | Gross Profit Margin %               | 331%    | 416%     | 339%     | 176%     | 753%     | 1005%      |         |       |       |       |     |     |
| Tax                         | 0.0    | 0.0    | 0.0    | (0.2)  | (1.6)  |                                     |         |          |          |          |          |            |         |       |       |       |     |     |
| Working capital changes     | 5.7    | (0.1)  | 5.0    | (0.9)  | (0.2)  | Employment                          | 2.3     | 2.8      | 2.7      | 3.7      | 3.1      | 3.2        |         |       |       |       |     |     |
| Operating cash flow         | (4.5)  | (7.7)  | (1.5)  | (0.7)  | 4.4    | Marketing                           | 0.2     | 0.4      | 0.4      | 0.4      | 0.5      | 0.5        |         |       |       |       |     |     |
| Mtce capex                  | 0.0    | (0.0)  | (0.1)  | (0.1)  | (0.1)  | Other costs                         | 1.3     | 1.2      | 1.3      | 1.5      | 1.2      | 1.2        |         |       |       |       |     |     |
| Free cash flow              | (4.5)  | (7.7)  | (1.7)  | (0.8)  | 4.4    | Total costs                         | 3.7     | 4.4      | 4.4      | 5.6      | 4.8      | 4.9        |         |       |       |       |     |     |
| Growth capex                | (2.8)  | (2.5)  | (2.5)  | (2.0)  | (2.0)  |                                     |         |          |          |          |          |            |         |       |       |       |     |     |
| Acquisitions/Disposals      | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | EBITDA                              | (2.2)   | (3.4)    | (3.1)    | (3.8)    | (3.4)    | (3.0)      |         |       |       |       |     |     |
| Other                       | (0.1)  | 0.1    | 0.0    | 0.0    | 0.0    | EBITDA margin %                     | nm      | nm       | nm       | nm       | nm       | nm         |         |       |       |       |     |     |
| Cash flow pre financing     | (7.4)  | (10.0) | (4.2)  | (2.8)  | 2.4    |                                     |         |          |          |          |          |            |         |       |       |       |     |     |
| Equity                      | 1.2    | 14.8   | 5.6    | 0.0    | 0.0    | Margins, Leverage, Returns          | CY18A   |          |          |          |          |            | CY19A   | CY20F | CY21F | CY22F |     |     |
| Debt                        | 0.0    | 0.0    | 1.1    | 2.2    | 2.2    | EBITDA margin %                     |         | (384.5%) | (204.7%) | (167.1%) |          | 3%         | 31%     |       |       |       |     |     |
| Dividends paid              | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | EBIT margin %                       |         | (521.2%) | (215.3%) | (174.6%) |          | 0%         | 28%     |       |       |       |     |     |
| Net cash flow for year      | (6.1)  | 4.7    | 2.5    | (0.6)  | 4.6    | NPAT margin (pre significant items) |         | (582.8%) | (216.1%) | (151.4%) |          | 0%         | 20%     |       |       |       |     |     |
| Balance sheet (A\$m)        |        |        |        |        |        | Net Debt (Cash)                     |         |          |          |          |          |            | 3.27    | 7.62  | 9.12  | 8.66  |     |     |
| Y/E December 31             | CY18A  | CY19A  | CY20F  | CY21F  | CY22F  | Net debt/EBITDA (x)                 | (x)     | n/a      | n/a      | n/a      | 15.91    | 1.34       |         |       |       |       |     |     |
| Cash                        | 3.3    | 7.6    | 11.3   | 10.7   | 15.3   | ND/ND+Equity (%)                    | (%)     | (22.9%)  | (46.2%)  | (61.5%)  | (35.8%)  | (44.5%)    |         |       |       |       |     |     |
| Accounts receivable         | 0.5    | 2.5    | 0.8    | 1.0    | 1.4    | EBIT interest cover (x)             | (x)     | n/a      | n/a      | n/a      | n/a      | 3.2%       |         |       |       |       |     |     |
| Inventory                   | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | ROA                                 |         | (62.3%)  | (36.1%)  | (25.7%)  | (0.2%)   | 18.2%      |         |       |       |       |     |     |
| Other current assets        | 0.1    | 0.3    | 0.1    | 0.1    | 0.1    | ROE                                 |         | (94.3%)  | (38.2%)  | (24.9%)  | (0.2%)   | 16.2%      |         |       |       |       |     |     |
| Total current assets        | 3.8    | 10.4   | 12.3   | 11.9   | 16.8   | ROIC                                |         | (102.9%) | (223.5%) | (115.6%) | (0.8%)   | 95.5%      |         |       |       |       |     |     |
| PPE                         | 0.2    | 0.2    | 0.3    | 0.4    | 0.4    | NTA (per share)                     |         | 33.0%    | 41.1%    | 25.3%    | 22.1%    | 26.0%      |         |       |       |       |     |     |
| Goodwill                    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | Working capital                     |         | (6.6%)   | 193.3%   | 56.3%    | 76.6%    | 113.2%     |         |       |       |       |     |     |
| Investments                 | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | WC/Sales (%)                        |         | (2.5%)   | 52.4%    | 14.2%    | 6.1%     | 5.4%       |         |       |       |       |     |     |
| Deferred tax asset          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | Revenue growth                      |         | 12.3%    | 38.5%    | 7.3%     | 217.1%   | 68.1%      |         |       |       |       |     |     |
| Other non current assets    | 14.5   | 14.7   | 15.8   | 17.4   | 19.0   | EBIT growth pa                      |         | n/a      | n/a      | n/a      | n/a      | (13774.9%) |         |       |       |       |     |     |
| Total non current assets    | 14.8   | 15.0   | 16.2   | 17.8   | 19.4   | Pricing                             | CY18A   |          |          |          |          |            | CY19A   | CY20F | CY21F | CY22F |     |     |
| Total Assets                | 18.6   | 25.4   | 28.4   | 29.7   | 36.2   | No of shares (y/e)                  | (m)     | 53       | 95       | 108      | 108      | 108        |         |       |       |       |     |     |
| Accounts payable            | 0.5    | 0.6    | 0.2    | 0.2    | 0.2    | Weighted Av Dil Shares              | (m)     | 590      | 95       | 108      | 108      | 108        |         |       |       |       |     |     |
| Short term debt             | 0.0    | 0.0    | 1.1    | 1.1    | 1.1    |                                     |         |          |          |          |          |            |         |       |       |       |     |     |
| Tax payable                 | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | EPS Reported                        | cps     | (29.19)  | (9.31)   | (6.05)   | (0.04)   | 3.88       |         |       |       |       |     |     |
| Deferred revenue            | 0.4    | 0.6    | 2.0    | 1.0    | 1.2    | EPS Normalised/Diluted              | cps     | (29.19)  | (9.31)   | (6.05)   | (0.04)   | 3.88       |         |       |       |       |     |     |
| Total current liabilities   | 0.9    | 1.1    | 3.3    | 2.4    | 2.5    | EPS growth (norm/dil)               |         | n/a      | n/a      | n/a      | n/a      | -9608%     |         |       |       |       |     |     |
| Long term debt              | 0.0    | 0.0    | 1.1    | 3.3    | 5.5    | DPS                                 | cps     | -        | -        | -        | -        | -          |         |       |       |       |     |     |
| Other non current liabs     | 0.1    | 0.1    | 0.1    | 0.1    | 0.1    | DPS Growth                          |         | n/a      | n/a      | n/a      | n/a      | n/a        |         |       |       |       |     |     |
| Total long term liabilities | 0.1    | 0.1    | 1.2    | 3.4    | 5.6    | Dividend yield                      |         | 0.0%     | 0.0%     | 0.0%     | 0.0%     | 0.0%       |         |       |       |       |     |     |
| Total Liabilities           | 1.0    | 1.2    | 4.4    | 5.7    | 8.1    | Dividend imputation                 |         | 30       | 30       | 30       | 30       | 30         |         |       |       |       |     |     |
| Net Assets                  | 17.5   | 24.1   | 24.0   | 23.9   | 28.1   | PE (x)                              |         | -        | -        | -        | -        | 10.0       |         |       |       |       |     |     |
|                             |        |        |        |        |        | PE market                           |         | 15.8     | 15.8     | 15.8     | 15.8     | 15.8       |         |       |       |       |     |     |
| Share capital               | 58.1   | 72.6   | 78.4   | 78.4   | 78.4   | Premium/(discount)                  |         |          | (100.0%) | (100.0%) | (100.0%) | (36.4%)    |         |       |       |       |     |     |
| Accumulated profits/losses  | (44.8) | (52.7) | (58.8) | (58.9) | (54.7) | EV/EBITDA                           |         | (2.7)    | (4.2)    | (4.9)    | 88.5     | 5.5        |         |       |       |       |     |     |
| Reserves                    | 4.2    | 4.3    | 4.4    | 4.4    | 4.4    | FCF/Share                           | cps     | (7.3)    | (5.9)    | (5.4)    | -0.6     | 1.8        |         |       |       |       |     |     |
| Minorities                  | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | Price/FCF share                     |         | (5.3)    | (6.6)    | (7.2)    | -        | 61.0       |         |       |       |       |     |     |
| Total Shareholder funds     | 17.5   | 24.1   | 24.0   | 23.9   | 28.1   | Free Cash flow Yield                |         | (18.7%)  | (15.2%)  | (13.9%)  | (1.6%)   | 4.7%       |         |       |       |       |     |     |

# FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26<sup>th</sup> November 2018

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

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  - Securities
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  - Securities

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

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