



31 July 2019

Australian Securities Exchange (ASX) Announcement

## June 2019 Quarterly Update and Appendix 4C

Total Brain Limited ("Total Brain," "TB" or "the Company"), the developer of a neuroscience-based mental health & fitness platform, is pleased to report on its activities for the quarter ended 30 June 2019.

### HIGHLIGHTS

- The Company completed 7 new contracts, representing a minimum of A\$182k of annual revenue with the potential for additional revenue based on usage and partner penetration:
  - American Heart Association – a landmark partnership between Total Brain and one of the largest non-profit organizations in the United States to study the relationship between the heart and the brain through data on Heart Rate Variability (HRV);
  - NFP – a new channel partner focused exclusively on employee benefits and HR with 10,000 clients nationally. Total Brain will also be deployed to NFP's 5,000 employees;
  - Existing channel partner activity – 3 new US organizations covering ~70,000 new users were contracted through an existing partner;
  - Leading US long-term care insurance company – to offer the TB platform to 77,000 new users with the objective of reducing incidents and claim rates within a pre-identified cohort of individuals;
  - International company – to offer Total Brain platform and services to its 1,000 employees.
- Total Brain welcomed to the team 5 new senior members, including:
  - David Torrible, a former Partner at Goldman Sachs, who joined TB's Board as a Non-executive Director;
  - Garrett Walker, the former Chief Human Resource Officer of Quintiles, a Fortune 500 company with 50,000 employees, who joined TB as an HR Practice Leader and commission-based reseller;
  - John Boudreau, the Research Director for University of Southern California's Center for Effective Organizations and Professor at Marshall School of Business, who joined TB as a Senior Advisor in HR thought-leadership;
  - Adam Pearson, the former Vice President of Chronic Care Management at Quest Diagnostics, a Fortune 500 company with 45,000 employees, who joined TB as a spokesperson and commission-based reseller;
  - Peter Lafontaine, a former enterprise sales executive at Microsoft Canada, who joined TB as a spokesperson and commission-based reseller in the Canadian corporate market.
- The Company significantly increased its promotion and evangelisation efforts and will participate in 15+ events and speaking opportunities throughout CY2019, representing a 3x increase YoY;

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- Total Brain increased cumulative User Registrations by 29k during the quarter, a 4% quarter-on-quarter and 19% year-on-year growth;
- The Company increased cumulative Brain Profiles by 22k during the quarter, a 4% quarter-on-quarter and 19% year-on-year growth;
- During the June 2019 quarter Total Brain collected A\$0.60 million in cash receipts, which represents a 1% increase quarter-on-quarter. This amount reflects recurring receipts and does not include a large upfront annual payment for from AARP of A\$357k, which was included in the corresponding quarter of CY2018. This payment will be reflected in the September CY2019 quarter figures.

## CASH FLOW

For the 3 months ended	FY2018			FY2019			
	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
<b>Cash Receipts from Customers (\$AUD)</b>	<b>\$497,000</b>	<b>\$658,715</b>	<b>\$781,134</b>	<b>\$919,394</b>	<b>\$645,234</b>	<b>\$592,856</b>	<b>\$596,145</b>
(-) Payments to suppliers and employees	(1,290,000)	(2,819,085)	(1,284,749)	(2,796,958)	(2,035,967)	(2,252,824)	(2,315,539)
(-) TB and Test Development	(250,000)	(2,108)	(1,395,518)	(549,263)	(755,876)	(597,302)	(683,125)
<b>Total Quarterly net operational spend *</b>	<b>(1,043,000)</b>	<b>(2,162,478)</b>	<b>(1,899,133)</b>	<b>(2,426,827)</b>	<b>(2,146,609)</b>	<b>(2,257,270)</b>	<b>(2,402,519)</b>
<i>Memo: Monthly net operational spend</i>	<i>(347,667)</i>	<i>(720,826)</i>	<i>(633,044)</i>	<i>(808,942)</i>	<i>(715,536)</i>	<i>(752,423)</i>	<i>(800,840)</i>
<i>Growth in cash receipts from customers</i>	<i>21%</i>	<i>33%</i>	<i>19%</i>	<i>18%</i>	<i>(30%)</i>	<i>(8%)</i>	<i>1%</i>

\* Note: In order to reconcile to the cash flow statement, interest, tax receipts, financing activities and foreign exchange need to be added.

## Cash Inflows

During the June 2019 quarter Total Brain collected A\$0.60 million in cash receipts, which represents a 1% increase quarter-on-quarter. This amount reflects recurring receipts and does not include a large upfront annual payment for from AARP of A\$357k, which was included in the corresponding quarter of CY2018. This payment will be reflected in the September CY2019 quarter figures.

## Cash Outflows

Maintenance of the current employee base and select hiring across technology, product, and marketing were the main drivers of the cash outflows during the past quarter. Looking ahead to the following quarter, Total Brain expects this level of business expenses to continue as forecast and in-line with this past quarter.

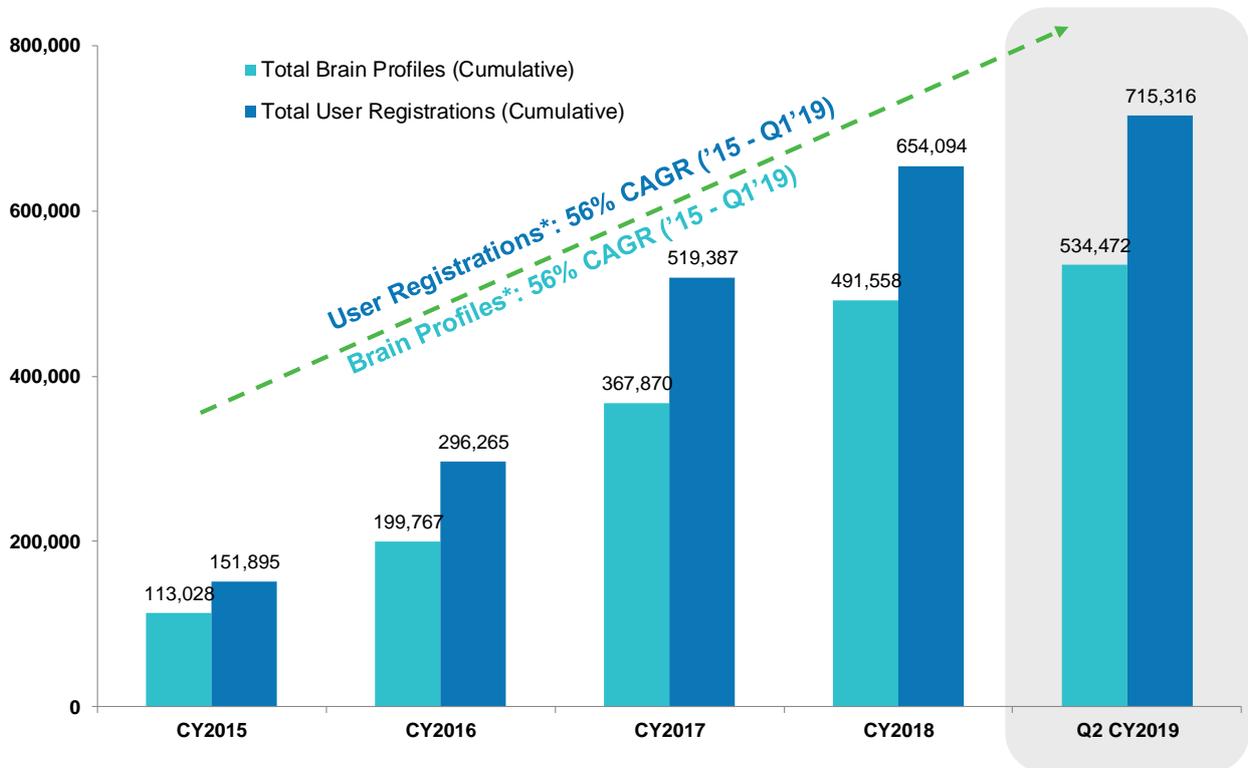
## USER KPIS

User Registrations and Brain Profiles are the key user KPIs for the Total Brain business. These indicators directly reflect product adoption, use among clients, and are a strong validator of TB's product-market-fit assumptions, while also powering the value of the Company's proprietary database. During the June 2019 quarter:

- User Registrations increased by 29k, a 4% quarter-on-quarter, 19% year-on-year growth in cumulative users and a 56% CAGR since 2015; and
- Brain Profiles increased by 22k, a 4% quarter-on-quarter, 19% year-on-year growth in cumulative profiles and a 56% CAGR since 2015.



This growth does not include user uplift from the re-launch of the new AARP platform, which includes Total Brain, as well as several large B2C Affinity opportunities already signed, such as Mental Health America, and others which are under negotiations.



\*Represents cumulative actual figures through the quarter ended 30 June 2019. User Registration figures exclude employer-pre-registered users. Brain Profiles figures include multiple assessments taken by same user.

## BUSINESS OPERATIONS

The key areas of focus and key accomplishments across all business functions for the June 2019 quarter are highlighted below:

### Product and Technology

- Continued revamp of the training experience in the Total Brain platform, including the launch of 5 fully rebuilt brain trainings, with an additional 11 rebuilt exercises in development;
- Completed update of audio functionality across all relevant content and developed 21 meditations for large B2C Affinity client;
- Completed OneDigital channel partner roll-out and finalized technology migration for another major channel relationship;
- Built out initial testing and user engagement analytics infrastructure, including A/B testing;
- Completed workstreams (dashboard migration, HIPPA compliance, report sharing) to enable Total Brain functionality in the clinical market;
- Completed initial designs of Total Brain 2.0, the next-generation experience of the platform designed to improve flexibility and personalisation.

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## Sales and Customer Success

- Continued to iterate on optimal product-market-fit for Total Brain's products within the B2B Corporate and B2C Affinity markets;
- Completed 7 new contracts, representing a minimum of A\$182k of annual revenues with the potential for additional revenue based on usage and partner penetration:
  - American Heart Association – a landmark partnership to study the relationship between the heart and the brain through data on Heart Rate Variability;
  - NFP – a new channel partner focused exclusively on employee benefits and HR with 10,000 clients nationally. Total Brain will also be deployed to NFP's 5,000 employees;
  - Large channel partner – 3 new US organizations contracted through partner, offering TB access to ~70,000 new users;
  - Leading US long-term care insurance company – to offer the TB platform to 77,000 new users with the objective of reducing incidents and claim rates within a pre-identified cohort of individuals;
  - International company – to offer Total Brain platform and services to its 1,000 employees.
- Started exploring the possibility of dedicating some resources to the Clinical market, driven by the inherent scalability of Total Brain's new technology platform, short selling cycles in clinical, and new relationships the team has forged with large players in the space.

## Marketing

- Continued to scale Account-based Marketing strategy, resulting in 160+ new marketing qualified leads from US corporates with large employee populations since inception;
- Significantly increased promotional efforts through 15+ events and speaking opportunities scheduled for CY2019, representing a 3x increase YoY; CEO speaking engagement included:
  - ASU/GSV Education Conference in San Diego (April)
  - World Health Care Congress in Washington DC (May)
  - Service Academies Summit in Annapolis (June)
  - Bloomberg CEO Summit in New York (June)
  - National Health & Well-Being Summit in Boston (July)
  - Jeffries Fitness Conference in New York (Sept)
- Became a Founding Partner of the National Summit for Mental Health & Mental Fitness, held in Denver, CO, featuring key opinion leaders on mental health from around the United States and culminating with a large public meditation with His Holiness Sri Sri Ravi Shankar attracting a total of 250,000 people in-person and via global livestream;
- Launched a new web site and overview video to reflect the updated Mental Health and Fitness positioning of the Company (see at [www.totalbrain.com](http://www.totalbrain.com));



- Continued to build thought leadership credibility via placements in HR trade publications, podcasts, partnership press releases, and 7-10 weekly social posts to deepen engagement and broaden reach.

## Human Resources

- Successfully onboarded 5 new senior members of the Total Brain team, including:
  - David Torrible, a former Partner at Goldman Sachs, who joined TB's Board as a Non-executive Director;
  - Garrett Walker, the former Chief Human Resource Officer of Quintiles, a Fortune 500 company with 50,000 employees, who joined TB as an HR Practice Leader and commission-based reseller;
  - John Boudreau, the Research Director for University of Southern California's Center for Effective Organizations and Professor at Marshall School of Business, who joined TB as a Senior Advisor in HR thought-leadership;
  - Adam Pearson, the former Vice President of Chronic Care Management at Quest Diagnostics, a Fortune 500 company with 45,000 employees, who joined TB as a spokesperson and commission-based reseller;
  - Peter Lafontaine, a former enterprise sales executive at Microsoft Canada, who joined TB as a spokesperson and commission-based reseller in the Canadian corporate market.
- Sourced and filled critical positions across Engineering, Product, Marketing, and Executive Support; building pipeline for engineering team expansion;
- Held a successful company-wide retreat in Phoenix, AZ with focus on team building, collaboration and alignment;
- Formalized peer feedback process at Executive level;

## Corporate

- Announced positive developments with regard to the genetics work undertaken as part of the scientific validation of the iSpot assets, including achieving 80% accuracy for the evaluation of the likelihood that an individual would remit from depression given one's brain genetic profile. While subject to a full replication analysis, these results help support a potential monetization path for iSpot. Total Brain continues to work with a New York-based investment bank on evaluating strategic alternatives for the assets.

## OUTLOOK

We are encouraged by the positive sales momentum since the beginning of the calendar year. The contracts won and partnerships signed serve as an important validation of our product positioning and go-to-market strategy in both the B2B Corporate and B2C Affinity markets. Additionally, we are thrilled to welcome to our team high-caliber individuals with significant experience in our target markets. As such, we remain focused on our previously-communicated priorities for CY2019:

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- Accelerate sales cycle of B2B Corporate revenue via increasing penetration of current and new channel partners and continued execution of the Account-based Marketing strategy;
- Diversify into target sectors with shorter sales cycles by testing into the B2C Affinity market, and exploring scalability of the Clinical market;
- Retain and upsell of our existing book of business.

We continue to be excited about the business prospects for Total Brain and are committed to creating significant shareholder value in CY2019 and beyond.

#### QUARTERLY INVESTOR CALL

Investors are invited to participate in the quarterly conference call subsequent to the release of this update, with call details to be provided via the ASX platform.

#### Louis Gagnon

Managing Director / CEO  
Total Brain Limited

For further queries please contact:

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#### About Total Brain Limited (ASX: TTB)

Total Brain Limited is a San Francisco and Sydney based company that has developed and offers Total Brain, the world's first mental health and fitness platform powered by the largest standardized brain database and has over 700,000 registered users. Its SaaS platform helps people scientifically measure and optimize their brain capacities while managing the risk of common mental conditions. Benefits for employers and payers across the United States include productivity improvement and healthcare cost reduction. For more information, please visit [www.totalbrain.com](http://www.totalbrain.com) and follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Total Brain Limited

**ABN**

24 094 069 682

**Quarter ended ("current quarter")**

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	596	2,753
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(525)	(1,929)
(c) advertising and marketing	(173)	(621)
(d) leased assets	-	-
(e) staff costs	(1,419)	(6,108)
(f) administration and corporate costs	(198)	(742)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	21
1.5 Interest and other costs of finance paid	-	-
1.6 Income Taxes paid	-	-
1.7 Government grants and tax incentives	-	967
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,715)</b>	<b>(5,659)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(44)	(79)
(b) businesses (see item 10)	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(c) investments	-	-
(d) intellectual property	(683)	(2,585)
(e) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	100
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material)	-	-
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>(727)</b>	<b>(2,564)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	3,201	6,900
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(78)	(227)
3.5 Proceeds from borrowings	123	303
3.6 Repayment of borrowings	(303)	(303)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>2,943</b>	<b>6,673</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,747	6,616
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,715)	(5,659)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(727)	(2,564)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,943	6,673

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(33)	149
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>5,215</b>	<b>5,215</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,273	4,656
5.2	Call deposits	2,942	91
5.3	Bank overdrafts	-	-
5.4	Other – Term Deposit	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,215</b>	<b>4,747</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

239

-

Salaries of Executive Directors.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

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8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	(405)
9.3 Advertising and marketing	(164)
9.4 Leased assets	
9.5 Staff costs	(2,563)
9.6 Administration and corporate costs	(214)
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>(3,346)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  ..... Date: 31 July 2019  
(Director/Company secretary)

Print name: Matthew Morgan  
.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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