



11 January 2021

Australian Securities Exchange (ASX) Announcement

Operational Update

Highlights

- Amidst unprecedented public health and political turmoil, 2020 was a year of significant growth and transformation for Total Brain
- On the one hand, this large-scale disruption has created more awareness of mental health issues which led to a 58% spike in the monthly average incoming prospects at the top of TTB's sales funnel
 - This was further enabled by the launch of the Mental Health Index: U.S. Worker Edition ("MHI"), which resulted in the engagement of 10+ large employers via direct introductions to their Chief HR Officers in the last 5 months. By comparison, 12 months ago the business had <5 mature opportunities in the Corporate pipeline of similar size, of which 2 were converted earlier in the year for a total of A\$510k in ARR
- On the other hand, COVID has caused significant process set-backs with opportunities already in the pipeline, resulting in 9-month delays in sales conversions, including with IBM
- The first IBM transaction with a large government agency for the deployment of the Mental Fitness 360 platform and GRIT application, which was due to close in December, is now in the final stages of the contracting process expected to conclude in the very short term based on the latest guidance
 - The initial roll-out will be for 25,000 users, representing A\$570k in Annual Recurring Revenue ("ARR") to TTB¹
 - The contract between IBM and its government client includes provisions for gradual deployment to up to a total of 200,000 users who transition into the client's eligible population every year. These additional users represent a potential incremental A\$3.5M in ARR to TTB
 - This first roll-out of GRIT is being introduced as a health benefit for the IBM client's constituents and is funded directly from the government agency's budget. This represents the first phase of a deployment to the client's eligible

¹ This amount differs from the estimated ARR from this opportunity reported in the September Quarterly Update due to recent movements in USD/AUD FX rates.



population. Subsequent phases being considered include (i.) a roll-out to the entire benefit-eligible population of 18M individuals and (ii.) the upsell of additional features such as Stress Management through Heart Rate Variability (“HRV”) and Clinical Care Support. If executed, these subsequent phases will lead to additional ARR to TTB, incremental to the A\$4.1M mentioned above.

- Despite significant COVID-related delays throughout 2020, TTB has grown ARR to A\$4M, representing a 46% increase since December 2019 in AUD (53% in USD). Including the first 25,000 population of the pending IBM transaction, ARR would be A\$4.6M, representing 67% growth in AUD (76% in USD)
- We start 2021 with a strong pipeline of opportunities across Corporate, Affinity, and Clinical, representing A\$8.9M in additional ARR to TTB²
 - Significant operating leverage in the business today makes such ARR growth achievable without a material increase in expense base given investments over the past 12 months
- In addition to the multiple new go-to-market initiatives we have launched throughout 2020, we have spent significant time on improving the product - a prerequisite for scaling user numbers and ARR
 - The average time a user spends with our self-care tools grew by 2.5x, and the amount of content consumed increased by 50%, leading to a 91% user satisfaction score

Investor Call

Investors are invited to participate in a call with the Total Brain management team to discuss this Operational Update on **Thursday 14th January 2021 at 10:00am (AEDT)**. Teleconference toll-free dial-in numbers: Australia: 1-800-896-323; U.S. 1-855-731-0983; Passcode: 123-521-82.

² A\$8.9M represents a 5% penetration against the total ARR opportunity across Corporate, Affinity, and Clinical of A\$177M.



Below is a description of the progress we have made in 2020 and our priorities for 2021 across the key functions of Product, Marketing, and Revenue.

Revenue

2020 Progress

Even though COVID has increased top-of-funnel leads to our business during 2020, it has also created numerous process delays with already interested buyers, including a 9-month delay of the IBM opportunity. Despite these delays, TTB has grown ARR to A\$4M, representing a 46% increase since December 2019 in AUD (53% in USD). Including the pending initial IBM transaction, ARR would be A\$4.6M, representing 67% growth in AUD (76% in USD). Given the momentum nature of the ARR metric, this growth will start to be reflected in our revenue and cash receipts in 2021.

In August, we made an important new hire – Melissa Frieswick, who joined our team as Chief Revenue Officer. Melissa brings to the table 25 years of experience selling healthcare solutions to Fortune 500 companies, significant knowledge of the market and enterprise sales process, as well as an understanding of the health insurance landscape. With her on board, we have been focused on revamping our revenue-generating functions and realigning our sales team against the areas of opportunity that are most actionable and scalable.

In addition to having the right people in the right roles, we have initiated meaningful changes to our sales approach and pipeline development process. We have shifted our client messaging and sales tactics to solution-oriented, relationship-based selling and have started making improvements to our data and pipeline analytics. Importantly, we have spent the last 9 months developing a strong working relationship with the IBM team which is selling the joint IBM-TTB Mental Fitness 360 solution to their network of government and corporate clients. We have weekly standing pipeline update calls, regular joint client presentations, and strategy meetings with IBM. In addition, our team has the benefit of working with Nicole Gardner, former IBM executive and Founder of the Mental Fitness 360 initiative, who has joined TTB as an adviser after retiring from IBM earlier this year.

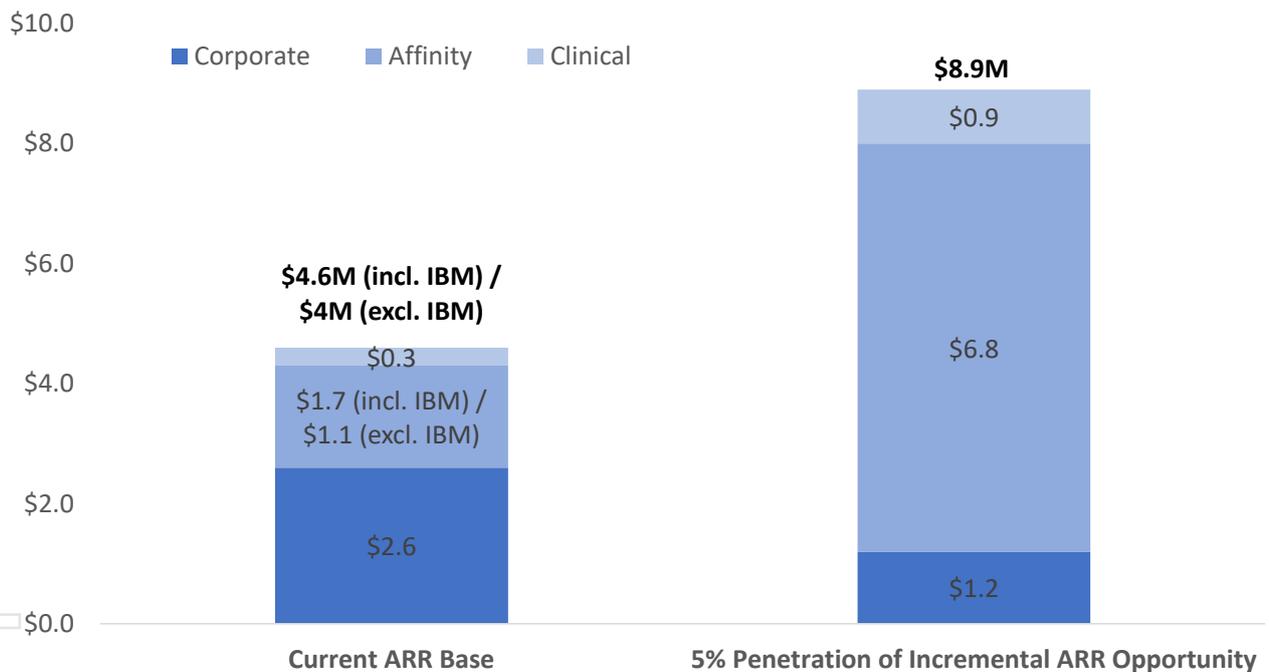
Despite the long sales cycles required for large organizations, our revenue base is very sticky. Amidst the ongoing COVID-induced economic crisis, we have 92%-dollar retention rates on a rolling LTM basis.

During the last 12 months, we have made significant progress on testing our value proposition in the Clinical market. We have successfully run 5 pilots with behavioral health clinics representing a total of ~4,500 addressable patients, including the Brookline Center for Community Mental Health, and Briarpatch, a pediatric clinic affiliated with Boston



Children’s Hospital. With the new product in place, we are deploying sales resources behind the lead generation focus on substance abuse and behavioral health clinics. After launching the new product, we have also migrated 100+ existing clinical clients, representing A\$300k in annual revenue, to the new platform. The migration presents an opportunity to re-engage with legacy clients and transition them to a revenue model based on repeatable usage of the platform. We are especially encouraged by this market because its fundamentals suggest a much higher potential velocity of pipeline conversion and revenue growth, as compared to the Corporate market. While contract sizes are smaller (A\$10-20k/annum), decision-making is done by 1-3 individuals, depending on the size of the clinic, which creates a big opportunity for us to scale this business - a 5% penetration of the clinics we are already targeting today, could result in A\$0.9M in additional ARR to TTB from this market.

Incremental ARR Opportunity



2021 priorities

A big point of focus for us in the coming months will be to continuously align our sales team against the opportunities that can lead to immediate revenue conversion and offer the most promise of future scalability. Given the opportunity that the AARP and IBM partnerships have unlocked for us in Affinity, and the recent progress in Clinical, we will deploy resources to develop a sales process and product positioning that is appropriate to the unique attributes of these markets. We will continue to improve our sales development process across our markets with a focus on data quality, analytics, and a streamlined contracting process. We have not been more positive about the cadence of our business overall and are

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confident that with the right talent, sales positioning, and process we will further accelerate close rates and ARR growth in the coming year.

Marketing

2020 Progress

Experiencing the long (~12-15 month) sales cycles and opacity of buying process in the Corporate market over the last 2 years has pushed us to think hard about how we engage with prospects and their decision-makers. To that end, the latest addition to our online/offline Account-based Marketing strategy is the Mental Health Index: U.S. Worker Edition. In partnership with top industry partners like the HR Policy Association (“HRPA”), a group of 300 Chief HR Officers from Fortune 500 employers, the Index leverages Total Brain data to track and publish the risk of mental health conditions and its impact on people’s brain capacities over time. It is a powerful, data-driven, and scalable way to build our brand amongst the most senior decision-makers in an organization. Since our launch in April 2020, we have seen more than 10 large, Fortune 500 employers engage with us. In comparison, 12 months ago we had <5 opportunities of that size and senior buy-in, of which we converted 2 in the first half of the calendar year for a total of A\$510k in ARR (Fortune 500 oil & gas company and a global accounting firm).

As mentioned earlier, COVID has been a strong catalyst for people’s awareness of the importance of mental health – and large employers have been forced to treat it as a top priority and not a “nice-to-have.” While the enterprise sales cycle remains long given the multiple layers of selling that is required, we are very encouraged by top-of-the-funnel growth and conversion we have seen in the last 6 months. Our average incoming qualified leads have increased by 58% since pre-COVID levels to 30 opportunities per month.

To further mitigate the sales cycle issues on the Corporate side, we have focused on diversifying our business into the Clinical market where sales cycles are much shorter (~1-3 months) and the product-market-fit is optimal. Based on our research and engagement with the market over the last 12 months including several pilots, we have developed a very strong value proposition for clinicians and administrators:

- ability to remotely monitor the mental health state of their patients over time
- use objective data to accelerate diagnosis & inform treatment plans
- maintain the continuity of patient engagement
- provide 24/7 access to digital self-care tools
- insurance reimbursement for TTB tool at ~A\$25/assessment

As a result of the encouraging buyer feedback and engagement during our pilots, we have now started scaling our marketing and sales efforts in this market. Currently, we are



targeting an initial set of 6,000 substance abuse clinics and another 19,000 general behavioral health clinics via online engagement and select virtual events.

2021 priorities

In the coming quarters, we plan to double down on brand building through the Mental Health Index and on executing Account-based Marketing tactics, including digital targeting, and high-touch events with speaking opportunities and 1-1 prospect meetings. In addition, we will build out 2 areas that have been underinvested in to-date:

- Given the importance of channel partners such as Mercer and Kaiser Permanente in the decision-making process of a large corporate, we will seek to tighten our alignment with them through joint thought-leadership and client engagement campaigns around mental health
- We will focus on improving our customer advocacy by working with current clients and market influencers who can reinforce the credibility and validity of our solution by publicly advocating on our behalf.

In the Affinity vertical, we will build on the early work we have done on identifying demand and product fit within different end-markets and deepen our understanding of the landscape of opportunities that can bring us the next IBM or AARP partnership.

In the Clinical vertical, we will leverage the lessons learned from our Account-based Marketing approach in the Corporate market and deploy digital targeting, participate in select, high-touch events, partner with industry bodies and influencers in order to gain access to buyers in a scalable fashion. As we are getting this segment off the ground, we will also focus on PR initiatives and media partnerships, leveraging our rich data set and clinical validation.

Product

2020 Progress

Offering a product that effectively addresses the pain points of buyers and end-users across the 3 markets we operate in is a precondition to our ability to scale ARR and revenue. As such, we have dedicated significant resources to improve the product experience in the last 12 months – both for end-users, as well as for organizational buyers and decision-makers, given the B2B2C nature of our target markets.

We have based these product development efforts on in-depth “user persona” research which we conducted in March 2020 to deepen our understanding of our users’ pain points.

During that exercise, we have identified 2 distinct personas for our product – one (underserved) seeking in-the-moment help and another (our exclusive focus until now) focused on long-term personal development and self-awareness.

With this understanding, we redesigned our user registration flow, simplified our overall experience and expanded both feature set and content types. We added more than 100 table-stakes end-user features like a personalised home feed, score trending, personalised recommendations, scientific explanations, searchable library, and shareability of content by users. We also expanded our content portfolio by more than 5x by adding neuro-optimized music, Cognitive Behavioral Therapy (“CBT”) and positive psychology exercises, articles, and podcasts. These features have increased the average time a user spends with our self-care tools by 2.5x, and the amount of content consumed by 50%, leading to a 91% user satisfaction score.

New User Registration Flow

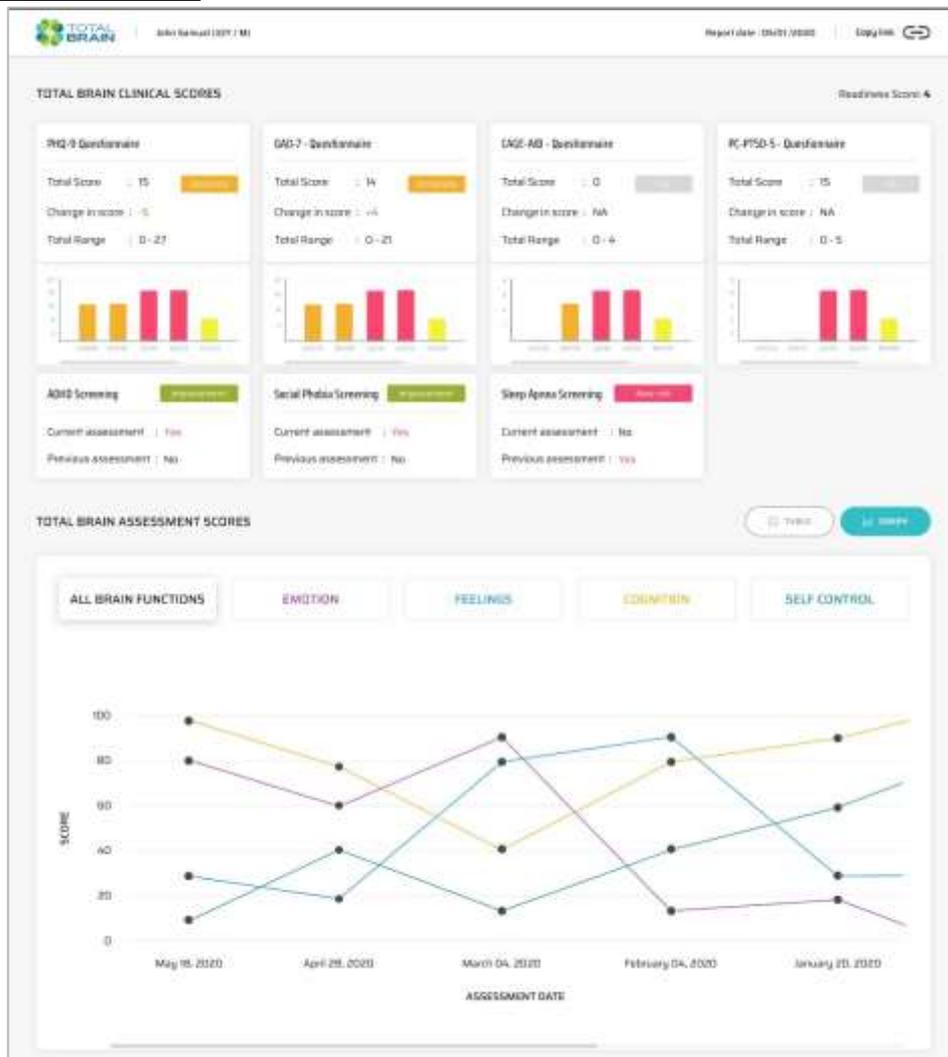


While end-user engagement is critical for client retention and for new sales, we have learned that addressing the product requirements of the individuals making the ultimate buying decision on behalf of their employees, members or patients, is equally important. To that end, we have added functionality enabling population health analytics for the Corporate and Affinity markets, enabling actionable insights for HR and program managers on the aggregate performance of their organizations over time. In parallel, we have rolled out a client portal with customizable engagement campaigns, targeted content, and rich

communication tools. This has enabled new registration, engagement, and user awareness paths that are outside of bounded and often infrequent HR emails to employees.

On the Clinical side, we have developed a comprehensive “clinician dashboard,” which gives a behavioral health provider or clinic administrator the ability to remotely monitor the state of their patients in real-time, including observing whether the patients are complying with prescribed mental health assessment and treatment protocols. This feature, designed during our clinical market pilots over the last 6 months, also allows clinicians to access critical data and paperwork necessary for their insurance reimbursement process, and has recently been described as a “game-changer” by new clients and prospects in the Clinical market.

New Clinician Dashboard



All of the above is underpinned by the work done to reinforce our infrastructure. During the last 12 months, we have hardened our systems to be continually compliant with both GDPR and HIPAA, satisfying important buyer prerequisites across the Corporate, Affinity and

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Clinical markets, and shortening the technical due diligence process for a new client. Given the significant traction we have started to see in the Affinity market, we have proactively developed all of our software capabilities in a modular fashion to allow for a wide range of use cases within each end-market. This “plug-and-play” model has made us highly-differentiated and complementary to the solutions of organizations like IBM, AARP, healthcare providers, and telehealth platforms.

2021 priorities

The 2 primary areas of focus for Product in the coming quarters are (i.) make it easier for all end-users of TTB to increase their engagement with the app (ii.) create new opportunities with existing customers and in new market verticals through platform integrations such as the integrations we have previously completed with AARP and IBM.

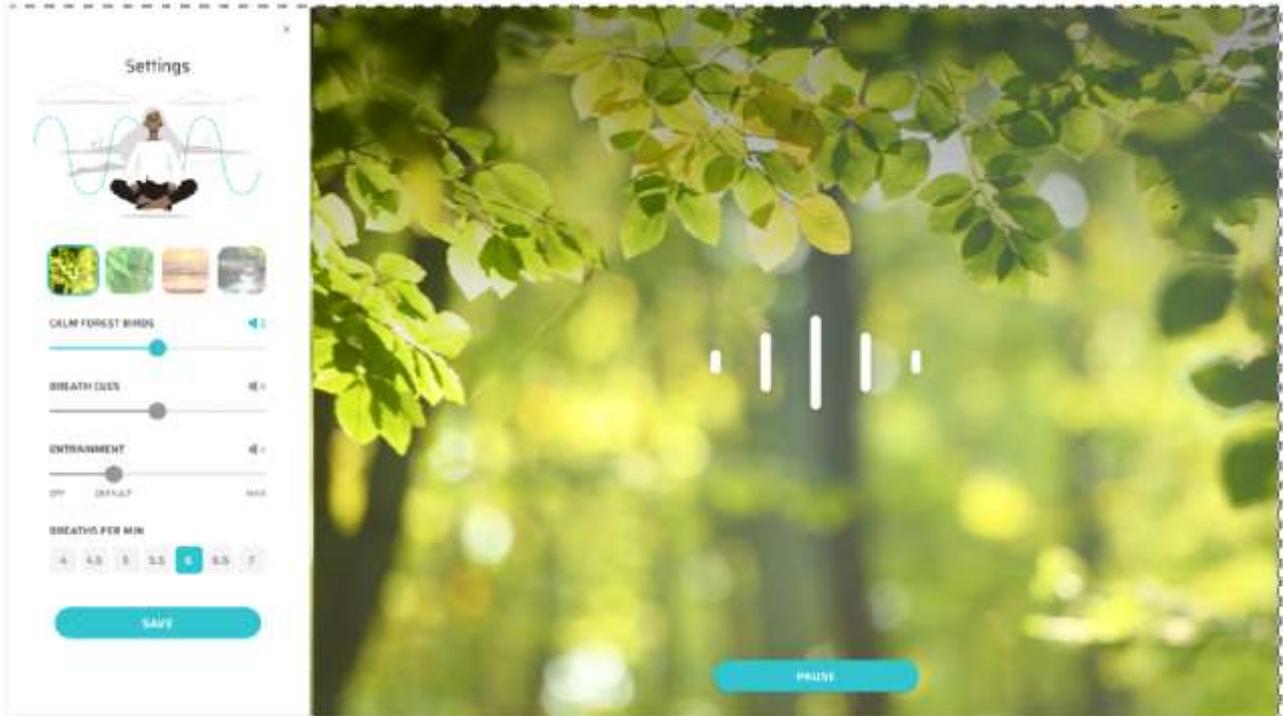
Total Brain’s main challenge as a tool is to strike the right balance between being scientifically-driven and being accessible to most users. The search for this equilibrium is an ongoing exercise that, when achieved, will allow us to have a massive sustainable impact on our users and clients. The user research we conducted in 2020 has shown us that usage rates could be improved, in non-clinical use cases, by breaking up our assessment of 12 brain capacities and 7 mental conditions into shorter, bite-sized pieces. The product team has started to scope and build the infrastructure to do this modularization work and roll this out in the coming quarters.

Another way to achieve this important engagement goal is to build a biofeedback measure of stress levels which is simple to understand, requires low involvement, and yet can be a doorway to deeper engagement with our more complex functionality, including brain capacities and mental health risk. After months of in-depth scientific validation, the team has developed a way to measure users’ stress levels through Heart Rate Variability (“HRV”) measurement using smartphone cameras. This feature will allow users to benchmark their stress level in any given moment and assess the impact of specific events or activities on their in-the-moment mental health state. At the end of 2020, Total Brain also gained the capacity to track users’ HRV and stress levels in a continuous and 100% passive manner, by leveraging heart and accelerometer data coming from smartwatches and wearables. We have functionally prototyped the HRV features and expect to launch production versions in the next 3 months. The commercial implications are very compelling – from our partnership with the American Heart Association, to military, corporates, and substance abuse clinics.

Alongside with improving the measurement features of our software in 2020, Total Brain has continued to develop tools that can break stress in-the-moment. Having added significant volumes of new mind-body content, we will be launching a cutting-edge tool

called “Resonant Breathing” in Q1 of 2021. This tool, which is rooted in the neuroscience of breath, helps users manage their breathing patterns to 6 breaths per minute. In doing so, users are able to break immediate states of stress in a matter of minutes and also reduce their long-term, baseline stress levels by 25% with 10 minutes of daily usage over a 30-day period.

New Resonant Breathing Self-care Tool



With the growing importance of platform integrations to our business, we will continue to focus on developing our solution to support multiple integration use cases, especially with healthcare and government prospects in our sales pipeline. Whether it is the cognition features of our mental health assessment, the mind-body content, or select population analytics reporting capabilities, we will prioritize our efforts based on ARR potential and the time required to scale. Our modular set-up will therefore continue to be a core differentiator in this market in the coming quarters, especially as we ramp up opportunities through the IBM relationship, as well as other potential Affinity partners.

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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 self-monitoring & self-care platform powered by the largest standardised brain database. Its SaaS platform has helped more than 960,000 registered users to-date scientifically measure and optimise their brain capacities while managing the risk of common mental conditions. Benefits for employers, large organisations and insurers include productivity improvements and healthcare cost reduction. For more information, please visit www.totalbrain.com and follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

This release has been authorised by the Board of Directors.