

### Ready for leverage

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 has reported an 8.7% decline in H1FY20 revenue over H1FY19 to \$2.02m, chiefly due to a decline in one-off revenues associated with its data licencing. The net loss for the period was \$4.06m, slightly ahead of pcp and in line with our expectations. Costs for the half rose only 1.3% and were better than our expectations with a 13.5% reduction in non-human capital costs. Total Brain continued to invest in people with employment costs rising 8.7% in the half. We have made minor adjustments to our FY21 forecasts as a result. Importantly, the result demonstrated the focus shift to SaaS revenues and a cost base ready for leverage from new revenue streams from Affinity partners, in particular the IBM Mental Fitness platform which is just waiting government agency sign-off.

### 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.

### H1FY20 result and earnings adjustments

Total Brain announced H1FY20 revenues of \$2.0m, an 8.7% decline on the previous corresponding period (pcp) and reflecting the company's deliberate shift away from one-off revenue. The decrease was driven by a \$0.7m decline relating to licencing of the i-SPOT scientific data which was recorded in the pcp. Offsetting this was a \$0.6m increase in recurring SaaS revenues in the corporate and affinity markets. Management expects growth in this core business to accelerate over the coming quarters, reflecting the year on year 28% increase in Annual Recurring Revenue to \$3.5m. Revenue for the half was below our forecasts, largely due to timing differences in corporate revenues coming on board. Costs were very well contained in the half year, rising just 1.3% despite a significant additional investment (\$0.32m) in personnel in the half year. The cost containment was significantly better than our forecast, resulting the net loss for the half (\$4.0m) being in line with our expectations. We have trimmed our FY21 revenues but also reduced cost expectations, resulting in no meaningful change to our FY21 forecast.

### Base case valuation is \$136.8m or \$1.26/share

We use the discounted cashflow methodology to value Total Brain, arriving at a base case valuation of \$136.8m which derives a per share valuation of \$1.26. The terminal value in our base case valuation is \$0.69/share. At the current share price, Total Brain is trading at a significant discount to a group of Australian SaaS peers focused on advancing solutions for human well-being. We see the advancement of the IBM Mental Fitness 360 programme to US veterans 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)	5.0
06/20a	3.9	3.2	(7.4)	(7.6)	(8.07)	5.0
06/21e	5.9	5.1	(6.9)	(7.3)	(6.73)	5.5
06/22e	14.1	12.0	(1.8)	(2.3)	(2.15)	2.6

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

### Healthcare services

26<sup>th</sup> February 2021

#### Share details

ASX Code	TTB
Share price (25 Feb)	\$0.32
Market Capitalisation	\$34.7M
Shares on issue	108.3M
Net cash at 31 Dec '20	\$2.7m
Free float	~57%

#### Share performance (12 months)



#### Upside Case

- Highly scalable SaaS model
- 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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## H1FY21 result

Total Brain reported an 8.7% reduction in revenue in H1FY21 over H1FY20 but a 3.2% increase in Gross Profit to \$1.86m. Costs increased just 1.3% in the half, despite an 8.7% lift in employee costs. We had anticipated higher employment costs in the half but also higher revenues from corporate clients. Bottom line, the result was in line with our expectations. We set out in the following exhibit the H1FY21 result versus the previous corresponding period and our forecast.

<b>Exhibit 1: H1FY20 vs H1FY19 and RaaS estimates</b>				
	H1FY20 Actual	H1FY21 Actual	% Chg	RaaS H1FY2 forecast
Revenue	2.19	2.00	(8.7%)	2.38
Gross profit	1.80	1.86	3.2%	2.02
GP%	82.3%	93.0%	13.0%	84.7%
Employment	3.70	4.02	8.7%	4.27
SGA&A	1.87	1.62	(13.5%)	1.63
EBITDA underlying	(3.80)	(4.06)	7.0%	(3.88)
EBIT underlying	(3.93)	(4.11)	4.5%	(4.08)
NPAT	(3.92)	(4.06)	3.5%	(4.02)
EPS	(4.76)	(3.75)	(21.3%)	(3.71)

Source: Company data, RaaS estimates

A key feature of the result was the lift in revenues from Total Brain's Affinity partnerships which are becoming a growing contributor to overall revenues. While Corporate clients delivered a lower than forecast result, the growth from B2B was still up more than 18%.

<b>Exhibit 2: Revenue breakdown</b>			
	H1FY20 Actual	H1FY21cActual	RaaS H1FY21 Forecast
Total Brain Corporate	1.08	1.28	1.56
Total Brain Affinity	0.08	0.55	0.60
Total Brain all other	0.10	0.01	0.04
Clinical	0.18	0.14	0.15
Discovery	0.02	0.01	0.01
Data Licencing	0.73	-	0.01
<b>Revenue</b>	<b>2.19</b>	<b>2.00</b>	<b>2.38</b>

Source: Company data, RaaS estimates

Total Brain ended H1FY21 with net cash of \$2.7m and noted that based on closing cash balance at December 31, receipts collected in January 2021 (including a \$1.1m R&D tax incentive from the Australian government) and additional cash collections scheduled over the next three months, the cash runway for the business runs to June 2021. This excludes any billings from the pending IMB transaction or other net new contract wins. The company is also potentially eligible for \$1.4m in stimulus funding from the US government through the second round of the Paycheck Protection Program which would extend the runway of the business to August 2021.

## Earnings adjustments

We have adjusted our forecasts to reflect lower than forecast B2B revenues. This has flowed through to modest adjustments with a small pullback in the net loss we are forecasting for FY21. Our forecasts beyond FY21 are unchanged. We set out our changes in the following exhibit.

<b>Exhibit 3: Earnings adjustments</b>			
	FY21 old	FY21 new	% chg
Revenue	6.2	5.9	(6.1%)
Gross profit	5.3	5.1	(3.0%)
EBITDA underlying	(6.9)	(6.9)	0.6%
EBIT underlying	(7.3)	(7.3)	0.3%
NPBT	(7.3)	(7.3)	1.1%
NPAT	(7.3)	(7.3)	0.2%

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 \$136.8m which derives a \$1.26/share valuation. Our terminal value is \$0.69/share within this valuation.

<b>Exhibit 4: Base Case DCF valuation</b>	
Parameters	Outcome
Discount Rate / WACC	14.7%
Beta	2.0
Terminal growth rate assumption	2.20%
Sum of PV	61.2
PV of terminal Value	72.8
PV of Enterprise	134.0
Debt (Cash)	(2.7)
Net Value - Shareholder	136.8
No of shares on issue (m)	108.3
NPV	\$1.26
Source: RaaS estimates	

## Peer comparison

We have considered a group of ASX-listed SaaS peers with an emphasis on advancing solutions for human well-being. US domiciled and focused Limeade Inc (ASX:LME) has a platform focused on employee well-being, engagement, inclusion, social recognition and communication services while Life360 Inc (ASX:360), also US-based, has created a location-monitoring platform focused on family well-being and protection. Both Limeade and Life360 are still loss making. Damstra Holdings (ASX:DTC) has developed a platform for workforce management solutions, including employee safety solutions acquired in the takeover of Vault Intelligence. Damstra is profitable, reporting EBITDA of \$1.2m in FY20 and forecasted by consensus to report \$6.87m EBITDA in FY21 (which puts it on a forward EV/EBITDA multiple of 36x).

The median last reported EV/revenue multiple of these peers is 8.9x while on a forward EV/Revenue basis the median is 6.4x. In comparison, Total Brain is trading on an EV/Revenue multiple of 5.5x based on its FY20 revenues and 5.0x our forecast for FY21., putting it at a substantial discount to these peers.

<b>Exhibit 5: Peer comparison</b>						
Company Name	Code	Market cap (A\$m)	Enterprise value (A\$m)	EV/Revenue last reported (x)	EV/Revenue fwd (x)	
Limeade Inc	LME	375	343	7.2	6.1	
Life360 Inc	360	589	525	8.9	6.4	
Damstra Holdings	DTC	249	244	12.5	7.7	
<b>Median</b>		<b>375</b>	<b>343</b>	<b>8.9</b>	<b>6.4</b>	
Source: Refintiv Eikon, RaaS analysis Prices at 25 February 2021						

**Exhibit 6: Financial year financial summary (In A\$m)**

Total Brain (TTB.AX)						Share price (25 February 2021)						A\$	0.31								
Profit and Loss (A\$m)						Interim (A\$m)						H119A	H219A	H120A	H220A	H121F	H221F				
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	Revenue	EBITDA	EBIT	NPAT (normalised)	Minorities	NPAT (reported)	EPS (normalised)	EPS (reported)	Dividend (cps)	Imputation	Operating cash flow	Free Cash flow				
Revenue	2.6	2.6	3.9	5.9	14.1	1.1	(4.4)	(4.5)	(4.5)	0.0	(4.5)	(6.9)	(6.9)	0.0	30.0	(2.3)	(1.0)				
Gross profit	2.5	2.3	3.2	5.1	12.0	1.5	(3.7)	(4.0)	(4.1)	0.0	(4.1)	(0.6)	(0.6)	0.0	30.0	(3.4)	(2.0)				
GP margin %	95.3%	87.8%	83.4%	87.6%	84.7%	2.2	(3.8)	(3.9)	(3.9)	0.0	(3.9)	(4.8)	(4.8)	0.0	30.0	(4.3)	(3.2)				
EBITDA	(4.9)	(6.7)	(7.4)	(6.9)	(1.8)	1.7	(3.6)	(3.7)	(3.7)	0.0	(3.7)	(3.3)	(3.3)	0.0	30.0	(1.7)	(0.1)				
Depn	(0.0)	(0.0)	(0.1)	(0.1)	(0.0)	2.0	(3.9)	(4.0)	(4.1)	0.0	(4.1)	(3.3)	(3.3)	0.0	30.0	(1.7)	(1.8)				
Amort	(0.1)	(0.4)	(0.2)	(0.4)	(0.5)	2.2	(3.6)	(3.7)	(3.7)	0.0	(3.7)	(3.3)	(3.3)	0.0	30.0	(1.7)	(1.8)				
EBIT	(23.4)	(7.2)	(7.7)	(7.3)	(2.3)	2.0	(3.9)	(4.0)	(4.1)	0.0	(4.1)	(3.3)	(3.3)	0.0	30.0	(1.7)	(1.8)				
Interest	(0.5)	0.0	0.0	(0.0)	(0.1)	2.0	(3.9)	(4.0)	(4.1)	0.0	(4.1)	(3.3)	(3.3)	0.0	30.0	(1.7)	(1.8)				
Tax	0.8	0.0	0.0	0.1	0.0	2.0	(3.9)	(4.0)	(4.1)	0.0	(4.1)	(3.3)	(3.3)	0.0	30.0	(1.7)	(1.8)				
Minorities	0.0	0.0	0.0	0.0	0.0	2.0	(3.9)	(4.0)	(4.1)	0.0	(4.1)	(3.3)	(3.3)	0.0	30.0	(1.7)	(1.8)				
Equity accounted assoc	(0.0)	0.0	0.0	0.0	0.0	2.0	(3.9)	(4.0)	(4.1)	0.0	(4.1)	(3.3)	(3.3)	0.0	30.0	(1.7)	(1.8)				
NPAT pre significant items	(23.1)	(8.6)	(7.6)	(7.3)	(2.3)	2.0	(3.9)	(4.0)	(4.1)	0.0	(4.1)	(3.3)	(3.3)	0.0	30.0	(1.7)	(1.8)				
Significant items	0.0	0.0	0.0	0.0	0.0	2.0	(3.9)	(4.0)	(4.1)	0.0	(4.1)	(3.3)	(3.3)	0.0	30.0	(1.7)	(1.8)				
NPAT (reported)	(23.1)	(8.6)	(7.6)	(7.3)	(2.3)	2.0	(3.9)	(4.0)	(4.1)	0.0	(4.1)	(3.3)	(3.3)	0.0	30.0	(1.7)	(1.8)				
Cash flow (A\$m)						Divisionals						H119A	H219A	H120A	H220A	H121F	H221F				
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	Total Revenue	Gross profit	Gross Profit Margin %	Employment	Marketing	Other costs	Total costs	EBITDA	Margins, Leverage, Returns	FY18A	FY19A	FY20A	FY21F	FY22F		
EBITDA	(4.9)	(6.7)	(7.4)	(6.9)	(1.8)	1.1	1.0	89%	2.8	0.4	1.2	4.4	(3.4)	EBITDA margin %	(186.7%)	(258.7%)	(191.6%)	(117.9%)	(12.5%)		
Interest	0.0	0.0	0.0	(0.0)	(0.1)	1.5	1.3	87%	2.7	0.4	1.3	4.4	(3.1)	EBIT margin %	(893.4%)	(274.8%)	(197.6%)	(125.1%)	(16.0%)		
Tax	0.0	0.0	0.0	0.0	0.0	2.2	1.8		3.7	0.4	1.5	5.6	(3.8)	NPAT margin (pre significant items)	(882.9%)	(329.4%)	(197.2%)	(124.1%)	(16.5%)		
Working capital changes	1.0	1.1	1.4	2.1	(0.0)	1.7	1.4		3.1	0.4	1.2	4.8	(3.4)	Net Debt (Cash)	6.62	5.21	10.00	1.18	- 2.76		
Operating cash flow	(3.9)	(5.6)	(6.0)	(4.8)	(1.8)	2.0	1.9		4.0	0.4	1.2	5.6	(3.8)	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a		
Mtce capex	0.0	0.0	(0.1)	(0.1)	(0.1)	2.0	3.3		4.4	0.4	1.2	5.6	(3.8)	ND/ND+Equity (%)	(%)	(43.6%)	(34.8%)	(61.0%)	(6.8%)		
Free cash flow	(3.9)	(5.6)	(6.1)	(4.9)	(1.9)	2.0	3.3		4.4	0.4	1.2	5.6	(3.8)	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a		
Growth capex	(1.7)	(2.7)	(2.6)	(3.5)	(2.0)	2.0	3.3		4.4	0.4	1.2	5.6	(3.8)	ROA	(95.8%)	(32.3%)	(30.2%)	(28.6%)	(10.8%)		
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	2.0	3.3		4.4	0.4	1.2	5.6	(3.8)	ROE	(124.4%)	(40.8%)	(32.8%)	(32.3%)	(13.3%)		
Other	(0.1)	0.1	0.0	0.0	0.0	2.0	3.3		4.4	0.4	1.2	5.6	(3.8)	ROIC	(162.5%)	(109.5%)	(159.0%)	(108.2%)	(47.3%)		
Cash flow pre financing	(5.7)	(8.2)	(8.7)	(8.4)	(3.9)	2.0	3.3		4.4	0.4	1.2	5.6	(3.8)	NTA (per share)	41.0%	34.4%	27.8%	17.3%	15.1%		
Equity	10.5	6.7	13.7	0.0	0.0	2.0	3.3		4.4	0.4	1.2	5.6	(3.8)	Working capital	82.8%	35.3%	237.6%	63.1%	94.1%		
Debt	(0.1)	0.0	1.1	0.0	0.0	2.0	3.3		4.4	0.4	1.2	5.6	(3.8)	WC/Sales (%)	31.6%	13.6%	61.3%	10.7%	6.7%		
Dividends paid	0.0	0.0	0.0	0.0	0.0	2.0	3.3		4.4	0.4	1.2	5.6	(3.8)	Revenue growth	10.4%	(0.5%)	49.0%	51.3%	140.7%		
Net cash flow for year	4.7	(1.5)	6.0	(8.4)	(3.9)	2.0	3.3		4.4	0.4	1.2	5.6	(3.8)	EBIT growth pa	n/a	n/a	n/a	n/a	n/a		
Balance sheet (A\$m)						Pricing						FY18A	FY19A	FY20A	FY21F	FY22F					
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	No of shares (y/e)	Weighted Av Dil Shares	EPS Reported	EPS Normalised/Diluted	EPS growth (norm/dil)	DPS	DPS Growth	Dividend yield	Dividend imputation	PE (x)	PE market	Premium/(discount)	EV/EBITDA	FCF/Share	Price/FCF share	Free Cash flow Yield
Cash	6.6	5.2	11.1	2.2	(1.8)	(m)	53	(6.38)	(12.98)	n/a	-	n/a	0.0%	30	-	18	(100.0%)	(1.9)	(7.3)	(4.2)	(23.6%)
Accounts receivable	1.3	0.8	2.8	0.9	1.2	(m)	59	(14.58)	(12.21)	n/a	-	n/a	0.0%	30	-	18	(100.0%)	(2.6)	(9.6)	(3.2)	(31.0%)
Inventory	0.0	0.0	0.0	0.0	0.0	(m)	95	(8.07)	(8.07)	n/a	-	n/a	0.0%	30	-	18	(100.0%)	(4.3)	(6.2)	(5.0)	(20.0%)
Other current assets	0.0	0.2	0.1	0.4	0.4	(m)	108	(6.73)	(6.73)	n/a	-	n/a	0.0%	30	-	18	(100.0%)	(4.7)	(4.3)	(7.1)	(14.0%)
Total current assets	8.0	6.2	14.1	3.4	(0.2)	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
PPE	0.2	0.2	0.3	0.3	0.4	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Goodwill	0.0	0.0	0.0	0.0	0.0	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Intangibles	14.7	14.9	15.0	18.2	19.7	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Other non current assets	0.0	0.0	0.0	0.0	0.0	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Total non current assets	14.9	15.2	15.3	18.5	20.1	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Total Assets	22.9	21.4	29.4	21.9	19.9	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Accounts payable	0.5	0.5	0.5	0.2	0.2	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Short term debt	0.0	0.0	1.1	1.0	1.0	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Tax payable	0.0	0.0	0.0	0.0	0.0	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Deferred revenue	0.5	0.6	1.4	2.0	2.3	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Total current liabilities	1.0	1.1	3.0	3.2	3.5	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Long term debt	0.0	0.0	0.0	0.0	0.0	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Other non current liabs	0.1	0.1	0.1	0.0	0.1	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Total long term liabilities	0.1	0.1	0.1	0.0	0.1	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Total Liabilities	1.1	1.2	3.0	3.2	3.6	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Net Assets	21.8	20.2	26.4	18.7	16.4	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Share capital	58.1	64.8	78.4	78.4	78.4	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Accumulated profits/losses	(40.2)	(48.8)	(56.4)	(63.7)	(66.0)	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Reserves	3.9	4.2	4.4	4.0	4.0	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Minorities	0.0	0.0	0.0	0.0	0.0	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)
Total Shareholder funds	21.8	20.2	26.4	18.7	16.4	(m)	108	(2.15)	(2.15)	nm	-	-	0.0%	30	-	18	(100.0%)	-	-	-	(5.2%)

Source: RaaS Advisory

**Exhibit 7: Calendar year financial summary (in A\$m)**

Total Brain (ASX:TTB)						Share price (25 February 2021)						A\$	0.31		
Profit and Loss (A\$m)						Interim (A\$m)						A\$			
Y/E December 31	CY18A	CY19A	CY20F	CY21F	CY22F	H1CY18A	H2CY18A	H1CY19F	H2CY19A	H1CY20A	H2CY20F				
Revenue	2.7	3.7	3.7	9.9	19.4	1.6	1.1	1.5	2.2	1.7	2.0				
Gross profit	2.5	3.1	3.3	8.4	16.3	(5.9)	(4.4)	(3.7)	(3.8)	(3.6)	(3.9)				
GP margin %	93.5%	84.2%	89.2%	84.7%	84.2%	(9.3)	(4.5)	(4.0)	(3.9)	(3.7)	(4.1)				
EBITDA	(10.2)	(7.5)	(7.6)	(4.6)	1.8	(11.0)	(4.5)	(4.1)	(3.9)	(3.7)	(4.1)				
Depn	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0				
Amort	(0.2)	(0.3)	(0.2)	(0.4)	(0.5)	(11.0)	(4.5)	(4.1)	(3.9)	(3.7)	(4.1)				
EBIT	(13.9)	(7.9)	(7.8)	(5.1)	1.3	(20.9)	(6.9)	(0.6)	(4.8)	(3.3)	(3.7)				
Interest	0.0	0.0	0.0	(0.0)	(0.1)	(20.9)	(6.9)	(0.6)	(4.8)	(3.3)	(3.7)				
Tax	0.0	0.0	0.1	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0				
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	30.0	30.0	30.0	30.0	30.0	30.0				
NPAT pre significant items	(15.5)	(8.0)	(7.8)	(5.1)	0.7	(2.2)	(2.3)	(3.4)	(4.3)	(1.7)	(4.3)				
Significant items	0.0	0.0	0.0	0.0	0.0	(0.8)	(1.0)	(2.0)	(3.2)	(0.1)	(1.8)				
NPAT (reported)	(15.5)	(8.0)	(7.8)	(5.1)	0.7	<b>Divisionals</b>									
<b>Cash flow (A\$m)</b>						H1CY18A	H2CY18A	H1CY19A	H2CY19A	H1CY20A	H2CY20F				
Y/E December 31	CY18A	CY19A	CY20F	CY21F	CY22F	Total Revenue	1.5	1.1	1.5	2.2	1.7	2.0			
EBITDA	(10.2)	(7.5)	(7.6)	(4.6)	1.8	Total Brain - Corporate	0.7	0.9	0.9	1.1	1.2	1.3			
Interest	0.0	0.0	0.0	(0.0)	(0.1)	Total Brain Affinity	0.4	-	0.2	0.1	0.3	0.6			
Tax	0.0	0.0	0.0	0.0	(0.5)	Other revenues	0.5	0.2	0.4	1.0	0.2	0.2			
Working capital changes	5.7	(0.1)	1.5	2.6	(0.2)	Total Revenue	1.5	1.1	1.5	2.2	1.7	2.0			
Operating cash flow	(4.5)	(7.7)	(6.0)	(2.0)	1.0	Gross profit	1.5	1.0	1.3	1.8	1.4	1.9			
Mtce capex	0.0	(0.0)	(0.1)	(0.1)	(0.1)	Gross Profit Margin %	331%	416%	339%	176%	753%	1134%			
Free cash flow	(4.5)	(7.7)	(6.1)	(2.1)	(0.9)	Employment	2.3	2.8	2.7	3.7	3.1	4.0			
Growth capex	(2.8)	(2.5)	(4.0)	(2.0)	(2.0)	Marketing	0.2	0.4	0.4	0.4	0.5	0.4			
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	Other costs	1.3	1.2	1.3	1.5	1.2	1.2			
Other	(0.1)	0.1	0.0	0.0	0.0	Total costs	3.7	4.4	4.4	5.6	4.8	5.6			
Cash flow pre financing	(7.4)	(10.0)	(10.2)	(4.1)	(1.1)	EBITDA	(2.2)	(3.4)	(3.1)	(3.8)	(3.4)	(3.8)			
Equity	1.2	14.8	5.6	0.0	0.0	EBITDA margin %	nm	nm	nm	nm	nm	nm			
Debt	0.0	0.0	1.1	0.0	0.0	<b>Margins, Leverage, Returns</b>									
Dividends paid	0.0	0.0	0.0	0.0	0.0	EBITDA margin %	(384.5%)	(204.7%)	(204.8%)	-46%	9%				
Net cash flow for year	(6.1)	4.7	(3.5)	(4.1)	(1.1)	EBIT margin %	(521.2%)	(215.3%)	(212.6%)	-51%	7%				
<b>Balance sheet (A\$m)</b>						NPAT margin (pre significant items)	(582.8%)	(216.3%)	(211.1%)	-51%	4%				
Y/E December 31	CY18A	CY19A	CY20F	CY21F	CY22F	Net Debt (Cash)	3.27	7.62	2.72	-	1.35	-	2.47		
Cash	3.3	7.6	3.7	(0.4)	(1.5)	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	-	1.38		
Accounts receivable	0.5	2.5	2.5	1.0	1.4	ND/ND+Equity (%)	(%)	(22.9%)	(46.2%)	(14.1%)	7.4%	12.3%			
Inventory	0.0	0.0	0.0	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	8.3%			
Other current assets	0.1	0.3	0.4	0.4	0.4	ROA	(62.3%)	(36.1%)	(31.6%)	(22.7%)	6.1%				
Total current assets	3.8	10.4	6.6	1.0	0.3	ROE	(94.3%)	(38.3%)	(33.8%)	(26.2%)	4.1%				
PPE	0.2	0.2	0.3	0.4	0.4	ROIC	(102.9%)	(223.5%)	(96.0%)	(84.2%)	14.6%				
Goodwill	0.0	0.0	0.0	0.0	0.0	NTA (per share)	33.0%	41.1%	23.2%	15.6%	16.2%				
Investments	0.0	0.0	0.0	0.0	0.0	Working capital	(6.6%)	193.3%	199.3%	75.3%	111.9%				
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)	(2.5%)	52.4%	54.0%	7.6%	5.8%				
Other non current assets	14.5	14.7	17.4	18.9	20.5	Revenue growth	12.3%	38.5%	0.1%	167.4%	96.5%				
Total non current assets	14.8	15.0	17.7	19.3	20.9	EBIT growth pa	n/a	n/a	n/a	n/a	(125.1%)				
Total Assets	18.6	25.4	24.3	20.3	21.1	Pricing	CY18A	CY19A	CY20F	CY21F	CY22F				
Accounts payable	0.5	0.6	0.5	0.2	0.2	No of shares (y/e)	(m)	53	95	108	108	108			
Short term debt	0.0	0.0	1.0	1.0	1.0	Weighted Av Dil Shares	(m)	590	95	108	108	108			
Tax payable	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(29.19)	(9.97)	(7.06)	(4.69)	0.65			
Deferred revenue	0.4	0.6	0.8	2.2	2.3	EPS Normalised/Diluted	cps	(29.19)	(9.97)	(7.06)	(4.69)	0.65			
Total current liabilities	0.9	1.1	2.3	3.4	3.6	EPS growth (norm/dil)	n/a	n/a	n/a	n/a	-114%				
Long term debt	0.0	0.0	0.0	0.0	0.0	DPS	cps	-	-	-	-	-			
Other non current liabs	0.1	0.1	0.0	0.0	0.0	DPS Growth	n/a	n/a	n/a	n/a	n/a				
Total long term liabilities	0.1	0.1	0.0	0.0	0.0	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%				
Total Liabilities	1.0	1.2	2.3	3.4	3.6	Dividend imputation	30	30	30	30	30				
Net Assets	17.5	24.1	21.9	16.9	17.6	PE (x)	-	-	-	-	-	47.4			
Share capital	58.1	72.6	78.4	78.4	78.4	PE market	18	18	18	18	18				
Accumulated profits/losses	(44.8)	(52.7)	(60.5)	(65.6)	(64.8)	Premium/(discount)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	163.2%				
Reserves	4.2	4.3	4.0	4.0	4.0	EV/EBITDA	(2.3)	(3.2)	(3.1)	-	7.1	20.3			
Minorities	0.0	0.0	0.0	0.0	0.0	FCF/Share	cps	(7.3)	(5.9)	(5.4)	-4.3	-1.6			
Total Shareholder funds	17.5	24.1	21.9	16.9	17.6	Price/FCF share	(4.2)	(5.2)	(5.7)	-	7.1	19.2			
						Free Cash flow Yield	(23.6%)	(19.1%)	(17.5%)	(14.0%)	(5.2%)				

Source: RaaS Advisory



# 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

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

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