



31 January 2020

Australian Securities Exchange (ASX) Announcement

## December 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 31 December 2019.

### HIGHLIGHTS

- Completed a very successful initial field test in partnership with IBM Mental Fitness 360 via the GRIT application with 1,403 U.S. veterans, who spent on average between 11 and 16 minutes per day using it. A survey of field testers found that 69% of them would recommend the application to other veterans. The Total Brain-powered "mind gym" was cited as the top feature. A full commercial launch with a subscription-based revenue model is planned for early 2020. More details are available on IBM's blog accessible here: <https://ibm.co/38PqYCg>;
- Completed 5 contracts during the December quarter, representing an annual minimum value of A\$0.8M and the potential for additional proceeds based on usage and account penetration. Highlights include:
  - Fortune 500 client – a renewal and expansion of screening contract underscoring the innovative value proposition of this product in the corporate segment;
  - Vault Intelligence – as per the October 2019 ASX announcement entered a partnership agreement with ASX-listed company (ASX: VLT) with 1M users from companies representing 30 industries globally to integrate Total Brain into their workplace performance and protection solution;
  - Large US-based pharma company – entered into a data licensing agreement for non-exclusive access to Total Brain's scientific and data assets;
  - Based on preliminary figures, the incremental quarterly revenue brought the total revenue for the 12-month period ended 31 December 2019 to A\$3.7M, which represents a 38% year-on-year growth rate.
- During the December 2019 quarter, Total Brain collected A\$0.7 million in cash receipts, which represents a 33% decrease quarter-on-quarter, driven only by a large upfront annual payment from AARP of A\$357k included in the September quarter figure. Adjusted for this amount, the December quarter figure represents flat quarter-on-quarter growth. We expect material growth in cash receipts in the March quarter following the signing of the above contracts and subsequent upfront payment to Total Brain.



## CASH FLOW

For the 3 months ended	FY2019			FY2020	
	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
<b>Cash Receipts from Customers (\$AUD)</b>	<b>\$645,234</b>	<b>\$592,856</b>	<b>\$596,145</b>	<b>\$1,047,873</b>	<b>\$698,598</b>
(-) Payments to suppliers and employees	(2,035,967)	(2,252,824)	(2,315,539)	(2,764,461)	(3,336,207)
(-) TB and Test Development	(755,876)	(597,302)	(683,125)	(683,125)	(408,209)
<b>Total Quarterly net operational spend *</b>	<b>(2,146,609)</b>	<b>(2,257,270)</b>	<b>(2,402,519)</b>	<b>(2,399,713)</b>	<b>(3,045,818)</b>
<i>Memo: Monthly net operational spend</i>	<i>(715,536)</i>	<i>(752,423)</i>	<i>(800,840)</i>	<i>(799,904)</i>	<i>(1,015,273)</i>
<i>Growth in cash receipts from customers</i>	<i>(30%)</i>	<i>(8%)</i>	<i>1%</i>	<i>76%</i>	<i>(33%)</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 December 2019 quarter Total Brain collected A\$0.7 million in cash receipts, which represents a 33% decrease quarter-on-quarter, driven by a large upfront annual payment from AARP of A\$357k included in the September quarter figure. Adjusted for this amount, the December quarter figure represents flat quarter-on-quarter growth. We expect significant cash receipt growth in the March quarter following the signing of the above contracts and subsequent upfront payment to Total Brain.

### Cash Outflows

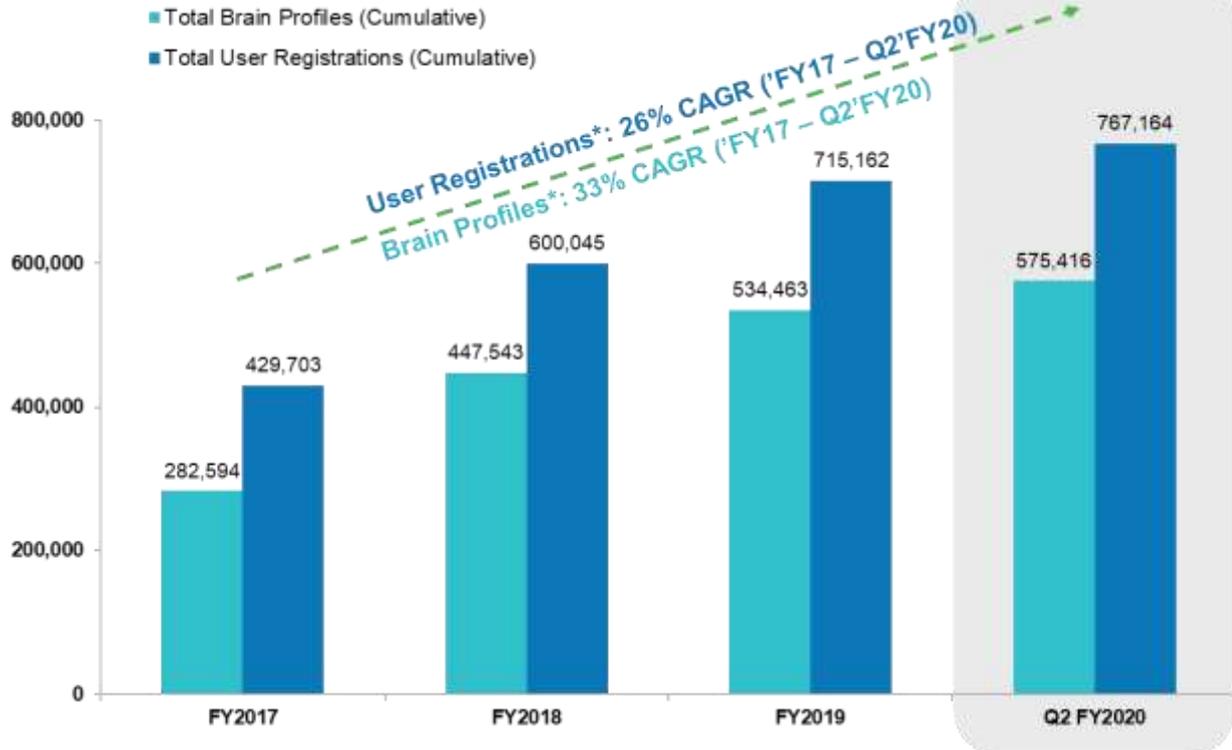
Maintenance of the current employee base and select hiring across technology, product, and sales, along with a slight increase in marketing and advertising expenses were the main drivers of the cash outflows during the past quarter. Total Brain largely expects this level of business expenses to continue in the following quarter.

### USER KPIS

User Registrations and Brain Profiles are important 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 December 2019 quarter:

- User Registrations increased by 30k, a 4% quarter-on-quarter and 19% year-on-year growth in cumulative users; and
- Brain Profiles increased by 21k, also a 4% quarter-on-quarter and 19% year-on-year growth in cumulative profiles.

This growth does not include user uplift from the launch of the new IBM contract, as well as the anticipated further scaling of other large B2C Affinity opportunities such as AARP.



\*Represents cumulative actual figures through the quarter ended 31 December 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 September quarter are highlighted below:

### Product and Technology

- Completed launch of Total Brain 2.0 in December 2019, including welcome and onboarding flows, assessment results and dashboard capabilities;
- Completed successful field test with IBM Mental Fitness 360 / Veterans Affairs Administration;
- Completed technical launch of Total Brain Clinical platform MVP on time, including clinician portal, clinician reporting, expanded screening surveys and reporting within TB application;
- Continued major contract and security work for several launches of Fortune 500 clients;
- Continued build out of recommendation engine and infrastructure to increase user engagement;
- Continued revamp of the training experience in the Total Brain platform.



## Sales and Customer Success

- Completed a very successful initial field test in partnership with IBM Mental Fitness 360 via the GRIT application with 1,403 U.S. veterans, who spent on average between 11 and 16 minutes per day using it. A survey of field testers found that 69% of them would recommend the application to other veterans. The Total Brain-powered "mind gym" was cited as the top feature. A full commercial launch with a subscription-based revenue model is planned for early 2020. More details are available on IBM's blog accessible here: <https://ibm.co/38PqYCG>;
- Completed 5 new contracts, representing a minimum annual value of A\$0.8M and the potential for additional proceeds based on usage and account penetration. Highlights include:
  - Fortune 500 client – a renewal and expansion of screening contract underscoring the innovative value proposition of this product in the corporate segment;
  - Vault Intelligence – a partnership agreement with ASX-listed company (ASX: VLT) with 1M users from companies representing 30 industries globally to integrate Total Brain into their workplace performance and protection solution;
  - Castlight Health – deploying TB solution to all staff of channel partner;
  - Clinical market – launched a Minimum Viable Product with a pilot addiction clinic representing 100 beds.
  - Large US-based pharma company – entered into a non-exclusive data licensing agreement;
  - Based on preliminary figures, the incremental quarterly revenue brought the total revenue for the 12-month period ended 31 December 2019 to A\$3.7M, which represents a 38% year-on-year growth rate.

## Marketing

- Continued to scale account-based marketing strategy, resulting in 250+ new marketing qualified leads from US corporates with 5,000+ employees since inception;
- Completed build-out of 2020 events plan with a focus on reaching CHRO and senior contacts in HR, as well as senior clinical decision-makers via high-touch engagements;
- Commenced development of new marketing assets for clinical market;
- Continued to build thought leadership credibility via placements in HR trade publications, podcasts, and 7-10 weekly social posts to deepen engagement and broaden reach.

## Human Resources

- Sourced and filled positions across Engineering and Product, continuing to proactively manage high industry-wide turnover rates;
- Finalized 2020 hiring plan and built pipeline for technical team expansion.

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## OUTLOOK

We continue to be encouraged by the positive sales momentum over the last several quarters. The partnerships signed and contracts won serve as an important validation of our product positioning and go-to-market strategy in both the B2B Corporate and B2C Affinity markets. The initial results of the addiction clinic pilots have also been very encouraging. As such, we remain focused on the following priorities:

- Accelerate sales cycle of B2B Corporate revenue via continued execution of the Account-based Marketing strategy and penetration of new and existing channel partners;
- Proactively penetrate various verticals of the B2C Affinity market;
- Test product-market-fit and scalability of the addiction clinic market;
- Retain and upsell of our existing book of business.

We are very excited about the business prospects of Total Brain and remain committed to creating significant shareholder value in FY2020 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 750,000 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](#).

*Release authorised by the Non-Executive Director, Matt Morgan*

## 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")**

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	699	1,747
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(536)	(1,211)
(c) advertising and marketing	(247)	(392)
(d) leased assets	-	-
(e) staff costs	(2,053)	(3,717)
(f) administration and corporate costs	(500)	(780)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income Taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,634)</b>	<b>(4,343)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5)	(20)
(b) businesses (see item 10)	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(c) investments	-	-
(d) intellectual property	(408)	(1,091)
(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	-	-
<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>(413)</b>	<b>(1,111)</b>

<b>3.</b> <b>Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	8,059	8,059
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	45	45
3.4 Transaction costs related to issues of shares, convertible notes or options	(290)	(290)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
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>7,814</b>	<b>7,814</b>

<b>4.</b> <b>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	2,953	5,215
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,634)	(4,343)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(413)	(1,111)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	7,814	7,814

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(96)	49
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>7,624</b>	<b>7,624</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	6,807	1,366
5.2	Call deposits	817	1,587
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>7,624</b>	<b>2,953</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**

240

-

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	(536)
9.3 Advertising and marketing	(247)
9.4 Leased assets	-
9.5 Staff costs	(2,053)
9.6 Administration and corporate costs	(500)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(3,336)</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 January 2020  
(Director/Company secretary)

Print name: Matt 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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