



BrainChip Holdings Ltd (BRN)

Cisco Announcement & Update on Recent Events

Event:

- BRN & Cisco Internet of Everything Innovation Centre (CIIC) sign agreement to demonstrate capabilities of BRN's SNAP Technology & update on activities.

Investment Highlights:

- BRN has developed a revolutionary new Spiking Neuron Adaptive Processor (SNAP) technology that has the ability to autonomously and rapidly learn and associate information just like the human brain. SNAP technology learns in seconds. This exemplifies a new level of machine learning that is expected to surpass deep learning, which requires days or weeks to train. The SNAP technology is fast, completely digital, and consumes very low power.
- In September 2016, BRN completed its acquisition of Spikenet. Spikenet based in Toulouse, (France) provides tools and programs that are able to rapidly learn to recognize objects, people and anomalies. Spikenet is complementary to SNAP, but is a software only solution. Spikenet's current products have been sold in the security, transport, media, industrial vision and gaming sectors.
- Last week, BRN signed an agreement with CIIC to demonstrate BRN's SNAP technology. Initially they will showcase traffic monitoring & analysis capabilities (identify vehicle types, count and categorise vehicles, detect pedestrians & produce real time traffic reports) as well as in-vehicle camera for hazard detection and road safety.
- As per 8th December press release, BRN are in discussions / trials with companies in the sectors of casino operators, airports, schools, natural resource providers and traffic control providers, amongst others. The market potential for the application of BRN's product in civil surveillance or industrial visual inspection is significant, but will take time to capture. We would expect positive newsflow to occur over-time.
- BRN is rolling out casino table security technology called Game Outcome at a Las Vegas casino group following the completion of the phase 1 trial. Its technology will initially be across all baccarat tables in the trial casino, with a second casino to be added shortly after, followed potentially by a roll-out to a casinos in the Group. 2011 data estimates there are 2,600 casinos worldwide.
- Notably a second product application is currently being trialed, called Game Statistics, which collects and interprets data from game tables. The product enables venues to optimize labour costs and operational efficiencies, and ensure that they are providing appropriate "comps" to players. Comps are the incentives that casinos provide to players to encourage them to play more. The trial ends Dec-16 and deployment is expected by Mar-17. We estimate this opportunity to be larger than the Game Outcome opportunity. Not surprisingly, additional revenue opportunities are likely at competing casinos in Las Vegas & beyond. We would expect further announcements in due course.
- Today BRN has c.+US\$4.8m cash and a monthly burn rate of c.US\$350k. BRN is pursuing the business model prominently adopted by ARM, where an annuity income is built from licensing, royalty, and engineering agreements penned with major OEM's and semi-conductor manufacturers.

Recommendation:

- We maintain our Speculative Buy recommendation on BRN. We believe chief catalysts for the share price include 1) the announcement of new customer contracts and 2) a licensing agreement with a large US or global company.

Rating	Speculative Buy
Previous	Speculative Buy
Price Target	n/a
Previous	n/a
Risk	Very High

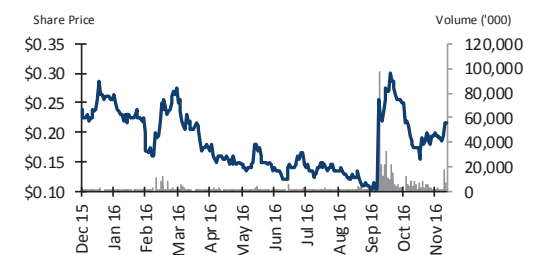
Share price	\$0.215
ASX code	BRN
52 Week Low-High	\$0.10-0.46

Pro-forma Capital Structure*	
Ordinary shares (M)	773.7
Market Cap (A\$M)	166
Net Cash/(Debt) (A\$M)	6.5
EV (A\$M)	160
Performance shares	90.5
Options	87.6
Diluted mkt cap (A\$M)	205
12mth Av Daily Volume ('000)	2,748

Board of Directors	
Mick Bolto	Non-Executive Chairman
Peter Van Der Made	Founder & CTO
Adam Osseiran	Non-Executive Director
Julie H Stein	Non-Executive Director

Major Shareholders	
Peter van der Made	16.4%
Robert Mitro	14.4%
Anil Mankar	14.1%
APAC Resources	7.7%
Metals X	7.0%
Nerona	5.9%

Share Price Graph A\$



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Foster Stockbroking was Sole Lead manager to BRN's placement in October 2016 to raise \$5.355m @ \$0.18 per share, for which it earned fees.