



Bigtincan Holdings Limited (BTH.ASX)

Enterprise SaaS with strong US foundation

Event:

- We initiate coverage on BTH after making its ASX debut on 24 March, following an IPO of 46.154 million shares at an offer price of \$0.26 per share to raise \$12 million.

Investment Highlights:

- Bigtincan Holdings (BTH) is a software-as-a-service (SaaS) company with a focus on enterprise mobility software to facilitate sales enablement and salesforce productivity. BTH has developed and owns its code and core intellectual property.**
- The product **allows businesses' sales personnel to access, collaborate, and edit content** across a wide range of mobile devices, without the need for online connectivity. The product is also embedded with machine learning and AI to automate a range of sales administration tasks, and allow sales personnel to focus on 'selling', offering businesses improved sales and productivity gains.
- The company has a **large and growing addressable market with scalable opportunity**. The opportunity is **backed by a working product, with demonstrated improvements to clients' salesforce productivity**. The product generates a healthy **gross profit margin of ~85%**.
- BTH is well beyond the start-up stage, backed by a performing product, and earned CY16 revenue of ~\$8M, with 90% of revenue from US customers.** BTH has more than **300+ paying customers**, primarily in the US, including nine of the Fortune 100 companies. BTH also has the backing of an equally impressive list of premium channel partners including AT&T, Apple and SingTel Optus.
- The company has demonstrated **impressive revenue growth to date growing at an average rate of 61% p.a.** over the last three years. We are of the view the company is set to continue this trend as it executes a **'land and expand' strategy in existing clients, and ramps up its marketing into new clients**, as it targets 40% revenue growth for FY18. FY18e forecast revenue of \$13.6M.

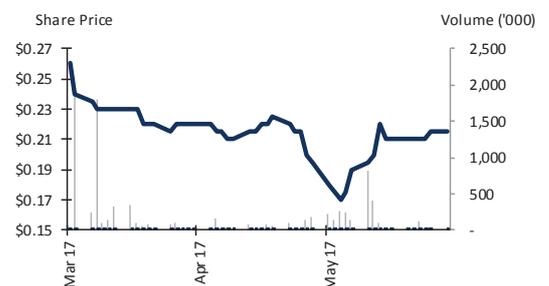
Earnings and Valuation:

- We have a blended valuation of \$0.33/share**, based on an equally weighted EV/Sales multiple and DCF blend.
- Given BTH is in the early stages of growth and is pre-earnings, we have employed an EV/Sales multiple methodology at a discount of 50%. Enterprise SaaS peers with similar sales growth rates are on an average EV/Sales multiple of 5.9x vs the 1.8x that BTH trades at, implying it is undervalued relative to its peers. Our **EV/Sales valuation is \$0.28/share**.
- Our **DCF valuation is \$0.37/share** using a DCF methodology (WACC 15%) and assuming BTH experiences revenue growth at 40% p.a. over the next two years.

Recommendation:

- We initiate coverage with a Buy recommendation and a 12-month price target of \$0.33.**
- Catalysts for the share price** include: 1) increased client numbers, 2) increased seat numbers within existing clients ('land and expand'); 3) new seat numbers from new clients; 4) cash flow and profit breakeven in CY17 and CY18, respectively.

Recommendation	Buy			
Previous	N/A			
Risk	High			
Price Target	\$ 0.33			
Previous Target	N/A			
Share Price (A\$)	\$ 0.215			
ASX Code	BTH			
52 week low - high (A\$)	0.17-0.26			
Capital structure				
Shares on Issue (M)	176			
Market Cap (A\$M)	38			
Net Cash/(Debt) (A\$M)	15			
EV (A\$m)	23			
Options on issue (M)	25			
12mth Av Daily Volume ('000)	184			
June end (A\$M)	2016a	2017e	2018e	2019e
Sales	7.0	9.7	13.6	19.0
EBITDA, underlying	-5.2	-5.9	-0.3	1.0
NPAT, underlying	-7.9	-5.2	0.0	1.2
Adj EPS diluted (cps)	-8.2	-2.6	0.0	0.6
PER x diluted	nm	nm	nm	38.4
EV/EBITDA x	nm	nm	nm	46.2
Board				
Tom Amos	Independent Non-Executive Chairman			
Wayne Stevenson	Independent Non-Executive Director			
John Scull	Non-Executive Director			
David Keane	Chief Executive Officer			
Geoff Cohen	Commercial Director, CFO			
Major Shareholders				
Lai Sun Keane	14.5%			
Jensen/Cohen Holdings	10.2%			
Regal Funds	9.0%			
SoftBank CVC	8.5%			
Southern Cross IIF Trusco	8.5%			
Acorn Capital	5.6%			
Share Price Graph				



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The analyst owns no BTH shares.

Foster Stockbroking acted as Co-Manager to the A\$12M IPO of 46.154M BTH shares at A\$0.26 in March 2017.

Foster Stockbroking received fees as consideration for these services.