



## BigTinCan Holdings Ltd (BTH.ASX)

Large US contract win a good start to FY18

### Event:

- Material US contract win; June quarterly.

### Investment Highlights:

- 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 in its main product Bigtincan Hub.**
- BTH reported solid progress in 4QFY17, with the annualised run rate for subscription revenue now exceeding \$10M.**
- US contract wins gets FY18 off to a good start.** The company recently announced it had successfully won a three year contract through an open competitive tender with a leading US global telecommunications company. The contract will see Bigtincan Hub deployed to as many as 23k mobile devices (iPads), across 5,500 locations across the US. The annual revenue from the contract was undisclosed, although the company flagged it will make a material contribution to FY18 numbers.
- Management still believe the company is on track for cash flow and profit breakeven by CY17e end and CY18e end, respectively.** The recent contract win will contribute significantly to the achievement of both of these milestones.
- Greater than anticipated cash burn for the quarter, and will look to reversion to usual run rate.** Net operating cash burn for Q4FY17 was \$2.9M and largely due to a seasonal variation and delay in receipts (~\$1.7M).
- Deals in the pipeline, and still about building scale.** With a healthy gross profit margin of 85% and a fixed cost base, BTH will continue its avowed strategy to build scale in FY18 to reach its cash flow and profitability targets. The company continues to work on closing out a healthy pipeline of deals.
- Company stated it “remains on track to exceed key IPO forecast metrics for CY2017”:** namely, reaching its monthly recurring revenue target of \$1.077M by CY17e end.

### Earnings and Valuation:

- Our valuation of \$0.33/share remains unchanged as we already factor strong sales growth of 40% p.a. over the next two years.**
- We have a blended valuation of \$0.33/share, based on an equally weighted EV/Sales multiple and DCF blend. Our EV/Sales valuation is \$0.28/share, based on a conservative 3x multiple of FY18e sales of \$13.6M. 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 maintain our Buy recommendation and 12-month price target of \$0.33/share.**
- 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		Buy		
Risk		High		
Price Target		\$ 0.33		
Previous Target		\$ 0.33		
Share Price (A\$)		\$ 0.22		
ASX Code		BTH		
52 week low - high (A\$)		0.17-0.26		
Capital structure				
Shares on Issue (M)				176
Market Cap (A\$M)				39
Net Cash/(Debt) (A\$M)				11
EV (A\$m)				28
Options on issue (M)				25
12mth Av Daily Volume ('000)				157
June end (A\$M)				
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	-0.1	1.1
Adj EPS diluted (cps)	-8.2	-2.6	-0.1	0.5
PER x diluted	nm	nm	nm	41.9
EV/EBITDA x	nm	nm	nm	34.9
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%			



Analyst: Matthew Chen +61 2 9993 8130  
[matthew.chen@fostock.com.au](mailto:matthew.chen@fostock.com.au)  
 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.**