



Bigtincan Holdings Limited (BTH.ASX)

Strong growth building a foundation

Event:

- FY17 result; revised assumptions; FY18e outlook.

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 company reported its FY17 result with key highlights including strong YoY revenue growth of 32% to \$9.2M and monthly recurring revenue (MRR) growth of 53% on pcp, to \$907k per month at the FY17a end.** The company continues to demonstrate impressive revenue growth although this growth has stabilised over the recent half.
- The US continues to be the main driver of growth, with revenue in this segment up 44% for the year to \$7.9M, and accounting for 85% of recurring revenue.** US remains the engine of growth for the business and the key focus of future growth, with a number of deals in the pipeline that would assist in achieving high growth, if closed.
- BTH has recommitted to its key operational metric target of \$1.077M per month MRR by CY17e end.** The company remains confident that it is on track to meet key operational and financial metrics.
- Costs, notably in personnel and advertising, and cash burn also increased** as the company focused its efforts on building scale and executing its land and expand strategy in the near term. Increased costs grew enough to keep underlying EBITDA at -\$5.2M on pcp, steady on pcp.
- FY18e is still about building scale, winning contracts, and executing on land and expand.** Landing contract wins such as the recent US telco deal will shore up revenue growth and momentum, while increased US sales personnel should translate to greater traction in its expansion within existing clients. We also keenly anticipate reversion to a reduced cash burn and improved cost control as the company works towards cash flow and profit breakeven.

Earnings and Valuation:

- We have a blended valuation of \$0.29/share, based on an equally weighted EV/Sales multiple and DCF blend.** This has been reduced from \$0.33/share due to revised sales forecasts and increased cost assumptions.
- We still forecast the company to reach profit breakeven by CY18e end** but have deferred operating cash flow breakeven to the same time. We have reduced our forecast NPAT for FY18e and FY19e to -\$2.4M and \$1.0M, respectively.

Recommendation:

- We maintain coverage with a Buy recommendation and a 12-month price target of \$0.29 per share, in line with our blended valuation.**
- 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, respectively.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$ 0.29
Previous Target	\$ 0.33
Share Price (A\$)	\$ 0.18
ASX Code	BTH
52 week low - high (A\$)	0.17-0.26
Capital structure	
Shares on Issue (M)	176
Market Cap (A\$M)	32
Net Cash/(Debt) (A\$M)	11
EV (A\$m)	21
Options, warrants on issue (M)	25
12mth Av Daily Volume ('000)	157

June end (A\$M)	2017a	2018e	2019e	2020e
Sales	9.2	12.9	17.3	22.7
EBITDA, underlying	-5.2	-2.6	0.9	5.7
NPAT, underlying	-8.6	-2.4	1.0	4.0
Adj EPS diluted (cps)	-4.3	-1.2	0.5	2.0
PER x diluted	nm	nm	37.8	9.0
EV/EBITDA x	nm	nm	29.1	4.4

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



Analyst: Matthew Chen +61 2 9993 8130
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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.