



Bigtincan Holdings Limited (BTH.ASX)

New Partners and Deals Driving Strong Growth

Event:

- December 2017 quarterly report.

Investment Highlights:

- BTH continues to make excellent progress**, reporting \$4.5M cash receipts for Q2FY18a, down on \$4.8M in Q1FY18a from receivables timing; annualised cash receipts for FY18e on track to be in excess of \$18M. Cash receipts of \$9.3M for 1H18a on par with receipts for the whole of FY17a.
- Delivering on cost control:** Staff costs for Q2FY18a were \$3.6M (\$3.1M in Q1FY18a), while other costs were well controlled and continued to trend down. Advertising and marketing costs were \$0.62M (\$0.67M in Q1FY18a) and admin and corporate costs were \$0.42M, down from \$0.45M in Q1FY18a.
- Cash flow breakeven:** The business had previously noted it was working diligently in controlling costs in order to reach cash flow breakeven by CY17e end. We are pleased with the progress made to date. Net operating cash for the first half of FY18 was positive (\$0.56M), in spite of modest cash burn for Q2FY18a of \$0.09M.
- Winning new partners and executing on land and expand:** New partners added in the USA, Europe, and Asia Pacific regions including Extreme Networks, Syngenta, Omada Health. BTH also delivered on its 'land and expand' strategy growing within existing global customers including Thyssen Krupp, Hologic, and HINO. Terms and contributions not disclosed due to commercial sensitivity.
- Latest update on new partners and expansion is in addition to previously announced multi-year multimillion deal with US (August 2017), and minimum 3 year reseller agreement with Verizon (December 2017).
- We keenly anticipate further updates on other key operating metrics including monthly recurring revenue (CY17 end target \$1.077M), seat number growth, and potential price inflation. We infer **very strong top line growth in FY18e (~100%) driven by doubled seat numbers assuming stable seat prices in FY17a.**

Earnings and Valuation:

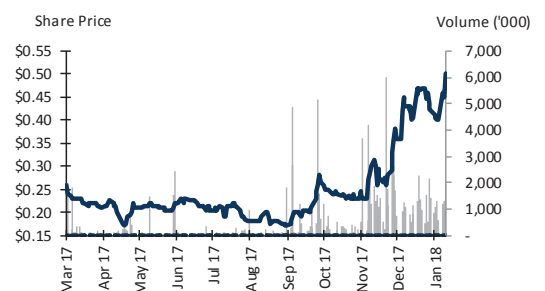
- We have **increased our forecast FY18e revenue to \$18.6M** (previously \$12.6M) to reflect the strong half of sales. We have also increased revenue forecasts in outer years to reflect the new base established by 1H18e. We now forecast FY18e and FY19e profit of \$2.1M and \$3.4M (previously, -\$2.4M and \$1M).
- We have an increased valuation of \$0.47/share**, based on an equally weighted EV/Sales multiple and DCF blend, due to higher earnings forecasts.
- We now forecast the company to reach profit breakeven by FY18e and bring forward cash flow breakeven to the same time.**

Recommendation:

- We maintain coverage and change our recommendation to a Hold on valuation grounds. We have increased our price target to \$0.47 (previously \$0.29 per share), due to increased earnings forecasts.** We keenly anticipate upcoming updates to confirm key operating metrics.
- 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 | | Hold | | |
|--------------------------------|-------|------------------------------------|-------|-------|
| Previous | | Buy | | |
| Risk | | High | | |
| Price Target | | \$ 0.47 | | |
| Previous Target | | \$ 0.33 | | |
| Share Price (A\$) | | \$ 0.50 | | |
| ASX Code | | BTH | | |
| 52 week low - high (A\$) | | 0.17-0.4975 | | |
| Capital structure | | | | |
| Shares on Issue (M) | | 176 | | |
| Market Cap (A\$M) | | 88 | | |
| Net Cash/(Debt) (A\$M) | | 12 | | |
| EV (A\$M) | | 77 | | |
| Options, warrants on issue (M) | | 23 | | |
| 12mth Av Daily Volume ('000) | | 515 | | |
| June end (A\$M) | | | | |
| Sales | 2017a | 2018e | 2019e | 2020e |
| EBITDA, underlying | 9.2 | 18.6 | 28.3 | 37.4 |
| NPAT, underlying | -5.2 | 2.8 | 4.6 | 6.1 |
| Adj EPS diluted (cps) | -8.6 | 2.1 | 3.4 | 4.4 |
| PER x diluted | -4.3 | 1.0 | 1.7 | 2.2 |
| EV/EBITDA x | nm | 46.6 | 28.4 | 21.6 |
| | | nm | 30.7 | 18.4 |
| | | | | 14.0 |
| Board | | | | |
| Tom Amos | | Independent Non-Executive Chairman | | |
| Wayne Stevenson | | Independent Non-Executive Director | | |
| John Scull | | Non-Executive Director | | |
| David Keane | | Chief Executive Officer | | |
| Major Shareholders | | | | |
| Lai Sun Keane | | 14.5% | | |
| Jensen/Cohen Holdings | | 10.2% | | |
| Australian Ethical | | 9.0% | | |
| Regal Funds | | 8.5% | | |
| SoftBank CVC | | 8.5% | | |
| Southern Cross IIF Trusco | | 0.0% | | |

Share Price Graph



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The analyst does not own BTH securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) do not own BTH securities.

Cranport Pty Ltd owns does not own BTH securities.

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.