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May 2019 Investor Briefing Call – Video and Edited Transcript

GROWTH UPDATE AND NEW PRODUCT RELEASES

Tinybeans Group Limited (ASX: TNY) ("Tinybeans" or "the Company"), the technology platform that connects parents with the most trusted tools and resources on the planet to help every family thrive, is sharing here the transcript of the Investor Briefing Call from May 16, 2019.

The recorded video of the conference call is available here.

Start of edited transcript

Hi everyone, good morning. My name is Eddie Geller, the CEO of Tinybeans, and I'm excited to be on a call today with everyone. As most of you would have seen, we shared an announcement to the market an hour ago. We have been inundated with interest of the company over the last month or so, specifically around some of our announcements.

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In terms of our vision, this really is an exciting journey for us. We have had a lot of validation in recent years and for us it's all about scaling that. We feel there is this incredible vision that services parents and families all over the world.

It starts with trust and having this amazing relationship with these users in the middle, which is what we've been able to do over recent years. Beyond this is to offer them wonderful other resources that really help them through the journey of parenting and through the family network. This starts with content, then evolves to services, and then beyond that with products. It is to build out these valuable services that we believe we can offer as a value for parents and families beyond what we are getting today. There are a lot of these services out there and lots of these content and product platforms. We want to be able to be this conduit to connect all those services together, and hopefully you've started to see that through this content launch and other things, we're starting to realize some of the vision we feel there is to have in future years.

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In terms of the year to date, the following are results from FY19 July to March. For those of you that are familiar with Tinybeans, you would have seen these results already and we state them from a year to date perspective. Excitingly with 3.2 million registered users, we've had phenomenal growth around that, and continue to see growth in monthly active users and very similar growth just on 30%. The revenue continues to be great, with $2.67 million for nine months alone, and we see that will continue to accelerate quarter on quarter. On advertising revenue, we're just under 2 million, and you can see the growth we've had of 173%.

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Premium subscriptions also continue to grow, and retention is at an all-time high of 83%. It shows that the subscription offering is compelling, and people are coming back.. The company traditionally has done R&D in Australia and over the last year or two we've started to do R&D in the U.S. We were recently approved for R&D in the U.S, so we've got a benefit of about AU$150,000. It will hit the bottom line this financial year, that will be applied to U.S. payroll tax benefits to next financial year. In the U.S. the R&D is through tax credits or payroll tax credits.

The average customer acquisition cost is $3.57. A portion is based on the marketing spend we've been having, and the LTV currently is $24.

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In terms of the content platform, the early results are tremendously exciting. I encourage everyone to go check out the site at Tinybeans.com/articles. What's exciting is that in the first three alone, we've had 86,000 actives already in a very short timeframe. It's telling us that our audience is really craving this content, and they're engaging with this content, which is really exciting.

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Also, what we're launching, which I think will really accelerate things, is this feature called collections. We don't see ourselves having many editors or authors on staff creating this content, as there is already a lot of great content out there. We see collections as a summary, or this conduit, to offer this content in a teasing way to then be able to get to that externally. We're going to use influencers, external platforms, and publishers that have all this wonderful content and we will work with them to craft these collections and these summary pieces.

It allows the content platform to scale without hiring a full-time writers. There will not be a need for additional headcount of full-time writers to create all this content and the summaries. Authors will soon be able to write these summaries, publish them on Tinybeans and be able to service members, and more importantly, the wider community.

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In terms of the machine learning, this is something we announced only this week. It allows us to create this new offering and analyze all this data that we have and provide insights around it. The data is anonymized and it's never going to affect the trust of our users and the power is in the aggregated insights around that. It doesn't affect our users, it doesn't affect their privacy, and nothing will ever be shared personally to anyone external. It's all about this aggregated view on the data at a rolled-up level.

As an example, we look at millions and millions of photos, and we can understand based on what the data is telling us when a child starts to transition to solids. And then I started to go to package goods and see how old they are and the difference of the east coast to the west coast of Australia to the UK. It's still fairly new and we have a long way to go. We see this developing and growing, and we see the revenue opportunity into FY20.

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I've shared numerous times that we're still on track for that. We still maintain a positive cash balance through 2019, we've confirmed that. From the guidance assumption again, we definitely plan to fund the operations from existing cashflows. Having said that, the board will evaluate opportunities around raising capital as they see fit.

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In summary, why Tinybeans, and for those of you that sort knew the story and still getting across the story, we’re a trusted 100% family centric platform. As you dig into the story, and hopefully this provides some more substance behind it, what we're doing and where we're going is much bigger than that. We think of ourselves as very much a family platform, scaling globally. We have growing revenues quarter on quarter, on track to cashflow positive, so we'd be able to validate and prove out the platform, in a scale mindset in the years to come. We're serving a massive market. In the U.S. alone, there are 100 million parents and grandparents and about 135 million babies born globally. It's an industry that’s insulated from to downturn market and we definitely think that we've only just started the journey in terms of being able to access that market. And with these new service offerings, we'll anticipate user growth through parents having older kids. We've got a great team where most of our costs are people related, the margins are high as it's a tech platform, highly scalable, and revenues can really grow with marginal increasing costs. It's just a great opportunity and a fantastic time for the company.

So, with that, thank you very much. Happy to answer questions now.

OPEN QUESTIONS AND ANSWER

1. **There's obviously fairly illiquid parcels in a day's trading, and if you're wanting to take a position, that would be difficult. Is there any sort of desire to perhaps make a placement to any managers, if you went through a capital raising area or any thoughts on how to get more exposure and a bit more trading through?**

We definitely feel that over the last couple of months liquidity has improved substantially. If you saw liquidity previously, there wasn't much, but we definitely think the last month or two, liquidity has grown significantly. We clearly wanted to continue to grow, so, we're always talking to new investors. I'm attending conferences in Australia, I'm attending conferences in the U.S, I'm looking to also be able to engage US investors here to get interest in the stock. We are definitely constantly talking to new people about the story to invest. In terms of a placement, the company is not currently raising capital, as the company has enough cash to fund its operations and is very focused on getting to cashflow break even. Having said that, the board is evaluating all sorts of growth options. There's a variety of options that may present at the next three, six, twelve months and there will be options to potentially accelerate things with a placement. It's not something we're actively doing at the moment. I really feel through the activity we're doing, through broadening the story, especially with U.S. investors, we've really had amazing interest here that I think will start to really come up in the next three to six months. That's really the strategy today. Then, potentially there might be something we do based on capital in the future, but the board will evaluate that as we see it.

2. **In regard to the interest from the U.S., I believe there's some form of trading, maybe pink slips, et cetera, happening. Is there a thought plan on the future of a listing in the U.S.?**

At the moment, we've been talking to the OTC markets. If you go to otcmarkets.com, you'll see that we actually have a ticker. We've been talking to the regulatory authorities to be over the counter traded so U.S. residents will be able to participate in and buy the stock in the U.S. We're actually in the thick of the process at the moment and are hoping that over the next one to three months we'll get all the approvals and clearances to be able to be traded over the counter. It would be a secondary listing as they call it. Obviously, the primary listing is ASX, but U.S. residents will be able to trade, and U.S. investors will be able to buy and sell the stock in the U.S. without having to have an Australian brokerage account. This is something we're excited by because even with most of our audiences in the U.S. and most of our revenue in the U.S., it definitely gives the appeal to U.S. investors. I definitely think that's another channel for liquidity, and plus, when we were IPOing a couple of years ago, we had U.S. users reach out to want to buy stock and they weren't able to without being Australian residents.

3. **I'd like to get your thoughts on how the board is thinking about increasing paid acquisition of customers. Looking at your customer lifetime value to your customer acquisition cost, there could be a strong case to say you could grow that spending subject to the cashflow. Just want to get some insight on how the board is viewing that aspect.**

This is definitely something that's been discussed. In the last 12 months we've had limited investment in marketing. We've really tried to optimize the active user, the conversion from active user to revenue per user, and focus on the output metric in terms of how we grow the engagement for a user, to grow the revenue from it and from that user. That's really been the focus today, about growing and validating that revenue. Growing the revenue per active user is going to continue to be a priority. Having said that, we're planning out FY20 and we're definitely thinking about getting to cashflow breakeven is going to give us a chance to really accelerate things because our unit economics, like we shared of CAC to LTV, is really appealing. To be able to pour more money into marketing and acquire more customers. It's definitely something that we're thinking about, as we're currently planning out FY20. Historically we've been very focused on getting the unit economics right to then scale, so we're doing a lot of small tests around that, just not scaling it. We'll be definitely starting to talk about how we scale that, and hopefully that will be something that we'll do more so in the next 6, 12, and 18 months.

4. **Regarding your data analytics - although it's the data is anonymous; I know how sensitive this aspect is. Do you offer the ability for users to turn off their data being used?**

Our terms and conditions are very clear. Even when you go to the pages on the website, we try to make them easy. We start with our promise, all about how the user owns all the photos that they add. They also get to get to control who gets to see the photos and we'll never share their data that's personally identifiable with anyone. That's what users really love, and we really speak to a lot of users about this. The terms say is that they give us access to analyze the data, but we can never share it with anyone, individually or any even aggregated, where their information is personally identifiable. That's something that is part of the platform, and again no photo is ever analyzed to be shared with an external vendor or brand. That's the way we're thinking about this service. Because we feel that there's such trust with the users, we'll never do anything to break that trust, and that's really where I've been very upfront about the fact that we're doing this purely as a service that we think is very, very exciting. This is not something that users need to be concerned about because never is their data ever going to be shared. We don't have any third parties accessing this personally identifiable data.

5. **I just wanted to talk about subscriber growth and what initiatives you might have to potentially increase that, or do we just model existing growth? What is around a hundred thousand a quarter? Just wondering how I should look at that?**

When we talk about subscriber growth, the growth is more registered users' conversion to active users. We definitely think subscriber or user growth, if we use that metric, convert to active users. We definitely feel that for us our strategy continues to be word of mouth and partnerships. There's a bunch of activity going on with partnerships that we think will accelerate. Also, today paid acquisition is limited, but we definitely think it's going to grow, especially as the business gets to cashflow break even or we're able to put more money into the acquisition. As we evaluate other channels to scale, we anticipate that it will accelerate. To what extent, we'll obviously wait and see, but we've really worked on it to go, well, we're going to acquire x many users registered, we need to ensure that a strong percentage will convert to active and then ensure they are monetizable. In terms of our model, clearly you can look at historical growth as these are metrics that will accelerate. As we plan FY20 I think there will be a range of initiatives that will then look to invest in around marketing. One of which can be paid, one of which could be a partner, and we'll see that accelerate. The other thing is this content platform which will also bring in new users that won't require a user to add a photo to sign up, you could do it that way and look at other services the company provides and sign up without having to be able to add photos. In short, I definitely think we'll be accelerating, to what extent and how quickly, time would tell over the next three to six months.

6. **Do you have an advertising budget at all? Or do you just simply want to do it through new channels and partners?**

We have a small budget and we use it extensively for testing and evaluating different messages and different conversion tactics and different ways in which we get to that user. I'm hopeful that as we plan FY20, as the revenue grows and accelerates, especially into the holiday season this year, that the Q4 calendar is going to be substantial for us. It's going to be on what we've done today and definitely there will be more money aside for marketing, especially as we shared a CAC to LTV metrics.

7. **How effective is the marketing spend? Say you spend half a million dollars, is there any way to attributing that to subscriber growth or not?**

If you just put half a million dollars towards paid acquisition and you looked at the CAC that we have, you generate roughly about 150,000 registered users. From that, you'd obviously get a funnel to active, and from that, you would drive revenue that way. You would probably get a return on investment within a year, and generate that revenue in a year, maybe even nine months. And obviously you can plow back in more money into that user. We definitely think that if you have the money, this is a great opportunity to do that. We just want to do it more methodically rather than just throw money at it. We ran tests a few years ago, with just throwing money at acquisition and the results were very poor, we don't believe just throwing more money gives you a direct line to more of the right users. Through that learning and experimentation, historically, we haven't wanted to waste the money given we didn't have the unit economics right. We're very close to getting them right, so in the not too distant future we could scale it. And historically that's been the main reason why we haven't wanted to.

8. **How would you spend the money? Let's say you had that half million dollars extra. Would it be in hospitals, would it be through how would you see that?**

There's a range of channels we'd evaluate. Partnerships are definitely one. You mentioned hospitals, that's one channel, but there are many other channels also. There are very big websites that service pregnant mums. We could work with them to figure out how much we would pay towards a new user through those channels. There are many additional websites that we can partner with, including the traditional social platforms, Instagram and Apple Search, and Google, and more. We would use a combination but also do retargeting that comes to the website and didn't sign up and we targeted them elsewhere. Clearly, we'd put it into a range of different tactics. The way we would do it is spend small, learn on a week to week, month to month basis, and then increase the spend based on the channel that optimizes and gives the best return. That's the way we would do it internally.

9. **Half a million dollars of spend increases the value of the company a lot, doesn't it? Do you have any idea of what a subscriber should be worth?**

Well the LTV we shared with everyone was about $24 and is based on our metrics internally on margin, retention, and based on what we've been doing historically, we think that will be much higher. As we grow ARPU (Average revenue per user), that will get even higher. This is the average we are generating per active user, over their lifetime. I think that'll grow substantially and I think we can accelerate that very quickly as our revenue grows and as these new services really get to scale, we'll be able to generate more revenue through these services also. I definitely think that you will see an increase in revenue per active user and then lifetime value will also grow. Figuring out how best to scale it to acquire more users will obviously be a key part of it.

10. **What would be a comparable you could aspire to?**

I'm probably biased as I've got too much history with this, but we know as parents we spend a huge amount on our children, and families spend huge amounts on families. We want to be able to help them access these services, content and products on our platform. We think the lifetime customer value could be hundreds if not thousands of dollars. I think it will take us a while, but it could be pretty significant, as with all this rich data, we can then be able to pre-empt and offer things, whether it's buying something or signing up to a babysitting service. We see the services turning on, enabling revenue growth, and a deeper engagement with the user to be able to grow the per user revenue. I definitely see that growing. How quickly and to what extent, I'm not able to say at this stage.

11. **Are there any comparable companies which is listed?**

It's difficult to say. There's a handful of companies publicly traded that generate revenue through similar ways, whether it's advertising or whether it's through subscribers or premium subscriptions. I think there are a range of ones that you could probably be compare us to. Some of them obviously are based on active users, some of them on revenue, some of them on a multiple of a few things. It depends on the stage of the company, but in terms of what we're trying to do, there's very little to anything in the market that we've seen that is looking to solve the problem in the way we're solving for families. There are a lot of small services and really most of those service moms, very few if any, service the family as a segment. If you just dissected our audience and our revenue it would be tough to find anyone similar.

12. **Just on the advertising, what's the potential for more deals here you think? How do you see that?**

We had in the deck that we have a healthy pipeline, and we are always talking to new brands. Brands are approaching us now, which is exciting. The Lego deal is exciting, but it didn't happen overnight. It took some time to engage with them and obviously build enough of a relationship to be able to get the deal away. And the same for life insurance, running some pilots. We're talking to new brands every day and it is exciting as Lego is great clearly from a brand perspective and from a revenue perspective, but more importantly they just a great validator. Once you tell other big brands that Lego is working with you, they scratch their heads and they go, well, if they're working with you when your audience is only this large, you clearly offer a very high value prop. There's definitely value for brands to be signing up and using the platform and as we sign them and material, we'll definitely be sharing them with the market.

Thank you everyone for dialling in and giving me your time today. Obviously, it's a wonderful time for the company. It's an exciting growth stage and a great space in terms of family, a huge market opportunity for us. The revenues are really growing quarter on quarter and clearly so is the cashflow. That is good for us internally, as we're just planning out next year and the next three years for that matter. For us it's all about scaling and accelerating. With that, thanks so much for your interest and support. If anything does come up, if you have questions, please reach out. Otherwise I look forward to updating in the market as we progress. Thanks very much.

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Tinybeans Group Limited (ASX: TNY) is a mobile and web-based technology platform that connects parents with the most trusted tools and resources on the planet to help every family thrive. Tinybeans generates revenue from advertising from brands, premium subscriptions and printed products.

Founded in Sydney, Australia in 2012, Tinybeans serves a deeply engaged user base of 3.2 Million members and over 1.14 Million monthly active in over 200 countries/territories and keeps nearly 200 million precious memories safe.

Every day millions of people including celebrities, politicians and high-profile families rely on Tinybeans as their primary platform for capturing, storing and sharing their children's life stories.

To watch Tinybeans' CEO, Eddie Geller's recent address on H1-FY19 Results, see here - http://bit.ly/tny_h1fy19

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