

Making conversational commerce humane

Unith Limited (ASX:UNT) is a technology company that is leveraging its artificial intelligence (AI) and machine learning (ML) powered platform for applications in conversational commerce. UNT's 'Talking Heads' platform allows businesses to conduct one-on-one facetime-like conversation with customers through human-like digital avatars in real time. Furthermore, it does so at a fraction of the time and expense compared to the closest competition.

Why would customers want Talking Heads?

Talking Heads avatars will allow their customers' businesses to showcase products, explain processes, take payments, and answer queries among other functions. While email marketing and chatbots reach several end users, the experience is a one-way street for customers. In contrast, a human-like avatar is high on user experience, has a stepped up appeal, and gives a more engaging message that resonates with customers. Talking Heads aims to provide a more engaging and immersive experience as the avatars will be able to use natural language processing to understand the customers' intent and interact with them accordingly.

Market opportunity is multi-dimensional

While Talking Heads platform is in its nascent stage of commercialisation, it has significant potential across several verticals, including commerce, health, aviation, hospitality and in Web 3.0 infrastructure, i.e. NFTs and the metaverse. The global conversational AI market was worth US\$6.2bn in 2021 and is expected to reach US\$41.4bn by 2030 (c23% CAGR), providing UNT with a significant business expansion opportunity.

Multiple modes for shareholder value creation

UNT can increase shareholder value by expanding the Talking Head platform through new commercial partnerships and expanding into new business verticals. As management continues to refine the technology, we believe UNT can broaden its reach as it proves itself with the latest deal with a Big 5 Tech company. Given that there are few (if any) direct competitors, we believe that UNT's long-term value will be entirely derived from the commercialisation scale it achieves for the platform. We value UNT at \$0.058-\$0.088 per share using DCF methodology. Refer to page 28 for the key risks.

Share Price: A\$0.023

ASX: UNT

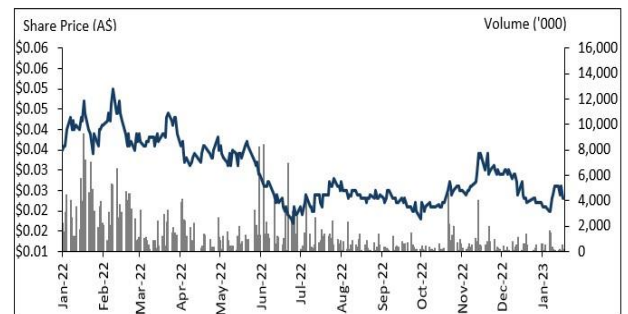
Sector: Technology

24 January 2023

Market Cap. (A\$ m)	16.6
# Shares outstanding (m)	719.8
# Share fully diluted (m)	769.3
Market Cap Full. Dil. (A\$m)	17.7
Free Float	67.3%
12-months high/low (A\$)	0.05/0.017
Avg. daily volume ('1000)	1,380.2
Website	https://unith.ai/

Source: Company, Pitt Street Research

Share price (A\$) and avg. daily volume (k, r.h.s.)



Source: Refinitiv Eikon, Pitt Street Research

Subscribe to our research [HERE](#)

Analysts: Marc Kennis, Nick Sundich

Tel: +61 (0)4 4724 7909

Marc.Kennis@pittstreetresearch.com

Nick.Sundich@pittstreetresearch.com



Financial Statements

Profit & Loss (A\$'000) (Base Case)	2020	2021	2022	2023F	2024F	2025F	2026F	2027F	2028F
Sales Revenue	7,788.7	7,026.3	5,371.3	6,481.7	10,693.1	15,287.9	19,397.8	24,399.1	29,600.6
Cost of sales	(2,022.0)	(1,866.4)	(951.5)	(1,231.5)	(1,978.2)	(2,751.8)	(3,297.6)	(4,025.8)	(4,736.1)
Gross profit	5,766.6	5,159.8	4,419.9	5,250.2	8,714.8	12,536.0	16,100.2	20,373.2	24,864.5
Operating expenses	(6,206.4)	(6,346.7)	(5,749.9)	(6,335.9)	(9,105.1)	(11,756.4)	(13,423.3)	(15,395.8)	(18,086.0)
Underlying EBITDA	(439.7)	(1,186.8)	(1,330.0)	(1,085.7)	(390.3)	779.7	2,676.9	4,977.4	6,778.5
One off adjustments	(141.0)	(595.6)	(1,057.4)	(32.4)	(26.7)	(15.3)	0.0	24.4	29.6
Adjusted EBITDA	(580.7)	(1,782.4)	(2,387.4)	(1,118.1)	(417.0)	764.4	2,676.9	5,001.8	6,808.1
Depn & Amort	(533.6)	(554.9)	(655.6)	(630.6)	(706.7)	(827.2)	(846.7)	(561.5)	(666.5)
Adjusted EBIT	(1,114.3)	(2,337.4)	(3,043.0)	(1,748.7)	(1,123.7)	(62.9)	1,830.2	4,440.3	6,141.7
Net Interest	(858.1)	(437.2)	(127.7)	(27.9)	(53.7)	(42.6)	(17.2)	21.4	84.1
Profit before tax (before exception)	(1,972.4)	(2,774.6)	(3,170.7)	(1,776.6)	(1,177.4)	(105.4)	1,813.0	4,461.7	6,225.7
Tax expense	1,248.9	(2,218.2)	0.0	0.0	0.0	0.0	(543.9)	(1,338.5)	(1,867.7)
NPAT	(723.6)	(4,992.8)	(3,170.7)	(1,776.6)	(1,177.4)	(105.4)	1,269.1	3,123.2	4,358.0
Loss from Discontinued Operation	(1,041.3)	(1,746.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPAT post Discontinued Operation	(1,764.8)	(6,738.8)	(3,170.7)	(1,776.6)	(1,177.4)	(105.4)	1,269.1	3,123.2	4,358.0
Cash Flow (A\$'000)	2020	2021	2022	2023F	2024F	2025F	2026F	2027F	2028F
Profit after tax	(1,764.8)	(6,738.8)	(3,170.7)	(1,776.6)	(1,177.4)	(105.4)	1,269.1	3,123.2	4,358.0
Depreciation and amortization	598.2	639.2	655.6	630.6	706.7	827.2	846.7	561.5	666.5
Changes in working capital	(1,087.1)	3,265.0	443.2	185.8	581.8	577.4	312.2	469.4	422.4
Other operating activities	606.4	1,169.1	2,083.7	48.6	80.2	91.7	97.0	122.0	148.0
Operating cashflow	(1,647.4)	(1,665.6)	11.8	(911.5)	191.3	1,390.9	2,525.0	4,276.1	5,594.9
Payments for PPE	(15.1)	0.0	(6.6)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)
Payments for intangibles	(255.9)	(283.6)	(786.6)	(300.0)	(300.0)	(300.0)	(300.0)	(300.0)	(300.0)
Investing cashflow	(267.1)	(1,609.9)	(2,115.5)	(375.0)	(375.0)	(375.0)	(375.0)	(375.0)	(375.0)
Equity raised (repurchased)	1,555.3	7,490.3	720.4	1,500.0	750.0	500.0	250.0	100.0	50.0
Net proceeds from borrowings	1,760.7	(2,107.4)	(233.3)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)
Other financing activities	(323.3)	(1,073.6)	961.4	0.0	0.0	0.0	0.0	0.0	0.0
Financing cashflow	2,992.7	4,309.3	1,448.5	1,425.0	675.0	425.0	175.0	25.0	(25.0)
Net change in cash	1,078.1	1,033.8	(655.2)	138.5	491.3	1,440.9	2,325.0	3,926.1	5,194.9
Cash at end Period	308.2	1,033.9	119.4	257.8	749.1	2,190.0	4,515.0	8,441.2	13,636.0
Balance Sheet (A\$'000)	2020	2021	2022	2023F	2024F	2025F	2026F	2027F	2028F
Cash	1,914.0	3,143.0	2,228.5	257.8	749.1	2,190.0	4,515.0	8,441.2	13,636.0
Total Assets	12,114.1	9,845.5	7,352.6	5,200.1	5,741.0	7,141.5	9,348.3	13,514.0	18,839.4
Total Liabilities	9,532.3	4,594.0	2,651.2	2,884.5	3,852.8	4,858.7	5,546.4	6,488.9	7,406.3
Shareholders' Funds	2,581.8	5,251.4	4,701.3	2,315.6	1,888.2	2,282.8	3,801.9	7,025.1	11,433.1
Ratios	2020	2021	2022F	2023F	2024F	2025F	2026F	2027F	2028F
Net debt (cash)/Equity	141.0%	-18.2%	-21.3%	38.6%	17.3%	-52.1%	-94.4%	-108.0%	-112.5%
Total Cash / Total Assets	15.8%	31.9%	30.3%	5.0%	13.0%	30.7%	48.3%	62.5%	72.4%
Return on Equity (%)	NM	NM	NM	NM	NM	NM	41.7%	57.7%	47.2%

Estimates: Pitt Street Research



Table of Contents

Introducing Unith, ASX: UNT	4
Nine key reasons to look at UNT	5
The Talking Heads platform	7
How UNT builds its proprietary AI technology	11
Recent restructuring exercise provides a strong base	13
Business turnaround continues in 2022	14
UNT will have multi-dimensional operating model	14
UNT has significant market opportunity to exploit	20
Enterprise deals will form the bulk of new business	21
Financial turnaround supports future investment	24
Valuation: DCF indicates substantial upside	26
Key risks	28
Appendix I – UNT's leadership	29
Appendix II – Analyst certification	30
General Advice Warning, Disclaimer & Disclosures	31



UNT is an AI-powered technology company that has the Talking Heads platform.

Commercialisation began in 2022, headlined by the partnership with a Big Five Tech company.

Introducing Unith, ASX: UNT

Who is Unith Limited (ASX:UNT)? UNT, earlier called Crowd Media (and Crowd Mobile before that), is an AI-powered technology company that has delivered premium content through cutting-edge technologies to engage millions of users. Currently, it is commercialising the Talking Heads platform. Talking Heads seeks to disrupt the current standard of text-only chatbots by offering AI-powered digital human infrastructure that provides fully immersive interactions.

The company has two divisions: **Talking Heads**, that creates the platform and is a B2B division, and a **Subscription** division. The Subscription division is creating and distributing the Talking Heads platform, and is actively participating in developing interesting new content in the gaming and entertainment space to launch a scaled entertainment-first subscription product.

What are Talking Heads? Currently, communication with chatbots is difficult and unappealing due to their inability to provide a personalised experience to customers. On the other hand, a human-like chatbot speaking in a recognisable voice gives a more suitable and personalised message to existing and potential customers and is more likely to convert their interest into purchases. Talking Heads help in the creation of avatars and generation of human-like-speech through Natural Language Processing (NLP), to understand users' intentions and providing coherent answers.

UNT is developing a scalable and profitable platform – UNT is at the forefront of conversational AI solutions aimed at meeting rising demand for digital labour. The company aims to ensure ease of integration of the Talking Heads platform with connectivity features such as APIs, addons, embedded features and integration tools. The platform can also be upgraded to premium features such as complex conversations, personalise content, face and voice cloning and easy wide scale reach. UNT is also building its proprietary algorithm running on machine learning database, directed at building its scalable platform. UNT's technology benefits from a human-like video, minimal bandwidth and versatility.

How far has UNT progressed in commercialisation of Talking Heads? The company is pursuing its 3-year transition plan to become a technology-based media company with a focus on conversational commerce. Following 2 years of development work under a strict cash management regime, commercialisation of Talking Heads begun in 2022. UNT is only at an early stage of commercialisation but has a handful of commercial partnerships. The company's first enterprise customer, signed earlier this year, was South African telehealth company PangeaMed. It has also signed a Big Five Tech company as a client (unable to be named for confidentiality purposes) to provide three digital avatars for the purposes of information delivery. There are a handful that are particularly noteworthy, two being the Bedtime Stories and Astrology VIP mobile application commercialised by its mobile subscription division.

What is UNT's business model right now? UNT currently pursues one-on-one enterprise deals with its varied customers. For Astrology VIP and Bedtime Stories, UNT retains 80% of revenue with the rest shared by its partners. For deals such as PangeaMed, it is paid a base fee that covers existing operations and an expandable agreement for sale.

What will UNT's business model be in the future? UNT will aim to partner with enterprise clients to use Talking Heads avatars. In 3-5 years' time UNT aims to make the platform available for all social media users. The



management is contemplating to offer diversified packages across users, i.e. enterprises, premium 'big tech' customers and mass subscribers.

Nine key reasons to look at UNT

- 1) **UNT is likely to benefit from the paradigm shift** – Businesses and organisations are increasingly using digital conversational pedigree for user-friendly, fast and reliable communication. The technology is used in the form of virtual agents and assistants and deploys a mix of machine learning, NLP and AI. As chatbots, digitalised platforms and virtual assistants become competent in problem solving and facilitation of interactions, UNT is in the centre of a significant evolution.
- 2) **UNT is developing a scalable and profitable platform through a proprietary technology** – UNT aims to develop a scalable and profitable platform by offering conversational AI solutions across various industry verticals. Aimed at meeting the increasing demand for digital labour, UNT's state-of-the art technology is extremely hard to imitate. The company owns this intellectual property (IP) of machine learning algorithm, which is supported by unique database. Through this unique technology, UNT can run tens and thousands of communications on a single server at relatively lower cost resulting in a profitable proposition.
- 3) **A major opportunity is before UNT** – The conversational AI market is likely to grow at a CAGR of 21.3% to US\$40bn in 2028. The conversational AI market is driven by the rising demand for AI-based chatbots with a growing focus on customer engagement, omnichannel deployment, customer interactions across multiple platforms and reducing development costs. The conversational AI market is further likely to benefit from growth opportunities due to the increasing trend of digitalisation. In particular, it is likely to benefit from the rising penetration of smartphones and digitalisation in operations.
- 4) **UNT has a solid distribution strategy** – UNT has a tiered B2B subscription which is enterprise based and operates on a premium. The company also has diversified distribution and is test-based. UNT's distribution strategy aims to increase content flow and match it with primary in-market users, test hypotheses for ideal customers and outrank competitors for thought leadership keywords. Freemium pricing is also being offered, wherein users can learn the platform organically at no cost, build awareness about products and create a large customer base for future feature updates.
- 5) **UNT underwent a technological turnaround** – In line with the vision set out in the November 2019 AGM, UNT underwent a strategic transformation to capitalise on its existing technology. This was done with the objective of adapting to the changing landscape of a shift in e-commerce, which resulted in the need for a technology where conversations can appear authentically with visuals and be driven by AI to facilitate ease of conversations. The technology transition has positioned the company well in high growth areas resulting in the company's transformation from a product-centric company in a shrinking domain to a technology-based and vertically-integrated social commerce business that sells excellent products and services in an expanding space.
- 6) **UNT is undertaking commercialisation of Talking Heads** – UNT is pursuing its 3-year transition plan to become a tech-based media



UNT's commercial deals with an undisclosed Big 5 Tech company, Pangeamed, SourceFlare, Bedtime Stories and Astrology VIP and Impssbl are likely to boost its growth prospects

company with a focus on conversational commerce. 2022 has been highlighted as the year of commercialisation. The company has already reached the commercialisation stage ahead of schedule with the first revenue generated from the Talking Heads platform in April 2022. UNT is likely to include more subscription-based products by the end of 2022 as a part of the company's plans to scale up the subscription division into more languages and territories.

- 7) **Talking Heads is in early-stage commercialisation** – UNT has entered into a number of commercial deals for Talking Heads. These include deals inked with an undisclosed Big Five Tech company, South African med-tech company Pangeamed, SourceFlare, Bedtime Stories and Astrology VIP, and Impssbl. The new undisclosed Big 5 Tech company is likely to be any one of Meta, Amazon, Apple, Microsoft or Google. The avatars are licensed for two years, and the subscription will expand with increasing engagement of avatars. In July 2022, UNT secured mobile network approvals for the mass distribution of the company's AI technology to be used in entertainment applications. Of these applications, Bedtime Stories and Astrology VIP are the first telecommunication products that would integrate UNT's Talking Heads technology. Another noteworthy deal was the one between UNT and IMPSSBL Corporation for the integration of the company's Talking Head technology into the NFT marketplace.
- 8) **UNT has a strong revenue model** - UNT's current revenue model includes kiosks, mobile subscription products, cloud subscription and chatbots and B2B SaaS. With subscription products users can benefit by learning from audiobooks and watching movies. Chatbots are computer programmes that simulate and process human conversations. They allow interactions between humans and digital services similar to communications with a real person. B2B SaaS refers to Business to Business Software as a Service. It includes cloud-based software used by businesses for tasks such as accounting, office productivity and customer relationship management.
- 9) **UNT is undervalued** – Considering that there are few (if any) competitors for UNT, we believe that the company's long-term value will be entirely derived from the commercialisation scale it achieves for the AI platform. Given the scope of growth opportunities, we believe that the stock is highly undervalued at its current market price. Using the DCF methodology, we value the company at A\$0.065 per share base case and A\$0.097 per share optimistic case. We have taken into account the additional shares issued by the company while raising capital of A\$0.6m in August 2022.



The Talking Heads platform

UNT is likely to overcome lack of human-experience in existing conversational AI platforms

COVID brought about many changes in the world, including increased online presence. Most industries – such as education, professional services, retail, entertainment – have been affected by these changes. One such key change that has been brought about is conversational AI. One-on-one conversations operate on three pillars. These include visual, audio and Conversational components (Figure 1)

Figure 1: The Three pillars of Talking Heads



Source: Company, Pitt Street Research

Conversational AI deploys chatbots and digitalized platforms to provide customers with a platform to solve problems and aid interactions with virtual assistants

Conversational AI has the potential to transform workplaces and help ensure better experiences for both employees and customers. Businesses and organisations are using conversational AI to communicate and interact with a complex system in a user-friendly, fast and reliable manner. Businesses need to provide real-time information to end users as the usage of mobile devices becomes more widespread. Customers are also increasingly feeling the need to interact with brands more frequently using conversational AI technologies due to the ease of accessibility. Thus, businesses are likely to serve on the promise of enhanced technologies for improvements in customer satisfaction, reduction in costs and increase in revenue owing to profitable outcomes of speedy and enhanced customer service to consumers.

Conversational AI uses a mix of technologies, such as machine learning algorithm, NLP (Natural Language Processing), and AI, which help improve the response quality over time along with learning improvements. In particular, NLP procedures enter into a continuous loop with machine learning processes allowing the development of AI algorithms. The technologies aid interactions with customers through chatbots and virtual assistants effectively without causing disturbances in business processes. The chatbots and other digitalised platforms provide customers with a platform where problems can be solved and interactions with virtual assistants can be facilitated. The building of conversational AI applications with high privacy and security requirements and monitoring mechanisms is likely to help in assisting end users gain trust

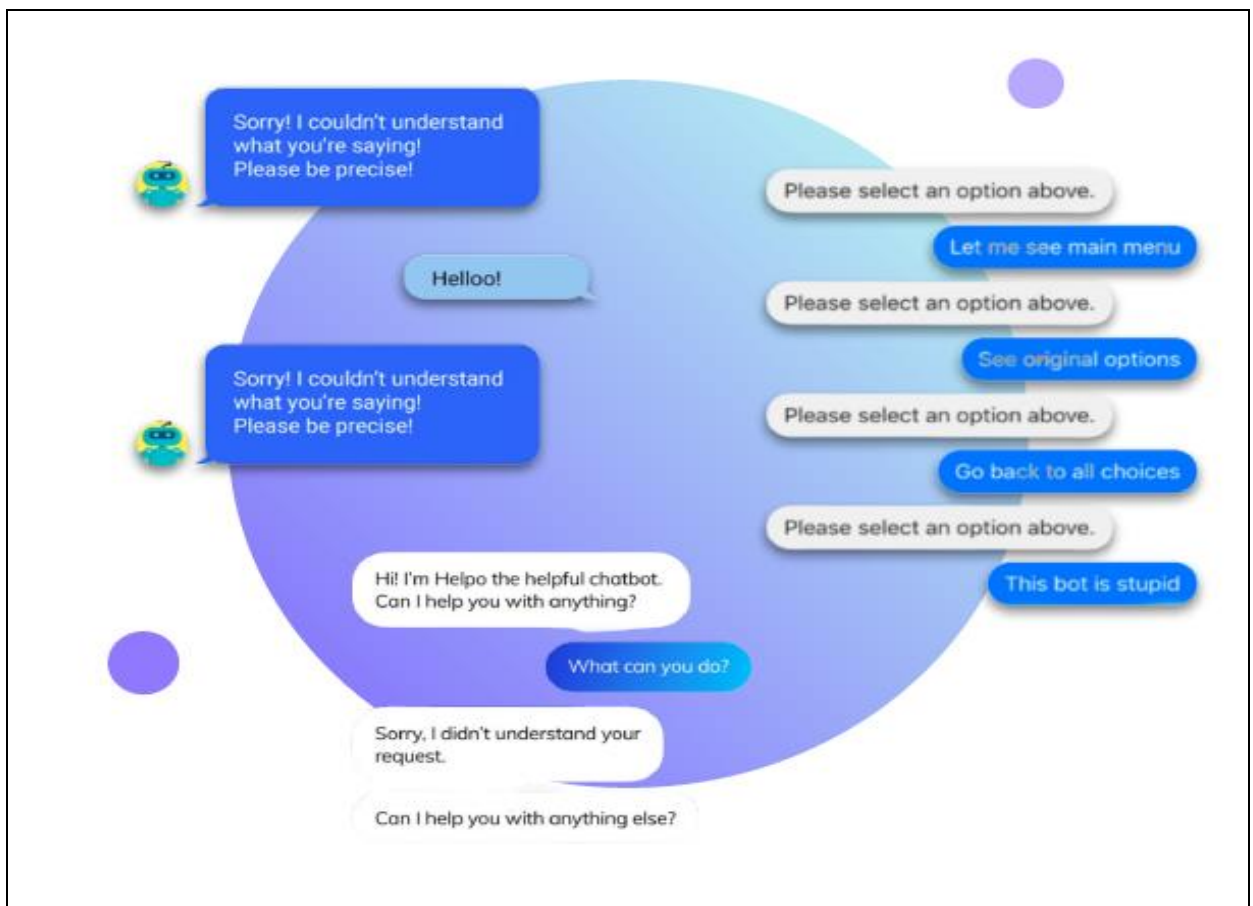


in conversational AI chatbots in turn culminating in increasing chatbot usage with time

What is Talking Heads?

Talking Heads offer fully immersive interactions by using AI-powered digital avatars. The way people communicate with machines, has grown with each passing year, especially at a higher level. It is quite hard to communicate with chatbots. Chatbots do little for customer satisfaction, brand marketing, sales conversion and product reviews (Figure 2). They can only answer a limited number of questions and do not provide a personalised experience for existing and potential customers.

Figure 2: Chatbots are difficult to communicate with



Source: Company, Pitt Street Research

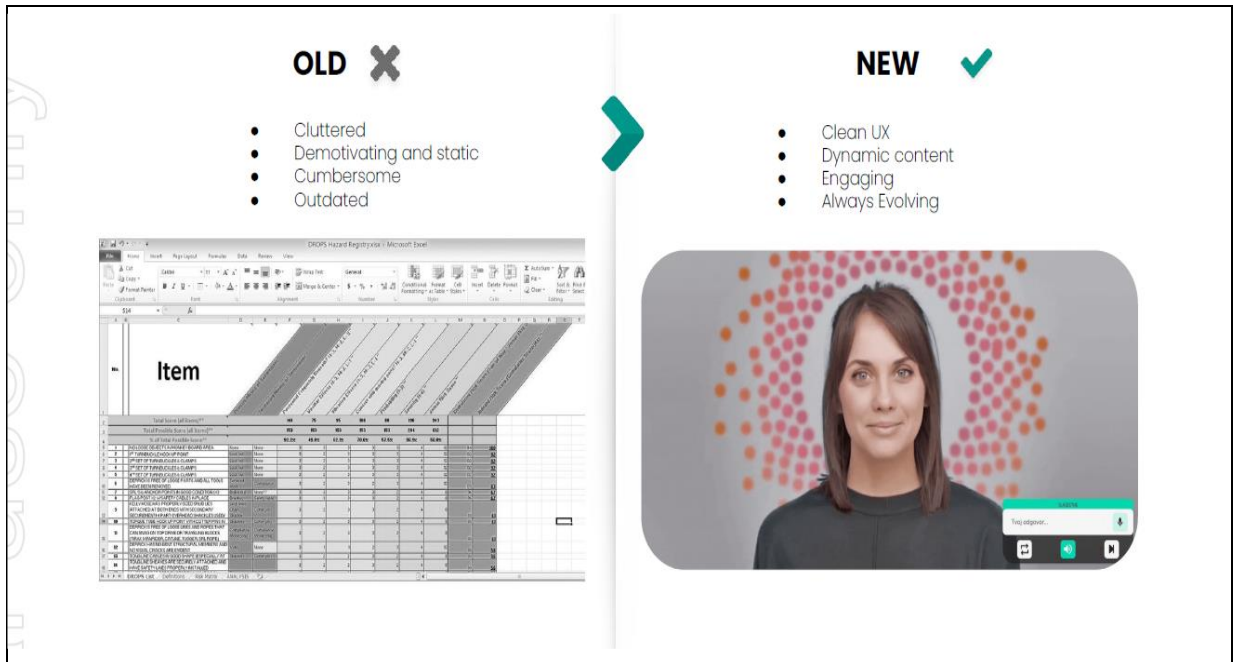
Talking Heads enable businesses to create visual avatars and have one on one Facetime-like conversations with their customers in real-time.

However, a human-like chatbot speaking in a voice that is recognisable gives a message that is more suitable for what one wants to hear. The Talking Heads platform enables businesses to create visual avatars and have one on one Facetime-like conversations with their customers in real-time. Talking Heads enables the creation of these avatars, an audio double that can generate human-like speech in real time and use NLP to understand user intentions and provide coherent answers. The final avatars don't just answer a handful of anticipated questions but have full on interactions with customers.



As UNT is at the forefront of conversational AI solutions, it aims to develop a scalable and profitable platform to meet the rising demand for digital labour. The scalable platform is likely to help in onboarding (Figure 3) and educating consumers, recommending and upselling products, handling customer complaints, providing more personal and entertaining user experiences and capturing valuable insights through targeted conversations.

Figure 3: Significant difference in employee onboarding and data accessibility



Source: Company, Pitt Street Research

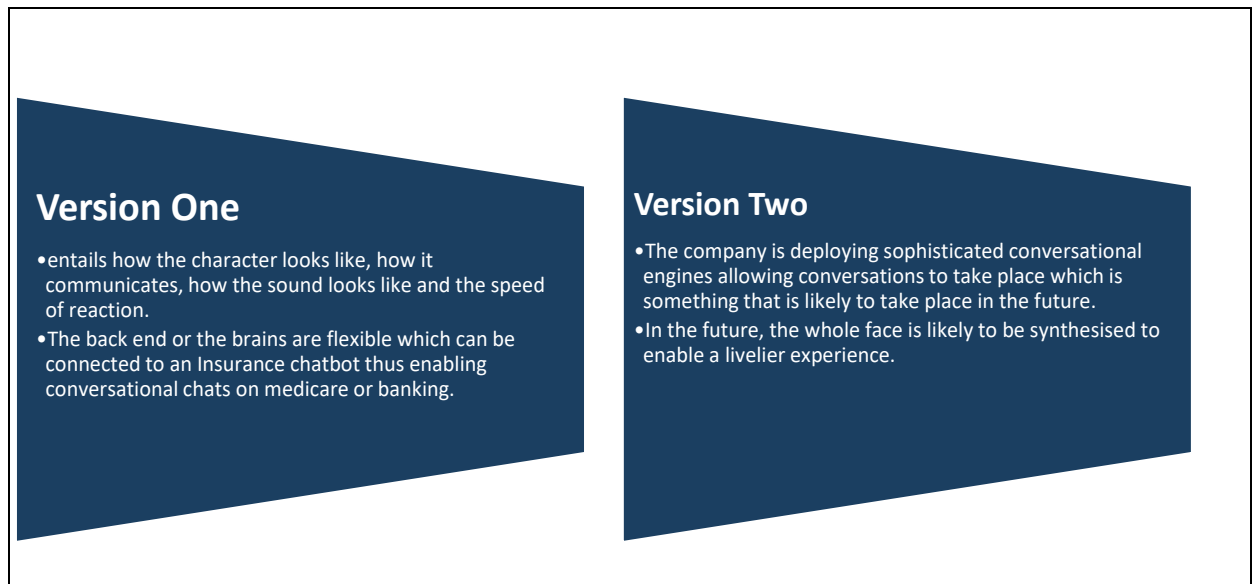
UNT utilises conversational AI to automate procedures in a humanised way.

The company is an example of how progressive businesses can utilise conversational AI to automate procedures in a humanised way. UNT is likely to make it easy for the business to humanise its online presence by democratising digital human-based interactions that do not require deep logic or deep domain expertise. Some examples of digital based interactions are FAQs, Product user guides, form completion support, HR onboarding and sales. UNT makes integration with the scalable platform easy which has an ultra-immersive experience and connectivity features such as APIs, addons, embedded features and integration tools. Additionally, the platform is easy to upgrade to premium features such as complex conversations, face and voice cloning and large-scale reach.

UNT has come out with 2 versions of the Talking Heads platform – Version One and Version Two (Figure 4 on page 10).



Figure 4: Two versions of the Talking Heads platform



Source: Company, Pitt Street Research

Talking Heads result in a more engaging and immersive experience for consumers and a higher possibility of customer conversion for businesses

The point of having Talking Heads

Talking Heads results in a more engaging and immersive experience for existing and potential customers and is therefore more likely to leave them satisfied. For businesses, this means a higher likelihood of customer conversion or retention. The ability of avatars to converse in dozens of languages will save clients hiring multiple employees to cover different regions and navigating the current labour market.

How do Talking Heads avatars come together?

The three pillars for one-one conversations are developed separately and come together on the final platform to form the final avatars. The engine that generates the video part (Human) belongs to the company, as does the platform that combines the three pillars. The Voice is compiled by Api.audio, a company that operates independently (UNT has a 10% stake in Api.sudio). Api.audio has the world's first fully automated solution for end-to-end audio creation from text that has processed in excess of 180m questions and answers. The Conversation pillar can be generated either from UNT's conversational engine or from one operated by any second or third party. UNT has the ability to manage the entire process of developing digital avatars for customers and can be embedded into the customers' websites (but being stored on UNT's own servers).

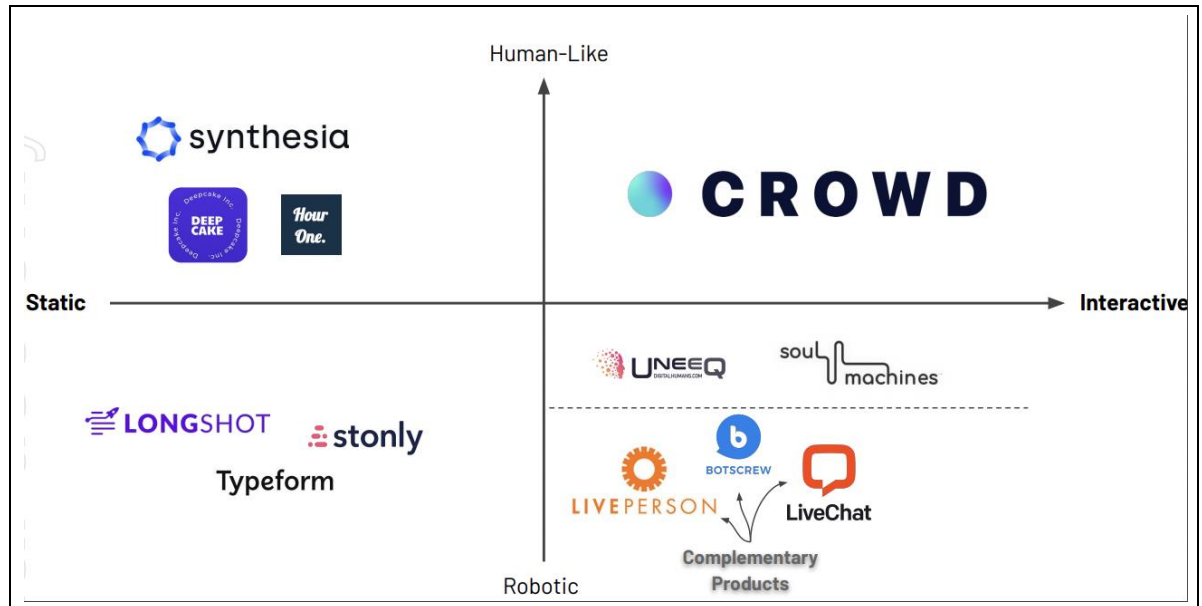
How Talking Heads are superior to competing technologies

The avatars are a step above the current market standard of text-only chatbots (Figures 5 and 6 on page 11). Talking Heads draws upon over 500 voices in 140 languages to be a tailored fit to a client's individual brand. This is superior to the existing similar platforms that offers an animated interaction. UNT's platform aims to produce these avatars at just a fraction of the time and offers real time conversation at a relatively lower expense. Talking Heads draws on more than 10 years of data analytics extracted from over 180m customer Q&As. Compared to the available limited competition, the Talking Head platform is easy to integrate within all client environments.

The avatars are a step above the current text-only chatbots in using natural language processing to understand users' intent and interact



Figure 5: What makes UNT special vis-à-vis its competitors

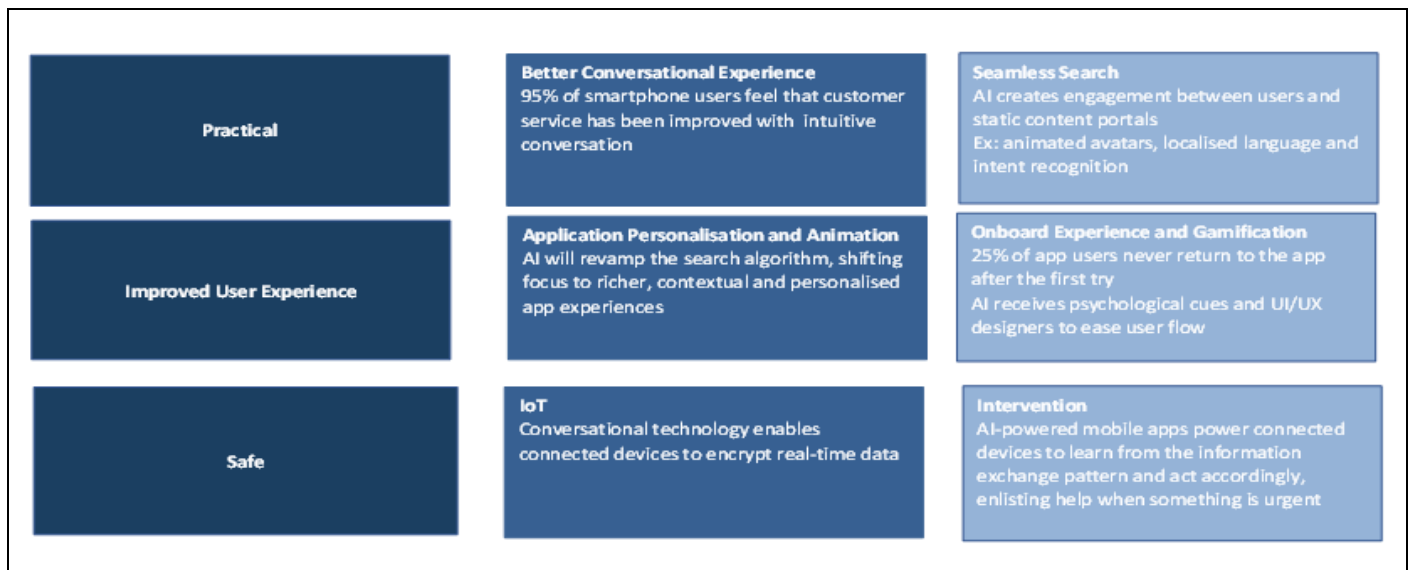


Source: Company, Pitt Street Research

How UNT builds its proprietary AI technology

UNT is building its state-of-the-art technology. This includes utilisation of its profitable subscription division as a launch vehicle and technology as a growth engine. The company is building its technology towards a scalable and profitable operating model while forming a plan and putting building blocks in place in terms of the team, software and IP, all of which will support its execution strategy. Its unique technology is scalable, and comprises of a human-like video, minimal bandwidth and versatility. UNT leverages its proprietary AI technology through investment in R&D and product pivot testing by its Q&A division. AI helps tweak conversations through its practicality, enhanced user experience and safety (Figure 8).

Figure 6: How AI changes conversations

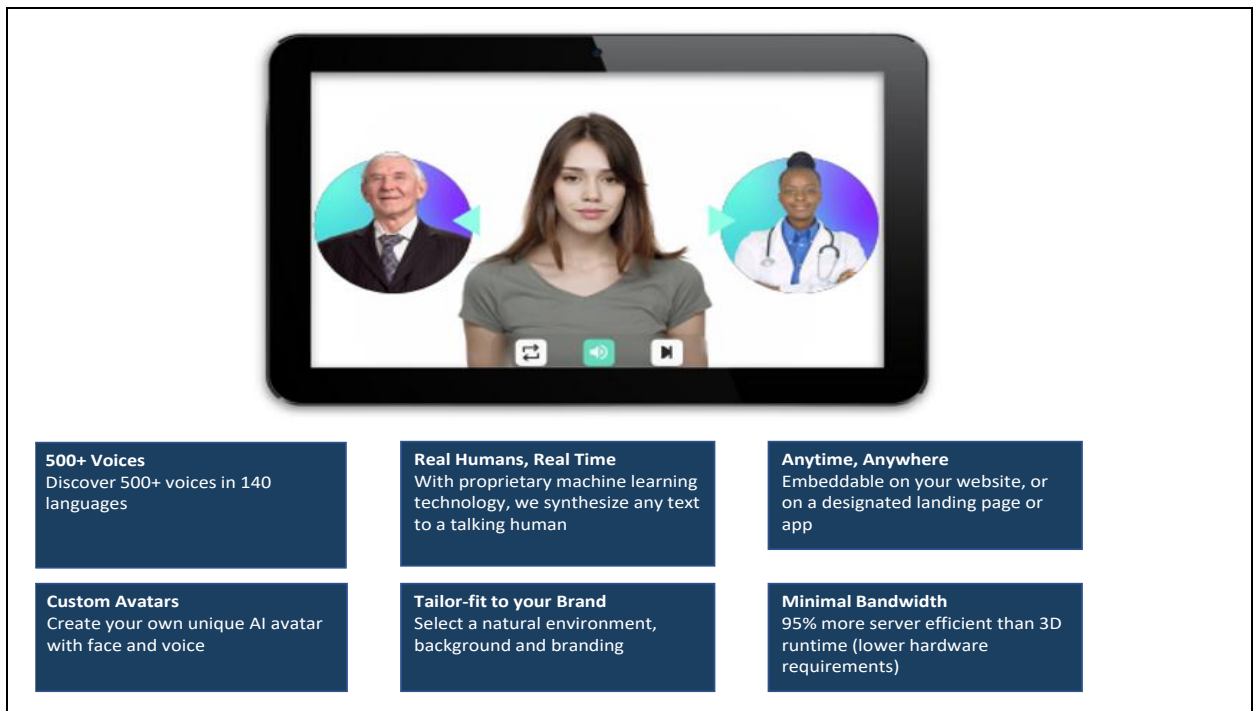


Source: Company, Pitt Street Research



Over the past 12 months, UNT has assembled a team of experts in AI and Machine Learning and has also integrated proprietary technologies through diversification of investments in synthetic voice and visual research. This has in turn enabled the company to generate a conversational avatar tool of its kind (Figure 7).

Figure 7: Past 12 months (Plan, Team, Perform, Beta)



Source: Company, Pitt Street Research

How the technology works

The complex algorithm that combines the three component of natural language, video and response, creates digital twins on scale and allows UNT’s customers to directly communicate with their own customers. It also helps record few minutes of the user’s voice and creates a digital double of it. This serves as one of the consolidator catalysts that makes the company’s toolmaker technology successful. UNT uses very specific technologies to represent the face of the digital avatar and have it running online.

UNT’s technology has a human-like experience at low prices

UNT’s technology is human-like and is the cheapest to run. Running the technology on a server is generally quite costly as dollars per hour could be required to be paid for one communication, which is not economical on scale. However, the company is able to run tens of thousands of simultaneous communications on a single server. UNT is able to run the communications at very low prices – this makes the operating costs very low and allows the company to offer it to its future clients at competitive prices. This is likely to support the company’s vision to create a human-like video experience at scale. The company also maintains its focus on development by gathering insights and data from users. It aims to be a good fit for the market by having a strong go to market strategy and enjoying benefits of scale (Figure 8 on page 13).

UNT’s AI technology creates digital twins on scale and enables direct communications with users

UNT’s technology is human-like and can be run on a single server at low prices, thereby allowing the company to offer it to clients at competitive prices



Figure 8: UNT is building technology with an eye on the market



Source: Company, Pitt Street Research

Recent restructuring exercise provides a strong base

In recent years, UNT has transformed from a product-centric company in a regulatory industry to a technology based and vertically integrated social commerce business. UNT was previously focused on the influencer market. Having noticed how prominent influencer marketing had become throughout the 2010s, and how influencers were overwhelmed with followers and lacked the time and resources to respond to all of them; the company started exploring the possibility of using AI to provide authentic responses to fans.

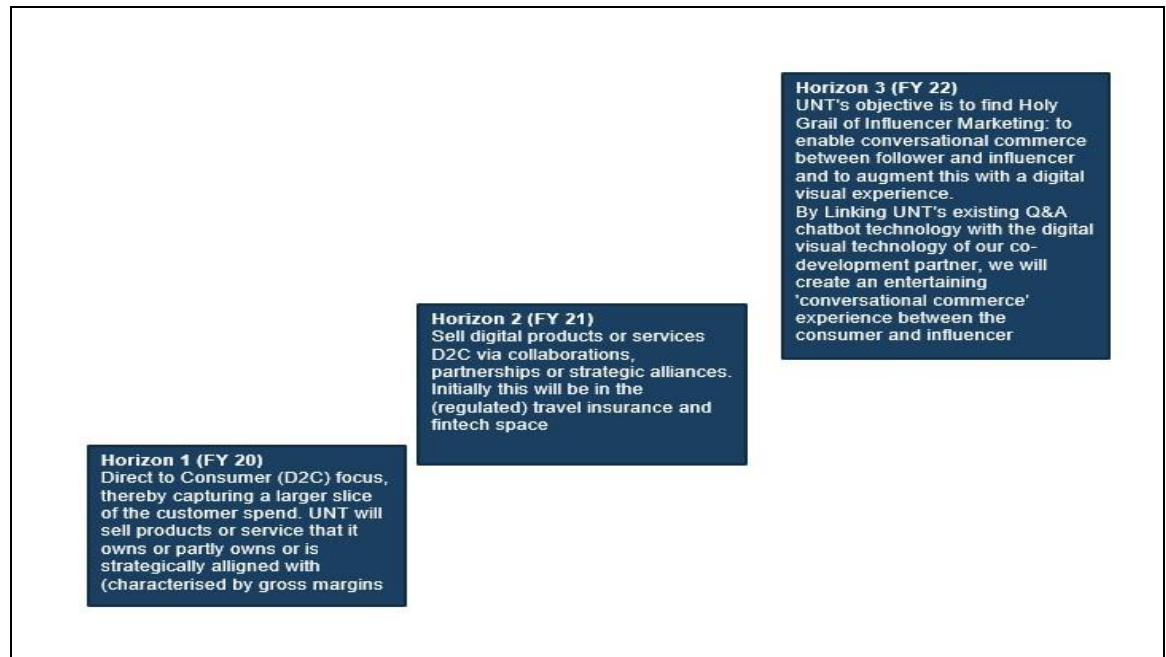
In order to adapt to the changing landscape, the company went through a strategic transformation to capitalise on its existing technology in accordance with its vision in the November 2019 AGM. This was a new beginning for the company, with a new product and a new management team. The transition was undertaken to pivot away from its reliance on the Mobile subscription and move towards conversational commerce and the technology driving it. The restructuring was in line with UNT's existing technology and vision to shift its applications towards conversational AI. It emphasised on revenue quality through the company's social media influencer vertical and exit from certain unprofitable markets in a phased manner.

As a result of the technology transition, UNT has transformed from a product-centric company in a regulatory industry to a technology based and vertically integrated social commerce business. Despite operating on a lower cost base, the company has become more operationally agile, capable, technical and efficient. UNT is now well-placed to leverage its core strengths to capitalise on its new growth opportunities and achieve its three-horizon growth strategy (Figure 9 on page 14).

UNT undertook a strategic transformation to shift away from its dependence on the Mobile subscription division towards conversational commerce



Figure 9: UNT's 3 Horizon Growth Strategy



Source: Company, Pitt Street Research

The mobile subscription division has boosted its profitability by implementing growth measures, increasing profitability per user and implementing new technologies

Business turnaround continues in 2022

In 2022, UNT continued with its journey of business transformation. The company has been successful in bringing its subscription division closer to conversational commerce. It has achieved this through the implementation of its new technology, which has helped boost the profitability of the division and attain cash flow optimisation.

The mobile subscription business demonstrated profitability through the implementation of growth measures on all business fronts, increasing profitability per user and implementing new technologies. A process of in-house buying has also been initiated to support revenue growth and encourage innovation within the mobile subscription division.

This, in turn, is likely to result in an acceleration in long-term growth prospects and a decreased reliance on third parties, which will lead to improvement in revenue streams and margin expansion.

UNT will have multi-dimensional operating model

At present, UNT's major revenue generating avenue is its subscription division. Currently, UNT is majorly engaged with individual clients through customised commercial covenants. However, going forward, we expect the company's management to reach out to several enterprise clients. It will charge a set-up fee and an ongoing maintenance fee. Package pricing will vary, depending on the clients' needs. However, the typical enterprise package will have A\$7,500 as a set up charge and A\$3,000 per month as subscription/license fee. For early deals, management may provide discounts for multiple purchases.

In the longer-term, when the company has a larger market reach, UNT anticipates that Talking Heads will operate with a freemium model. Customers will be able to opt for free trials and use some basic services but



will have to pay when they want to put their own voice on it. The company anticipates that the cost will lie in the range of hundreds of dollars per month.

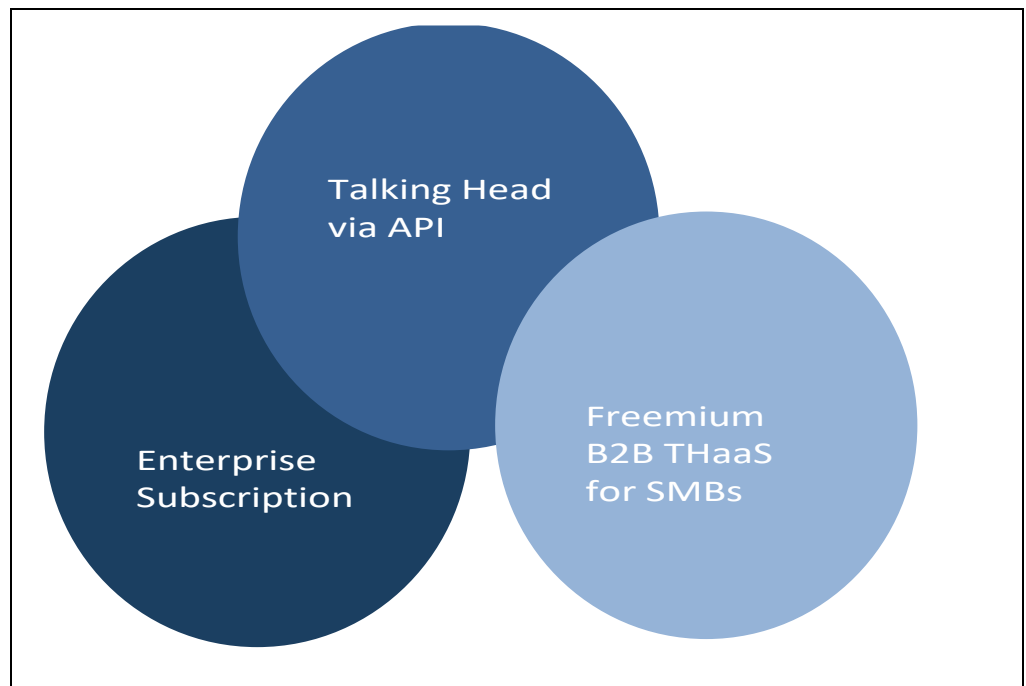
UNT's distribution strategy will be multi-faced

UNT management has proposed three different aspects to its distribution/pricing strategy: a tiered B2B subscription-based option, operates on a premium pricing for 'large enterprises' on a wholesale basis and a selected enterprise-based opportunistic lump sum commercial deal (Figure 10). We believe that since UNT is a platform-oriented company, it will develop use cases by building common ground — This makes UNT data-driven and a company that has a test-based diversified distribution.

UNT's distribution strategy will aim to increase content flow and match it with primary in-market users, test hypotheses for ideal customer profiles through marketing campaigns conducted in a targeted manner and outrank competitors for thought leadership keywords. Testing of the B2B target audience is conducted through tests on e-commerce users and advertising campaigns (using its network of influencers) on social media platforms, i.e. LinkedIn, Facebook, Google etc. Additionally, freemium pricing is being offered by the company wherein users can learn the platform organically at no cost, build awareness about products and create a large customer base for feature updates in the future.

The long-term aim of the management is to make the platform available for mass subscription through technological advancement that supports ease of integration across any available website. This will open up a new avenue but will require a dedicated distribution approach.

Figure 10: UNT's strong revenue stream will require diversified distribution methodology



Source: Company, Pitt Street Research



Consumers are increasingly showing preference for kiosks amid expectations that the latter is likely to define a quality self-led experience for consumers

Chat bots create significant value for businesses and consumers through enhancements in operational efficiency, cost savings initiatives and value-added services

UNT's platform can be offered through various environments

The company's current revenue model (Figure 11 on page 17) includes kiosks, mobile subscription products, cloud subscriptions and chat-boxes and B2B SAAS.

- **Kiosks** – Kiosks are reshaping the way in which customers interact with stores and define a quality self-led service experience moving forward. Post COVID, a lot of customers requires to maintain a safe distance from employees and other customers. For this purpose, a self-service experience is crucial to meet these needs.

When arriving in a new building, a Self-service Reception kiosk can play a critical role to support front-of-house staff in providing a smoother service to allow punctuality and productivity. Additionally, such structure offers higher productivity (supplementing staff for mundane tasks) and consequently incremental return on investment (ROI).

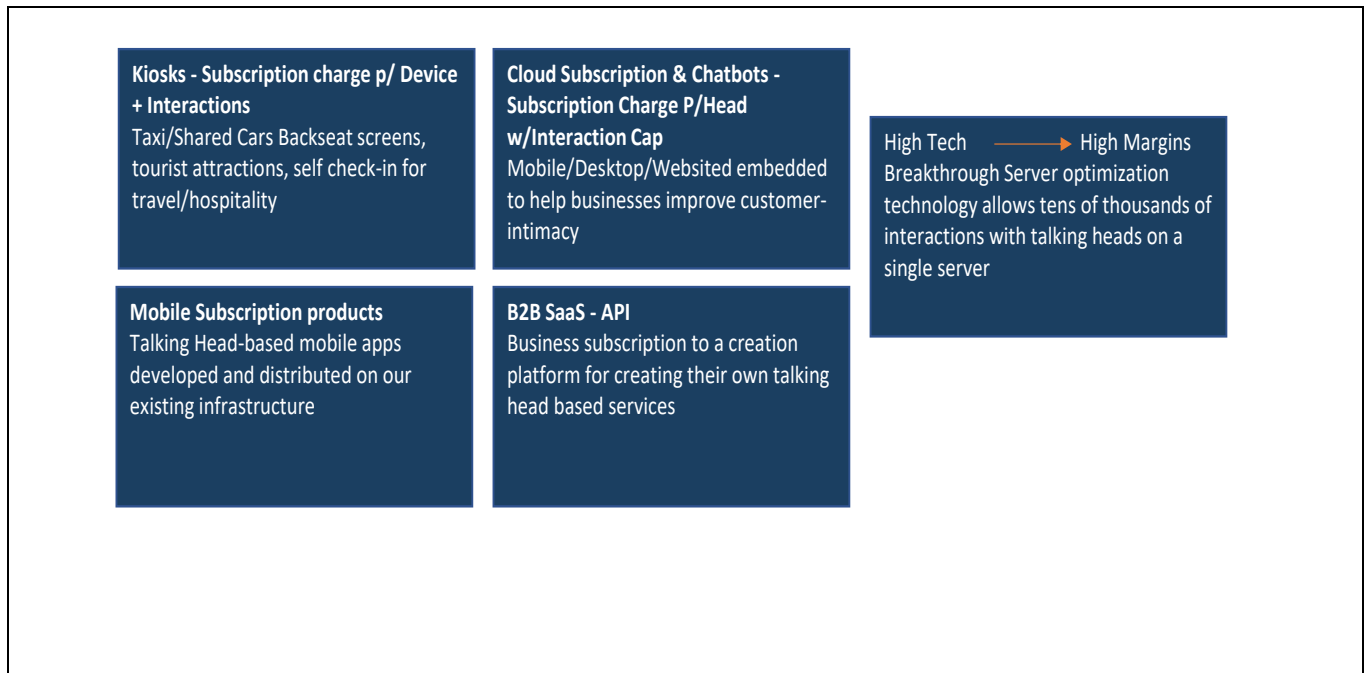
For UNT, servicing kiosks will include a subscription-based devices and subsequent interactions in the metaverse. These could include backseat screens in shared cars, tourist attractions and self-check in during travel.

- **Mobile subscription products** – Certain mobile applications can be integrated with Talking Head platform and distributed through the existing infrastructure. The key benefits of mobile subscription platforms are a steady, recurring income, opportunity to cross borders and for rapid expansion. Additionally, such integrated applications unlock convenient access to the best products and services at affordable prices with auto-replenishment facilities, making such relationships long-lasting.
- **Cloud Subscription and Chat bots** –A chat bot is a computer programme that simulates and processes human conversations either in a written or spoken format. It thereby allows interactions between humans and digital services similar to communication with a real person. Chat bots create value for businesses and consumers by increasing operational efficiency and culminating in costs savings initiatives while offering convenience and added services to internal employees and external customers. The Talking Heads platform can be used to resolve customer queries and issues easily while reducing the need for human interactions. Such chat bots are embedded in mobiles, desktops and websites to help businesses improve their interactions with customers. Businesses who uses Talking Head-based chat bots can scale up quickly and can personalise customer communication, which eventually could become an important differentiator within their peer set.
- **Business-to-Business (B2B) SaaS** – For sales of goods and services organisations uses cloud-based software for routine tasks like accounting, monitoring productivity and for managing customer relationships. In this vendors lie UNT takes over tasks of deployment and maintaining the applications — hosting of servers, installation of operating systems, virtualisation and backup tools, middleware and applications.

The Talking Heads platform offered as B2B SaaS is particularly beneficial for businesses that want to go to the market faster with their products and services and cannot afford to hire a large IT team of developers, network engineers and administrators.



Figure 11: UNT’s Revenue Model



Source: Company, Pitt Street Research

2022-2023 will be UNT’s year of commercialisation

The company is following its 3-year transition plan to become a technology-based media company with a focus on conversational commerce. The plan is taking effect in end-FY2022 and FY2023. The commencement of the commercialisation process will support UNT’s conversational commerce vision. The new financial year is flagged as the year of commercialisation for the Talking Head platform following 2 years of development work under a strict cash management regime. Following the first revenue generation for Talking head platform through its partnership with PangeaMed and two incremental commercial agreements signed with SourceFlare and Impssbl, the company management aims to build on this momentum. The detailed roadmap includes core technology upgrades using minimal bandwidth. More subscription-based products are likely to be included by the end of FY2023 as a part of the company’s plans to up-scale the subscription division into more languages and territories.

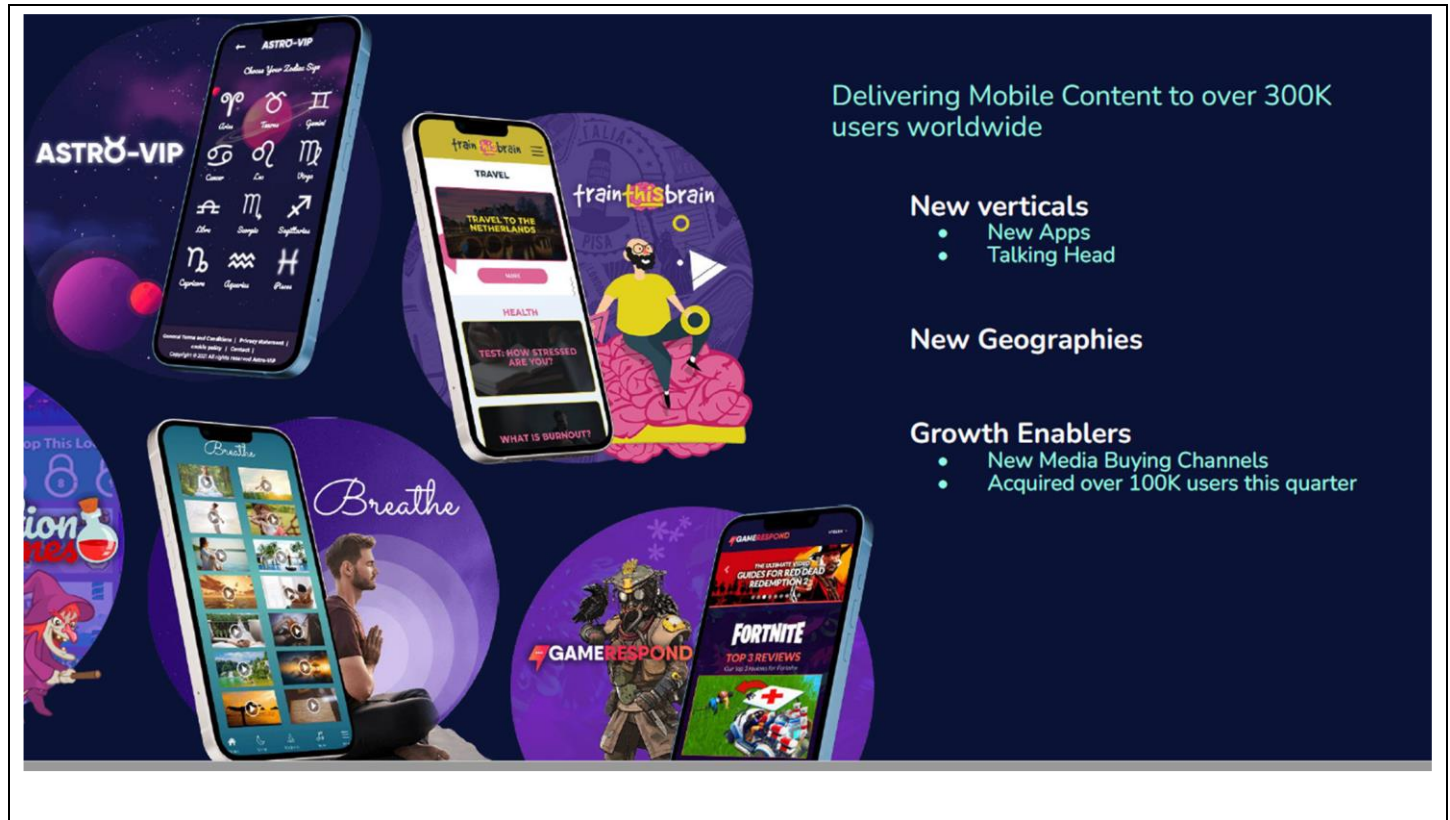
Commercialisation of the Talking Head platform is ahead of schedule

UNT is aggressively pursuing commercialisation of the Talking Head platform in FY2023 following 2 years of restructuring and product development

- **Subscription division:** UNT’s subscription division is actively participating in developing interesting new content in the gaming and entertainment space to launch a scaled entertainment-first subscription product (Figure 12 on page 18). Through its partnerships with mobile operators, the division is launching new revenue generating avenues and the expectations are of more upcoming launches in FY2023. The products are likely to be sold in two formats – one through B2C from the subscription division directly to end users and the other through B2B by licensing of the technology to non-competing mobile application companies.



Figure 12: UNT's subscription division



Source: Company, Pitt Street Research

Execution milestones for the Talking Heads platform

As of December 2022, UNT has achieved several key technical milestones towards the development and commercialisation of the Talking Head platform (Figures 13 and 14 on pages 19-20). These include:

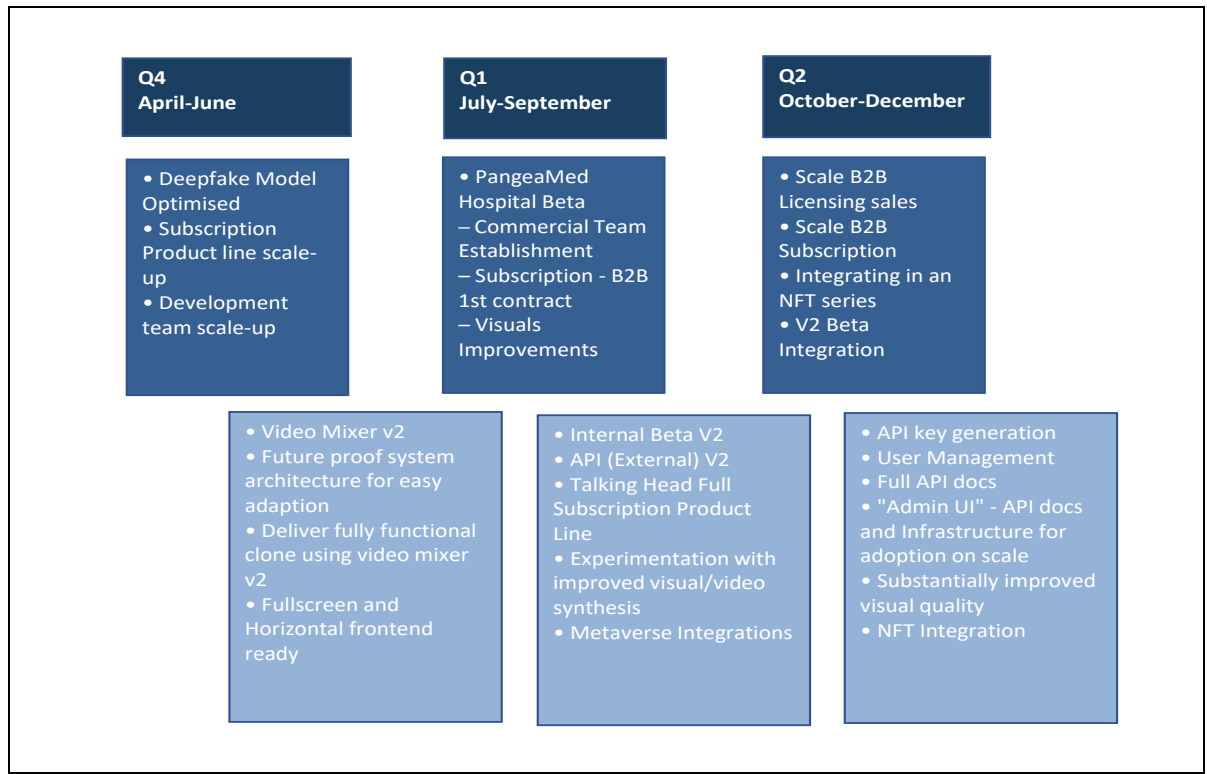
- Providing extended device support, improved voice recognition and stability features;
- Integration with third-party 3D animated characters. This technological integration has the potential to create opportunities to enter into partnerships with video game creators and animators for the application of conversational AI within the gaming industry. This is an important development as interactions have mainly revolved around limited text-based responses from non-playing characters in the gaming industry;
- Positive R&D results have been produced for the Talking Heads platform for the upcoming software versions. Going forward, a new platform version is likely to be deployed with features such as extended device support, enhanced voice recognition and stability features.

All these milestone achievements direct towards a new beginning for the company as it uplifts the commercial ability of the platform.

Some milestones for the commercialisation of the Talking Head platform have been achieved. These include extended device support, enhanced voice recognition and stability features



Figure 13: UNT has been moving along the lines of a definitive road-map for product commercialisation



Source: Company, Pitt Street Research

Advancement in product features could open new verticals

Till now, Talking Head platform has exposure to a handful of industry verticals which tend to deal with large numbers of customers. This is expected to change as product is amplified with additional features

The Board under the leadership of Steven Schapera focussed on the development of the company’s technological development ability, which wasn’t there earlier. This has resulted in full control of the development team which is engaged in the development of good technology. This along with strong commercialisation boost has resulted in some deals flowing in 2022.

UNT is focussed on developing its technology while pushing commercialisation ahead of schedule, achieving optimisations in its business and conducting soft product launches to scale the system, adapt its features to target markets and open new revenue channels. The company is increasing its investment to this competitive software and has recently launched a live beta version. It is working on the enhancements and improvements that will likely enable the company to commercialise a unique product.

The company’s core vision is further strengthened from the demand and willingness stemming from third parties and potential customers to participate in commercialising the Talking Heads technology. The company is likely to demonstrate commercial viability of its vision for conversational AI amid expectations of roll outs across new verticals.



Figure 14: Future Potential areas for UNT

Health	Entertainment	Aviation	Web 3.0 Infrastructure	Media Search
<ul style="list-style-type: none"> • Already present in the sector through a commercial deal with South African PangeaMed • Patient queries including treatment and recovery options through the Talking Head • Significant potential for this technology in the low technology environments 	<ul style="list-style-type: none"> • UNT has historical ties to celebrities and the global network of social media influencers, giving the company a very strong foothold in the industry • Talking Head can support social influencers to have an one on one conversations with fans on a personalised scale that otherwise would not be possible 	<ul style="list-style-type: none"> • Deteriorating levels of customer service (due to non-availability of staff), can be managed through the Talking Head communication platform • Talking Heads could help airlines increase customer satisfaction and reduce labour costs 	<ul style="list-style-type: none"> • The Talking Head platform has a significant opportunity for new story telling environments such as NFTs and the Metaverse. • Web 3.0 has a strong focus on decentralised applications and extensively uses machine learning and AI to empower more intelligent and adaptive applications 	<ul style="list-style-type: none"> • The amount of business being done through search engines is several times higher than a decade ago but user-friendliness has hardly changed • Search engines often change their algorithms to enhance the user experience, where taking head can play significant role

Source: Company, Pitt Street Research

UNT has significant market opportunity to exploit

Due to unreliable labour market (especially during COVID) and consumers' increased expectations on levels of customer service, businesses are increasingly preferring digital solutions for corporate communication. Increasing reliance on automation has paved the way for the growing preference for an engaging human touch. Consequently, conversational AI powered communication platforms are gaining traction. According to Grand View Research, a US-based market research and consulting company, the global conversational AI market is expected to reach US\$41.4bn by 2030, growing at a CAGR of 23.6% over 2021-2030 (Figure 15 on page 21).

Globally, rising demand for 24/7 digital customer support services, purpose of staying connected and informed, omnichannel deployment, customer interactions across multiple platforms and lower development costs have been driving the conversational AI market. Additionally, as the social media marketing expenditure increases (Figure 16 on page 21) to US\$384.9bn by 2027 (13.1% CAGR over 2021-27) the conversational AI market is likely to benefit immensely.

Several growth opportunities exists in the conversational AI market due to the increasing trend of digitalization



Figure 15: Conversational AI market by value 2021-2030

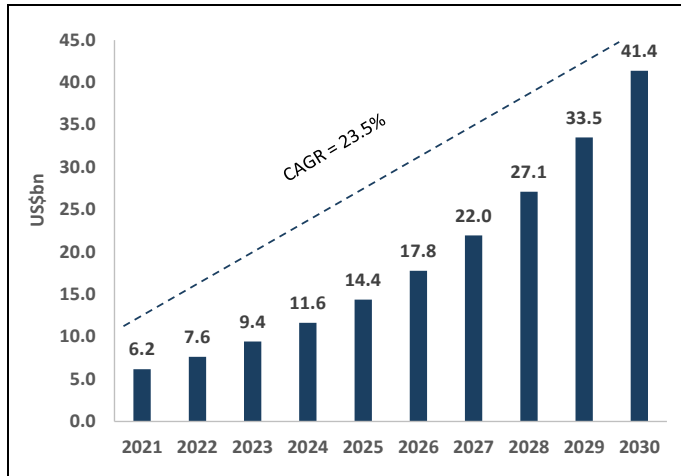
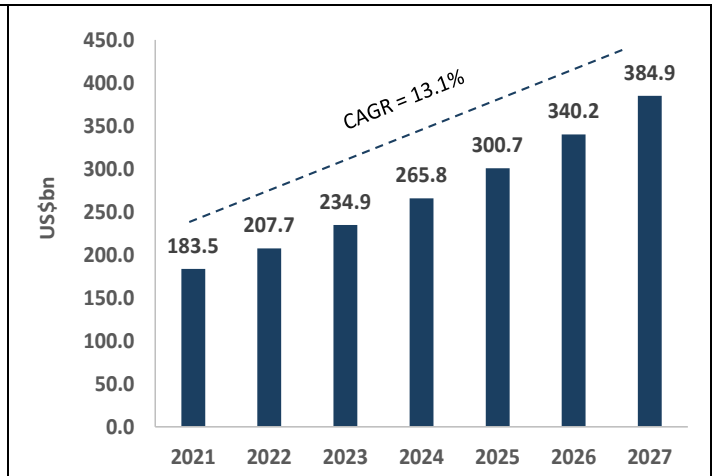


Figure 16: Social media marketing expenditure



Source: Grand View Research, Statista and Pitt Street Research

The conversational AI market can be sub segmented into chatbots and virtual assistants. The chatbots sub segment is likely to hold a dominant market share and are gaining prominence in providing customers round-the-clock service by responding to their inquiries in a speedy manner. Chatbots have emerged as a powerful interface for effective customer engagement that creates a dynamic user experience. Based on technology, the conversational AI market has been segmented into NLP, automated speech recognition and machine learning. NLPs find considerable utility in facilitating interactions between humans and digital systems. There has been a growing need for voice-based solutions to be integrated with NLP based applications as this provides users with more features, like voice commands and instantaneous query management.

The new AI-based chatbots that use NLP technology carry out interaction. However, given the lack of human-like experience and lack of user-centric conversation, the chatbots and virtual assistances face challenges. The responses from chatbots and virtual assistance are programmed with specific instructions, thereby they lack accuracy / depends on information stored in database causing market expansion restrictions for AI-powered conversational platforms. It is these challenges that Talking Head platform aims to overcome, thereby creating a niche for itself.

Enterprise deals will form the bulk of new business

UNT has been able to sign a number of commercial deals, many of which indicates the verticals Talking Heads could succeed in and how exactly it could disrupt them:

- **Big Five Tech Company** - Earlier in October, UNT was engaged by a Big Five Tech company – one of Meta, Amazon, Apple, Microsoft or Google. However, the company was undisclosed and was unable to be identified due to commercial confidentiality purposes.

Under the terms of the two-year agreement with the big five tech company, three licenses comprising three digital avatars will be supplied by UNT, and technical support will be provided. The initial license plays a significant role in cementing UNT’s relationship with the Big Five Tech company and opens further commercial opportunities. The milestone

UNT has a number of commercial deals for Talking Heads, many of which indicate which verticals Talking Heads could succeed in and how exactly it could disrupt them



licensing deal follows positive operating cash flows recorded in Q1 2023 of A\$36k, increasing by 210% on a y-o-y basis over Q1 2022. This milestone together with other commercial and operational achievements recorded in Q4 2022 support the company's vision.

Conversational AI is likely to address the Big Tech's business challenges. It can also be scaled across multiple languages by providing humanised interactions at scale globally, without the requirement of additional hires. The avatars supplied by UNT are likely to be driven by conversational AI for the purpose of information delivery and for providing humanised interactions in real time across multiple languages. This multi-language interaction is likely to result in the enterprise not needing to hire multiple employees to cover different regions. The digital avatars are likely to be designed in collaboration with the client and will be programmed with conversational AI in French, German and English. This is expected to expand to material values over time with licensing of additional digital avatars in deep-technology applications.

We acknowledge investors have been indifferent about this deal because the Big Five Tech Company has not been identified. We expect that the company will be identified once it expands and that investors will give it the recognition it deserves.

- **PangeaMed** - UNT capitalising on the growing digital health market opportunity through its partnership with South Africa-based PangeaMed. Engaged with hospitals, Medicare and govt providers PangeaMed specialises in enhanced recovery, health advocacy, patient awareness, data, innovation and training. As per the agreement, the company's Talking Head platform was granted the license to operate on a SaaS model. The milestone secured PangeaMed as the first paying customer for the Talking Head platform along with a strong commitment for a close collaboration in the future. The deal comprises of a base fee that covers existing operations and an expandable agreement for scale. It is a 12-month deal, with the potential to be extended for 12 more months.

PangeaMed helps to answer patient queries and provide medical information to patients facing bottlenecks in pre-surgery preparations

The company has also been engaged by PangeaMed to customise the platform to support as a medical professional and answer hundreds of queries for patients recovering from surgeries. Medical information is provided to patients who are currently facing bottlenecks in pre-surgery preparations. The agreement also marks a key milestone in the development of 'voice and visual products, which is the next frontier of applications in conversational commerce.

- **SourceFlare** – Israel-based SourceFlare is an innovative marketing technology that provides business intelligence and omni-channel customer acquisition technology. Machine learning and data insights are applied by the SourceFlare platform for customer lead generation for its clients through online mediums such as search engines and social media. SourceFlare and UNT ran a three-month proof of concept (PoC) earlier this year. The PoC involved the integration of Talking Head conversational AI technology into SourceFlare's marketing platform for the optimisation of customer acquisition and lead generation. The integration of the technology by both the companies had generated more than A\$149,000 in revenue for the period.

In September 2022, the 3-month POC was extended for another 3 months, with increased budget guidelines. As per the revised terms, the increased budget allocation will be applied by SourceFlare towards POC for the application of customer acquisition and lead generation.



The licensing fee payable to the company will increase to A\$55,000 for 3 months, ending November 30, 2022, to meet higher volume of traffic under the extended agreement. The agreement also includes a non-exclusive and non-sublicensable licensing fee for access to the talking head platform as well as ongoing service operation and support.

- **Bedtime Stories and Astrology VIP** – In July 2022, UNT secured mobile network approvals for the mass distribution of its platform to two entertainment applications. The approvals were granted by T-Mobile and KPN in The Netherlands, Vodafone in Portugal and Etisalat in UAE.

Entertainment applications like Bedtime Stories and Astrology VIP are the first telecommunication products integrating UNT’s Talking Heads technology. The storytelling application (Bedtime Stories) will convert children’s books into audio-visual elements (Figure 17). While selecting the book for listening, the users can select between different AI generated avatars as their storyteller. The application received its first approval in Portugal and United Arab Emirates. Subsequently, the product received approvals in Oman and Kuwait with similar revenue sharing agreements as those in Portugal and United Arab Emirates.

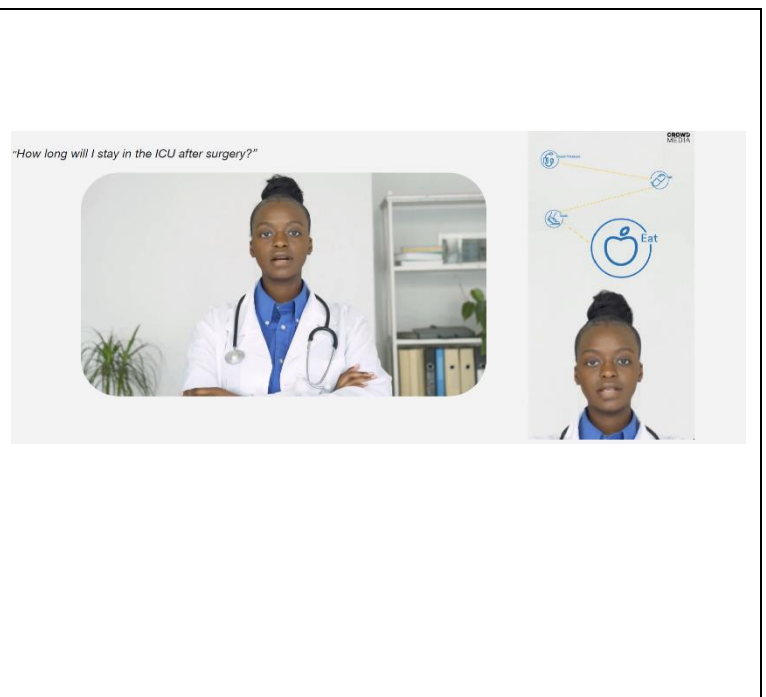
Another key entertainment focussed application of focus is Astrology VIP. The application offers daily updates in accordance with the information entered by users. The application will read a number of different astrology readings from its avatar Astra which will include horoscopes, tarot cards and dream interpretation. Users can also use voice commands to interact with Astra. It is likely to be available in the Netherlands, Czech Republic and Portugal under revenue-sharing agreements with network operators. Both deals involve the integration of Talking Heads into the applicable applications. In both the deals, 80% of the revenue will be retained while the rest will be shared by the network.

Talking head storytelling application Bedtime Stories helps to convert children’s books into audio-visual elements with the user being read a story by a digital avatar

Figure 17: Bedtime Stories



Figure 18: PangeaMed



Source: Company



Financial turnaround supports future investment

Growth trajectory to continue from FY2023 onwards

The latest result indicates momentum is in right direction

For FY2022, UNT reported an underlying EBITDA loss of A\$53k, which is a significant improvement over FY2021 (loss of A\$96k). The upswing in underlying earnings has been driven by prudent financial management, streamlining of operations and cost optimisation.

The full year net loss of A\$3.2m included A\$1.7m in non-cash charges (depreciation and impairment) and A\$1.1m in investment write-downs.

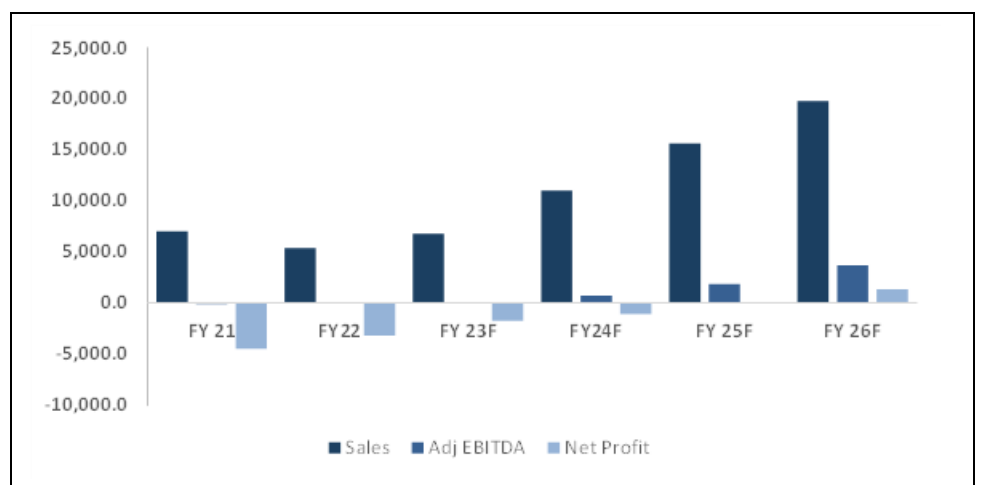
After selling the loss-making mobile messaging business operations in April/May 2021, the company has been solely focussing on the development of the technology platform. The new management has written-off a lot of other investment which were bringing in decent revenue but were cash burners. After initiating this massive restructuring exercise through FY2019, the management has been channelising its resources for further scaling up the service portfolio. Consequently, the Talking Head platform has been able to sign off first few commercial deals with varied enterprise clients ahead of schedule. The mobile subscription operations has also been able to grow its profitability per user by implementing advanced technologies.

Since the platform can be integrated into the existing ecosystem, there is a strong possibility for these revenues to remain recurring and long-term in nature. The management is focussing on incremental long-standing engagement, which is expected to provide UNT with a consistent revenue model providing stable and predictable cash flows and higher customer life-line value. The recently announced deal with a Big 5 tech firm is a step in that direction.

On the profitability front, it is important to note that the investment in technology will continue to be the biggest cost driver for the company. As UNT makes higher investments in marketing and product development for scaling the commercial aspect of the platform, the bottom line is expected to stay subdued for a couple of more years (Figure 19).

Despite selling out one of its low-growth / high regulated mobile messaging business operations in May 2021, UNT has been able to maintain a consistent revenue profile

Figure 19: Profitability will remain subdued for couple of more years



Source: Pitt Street Research



UNT undertook right sizing to support upscaling and building new business functions with top-tier personnel. The company retains its focus on maintaining a healthy cash flow regime and ensuring positive operating cash flows, which is an excellent situation for a company in the growth stage.

- In May 2022, the company successfully raised A\$1.5m through an Institutional Placement which bolstered the balance sheet during a period of volatility in the global technology sector. Funds are likely to be directed towards the development of the technology and right sizing the company's commercial team to manage a rising workload.
- As of June 30, 2022, UNT attained a debt-free status and alleviated a significant financial burden through the removal of more than A\$3m of legacy debt over the past 2 years. The debt-free status was achieved after a year of optimisations in workflow and staff while operating under a strict cash management regime. This in turn enables the company to focus on growth and scaling its technology. It aims to achieve its aim to increase its technology and commercial teams in line with increasing workload and pipeline of further opportunities.

UNT's strong balance sheet will facilitate expansion

Currently, UNT is trying to rewind the wheels of growth by increasing the features within the Talking Head platform and ensuring channel development for distribution of service. This will require consistent investment.

The last few results have shown that the company has been reducing its borrowing levels and is now a net-cash company (end-June 2022). With consistent revenue growth and cash generation from the existing business, the current leverage levels of the company will become self-sustaining. We believe that given UNT's balance sheet strength (Figure 20), it has more room for incurring capital expansion without having to worry about meeting financial obligations. This provides the company with an alternative of going ahead with a financial partnership for bridging potential technological gaps.

With consistent technological advancement, entry into new end-industries, and higher penetration of its conversational platform, UNT is expected to achieve strong revenue growth—35.8% CAGR over 2022-2027 (Figure 21).

In the long run, UNT is expected to reap the benefits of investments planned for the next 2-3 years

Figure 20: Strong balance sheet will support future investments

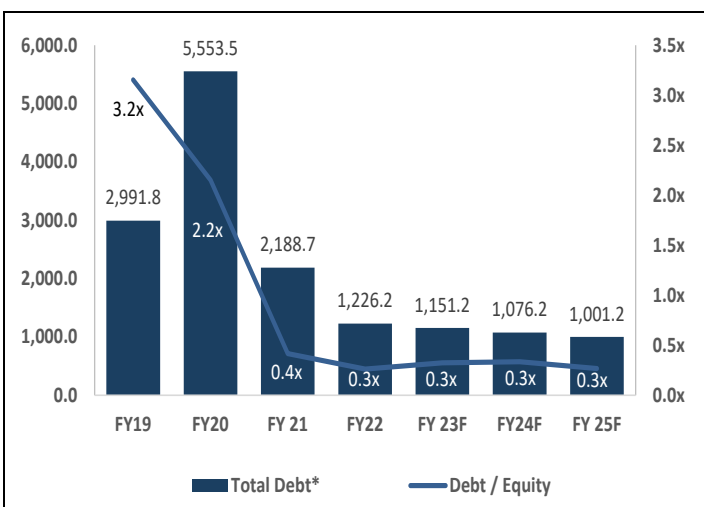
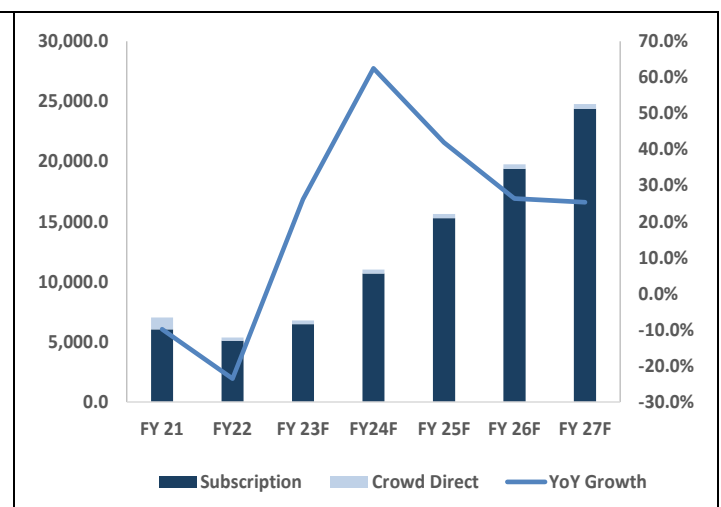


Figure 21: UNT is expected to report strong revenue growth over FY2022-2027



Note: *Total debt includes bank borrowings and lease liabilities
Source: Pitt Street Research



Optimisations in workflow while operating under a strict cash management regime resulted in UNT achieving a debt-free status

Operational break-even expected in FY2025

Though the company is expected to witness top-line growth over the next immediate years, (starting FY2023 itself), it is expected to achieve operational breakeven only in 2025. This is primarily due to relatively higher expenses in the wake of marketing and development costs.

We believe that going forward, as UNT achieves market expansion, higher commercialisation for its platform, enters new end-industries and signs bigger deals with enterprise clients, its operating expenses will stabilise. As a result, we estimate that the company will gain profitability momentum from FY2025 onwards (Figure 22 and Figure 23).

Figure 22: Revenue growth and profitability profile

	2021	2022	2023F	2024F	2025F	2026F	2027F	2028F
Revenue growth	-9.8%	-23.6%	20.7%	65.0%	43.0%	26.9%	25.8%	21.3%
EBITDA margin	NM	NM	NM	NM	5.0%	13.8%	20.5%	23.0%
EBIT margin	NM	NM	NM	NM	NM	9.4%	18.2%	20.7%
Profit margin	NM	NM	NM	NM	NM	6.5%	12.8%	14.7%

Source: Pitt Street Research

Figure 23: Balance sheet profile

	2021	2022	2023F	2024F	2025F	2026F	2027F	2028F
Total Cash / Total Assets	31.9%	30.3%	5.0%	13.0%	30.7%	48.3%	62.5%	72.4%
Total Liabilities / Total Assets	46.7%	36.1%	55.5%	67.1%	68.0%	59.3%	48.0%	39.3%
RoE	NM	NM	NM	NM	NM	41.7%	57.7%	47.2%
RoA	NM	NM	NM	NM	NM	15.4%	27.3%	26.9%
Operating Cash Flow / EBIT	NM	NM	NM	NM	NM	138.0%	96.3%	91.1%

Source: Pitt Street Research

Valuation: DCF indicates substantial upside

Considering that there are few (if any) direct competitors for UNT, we believe that the company's long-term value will be entirely derived from the commercialisation scale it achieves for the AI platform. Consequently, we have used only DCF-based methodology to value the company.

Fair value is A\$0.058-0.088 per share

Our DCF model yields a 16.8% WACC for UNT (reflecting a 17.4% cost of equity and a 7.5% post-tax cost of debt). The cost of debt is derived using 10.7% pre-tax cost of debt and a 30% tax rate. The cost of equity reflects a 3.6% risk free rate of return, a 9% equity premium and a 1.25x beta. We apply this discount rate to our free cash flow projections through FY2030 and using a terminal growth rate of 2.0% yields a value of A\$0.058 per share in the base case and A\$0.088 per share in the bull case (Figure24).

Our revenue is calculated by assuming percentage growth in number of enterprise subscribers and percentage growth in average revenue per subscription. We have also considered the effect of one-on-one deal with some of the enterprise clients (such as SourceFlare, Pangea Med etc.) while also taking into account the possibility of few large-scale premium subscriptions on wholesale basis. We have separately included the revenue expected of one-time set-up from new enterprise clients. We have assumed UNT to have >100 enterprise clients by FY2024. The number of clients is likely to grow substantially from there. By FY2028, in our base case, we expect UNT to have >230 enterprise clients and high-single digit premium "large scale"

Our DCF model yields a value of A\$0.061 per share in the base case and A\$0.093 in the bull case.



enterprise clients. The average enterprise client is expected to have 2-3 subscription licenses costing cA\$3,000-4,400 per month, while revenue from large enterprises is expected to be >A\$500k per annum. We think these are still conservative figures given the advantages of the Talking head platform.

We believe that the company is still some time away from being able to technically prepare the platform for mass subscribers. In addition, to achieve substantial mass subscription, significantly higher investment is required in back-up servers and marketing efforts. Given the lower profitability of mass subscription-based operating model, it makes complete sense for the management to focus on higher conversion rate for enterprise deals, in the near term. Consequently, we have factored in low-price mass subscriber addition only from FY2026 onwards - even though we expect exponential growth in the subscriber numbers thereafter.

Figure 24: DCF valuation

Valuation (A\$m)	Base case	Bull case	Bear case
Enterprise Value	41.6	62.9	34.7
Net debt (cash)	0.9	0.9	0.9
Minority Interest	0	0	0
Other Investments	1.1	1.1	1.1
Equity value	41.8	63.1	32.9
Diluted shares (m)	719.8	719.8	719.8
Implied price (A\$ cents)	5.8	8.8	4.6
Adjusted Current price (A\$)	2.3	2.3	2.3
<i>Upside (%)</i>	<i>152%</i>	<i>282%</i>	<i>100%</i>

Estimates: Pitt Street Research

Figure 25: Target price sensitivity to WACC and terminal growth rate

Sensitivity Analysis						
WACC		12.6%	14.6%	16.6%	18.6%	20.6%
Terminal Growth Rate	1.0%	8.8	6.9	5.6	4.5	3.7
	1.5%	9.1	7.1	5.7	4.6	3.8
	2.0%	9.4	7.3	5.8	4.8	3.9
	2.5%	9.8	7.6	6.0	4.9	4.0
	3.0%	10.2	7.8	6.2	5.0	4.1

Estimates: Pitt Street Research

Differences between our base, bull and bear cases

There are two key differences between our base, bull and bear cases:

– **Subscription / Entertainment:** We assume accelerated growth in the acquisition of enterprise clients, across premium and mass license subscription. Consequently, the 5-year revenue CAGR (2022-27) varies across the three cases (base, bull and bear) as: 35.8%, 41.7% and 30.7% respectively.



- **DCF valuation:** The margin growth across the three cases varies. The EBIT margin in our base case is expected to reach higher teens in FY2027; in FY2026 and in FY2028 across our bull case and bear case, respectively.

UNT has multiple levers of achieving growth

We see four main ways in which UNT can increase shareholder value:

- **New partnerships** - The biggest catalyst for a value uplift would be commercial partnerships, which will benefit from a further roll out of the Talking Heads platform. This is likely to boost the revenue for UNT. We also believe that the mere identification of the currently anonymous 'Big Five' technology company would be significant too.
- **Increased engagement** - Of course, the very reason a business would use Talking Heads is to drive engagement and consequently sales. If Talking Heads proves itself to be better than text-only chatbots in those regards, we think there is serious potential for it to take a significant market share in the industry.
- **New verticals** - UNT will expand into new verticals and once it has proven itself with individual clients, we think it can open the floodgates for further agreements.
- **Further investments** in the Talking Heads platform will continue to reduce the time required to create a 'digital twin' and allow more simultaneous conversations at once.

Key risks

We see the following key risks associated with UNT:

- **Commercialisation Risk:** There is a risk that UNT will be unable to achieve sufficient scale in the commercialisation of its products across target customer segments. This could be because the products are not supported by market needs or otherwise not adequately marketed and fail to sell.
- **Competition Risk:** There is the risk that competing companies develop products that are superior to UNT's products or are at least perceived to be superior by consumers. These products could lead to a loss of market share by UNT.
- **Talent risk:** UNT's success, depends to a significant extent, on its ability to attract and retain key employees, particularly technology talent. The loss of key personnel may affect the company's ability to develop its products.
- **Regulatory risk:** There is a risk that regulations (existing regulations and potentially new regulations) may impact UNT's business practices. It may cause customers to reduce their usage of the company's product and/or for potential customers to not be attracted. It may also require increased company resources to be dedicated towards regulatory compliance and away from core operations.
- **Capital risk:** There is the possibility that UNT will need further capital to grow its existing businesses' reach. This will dilute existing shareholders and lead to a lack of confidence by investors that the company can achieve profitability.



Appendix I – UNT's leadership

The current board and management members of UNT possess rich and diverse experience. Even though they are relatively new to the company, but they have expertise across technology, international business, financial services and resources industries, and are well equipped to guide the company towards its new cycle of transitional growth (Figure 26).

Figure 26: UNT's board and management members

Name and Designation	Profile
Mr. Sytze Voulon Non-Executive Chairman	<ul style="list-style-type: none"> Mr. Voulon has been the Non-Executive Chairman of Unith since May 2022. He has over 30 years of international business experience. Prior to joining Unith, Mr. Voulon was the CEO of Synlab Analytics & Services, where he led the business across 11 countries. Prior to that, he held senior management roles in the technology, automotive and resources industries.
Mr. Domenic Carosa Non-Executive Director	<ul style="list-style-type: none"> Mr. Carosa is the Co-Founder of Unith and has over 20 years of experience, combining business and technology expertise. He is also the Founder and Chairman of TSX-listed fintech, Banxa Holdings, and has invested in over 50 technology-based companies via his venture fund, Dominet Venture Partners.
Mr. Matthew Blake Non-Executive Director	<ul style="list-style-type: none"> Mr. Blake has 25 years of experience in the financial services industry. He is also an Executive Director of Javelin Minerals Ltd. and a Non-Executive Director of Great Southern Mining Ltd. He had joined DJ Carmichael Pty Ltd. in 1999 as an Investment Adviser and later worked as an Executive Director of the company until its sale to Shaw and Partners in 2019.
Mr. Scott Mison Non-Executive Director and Company Secretary	<ul style="list-style-type: none"> Mr. Mison has over 23 years of corporate and operational experience across Australia, UK, Central Asia, Africa and the US. He has previously held many Director and Company Secretary roles with ASX- and LSE-listed companies in the technology and mining industries.
Mr. Idan Schmorak CEO	<ul style="list-style-type: none"> Mr. Schmorak has been the CEO of Unith since September 2021. He previously worked as the Director of Business Development at VFR Holdings, where he was responsible for driving growth in products, increasing revenue and leading the marketing function across a number of company-owned ventures. Prior to joining VFR, Mr. Schmorak served in the Israeli Air Force for over seven years.
Ms. Melanie Mouldenhauer Chief Financial Officer	<ul style="list-style-type: none"> Ms. Mouldenhauer has been the Chief Financial Officer of Unith since June 2019. She has previously held various senior roles at Rabobank in the Netherlands and the US. She also worked at KPMG's audit division.

Source: Company



Appendix II – Analyst certification

Marc Kennis, lead analyst on this report, has been an equities analyst since 1996.

- Marc obtained a Master of Science degree in Economics from Tilburg University, Netherlands, in 1996 and a post-graduate degree in investment analysis in 2001
- Since 1996, he has worked for a variety of brokers and banks in the Netherlands, including ING and Rabobank, where his focus has been on the technology sector, including the semiconductor sector
- After moving to Sydney in 2014, he worked for several Sydney-based brokers before setting up TMT Analytics Pty Ltd, an issuer-sponsored equity research firm
- In July 2016, with Stuart Roberts, Marc co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including technology companies

Nick Sundich, lead analyst on this report, is an equities research analyst at Pitt Street Research.

- Nick obtained a Bachelor of Commerce/Bachelor of Arts from the University of Sydney in 2018. He has also completed the CFA Investment Foundations program.
- He joined Pitt Street Research in January 2022. Previously he worked for over three years as a financial journalist at Stockhead.
- While at university, he worked for a handful of corporate advisory firms.

General Advice Warning, Disclaimer & Disclosures

Terms & Conditions

The information contained herein ("Content") has been prepared and issued by Pitt Street Research Pty Ltd ACN 626365615 ("Pitt Street Research"), an Authorised Representative (no: 1265112) of BR Securities Australia Pty Ltd. ABN 92 168 734 530, AFSL 456663. All intellectual property relating to the Content vests with Pitt Street Research unless otherwise noted.

Disclaimer

Pitt Street Research provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the Pitt Street Research in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. Pitt Street Research has no obligation to update the opinion unless Pitt Street Research is currently contracted to provide such an updated opinion. Pitt Street Research does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in a listed or unlisted company yet to achieve a profit or with an equity value less than A\$50 million should collectively be a small component of an individual investor's equity portfolio, with smaller individual investment sizes than otherwise. Investors are responsible for their own investment decisions, unless a contract stipulates otherwise.

Pitt Street Research does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, Pitt Street Research shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, Pitt Street Research limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.

General Advice Warning

The Content has been prepared for general information purposes only and is not (and cannot be construed or relied upon as) personal advice nor as an offer to buy/sell/subscribe to any of the financial products mentioned herein. No investment objectives, financial circumstances or needs of any individual have been taken into consideration in the preparation of the Content.

Financial products are complex, entail risk of loss, may rise and fall, and are impacted by a range of market and economic factors, and you should always obtain professional advice to ensure trading or investing in such products is suitable for your circumstances; ensure you obtain, read and understand any applicable offer document.

Disclosures

Pitt Street Research has been commissioned to prepare the Content. From time to time, Pitt Street Research representatives or associates may hold interests, transact or hold directorships in, or perform paid services for, companies mentioned herein. Pitt Street Research and its associates, officers, directors and employees, may, from time to time hold securities in the companies referred to herein and may trade in those securities as principal, and in a manner which may be contrary to recommendations mentioned in this document.

The analyst has received assistance from the company in preparing this document. The company has provided the analyst with communication with senior management and information on the company and industry. As part of due diligence, the analyst has independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in the report. Diligent care has been taken by the analyst to maintain an honest and fair objectivity in writing this report and making the recommendation.