

# Brighter

Financial update

## Recent capital injection to fuel first sales

Towards the tail-end of 2018, Brighter received ~SEK48m of capital injections from a number of sources, mostly from its management incentives programme, and an additional SEK5m in early 2019. The company intends to utilise these proceeds to drive commercialisation in regions of the Gulf Cooperation Council (GCC), specifically the United Arab Emirates (UAE). In December, the company announced that all the technical documentation has been submitted for the CE marking process.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/17	1.4	(22.8)	(0.40)	0.0	N/A	N/A
12/18	1.1	(48.8)	(0.74)	0.0	N/A	N/A
12/19e	2.5	(57.7)	(0.77)	0.0	N/A	N/A
12/20e	24.5	(43.7)	(0.58)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Actiste and its multi-tiered monthly subscription

Brighter is offering multiple cradle-to-cradle subscription plans where customers receive a monthly delivery of necessary Actiste equipment (needles, lancets, glucose test strips). The basic plan includes data sharing with relatives and caregivers, while the extensive plan includes physician networks. Brighter's subscription plan is likely to gain traction given the recent rise in mail orders of self-monitoring blood glucose meter (SMBG) equipment over retail pharmacies.

## GCC is a significant market opportunity for Actiste

Based on International Diabetes Federation (IDF) calculations, the prevalence of adults (aged 20–79 years) with type 2 diabetes (T2D) in the countries of the GCC ranged from 9.9% to 17.6% in 2015. Moreover, there are a disproportionate number of disease-related complications in the region with an estimated 40–70% of worldwide disease-related foot amputations occurring in GCC countries. Diabetes management as a service can support increased diabetes self-management education and encourage good practices of glycaemic control throughout the region to potentially have a positive impact on health outcomes.

## CE marking process for Actiste device is ongoing

On 20 December 2018, the company announced that all the technical documentation has been submitted to the designated notified body for the CE marking process of the Actiste device. Thus, we have delayed our expectations for first sales in the GCC and Nordic regions to H219 (from 2018).

## Valuation: SEK1,065m or SEK14.28 per basic share

We have increased our valuation to SEK1,065m or SEK14.28 per basic share from SEK1,046.7m or SEK15.08 per share, primarily driven by rolling forward our NPVs, an increase in net cash attributed to the recent draw down of SEK5m from its equity line with L1 Capital, partially offset by the delay in revenue generation from Actiste sales in the GCC and Nordic regions.

## Pharma & biotech

5 March 2019

**Price** **SEK8.51**
**Market cap** **SEK635m**

US\$0.11/SEK

Net debt (SEKm) at 31 December 2018 plus recent financial instruments 37.9

Shares in issue 74.6m

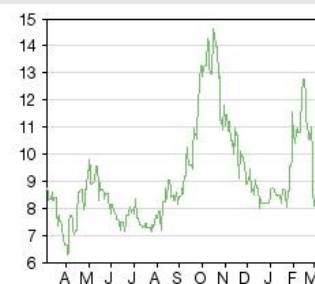
Free float 79.2%

Code BRIG

Primary exchange NASDAQ First North

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs (18.2) (8.9) (2.3)

Rel (local) (21.4) (14.6) (8.4)

52-week high/low SEK14.9 SEK6.3

## Business description

Brighter is a Swedish healthtech company focused on the development and commercialisation of self-monitoring and self-treatment health solutions for diabetes. Its lead product, Actiste, combines three critical components of daily diabetes management including a blood glucose meter, a lancet and an injection apparatus into one device with mobile connectivity to Brighter's cloud-based service called the Benefit Loop.

## Next events

CE mark decision on Actiste H119

Launch of Actiste in Select Nordic countries and the GCC region H219

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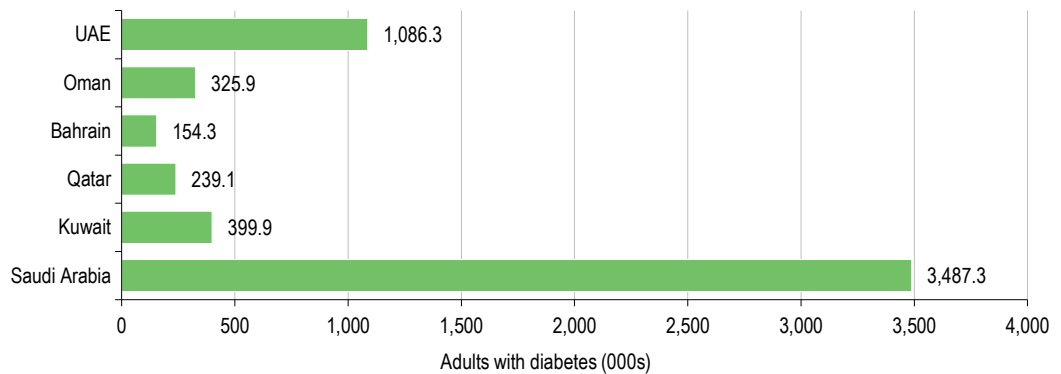
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## Market opportunity in the GCC

According to Brighter, the recent inflow of capital will be used to fuel Actiste commercialisation in the GCC through its jointly controlled Dubai-based subsidiary with the AFAQ Group. On 13 November 2018, Brighter appointed Hamza Mofteh, an experienced business developer with extensive knowledge of the UAE and the broader GCC region, specifically within healthtech, as deputy managing director of the subsidiary. He will lead commercialisation in the region, which is a substantial opportunity for Brighter’s Actiste. According to the company, sales work is continuing in the GCC.

In 2015, the estimated prevalence of adults (aged 20–79 years) with T2D in the countries of the GCC, which includes Saudi Arabia, Kuwait, Qatar, Bahrain, Oman and United Arab Emirates, ranged from 9.9% to 17.6% (Exhibit 1). Increased disease prevalence in these countries has been fuelled by rapid economic development, increased urbanisation and transition to a sedentary lifestyle. Notably, T2D self-management is considerably poor with a disproportionate number of disease-related complications in the region, with an estimated 40–70% of worldwide disease-related foot amputations occurring in GCC countries. The offering of diabetes management as a service can support diabetes self-management education (DSME) and encourage good practices of glycaemic control throughout the region to potentially have a positive impact on health outcomes.

**Exhibit 1: Adults with diabetes aged 20–79 in countries of the GCC**



Source: IDF Diabetes Atlas, Seventh Edition

## CE marking process update and the impact on sales

The upcoming CE marking decision is the first determining factor for the success of Brighter. According to the company, all the technical documentation has been submitted to the designated notified body for final approval. Its cloud-based platform called the Benefit Loop and associated companion applications for IOS and Android are already CE-marked. Together, the Benefit Loop and its applications collect, manage and analyse data for the purpose of sharing critical treatment information with friends, relatives, caregivers and healthcare providers to improve self-management outcomes.

## Valuation

We have increased our valuation to SEK1,065m or SEK14.28 per basic share, from SEK1,046.7m or SEK15.08 per share. The increase in the overall valuation is primarily driven by rolling forward our NPVs, an increase in net cash attributed to the recent draw down of SEK5m from its equity line with L1 Capital, and partially offset by the delayed launch of Actiste and corresponding revenue generation from sales. The device is still awaiting CE mark approval. The share count concurrently increased with the exercise of warrants, which consequently decreased the price per share.

Exhibit 2: Valuation of Brighter							
Program	Market	Prob. of success	Launch year	Upper tier launch pricing (\$ per month)	Lower tier launch pricing (\$ per month)	Peak revenue (\$m)	Valuation (SEKm)
Actiste	Nordic region	30%	2019	131.3	71.6	5.5	16.3
	Gulf Cooperation Council countries	30%	2019	112.5	61.4	45.7	161.8
	South-East Asia	30%	2019	93.8	51.1	54.7	213.7
	EU	25%	2019	133.9	73.0	243.1	641.1
	US	20%	2021	143.1	78.0	193.1	396.9
Unallocated costs							(149.2)
Total							1,102.5
Net debt (at 31 December 2018 plus proceeds from L1 Capital) (SEKm)							(37.9)
<b>Total firm value (SEKm)</b>							<b>1,064.7</b>
Total shares (m)							74.6
<b>Value per basic share (SEK)</b>							<b>14.28</b>
Source: Edison Investment Research							

## Financials

Brighter recently reported its FY18 results. The company reported SEK1.1m in revenue, mainly attributed to consultancy revenue from its associated company Camanio Care. Its reported post-tax loss for the year ending 31 December 2018 was SEK53.1m (FY17 post-tax loss: SEK27.3m), which was primarily attributable to costs associated with finalising the development of Actiste and the Benefit Loop. The company received capital injections from several sources during the year including SEK29m from its management incentive programme. As of 31 December 2018, the company had SEK9.0m in cash and equivalents and SEK52.0m in debt. During Q418, Brighter recorded SEK0.8m in proceeds from exercised warrants and drew down the eighth tranche of SEK10m from its equity line established with L1 Capital. On 2 January 2019, the company received the ninth and final tranche of SEK5m from L1 Capital. The equity line was SEK100m in total. As part of the agreement with L1 Capital, Brighter issues free warrants to its shareholders to reduce dilution. The conversion price of the warrants is discounted 6% over the reference price such that the reference price is defined as the lowest daily volume weighted average price (VWAP) over the previous 15 trading days. Following the recent inflow of funds into the company, we have lowered our expectations for additional capital requirement to SEK60m (previously SEK180m), which we record as illustrative debt (Exhibit 3).

**Exhibit 3: Financial summary**

	SEK'000s	2017	2018	2019e	2020e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		1,377	1,052	2,486	24,532
Cost of Sales		0	0	(497)	(4,906)
Gross Profit		1,377	1,052	1,989	19,626
Sales, General and Administrative Expenses		(9,153)	(13,014)	(9,673)	(12,066)
EBITDA		(19,744)	(44,163)	(52,821)	(38,480)
Operating Profit (before amort. and except.)		(19,946)	(44,326)	(52,984)	(38,643)
Intangible Amortisation		0	0	0	0
Other		0	0	0	0
Exceptionals		0	0	0	0
Operating Profit		(19,946)	(44,326)	(52,984)	(38,643)
Net Interest		(2,897)	(4,476)	(4,745)	(5,030)
Other		(4,449)	(4,278)	0	0
Profit Before Tax (norm)		(22,843)	(48,802)	(57,729)	(43,673)
Profit Before Tax (FRS 3)		(27,292)	(53,080)	(57,729)	(43,673)
Tax		0	0	0	0
Deferred tax		(0)	(0)	(0)	(0)
Profit After Tax (norm)		(22,843)	(48,802)	(57,729)	(43,673)
Profit After Tax (FRS 3)		(27,292)	(53,080)	(57,729)	(43,673)
Average Number of Shares Outstanding (m)		68.2	71.7	75.2	75.9
EPS - normalised (SEK)		(0.40)	(0.74)	(0.77)	(0.58)
EPS - FRS 3 (SEK)		(0.40)	(0.74)	(0.77)	(0.58)
Dividend per share (öre)		0.00	0.00	0.00	0.00
<b>BALANCE SHEET</b>					
Fixed Assets		84,961	112,430	112,516	112,602
Intangible Assets		76,794	102,929	102,929	102,929
Tangible Assets		4,738	8,537	8,622	8,708
Other		3,429	965	965	965
Current Assets		26,393	58,186	70,421	27,203
Stocks		0	7,070	7,070	7,070
Debtors		15,931	34,308	409	4,033
Cash		10,017	9,031	55,165	8,324
Other		445	7,777	7,777	7,777
Current Liabilities		(23,965)	(63,698)	(73,748)	(74,290)
Creditors		(15,528)	(11,805)	(16,855)	(17,397)
Short term borrowings		(8,437)	(51,893)	(56,893)	(56,893)
Long Term Liabilities		0	0	(60,000)	(60,000)
Long term borrowings		0	0	(60,000)	(60,000)
Other long term liabilities		0	0	0	0
Net Assets		87,389	106,918	49,189	5,515
<b>CASH FLOW</b>					
Operating Cash Flow		(24,582)	(68,249)	(18,780)	(46,755)
Net Interest		0	0	0	0
Tax		(99)	0	0	0
Capex		(34,852)	(29,986)	(85)	(86)
Acquisitions/disposals		0	0	0	0
Financing		7,913	34,655	0	0
Conversion of convertible debt instruments		43,065	43,065	0	0
Dividends		0	0	0	0
Other		(195)	(14,406)	0	0
Net Cash Flow		(8,750)	(34,921)	(18,866)	(46,842)
Opening net debt/(cash)		(1,733)	(1,580)	42,862	61,728
HP finance leases initiated		0	0	0	0
Exchange rate movements		0	0	0	0
Other		8,597	(9,521)	0	0
Closing net debt/(cash)		(1,580)	42,862	61,728	108,569

Source: Brighter reports, Edison Investment Research.

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