

Brighter

Moving to commercial status

Financial update

Pharma & biotech

4 November 2019

Price **SEK10.28**

Market cap **SEK883m**

US\$0.10/SEK

Net cash (SEKm) at 30 September 2019 32.5

Shares in issue 93.4m

Free float 81.5%

Code BRIG

Primary exchange NASDAQ First North

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (2.5) (7.6) (4.2)

Rel (local) (6.8) (11.9) (16.7)

52-week high/low SEK14.1 SEK7.86

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, a blood glucose meter, a lancet and an injection apparatus into one device with mobile connectivity to Brighter's cloud-based service, the Benefit Loop.

Next events

Updates on commercial launch 2019/20

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BrighterBrighter is a research client of Edison Investment Research Limited

After receiving two CE marks for the Actiste device, Brighter is registering the product with local authorities in the United Arab Emirates (UAE). On introduction to the market, it will conduct user experience pilot tests to optimise adoption. Following the UAE, the company plans to focus its commercialisation efforts on Sweden, the rest of the Gulf Cooperation Council (GCC) area and South-East Asia (particularly Thailand and Indonesia).

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	0.5	(66.4)	(0.81)	0.0	N/A	N/A
12/20e	24.5	(78.1)	(0.83)	0.0	N/A	N/A

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

Diabetes management as a service

The Actiste device is delivered as part of a subscription-based service that includes different levels of data sharing, continuous replenishment of everyday supplies delivered directly to the home and digital services designed to facilitate, improve and streamline the treatment. The basic plan includes data sharing with relatives and caregivers, whereas the extensive plan includes physician networks.

The initial market: UAE

Based on International Diabetes Federation (IDF) calculations, there are an estimated 1.2 million people with diabetes in the UAE with 6.3 million in total across the GCC. The area has an especially high level of unmet need in diabetes as there are a disproportionate number of disease-related complications in the region. An estimated 40–70% of worldwide disease-related foot amputations occur in GCC countries. Beyond the GCC, Brighter plans to focus on Sweden and South-East Asia (especially Thailand and Indonesia).

Acquired Camanio Care

In October, Brighter acquired Camanio Care, a company developing home care solutions (such as an assisted eating device and a telepresence robot) for newly issued shares with a value of SEK17m (US\$1.75m or €1.58m). Where this suite of products fits into the long-term strategy for Brighter is unclear but management has stated that its focus will remain on Actiste.

Valuation: SEK1,227m or SEK13.14 per basic share

Our total valuation has increased from SEK1,174m to SEK1,227m due to higher net cash and rolling forward our NPVs. On a per-share basis the value fell to SEK13.14 per basic share from SEK13.69, due to a higher share count after a SEK35.4m capital raise in September and the purchase of Camanio Care.

A new phase for Brighter

Following the recent CE marking, Brighter is registering Actiste with local authorities in the UAE. On introduction to the market, it will conduct user experience pilot tests to optimise adoption. The company is launching initially in the GCC as this area has an especially high level of unmet need in diabetes. The region has some of the highest rates of the disease in the world, ranging from 12.6% to 17.7% of the population (Exhibit 1) on an age-adjusted basis and affecting millions of people. The disease is also typically more poorly controlled in this region than in other countries and an estimated 40–70% of worldwide disease-related foot amputations occur in GCC countries. This positions Actiste as an attractive solution to increasing compliance and improving patient engagement with healthcare in these countries.

Exhibit 1: Adults aged 20–79 with diabetes in the GCC		
Country	Age-adjusted prevalence (%)	Prevalence of diabetes in adults aged 20–79 ('000s)
UAE	17.3	1,185.5
Saudi Arabia	17.7	3852
Kuwait	15.8	440.9
Oman	12.6	367.7
Qatar	16.5	259.2
Bahrain	16.5	165.3

Source: [IDF Diabetes Atlas, Eighth Edition](#)

Additionally, the company is interested in targeting its home country of Sweden, which has approximately 500,000 people suffering from diabetes. After that, it expects to target a selection of countries in South-East Asia (SEA), particularly Thailand and Indonesia. The epidemiology of the disease in this region is similar to the GCC countries in that a population with historically low rates of type 2 diabetes (T2D) is seeing increased rates of the disease as a result of economic development. According to the 2017 IDF Diabetes Atlas, an estimated 10.1% of the SEA population (on an age-adjusted basis) is living with the disease. This is similar to rates seen in the United States, for instance. However, complicating this is that historically the disease was uncommon and under recognised, resulting in a general lack of knowledge and over half (57.6%) of these individuals in the region going undiagnosed. Approximately 55% of those with the disease in this region die before the age of 60.¹ According to one study conducted in SEA, 22% and 36% of patients with T1D and T2D, respectively, have never had HbA1c diagnostic tests.²

An innovative way to help monitor and treat diabetes

Brighter's Actiste integrates three essential steps for daily diabetes management in one device: a blood glucose meter, a lancet and insulin injection apparatus. Due to the combined functionality of the Actiste device, the company estimates the number of steps for daily treatment and measurement is reduced by up to 67%. The Actiste device is delivered as part of a subscription-based service that includes different levels of data sharing, continuous replenishment of everyday supplies delivered directly to the home and digital services designed to facilitate, improve and streamline the treatment.

Brighter's cloud-based platform, the Benefit Loop, and associated companion applications for iOS and Android were previously 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.

¹ Ramachandran, A (2012).

² Pathan, F et al. (2018). Hypoglycaemia among Insulin-Treated Patients with Diabetes: Southeast Asia Cohort of IO HAT Study. *Journal of the ASEAN Federation of Endocrine Societies*, 33(1), 28–36

Valuation

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Exhibit 2: Brighter valuation							
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%	2020	131.3	71.6	5.5	22.5
	GCC countries	30%	2019	112.5	61.4	45.7	178.3
	South-East Asia	30%	2020	93.8	51.1	54.7	233.4
	EU	25%	2020	133.9	73.0	243.1	680.0
	US	20%	2021	143.1	78.0	193.1	433.6
Unallocated costs							(152.5)
Total							1,194.6
Net cash (at 30 September 2019) (SEKm)							32.5
Total firm value (SEKm)							1,227.1
Total shares (m)							93.4
Value per basic share (SEK)							13.14
Source: Edison Investment Research							

Financials

The company reported a loss of SEK15.7m for Q319. The decrease over Q219 (SEK23.7m) is partly due to a SEK4.4m write-off in the second quarter that the company recorded because some of its consumables in inventory expired due to a prior CE mark delay. The loss is also relatively flat with the loss in Q1 (SEK15.8m). We have decreased our expected loss for 2019 from SEK77.4m to SEK66.4m due to a lower than expected run rate on spending. The company ended the quarter with SEK32.5m in cash and no debt. SEK40.5m in debt was eliminated thanks mainly to SEK57.4m in equity raised during the quarter. We estimate the company will raise SEK100m in additional capital by the end of 2020 (up from SEK90m previously mainly because the company paid off most of its debt with the recent equity raises). We expect these financing requirements will be met through the company's financing agreement with Winance, worth up to SEK160m (for more details, please see our [previous note from June 2019](#)).

Exhibit 3: Financial summary

	SEK000s	2017	2018	2019e	2020e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		1,377	1,052	520	24,532
Cost of Sales		0	0	(200)	(4,906)
Gross Profit		1,377	1,052	320	19,626
General and Administrative Expenses		(9,153)	(13,014)	(19,361)	(20,135)
Other Operating Expenses		(11,968)	(32,201)	(33,853)	(63,261)
EBITDA		(19,744)	(44,163)	(52,894)	(63,771)
Operating Profit (before amort. and except.)		(19,946)	(44,326)	(52,958)	(63,834)
Intangible Amortisation		0	0	0	0
Other		0	0	0	0
Exceptionals		0	0	0	0
Operating Profit		(19,946)	(44,326)	(52,958)	(63,834)
Net Interest		(2,897)	(4,476)	(13,426)	(14,232)
Other		(4,449)	(4,278)	(1,536)	0
Profit Before Tax (norm)		(22,843)	(48,802)	(66,384)	(78,066)
Profit Before Tax (FRS 3)		(27,292)	(53,080)	(67,919)	(78,066)
Tax		0	0	0	0
Deferred tax		(0)	(0)	(0)	(0)
Profit After Tax (norm)		(22,843)	(48,802)	(66,384)	(78,066)
Profit After Tax (FRS 3)		(27,292)	(53,080)	(67,919)	(78,066)
Average Number of Shares Outstanding (m)		68.2	71.7	84.1	94.1
EPS - normalised (ore)		(40.00)	(74.00)	(80.81)	(82.93)
EPS - FRS 3 (SEK)		(0.40)	(0.74)	(0.81)	(0.83)
Dividend per share (ore)		0.00	0.00	0.00	0.00
BALANCE SHEET					
Fixed Assets		84,961	112,430	141,690	167,898
Intangible Assets		76,794	102,929	128,999	155,089
Tangible Assets		4,738	8,537	11,728	11,845
Other		3,429	965	964	964
Current Assets		26,393	58,186	63,732	56,230
Stocks		0	7,070	8,347	8,347
Debtors		15,931	34,308	30,167	4,033
Cash		10,017	9,031	19,634	38,267
Other		445	7,777	5,584	5,584
Current Liabilities		(23,965)	(63,698)	(12,849)	(12,849)
Creditors		(15,528)	(11,805)	(12,849)	(12,849)
Short term borrowings		(8,437)	(51,893)	0	0
Long Term Liabilities		0	0	0	(100,000)
Long term borrowings		0	0	0	(100,000)
Other long term liabilities		0	0	0	0
Net Assets		87,389	106,918	192,574	111,279
CASH FLOW					
Operating Cash Flow		(24,582)	(68,249)	(66,575)	(51,932)
Net Interest		0	0	0	0
Tax		(99)	0	0	0
Capex		(34,852)	(29,986)	(29,307)	(29,436)
Acquisitions/disposals		0	0	0	0
Financing		7,913	34,655	114,001	0
Conversion of convertible debt instruments		43,065	43,065	0	0
Dividends		0	0	(408)	0
Other		(195)	(14,406)	4,804	0
Net Cash Flow		(8,750)	(34,921)	22,514	(81,367)
Opening net debt/(cash)		(1,733)	(1,580)	42,862	(19,634)
HP finance leases initiated		0	0	0	0
Exchange rate movements		0	0	0	0
Other		8,597	(9,521)	39,982	0
Closing net debt/(cash)		(1,580)	42,862	(19,634)	61,733

Source: Company data, Edison Investment Research

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