

Brighter

Financial update

Expanding further into assisted care solutions

Brighter initiated activity on multiple fronts following the issue of CE marks for its lead product, Actiste. It acquired Nectarine Health, a Swedish healthtech start-up, to complement its other assisted care solutions acquisition, Camanio. Brighter also entered into a strategic partnership with Accumbo, a digital healthcare provider, to support the visibility of Actiste in the Swedish market, one of Brighter's target markets. Also, to support commercialisation activities in the near term, the company raised SEK191m via a rights offering.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/18	1.1	(48.8)	(0.74)	0.0	N/A	N/A
12/19	3.3	(88.2)	(1.06)	0.0	N/A	N/A
12/20e	24.5	(99.5)	(0.51)	0.0	N/A	N/A
12/21e	133.8	(12.4)	(0.06)	0.0	N/A	N/A

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

Nectarine Health acquisition completed

In January 2020, Brighter completed the acquisition of Nectarine Health, a Swedish healthtech start-up company focused on assisted care solutions. This acquisition complements Brighter's other acquisition from Q419, Camanio, another company focused on home care solutions. The acquisition pattern could indicate that Brighter is preparing to establish a broader market for its Actiste and Benefit Loop system down the line.

Strategic partnership with Accumbo

In Q419, Brighter entered into a partnership with Accumbo, a digital healthcare provider, via a SEK9m investment in Accumbo amounting to a 13% equity stake. The investment will be used to expand and develop new services for both digital and physical healthcare, starting by offering Actiste with Accumbo's new care service under development for diabetics. This collaboration could help establish Actiste in the Swedish market and demonstrate its flexibility as adjunctive care.

Capital secured through a rights offering

Brighter raised SEK191m via a rights offering with current shareholders, largely to support commercialisation activities relating to Actiste. A total of 95.67m new shares were issued, and Brighter's total share count is now 194.1m. The company had previously engaged Winance to help facilitate its financing needs, but the agreement was terminated as Brighter instead chose to proceed with a rights issue.

Valuation: SEK1,383m or SEK7.13 per basic share

Our total valuation has increased from SEK1,227m to SEK1,383m due to higher net cash, while on a per-share basis, the value fell from SEK13.14 to SEK7.13 due to a higher share count. The net cash and share count changed following a directed share issue to management and key personnel for SEK19m in November 2019 and a capital raise of SEK191m in January 2020.

Healthcare equipment & services

18 March 2020

Price **SEK2.3**
Market cap **SEK446m**

US\$0.10/SEK

Net cash (SEKm) at 31 December 2019 + capital raise 188.3

Shares in issue 194.1m

Free float 91.5%

Code BRIG

Primary exchange NASDAQ First North

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (47.8) (57.5) (57.4)

Rel (local) (24.9) (42.9) (50.0)

52-week high/low SEK8.46 SEK2.29

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

Actiste registration in UAE H120

Actiste commercial launch H220

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Active on multiple fronts

While Brighter's main focus currently remains launching Actiste in the United Arab Emirates, it has been busy with the completion of multiple acquisitions and formation of a strategic partnership. Late last year, Brighter acquired Camanio, a company developing home care solutions, such as an assisted eating device and telepresence robot. The transaction was conducted through a set-off issue of 1.598m Brighter shares. In January 2020, Brighter completed the acquisition of Nectarine Health (through the issue of 2.267m shares), a Swedish healthtech start-up company focused on assisted care solutions, which provided more context for Brighter's venture into the home care space. These acquisitions indicate that Brighter is considering broadening the platforms on which Actiste and the Benefit Loop can be offered as it intends to move beyond diabetes in the future.

Brighter entered into a strategic partnership in Q419 with Accumbo, a digital healthcare provider, to help increase Actiste's visibility in Sweden. Accumbo currently offers a digital service called Blodtrycksdoktor (the Blood Pressure Doctor) where an individual with hypertension utilises a blood pressure cuff and app to gather biometric data that will shape the person's treatment regimen set by a healthcare provider. Accumbo has launched a pilot project to integrate Actiste in the upcoming Diabetesdoktor (the Diabetes Doctor) service, which will be offered as an extension to the Blood Pressure Doctor service. Since high blood pressure and diabetes are highly correlated, the collaboration could be a suitable project to demonstrate Actiste's utility and flexibility as adjunctive care to already established platforms, and support the product's visibility in Sweden since it is a target market.

Actiste: A new phase for Brighter

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 that the number of steps for daily treatment and measurement is reduced by up to 67%. The Actiste device has global out-of-the-box connectivity through eSIM technology and 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.

Brighter is currently registering Actiste with local authorities in the United Arab Emirates (UAE) and, 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). Brighter 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 on an age-adjusted basis and affecting millions of people.¹ 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.¹ This positions Actiste as an attractive solution to potentially increasing compliance and improving patient engagement with healthcare in these countries.

¹ IDF Diabetes Atlas, 8th Edition.

Valuation

Our total valuation has increased from SEK1,227m to SEK1,383m due to higher net cash, while on a per-share basis, the value fell from SEK13.14 to SEK7.13 due to a higher share count. The net cash and share count changed following a directed share issue to management and key personnel for SEK19m in November 2019 and a rights issue-based capital raise for SEK191m in January 2020.

Exhibit 1: Brighter valuation table								
Programme	Market	Prob. of success	Launch year	Upper tier launch pricing (\$/month)	Lower tier launch pricing (\$/month)	Peak revenue (\$m)	Valuation (SEKm)	
Actiste	Nordic region	30%	2020	131.3	71.6	5.5	22.5	
	Gulf Cooperation Council countries	30%	2020	112.5	61.4	45.7	178.3	
	South East Asia	30%	2020	93.8	51.1	54.7	233.3	
	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								1194.4
Net cash (at 31 December 2019 + capital raise) (SEKm)								188.3
Total firm value (SEKm)								1,382.7
Total shares (m)								194.1
Value per basic share (SEK)								7.13
Source: Edison Investment Research								

Financials

The company reported sales of SEK2.4m in Q419, compared to SEK0.2m in Q319, mainly due to the acquisition of Camanio since it is revenue generating. The operating loss was SEK35.0m for the quarter, compared to a loss of SEK11.7m in Q319, due to a number of factors including a SEK2.9m write-off on expired inventory, amortisation of capitalised development costs relating to Actiste, an increase in staff costs and higher R&D expenses.

Following these results, we have increased our net loss estimate for 2020 from SEK78.1m to SEK99.5m due to higher expenses. We also introduce our 2021 estimates, including SEK133.8m (\$14.1m) in revenues, which are composed mainly of Actiste sales in the GCC, South-East Asian and Nordic regions. Our net loss projection for the year is SEK12.4m.

The company ended the quarter with SEK9.3m in gross cash, compared to SEK32.5m in Q319, mainly due to the SEK9m investment in Accumbo and increased expenses. After including SEK12m in short- and long-term debt, the firm ended the quarter with SEK2.7m in net debt. The capital raise of SEK191m closed after the quarter and increased its pro forma net cash position to SEK188.3m, which we believe may be enough to fund it through to profitability (assuming it meets commercial milestones).

Exhibit 2: Financial summary

	SEK'000s	2018	2019	2020e	2021e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		1,052	3,284	24,532	133,779
Cost of Sales		0	(1,246)	(4,906)	(26,756)
Gross Profit		1,052	2,039	19,626	107,023
General and Administrative Expenses		(13,014)	(23,418)	(24,354)	(23,183)
Other Operating Expenses		(32,201)	(51,782)	(79,193)	(79,985)
EBITDA		(44,163)	(73,161)	(83,922)	3,854
Operating Profit (before amort. and except.)		(44,326)	(78,274)	(89,035)	(1,259)
Intangible Amortisation		0	0	0	0
Other		0	0	0	0
Exceptionals		0	0	0	0
Operating Profit		(44,326)	(78,274)	(89,035)	(1,259)
Net Interest		(4,476)	(9,875)	(10,468)	(11,096)
Other		(4,278)	(1,536)	0	0
Profit Before Tax (norm)		(48,802)	(88,150)	(99,503)	(12,355)
Profit Before Tax (FRS 3)		(53,080)	(89,685)	(99,503)	(12,355)
Tax		0	0	0	0
Deferred tax		(0)	(0)	(0)	(0)
Profit After Tax (norm)		(48,802)	(88,150)	(99,503)	(12,355)
Profit After Tax (FRS 3)		(53,080)	(89,685)	(99,503)	(12,355)
Average Number of Shares Outstanding (m)		71.7	84.7	194.1	196.0
EPS - normalised (ore)		(74.00)	(105.85)	(51.26)	(6.30)
EPS - FRS 3 (SEK)		(0.74)	(1.06)	(0.51)	(0.06)
Dividend per share (ore)		0.00	0.00	0.00	0.00
BALANCE SHEET					
Fixed Assets		112,430	186,740	221,468	256,197
Intangible Assets		102,930	158,677	193,240	227,803
Tangible Assets		8,537	16,470	16,635	16,801
Other		964	11,593	11,593	11,593
Current Assets		58,186	68,925	120,094	70,455
Stocks		7,070	6,831	6,831	6,831
Debtors		40,358	44,396	4,033	21,991
Cash		9,031	9,340	100,872	33,275
Other		1,727	8,358	8,358	8,358
Current Liabilities		(63,698)	(46,308)	(46,308)	(49,582)
Creditors		(11,805)	(35,666)	(35,666)	(38,940)
Short term borrowings		(51,893)	(10,642)	(10,642)	(10,642)
Long Term Liabilities		0	(1,581)	(1,600)	(1,621)
Long term borrowings		0	(1,390)	(1,390)	(1,390)
Other long-term liabilities		0	(191)	(210)	(231)
Net Assets		106,918	207,776	293,653	275,449
CASH FLOW					
Operating Cash Flow		(68,249)	(93,902)	(59,120)	(27,018)
Net Interest		0	0	0	0
Tax		0	0	0	0
Capex		(29,986)	(40,125)	(40,347)	(40,579)
Acquisitions/disposals		0	0	0	0
Financing		34,655	150,532	191,000	0
Conversion of convertible debt instruments		43,065	0	0	0
Dividends		0	(494)	0	0
Other		(14,406)	(18,685)	0	0
Net Cash Flow		(34,921)	(2,673)	91,532	(67,597)
Opening net debt/(cash)		(1,580)	42,862	2,692	(88,840)
HP finance leases initiated		0	0	0	0
Exchange rate movements		0	0	0	0
Other		(9,521)	42,844	(1)	0
Closing net debt/(cash)		42,862	2,692	(88,840)	(21,243)

Source: Company reports, Edison Investment Research

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