

Brighter

Financial update

Multiple registrations underway

Brighter continues to scale up the commercialization effort for Actiste in the target regions of South-East Asia and the Gulf Cooperation Council (GCC) and, as of May, the service is commercially available in Sweden. Registration is currently underway in Malaysia, Singapore, Thailand, Indonesia and the United Arab Emirates (UAE). The registration process is also about to start in Saudi Arabia, Kuwait, Oman and Bahrain. The company expects Actiste to be commercially available in multiple countries by the end of the year.

| 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 | (88.7) | (1.06) | 0.0 | N/A | N/A |
| 12/20e | 24.5 | (141.4) | (0.71) | 0.0 | N/A | N/A |
| 12/21e | 133.8 | (55.2) | (0.27) | 0.0 | N/A | N/A |

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

An attractive service during a pandemic lockdown

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. With many physicians' offices closed and diabetics being especially high risk for coronavirus, this service seems especially attractive.

GCC launch status

The completion of registration in the UAE has taken longer than originally anticipated partly due to delays related to coronavirus, as the regulatory authorities are working remotely. However, the company continues to expect approval in the coming months. UAE and Saudi Arabia (where the registration process is about to begin) will be the focus countries initially.

Launch through partners in South-East Asia

In South-East Asia, registration is currently underway in Malaysia, Singapore, Thailand and Indonesia. The company intends to launch Actiste through partners in multiple countries in this area by the end of the year.

Valuation: SEK1,282m or SEK6.44 per basic share

We have lowered our valuation to SEK1,282m or SEK6.44 per share, from SEK1,383m or SEK7.13 per share, mainly due to lower net cash and higher expenses though these were partially offset by rolling forward our NPVs. The company has SEK78.5m in cash on hand at the end of Q120, added another SEK9.2m through warrant exercises in May and we project will need to raise an additional SEK100m by the end of this year and an additional SEK140m in 2021. We had previously not expected additional fund-raising after the recent SEK192.1m raise, but expense levels have risen following the acquisitions of Pink Nectarine Health and Camanio.

Healthcare equipment & services

28 May 2020

Price **SEK4.98**
Market cap **SEK991m**

US\$0.10/SEK

Net cash (SEKm) at 31 March 2020 71.8

Shares in issue 199.0m

Free float 99.5%

Code BRIG

Primary exchange NASDAQ FirstNorth

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 31.4 24.5 (13.1)

Rel (local) 23.1 31.7 (17.8)

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

Business description

Brighter is a Swedish healthtech company addressing common welfare challenges of modern society through a group of innovation companies. Its lead solution, Actiste, currently being commercialised, is aimed at helping people with diabetes adhere to care guidelines and achieve treatment goals by simplifying the everyday treatment and introducing a new layer of data-driven support.

Next events

Actiste commercial launch 2020

Analysts

Maxim Jacobs +1 646 653 7027

Wiktoria O'Hare +1 646 653 7028

healthcare@edisongroup.com
[Edison profile page](#)

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Q120 update

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 (where it is already approved for sale due to the two CE marks that the company received and has gone commercially live as of May), the rest of the Gulf Cooperation Council (GCC) area (particularly Saudi Arabia) and South-East Asia (Singapore, Thailand, Indonesia and Malaysia). 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 10.1% to 16.3% 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.

Exhibit 1: Adults aged 20–79 with diabetes in 2019 in target markets

| Country | Age-adjusted prevalence (%) | Prevalence of diabetes in adults aged 20–79 ('000s) |
|------------------------|-----------------------------|---|
| GCC | | |
| UAE | 16.3 | 1,223.4 |
| Saudi Arabia | 15.8 | 4,275.2 |
| Kuwait | 12.2 | 681.1 |
| Oman | 10.1 | 291.8 |
| Qatar | 15.6 | 347.0 |
| Bahrain | 15.6 | 202.7 |
| South-East Asia | | |
| Indonesia | 6.3 | 10,681.4 |
| Thailand | 7.0 | 4,284.9 |
| Singapore | 5.5 | 640.4 |
| Malaysia | 16.7 | 3,652.6 |
| Europe | | |
| Sweden | 4.8 | 521.2 |

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

¹ IDF Diabetes Atlas, 9th Edition.

Valuation

We have lowered our valuation to SEK1,282m or SEK6.44 per share, from SEK1,383m or SEK7.13 per share, mainly due to lower net cash and higher expenses though these were partially offset by rolling forward our NPVs.

| Exhibit 2: Brighter valuation table | | | | | | | |
|---|------------------------------------|------------------------|-------------|--|--|--------------------|------------------|
| Program | Market | Probability 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 | 23.1 |
| | 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 | 240.3 |
| | EU | 25% | 2020 | 133.9 | 73.0 | 243.1 | 680.0 |
| | US | 20% | 2021 | 143.1 | 78.0 | 193.1 | 446.5 |
| Unallocated costs | | | | | | | (366.9) |
| Total | | | | | | | 1,201.3 |
| Net cash (at 31 March 2020 + warrant exercise) (SEKm) | | | | | | | 81.0 |
| Total firm value (SEKm) | | | | | | | 1,282.3 |
| Total shares (m) | | | | | | | 199.0 |
| Value per basic share (SEK) | | | | | | | 6.44 |

Source: Edison Investment Research

Financials

The company reported sales of SEK1.7m in Q120 (86% derived from the Camanio segment), down from SEK2.4m (100% derived from Camanio) in Q419 mainly due to the fact that Camanio was changing its sales model from product sales towards a recurring revenue model. The companywide Q120 operating loss was SEK38.0m for the quarter, compared to a loss of SEK12.7m in Q119 as operating expenses increased in part due to the acquisitions of Pink Nectarine Health and Camanio in late 2019/early 2020. For example, staff costs had increased SEK10.1m to SEK14.9m for the quarter compared to SEK4.8m in the same quarter last year, with SEK8.3m of that staffing cost increase coming from the acquired entities. Following these results, we have increased our net loss estimate for 2020 from SEK99.5m to SEK141.4m, and for 2021 to SEK55.2m from SEK12.4m due to higher expected expenses from the higher cost base.

The company had SEK78.5m in cash on hand as well as SEK6.7m in debt at the end of Q120. In May, it raised an additional SEK9.2m through a warrant exercise, which increased the number of shares outstanding by 4.6m to 199.0m. We project it will need to raise an additional SEK100m by the end of this year and an additional SEK140m in 2021. We had previously not expected additional fund-raising after the recent SEK192.1m raise, but expense levels have risen following the acquisitions of Pink Nectarine Health and Camanio.

Exhibit 3: 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) | (5,039) | (26,756) |
| Gross Profit | | 1,052 | 2,039 | 19,492 | 107,023 |
| General and Administrative Expenses | | (13,014) | (23,418) | (61,885) | (62,503) |
| Other Operating Expenses | | (32,201) | (52,365) | (73,382) | (74,116) |
| EBITDA | | (44,163) | (73,744) | (115,774) | (29,596) |
| Operating Profit (before amort. and except.) | | (44,326) | (78,857) | (141,862) | (55,684) |
| Intangible Amortisation | | 0 | 0 | 0 | 0 |
| Other | | 0 | 0 | 0 | 0 |
| Exceptionals | | 0 | 0 | 0 | 0 |
| Operating Profit | | (44,326) | (78,857) | (141,862) | (55,684) |
| Net Interest | | (4,476) | (9,875) | 474 | 502 |
| Other | | (4,278) | (953) | 0 | 0 |
| Profit Before Tax (norm) | | (48,802) | (88,732) | (141,388) | (55,182) |
| Profit Before Tax (FRS 3) | | (53,080) | (89,685) | (141,388) | (55,182) |
| Tax | | 0 | 0 | 0 | 0 |
| Deferred tax | | (0) | (0) | (0) | (0) |
| Profit After Tax (norm) | | (48,802) | (88,732) | (141,388) | (55,182) |
| Profit After Tax (FRS 3) | | (53,080) | (89,685) | (141,388) | (55,182) |
| Average Number of Shares Outstanding (m) | | 71.7 | 84.7 | 199.1 | 201.1 |
| EPS - normalised (ore) | | (74.00) | (105.85) | (71.00) | (27.44) |
| EPS - FRS 3 (SEK) | | (0.74) | (1.06) | (0.71) | (0.27) |
| Dividend per share (ore) | | 0.00 | 0.00 | 0.00 | 0.00 |
| BALANCE SHEET | | | | | |
| Fixed Assets | | 112,430 | 186,740 | 215,449 | 250,227 |
| Intangible Assets | | 102,930 | 158,677 | 182,471 | 217,035 |
| Tangible Assets | | 8,537 | 16,470 | 21,385 | 21,599 |
| Other | | 964 | 11,593 | 11,593 | 11,593 |
| Current Assets | | 58,186 | 68,925 | 166,403 | 223,739 |
| Stocks | | 7,070 | 6,831 | 14,965 | 14,965 |
| Debtors | | 40,358 | 44,396 | 91,603 | 91,603 |
| Cash | | 9,031 | 9,340 | 50,572 | 107,909 |
| Other | | 1,727 | 8,358 | 9,262 | 9,262 |
| Current Liabilities | | (63,698) | (46,308) | (30,392) | (50,240) |
| Creditors | | (11,805) | (35,666) | (27,981) | (47,829) |
| Short term borrowings | | (51,893) | (10,642) | (2,411) | (2,411) |
| Long Term Liabilities | | 0 | (1,581) | (104,432) | (244,445) |
| Long term borrowings | | 0 | (1,390) | (104,305) | (244,305) |
| Other long-term liabilities | | 0 | (191) | (127) | (140) |
| Net Assets | | 106,918 | 207,776 | 247,027 | 179,280 |
| CASH FLOW | | | | | |
| Operating Cash Flow | | (68,249) | (93,902) | (166,973) | (35,320) |
| Net Interest | | 0 | 0 | 0 | 0 |
| Tax | | 0 | 0 | 0 | 0 |
| Capex | | (29,986) | (40,125) | (46,852) | (47,343) |
| Acquisitions/disposals | | 0 | 0 | 0 | 0 |
| Financing | | 34,655 | 150,532 | 201,332 | 0 |
| Conversion of convertible debt instruments | | 43,065 | 0 | 0 | 0 |
| Dividends | | 0 | (494) | 0 | 0 |
| Other | | (14,406) | (18,685) | (35,965) | 0 |
| Net Cash Flow | | (34,921) | (2,673) | (48,457) | (82,663) |
| Opening net debt/(cash) | | (1,580) | 42,862 | 2,692 | 56,144 |
| HP finance leases initiated | | 0 | 0 | 0 | 0 |
| Exchange rate movements | | 0 | 0 | 0 | 0 |
| Other | | (9,521) | (42,844) | (4,995) | 0 |
| Closing net debt/(cash) | | 42,862 | 2,692 | 56,144 | 138,807 |

Source: Company reports, Edison Investment Research

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1,185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia