

Brighter

Financial update

Q220 results

Brighter recently announced Q220 results. Not surprisingly, the COVID-19 pandemic has caused some commercialisation delays, especially with the registration of Actiste in the United Arab Emirates (UAE). However, as of May the service is commercially available in Sweden and the company is harvesting user insights that will help it improve the experience over time. Additionally, the company announced a partnership with the provincial government of West Java (population of c 50 million) in Indonesia for a pilot.

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	15.8	(180.0)	(0.87)	0.0	N/A	N/A
12/21e	93.0	(119.3)	(0.54)	0.0	N/A	N/A

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

Market approval status

The completion of registration in the UAE for Actiste has taken longer than originally anticipated partly due to delays related to coronavirus, as the regulatory authorities are working remotely and timelines going forward are uncertain. Registration is also under way in Malaysia, Singapore, Thailand, Indonesia and Saudi Arabia, and about to start in Kuwait, Oman and Bahrain.

Pilot project in Indonesia

In July, Brighter initiated a partnership with the West Java provincial government in Indonesia. West Java is the largest province in the country, with a population of around 50 million. As part of the collaboration, the company will deliver 100 Actiste subscriptions and support healthcare staff training in usage of the service.

A service that fits well with tele-medicine

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 as more healthcare is done remotely.

Valuation: SEK1,252m or SEK5.76 per basic share

We have lowered our valuation from SEK1,282m or SEK6.44 per share, to SEK1,252m or SEK5.76 per share, mainly due to lower net cash, lower near-term sales estimates and higher expenses though these were partially offset by rolling forward our NPVs. The company has SEK23.5m in cash on hand at the end of Q220 and raised an additional SEK42.7m in September. We project Brighter will need to raise an additional SEK110m by the end of this year and SEK175m in 2021 (previously SEK100m and SEK140m, respectively).

Pharma & biotech

29 September 2020

Price **SEK3.39**

Market cap **SEK737m**

US\$0.10/SEK

Net cash (SEKm) at 30 June 2020 + warrant exercise + offering 48.2

Shares in issue 217.3m

Free float 99.5%

Code BRIG

Primary exchange Nasdaq First North

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 13.2 (20.0) (47.0)

Rel (local) 8.7 (29.2) (54.7)

52-week high/low SEK6.49 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

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Mid-year update

Market approval registration for Actiste is currently under way in the UAE, Malaysia, Singapore, Thailand, Indonesia and Saudi Arabia, and about to start in Kuwait, Oman and Bahrain. The primary commercial focus will be on the UAE and Indonesia, as well as Sweden where Actiste was commercially launched in May 2020. Upon market introduction, the company will conduct user experience pilot tests to optimise local adoption. Following the initial introductions, the company plans to extend its commercial efforts to the rest of the Gulf Cooperation Council (GCC) area and South-East Asia (Singapore, Thailand 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](#)

South-East Asia is also an attractive market for Actiste with a large number of people with diabetes. In July, Brighter initiated a partnership with the West Java provincial government in Indonesia. West Java is the largest province in the country with a population of around 50 million. As part of the collaboration, the company will deliver 100 Actiste subscriptions and support healthcare staff training in usage of the service. This will provide the company valuable local feedback on the product and allow it to optimise the service for the region.

Valuation

We have lowered our valuation from SEK1,282m or SEK6.44 per share, to SEK1,252m or SEK5.76 per share, mainly due to lower net cash, lower near-term sales estimates and higher expenses though these were partially offset by rolling forward our NPVs.

¹ IDF Diabetes Atlas, 9th Edition.

Exhibit 2: Brighter valuation table

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	25.4
	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	254.0
	EU	25%	2020	133.9	73.0	243.1	680.0
	US	20%	2021	143.1	78.0	193.1	473.6
Unallocated costs							(407.7)
Total							1,203.6
Net cash (at 30 June 2020 + warrant exercise + offering) (SEKm)							48.2
Total firm value (SEKm)							1,251.8
Total shares (m)							217.3
Value per basic share (SEK)							5.76

Source: Edison Investment Research

Financials

The company reported sales of SEK2.1m in Q220, up from SEK1.7m in Q120 with the vast majority of sales coming from the Camanio segment. The companywide Q220 operating loss was SEK46.3m for the quarter, compared to a loss of SEK19.5m in Q219 as operating expenses increased in part due to the acquisitions of Pink Nectarine Health and Camanio in late 2019/early 2020. Following these results, we have lowered our 2020 revenue estimates to SEK15.8m from SEK24.5m and our 2021 revenue estimates to SEK93.0m from SEK133.8m as commercialisation has been progressing slower than anticipated. We have also increased our operating expense estimate by approximately SEK23m for both years due to a higher run rate. Our long-term sales estimates, however, have remained the same. As a reminder, the company's commercial strategy is to focus initially on the GCC, Sweden and South-East Asia, before pursuing sales in the potentially larger and more lucrative US and EU markets.

The company had SEK23.5m in cash on hand at the end of Q220. In September, Brighter raised an additional SEK21.7m through a warrant exercise (leading to the issuance of 10.9m shares) and an additional SEK21.0m through a directed share issue (leading to the issuance of 7.4m shares). At the end of the quarter, the company reported SEK7.3m in short-term debt and SEK10.7m in long-term debt. We project Brighter will need to raise an additional SEK110m by the end of this year and SEK175m in 2021 (previously SEK100m and SEK140m, respectively). The company management has stated that there is an equity based financing contract in place for funding routine operations for at least the next 12 months.

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	15,768	93,039
Cost of Sales		0	(1,246)	(3,993)	(18,608)
Gross Profit		1,052	2,039	11,775	74,431
General and Administrative Expenses		(13,014)	(23,418)	(71,701)	(72,418)
Other Operating Expenses		(32,201)	(52,365)	(86,520)	(87,386)
EBITDA		(44,163)	(73,744)	(146,446)	(85,372)
Operating Profit (before amort. and except.)		(44,326)	(78,857)	(173,032)	(111,958)
Intangible Amortisation		0	0	0	0
Other		0	0	0	0
Exceptionals		0	0	0	0
Operating Profit		(44,326)	(78,857)	(173,032)	(111,958)
Net Interest		(4,476)	(9,875)	(6,929)	(7,345)
Other		(4,278)	(953)	0	0
Profit Before Tax (norm)		(48,802)	(88,732)	(179,961)	(119,303)
Profit Before Tax (FRS 3)		(53,080)	(89,685)	(179,961)	(119,303)
Tax		0	0	0	0
Deferred tax		(0)	(0)	(0)	(0)
Profit After Tax (norm)		(48,802)	(88,732)	(179,961)	(119,303)
Profit After Tax (FRS 3)		(53,080)	(89,685)	(179,961)	(119,303)
Average Number of Shares Outstanding (m)		71.7	84.7	206.9	221.7
EPS - normalised (ore)		(74.00)	(105.85)	(86.97)	(53.82)
EPS - FRS 3 (SEK)		(0.74)	(1.06)	(0.87)	(0.54)
Dividend per share (ore)		0.00	0.00	0.00	0.00
BALANCE SHEET					
Fixed Assets		112,430	186,740	290,215	366,908
Intangible Assets		102,930	158,677	244,409	320,760
Tangible Assets		8,537	16,470	34,199	34,541
Other		964	11,593	11,607	11,607
Current Assets		58,186	68,925	148,179	138,953
Stocks		7,070	6,831	17,222	17,222
Debtors		40,358	44,396	82,364	82,364
Cash		9,031	9,340	37,411	28,185
Other		1,727	8,358	11,182	11,182
Current Liabilities		(63,698)	(46,308)	(37,412)	(61,733)
Creditors		(11,805)	(35,666)	(30,097)	(54,418)
Short term borrowings		(51,893)	(10,642)	(7,315)	(7,315)
Long Term Liabilities		0	(1,581)	(120,810)	(295,823)
Long term borrowings		0	(1,390)	(120,683)	(295,683)
Other long term liabilities		0	(191)	(127)	(140)
Net Assets		106,918	207,776	280,173	148,306
CASH FLOW					
Operating Cash Flow		(68,249)	(93,902)	(190,895)	(94,969)
Net Interest		0	0	0	0
Tax		0	0	0	0
Capex		(29,986)	(40,125)	(88,760)	(89,256)
Acquisitions/disposals		0	0	0	0
Financing		34,655	150,532	244,018	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)	(71,601)	(184,225)
Opening net debt/(cash)		(1,580)	42,862	2,692	90,587
HP finance leases initiated		0	0	0	0
Exchange rate movements		0	0	0	0
Other		(9,521)	42,844	(16,294)	0
Closing net debt/(cash)		42,862	2,692	90,587	274,813

Source: Edison Investment Research, company accounts

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