

Brighter

Financial update

Approvals in the UAE and Saudi Arabia

Brighter recently announced that both the United Arab Emirates (UAE) Ministry of Health and Prevention (MOHAP) and the Saudi Food and Drug Authority (SFDA) have provided market approvals for the Actiste device. While all necessary regulatory approvals have been obtained in the UAE, commercialisation in Saudi Arabia will require additional regulatory approvals, such as for consumables, but those are expected to be granted in the coming months. Additional registration efforts are also underway in Malaysia, Singapore, Thailand and Indonesia and are about to start in Kuwait, Oman and Bahrain.

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	12.3	(166.5)	(0.82)	0.0	N/A	N/A
12/21e	93.0	(101.5)	(0.46)	0.0	N/A	N/A

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

UAE and Saudi market approvals

Brighter announced approval in the UAE and Saudi Arabia for the Actiste device. While additional regulatory approvals are necessary in Saudi Arabia, those are expected in the coming months. The company expects to use a mix of business-to-consumer (B2C), business-to-business (B2B) and business-to-government (B2G) channels to commercialise Actiste.

High diabetes prevalence in GCC area

Brighter is focusing initially on the Gulf Cooperation Council (GCC) region as this area has an especially high level of unmet need in diabetes. Prevalence ranges from 10.1% to 16.3% of the populations on an age-adjusted basis. In total, 1.2 million adults in the UAE and another 4.3 million in Saudi Arabia are estimated to have the disease.

Progress at Camanio

Camanio, Brighter's subsidiary that specialises in digital solutions and services for home care, announced that it was included in a nationwide framework agreement in Sweden regarding stationary and mobile care alarms. The agreement is valid for four years and Camanio is one of just five companies included. Additionally, the company announced that sales of the BikeAround jDome and digital therapy animals to municipalities and communities totalled SEK1m on 3 November alone.

Valuation: SEK1,225m or SEK5.64 per basic share

We have lowered our valuation to SEK1,225m or SEK5.64 per share, from SEK1,252m or SEK5.76 per share, mainly due to lower net cash though this was partially offset by rolling forward our NPVs. Brighter had SEK14.4m in gross cash (SEK1.8m net debt) at the end of Q320. We project it will need to raise an additional SEK60m over the rest of the year (previously SEK110m) and SEK175m in 2021. We lowered the financing needs for the rest of the year in part due to lower operating expenses than we expected.

Pharma & biotech

24 November 2020

Price **SEK3.39**
Market cap **SEK737m**

US\$0.11/SEK

Net debt (SEKm) at 30 September 2020 1.8

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 25.6 5.8 (35.2)

Rel (local) 20.3 (3.1) (44.2)

52-week high/low SEK6.21 SEK2.26

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 2020/2021

Analysts

Maxim Jacobs +1 646 653 7027

Nathaniel Calloway +1 646 653 7036

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

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A step forward in the GCC

Brighter announced in November that both the UAE MOHAP and the SFDA have provided market approval for the Actiste device. While all necessary regulatory approvals have been obtained in the UAE, commercialisation in Saudi Arabia will require additional approvals, such as consumables as well as use of the cellular network for transmission from the Saudi telecoms authority. These additional approvals are expected to be granted in the coming months. The company expects to use a mix of B2C, B2B and B2G channels to commercialise Actiste. According to the International Diabetes Federation, the UAE has 1.2 million diabetics and Saudi Arabia has 4.3 million diabetic adults between the ages of 20 and 79 (see Exhibit 1).

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](#)

Additional registration efforts are also under way in Malaysia, Singapore, Thailand and Indonesia, and about to start in Kuwait, Oman and Bahrain. Also, 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.

Camano subsidiary progressing

Camano, Brighter's subsidiary that specialises in digital solutions and services for home care, announced that it was included in a nationwide framework agreement with the Swedish Association of Local Authorities and Regions (SALAR) regarding stationary and mobile care alarms. The agreement is valid for four years and Camano is one of just five companies included. A similar framework agreement from October 2016 to December 2019 resulted in SEK194m in sales for the participating companies over the same period.

Additionally, the company announced that Camano sales of the BikeAround jDome and digital therapy animals to municipalities and communities totalled SEK1m on 3 November alone (though we believe the sales were likely timed to coincide and that the daily run rate will not be that high over the quarter). Demand for these products and services have increased due to the COVID-19 pandemic.

Valuation

We have lowered our valuation to SEK1,225m or SEK5.64 per share, from SEK1,252m or SEK5.76 per share, mainly due to lower net cash though this was partially offset by rolling forward our NPVs.

Exhibit 2: Brighter valuation table

Programme	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	26.3
	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	261.7
	EU	25%	2021	133.9	73.0	243.1	680.0
	US	20%	2021	143.1	78.0	193.1	487.8
Unallocated costs							(407.7)
Total							1,226.4
Net cash (debt) (at 30 September 2020) (SEKm)							(1.8)
Total firm value (SEKm)							1,225
Total shares (m)							217.3
Value per basic share (SEK)							5.64

Source: Edison Investment Research

Financials

The company reported sales of SEK2.5m in Q320, up from SEK2.1m in Q220, with the vast majority of sales coming from the Camanio segment. The companywide Q320 operating loss was SEK41.0m for the quarter, compared to a loss of SEK12.6m in Q319, as operating expenses increased in part due to the acquisitions of Pink Nectarine Health and Camanio in late 2019/early 2020. However, this loss is down from the SEK46.4m loss seen in Q220 as external costs were reduced. Following these results, we have lowered our 2020 revenue estimates from SEK15.8m to SEK12.3m, but have kept our 2021 sales estimates the same. We have also decreased our operating expense estimate by approximately SEK15m for both years due to a lower expense run rate versus our prior expectations.

The company had SEK14.4m in gross cash on hand at the end of Q320. In September, prior to the end of the quarter, Brighter had raised SEK21.7m through a warrant exercise and an additional SEK21.0m through a directed share issue. At the end of the quarter, the company reported SEK7.0m in short-term debt and SEK9.2m in long-term debt; after considering gross cash, we calculate SEK1.8m net debt. We project Brighter will need to raise an additional SEK60m by the end of this year (versus our previous estimate of SEK110m,) and SEK175m in 2021. We lowered the financing needs for the rest of the year in part due to lower operating expenses than we expected. 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	12,312	93,039
Cost of Sales		0	(1,246)	(4,432)	(18,608)
Gross Profit		1,052	2,039	7,879	74,431
General and Administrative Expenses		(13,014)	(23,418)	(71,439)	(72,153)
Other Operating Expenses		(32,201)	(52,365)	(72,157)	(72,879)
EBITDA		(44,163)	(73,744)	(135,716)	(70,600)
Operating Profit (before amort. and except.)		(44,326)	(78,857)	(163,866)	(98,750)
Intangible Amortisation		0	0	0	0
Other		0	0	0	0
Exceptionals		0	0	0	0
Operating Profit		(44,326)	(78,857)	(163,866)	(98,750)
Net Interest		(4,476)	(9,875)	(2,584)	(2,739)
Other		(4,278)	(953)	0	0
Profit Before Tax (norm)		(48,802)	(88,732)	(166,450)	(101,490)
Profit Before Tax (FRS 3)		(53,080)	(89,685)	(166,450)	(101,490)
Tax		0	0	0	0
Deferred tax		(0)	(0)	(0)	(0)
Profit After Tax (norm)		(48,802)	(88,732)	(166,450)	(101,490)
Profit After Tax (FRS 3)		(53,080)	(89,685)	(166,450)	(101,490)
Average Number of Shares Outstanding (m)		71.7	84.7	203.3	219.5
EPS - normalised (ore)		(74.00)	(105.85)	(81.86)	(46.24)
EPS - FRS 3 (SEK)		(0.74)	(1.06)	(0.82)	(0.46)
Dividend per share (ore)		0.00	0.00	0.00	0.00
BALANCE SHEET					
Fixed Assets		112,430	186,740	271,289	331,973
Intangible Assets		102,930	158,677	222,556	282,869
Tangible Assets		8,537	16,470	37,115	37,486
Other		964	11,593	11,618	11,618
Current Assets		58,186	68,925	132,385	149,408
Stocks		7,070	6,831	19,065	19,065
Debtors		40,358	44,396	80,780	80,780
Cash		9,031	9,340	19,475	36,498
Other		1,727	8,358	13,065	13,065
Current Liabilities		(63,698)	(46,308)	(38,886)	(54,352)
Creditors		(11,805)	(35,666)	(31,930)	(47,396)
Short term borrowings		(51,893)	(10,642)	(6,956)	(6,956)
Long Term Liabilities		0	(1,581)	(69,266)	(244,272)
Long term borrowings		0	(1,390)	(69,203)	(244,203)
Other long term liabilities		0	(191)	(63)	(69)
Net Assets		106,918	207,776	295,522	182,757
CASH FLOW					
Operating Cash Flow		(68,249)	(93,902)	(176,113)	(86,017)
Net Interest		0	0	0	0
Tax		0	0	0	0
Capex		(29,986)	(40,125)	(71,512)	(71,960)
Acquisitions/disposals		0	0	0	0
Financing		34,655	150,532	244,053	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)	(39,536)	(157,977)
Opening net debt/(cash)		(1,580)	42,862	2,692	56,684
HP finance leases initiated		0	0	0	0
Exchange rate movements		0	0	0	0
Other		(9,521)	42844	(14,456)	0
Closing net debt/(cash)		42,862	2,692	56,684	214,661

Source: Edison Investment Research, company accounts

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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
1185 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