

Brighter

Financial update

Progress in multiple regions

Brighter has been making progress in multiple regions for Actiste, which now has market approval in Saudi Arabia, the United Arab Emirates (UAE) and Thailand, as well as a five-year distribution agreement in Qatar and five-year agreements in both Nigeria and Ghana. Once registrations are in place in Nigeria and Ghana, Brighter expects to receive €2.3m (SEK23.4m) and €1.2m (SEK12.2m), respectively, in initial orders in those countries. The approval processes in Nigeria and Ghana are expected to begin in March 2021 and complete by the end of the year.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/19	3.3	(88.7)	(1.06)	0.0	N/A	N/A
12/20	14.1	(240.6)	(1.18)	0.0	N/A	N/A
12/21e	41.0	(171.6)	(0.49)	0.0	N/A	N/A
12/22e	218.0	(32.4)	(0.09)	0.0	N/A	N/A

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

Saudi Arabia and UAE approvals, Qatari distribution

Brighter announced the approval for Actiste in the UAE in Q420 and the remaining Saudi Arabia approval for consumables in January. Additionally, the company has signed a five-year distribution agreement for Qatar with Al Danah Medical Company, a distributor of health products since 1990.

Agreements in Nigeria and Ghana signed

Upon approval (expected by YE21), Brighter will receive an initial order of €2.3m (SEK23.4m) for Nigeria, targeting €6.3m (SEK64.2m) in the next 12 months, with a year five target of €151m (SEK1.5bn) in orders. In Ghana, Brighter will receive an initial order of €1.2m (SEK12.2m) with order volume of €3.1m (SEK31.6m) in the following 12 months and year five orders targeted at €31m (SEK316m).

Africa provides a significant opportunity

While Africa has not historically been a focus for healthcare companies, it is a significant opportunity for a company like Brighter. In Nigeria, for example, there are approximately 92 million adults, including 2.7 million with diabetes. Total diabetes health expenditure in the country is estimated at US\$1.3bn per year. For sub-Saharan Africa as a whole, there are 501 million adults, 19.4 million of whom have diabetes; annual expenditure on diabetes is approximately US\$9.5bn.

Valuation: SEK1,273m or SEK3.67per basic share

We have adjusted our valuation from SEK1,225m or SEK5.64 per share to SEK1,273m or SEK3.67 per share. The total valuation increased due to higher net cash following the SEK142m Q121 equity offering as well as rolling forward our NPVs. The per share value fell mainly due to a higher number of shares outstanding. We project the company will need to raise an additional SEK100m this year (previously SEK175m) and an additional SEK65m next year. We currently forecast profitability in 2023 (previously 2022).

Healthcare equipment & services

8 March 2021

Price **SEK1.21**

Market cap **SEK420m**

US\$0.12/SEK

Net cash (SEKm) at 31 December 2020 + offering 107.9

Shares in issue 347.3m

Free float 99.5%

Code BRIG

Primary exchange Nasdaq First North

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (17.2) (56.4) (65.3)

Rel (local) (18.5) (59.8) (72.5)

52-week high/low SEK4.89 SEK1.21

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

Commercial launch of Actiste 2021

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Multiple steps forward

Brighter has been making progress in multiple regions for Actiste, which now has market approval in Saudi Arabia, the UAE and Thailand, and it has signed a five-year distribution agreement in Qatar, which like other members of the Gulf Cooperation Council (GCC) has a high prevalence of diabetes within its adult population. The agreement in Qatar is with Al Danah Medical Company, which was established in 1990 and is a distributor of pharmaceuticals, medical devices and OTC products among other items. Qatar has a primarily state-run healthcare system so Al Danah will likely attempt to win public tenders, the timing for which is uncertain.

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
Africa		
Nigeria	3.1	2,743.8
Ghana	2.5	281.1
Europe		
Sweden	4.8	521.2

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

The company has also signed a five-year distribution agreement for Actiste with Wssonlines Nigeria. The process for Actiste approval in Nigeria is expected to start in March 2021 and will take approximately nine months for approval. Upon approval, Brighter will receive an initial order of €2.3m (SEK23.4m) for Nigeria, corresponding to 3,000 24-month subscriptions. About a quarter of this initial order will be paid upfront with the rest spread out over the term of the subscriptions. Over the first 12 months following approval, the agreement is targeting €6.3m (SEK64.2m) worth of orders (corresponding to approximately 8,000 24-month subscriptions), with a year five target of €151m (SEK1.5bn) in orders, corresponding to 210,000 subscriptions.

For Ghana, Brighter has signed a similarly structured agreement with Fretac Plus Ventures. The Actiste approval process is expected to start in March 2021 and will take approximately six months for approval. Upon approval, Brighter will receive an initial order of €1.2m (SEK12.2m) for Ghana, corresponding to 1,500 24-month subscriptions. As with the Nigerian distribution deal, about a quarter of this initial order will be paid upfront with the rest spread out over the term of the subscriptions. Over the first 12 months following approval, the agreement is targeting €3.1m (SEK31.6m) worth of orders (corresponding to approximately 4,000 24-month subscriptions), with a year five target of €31m (SEK316m) in orders, corresponding to 44,000 subscriptions.

Additionally, Brighter received marketing approval from the Thai FDA though it is still waiting for the successful conclusion of the cellular transmission approval process in order to activate and use the products. Additional information on the commercial plan for Thailand is expected in the next few months.

With regard to Camanio, the Brighter subsidiary signed a strategic partnership in March with Siemens Smart Infrastructure. It will be seeking to improve the care of seniors by integrating real estate technology such as intelligent lighting with indoor positioning and care alarms.

As announced [in February](#), Christer Trägårdh will continue as acting CEO, leading the company until further notice, as work to find a long-term replacement is underway. We expect the company to continue its current strategy.

Valuation

We have adjusted our valuation from SEK1,225m or SEK5.64 per share, to SEK1,273m or SEK3.67 per share. The total valuation increased due to higher net cash following the SEK142m equity offering (described below) as well as rolling forward our NPVs. This was mitigated in part by more conservative ramp assumptions although peak sales have remained the same. The per share value fell mainly due to a higher number of shares outstanding.

Exhibit 2: Brighter valuation table

Programme	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	19.9
	GCC countries	30%	2020	112.5	61.4	45.7	153.9
	South East Asia + ROW	30%	2020	93.8	51.1	54.7	220.2
	EU	25%	2021	133.9	73.0	243.1	678.3
	US	20%	2022	143.1	78.0	193.1	500.9
Unallocated costs							(407.7)
Total							1,165.6
Net cash (at 31 December 2020 + Q121 offering) (SEKm)							107.9
Total firm value (SEKm)							1,273.5
Total shares (m)							347.3
Value per basic share (SEK)							3.67

Source: Edison Investment Research

Financials

The company reported sales of SEK6.0m in Q420, up from SEK2.4m in the same period a year ago, with the vast majority of sales coming from the Camanio segment (which was up 88% y-o-y). Cash flows from operations were a negative SEK37.6m, a slight improvement from the negative SEK40.1m in Q419. We currently expect much of the Actiste sales growth for the year to be in the latter half of 2021, so we have lowered our FY21 revenue estimates from SEK93.0m to SEK41.0m. We have also increased our operating expense estimate for FY21 by SEK22.5m due to higher consultancy expenditures, which are categorised as other external costs. We are also introducing our 2022 estimates, which feature SEK218.0m (€21m/US\$26m) in revenues, driven by Actiste growth across the target geographies.

The company had SEK7.3m in gross cash on hand and SEK41.3m in debt at the end of Q420, but raised an additional SEK142m (gross) in February through the issuance of an additional 118.3m shares. A further SEK79m investment may come from warrants that will be exercisable as of October 2021. We currently project the company will need to raise an additional SEK100m this year (previously SEK175m), though this does not include any funds from the potential warrant exercise. We also project a need to raise an additional SEK65m next year. These financings are modelled as illustrative debt. We currently forecast profitability in 2023 (previously 2022). Note that the company is seeking alternative sources of financing for both Pink Nectarine Health and Camanio to lighten the company's need for investment in those two units.

Exhibit 3: Financial summary

	SEK000s	2019	2020	2021e	2022e
Year-end 31 December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		3,284	14,073	41,016	217,977
Cost of Sales		(1,246)	(6,863)	(8,203)	(43,595)
Gross Profit		2,039	7,210	32,813	174,382
General and Administrative Expenses		(23,418)	(75,140)	(75,891)	(76,492)
Other Operating Expenses		(52,365)	(90,686)	(91,593)	(92,509)
EBITDA		(73,744)	(158,616)	(134,672)	5,380
Operating Profit (before amort. and except.)		(78,857)	(226,990)	(157,235)	(17,183)
Intangible Amortisation		0	0	0	0
Other		0	0	0	0
Exceptionals		0	0	0	0
Operating Profit		(78,857)	(226,990)	(157,235)	(17,183)
Net Interest		(9,875)	(13,575)	(14,390)	(15,253)
Other		(953)	0	0	0
Profit Before Tax (norm)		(88,732)	(240,565)	(171,624)	(32,436)
Profit Before Tax (FRS 3)		(89,685)	(240,565)	(171,624)	(32,436)
Tax		0	0	0	0
Deferred tax		(0)	(0)	(0)	(0)
Profit After Tax (norm)		(88,732)	(240,565)	(171,624)	(32,436)
Profit After Tax (FRS 3)		(89,685)	(240,565)	(171,625)	(32,436)
Average Number of Shares Outstanding (m)		84.7	204.3	351.0	354.5
EPS - normalised (SEK)		(1.06)	(1.18)	(0.49)	(0.09)
EPS - FRS 3 (SEK)		(1.06)	(1.18)	(0.49)	(0.09)
Dividend per share (öre)		0.00	0.00	0.00	0.00
BALANCE SHEET					
Fixed Assets		186,740	226,285	293,097	359,912
Intangible Assets		158,677	179,712	246,174	312,636
Tangible Assets		16,470	34,957	35,307	35,660
Other		11,593	11,616	11,616	11,616
Current Assets		68,925	116,596	115,882	69,424
Stocks		6,831	12,998	12,998	12,998
Debtors		44,396	82,364	82,364	35,832
Cash		9,340	7,276	6,562	6,636
Other		8,358	13,958	13,958	13,958
Current Liabilities		(46,308)	(78,346)	(86,111)	(86,440)
Creditors		(35,666)	(45,530)	(53,295)	(53,624)
Short term borrowings		(10,642)	(32,816)	(32,816)	(32,816)
Long Term Liabilities		(1,581)	(8,548)	(108,548)	(173,548)
Long term borrowings		(1,390)	(8,548)	(108,548)	(173,548)
Other long term liabilities		(191)	0	0	0
Net Assets		207,776	255,987	214,319	169,348
CASH FLOW					
Operating Cash Flow		(93,902)	(177,887)	(163,859)	14,424
Net Interest		0	0	0	0
Tax		0	0	0	0
Capex		(40,125)	(78,378)	(78,855)	(79,350)
Acquisitions/disposals		0	0	0	0
Financing		150,532	276,853	142,000	0
Conversion of convertible debt instruments		0	0	0	0
Dividends		(494)	0	0	0
Other		(18,685)	(35,963)	0	0
Net Cash Flow		(2,673)	(15,375)	(100,714)	(64,926)
Opening net debt/(cash)		42,862	2,692	34,088	134,802
HP finance leases initiated		0	0	0	0
Exchange rate movements		0	0	0	0
Other		42,844	(16,021)	0	0
Closing net debt/(cash)		2,692	34,088	134,802	199,728

Source: Company reports, Edison Investment Research

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