

Brighter

Poised for revenue momentum

Financial update

Pharma & biotech

Brighter recently reported its results for the first quarter of 2021 and continues to be poised for revenue momentum at the end of the year. Actiste 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 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	(170.7)	(0.52)	0.0	N/A	N/A
12/22e	218.0	(27.0)	(0.08)	0.0	N/A	N/A

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

Nigeria and Ghana may provide revenue boost by YE

On approval (expected by year-end 2021), Brighter expects to 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 expects to 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).

Approvals in GCC region

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.

SEK142m unit issue helps address funding needs

Brighter completed a SEK142m unit issue in Q121, which was 121% subscribed. A further SEK79m investment may come from warrants that will be exercisable as of October 2021. Q121 operating cash burn was SEK50.3m, an improvement on the SEK60.3m in Q120. The company ended Q121 with SEK43.3m in cash, SEK5.6m in short-term debt and SEK8.4m in long-term debt. We now forecast SEK130m in additional raises this year (up from SEK100m previously mainly due to SEK24.8m in loans paid) with some funding necessary within the next couple of quarters based on current burn rates. We continue to forecast profitability in 2023.

Valuation: SEK1,242m or SEK3.58per basic share

We have adjusted our valuation to SEK1,242m or SEK3.58 per share, from SEK1,273m or SEK3.67 per share. The valuation declined mainly due to lower net cash, which was partially offset by rolling forward our NPVs.

21 May 2021

Price **SEK1.14**

Market cap **SEK396m**

US\$0.12/SEK

Net cash (SEKm) at 31 March 2021 29.3

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 (21.9) (7.7) (73.4)

Rel (local) (22.4) (15.8) (82.1)

52-week high/low SEK4.89 SEK1.14

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, aims to help 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

Analysts

Maxim Jacobs +1 646 653 7027

Nathaniel Calloway +1 646 653 7036

healthcare@edisongroup.com

[Edison profile page](#)

**Brighter is a research client of
Edison Investment Research
Limited**

Getting ready for Actiste commercialisation

Brighter has been making progress in multiple regions for Actiste, which now has market approval in Saudi Arabia, the UAE and Thailand. In Saudi Arabia, the company is performing pre-launch preparations, including ensuring cellular connection and local data management compliance as well as finding suitable local partnerships. For the UAE launch, Brighter is focused on the remaining necessary internal and external go-to-market preparations. While in Thailand, the company is working on the cellular transmission approval process. In February, Brighter announced 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. Actiste approval is expected by the end of the year. On approval, Brighter expects to 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 complete by the end of the year. On 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.

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.

Nectarine Health has obtained clearance from the US Federal Communications Commission (FCC) for all three system units for its home care system. The company is in preparation for a US launch in the second half of 2021. As there is little visibility on this opportunity we have not yet included it in our estimates.

Valuation

We have adjusted our valuation to SEK1,242m or SEK3.58 per share from SEK1,273m or SEK3.67 per share. The valuation declined mainly due to lower net cash, which was partially offset by rolling forward our NPVs.

Exhibit 2: Brighter valuation

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	20.7
	Gulf Cooperation Council countries	30%	2020	112.5	61.4	45.7	158.5
	South-East Asia + ROW	30%	2020	93.8	51.1	54.7	227.0
	EU	25%	2021	133.9	73.0	243.1	698.6
	US	20%	2022	143.1	78.0	193.1	515.9
Unallocated costs							(407.7)
Total							1,213.1
Net cash (at 31 March 2021) (SEKm)							29.3
Total firm value (SEKm)							1,242
Total shares (m)							347.3
Value per basic share (SEK)							3.58

Source: Edison Investment Research

Financials

Brighter reported net sales and other operating income of SEK4.3m in Q121, up from SEK2.2m in the same period a year ago, with the vast majority of sales coming from the Camanio segment (which was up 39% y-o-y). Cash flows from operations were a negative SEK50.3m, an improvement from the negative SEK60.3m in Q120. Following these results we have made some changes to our model. We have increased our cost of goods estimate for 2021 by SEK4.5m due to a higher run rate. We have lowered our operating expense estimates by SEK19.9m for both 2021 and 2022 mainly due to lower than expected external costs.

Brighter successfully completed a SEK142m unit issue during the quarter, which was 121% subscribed. A further SEK79m investment may come from warrants that will be exercisable as of October 2021. The company ended the quarter with SEK43.2m in cash, SEK5.6m in short-term debt and SEK8.4m in long-term debt. We currently forecast SEK130m in additional raises this year (up from SEK100m previously mainly due to SEK24.8m in loans paid) with some necessary within the next couple of quarters based on current burn rates. Note this funding requirement figure 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 continue to forecast profitability in 2023. 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

	SEK'000s	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)	(12,662)	(43,595)
Gross Profit		2,039	7,210	28,354	174,382
General and Administrative Expenses		(23,418)	(75,140)	(83,449)	(84,284)
Other Operating Expenses		(52,365)	(90,686)	(64,154)	(64,796)
EBITDA		(73,744)	(158,616)	(119,250)	25,302
Operating Profit (before amort. and except.)		(78,857)	(226,990)	(156,216)	(11,665)
Intangible Amortisation		0	0	0	0
Other		0	0	0	0
Exceptionals		0	0	0	0
Operating Profit		(78,857)	(226,990)	(156,216)	(11,665)
Net Interest		(9,875)	(13,575)	(14,439)	(15,305)
Other		(953)	0	0	0
Profit Before Tax (norm)		(88,732)	(240,565)	(170,655)	(26,970)
Profit Before Tax (FRS 3)		(89,685)	(240,565)	(170,655)	(26,970)
Tax		0	0	0	0
Deferred tax		(0)	(0)	(0)	(0)
Profit After Tax (norm)		(88,732)	(240,565)	(170,655)	(26,970)
Profit After Tax (FRS 3)		(89,685)	(240,565)	(170,655)	(26,970)
Average Number of Shares Outstanding (m)		84.7	204.3	330.2	357.8
EPS - normalised (SEK)		(1.06)	(1.18)	(0.52)	(0.08)
EPS - FRS 3 (SEK)		(1.06)	(1.18)	(0.52)	(0.08)
Dividend per share (öre)		0.00	0.00	0.00	0.00
BALANCE SHEET					
Fixed Assets		186,740	226,285	271,672	333,252
Intangible Assets		158,677	179,712	227,128	288,379
Tangible Assets		16,470	34,957	32,936	33,265
Other		11,593	11,616	11,608	11,608
Current Assets		68,925	116,596	116,453	81,304
Stocks		6,831	12,998	12,066	12,066
Debtors		44,396	82,364	81,823	35,832
Cash		9,340	7,276	8,929	19,772
Other		8,358	13,958	13,635	13,635
Current Liabilities		(46,308)	(78,346)	(41,757)	(41,757)
Creditors		(35,666)	(45,530)	(36,134)	(36,134)
Short term borrowings		(10,642)	(32,816)	(5,623)	(5,623)
Long Term Liabilities		(1,581)	(8,548)	(138,354)	(203,354)
Long term borrowings		(1,390)	(8,548)	(138,354)	(203,354)
Other long term liabilities		(191)	0	0	0
Net Assets		207,776	255,987	208,014	169,446
CASH FLOW					
Operating Cash Flow		(93,902)	(177,887)	(157,031)	19,021
Net Interest		0	0	0	0
Tax		0	0	0	0
Capex		(40,125)	(78,378)	(72,720)	(73,179)
Acquisitions/disposals		0	0	0	0
Financing		150,532	276,853	141,975	0
Conversion of convertible debt instruments		0	0	0	0
Dividends		(494)	0	0	0
Other		(18,685)	(35,963)	8	0
Net Cash Flow		(2,673)	(15,375)	(87,769)	(54,158)
Opening net debt/(cash)		42,862	2,692	34,088	135,048
HP finance leases initiated		0	0	0	0
Exchange rate movements		0	0	0	0
Other		42,844	(16,021)	(13,191)	0
Closing net debt/(cash)		2,692	34,088	135,048	189,205

Source: company reports, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by Brighter and prepared and issued by Edison, in consideration of a fee payable by Brighter. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2021 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

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