

Brighter

Poised for revenue momentum

Financial update

Pharma & biotech

13 May 2021

Price **SEK1.24**
Market cap **SEK430m**

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

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.

Share price performance



| % | 1m | 3m | 12m |
|-------------|--------|--------|--------|
| Abs | (24.8) | (6.7) | (60.2) |
| Rel (local) | (23.3) | (14.1) | (73.1) |

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, 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

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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 two out of the 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 (ore) | | 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

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