

## Imminent Regulatory Approvals

### Market Approval in UAE Drags On

As the focus for most healthcare authorities today is on dealing with the acute situation that prevails with Covid-19, it is clear that the launch of a new service such as Actiste is competing for attention with other priorities. Unfortunately, the market approvals Brighter needs in the United Arab Emirates, among others, have dragged on. Since 2020 seems to be an interim year, we choose to postpone our sales estimates somewhat in time. We continue to see great potential in Brighter's share as well as the company's offerings in diabetes and other indications. The company's potential becomes especially clear in an international comparison with similar companies.

### Other Events During Q2 2020

As expected, Brighter reported only minor revenue in Q2. In Indonesia, where 10 million adults have diabetes, Brighter had a breakthrough in Q2 and a pilot study with 100 patients will begin shortly. In May, Actiste was launched in Sweden for consumers and brand ambassadors with the main purpose of collecting data on user behavior. The increased focus on telemedicine with Covid-19 has led to growth in the associated company Accumbo's user base. Since its launch in March 2020, their online consumer service has grown to 13,000 users. Furthermore, Brighter's subsidiary Camanio during the autumn won a framework agreement with Sweden's municipalities regarding security alarms. Brighter has also got a new board with experienced people who have an industry-related profile in digital health. The insider investigation concerning the company's former chairman continues. The case concerns him as a private individual and the company has not been asked to be part of the investigation.

### International Comparison Upside

Actiste is a subscription service that facilitates self-care for type-2 diabetics who are treated with insulin. Initially, the company focuses on selling the service in Sweden, Southeast Asia and the Middle East. The fact that Actiste has taken a long time to be approved for some markets is of course frustrating for the company. As 2020 will be something of an interim year, we choose to adjust our target price to SEK 7.80 (from the previous SEK 9.40), but see continued potential in the share in the long run. Brighter focuses mainly on markets with a high prevalence of diabetes. At present, this means the Gulf states and Southeast Asia, but in the future, the United States may also be relevant.

## Brighter

### Earnings Update

Date 13 October 2020  
Analyst Thomas Nilsson

### Basic Facts

Industry Health Care  
Chairman Emilie Erhardt Winiarski  
CEO Henrik Norström  
Listed Since 2012  
Exchange First North Stockholm  
Ticker BRIG  
Share Price 2,80 kr  
Number of Shares, m 209,9  
Market Cap, MSEK 588  
Net Debt, MSEK -41  
Enterprise Value, MSEK 547  
Website www.brighter.se

### Share Price Development



Source: Refinitiv

### Financials, MSEK

	2018	2019	2020p	2021p
Revenue	0	2	10	123
EBITDA	-49	-79	-124	-44
Operating Profit	-49	-80	-124	-44
Pretax Profit	-53	-90	-134	-44
Net Income	-53	-90	-134	-44
EPS	-5,09 kr	-0,88 kr	-0,64 kr	-0,21 kr
Dividend	0,00 kr	0,00 kr	0,00 kr	0,00 kr
Revenue Growth	n/a	n/a	n/a	n/a
EBITDA-margin	n/a	n/a	n/a	n/a
Operating Margin	n/a	n/a	n/a	n/a
Net Debt/Equity	0,4	0,0	0,0	0,1
Net Debt/EBITDA	n/a	n/a	n/a	n/a
P/E	n/a	n/a	n/a	n/a
EV/EBIT	n/a	n/a	n/a	n/a
EV/Sales	n/a	n/a	n/a	n/a
Dividend Yield	0,0%	0,0%	0,0%	0,0%

Source: Company Reports, Analysguiden

## Investment Case

### Growing Numbers of Diabetics

Diabetes is the world's fastest growing chronic disease affecting 422 million people worldwide (one in 11 adults), which is expected to increase to 642 million by 2040 (one in 10 adults). Many children also suffer from diabetes. This creates a great need for new services and aids that facilitate and streamline diabetes care. Brighter has created Actiste to give diabetic patients a better way to manage their diabetes, thereby easing the burden on healthcare systems. By combining a blood glucose meter, lancet and insulin pen in a device connected to a cloud service with mobile data, Actiste simplifies the daily routine. At the same time, it is easy to share data with relatives and care staff. In the United States alone, there are 31.4 million diabetics, and every year 500,000 new patients are diagnosed with diabetes. Brighter's product Actiste, was CE marked in 2019. Actiste is part of a platform that together with the company's cloud solution, the Benefit Loop, can expand to other therapy areas in the future. For example, patients with high blood pressure or other chronic diseases where medication is injected. The most important benefits for users are the unique technical integration in a device, the ability to follow injection data, automatic logging of vital data, secure communication, as well as monitoring and tracking of consumables for refilling.

**The number of diabetics in the world is expected to increase from 422 million to 642 million by 2040**

**Brighter's product Actiste was CE marked in 2019**

### Target Price Adjustment

As 2020 will be something of an interim year, we choose to adjust our target price slightly to SEK 7.80, but see continued potential in the share in the long run. The company's goal is to eventually reach 30% of its addressable market and the focus is mainly on markets with a high prevalence of diabetes. At present, this means the Gulf states and Southeast Asia, but in the future, the United States may also be on the agenda.

## Strong Growth for Industry Peer Livongo

Brighter's industry colleague Livongo, with Kinnevik as a partner, has shown strong growth in both the number of members and sales in recent times. During Q2 2020, the company's membership grew by 113% to 410,000 (193,000) and sales grew by 125% to USD 92 million (41). This has led to a substantial revaluation of Livongo, whose market capitalization now amounts to USD 13.8 billion. Kinnevik's ownership share of 13% is valued at SEK 8.9 billion, a very healthy return on the approximately SEK 800 million that was initially invested in Livongo.

## Upside in the Valuation in International Comparison

With 150 million diabetics in the world taking insulin by injection, the market potential is very large. Furthermore, a report from the Milken Institute in 2019 showed that the annual cost of chronic diseases such as heart disease, cancer, diabetes and Alzheimer's amounts to a whopping USD 1,100 billion. International medical device companies with a focus on diabetes are valued at high multiples relative to their turnover. It shows the potential that exists for Brighter's share now that Actiste is being launched in several markets around the world.

## Livongo Has Been Revalued

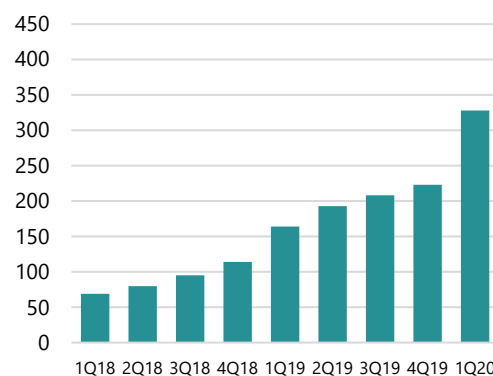
Share Price Development Since IPO



Source: Refinitiv

## Livongo Membership Growth

Number of subscribers in thousands



Source: Livongo

## Forecasts and Valuation

Our forecasts so far include only Actiste, which is the first application of Brighter's IP platform. It can be applied to several other treatment areas where medicine is injected. As, for example, the number of people in the US who have high blood pressure is slightly higher than the number of diabetics, there is also a very large addressable market here. As an example, there are a number of new drugs under clinical development in both oncology and cardiac endocrinology, which in the future can potentially be administered with Brighter's technology. As Brighter's goal is to help as many millions of diabetics as possible, it is natural that the largest number of future patients will be in populous regions such as China, the United States and Asia.

**Our forecasts so far include only Actiste, which is the first application of Brighter's IP platform**

According to the Medical Products Council, a standard blood sugar measurement costs about SEK 8,000 per year. Flash glucose measurement with sensor costs 13,000 per year. These prices are both including VAT. If we assume that Actiste is priced in between these, we end up with a price of SEK 10,500 per year or SEK 8,400 excluding VAT, which corresponds to SEK 700 per month. In an investor update Brighter has stated a range between 60 and 110 euros per month, which is in line with this estimate. Furthermore, in our forecasts we estimate that distribution channels take about half of the revenue as compensation for their work.

**We assume Actiste will be priced in between regular blood sugar measurement and flash glucose measurement**

### Relative Valuation

American Livongo Health (Nasdaq: LVGO, USD 142.82) is an interesting comparison item for Brighter. By the end of June 2020, they had grown the number of subscribers to the service Livongo for Diabetes to 410,000, which was an increase of 113% from the same period in 2019. On its website, Livongo states a cost of USD 50 - 75 per month for its service, which is in line with the assumptions we make for Actiste. The company's valuation is high, with a market capitalization of USD 14 billion, 26 times that of analysts sales forecast for 2021. The following table describes how other listed medical technology companies with a focus on diabetes are valued in terms of sales multiples. The median in this group is 5.0 times estimated sales in 2021.

## Valuation of International Diabetes Companies

Key Figures for a Selection of Comparable Companies

Company	Market Cap, MUSD	Country	Share Price, % 1 year	Share Price, % 5 years	EV/Sales 2020E	EV/Sales 2021E	P/E 2020E	P/E 2021E
Becton Dickinson	66 455	USA	-9	69	1,4	1,2	23,1	18,1
Dexcom	37 819	USA	154	329	2,9	2,3	n/a	n/a
Insulet	15 191	USA	46	741	18,2	15,6	n/a	n/a
Medtronic	139 127	USA	-7	56	5,5	5,0	25,6	17,9
Ypsomed	1 871	Switzerland	6	31	4,4	4,4	n/a	n/a
<b>Medel, jämförbolag</b>	<b>52 093</b>		<b>38</b>	<b>245</b>	<b>6,5</b>	<b>5,7</b>	<b>24,3</b>	<b>18,0</b>
<b>Median, jämförbolag</b>	<b>37 819</b>		<b>6</b>	<b>69</b>	<b>4,4</b>	<b>4,4</b>	<b>24,3</b>	<b>18,0</b>
<b>Brighter</b>	<b>66</b>	<b>Sweden</b>	<b>-48</b>	<b>69</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

In our valuation of Brighter, we apply the median value of these EV / Sales multiples in our base scenario, i.e. 5.0 to our sales forecast for 2022. Discounted at present value, we arrive at a target price of SEK 7.80 per share. As we have postponed our sales forecasts over time, and the fact that the company now has a slightly larger number of shares outstanding, this means a slightly lower target price than in our previous report. In the long run, however, we see great potential in Brighter's share and service offerings.

## Valuation of Brighter, Three Scenarios

	Bear	Base	Bull
Actiste Launch Year	2022	2021	2021
Net Revenue 2025, MSEK	300	600	900
Adjusted EV/Sales Multiple	5,0	5,0	5,0
Company Valuation 2025, MSEK	1 500	3 000	4 500
Discount Rate	12,8%	12,8%	12,8%
Discount Factor	1,8	1,8	1,8
NPV, MSE	821	1 643	2 464
Risk adjusted NPV per share (209,9M)	3,9 kr	7,8 kr	11,7 kr

# Company Description

## Background

Brighter is a Swedish medical device company headquartered in Kista near Stockholm. The company is focused on chronic diseases, including diabetes, and has a data-centric approach to provide better treatment for the chronically ill. In 2019, a number of investments were made that have broadened the business and product portfolio beyond diabetes, which has been the initial focus of the company. Through the subsidiary Camanio and their Smartcare platform, the company wants to offer a digital platform for better homecare, and through the subsidiary Nectarine Health, through AI solutions, to work proactively and improve elderly care without compromising the patient's integrity. Together with the associated company Accumbo, Brighter is also developing digital solutions for patients with high blood pressure. In December 2019 a joint venture was launched to integrate Actiste into the upcoming service called "The Diabetes Doctor", which will be an extension of Accumbo's current offering.

However, Actiste continues to be Brighter's flagship offering with high priority and the commercialization of it is ongoing. Following the investments, the Brighter Group offers a number of solutions related to diabetes care, welfare technology, digital healthcare services and user data. As part of the company's long-term strategy, its IP is also considered to be an active asset that strengthens existing operations but also enables, for example, licensing.

Actiste is a complete care solution for the treatment and follow-up of insulin-dependent diabetes. The tool gathers and combines all the necessary functions in a single connected device; blood sampling, blood glucose measurement and injection of drugs. The device is based on patented technology for collecting data on specified biomarkers and injected volumes of drugs. Through eSIM technology, Actiste has a global connection, which means that it is completely independent of other devices for sharing health and treatment data. The Actiste unit received two CE markings in September 2019 - one for MDD and one for IVDD. The Actiste device is delivered as part of a subscription service. The service includes global connectivity, different levels of data sharing, continuous automatic replenishment of consumables and enables personal coaching and guidance to optimize and improve processing.

## The Diabetes Market

Diabetes is a chronic disease that occurs when the pancreas can no longer produce insulin, or when the body cannot absorb the insulin it produces. Insulin is a hormone produced in the pancreas, which enables glucose from the food we eat pass through the bloodstream to the cells of the body to produce energy. All carbohydrates in the food

**The Brighter group has recently broadened its operations and product portfolio beyond diabetes**

**Brighter's initial target market is type-2 diabetics who are treated with insulin**

break down into glucose in the blood, and insulin helps glucose enter the cells. Failure to produce insulin or use it effectively leads to elevated blood sugar levels. Over time, this is linked to damage to organs and tissue in the body.

In 2016, WHO estimated that there were 422 million adult diabetics in the world, and that this is expected to grow to 642 million in 2040. Globally, the International Diabetes Federation estimates that just over 150 million diabetic patients are treated with insulin injections, and initially, Brighter targets these 40% of diabetics treated with insulin. This also includes type 1 diabetics, those diabetics who cannot produce their own insulin, which is, however, a very small part of the total number. Today, there are sophisticated insulin pumps that are often used in the treatment of type 1 diabetes. In the US, about 13% of all type 1 diabetics have insulin pumps and the corresponding figure in Sweden is 14%. Thus, it is mainly type 2 diabetics who are treated with insulin that constitute Brighter's initial target market.

## Income Statement (MSEK)

	2016	2017	2018	2019	2020E	2021E	2022E
Net sales	0	0	0	2	10	123	374
Operating costs	-15	-24	-49	-82	-134	-167	-381
<b>EBITDA</b>	-15	-24	-49	-79	-124	-44	-7
Depreciation	0	0	0	0	0	0	0
<b>EBITA</b>	-15	-24	-49	-80	-124	-44	-7
Amortization	0	0	0	0	0	0	0
<b>Operating profit (EBIT)</b>	-15	-24	-49	-80	-124	-44	-7
Extraordinary items	0	0	0	0	0	0	0
<b>EBIT excluding extraordinary items</b>	-15	-24	-49	-80	-124	-44	-7
Net financial items	0	-3	-4	-10	-10	0	14
<b>Pretax profit</b>	-15	-27	-53	-90	-134	-44	7
Taxes	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0
<b>Net income</b>	-15	-27	-53	-90	-134	-44	7

## Balance Sheet (MSEK)

	2016	2017	2018	2019	2020E	2021E	2022E
<b>ASSETS</b>							
Property, plant & equipment	0	0	0	0	0	0	0
Other fixed assets	0	0	0	4	4	4	4
Goodwill	0	0	0	10	10	10	10
Other intangible assets	47	77	103	149	220	260	300
Other fixed assets	16	8	10	24	24	24	24
<b>Total fixed assets</b>	63	85	112	187	258	298	338
Inventory	0	0	7	7	17	17	17
Accounts payable	2	1	0	1	1	1	1
Other current assets	0	16	42	52	40	40	40
Cash and cash equivalents	2	10	9	9	23	3	3
<b>Total current assets</b>	4	26	58	69	81	61	61
<b>TOTAL ASSETS</b>	67	111	171	256	339	359	399



## Equity and Liabilities

	2016	2017	2018	2019	2020E	2021E	2022E
Equity	58	87	107	208	291	247	254
Minority interests	0	0	0	0	0	0	0
<b>Total equity</b>	58	87	107	208	291	247	254
Long-term interest-bearing debt	0	0	0	1	11	11	11
Other long-term liabilities	0	0	0	0	0	0	0
<b>Total long-term liabilities</b>	0	0	0	2	11	11	11
Short-term interest-bearing debt	0	8	52	11	7	14	14
Accounts payable	6	11	4	14	13	26	70
Other short-term liabilities	3	5	8	22	17	34	50
<b>Total current liabilities</b>	9	24	64	46	37	74	134
<b>TOTAL EQUITY AND LIABILITIES</b>	67	111	171	256	339	332	399

## Cash Flow Statement (MSEK)

	2016	2017	2018	2019	2020E	2021E	2022E
C.f. before changes in working cap.	-15	-20	-46	-72	-124	-44	-7
Changes in working capital	-2	-25	-22	-22	-22	-22	-22
Other items	0	0	0	0	0	0	0
<b>Cash flow from operating activities</b>	-16	-45	-68	-94	-146	-66	-29
Cash flow from investing activities	-26	-35	-43	59	80	30	30
<b>Free cash flow</b>	-42	-79	-111	-153	-226	-96	-59
Cash flow from financing activities	43	68	110	153	191	100	50
Cash flow for the period	1	8	-1	0	-35	4	-9
<b>Cash and cash equivalents</b>	2	10	9	9	23	3	3
<b>Net debt (neg = net cash)</b>	-2	-2	43	3	-5	22	22

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