



ANALYSGUIDEN, ANALYSIS BY ASSIGNMENT
10 September 2019

BRIGHTER

RISK REDUCED WITH CE NEWS

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Risk reduced with CE news

After more than two years of waiting, the CE marking finally arrived. We thus remove our risk adjustment that have been in place since our first analysis in 2017. This positively affects the justified value in all scenarios. Our new target price in our base scenario increases to 19.2 SEK per share, up from the previous target price of 14.9 SEK/share.



Actiste® is Brighter's all-in-one subscription service aimed at facilitating self-care for diabetes patients. The company has further expanded its sales channels from the mobile operators to cover other parties such as insurance companies and other

relevant care givers. The for the market and company so important CE - marking finally arrived. This was a necessary step before the service can reach the market. Given that we have had to push the scenario further out in time for a long period, the focus will now shift to getting orders in place and to ensuring deliveries of the finished product. In the long-term scenario, this delay does not mean that much. However, costs arise and without revenue the company constantly requires new financing, which increases the number of shares over time.

It is also obvious that the competitors have not been idle during this time, but have further developed their products, which is not new though. Since our first report in 2017, we have made a risk adjustment of our valuation approach related to the inherent uncertainty around the CE. We have now in the light of the news of the CE-certification removed this risk adjustment. As the comparative companies' valuations have increased somewhat, this also has a positive impact relative to our previous analysis, made in June this year. In that analysis we also adjusted our forecasts and some parameters in the cash flow valuation, which means that we do not significantly adjust our forecasts this time. The removal of the risk adjustment does however have a significant effect on the motivated value on the share in our different scenarios. In our updated base scenario, we see a value of 19,2 (14,9) SEK per share. In the more optimistic bull-scenario, the value per share is calculated at 26,5 (20,5) SEK and in the more defensive bear-scenario at 13,5 (10,5) SEK.

Outcome & prognosis, base scenario

MSEK	2017	2018	2019P	2020P	2021P	2022P
Tot Revenue (prog excl.act.cost.)	32,8	26,1	1	19	121	369
Growth	e.m.	e.m.	e.m.	5270%	548 %	204 %
EBIT*	-24,4	-48,6	-71	-46	-46	-11

Source: Brighter, Carlsquare.

Date: 10 September 2019
Analyst: Mats Hyttinge, Carlsquare (former Carlsquare)

Company name: Brighter AB
Listing: FIRST NORTH STOCKHOLM
CEO: Henrik Norström
Chair of the board: Truls Sjøstedt
Market value: 1130 MSEK
Share Price: 12,2
Brighter in short: Brighter has developed a platform called the Benefit Loop® that can be used in a variety of clinical diseases. The company has initially focused on diabetes with its mobile solution Actiste®. The company is working towards commercializing the service on the initial target markets. Among them the United Arab Emirates is found.

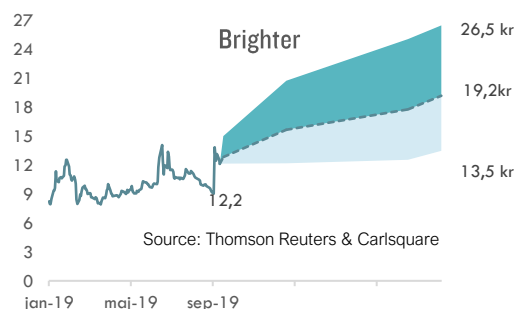
Opportunities and strengths: With its first product connected to its platform, the company has created a product that will facilitate self-care of diabetes. The market potential is huge and given the growth in the number of patients worldwide the niche is interesting. The product is relatively unique as it is easy to use, but also handle several steps and is connected. Actiste® offers clear benefits to existing products on the market.

Now that the company has received the CE mark, the focus will be on the sales efforts that have been previously made. There will be an expectation of orders relatively quickly since the CE mark process has hampered sales.

Risks and weaknesses: Product development is risky, and the company currently lacks revenue that covers the costs.

The company has now received the CE approval which eliminates the greatest risk short term. However, the company must now present orders to defend its valuation.

Valuation:	Bear	Base	Bull
	13,5 kr	19,2 Kr	26,5 kr



Share temperature

Management



Henrik Norström is the acting CEO since May 2019. Former CEO Truls Sjøstedt is now Executive Chairman of the board. Since Henrik Norström has been instrumental in building the company, the change at the helm does not mean any major change will be made in the running of the company.

Management is assessed on a ten-grade scale, where 1 is low and 10 is high. A crucial point for the grading is the managements' industry experience, competence, confidence from the stock market and previous performance.

Owners



Truls Sjøstedt is the major shareholder which incentivises him to act in the shareholders' common interest. The company has set a goal to change the stock exchange where it is listed, as part of its effort to attract larger and institutional investors.

The owners are assessed on a ten-grade scale where 1 is low and 10 is high. A crucial point for the grading is the owners' previous actions in the company, their financial strength, their board representation and previous results of investing in similar companies or sectors. Long-term thinking and responsible acting towards other shareholders are also of great importance.

Financial situation



In 2019, the company received SEK 105 million in new issues. In addition, the company has secured new capital from Winance through targeted new issues of a total of EUR 15 million over three years. Warrants (TO5) could potentially add another EUR 19.5 million. Warrants Series I & II 2016 - 2019 could – during the period 23 May to 22 June 2019, and 29 August to 28 September 2019 – possibly add a further SEK 19.2 million. In addition, there are Series I & II 2017 - 2020, as well as 2018 2021, and TO3 and TO4 that could possibly add an additional SEK 144 million. So far, TO3 and TO4 have been redeemed for shares with a value of SEK 13.3 million.

The financial situation is assessed on a ten-grade scale where 1 is low and 10 is high. In this decision criterion we take into account the company's profitability, the financial situation, future investments and other financial commitments, as well as potential over and under valuation in the balance sheet and other factors that might affect the financial situation of the company.

Potential



Long-term, if the company has success in its efforts regarding Actiste® there is significant potential in the share. Now that the CE process is finished, the company can focus on revenue creation.

The company's potential is assessed on a ten-grade scale where 1 is low and 10 is high. A crucial point for the grade is the size of future potential profit in relation to today's share price. Another crucial point is on what market the company is currently active and the potential and profitability of this market. A company might receive a high grade even though the future potential growth is low, if the share is valued even lower than the growth. In the same way a highly valued stock can have high potential if the conditions for growth aren't fully reflected in the share price.

Risk



It is hard to judge the status and progress of the product; however, several positive steps have been made during the last year. The total risk level is reduced after the news of the CE certification, as it would have been difficult to continue the company without it.

The commercial risks remain as the company has not yet sold any Actiste® even though it seems to be commercially viable. We lower the risk rating one step.

The risk is assessed on a ten-grade scale where 1 is low and 10 is high. The risk is a cumulative assessment of all risks that a company can be exposed to that will affect the share price. The grade is based on a weighted assessment of the general risk level in the company, the current valuation of the share, the competitive situation for the company and an assessment of future surrounding world events that might affect the company.



About Brighter

Brighter AB was founded in 2007 by Truls Sjöstedt, current Executive Chairman of the Board. The company's head office is in Kista, just outside Stockholm.

The company researches and develops smart products whose aim is to simplify and continuously improve healthcare. Brighter currently has one product, Actiste®, that is close to being launched on the market. With the CE process for this product completed – albeit heavily delayed – the company can now focus entirely on sales.

The first service to be launched is Actiste® which is an all-in-one service to simplify self-care for diabetics. The service collects user data that can be shared with healthcare providers or other close related parties.

Actiste is a part of a platform that together with the company's cloud solution, the Benefit Loop, can expand to other therapeutic areas in the future.

User benefits with Actiste®

Main benefits of Actiste®

- Unique technical integration in a device
- Unique system for tracking injection data
- Automatic logging of vital data
- Personal privacy protected – the user determines what is shared
- Secure communication and encrypted data storage
- Global structure for managing personal data
- Follow-up and tracking of consumables for refilling Actiste
- AI monitoring of Actiste for rapid exchange when necessary

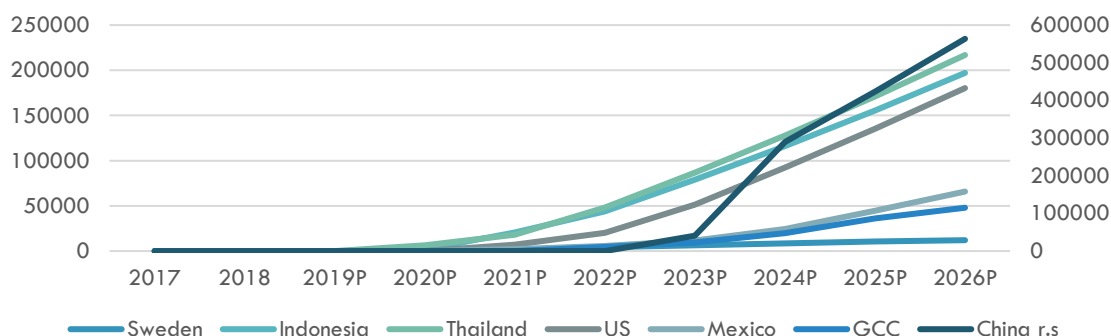
Source: Brighter, Carlsquare

Forecasts

The path to market and sales

We have in our earlier initiating analyses gone through all the potential markets and what the impact could be of each of them. We have also made calculations on all known parameters around the product and its costs. We have, as the graph below illustrates, made assumptions regarding 9 markets. So far, these assumptions only include Actiste®, which is the first application of Brighter's IP platform. The platform can be used for many other areas as well, in addition to diabetes, where medication is injected. As an example, there are a number of new drugs under clinical development in both Oncology and Cardiac Endocrinology that could potentially be administered in the future using Brighter's technology.

Subscriber development Actiste

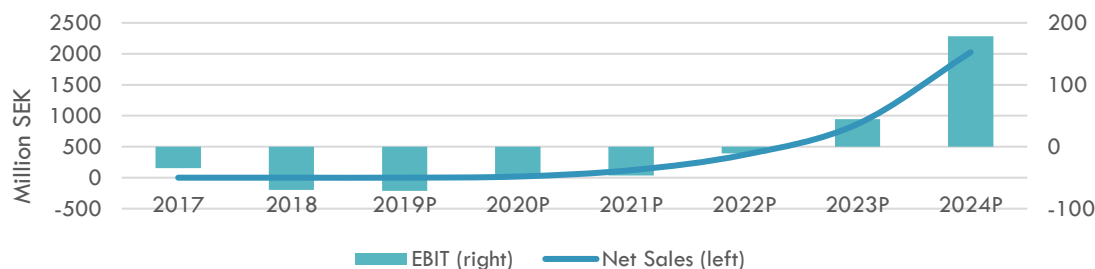


Source: Carlsquare

In our calculations, we arrive at a top gross margin of 32 percent, assuming the costs for test strips, needles, meters and electronics. Long term, we calculate for an operating margin of 12 percent. In our scenario, we calculate that the profits will arrive later, since we assess that the initial years following launch will be influenced by high costs for marketing, in order to achieve high growth. The business model based on revenue from subscriptions is also a strain on the cashflow initially, due to the cost of the hardware.

This is illustrated in the graph below, where we estimate a small loss in the year 2022 and a profit in 2023. The larger profits will arrive towards the end of the forecast period. It should be noted though that Brighter has not indicated how it will account for and accrue revenue and costs for the subscription model. This makes the forecasts somewhat uncertain, even though the cashflow and valuation is not affected by choice of accounting principle.

Estimates Base scenario – net sales and EBIT



Source: Carlsquare

Valuation approach

We have used two methods in our valuation. First, discounted forecasted cashflows (DCF) according to our base case scenario. Second, we have done a valuation based on sales multiples for comparable companies. Below we show our assumptions in our DCF valuation.

DCF-Valuation Base scenario

WACC up to 2023	12,8%	Long-term growth	3,0%	NPV Stable period, MSEK	1936
WACC stable period	11,3%	Long-term margin	12,0%	Company value, MSEK	2249
Growth forecast period - 2028P	112%	NPV Forecast period MSEK	313	Net Cash, MSEK	10
				Shareholder value, MSEK	2260

Source: Carlsquare

We have used a relatively high initial discount rate of 12,8 (13,3) percent. This is motivated by the fact that Actiste® is not yet launched. We calculate that a major part of the future revenue will stem from less-developed countries. In a longer view, we calculate that the rate will come down to 11,3 (11,5) percent. With these assumptions, we calculate a justified value of about 2260 million SEK. We have removed our risk adjustment of 80 percent.

Peer valuation

In addition to the DCF valuation, we have examined how similar companies are valued on the market today. We have not yet included Livongo in our peer group, primarily as we want to see a stabilization of the expectations and share development. Since its introduction in July, Livongo has lost 38 percent of its value and is now trading at 23,5 USD per share. The company is currently trading at an EV/sales of roughly 21x. This is clearly above the peer group. It is quite likely that Livongo will be included in our peer group going forward. We have primarily looked at sales multiples (EV/Sales).

Valuation Diabetes companies

Company	Price	EV/sales 2019P
Dexcom	172,3	11,3x
Medtronic	107,5	5,1x
Insulet	168,0	14,6x
Ypsomed	128,0	4,1x
Becton Dickinson	248,0	5,0x
	Average	8,0x
	Median	5,1x

Source: Thomson Reuters, Carlsquare

Since our last analysis in June, the valuation of comparable companies has recovered somewhat, with Dexcom and Insulet performing especially well. We calculate a median valuation of 5,1 (4,8) times sales for the group above. If we apply this slightly higher multiple on our four-year sales prognosis (2022F), it corresponds to a value of 1,8 billion SEK at that point in time. Using the same discount rate as earlier, it equals a present value of 1255 (1133) million SEK. See table below.

Peer valuation EV-Multiple (BASE)

BASE Case	
Million SEK	2022P
Net sales	369
Just. EV/Sales-multiple, times	5,1
Share-holder value	1883,8
Annual discount rate	12,8%
Justified Shareholder value today	1255

Source: Carlsquare

The profit multiples also indicate a lower risk level in the compared companies, since several are established on the market.

We also do an expanded scenario based on a more positive (Bull) and a negative (Bear) view. These scenarios are based on our base scenario. In these scenarios as well, we use the same methodology as in the base scenario to arrive at a justified shareholder value.

Valuation – base scenario

We chose to use an average of the two valuation approaches to arrive at a value for Actiste®. We arrive at a justified shareholder value of 1752 (1464) million SEK, where the earlier sum includes the 80 percent risk adjustment that we now have removed. The group of comparable companies has bounced back somewhat after a longer period of negative development which at this time have a positive effect.

We have also adjusted WACC down to 12.8% (13.3%) through a reduction of the risk-free interest rate and a lower beta value. Adjusted for the dilution effect that the company itself indicates (uncertainty factor as the number of converters and warrants etc. varies) we calculate a value per share of SEK 19.2 (14.9) per share.

Valuation – BASE – BULL - BEAR

We have in our analysis started with a base scenario that we believe reflects the most likely outcome given the current information available. To get a sense for how the valuation changes given a more positive and negative outcome in relation to our forecasts, we have calculated with two alternate scenarios called BULL and BEAR. We have in these two cases decreased and increased the forecasted number of Actiste® in our model with +/- 10 percent respectively. We have also adjusted the long-term growth assumption in our DCF model to 5 percent in the positive scenario and down to 1 percent in the negative scenario. This is in relation to our assumed long-term growth in our base scenario of 3 percent.

Value of the BEAR, BASE, BULL scenarios

	BEAR	BASE	BULL
Sales 2028P	7132	7508	8258
Sustainable margin	12,0%	12,0%	12,0%
Adjustment growth no Actiste vs BASE 2018-2028P	-10,0%	0,0%	+10%
Growth, eternity	1,0%	3,0%	5,0%
Value	1 258	2 249	3 565
Value peer valuation EV/Sales 2022P	1 129	1 255	1 380
Avg DCF - and multiple.	1 194	1 752	2 473
Further financing Winance etc.	125	125	125
No shares, million after dilution	98,4	98,4	98,4
Justified shareholder value	1331	1890	2610
Justified value per share, SEK	13,5	19,2	26,5
Potential (price 12,1)	9%	56%	116%

Source: Carlsquare

During the last six months, the Brighter- share has continued to be volatile around speculations regarding the CE issue. The share was also for a brief period on observation status before the new financing was published. However, in conjunction with the CE news, the share took a steep rise to the levels that prevailed earlier this summer. It can certainly continue to be volatile as interest rises and pending orders. It is worth noting that our base scenario is still relatively aggressive, with sales towards the end of the forecast period of SEK 7.5 billion.

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