



ANALYSGUIDEN, ANALYSIS BY ASSIGNMENT
6 Mars 2020

BRIGHTER
FINANCING BUYS TIME

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Financing buys time

The report contains no major surprises. The financing in the beginning of 2020 gives the company time to get the commercialization up to speed on their flagship offer Actiste® Diabetes Management as a Service. Our new motivated value in the base scenario arrives at 9,4 (19,7) after dilution and minor revisions.



Actiste® is Brighter's flagship offer is an all-in-one subscription service aimed at facilitating self-care for diabetes patients. The initial focus for the company is to market the service in Sweden, South East Asia and in the Middle East. The most progress has been made in the United Arab Emirates, which seems closest to a first order.

Focus is naturally shifting towards the actual sales process and with the financing done during the first quarter 2020 the company can proceed forward. We had not ahead of the report anticipated any surprises regarding orders or any other issues. At present it is just traditional work to get the sales done in the coming quarters. In the long-term scenario, this delay does not mean that much although constantly requires new financing. This new financing is at the same time better and much clearer than the previous somewhat stringy arrangements.

Further on the positives is that although that will delay the process, the shareholders still seems willing to step in and cover these costs until a revenue stream arrive. The financial position has improved which is reassuring, even though the dilution effect has affected the motivated value in a negative way. This, even though the total value of the company has not changed so much.

In our updated base scenario, we see a value of 9,4 (19,7) SEK per share. In the more optimistic bull-scenario, the value per share is calculated at 16,5 (27,0) SEK and in the more defensive bear-scenario at 5,6 (14,0) SEK.

Outcome & prognosis, base scenario

	MSEK	2017	2018	2019	2020P	2021P	2022P
Tot Revenue (prog excl.act.cost.)	32,8	26,1	37,8	18,6	123	374	
Growth	e.m.	e.m.	e.m.	5270%	561%	204 %	
EBIT*	-24,4	-48,6	-79	-46	-44	-7	

Source: Brighter, Carlsquare.

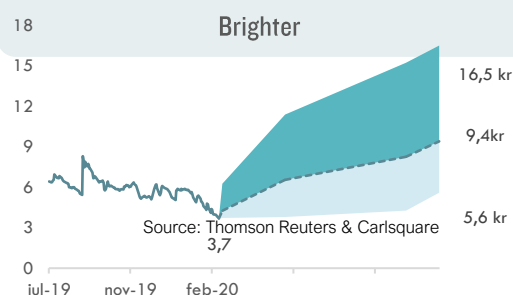
Date: 6 Mars 2019
Analyst: Mats Hyttinge, Carlsquare

Company name: Brighter AB
Listing: FIRST NORTH STOCKHOLM
CEO: Henrik Norström
Chair of the board: Truls Sjøstedt
Market value: 740 MSEK
Share Price: 3,7
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. In 2019, a number of investments were made that broadened the business beyond diabetes.

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.

Risks and weaknesses: 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. 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
	5,6 kr	9,4 Kr	16,5 kr





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. In 2019, a number of investments were made that broadened the business and the product portfolio beyond diabetes, which has been the initial direction for the company.

Actiste® Diabetes Management as a Service is still Brighters flagship offer with high priority and the commercialization of this service is ongoing. The Brighter group offers after the investments were done 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 licensing.

The company is aimed to a number of stakeholders:

- Consumers and patients
- Healthcare providers
- MNOs
- Authorities & academic bodies
- Insurance companies & employers
- Organizations that work with clinical research
- Pharmaceutical companies

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 into a single connected device that provide blood sampling, blood glucose measurement and drug injection.

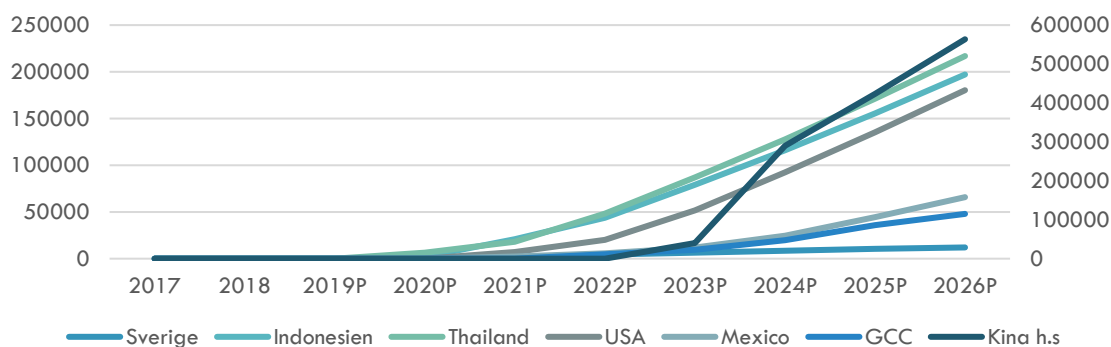
The unit is based on patented technology for collecting data on specified biomarkers and injected volumes of drugs. Through eSIM technology, Actiste has global "out-of-the-box" connectivity, which means that it is completely independent of other entities for sharing health and treatment data. The Actiste unit received 2 CE marks in September 2019 - one for MDD and one for IVDD. The Actiste unit is delivered as part of a subscription service. It includes global connectivity, different levels of data sharing, ongoing automatic replenishment of consumables and enables personalized coaching and guidance to optimize and improve processing.

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

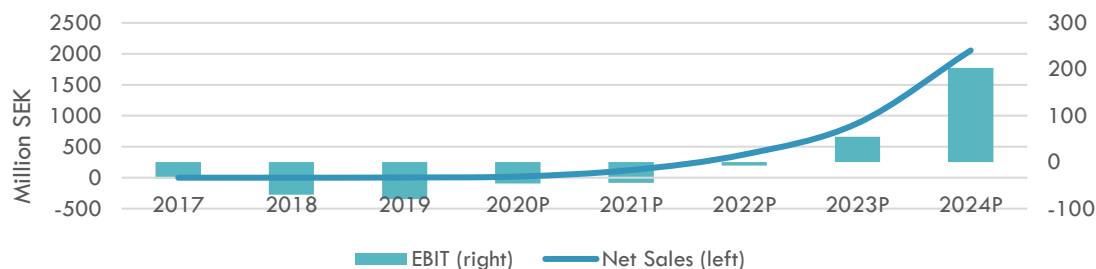


Source: Carlsquare

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 11 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 2024	14,1%	Long-term growth	3,0%	NPV Stable period, MSEK	2143
WACC stable period	12,4%	Long-term margin	11,0%	Company value, MSEK	2619
Growth forecast period - 2028P	70%	NPV Forecast period MSEK	476	Net Cash, MSEK	200
				Shareholder value, MSEK	2820

Source: Carlsquare

We have used a relatively high initial discount rate of 14,1 percent. This is motivated by the fact that Actiste® is not yet sold in the market. 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 12,4 percent. With these assumptions, we calculate a justified value of about 2619 million SEK.

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, It is quite likely that Livongo will be included in our peer group going forward, but we are not quite there yet. We have primarily looked at sales multiples (EV/Sales).

Valuation Diabetes companies

Company	Price	EV/sales 2019P
Dexcom	281,5	14,2x
Medtronic	101,0	4,6x
Insulet	183,8	13,8x
Ypsomed	136,8	4,4x
Becton Dickinson	242,7	4,7x
	Average	8,4x
	Median	4,7x

Source: Thomson Reuters, Carlsquare

Since our last analysis in October, the valuation of comparable companies has once again fallen back somewhat. However, the trend for Dexcom and Insulet has been strong. We calculate a median valuation of 4,7 (5,0) times sales for the group above. If we apply this slightly lower multiple on our four-year sales prognosis (2024F), it corresponds to a value of 1,7 billion SEK at that point in time. Using the same discount rate as earlier, it equals a present value of 923 (1250) million SEK. One additional explanation on top of the lower median is a higher Wacc (roughly – 100 msek). See table below.

Peer valuation EV-Multiple (BASE)

BASE Case	
Million SEK	2024P
Net sales	375
Just. EV/Sales-multiple, times	4,7
Share-holder value	1760,9
Annual discount rate	14,1%
Justified Shareholder value today	923

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 1771 million SEK adjusted for the dilution effect from the share issue in January. We arrive at a value per share of SEK 9.4 (19.7) per share, where the change is primarily due to the

change in the number of shares outstanding but also a higher Wacc. Meanwhile we have rolled our forecasts one year forward which have a positive effect on the terminal value.

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 2029P	8277	8712	9584
Sustainable margin	11,0%	11,0%	11,0%
Adjustment growth no Actiste vs BASE 2020-2029P	-10,0%	0,0%	+10%
Growth, eternity	1,0%	3,0%	5,0%
Value	1 209	2 619	5 249
Value peer valuation EV/Sales 2024P	831	923	1 016
Avg DCF - and multiple.	1 020	1 771	3 132
No shares, million after dilution	194,1	194,1	194,1
Justified shareholder value	1081	1772	3132
Justified value per share, SEK	5,6	9,4	16,5
Potential (price 3,85)	45%	145%	327%

Source: Carlsquare

During the last six months, the Brighter- share has continued to be volatile around speculations surrounding financing and share issues. The current issues regarding the Corona virus has affected the stock markets as of lately and especially companies whose values are based on future expectations. That the financing is cleared away is positive since the market tends to be more reluctant to new share issues in the short perspective.

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