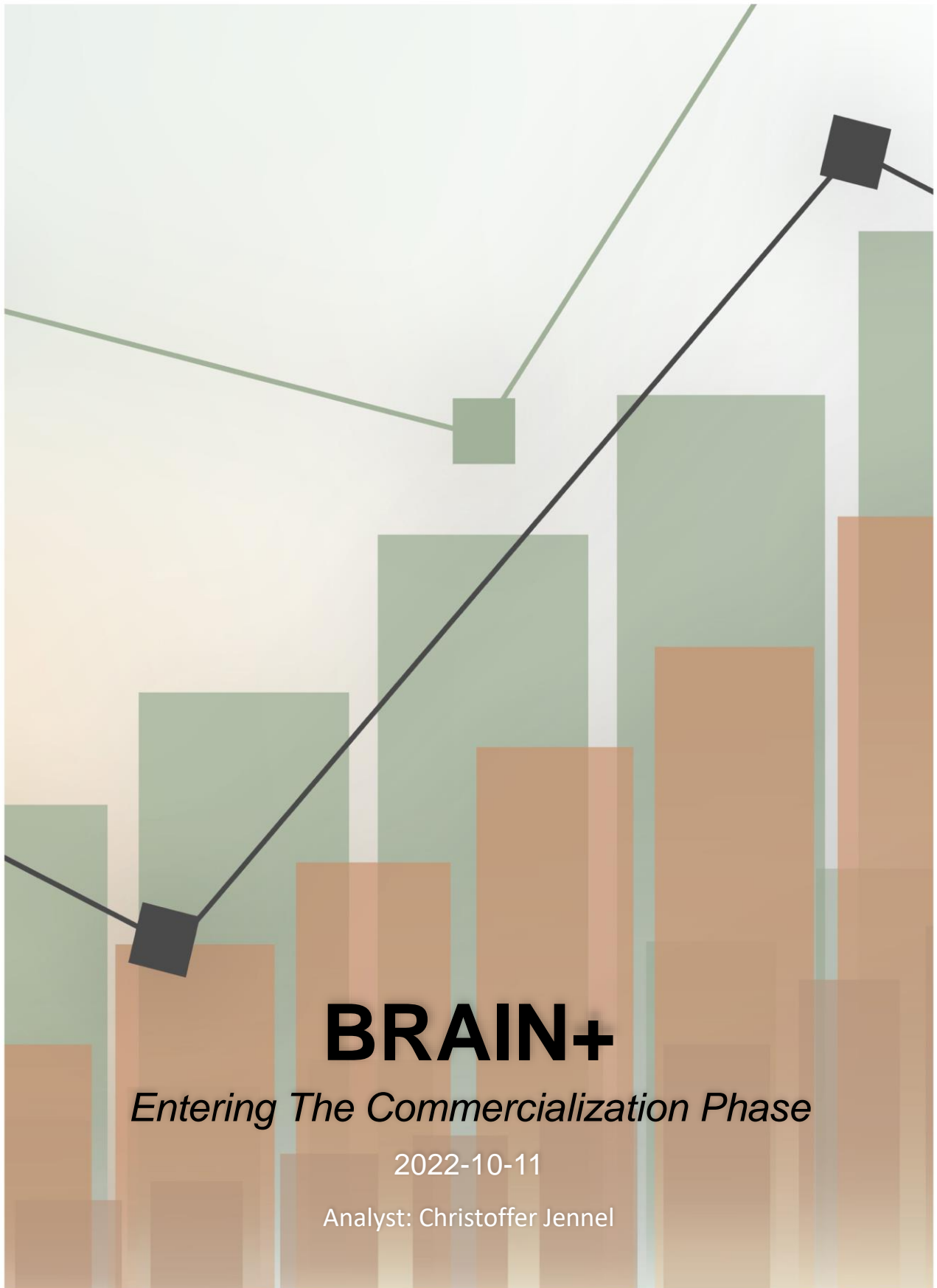


# EQUITY RESEARCH REPORT



# CONTENT

**Brain+ A/S** (“Brain+” or “the Company”) is a Digital Therapeutic company with the mission to restore patients' independence and quality of life by treating and detecting cognitive decline in Alzheimer's disease and dementia through Digital Therapeutics (DTx), also known as software-as-a-medicine (SaaS) applications. Brain+ has developed a set of DTx technologies, which enable the Company to create a unique and differentiated product offering. These technologies, combined with a strong clinical pipeline, puts Brain+ in a strong position to grow towards a market leader position in the DTx space. Brain+ is listed on First North Copenhagen since October 7, 2021.

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## VALUE DRIVERS

7 av 10

Brain+ is a DTx company targeting one of the greatest health challenges of our time – Dementia. While there are plenty of drug development companies on the market, there are other treatments for dementia too and Brain+ is the pioneer in digitizing Cognitive Stimulation Therapy (CST), which already has strong evidence behind it. This gives Brain+ a First Mover Advantage and following a successful partnership with RoX Health (Roche), Brain+ is set to commercialize its first dementia product – *CST-Therapist Companion* – in Denmark in Q4 2022 and Germany in 2023. DTx is already a billion-dollar market and by being first to market with a digitized CST-product in combination with more collected data from ongoing clinical trials, Brain+ is in a good position to gain market share going forward.

## HISTORICAL PROFITABILITY

2 av 10

Brain+ has had some commercial traction through its non-regulated brain training app, which has over one million downloads. However, as Brain+ has shifted focus towards the development of regulated and reimbursed DTx products, its current commercial product candidates are in still early trials. Due to this and the nature of the Company, requiring significant investments in product development and clinical trials, Brain+ has incurred losses ever since its foundation in 2012. The path to profitability is likely a couple of years ahead, where Brain+ aims to be cashflow break-even by the end of 2025. However, the rating is based on historical results and is not forward-looking.

## MANAGEMENT & BOARD

8 av 10

The Management and Board of Brain+ have strong experience within the MedTech industry and startups. The CEO, co-founder, and largest shareholder (~21%) Kim Baden-Kristensen has shown a strong entrepreneurial spirit. Laying his foundation as a management consultant at BCG, Kim has since been entrusted with roles within leadership, change management, business, and intelligence. For instance, Kim has been VP of Marketing and Strategy at Vestas Wind Systems, the world's largest wind energy company. Earlier this year, the Executive Board extended with three new board members, including the Head of R&D at Lundbeck Pharma, which Analyst Group believes will strengthen the Company's competitiveness going forward.

## RISK PROFILE

8 av 10

The business of the Company is new and unproven, and the DTx industry is yet immature as there are still some hurdles to the adoption of DTx products across all stakeholders. Historically, Brain+ has financed much of its R&D activities through public innovation grants, however, while future grant is not guaranteed, the Company has a strong track-record having raised EUR 8m via grants to date. Considering that Brain+ has incurred losses since its inception, the Company may run into liquidity problems to fund further development and operations going forward.

Analyst Group's rating is based on four main parameters where each main parameter consists of a number of sub-parameters with individual rating, which add up to a weighted final rating for each main parameter.

**Value Drivers, Historical Profitability and Management & Board** ranges from 1 to 10, where 10 is the highest rating.

**Risk Profile** ranges from 1 to 10, where 10 is considered as the highest risk.

# BRAIN+ (BRAINP)

## ENTERING THE COMMERCIALIZATION PHASE



Since the IPO in November 2021, Brain+ has successfully scaled the management team, advanced in the R&D pipeline, attracted valuable collaborations, and, importantly, landed the Company's first Big-Pharma partnership. Brain+ is now ready to enter the commercialization phase, roughly two years ahead of plan, with a launch in Denmark in Q4 2022 and Germany expected in Q2 2023. With the expected pipeline of product launches, Analyst Group estimates net sales of EUR 2.1m by 2024, and with an applied EV/S multiple, a potential present value per share of DKK 4.1 is derived in a Base scenario<sup>1</sup>.

### Strong Momentum In The Commercialization Phase

In December 2021, Brain+ landed its first large pharma partnership deal with RoX Health (Roche) which gave increased momentum within the German market and enabled Brain+ to accelerate R&D and identify a faster route to the market. As a result, Brain+ has been able to advance the commercial launch for its first dementia product *CST-Therapist Companion* by approximately two years, with an expected launch in Denmark in Q4 2022 and Germany in Q2 2023. Germany has established itself as a leader in the adoption of digital medicine and is, therefore, a global reference market for DTx and succeeding there creates a strong springboard to other global markets for Brain+ going forward.

### Promising Strategic Collaborations

In addition to the already established partnership with RoX Health, Brain+ has reached other important milestones which lays the foundation for a successful commercial launch in Germany in 2023. In March 2022, Brain+ was selected to Biogen's and EIT Health's Neurotech-prize program, which gave access to world-class expertise within the German market as well as valuable support to shape the business model and go-to-market strategy for the Company's products. Further, Brain+ partnered up with the German medical distributor Coopmed in August 2022, to work on the commercialization in Germany.

### A Material Funding Event Around The Corner

In conjunction with the capital rounds in 2021 (IPO and Pre-IPO), Brain+ issued shares, each including an accompanying warrant. Each of the warrants gives the holder the right to subscribe for a new Brain+ share in October 2022 at a 30% discount to the market price, which will be determined based on the VWAP during the 10-day period leading up to the Exercise window<sup>2</sup>. The proceeds from the warrants will be used to fund further advancements in product development activities and for the projected launch and initial commercialization of Brain+ first dementia product on the Danish and German markets in 2023.

## SHARE PRICE | DKK 2.4

### VALUATION RANGE, PRESENT VALUE 2024Y FORECAST

BEAR DKK 1.7	BASE DKK 4.1	BULL DKK 6.4
-----------------	-----------------	-----------------

*The valuation is derived as a present value of sales forecasted in the year 2024. The potential valuation increase is expected to be gradual, given that assumed events occur.*

BRAIN+						
Share Price (2022-10-10)					2.4	
Number of Shares Outstanding					11,815,912 <sup>1</sup>	
Market Cap (MDKK)					28.1 <sup>1</sup>	
Net Cash (-)/Debt(+) (MDKK)					-2.0	
Enterprise Value (EV) (MDKK)					26.1 <sup>1</sup>	
W.52 Price Interval (DKK)					5.1– 1.6	
Stock Exchange				First North Copenhagen		
SHARE PRICE						
1 Month					-16.5%	
3 Months					20.8%	
1 Year					-49.2%	
YTD					-30.4%	
TOP SHAREHOLDERS						
Kim Baden-Kristensen					21.8% <sup>1</sup>	
Ulrik Ditlev Eriksen					11.4%	
Lars Terney					6.6% <sup>1</sup>	
Rasmus Højengaard					5.4% <sup>1</sup>	
CEO AND CHAIRMAN OF THE BOARD						
CEO				Kim Baden-Kristensen		
Chairman of the Board				Anders Härfstrand		
FINANCIAL CALENDAR						
Annual Report 2022					2023-04-28	
FORECAST (BASE), MEUR		2021A	2022E	2023E	2024E	2025E
Gross Profit		0.52	0.45	0.83	1.39	3.35
Gross Profit Growth		-40.28%	-13.35%	85.51%	66.96%	140.54%
EBIT		-0.94	-1.46	-1.29	-1.12	0.25
Net Income		-0.92	-1.11	-1.29	-1.12	0.25
P/S <sup>3</sup>		N/A	N/A	16.32	1.72	0.72
EV/S <sup>3</sup>		N/A	N/A	15.16	1.60	0.67
EV/EBIT		neg.	neg.	neg.	neg.	13.75

<sup>1</sup> Upcoming potential injection has not been taking into account.

<sup>2</sup> 17th to 31st of October.

<sup>3</sup> Based on Net Revenue.

# INVESTMENT THESIS

## Unique Product Offering That Addresses A Billion Dollar Market

**USD 1.3 trillion.** That was the estimated total global society cost of dementia in 2019 and this figure is posed to more than double by 2030. Dementia is a massive unmet clinical need and is, as such, a growing health concern on a global basis, where the number of people with dementia is set to exceed 150 million by 2050, from 57 million today. There is currently no treatment available to cure dementia, instead there are treatments that can help to temporarily reduce or alleviate symptoms, which is why biopharma has over 140 drugs in the pipeline. While medicines for dementia symptoms are important, they are only one part of the care for a person with dementia and combining drugs with DTx is a major opportunity for the future, pharma companies are therefore seen as potential partners rather than competitors for Brain+ and DTx in general. Today, the leading non-pharmacological treatment of dementia is CST, which is a guided talk therapy to stimulate cognition that has been adopted in 35 countries and is also e.g., the recommended standard of care in Germany and Denmark, for treating people living with mild to moderate dementia. Moreover, in the most recent World Alzheimer's Report (2022), CST was highlighted as a cost-effective and evidence-based therapy for dementia that should be further researched and implemented globally. Brain+ is the pioneer in digitizing CST, which already has rigorous clinical evidence behind it, including a Cochrane review.

## Digital Therapeutics Is A Fast-Growing Segment Within The Healthcare Sphere

DTx are a novel category of medical interventions that have gained market traction within the healthcare sphere in recent years. The value-proposition of DTx stretches all the way from patients and caregiver, to clinicians and payors, as it, for example, makes health care more convenient and accessible for the former two, and reduces the overall cost of care as well as optimize patient engagement for the latter two. DTx are increasingly becoming an integrated part of healthcare and policymakers at the local, national, and regional levels have, to a larger extent, established DTx reimbursement and regulatory pathways which, in turn, paves the way for a faster adoption of DTx products going forward. In 2022 alone, there have been several breakthroughs on this subject such as revised FDA regulations, the establishment of DiPA in Germany, and the creation of the NordDEC<sup>1</sup>, to name a few. On top of that, the number of apps approved for national reimbursement via DiGA in Germany grew to 32.

## Ready To Launch The First Products At The End Of 2022

Following a successful progress in the partnership with RoX Health, a subsidiary of the global pharma company Roche, Brain+ has been able to accelerate the path to commercial launch by roughly two years. Denmark is the first market on Brain+ commercial roadmap, and the Company's digital dementia product, *CST-Therapist Companion*, will be launched during Q4 2022 in Denmark, followed by the German market in Q2 2023. In August 2022, Brain+ initiated a new collaboration with the German medical distributor Coopmed, who will support Brain+ with commercial expertise and distribution, including starting customer dialogues, preparing a customer pipeline, and optimizing the sales model and pricing.

## Forecast And Valuation: A Summary

In a Base Scenario, Brain+ is estimated to reach net sales of EUR 2.1m in 2024 following the upcoming commercial launch in Denmark in Q4 2022 and Germany in 2023. With a target multiple of EV/S 4x on estimated net sales in 2024, and a conservative discount rate of 16%, which accounts for the time-specific risk of events that are far away and have not yet occurred, this yields, in a Base scenario, a potential net present value per share of DKK 4.1.

## DTx Is Still An Immature Industry And Faces Hurdles To The Adoption Of DTx

While the DTx market has gained traction within the healthcare space and reached several important reimbursement and regulatory milestones recently, it faces several risks and challenges going forward as it is still an immature industry. The future of DTx will depend on the ability of companies to overcome fundamental challenges such as the ability to demonstrate its impact, the optimization of pricing and reimbursement, as well as general structural behavioral change across the stakeholders and their mindset to think about DTx. As with many other DTx companies, the path to profitability lies a couple of years away for Brain+, and even though Brain+ has a strong track-record of receiving grant funding to finance much of its R&D activities in the past, it is not a guarantee for the future. The proceeds from the upcoming warrant exercise will be important for Brain+ to finance the projected launch and initial commercialization on the Danish and German markets. While upcoming commercial launches move Brain+ closer to a break-even point, additional funding, which could be a mix of equity debt, partnerships, and grants, will be needed to ensure operational momentum going forward.

**~150M PEOPLE  
WITH DEMENTIA  
IN 2050**

**FURTHER  
MILESTONES  
HAVE BEEN  
REACHED  
WITHIN DTx  
DURING 2022**

**COMMERCIAL  
LAUNCH  
AROUND THE  
CORNER**



**Q4  
2022**



**Q2  
2023**

**EUR 2.1M  
REVENUES  
2024E**

**THE DTx  
MARKET IS  
STILL  
IMMATURE**

<sup>1</sup> Nordic Digital Health and Evaluation Criteria

# COMPANY DESCRIPTION



**Brain+** is a Digital Therapeutic (“DTx”) company that develops medical software applications to detect and treat the cognitive symptoms of dementia, with a particular focus on Alzheimer’s disease, the most common form of dementia. Since its inception in 2012, Brain+ has gained a strong knowledge base, attracted a broad network of global expert collaborators, and landed the company’s first large pharma deal with RoX Health, a subsidiary of the global pharma company Roche, in 2021. Brain+ has also gained some commercial traction with its non-regulated gamified cognitive application Recover in 2020 but has since shifted focus towards the development of regulated and reimbursed DTx products for dementia.

## Overview of Core Technologies

Brain+ has developed three core DTx technologies, which are undergoing clinical validation and further iterative development, where each technology targets specific modes of action to not only treat but also prevent brain disorders and cognitive dysfunctions. Dementia is a disease that undergoes different stages, from mild to severe, and Brain+ initial product technology to market, a digitized Cognitive Stimulation Therapy (“CST”) solution, targets the Mild-Moderate stage, while future product technologies (Computerized Cognitive Training “CCT” and Starry Night) targets the Mild Cognitive Impairment Stage, which can be seen as the “Pre-Phase” of dementia, in order to detect early symptoms of dementia. Based on the product technologies, Brain+ develops commercial products, where each represented in two parts, one application for the patient to interact with and receive the therapies, and one application for the clinicians, which offers progress analytics of the patients. The three core technologies that Brain+ has developed are:

### Current stage: Launch Q4 2022

**Cognitive Stimulation Therapy (“CST”)** is a DTx product technology delivered as a dementia therapy that treats the main symptoms of dementia, namely cognitive decline. It works like a guided talk therapy which facilitates deep thinking and social interaction that stimulates cognition. CST as a treatment has proven to move patients two points on the Mini Mental State Examination test, which is a significant improvement in a person’s abilities, which is also why CST is the recommended standard of care for dementia in e.g., Denmark and Germany. This treatment has been digitized by Brain+ together with leading clinical experts and the first product in Brain+ CST-product technology suite, *CST-Therapist Companion*, is used in a clinic where the therapy is led by a trained CST professional. The second product is the *CST-Home Care* which relies on a caregiver to interact with the person with dementia when the CST therapy is done at home. The third product, *CST-Stand Alone*, is intended to allow the prescription of CST therapy right after diagnosis for home use without patient having to attend group sessions first. While the first product, *CST-Therapist Companion*, is set to a commercial launch in Q4 2022, the second and the third CST-products are under development.

### Current stage: In development

**Computerized Cognitive Training (“CCT”)** is in simple terms a product that can be likened to a fitness exercise for the brain and the 2<sup>nd</sup> generation of this technology is currently being developed for use in the pre-stages of dementia, like mild cognitive impairment or in people who are in high-risk groups for developing dementia and will be targeting the regulated market. The 2<sup>nd</sup> generation of this product will not only add new mechanisms of action, which target specific neural pathways in the brain relevant in dementia, but also build on the technologies already developed in the 1<sup>st</sup> generation.

### Current stage: In development

**Starry Night** is an app-based memory test which is designed to detect early cognitive decline related to Alzheimer’s and to monitor disease progression. The test measures binding errors in the working memory and is sensitive to changes in hippocampal volume, where hippocampus is a part of the limbic system in the brain that plays an important role in regulating learning, memory encoding, memory consolidation and spatial navigation. The memory test was originally developed at Oxford University and then further co-developed, gamified and made scalable with Brain+.



Cognitive  
Stimulation Therapy  
(CST)



Computerized  
Cognitive Training  
(CCT)



Starry Night



# COMPANY DESCRIPTION

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## The Relevance Of Brain+ Technology And Product Offering

Currently, there are over 140 drugs in the pipeline for Alzheimer's disease, whereof over 80 percent of the candidate treatments addresses disease modification and are in many cases led by well-capitalized big pharma companies. While drugs cannot strengthen the neural networks of the brain directly, they can, however, facilitate that the biological systems are not dysfunctional and that they are in a state of readiness and plasticity, meaning the ability to change. The digitized treatments that Brain+ develops address the cognitive decline that people with dementia experience and will be complementary to drugs that target the underlying pathology. much like how it works today for a, for instance, stroke patient. To add additional color to this, these patients need to take blood thinners to avoid further strokes (in the case of Alzheimer's this can be compared with taking a drug), while at the same time exercising to strengthen their cardiovascular system (in this case Brain+ products' treatment of cognitive decline). Given this, pharma companies can therefore be seen as potential partners to Brain+ rather than competitors, given that the modes of action are different as mentioned above, and could therefore be used as value-added services or a synergistic service when conducting the two treatments simultaneously to achieve an even bigger effect. Breakthroughs within Alzheimer's and Dementia are rare, which is why pharma companies are continuing to invest heavily in the indication. This results in a significant strategic partnership potential for Brain+ who, to date, has ongoing dialogues with leading pharmaceutical companies within Alzheimer's and dementia.

Furthermore, the Alzheimer's targeted memory test developed by Brain+, Starry Night, is of high relevance for potential pharmaceutical partners as the drugs they are developing are likely to be more effective if it is used earlier in the dementia disease stage, which Starry Night is developed to do.

Currently, there are several so-called "brain training apps" on the market to function as a "brain fitness center", however, they are non-regulated and do not have the rigorous evidence-based approach necessary for becoming a regulated digital therapeutic. Brain+ is thus differentiating itself from these apps, due to its DTx approach, with clinical validation, regulation, and reimbursement.

## Business Model

The primary business model of Brain+ is to bring prescribed and reimbursed DTx-products to the market as a *Software-as-a-Medical-Device* solution. Since the digital software apps that Brain+ develops are specifically designed to have a health impact on patients, Brain+ products needs, as a DTx-company, to go through very rigorous standards and regulatory processes to become a reimbursement product, much like how it works in the Life Science sphere when developing a new drug. This means that DTx-products are evidence-based and go through clinical trials similar to normal medicine. Brain+, therefore, needs to comply with medical regulations for its DTx medical products, and apply for reimbursement, before they can be prescribed by clinicians, and, similar to a drug, be paid for by e.g., national or private health insurance systems. If the products become regulated and prescribed as a drug, they do not necessarily always become reimbursed, and in that case, the end customers (i.e. the patients) will need to pay for the treatment themselves. Reimbursement trends are, nonetheless, positive, and an increasing number of healthcare payers express readiness to reimburse DTx products. Brain+ initial commercial launch of the *CST-Therapist Companion* will, however, come in the form of a B2B SaaS solution, by selling directly to either municipalities or care homes/givers, as it will be launched as a digital health tool to support therapists and therefore does not require a regulatory certification.

**BIG PHARMA  
ARE  
POTENTIAL  
PARTNERS  
TO BRAIN+**

# COMPANY DESCRIPTION

## Cost Drivers

Unlike most listed companies, Brain+ shows the gross profit as the top line in the P&L, including items of revenue, work by the Entity, other operating income, and other external expenses. The latter includes for example costs for distribution, sales, advertising, administration, and premises, loss of debtors, and operating leasing costs. So, while Brain+ way of accounting drives lower gross margins per se, the operating income will be the same, regardless if Brain+ used the same accounting metrics as other listed companies.

On an operational level, staff expenses are the main cost driver for Brain+ and since the IPO in 2021, Brain+ has been expanding the team to strengthen finance, quality and compliance management, research, and software engineering. Currently, Brain+ has sufficient in-house capacity to manage the upcoming launch and sales of *CST-Therapist Companion* in Denmark. However, as Brain+ progresses with the R&D pipeline and commercialization phase, staff expenses are expected to increase in the following years to manage further clinical trials as well as product development. This will, however, likely be subject to funding at first, until Brain+ reaches profitability. Further, Brain+ intends, to a large extent, to rely on partnerships to scale sales internationally rather than building an international sales force *in-house* which, in turn, enables Brain+ to keep increases in staff expenses at a slower pace, as these sales-partnering costs will be recognized as a gross expense for Brain+, due to revenue share.

Brain+ also intends to enter licensing deals with pharma counterparts for its products or tech, which would be associated with royalties in connection with product sales and, as such, provide a cost-efficient scale-up and enables Brain+ to further capitalize on the potential commercial success of its products. By developing scalable software products from its current R&D setup and core technologies, the incremental unit economics are attractive, creating strong operating leverage as the product sales start to take off. However, the upfront investments are lumpy and the path to profitability is a few years away.

## Strategic Outlook

The development and commercial success of Brain+ products rely on getting positive results from scientific and clinical trials. The ongoing six trials, all paid for by grants, are at early stages including the feasibility studies and Proof of Concept. As Brain+ collects more clinical data, the Company can move its products into the medical class with medical claims and reimbursement. To reach large-scale commercialization and reimbursement for its products, Brain+ must show positive outcomes in future pivotal stages as well as receiving regulatory approval and public certifications. The path to reimbursement is, in general, time-consuming and accompanied with not only regulatory processes, but processes that involves garnering real-world evidence that showcase that the DTx-product still perform well outside of a clinical trial setting and publishing studies that emphasizes the product's therapeutic benefit for patients, as well as its economic benefits. What has been seen in the DTx-space is that while some DTx are both regulated and prescribed, it differs whether a DTx product is reimbursed, or is selling via a non-reimbursed model.

By commercializing its first dementia product in Denmark in Q4 2022 and Germany in Q2 2023, Brain+ will receive important data, outside clinical trials, which will be valuable for the path to reimbursement and large-scale commercialization. The data collected from commercial launch will also enable Brain+ to not only further adapt and personalize treatments, but build algorithms, which together with machine learning, makes Brain+ technology harder to copy.

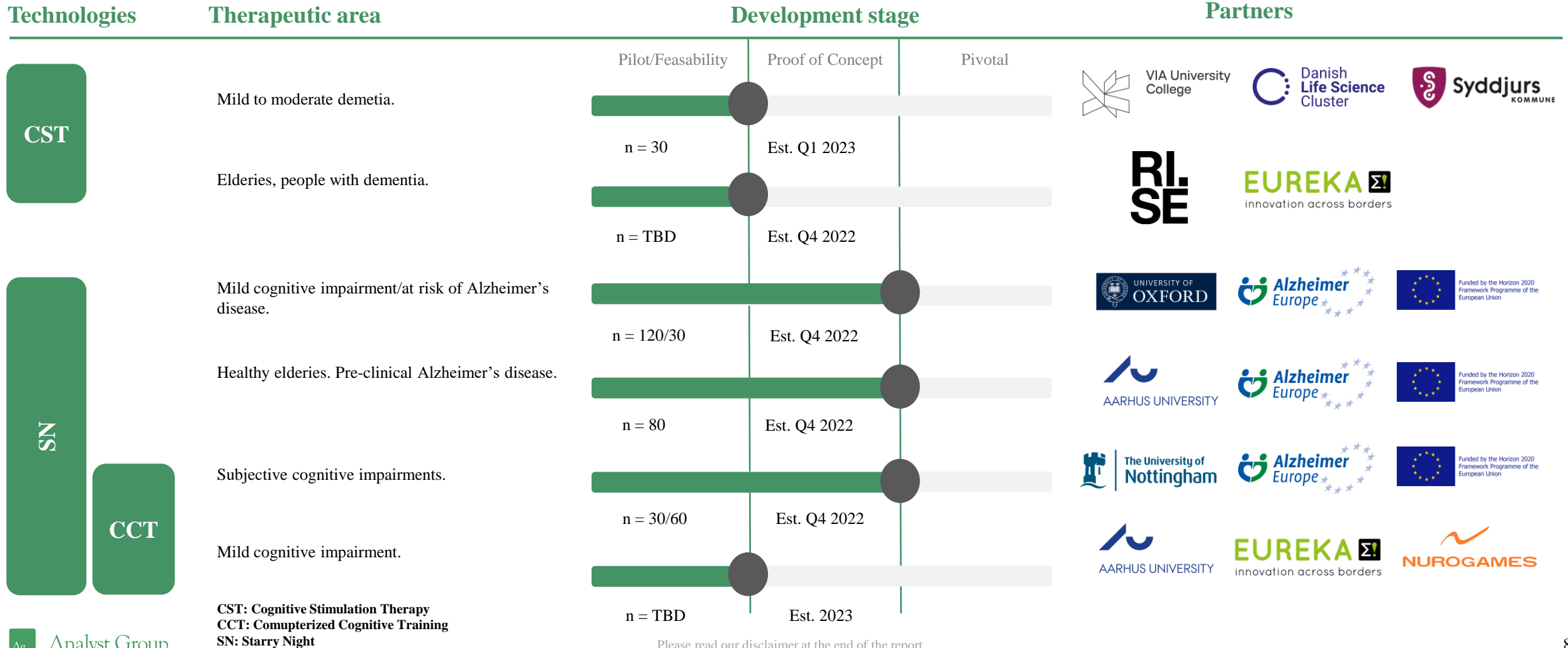
Brain+ works with a strong network of experts and key opinion leaders (KOL's) in ongoing trials, and together with current established partnership with RoX Health and other valuable collaborations, Analyst Group argue that Brain+ is in good position to yield expected results. However, it should be noted that the nature of highly innovative technologies, such as Brain+ DTx product, carries a high risk and Brain+ will likely need further external fundings in the foreseeable future until reaching break-even as well as rely, to some extent, on grant fundings as done historically for R&D activities.

**STRONG  
OPERATING  
LEVERAGE**

**ONGOING  
CLINICAL  
TRIALS ARE  
IMPORTANT  
FOR FUTURE  
COMMERCIAL  
SUCCESS**

# PIPELINE OF CLINICAL TRIALS

Brain+ has 6 ongoing trials from which they are expecting results in five of those in H2 2022 and one in 2023. The ongoing trials are conducted together with a strong network of experts and key opinion leader (KOL's) partners, and these are all paid for by grants. To date, Brain+ has raised approximately EUR 8m worth of grant fundings and are continuing to work with grants, were Brain+ have a number of ongoing of grant projects with their university's partners. As of February 2022, Brain+ has successfully concluded four trials, one pilot and three Proof-of-Concept, with positive results for all three technologies (CST, CCT and Starry night).





# MARKET ANALYSIS

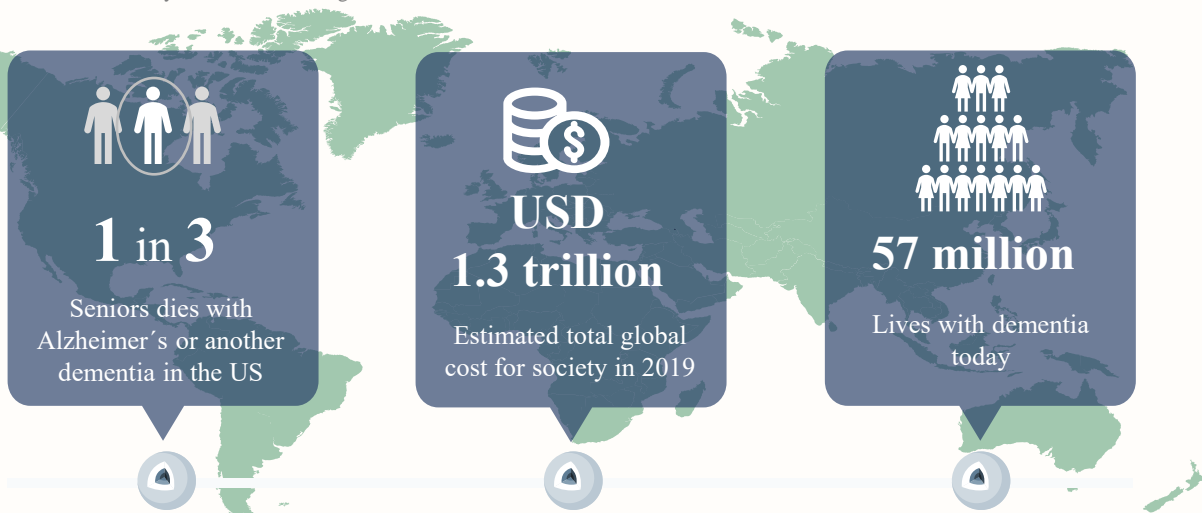
## Dementia Is One Of The Greatest Health Challenges Of Our Time

Dementia is a rapidly growing public health problem that primarily affects, but not exclusively, older people, and leads to a deterioration in cognitive functionality beyond what might be considered the usual consequences of biological aging. Though dementia is the broader term for this condition, Alzheimer's disease is the most common form and constitutes up to 70% of all cases of dementia. In 2019, around 57 million people lived with some form of dementia, where a majority lives in low-and middle-income countries, and due to an increasing proportion of older people in nearly every country's population, this number is expected to almost triple by 2050 and reach 153 million. Today there are nearly 10 million new cases on an annual basis and dementia is not only the seventh leading cause of death among all diseases, where 1 in 3 seniors die with dementia in the US, but also one of the major causes of disability and dependency among older people worldwide.

The social and economic implications of dementia are tremendous in terms of direct medical and social care costs, as well as the costs of informal care. In 2019, the total global societal cost of dementia was estimated to be USD 1.3 trillion by WHO, and these costs are expected to more than double by 2030, exceeding USD 2.8 trillion, driven by increased care costs and the number of people living with dementia.

### Dementia At A Glance.

Prevalence rate worldwide, fatality rate in the US and global cost of dementia.



Source: Alzheimer's Association, WHO & The Lancet

Current treatments of dementia come either as a drug/medicine or as a non-drug treatment, like for instance cognitive stimulation, music-based therapies, and psychological treatment with the overall goal to maintain or improve cognitive function, enhance quality of life, and the ability to perform daily activities. However, these treatments for dementia are not able to cure the disease itself but rather help to temporarily reduce or alleviate symptoms and provide general beneficial outcomes for the person with dementia. As a result, pharma companies have begun to address both alternatives and complementary treatments for traditional medicine/methods.

## A New Fast-Growing Digital Health Care Industry Is Emerging

Digital Therapeutics ("DTx") are a relatively new fast-growing sub-group of medicine that provides evidence-based therapeutic interventions to patients that are driven by high-quality software programs to manage, treat and prevent diseases or other medical disorders, prescribed by doctors and often reimbursed by public or private funders. DTx enables much richer and more continuous data that allows personalization and adaptation of treatments to the patient's evolving needs. Some DTx treatments are even "stand-alone", meaning that it provides similar health outcomes for patients without the need for external support. Further, since DTx products are developed after the same principles as classic drug developments, meaning it goes through clinical trials, similar regulatory and safety requirements, DTx-treatments can replace and/or work as a complementary tool for existing treatments. However, the major differences between DTx and classic pharma are that the general R&D and clinical development come at a much lower cost, but at the same time enables a faster time-to-market.

# MARKET ANALYSIS

## Digital Therapeutics Market Is Set To Nearly Ten-Fold In The Coming Eight Years...

The global DTx market was valued at USD 4.2 billion in 2021 and is estimated to grow at a CAGR of 26.1% from 2022 to 2030 to reach USD 33.9 billion. The growth is estimated to be driven by increasing smartphone penetration, the cost-effectiveness of digital health technology for providers and patients, and increased demand for not only integrated healthcare systems but also patient-centric care. Brain+ is initially focused on the Danish and German markets for the launch of its first product, *CST-Therapy Companion*, and according to the Company the addressable markets in the beforementioned countries are estimated to be EUR 30 million and EUR 400 million, respectively. Europe is leading the way in DTx and Germany is a key market for Digital Therapeutics because the German healthcare system has a national reimbursement pathway. In 2019 Germany introduced a DTx-specific P&R framework for digital health applications called DiGA and has ever since its inception approved 32 products. In June 2022, Germany announced the establishment of new procedures to verify the reimburseability of digital care applications through the so-called DiPA pathway.

### INITIAL ADRESSABLE MARKETS & SIZE



## ...And Enables High-Cost Savings Within The Healthcare Sphere

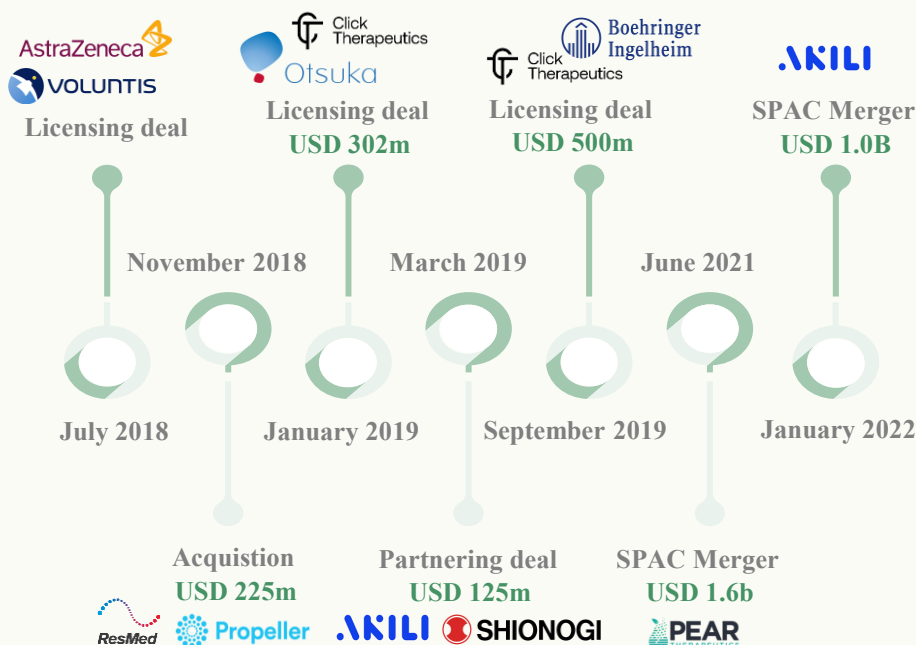
Given that DTx can be delivered as a software, directly on people's smartphones or tablets, it increases the accessibility and convenience related to therapies for people with dementia, as it generally comes at a lower cost and can be given in the home. In a study conducted by McKinsey in partnership with the German Managed Care Association (BMC), it was estimated that up to EUR 4.3b could potentially have been realized in healthcare savings in 2018 if the German healthcare system had adopted all of the available digital solutions for patient self-treatment and patient self care<sup>1</sup>. This illustrates the potential in DTx when it comes to reduced health care costs.

## Multiple USD +100m Licensing Deals Has Already Been Made Within The DTx Space

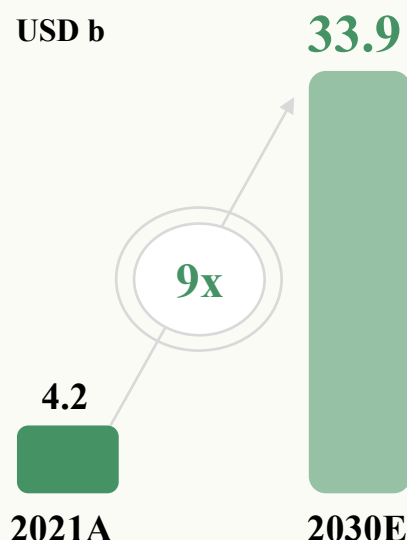
As drugs and DTx targets different health outcomes and require different modes of action, they, can, in general, be seen as complementary rather than competitive and a combination of the treatments is likely to emerge. This has already been demonstrated through the variety of recent collaborations and licensing deals between DTx and pharma companies, which are illustrated in the graph below, as it emphasizes the commercial potential of partnerships between DTx and Pharma companies.

<sup>1</sup>"Digitizing healthcare – opportunities for Germany".  
McKinsey, 2018

## Licensing Deals within the DTx space



## DTx Market Size and Growth



# FINANCIAL FORECAST

## Revenue Forecast 2022-2026

COMMERCIAL  
LAUNCH IN Q4  
2022 IN  
DENMARK...

... AND Q2 2023  
IN GERMANY  
(EXPECTED)

INITIALLY  
SOLD AS A  
B2B SAAS-  
SOLUTION...

...WITH THE  
GOAL TO BE  
REIMBURSED  
GOING  
FORWARD

REIMBURSE-  
MENT  
UNLOCK  
HIGHER  
PRICING

Brain+ first product for dementia – *CST-Therapist Companion* – is set to a commercial launch in Denmark in Q4 2022, and Q2 2023 in Germany, following a successful development and regulatory process with Rox Health. This is roughly two years earlier than the announced commercial roadmap in conjunction with the IPO in Q4 2021. The *CST-Therapist Companion* is the first product in Brain+ CST-product suite and the other CST-products includes the *Home Care* and *Stand Alone* version, where both products rely on a caregiver to interact with the person with dementia when the CST therapy is done at home. The latter is, however, intended to allow the prescription of CST therapy right after diagnosis for home use without the patient having attended group sessions first, which enables a whole different level of scalability. The aim of the *Stand Alone* product is to demonstrate that it has the same effect as physical CST therapy. The second as well as the third CST-product are under development, were the second, *Home Care*, is expected to complete the product development phase in 2023.

The *CST-Therapist Companion* product will be launched in Denmark as a digital health tool to support therapists, therefore not required to have a regulatory certification, and will initially be sold directly to Danish municipalities and care homes in Germany as a B2B SaaS solution. Brain+ has early Proof-of-Business in Denmark, having sold licenses to five Danish municipalities for its first non-regulated product Recover. However, as Brain+ gets more clinical data, the Company can move its products into the medical class with medical claims and with reimbursement, and then they become what is called prescription digital therapeutics which means that it is something that eventually a general practitioner would be able to prescribe. This is already something that is happening in countries like Germany and the U.S.

While the *CST-Therapist Companion* product will be sold as a SaaS solution, the goal is to sell the other CST-products in accordance with a reimbursed prescription model (as a Software-as-a Medical-Device) which is the primary business model of Brain+ going forward. There have been several breakthroughs regarding the establishment of US and EU-wide DTx reimbursement and regulatory pathways during 2022, including for example the revised FDA regulations, the establishment of DiPA in Germany, and the founding of NordDEC, which paves the way for a faster adoption of DTx going forward. The new DiPA procedure, established in Germany in June 2022, is a part of a broader European movement and other countries are following the path, such as Belgium and France.

Given the further maturity of the DTx market and Brain+ established collaboration with Rox Health, Analyst Group forecast that Brain+ could secure reimbursement for the *CST-Home Care* product in 2024 in Germany and for the *CST-Stand Alone* product in 2025, which is estimated to unlock gradually higher pricing in not only Germany but Denmark as well, supported by live data collection from the commercialization and subsequent in-house Proof-of-Concept and pivotal studies for medical classification.

## FINANCIAL FORECAST

## Product Revenue Forecast 2022-2026

The financial forecast made for the period 2022-2026 depends solely on the CST-product suite, which are the products that Brain+ initially are prioritizing and are set to a commercial launch. To capture the additional revenue potential, beyond product revenue, in not only the upcoming commercial product – *CST Therapy Companion* – but also the other products in the CST product line and in CCT and Starry Night, which are under development, Analyst Group has modeled for future potential collaboration/licensing deals, in terms of deal worth, deal structure and length. Lastly, the revenue forecast includes sales within the Danish and German markets during the period 2022-2026, which are the markets that Brain+ will prioritize initially, hence Analyst Group is not explicitly accounting for revenues in other markets. However, Analyst Group is aware that Brain+ intends to enter one or two new markets annually beyond 2023, where the UK and the US are high-priority markets. However, this should be seen as an extra option to our forecasts.

To derive future product revenues for Brain+ during the forecast period, Analyst Group has based the revenue model for the *CST-Home Care* and *CST-Stand Alone* products upon the following key drivers:

**Prescription Written** - Number of prescription written by a clinician or doctor of the company's commercial products.

**Fulfillment rate** - The percentage of prescription written by a clinician for one of the company's commercial products that result in patients downloading and accessing therapeutic software content.

**Payment rate** - In a given period, this is the number of prescriptions for which the company receives payment divided by Fulfilled Prescriptions, (Fulfilled Prescriptions times Payment Rate equals Paid Prescriptions).

**Average Selling Price (ASP)** - In a given period, this is the average price received by the company per script for which the company receives payment.

The actual price levels in different countries can vary depending on factors such as if the DTx product is reimbursed or not, conditions negotiated in a contract, discounts/rebates, annual or monthly payments, and many more. Therefore, Analyst Group has derived an average annual selling price in each country based on available data, to capture the fluctuations in future selling prices. To weigh in the potential that Brain+ could claim for higher prices along with more data from clinical trials being collected, general market traction and awareness after commercialization and that a higher share of the product revenues comes from reimbursement, Analyst Group has modeled for a general price increase, on an annual basis, during the forecast period. To showcase how the revenues for Brain+ are derived in accordance with the above-mentioned key drivers, Analyst Group gives an illustrative example below on an annual basis:

Even though a doctor or clinician prescribes a DTx product to a patient...

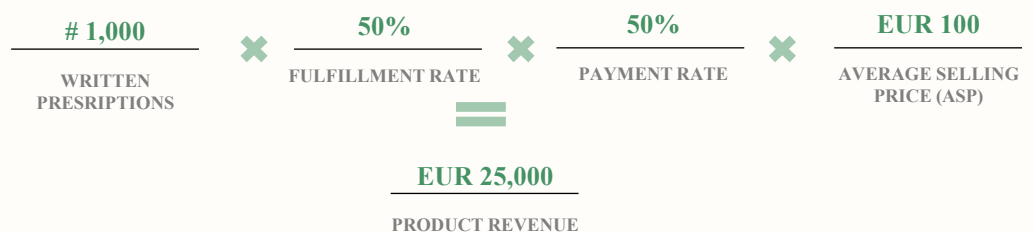
... it is reasonable to assume that not all patients goes through with the prescription...

... and even if they do.  
i.e. downloading the  
prescribed app, not all  
will sign up and actually  
pay for it.

The prices depends on various factors, which is why an average selling price is used.

## Illustrative example

(On annual basis)



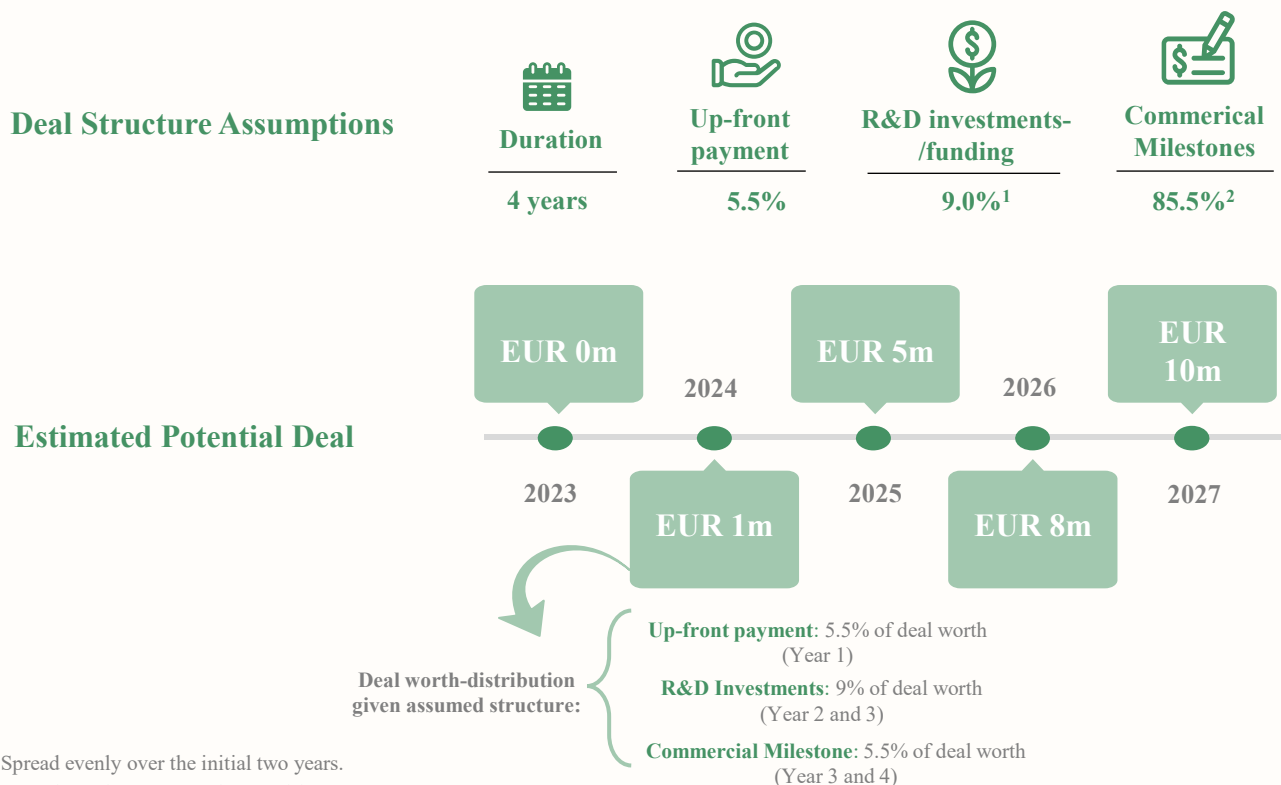
In Denmark, the initial pricing for the *CST-Therapist Companion* product is intended to be either on a fee-per-therapist use basis or as a full municipal license for an unlimited number of therapist users. For the sake of the model, Analyst Group has derived the revenue for the *CST-Therapist Companion* product by estimating the number of municipalities sold to and an average selling price (ASP). The same approach has been used for the upcoming commercial launch in Germany, though Brain+ here rather addresses care homes. The product revenues are expected to increase subsequently as the commercialization phase reaches further maturity.

# FINANCIAL FORECAST

## Licensing/Collaboration Deals Forecast 2022-2026

A common phenomenon within the Pharmaceutical/Life science space is that smaller market players engage with strategic partners such as Big Pharma companies who are offered the opportunity to finance and engage with the pivotal trial or regulatory process in exchange for licensing deals or partial commercialization rights. The same pattern has already been seen in the DTx market with several USD +100m deals being made, as illustrated in the market section earlier. Brain+ has already signed a partnership agreement with RoX Health in late 2021, supporting Brain+ with expertise and funding for the development and regulatory processes in order for Brain+ to launch its CST-product suite in Germany. In return RoX Health will get a share of the initial years of net revenues, covering the first two product versions of the planned CST-products (*Therapist Companion* and *Home Care*).

Given the overall market trends within DTx and the validation for Brain+ offering that comes with the partnership with RoX Health, Analyst Group projects that further collaboration/licensing deals are to come during the forecast period. In a licensing/collaboration deal, it is common that the licensor (in this case Brain+) collects royalties from the licensee's (a potential Big Pharma company) revenues when selling the licensed products. However, due to the difficulties that come with estimating these potential revenues going forward, Analyst Group has not included these in the model explicitly, hence it should rather be seen as a lucrative option on the potential valuation going forward. The assumed structure of the estimated potential deals in terms of deal worth, up-front payments, investments in R&D/funding, and commercial milestones are illustrated below and are based upon deal structures from other licensing/collaboration deals within DTx and Pharma.



<sup>1</sup> Spread evenly over the initial two years.

<sup>2</sup> Spread evenly over year three and four.

Regarding the commercial milestones, which are based upon the success within agreed project milestones, Analyst Group has used a risk-adjusted approach to factor in the possibility of them not being met and therefore paid to Brain+. A risk-adjusted rate of 50% has been used for this purpose, which could be seen as an aggressive/conservative approach with regard to the generally lower risk of failure within the DTx space compared to Pharma.



# FINANCIAL FORECAST

## Summary Of Revenue Forecast 2022-2026

Given the outlaid methodology and assumptions regarding the key revenue drivers described in previous pages, Analyst Group has derived a revenue forecast for Brain+ for the period 2022-2026 as illustrated in the table below. However, since Brain+ is not explicitly reporting net revenues as of today, but rather the gross profit, Analyst Group has made assumptions regarding the capitalized development costs and other operating income, as well as the other external expenses that are included in the gross profit as of today. Estimations on not only RoX Health's, but also existing and future sales partners' claims on future generated net revenue has also been made, which are recognized as gross expenses.

Revenue Assumptions and Derived Revenue Forecast	2022E	2023E	2024E	2025E	2026E
<b>Product Revenue, Key Drivers Estimates</b>					
<b>B2B SaaS (CST-Therapist Companion)</b>					
<i>Denmark</i>					
Number of municipalities sold to	1	7	10	9	6
Acc. Municipalities sold to	1	8	18	27	33
Average Selling Price (net), EUR	20,250	21,000	22,500	24,500	26,500
<i>Germany</i>					
Number of care homes sold to		8	20	22	25
Acc. care homes sold to		8	28	50	75
Average Selling Price (net), EUR		7,000	7,500	8,167	8,833
<b>Written Prescriptions (Annually)</b>					
<i>Denmark</i>					
CST-Home Care	0	0	1,700	2,500	3,500
CST-Stand Alone	0	0	0	800	2,800
<i>Germany</i>					
CST-Home Care	0	0	2,800	4,500	6,700
CST-Stand Alone	0	0	0	1,800	5,500
<b>Fulfillment rate</b>					
<i>Denmark</i>					
CST-Home Care	0%	0%	55%	65%	70%
CST-Stand Alone	0%	0%	0%	50%	60%
<i>Germany</i>					
CST-Home Care	0%	0%	60%	65%	70%
CST-Stand Alone	0%	0%	0%	50%	60%
<b>Payment Rate</b>					
<i>Denmark</i>					
CST-Home Care	0%	0%	60%	60%	65%
CST-Stand Alone	0%	0%	0%	50%	60%
<i>Germany</i>					
CST-Home Care	0%	0%	75%	80%	80%
CST-Stand Alone	0%	0%	0%	65%	70%
<b>Average Selling Price (net), EUR (Annually)</b>					
<i>Denmark</i>					
CST-Home Care/Stand Alone	100	120	130	145	155
<i>Germany</i>					
CST-Home Care/Stand Alone	914	989	1,064	1,114	1,164
<b>Product Revenue, (EURm)</b>					
Denmark	0.02	0.17	0.48	0.83	1.28
Germany	0	0.06	1.55	3.67	7.72
<b>Total Product Revenue, (EURm)</b>	<b>0.02</b>	<b>0.22</b>	<b>2.03</b>	<b>4.50</b>	<b>9.00</b>
<b>Licensing revenue, EURm</b>	<b>0.00</b>	<b>0.00</b>	<b>0.10</b>	<b>0.55</b>	<b>1.24</b>
Other Operating Income, (EURm)	0.10	0.10	0.10	0.10	0.10
Capitalized development costs	0.68	0.68	0.68	0.68	0.68
<b>Total revenue (EURm)</b>	<b>0.80</b>	<b>1.00</b>	<b>2.90</b>	<b>5.82</b>	<b>11.01</b>
<b>Total Net Revenue (EURm)</b>	<b>0.02</b>	<b>0.22</b>	<b>2.13</b>	<b>5.04</b>	<b>10.24</b>
<b>Gross Profit (EURm)</b>	<b>0.45</b>	<b>0.83</b>	<b>1.39</b>	<b>3.35</b>	<b>6.05</b>

# FINANCIAL FORECAST

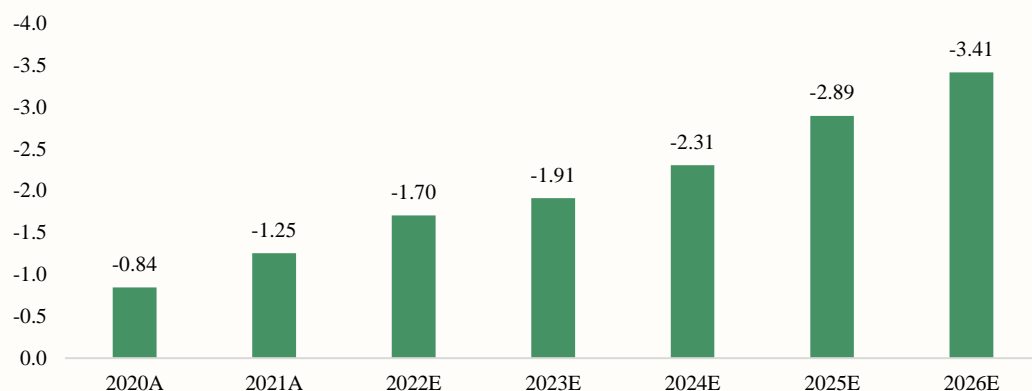
## Operating Expenses 2022-2026

Due to Brain+ accounting standard and decision to aggregate several cost items directly into gross expenses, staff expenses are, together with D&A, the only expenses reported on an operational level. Staff expenses have historically been the largest cost driver for Brain+. Considering the early stage in the business cycle that Brain+ currently operates within and the characteristics of the business and industry itself, staff expenses will continue to constitute a large chunk of the overall costs of the business for the foreseeable future as Brain+ progresses with its clinical trials, R&D and technology developments and general in-house sales/support efforts in conjunction with market launches. However, Brain+ is anticipated to rely on external partners for sales to a large extent, and costs related to that will be recognized as a gross expense in accordance with Brain+ accounting standard/methodology. Analyst Group has estimated a steady increase in staff expenses to reflect the upcoming business scale-up which requires a larger organization, albeit at a slower pace than the projected revenues.

**As Brain+ scale up the business, staff expenses are estimated to increase, albeit in a lower pace than sales.**

Staff Expenses, 2020A-2026E

EURm



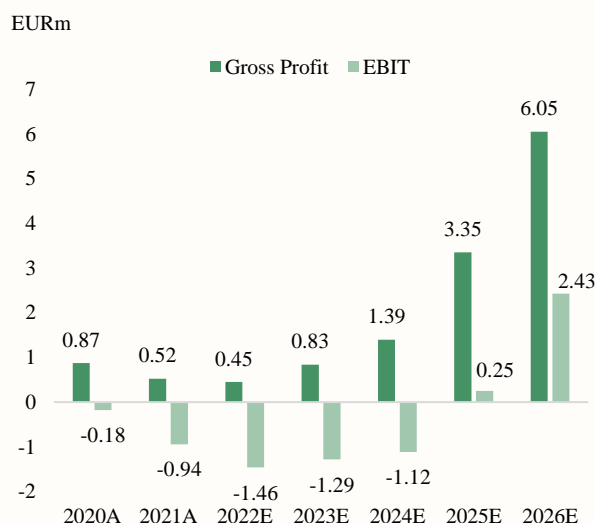
Source: Analyst Group (estimates)

## A Summary of Analyst Group's Financial Forecasts for Brain+.

Financial Forecasts, 2020A-2026E, Base Scenario

Base Scenario: Income Statement, (EURm)	2020A	2021A	2022E	2023E	2024E	2025E	2026E
<b>Gross Profit</b>	<b>0.87</b>	<b>0.52</b>	<b>0.45</b>	<b>0.83</b>	<b>1.39</b>	<b>3.35</b>	<b>6.05</b>
Staff Expenses	-0.84	-1.25	-1.70	-1.91	-2.31	-2.89	-3.41
Depreciation, Amortization & Impairment	-0.21	-0.21	-0.21	-0.21	-0.21	-0.21	-0.21
<b>EBIT</b>	<b>-0.18</b>	<b>-0.94</b>	<b>-1.46</b>	<b>-1.29</b>	<b>-1.12</b>	<b>0.25</b>	<b>2.43</b>
Other Finance Income	0.00	0.01	0.00	0.00	0.00	0.00	0.00
Finance Expenses	-0.03	-0.25	-0.01	0.00	0.00	0.00	0.00
<b>EBT</b>	<b>-0.21</b>	<b>-1.18</b>	<b>-1.47</b>	<b>-1.29</b>	<b>-1.12</b>	<b>0.25</b>	<b>2.43</b>
Tax Expense	0.05	0.26	0.36	0.00	0.00	0.00	0.00
<b>Net income</b>	<b>-0.17</b>	<b>-0.92</b>	<b>-1.11</b>	<b>-1.29</b>	<b>-1.12</b>	<b>0.25</b>	<b>2.43</b>

Source: Analyst Group (estimates)



# VALUATION

To derive a company valuation for Brain+, Analyst Group has studied several listed DTx-companies with different level of maturity, which lays the foundation for the valuation. Although different digital therapeutics solutions are addressed, Analyst Group sees similarities with Brain+ with regards to the business model, growth prospects, profitability potential, capital structure, and that all operates within an, to date, immature market. To give additional color to the valuation, Analyst Group has included a basket of disruptive healthcare companies<sup>1</sup>.



**Pear Therapeutics, Inc.** is a commercial-stage healthcare company. The Company is engaged in developing a new class of software-based medicines that is referred to as prescription digital therapeutics (PDTs), which use software to treat diseases. Its products include reset, reSET-O and Somryst. The Company's pipeline consists of 14 product candidates, including candidates in psychiatry, neurology, and outside of central nervous system therapeutic areas, such as gastrointestinal (GI), oncology, and cardiovascular. The Company focuses on psychiatric and neurologic conditions.



**Akili Inc.** is a digital medicine company engaged in the development of cognitive treatments through technologies. The Company develops digital therapeutics that combine science and technology to address cognitive impairments in patients. The Company's software-based medicine is designed to directly target brain function and is delivered through engaging consumer entertainment. Akili's platform is powered by proprietary therapeutic engines designed to target cognitive impairment at its source in the brain. The Company's products include EndeavorRx, Selective Stimulus Management Engine (SSME), Body Brain Trainer (BBT) and Spatial Navigation (SNAV) Engine. EndeavorRx product is measured by computer-based testing in children ages 8-12 years old with primarily inattentive or combined-type ADHD, who have a demonstrated attention issue. Akili's products are delivered through captivating action video game experiences.



**Better Therapeutics, Inc.** is a prescription digital therapeutics (PDT) company. The Company is engaged in developing a novel form of cognitive-behavioral therapy to address the root causes of cardiometabolic diseases. The Company's Nutritional Cognitive Behavioral Therapy (Nutritional CBT) is a novel form of behavioral therapy for patients with type 2 diabetes and other cardiometabolic diseases. It targets the cognitive structures, behavioral routines, emotional patterns, and coping skills that underlie culturally specific eating behaviors. Its clinical development pipeline includes BT-001, BT-002, BT-003, and BT-004. The Company's platform consists of three integrated components, behavioral therapy, treatment plans, and personalization. Its behavioral therapy consists of lessons, skill-building modules, and a mechanism for goal setting.



**DarioHealth Corp.** is a Digital Therapeutics (DTx) company. DarioHealth operates at the intersection of life sciences, behavioral science, and software technology to deliver integrated and engaging digital therapeutics interventions. DarioHealth offers digital therapeutics solutions covering multiple chronic conditions including diabetes, hypertension, weight management, musculoskeletal and behavioral health within one integrated technology platform. Its products include Dario Blood Glucose Monitoring Starter Kit and Dario Blood Pressure Monitoring System.



**Voluntis SA** is a France-based company specialized in medical solutions. The Company develops digital therapeutics for people suffering from chronic conditions to self- manage their treatment. Voluntis uses mobile and web apps to deliver personalized recommendations to the patient and the care team to adjust treatment dosage, manage side effects or monitor symptoms. Its portfolio of product includes Insulia, Diabeo, Oleena, eCO (e-Cediranib Olaparib) and Theraxium Oncology among others. Insulia and Diabeo, which is a digital therapeutic for people with type 1 and 2 diabetes. Oleena, which is used as Software-as-a-Medical Device to for cancer indications.

## Peers At a Glance

Company	Total Adressable Market (TAM)	Commercial-stage	Product Clearence
Pear Therapeutics	USD 15b	Yes	Three FDA-cleared software products
Akili	USD 10b	Yes	One FDA-cleared product
Better Therapeutics	USD 490b	No	No
DarioHealth Corp.	USD 108b	Yes	One FDA-cleared app
Voluntis SA	N/A	Yes	Two FDA-cleared apps
Brain+	USD 5b	Q4-22	No

<sup>1</sup> Novocure, Guardant Health, Adaptive Biotechnologies, Shockwave Medical, Inspirare Medical Systems, Shrodinger Inc, Dexcom, Outset Medical and Teladoc Health.

# VALUATION

Company value (MEUR)			Revenues (MEUR)				Gross profit (MEUR)			
Company	Market cap	EV	2021A	2022E	2023E	2024E	2021A	2022E	2023E	2024E
Pear Therapeutics	317.2	234.8	4.3	15.1	46.6	94.0	-1.1	5.5	19.7	54.0
Akili	199.8	199.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Better Therapeutics	40.2	24.7	0.0	0.0	2.8	39.1	0.0	-0.3	-3.8	19.2
DarioHealth Corp.	122.6	76.2	21.1	27.9	34.8	52.2	4.1	12.5	18.9	31.8
Voluntis SA	79.0	82.0	5.2	N/A	N/A	N/A	3.3	N/A	N/A	N/A
Disruptive Healthcare Companies (Average)	8,727.3	8,552.9	715.7	870.4	1,055.1	1,260.7	473.0	595.9	726.2	882.0
<b>Average</b>	<b>1,581.0</b>	<b>1,528.4</b>	<b>149.3</b>	<b>228.3</b>	<b>284.8</b>	<b>361.5</b>	<b>95.9</b>	<b>153.4</b>	<b>190.3</b>	<b>246.8</b>
<b>Median</b>	<b>161.2</b>	<b>140.9</b>	<b>5.2</b>	<b>21.5</b>	<b>40.7</b>	<b>73.1</b>	<b>3.3</b>	<b>9.0</b>	<b>19.3</b>	<b>42.9</b>
<b>Brain+</b>	<b>3.7</b>	<b>3.4</b>	<b>N/A</b>	<b>0.02</b>	<b>0.2</b>	<b>2.1</b>	<b>0.5</b>	<b>0.4</b>	<b>0.8</b>	<b>1.4</b>

EV/S					EV/Gross Profit		
Company	LTM	2022E	2023E	2024E	2022E	2023E	2024E
Pear Therapeutics	54.2	15.6	5.0	2.5	42.6	11.9	4.3
Akili	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Better Therapeutics	N/A	8,988.8	8.8	0.6	-80.0	-6.4	1.3
DarioHealth Corp.	2.3	2.7	2	1.5	6.1	4.0	2.4
Voluntis SA	16.8	N/A	N/A	N/A	N/A	N/A	N/A
Disruptive Healthcare Companies (Average)	11.5	10.1	8.0	6.5	16.7	11.7	9.0
<b>Average</b>	<b>21.2</b>	<b>2,254.3</b>	<b>6.0</b>	<b>2.8</b>	<b>-3.6</b>	<b>5.3</b>	<b>4.3</b>
<b>Median</b>	<b>14.1</b>	<b>12.8</b>	<b>6.5</b>	<b>2.0</b>	<b>11.4</b>	<b>7.9</b>	<b>3.4</b>
<b>Brain+</b>	<b>N/A</b>	<b>N/A</b>	<b>15.2</b>	<b>1.6</b>	<b>7.6</b>	<b>4.1</b>	<b>2.4</b>

Analyst Group is projecting strong revenue growth for Brain+ during the forecast period as a result of the upcoming commercial launch of the CST-suite, with *CST-Therapist Companion* being the first product to the market, but also that Brain+ can land a couple of licensing/collaboration deals. The valuation is therefore based on forecasted revenues. Generally, revenue multiples for companies within Life Science and Tech in an early phase are high as the sales are initially low or zero. Over time, however, as sales increase, the multiple tend to normalize as an effect of the company reaching a higher market share and a higher degree of maturity.

While many of the DTx companies in our selection have reached the commercial stage already with at least one of its products and therefore generate actual product revenues as of today, Brain+ is set for a wider commercial launch in Denmark in Q4 2022 and Germany in Q2 2023. Further, all but one peer in our selection has received at least one product clearance which together with actual product revenues generated today, lowers the risk somewhat that is tied to the business model and product offering for the peer group in contrast to Brain+, and therefore motivates a valuation discount for Brain+. However, as Brain+ reaches commercial traction from Q4 2022 and onwards, and receive further clinical data the, valuation discount should, all else equal, decrease over time. Moreover, the peers have a substantially higher Market Cap than Brain+ which Analyst Group believes gives a stronger validation and awareness within the DTx sphere, which further motivates a valuation discount for Brain+.

However, Analyst Group argues that Brain+ has a unique position on the DTx market by being the first with digital therapeutics for dementia, particularly cognitive stimulation therapy, where Brain+ is working closely with the global KOL's to leverage and facilitate the adoption wave towards digitalized CST-therapy. This, in turn, gives Brain+ a valuable First Mover Advantage to address one of the most expensive disease burdens of all (Dementia and Alzheimer's). Analyst Group forecasts that Brain+ sales are on the trajectory to really take off in 2024 given increased market awareness and maturity, but also as an effect of increased commercial sales efforts. Even though commercial sales are expected to accelerate successively during 2023 as Brain+ continues to gain market traction in Denmark after the upcoming launch in Q4 2022 and the projected launch in Germany in Q2 2023, Analyst Group argues that 2024 is a fairer period to value Brain+ at since its product, at that time, have been on the market for at least a year. When comparing Brain+ with the peer group, Brain+ trades at a lower EV/S-multiple in 2024E, corresponding to a discount of approx. -40% on the average EV/S-multiple.

Please read our disclaimer at the end of the report

# VALUATION

The current stock market turbulence and increased risk aversion amongst investors have put some real pressure on company valuations, almost regardless of which markets and/or segments the company operates within, where high-growth and unprofitable companies have taken the hardest hits. This, in combination with a strong revenue forecast, explains why a company such as Pear Therapeutics, currently trading at ~54x EV/S-multiple (LTM), trades at a forward EV/S-multiple of 2.5x. The same pattern can be seen within the other peers as well, and to value Brain+ in line with the average EV/S-multiple in 2024 of 2.8x would, according to Analyst Group, be a too conservative approach given the outlook for the company. Analyst Group argues that peers, in 2024, have reached further in the business cycle, which is often accompanied by lower multiples, and that Brain+ operational stage in 2024 is more comparable with the peers' forecasted scale-up in 2023, given that most peers already have reached the commercial stage.

Given a target multiple of EV/S 4x on annual revenues of EUR 2.1m in 2024, an Enterprise Value of approx. EUR 8.5m or DKK 65.5m is derived. To factor not only the time risk but also the fact that the DTx market faces some risks and challenges going forward, as it is still immature and in need of wider acceptance as well as adoption, Analyst Group has assumed a conservative discount rate of 16% for Brain+ to derive the company valuation. Based on an Enterprise Value of EUR 8.5m (DKK 65.5m) in 2024 and the applied discount rate it gives, after taking the net cash as of Q2 2022 into account, a potential net present value per share today of DKK 4.1 DKK. Note that Analyst Group has not accounted for the potential capital injection in late October when 4.8m publicly traded Brain+ warrants can be exercised, due to the difficulties to estimate the potential dilution and received funds from the warrants, as the proceeds to Brain+ will depend on e.g., the market price of existing share and number of warrants exercised.

**DKK 4.1**  
**PER SHARE**  
**IN A BASE**  
**SCENARIO**

## Bull Scenario

The following is a selection of potential value drivers in a Bull scenario:

- The upcoming commercial launch in Denmark and Germany becomes successful and Brain+ gains wide market traction and acceptance for its product offering.
- Brain+ ongoing clinical trials present highly positive outcomes which, together with successfully initial launches in Denmark and Germany, paves the way for reaching reimbursement faster and to a wider extent.
- Brain+ secures additional collaborations and commercial partnerships which gives a springboard to new markets but also enables a larger market share.
- More valuable licensing deals than estimated in a Base Scenario are reached, which translates into higher revenues and stronger cash flows.

Given a discount rate of 16% and a target multiple of EV/S 4.5x on estimated sales of EUR 3.0m in 2024 in a Bull scenario, a potential present value per share of DKK 6.4 is derived<sup>1</sup>.

**DKK 6.4**  
**PER SHARE**  
**IN A BULL**  
**SCENARIO**

## Bear Scenario

The following is a selection of potential factors to consider in a Bear scenario:

- DTx is still in the early stages and the outlook for the industry relies on behavioral changes across stakeholders and overall market acceptance. In a Bear Scenario, Analyst Group anticipates a slower grade of acceptance and usage adoption of DTx products, which hampers the growth outlook for Brain+.
- Brain+ is not expected to land any additional licensing/collaboration deals in a Bear scenario as the competitive landscape becomes more crowded and/or Brain+ faces unfavorable outcomes in ongoing clinical trials.
- The payment systems for DTx are not yet mature and while many DTx have gone through the regulatory processes and achieved product clearances, they have not necessarily been reimbursed. As the DTx regulations and pathways are still being defined by most countries, stricter requirements and higher evidence required from trials pose a real risk going forward. Therefore, any reimbursement for Brain+ has not been accounted for in a Bear scenario.

In a Bear scenario, a lower valuation of the share is justified, as potential headwinds mentioned above are expected to have a material adverse effect on the business and result in additional capital injections going forward. Based on the financial estimates of such scenario, a target multiple of EV/S 3.5x and a discount rate of 16%, a potential present value per share of DKK 1.7 is derived in a Bear scenario<sup>1</sup>.

**DKK 1.7**  
**PER SHARE**  
**IN A BEAR**  
**SCENARIO**

<sup>1</sup> Upcoming potential injection has not been taking into account.



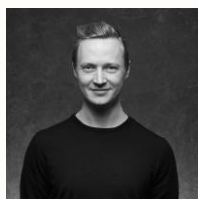
# MANAGEMENT & BOARD

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## **Kim Baden-Kristensen, Co-founder and CEO**

Kim began his career in high-tier strategic management consulting with The Boston Consulting Group before he moved into the industry as part of the business unit leadership, as Vice President of Marketing and Strategy, at Vestas Wind Systems A/S, Northern Europe. His passion for psychology and neuroscience led him to found Brain+ in 2012, with the purpose of bridging the gap between emerging scientific insights and the commercial space. Areas of expertise include leadership, organization & change management, marketing & sales excellence, business intelligence, competitive analysis, strategy planning, and execution.



## **Bertil Stengaard Jessen, Chief Financial Officer**

With an M.Sc. in Economics and Business Administration at CBS, Bertil has held roles in Strategy and M&A in Maersk and J.P Morgan's investment banking division. Further, Bertil has had roles including Head of a global strategic business program in GN Store Nord, which has now led him to the role of CFO.



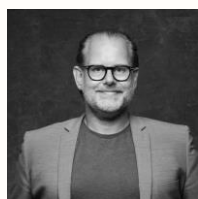
## **Simon Nielsen, Chief Science & Innovation Officer**

Simon has 12 years of experience as a biomedical engineer and joined Brain+ in 2019 as Director of Research & Innovation. Before joining Brain+ Simon spent four years at Coloplast A/S, latterly as a team manager and Senior Scientist, where his roles included managing a pre-clinical R&D team, and developing a core science area for technology maturation and development for the new innovative product portfolio. Previously, he has worked in smaller MedTech start-ups and also in research, recently as a Postdoc at Copenhagen University focussing on theoretical and applied science within the attention and short-term memory, the key cognitive functions targeted with Brain+ technologies.



## **Paula Petcu, Chief Technology Officer**

With over ten years of experience in Software Development and seven years of experience in Pharma, Paula has climbed her way up to one of Berlinske's Top 100 talents in Denmark. With an M.Sc. in Computer Science from the University of Copenhagen, Paula has had roles including Head of Digital Technologies at Lundbeck. Further, Paula has co-founded the health tech companies FindZebra and Healthy Mind Tech.



## **Brian Østergaard, Business Development Manager**

Originally educated as a graphic designer, Brian has more than 20 years of experience in designing SaaS solutions and more than 15 years of experience in selling and innovating such solutions in the Scandinavian healthcare market. A platform that he developed to assist in structuring the workday of caregivers and also help to structure the daily life of people with cognitive challenges was implemented by 39 Danish municipalities as well as in care homes in Norway and Sweden.

# MANAGEMENT & BOARD

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## **Anders Härfstrand, Chairman of the Board**

Anders Härfstrand has a solid background from business development and product commercialization from multiple large pharmaceutical corporations, most notably former Executive Vice President at Pfizer and currently Chairman of the Board at Diurnal. Anders was announced as Chairman of the Board in September 2022.



## **Lars Terney, Vice Chairman of the Board**

Having worked with the Boston Consulting Group from 1994 – 2008, where he became a managing director and head of the Group's Copenhagen office, Lars joined Nordic Capital in 2008. He is, since April 2020, the senior partner of Nordic Capital, which is the second largest Nordic-based private equity fund. Lars was Chairman of the Board until the election of Anders Härfstrand.



## **Hanne Leth Hillman, Chairman of the Audit Committee & Member of the Board**

15 years of experience in senior executive positions in both public and private life science companies, with a focus on financing, leadership, investor relations, and corporate governance. Since 2017 she has been CFO of Nanovi A/S and prior to that she was Head of IR and Corporate Communications at Zealand Pharma A/S. From 2013 – 2019 she served as a board member and Co-Chairman of the Danish Investor Relations Association.



## **Johan Luthman, Member of the Board**

With positions as Executive Vice President and Head of R&D at Lundbeck, former Senior Program Leader of Neuroscience R&D at Merck, and former CEO at GoNeuro, Luthman brings strong expertise within neuroscience and dementia.

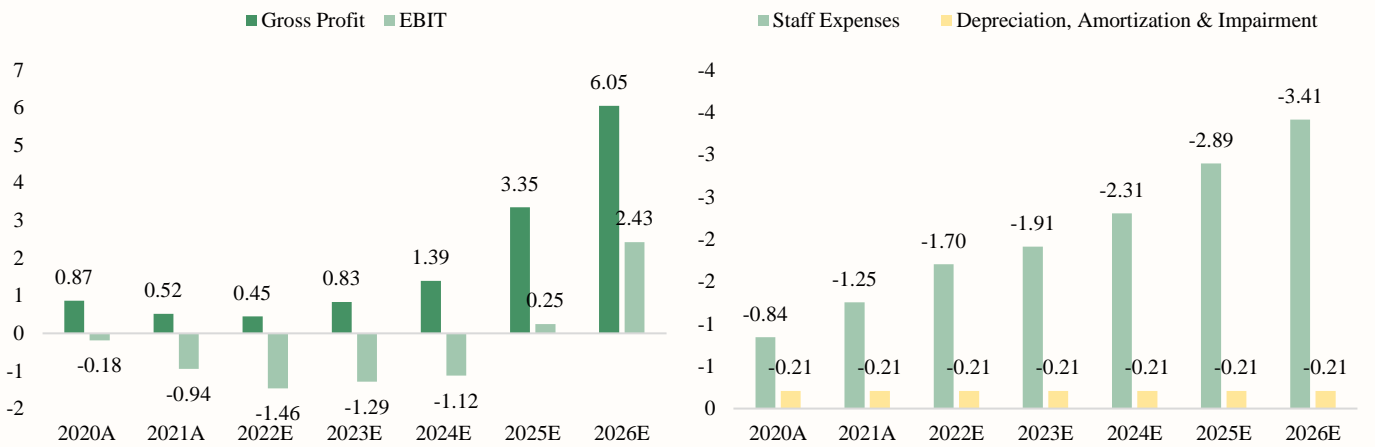


## **Betül Susamis Unaran, Member of the Board**

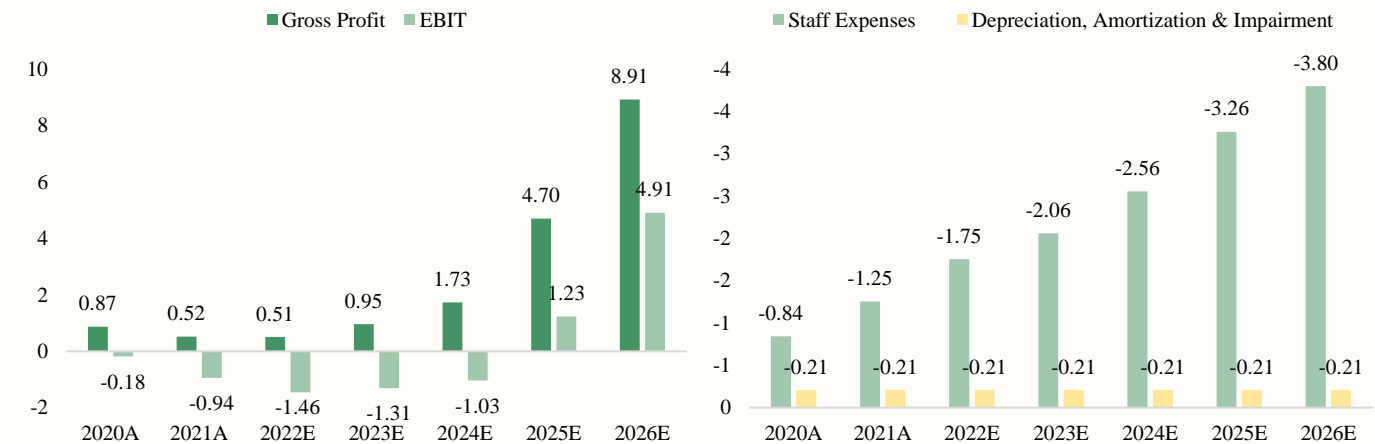
As a Chief Strategy and Digital Officer at Zur Rose Group, the largest pharmacy run as an e-commerce in Europe, Board of Directors of Ypsomed, and former Global Head of Digital Medicines at Novartis Pharmaceuticals, Susamis contributes with important experience within the field of Digital Therapeutics and Pharma.

# APPENDIX

Base Scenario: Income Statement, (EURm)		2020A	2021A	2022E	2023E	2024E	2025E	2026E
Gross Profit		0.87	0.52	0.45	0.83	1.39	3.35	6.05
Staff Expenses		-0.84	-1.25	-1.70	-1.91	-2.31	-2.89	-3.41
Depreciation, Amortization & Impairment		-0.21	-0.21	-0.21	-0.21	-0.21	-0.21	-0.21
EBIT		-0.18	-0.94	-1.46	-1.29	-1.12	0.25	2.43
Other Finance Income		0.00	0.01	0.00	0.00	0.00	0.00	0.00
Finance Expenses		-0.03	-0.25	-0.01	0.00	0.00	0.00	0.00
EBT		-0.21	-1.18	-1.47	-1.29	-1.12	0.25	2.43
Tax Expense		0.05	0.26	0.36	0.00	0.00	0.00	0.00
Net income		-0.17	-0.92	-1.11	-1.29	-1.12	0.25	2.43



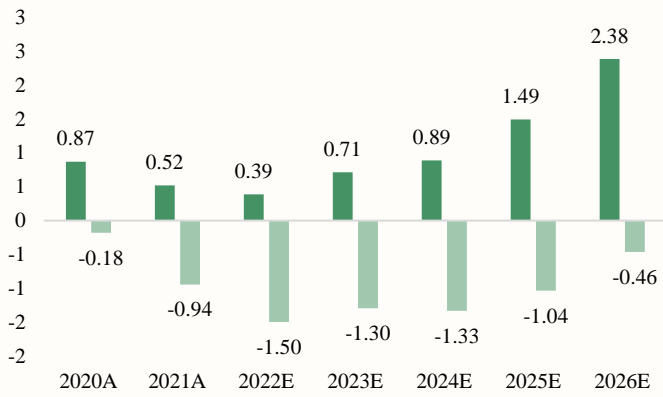
Bull Scenario: Income Statement, (EURm)		2020A	2021A	2022E	2023E	2024E	2025E	2026E
Gross Profit		0.87	0.52	0.51	0.95	1.73	4.70	8.91
Staff Expenses		-0.84	-1.25	-1.75	-2.06	-2.56	-3.26	-3.80
Depreciation, Amortization & Impairment		-0.21	-0.21	-0.21	-0.21	-0.21	-0.21	-0.21
EBIT		-0.18	-0.94	-1.46	-1.31	-1.03	1.23	4.91
Other Finance Income		0.00	0.01	0.00	0.00	0.00	0.00	0.00
Finance Expenses		-0.03	-0.25	-0.01	0.00	0.00	0.00	0.00
EBT		-0.21	-1.18	-1.47	-1.31	-1.03	1.23	4.91
Tax Expense		0.05	0.26	0.36	0.00	0.00	0.00	0.00
Net income		-0.17	-0.92	-1.11	-1.31	-1.03	1.23	4.91



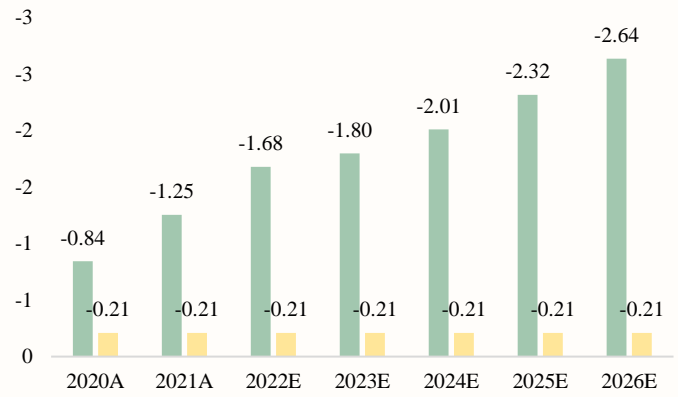
# APPENDIX

Bear Scenario: Income Statement, (EURm)	2020A	2021A	2022E	2023E	2024E	2025E	2026E
<b>Gross Profit</b>	<b>0.87</b>	<b>0.52</b>	<b>0.39</b>	<b>0.71</b>	<b>0.89</b>	<b>1.49</b>	<b>2.38</b>
Staff Expenses	-0.84	-1.25	-1.68	-1.80	-2.01	-2.32	-2.64
Depreciation, Amortization & Impairment	-0.21	-0.21	-0.21	-0.21	-0.21	-0.21	-0.21
<b>EBIT</b>	<b>-0.18</b>	<b>-0.94</b>	<b>-1.50</b>	<b>-1.30</b>	<b>-1.33</b>	<b>-1.04</b>	<b>-0.46</b>
Other Finance Income	0.00	0.01	0.00	0.00	0.00	0.00	0.00
Finance Expenses	-0.03	-0.25	-0.01	0.00	0.00	0.00	0.00
<b>EBT</b>	<b>-0.21</b>	<b>-1.18</b>	<b>-1.51</b>	<b>-1.30</b>	<b>-1.33</b>	<b>-1.04</b>	<b>-0.46</b>
Tax Expense	0.05	0.26	0.36	0.00	0.00	0.00	0.00
<b>Net income</b>	<b>-0.17</b>	<b>-0.92</b>	<b>-1.15</b>	<b>-1.30</b>	<b>-1.33</b>	<b>-1.04</b>	<b>-0.46</b>

■ Gross Profit ■ EBIT



■ Staff Expenses ■ Depreciation, Amortization & Impairment



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