

Brain+ (BRAINP)



Catalysts for Growth Ahead

During the first half of 2023, Brain+ has successfully built upon its initial commercial success with a Danish municipality by securing an extension to the first contract and a second sales contract with another municipality. Given the prolonged and seasonal sales cycles within municipalities, closing two sales contracts in H1-23 not only underscores Brain+'s immediate impact on the market but also sets a promising tone for the second half of 2023 and beyond. Moreover, looking ahead, Brain+ holds considerable triggers in the near term, with anticipated updates from its R&D pipeline in the upcoming quarters, a growing presence in Germany, and the imminent introduction of new product versions. Analyst Group estimates net sales of EUR 3.0m by 2025, and with an applied EV/S multiple, a potential present value per share of DKK 0.91 (1.12) is derived in a Base scenario¹.

Steady Progress in H1-23

In the first half of 2023, Brain+ has further established its presence in the digital dementia care market by successfully closing two sales contracts for the first version of its flagship product, CST-Therapist Companion; one for a full municipality and another for use by a dementia care center in another Danish Municipality. This achievement is especially promising considering the typical municipal sales cycle, which spans between 12 to 24 months. Analyst Group views this early success as a strong indicator of Brain+'s potential for future growth. It's important to note that the Danish municipal sales cycle is unique, with the first half primarily dedicated to exploration and identification of new solutions. Conversely, the latter half focuses on budgeting and executing purchase orders. Brain+'s go-to-market activities since its introduction in Denmark (Q4 2022) and Germany (Q2 2023) bode well for its ability to meet net sales estimates, considering the seasonality inherent in municipal sales cycles.

Breakthroughs in Dementia Treatments

In July 2023, a transformative moment unfolded in dementia care as the FDA granted full approval to Lecanemab, a groundbreaking treatment for early Alzheimer's disease. This milestone signifies a remarkable turning point in an industry that has grappled with challenges for decades in developing effective dementia treatments, reigniting interest and investments within the sector. As pharmaceutical companies increasingly acknowledge the potential of merging drugs with digital solutions, this resurgence in the field may position Brain+ and its digital dementia products even more favorably.

Revised Share Price Range

While our financial forecasts for the forecast period remain unchanged following the H1-report, we have adjusted the share price range slightly downward due to a decreased target multiple. This adjustment is influenced by a contraction in multiples observed among peers and the persistently challenging environment faced by companies with promising future revenue but current incurring losses. The trajectory of Brain+'s share price, its low trading volume, and relatively muted acknowledgment of recent achievements collectively suggest that the stock is operating below investors' radar as of now, which poses an elevated risk. Notably, Brain+ have outstanding warrants set to expire in October 2023, and the capital injection is closely tied to the share price. A shortfall in capital injection may potentially impede planned commercial and R&D activities. Nonetheless, we are still seeing a great upside potential in Brain+ and if the company could secure additional non-dilutive funding through the already submitted grant applications, it would de-risk the case according to Analyst Group.

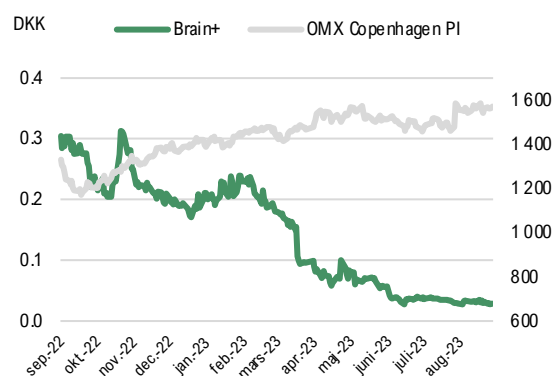
VALUATION RANGE, PRESENT VALUE 2025Y FORECAST



KEY INFORMATION

Share Price, (2023-09-08) (DKK)	0.29
Shares Outstanding	44,262,866
Market Cap (MDKK)	12.8
Net cash(-)/debt(+) (MDKK)	-5.3
Enterprise Value (MDKK)	7.5
List	First North Copenhagen
Annual Report 2023	TBD

SHARE PRICE DEVELOPMENT



Estimates (EURm)	2021A	2022A	2023E	2024E	2025E
Gross Profit	0,5	0,4	0,6	0,9	2,5
Gross Profit Growth	-40,3%	-19,0%	54,5%	37,4%	180,7%
EBIT	-0,9	-1,4	-1,6	-1,8	-0,8
Net Income	-0,9	-1,3	-1,6	-1,8	-0,8
P/S	n.a.	n.a.	29,3	5,3	0,6
EV/S	n.a.	n.a.	17,2	3,1	0,3
EV/EBITDA	neg.	neg.	neg.	neg.	neg.

² Upcoming potential capital injection from warrant (TO2 and TO3) has not been taking into account in the derived share price range.

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Other

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