2023-09-11

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 scenario[1].

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 acknowledge 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.

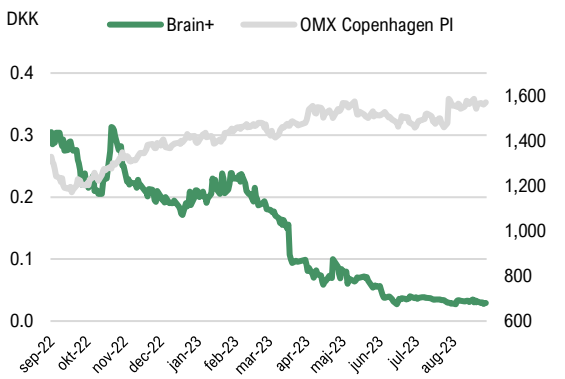
Valuation Range, present value 2025y forecast

Bear	Base	Bull
DKK 0.27	DKK 0.91	DKK 1.40

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.

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

Introduction

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About the Company

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 (SaaM) 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 dementia DTx space. Brain+ is listed on First North Copenhagen since October 7, 2021.

CEO and Chairman

CEO	Kim Baden-Kristensen
Chairman	Anders Härfstrand

Analyst

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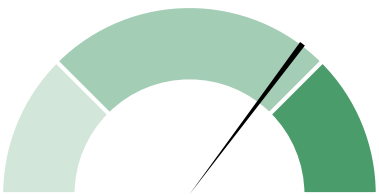
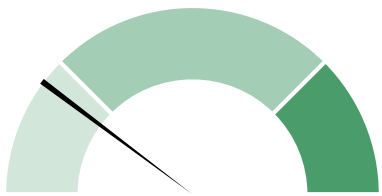
Value Drivers



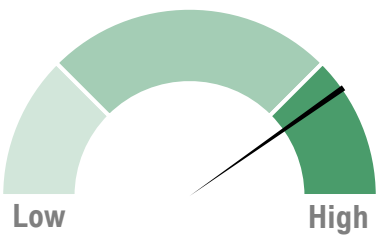
Brain+ is a DTx company targeting one of the greatest health challenges of our time – Dementia. While there are plenty of drug development companies on the market, there are other treatments for dementia too and Brain+ is the pioneer in digitizing Cognitive Stimulation Therapy (CST), which already has strong evidence behind it. This gives Brain+ a *First Mover Advantage* and following a successful partnership with RoX Health (Roche), Brain+ has managed to fast-forward the commercialization phase by two years, and secured its first commercial sales contract in late 2022. 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



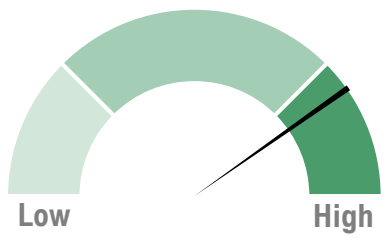
Brain+ has since 2020 shifted focus towards the development of regulated and reimbursed DTx products. While several of its current commercial product candidates are in still early trials, Brain+ has had some commercial traction through its first dementia product, *CST-Therapist Companion,* following the first commercial sale in late 2022. 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



The Management and Board of Brain+ have strong experience within the MedTech industry and startups. The CEO, co-founder, and largest shareholder (~21%, before the rights issue) 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. In 2022, the Executive Board expanded 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



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 over DKK 70m 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 if the subscription rate in future warrants of series TO2 and TO3 are low.

Comment on Semi-Annual Report 2023

Focus on Increasing Market Awareness in H1-23.

CLOSED TWO SALES CONTRACT DURING THE FIRST HALF OF 2023

In the first half of 2023, Brain+ closed two sales contracts for the company´s digital dementia product, CST-Therapist Companion, which, considering the municipal sales cycle of between 12-24 months, is a promising sign for the future according to Analyst Group. Further, it's crucial to understand the unique nature of the Danish municipal sales cycle. Typically, the first half is primarily a period of exploration, during which municipalities actively seek and identify new products or service solutions. In contrast, the latter half of the year is more intensive in budgeting and executing purchase orders. Our projected net sales for FY2023 stand at DKK 0.4m (EUR 0.06m), a forecast that considers this seasonality. Given Brain+'s amplified go-to-market efforts since its introduction in Denmark (Q42022) and Germany (Q22023), we remain optimistic in Brain+ meeting our net sales estimates, given the back-heavy sales cycle within municipalities.

Lower Capitalized Costs Caused a Decline in Gross Profit

SHOWING COST CONSCIOUSNESS

The gross profit reached DKK 1.6m (corresponding to EUR 0.21m) in H1-23, which on a Y-Y comparison means a 15 % decline, primarily due to lower capitalized costs. Staff expenses stood at DKK 6.1m (EUR 0.8m), corresponding to a Y-Y decrease of approx. 6 %, reflecting Brain+'s increased cost consciousness and the fact that most of the recruitments for the near- and medium-term were made during 2022. D&A increased with DKK 1.2 m (EUR 0.16m) on a Y-Y-basis to DKK 2.0m (EUR 0.26m). In 2022, Brain+ completed several grant funded innovation projects, which increased the value of completed development projects on the balance sheet and correspondingly decreased the value of development projects in progress by the same amount. The increase in D&A reflects this and has been modeled for in our estimates, given higher amortizations. Due to higher D&A, EBIT came in at DKK 6.6m (EUR -0.9m), which is lower than H1-22 (EUR -0.7m), however, on an EBITDA-basis, the results were more or less flat Y-Y (EUR -0.59m vs EUR 0.60m).

In general, the financial performance aligns well with our FY2023 estimates, as we anticipate more business activities and commercial milestones in H2-22 as a result of the seasonality.

Cash at hand and Upcoming Funding Events Equip Brain+ for Commercial and R&D Pursuits

DKK 5.3M IN CASH BALANCE

By the close of June 2023, Brain+'s cash and cash equivalents totaled DKK 5.3m (EUR 0.69). This represents a minor decline of DKK 1.1m (EUR 0.144m) from the figures reported in 2022's Annual Report. During Q2-23, Brain+ executed a rights issue, which infused the company with DKK 14.3m before accounting for transaction-related expenses. An encouraging development post the completion of the rights issue was the decision made by some of the guarantors in the offering to receive their guaranteed compensation in new units (new shares and warrants) instead of cash. This strategic move resulted in a 2.2% dilution. However, it has a silver lining: it allowed Brain+ to preserve more of the proceeds in cash, DKK 0.42m to be precise, ensuring that these funds can be allocated and utilized more effectively in other crucial areas of the business.

WITH A UPCOMING WARRANT EXERCISE TO FURTHER STRENGTHEN THE CASH POSITION

Furthermore, it's essential for investors to note the upcoming funding event with the warrants of series TO 2. These can be traded in the market until 12 October 2023 and be exercised between 2 and 16 October 2023. The exercise price will be set at 70% of VWAP over 20 trading days, ending two days before the exercise starts and will be announced a day before the exercise period begins. Each TO 2 warrant offers the chance to subscribe for one new Brain+ share.

Breakthrough-Moment in the Dementia-space

LECANEMAB-APPROVAL SPURS INCREASED INTEREST INTO THE DEMENTIA SPACE

In July 2023, the US FDA granted full approval to Lecanemab, a groundbreaking treatment for early Alzheimer's disease. This significant development, coming after decades of pharmaceutical setbacks in dementia treatments, marks a potential turning point in the industry. The approval of Lecanemab is expected to rejuvenate interest and investments in dementia treatment, paving the way for a more comprehensive approach that combines pharmaceuticals with digital therapeutics.

For a DTx-company like Brain+, this evolving landscape presents a great opportunity. As pharmaceutical companies increasingly recognize the potential of combining drugs with digital solutions, Brain+ is uniquely positioned to offer its evidence-based digital products. These products not only complement the emerging drug treatments but also enhance their efficacy, offering a holistic solution to dementia care. The growing acknowledgment of digital solutions by policymakers and pharmaceutical giants further amplifies the potential for Brain+ to forge strategic partnerships and co-development opportunities, solidifying its role in the future of dementia treatment.

Comment on Semi-Annual Report 2023

SUBMITTED GRANT APPLICATIONS CAN PROVIDE UP TO DKK 67M IN GRANT FUNDING

Recent Grant Applications Emerges as a Promising Catalyst for Future Growth

Brain+ has a long and successful history of receiving grants for its R&D activities, with over DKK 70 million raised through innovation grant funded research. During August 2023, Brain+ has taken new ambitious steps to further its commitment to better dementia care. The company submitted new public grant applications aiming to raise up to DKK 67 million to further develop and scale its digital dementia products. These applications include:

- A Danish InnoBooster grant of DKK 3 million, targeting the completion of the CST-Therapist Companion v2.0.
- A CO-PI grant of DKK 4 million, which will support the implementation of the CST-Therapist Companion in both Denmark and the UK, as well as its integration into official CST education.
- An EU EIC Accelerator grant, seeking DKK 17 million, complemented by DKK 43 million in equity funding from the European Central Bank. This substantial funding is earmarked for the development, marketing, and commercial scaling of Brain+'s next in line digital CST-based product, CST-Home Care, designed to bring CST (Cognitive Stimulation Therapy) to the homes of dementia patients.

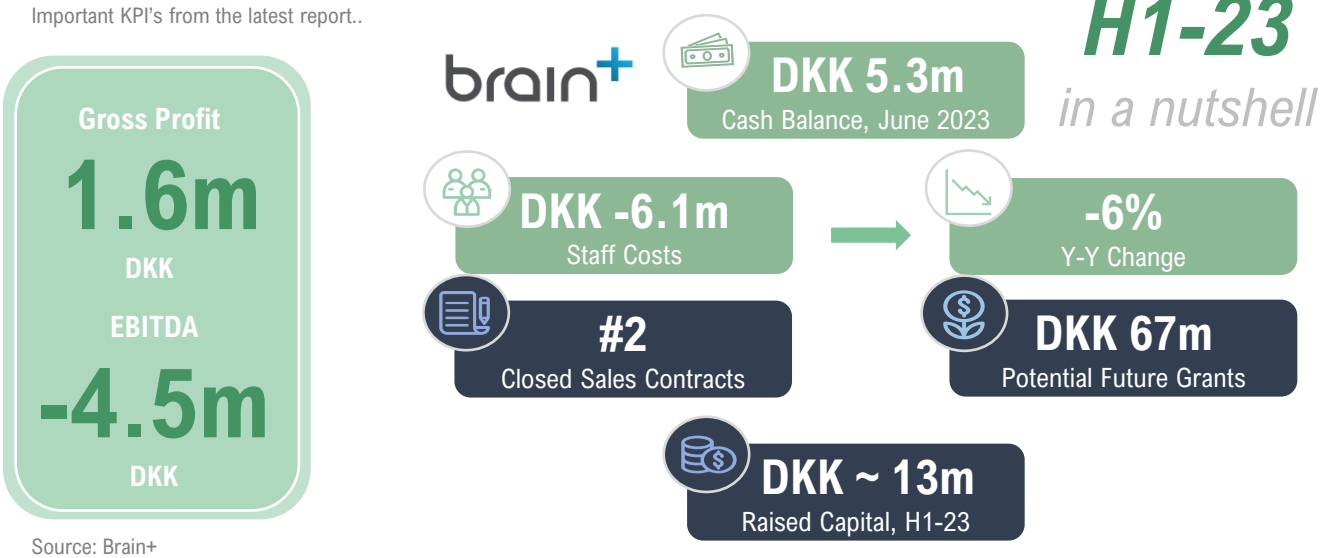
Public grant financing will continue to be a supplementary source of funding for the Company's R&D pipeline, as well as allowing Brain+ to make existing cash levels and the upcoming cash injection from the issued warrants last for a longer period of time. Further, it is not only positive for the shareholders, as soft funding is non-dilutive, but it also allows Brain+ to partner with experts within the industry and potential future customers. The responses from the applications are expected during Q4 and will be interesting events to keep an eye on for investors.

Brain+ Gears Up for a Noteworthy H2-23 and 2024

At present, Brain+ is actively engaged in pilot studies for its CCT and Starry Night Cognitive test offerings, with results anticipated in 2023 and 2024. Furthermore, the company has charted out three clinical trials for its CST product suite for 2023-2024. Notably, the claims trial for Brain+'s enhanced version of CST-TC is scheduled to start in the fourth quarter of 2023. A successful conclusion would not only pave the way for reimbursement of the product but would also pave the way for a push into the UK market and prospective cooperation with big pharmaceutical firms. The results of these studies will continue to be closely monitored by Analyst Group, as they are pivotal in gauging the company's commercial trajectory.

To summarize, Analyst Group maintains a positive view on Brain+ based on the pipeline's maturation, the advancements made in the dementia field, the company's ongoing efforts to increase market awareness, and recent grant applications, all of which make the second half of 2023 particularly interesting to watch.

Overview of Brain+'s First Half of 2023
Important KPI's from the latest report..



Source: Brain+

CEO Interview, Kim Baden-Kristensen

In the first half of 2023, the Gross Profit amounted to DKK 1.6 million (compared to 1.9 million previously), and the EBITDA-result totaled DKK 4.5 million (compared to 4.7 million previously). Additionally, the cash balance stood at 5.3 million at the end of June, following a capital injection of DKK 14.3 million and a net cash injection of DKK 9.9 million during the period. In terms of financial performance, has H1-23 unfolded as expected compared to your initial projections for 2023?

We have always had a very cost-conscious approach, being mindful of balancing our cash spend against value creation through development, as we build our digital therapeutics business towards scalable sales revenue and profitability. In H1-2023 we have managed to keep our costs at a low level without jeopardizing our go-to-market activities and the development of our new and upscaled products. This is exactly in line with our projections.

Considering that the initial half of the year has primarily focused on raising awareness within the Danish market and the strategic partnership with Malteser Hilfsdienst, could you elaborate on the feedback received from dementia coordinators, CST therapists, other stakeholders, and insights gathered from the pilot project in one of Malteser's dementia cafés? How do you envision these learnings influencing the broader commercial rollout of CST-Therapist Companion in Germany, especially considering the potential expansion across Malteser's 100 dementia cafés?

The design and user interface of CST-Therapist Companion, which was introduced to the market by Brain+ last year to support the delivery of Cognitive Stimulation Therapy (CST), has been positively received by CST therapists and coordinators for its simplicity and intuitive usability. It is being recognized and valued for saving time and for supporting the delivery of CST by the therapists. The first six months has also confirmed that optimal penetration of CST in not so mature markets as Germany calls for the CST-Therapist Companion to be embedded in the training of new CST-therapists. We are working with specialists and Malteser on this opportunity. We have also during our go-to-market learnings seen a need for our product to support tailoring the individual CST sessions to the characteristics of a particular CST group, and this is exactly what we have been working to develop and include in version 2.0 of the product. The learnings that will be embedded in the upgraded version increase the benefit to the therapists and CST participants significantly and will have a good fit with the market needs, so this is the product version we aim to launch with in UK, and this will of course also be introduced in DK and Germany in 2024.

The UK is an important future market for Brain+ in years to come. What challenges and opportunities do you anticipate as you plan to expand into the UK, given its established adoption of CST for dementia care?

The opportunity for Brain+ in the UK is to grow in the biggest and most mature CST market in the world, representing over 6,000 trained CST therapists and a broad adoption of the therapy. The UK is also one of the leading markets in terms of digital health adoption, as the NHS, one of the largest 1-payer systems in the world, is highly supportive of digital therapy. Once the fit of CST-Therapist Companion to the local care pathway and business model is found, the scaling potential for us in this market is considerable. Reaching market adoption in the UK can also be expected to have a supportive effect in other key markets as the UK is a reference market globally, both in healthcare and in digital therapeutics.

Challenges we see include the usual adoption challenges, like finding fit into the local care pathway, finding the best reimbursement/payer/business model, showing local fit, and creating awareness, acceptance, trust and brand. Here we are greatly helped by our many years of R&D partnerships in the UK and by working with the main UK KOLs in the field – and not least the inventor of the analogue version of CST, Professor Aimee Spector.. We already have NHS Trusts lined up to pilot with us.

CEO Interview, Kim Baden-Kristensen

With recent advancements in Alzheimer's drug development, exemplified by the FDA approval of Lecanemab, and the increasing recognition of combining non-pharmaceutical treatments like Cognitive Stimulation Therapy (CST) with drugs for dementia management, how does Brain+ see its role evolving in the context of these developments? Can you share insights into how Brain+ plans to leverage its expertise in CST-based digital dementia therapies to contribute to the evolving dementia care landscape, considering the growing interest from experts and stakeholders in this field?

We foresee a future where Alzheimer's drugs are delivered in combination with non-pharmacological therapies, like CST, which is a well-established type of cognitive stimulating activity and conversation-based therapy with clear evidence of supporting the effect of the drugs. This is not only benefitting people with dementia and their caregivers and relatives but can be very valuable for the pharma companies to enhance the value of their drugs. We see our role as a partner to the pharma companies to make the best high-impact treatments, and also partner with them to roll-out CST more broadly as part of enhancing value for patients in their ecosystems and also as part of a new business for pharma. In short, collaborating to accelerate the adoption of CST, both in its own right as the leading non-pharmacological therapy, and in combination with Alzheimer's drugs.

What specific steps are you taking to protect your intellectual property rights, and how do you plan to leverage your IP portfolio to maintain a competitive edge in the market?

We have recently announced to have secured design protection of our most mature digital CST product, CST-Therapist Companion, in the EU and the UK, which represent our initial target markets. For digital therapeutics, the design and usability profile can be decisive for their clinical adoption and essential for the healthcare benefits it offers. Protecting these IP elements will make the product harder to replace once users have become familiar with using it and it has been established as part of a medical or therapeutic workflow. We are aiming to secure similar protection in our next target markets, so mainly the US and Japan. For the less mature products in our pipeline, we also have had positive feedback in terms of the prospects of securing technology patents besides design protection.

IP protection is extremely important for a growth company and core to attracting pharma partners, since the probability of commercial success is considerably influenced by whether the essential technology and product elements are legally protected. Design protections and patents form one of several important building blocks to achieving this.

In your perspective, what specific developments or factors should both current and prospective investors pay close attention to during the latter half of 2023?

As presented in our H1 2023 report, we look into an eventful rest of 2023 with several milestones. In terms of commercial events, we will introduce an updated version of CST-Therapist Companion in Denmark and we are advancing in discussions with several municipalities with the objective of closing new sales contracts. On the product development side, we are working to finalize an upgraded version 2.0 of CST-Therapist Companion with several new user features as well as both scalable and customizable content offerings to optimally support the delivery of CST. With this product, we will start a clinical feasibility trial in Denmark in collaboration with leading dementia specialist, Professor Rikke Gregersen, Scientific leader of applied dementia research at VIA University College and a usability study in Germany in collaboration with leading dementia specialist, Professor Katja Werheid, Clinical Neuropsychology and Psychotherapy at Bielefeld University. The high level of engagement and commitment we are being met with from top-dementia and CST specialist is an important validation of our approach and digital products.In parallel with the clinical studies, we will initiate medical device status for the CST-Therapist Companion v2.0 product, targeting commercial introduction in 2024. Our next CST product, CST-Home Care, has a large potential, as it is intended to scale the use of CST into the homes of people with dementia We expect to start the development of this product in Q4 of 2023. With one of the less mature digital therapy products in our pipeline building on Computerized Cognitive Training of people diagnosed with Mild Cognitive Impairment (MCI), we will initiate feasibility studies in healthy elderly and elderly with MCI in collaboration with project partners.

Finally, we see it likely that we will be able to close new partnership agreements – and not least, we are looking to raise new capital from the exercise of the 28.5 million TO2 warrants, we have outstanding. As for the latter, it is our hope that our current investors will use their warrants and subscribe for new shares to keep their share of the upside we see for our company going forward.

Investment Thesis

Unique Product Offering That Addresses A Billion Dollar Market

~140M PEOPLE WITH DEMENTIA IN 2050

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 139 million by 2050, from 55 million in 2019. 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, Denmark, and UK, for treating people living with mild to moderate dementia. Moreover, CST was highlighted in the World Alzheimer's Report (2022) as a cost-effective and evidence-based therapy for dementia that should be further researched and implemented globally. In its most recent policy paper, *A Blueprint for Dementia Research* (2022), WHO also highlighted the advantages of CST, stating that evidence suggests that CST, among other rehabilitative interventions, can, for example, improve cognition and quality of life and that psychosocial interventions are effective when delivered digitally. Brain+ is the pioneer in digitizing CST, which already has rigorous clinical evidence behind it, including a two Cochrane reviews.

CST GAINS FURTHER SUPPORT FROM CRITICAL POLICY PAPERS

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 break-throughs on this subject such as revised FDA regulations, the establishment of DiPA in Germany, and the creation of the NordDEC[1], to name a few. On top of that, the number of apps approved for national reimbursement via DiGA in Germany grew to 32.

FURTHER MILESTONES HAVE BEEN REACHED WITHIN DTX DURING 2022

First Commercial Sales Contracts Has Been Secured – Two Years Ahead Of Plan

On December 31, 2022, just two months after the market introduction of the Company's first dementia product *CST-Therapist Companion*, Brain+ secured the first commercial sales contract, and in Q2-23 Brain+ secured yet another sales contract. Considering the usual 1-2 year sell cycle to municipalities, securing two sales contract within six months after the initial market introduction is a sign of strength according to Analyst Group, and showcases the importance of Brain+'s dementia products. The first commercial sales represents an important milestone for the Company and marks a two-year market acceleration relative to the commercial roadmap projection during the IPO in 2021. Alongside the ongoing efforts to expand market share in Denmark, where Brain+ is actively engaging with over 30 Danish municipalities that are already using CST, the Company commenced market entry in Germany in Q2 2023. Brain+ has the prerequisites needed to succeed with the commercialization in Germany moving forward as a result of the Company's already established partnership with RoX Health (a Roche subsidiary), a current strong network of KOLs, and initiated collaborations with the German medical distributor Coopmed as well as Germany's top provider of dementia care services Malteser Hilfsdient.

MARKET INTRODUCTION

Forecast And Valuation: a Summary

EUR 3.0M REVENUES 2025E

In a Base Scenario, Brain+ is estimated to reach net sales of EUR 3.0m in 2025 following further commercial traction in Denmark and upcoming commercial introductions in Germany and the UK. With a target multiple of EV/S 2.3x on estimated net sales in 2025, 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 0.91 (1.12).

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

THE DTX MARKET IS STILL IMMATURE

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 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.

[1] Nordic Digital Health and Evaluation Criteria.
[2] A 95% subscription rate has been modelled for in a Base scenario, corresponding to a dilution effect of ~ 66%.

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 by securing its first commercial sales contract with the Danish municipality of Herning in late 2022 regarding the Company's first dementia product on the market – *CST-Therapist Companion*.

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 are 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:

nr 1

Cognitive Stimulation Therapy (CST)

Current stage: Introduced in Q4-22

Digital 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, Germany, and UK. 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 a digital tool used in a clinic where the therapy is led by a trained CST professional. This product enables therapists to reduce the preparation time by around 80%, standardize CST group sessions in high quality, and enhance the consistency in therapeutic delivery. 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 performed at home. The third product, *CST for MCI*, targets people with Mild Cognitive Impairment, a pre-phase of dementia that is 3-4x more prevalent than dementia, and 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*, has already been commercial introduced in Q4 2022, the second and the third CST-products are under development. The time to market for the *CST-Home Care* product is expected to be in 2025.

nr 2

Computerized Cognitive Training (CCT)

Current stage: In developement

Computerized Cognitive Training ("CCT") is in simple terms a product that can be likened to a fitness exercise for the brain and the 2nd 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 2nd 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 1st generation.

nr 3

Starry Night

Current stage: In developement

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+.

Company Description

The Relevance Of Brain+ Technology And Product Offering

BIG PHARMA ARE POTENTIAL PARTNERS TO BRAIN+

With more than 140 drugs in the pipeline for Alzheimer's disease, over 80% of these focus on disease modification and the candidate treatments are often backed by well-funded pharmaceutical 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.

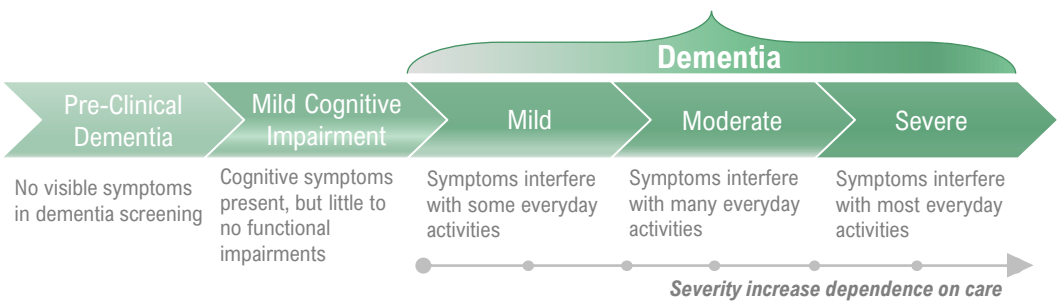
Currently, there are several so-called "brain training apps" on the market to function as a "brain fitness center", however, they are non-regulated and do not have the rigorous evidence-based approach necessary for becoming a regulated digital therapeutic. Brain+ is thus differentiating itself from these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

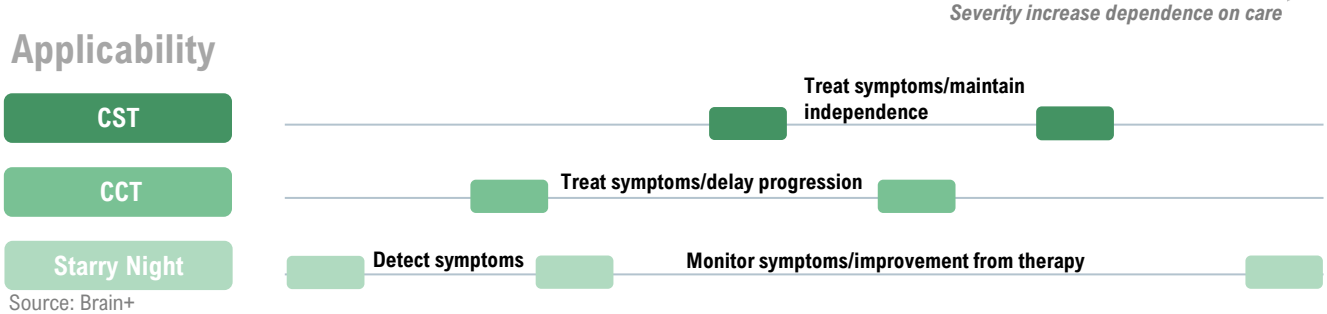
Brain+'s Technologies Targets Multiple Disease Stages

Dementia is categorized into different phases based on the progression of brain changes. The three broad phases are Pre-Clinical Dementia, Mild Cognitive Impairment (MCI) and Dementia, which is further sub-categorized into mild, moderate and severe. The length of time spent in each stage varies and is influenced by factors such as age, genetics, and biological sex, to name a few. Brain+'s developed technologies - CST, CTT and Starry Night – are applicable across multiple of abovementioned disease stages, where the initial introduced product, CST, targets the Mild to Moderate-stage, while upcoming products will target the Mild Cognitive Impairment stage.

Overview of the various stages of dementia and how each is addressed by the technologies that Brain+ has developed.

Dementia disease stages





Source: Brain+

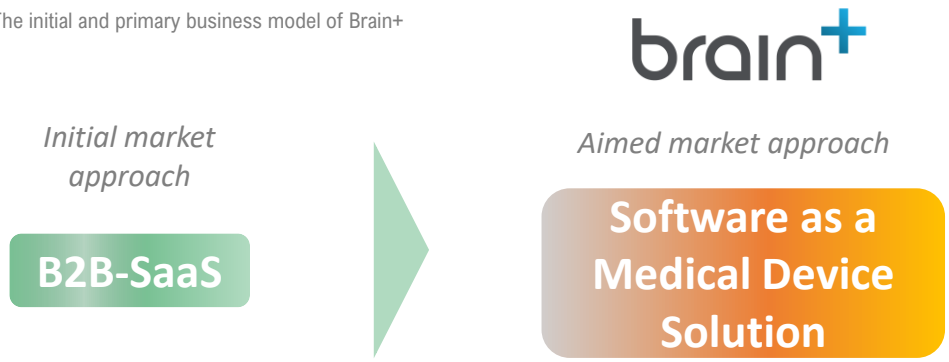
Company Description

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* ("SaMD") 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 introduction 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 introduced as a digital health tool to support therapists and therefore does not require a regulatory certification.

The initial business model for Brain+ will come in the form of a B2B SaaS solution, while the primary business model of Brain+ in the future is expected to be a SaMD-solution, supported by products with medical claims.

The initial and primary business model of Brain+



Source: Brain+

Cost Drivers

Unlike most public 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 sales efforts required to enable additional contracts for the first dementia product *CST-Therapist Companion* in Denmark throughout 2023. 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. 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.

STRONG OPERATING LEVERAGE

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.

Company Description

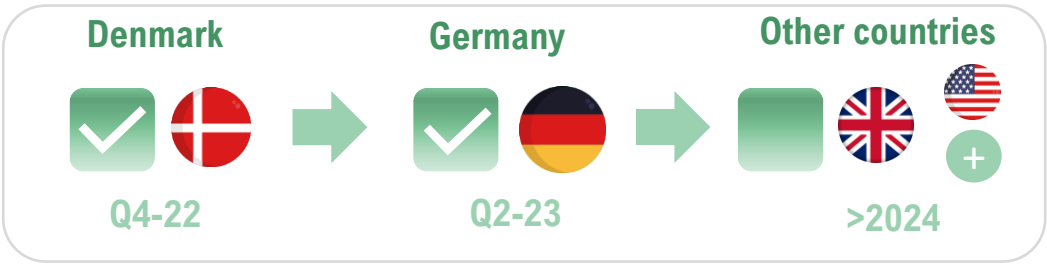
ONGOING CLINICAL TRIALS ARE IMPORTANT FOR FUTURE COMMERCIAL SUCCESS

Strategic Outlook

The development and commercial success of Brain+ products rely on getting positive results from scientific and clinical trials. The two ongoing trials, both paid for by grants, are at early stages including the feasibility studies and Proof of Concept. Additionally, Brain+ has three trials scheduled for the CST product line, with the first two is intended to gather information for regulatory compliance and meet reimbursement requirements, and the third is intended to conduct a Proof of Concept study to assess effectiveness and safety. 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 distinguishes whether a DTx product is reimbursed, or is selling via a non-reimbursed model.

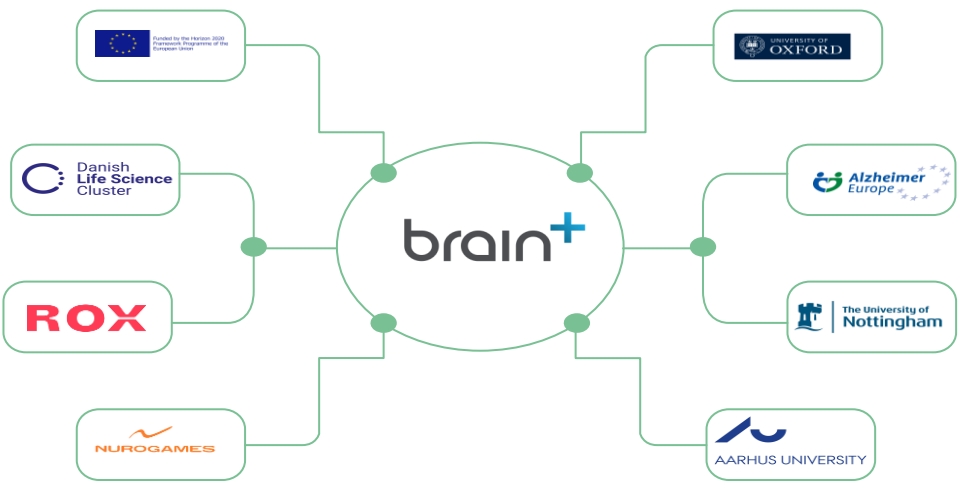
By introducing its first dementia product to the German market in Q2 2023, following its initial launch in Denmark in Q4 2022, Brain+ will obtain significant data, outside clinical trials, which will be valuable for the path to reimbursement and large-scale commercialization. The data collected from commercial introductions 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.

Commercial Road Map



By working with a strong network of experts and key opinion leaders (KOL's) in ongoing trials, 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 in clinical trials. However, it should be noted that the nature of highly innovative technologies, such as Brain+ DTx product, carries a high risk were any delays or negative readouts in ongoing and planned trials could have a significant impact on the Company's financial and market position.

The core of the Brain+ strategy involves partnerships since they strengthen the organization's inherent capabilities.
A selection of Brain+ current network of KOL's and partnerships

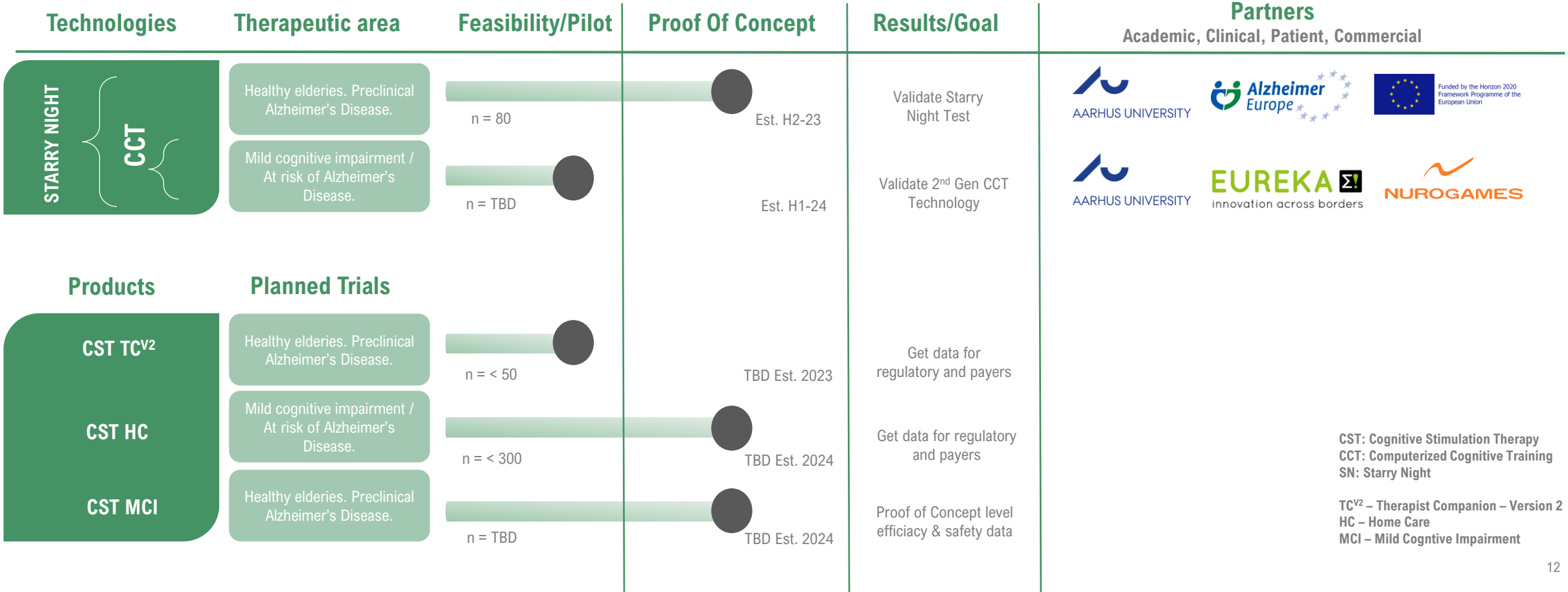


Source: Brain+

PIPELINE OF CLINICAL TRIALS

Brain+ has two ongoing and three planned trials, where the CST-Therapist Companion version 2 will be tested in 2023 to document its benefits, with an emphasis on satisfying reimbursement-required endpoints that validate its clinical benefits connected to treatment. This trial will also give data to assure regulatory compliance as a medical device that is MDR compliant. Similarly, CST-Home Care has a planned trial to determine its benefits in 2024, with the goal of satisfying reimbursement-required goals that validate clinical benefits related to reducing cognitive decline and improving quality of life for both caregivers and users. This trial will also give data to assure regulatory compliance as a medical device that is MDR compliant. In addition, a Proof-of-Concept Study (Phase 2) for the CST-for-MCI study is being planned to investigate efficacy and safety.

The ongoing trials are conducted in collaboration with a strong network of experts and key opinion leaders (KOL's), and these are all paid for by grants. To date, Brain+ has raised over DKK 100m in fundings (of which DKK 72m were grants) and are continuing to work with grants, where Brain+ have a number of ongoing of grant projects with the Company's university partners. As of April 2023, Brain+ and its partners have completed six feasibility and proof-of-concept ("POC") trials with positive findings regarding its three core technologies (CST, CCT and Starry night).



Market Analysis

Dementia Is One Of The Greatest Health Challenges Of Our Time

139M
People living with dementia in 2050

+10M
New dementia cases each year

150-200M
People living with MCI today

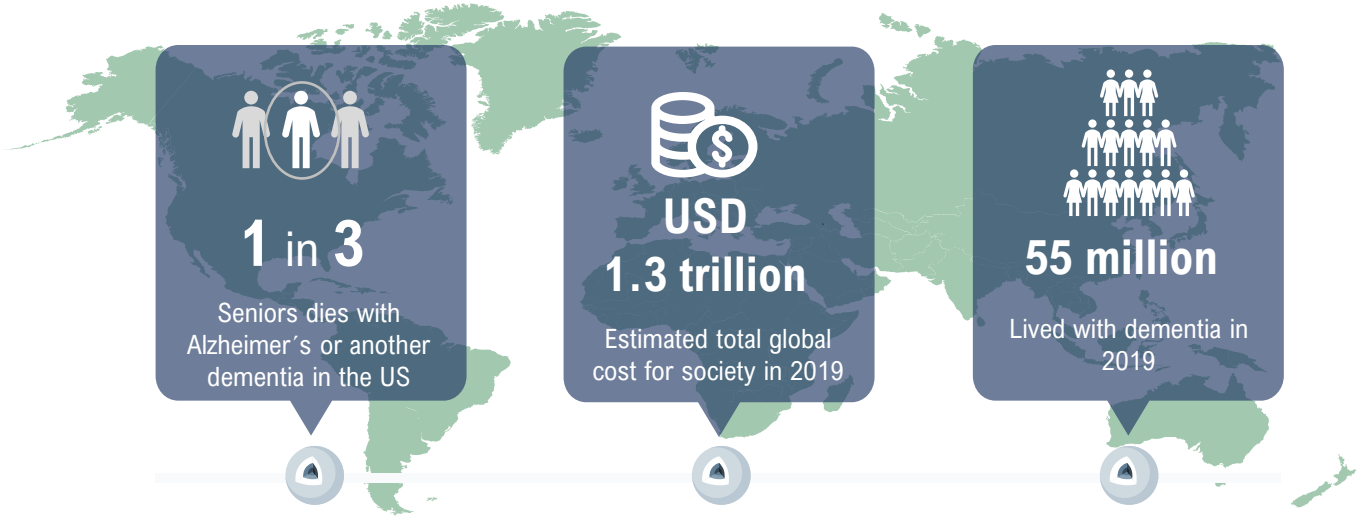
Dementia is a rapidly growing public health problem that primarily affects, but not exclusively, older people, and leads to a deterioration in cognitive functionality beyond what might be considered the usual consequences of biological aging. Though dementia is the broader term for this condition, Alzheimer's disease is the most common form and constitutes up to 70% of all cases of dementia. In 2019, around 55 million people lived with some form of dementia, with the majority living in low-and middle-income countries, and due to an increasing proportion of older people in practically every country's population, this number is expected to almost triple by 2050 and reach 139 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, with one in every three seniors dying with dementia in the US, but also one of the major causes of disability and dependency among older people worldwide.

Mild Cognitive Impairment (MCI) is a condition in which a person's cognitive abilities, such as memory, language, attention, or problem-solving skills, deteriorate more than would be expected for their age and education level, but do not significantly interfere with their daily activities or independence. MCI is sometimes regarded as a transitional stage between normal cognitive changes associated with aging and the more severe cognitive decline associated with dementia. According to research, 10-15% of people with MCI develop dementia each year, with around one-third developing dementia related to Alzheimer's disease within five years. However, not everyone with MCI develops dementia, in fact, some people may recover or remain stable over time. Given that MCI is an earlier stage within the Dementia disease stage, the prevalence rate is significantly greater, and it is predicted that 150-200 million individuals worldwide live with MCI (according to the Company), more than three times as many as those living with dementia.

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

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.

In July 2023, the FDA granted full approval to Lecanemab, the first ever disease modifying treatment for early Alzheimer's disease, developed by U.S. Biogen and Japanese Eisai. This breakthrough moment increases the overall incentives from market participants and stakeholders to invest and focus on the Alzheimer's space.

Market Analysis

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. Risk of severe side effects are also reduced with DTx, and it also has the potential to offer a range of customized interventions in contrast to traditional medicine that comes with a "one-size-fits-all" approach. Even though DTx are associated with reduced costs and risks, the commercial potential and health benefits are comparable to those of traditional pharma.

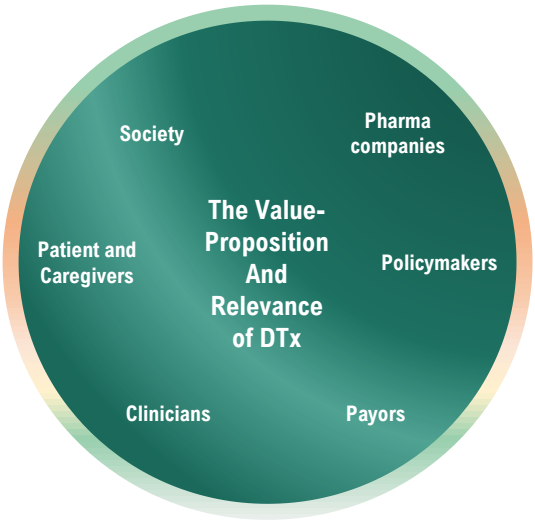
DTx vs Pharma

- DTx includes significantly lower risk
- DTx is not as costly
- Shorter Time-To-Market
- Despite lower risk and cost, DTx faces similar potential

The Value-Proposition And Relevance of DTx

DTx have the potential to offer numerous benefits to various stakeholders. DTx can help **society** by improving access to evidence-based treatments, reducing healthcare costs, promoting better health outcomes, and enhancing the overall healthcare infrastructure through technology. **Patients and caregivers** can benefit from DTx as they can access healthcare services in a more convenient and flexible manner. DTx can provide personalized interventions, empower patients and caregivers through access to real-time data, and reduce the stigma associated with seeking help for certain conditions.

Further, DTx can also enhance clinical decision-making for clinicians, while offering greater efficiency, reducing administrative burden, and extending the reach of care through remote delivery. DTx can reduce healthcare costs and complications, offer cost-sharing and risk-sharing models for **payors**, and improve member satisfaction and retention. Furthermore, DTx can enable **pharma companies** to develop new therapies, collect real-world data, improve engagement and adherence, and enter new markets. Finally, **policymakers** can promote innovation and efficiency in healthcare delivery, improve access to treatments, address disparities, and develop regulatory frameworks to ensure patient safety and the effectiveness of DTx.



Challenges for DTx to Overcome

While DTx holds great potential, there are several key challenges that needs to be addressed. First, regulatory and reimbursement challenges can make it difficult for companies to develop and commercialize DTx, since lack of clear regulatory guidance and reimbursement frameworks can create uncertainty and limit the adoption of DTx. Secondly, DTx collects and processes sensitive health data, which can raise privacy and security concerns. Companies must ensure that they comply with applicable data protection regulations and implement robust security measures to protect patient data. Thirdly, user engagement and adoption can be a challenge for DTx. Patients may not be motivated to use the technology or may lack the necessary digital literacy skills to access and use the DTx solutions effectively. Fourthly, DTx needs to be integrated with existing healthcare systems to provide optimal care for patients. However, interoperability challenges can arise due to the lack of standardization across platforms and technologies.

Finally, in a business model for prescription DTx, the clinician is the gatekeeper who must know about the therapy's benefits and appropriate use. Barriers include lack of awareness and scepticism among healthcare providers. Hence, there is a need for robust clinical studies to generate evidence for the safety and efficacy of DTx, while also obtaining the products' certification as medical device software in order to overcome these obstacles. This requires significant investments in research and development and may pose challenges for companies seeking to commercialize their products. Addressing these challenges will be critical to the success of DTx and the realization of its potential benefits for patients, healthcare providers, payors, and society as a whole.

Market Analysis

INITIAL ADRESSABLE MARKETS & SIZE

EUR 30m | EUR 400m | EUR 170m

Digital Therapeutics Market is Set to Nearly Ten-Fold in the Coming Eight Years…

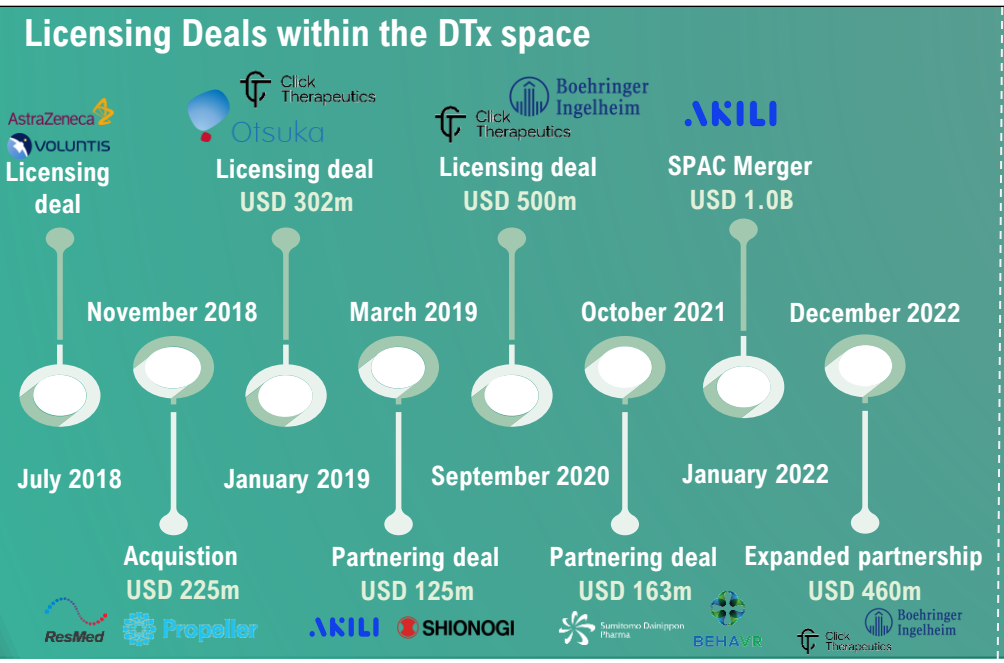
The global DTx market was valued at USD 4.2 billion in 2021 and is estimated to grow at a CAGR of 26.1% from 2022 to 2030 to reach USD 33.9 billion. The growth is estimated to be driven by increasing smarTChone penetration, the cost-effectiveness of digital health technology for providers and patients, and increased demand for not only integrated healthcare systems but also patient-centric care. For the commercial rollout of its first product, *CST-Therapy Companion*, Brain+ is concentrating on the Danish, German, and UK markets. According to the Company, the addressable markets in these nations are projected to be EUR 30 million, EUR 400 million, and EUR 170 million, respectively. Europe is leading the way in DTx and Germany is a key market for Digital Therapeutics given that 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.

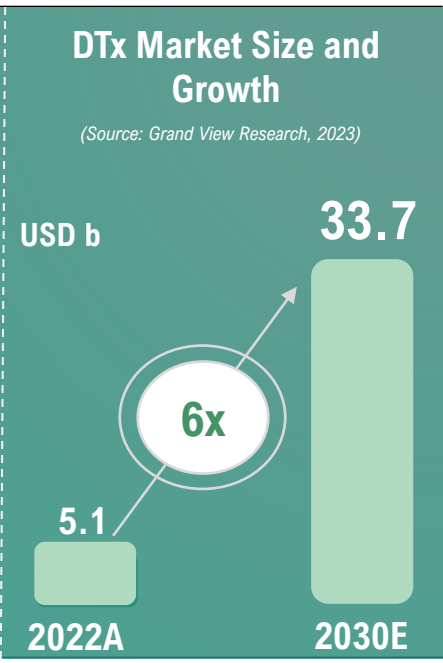
…And Enables High-Cost Savings Within The Healthcare Sphere

There is increasing evidence suggesting that DTx can lead to significant cost savings in healthcare. For instance, a study published in the Journal of Medical Economics found that DTx for substance use disorder (SUD) had the potential to reduce healthcare costs by up to 31% over two years compared to usual care. Another study published in the Journal of Medical Internet Research found that DTx for depression and anxiety disorders resulted in an average savings of $1,172 per patient over six months compared to usual care. Regarding dementia and Alzheimer's disease, some studies have explored the potential cost savings of DTx for these conditions. For instance, a computerized cognitive training program for individuals with mild cognitive impairment (MCI) led to significant cost savings over five years compared to usual care. The estimated cost savings were $14,213 per patient for the computerized cognitive training program, with most of the savings coming from reduced healthcare utilization. Additionally, a web-based intervention for caregivers of individuals with dementia resulted in cost savings of $1,046 per caregiver over six months compared to usual care. The cost savings were primarily due to a reduction in the number of caregiver visits to healthcare providers.

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.





Financial Forecast

MARKET INTRODUCTION:

Q4-22

Q2-23

2024

Revenue Forecast 2023-2027

Brain+ first product for dementia – *CST-Therapist Companion ("CST-TC")* – was officially introduced in Denmark in November 2022, shortly thereafter (December 31) Brain+ closed the first commercial sales contract, worth DKK 50,000, with the municipality of Herning, Denmark. In Q1 2023, the municipality of Herning expanded existing contract, from having CST-TC in one training facility for one year to a municipal-wide license for 1.5 years, which almost doubled the initial contract value, and allows all therapists in Herning to get access to and utilize the CST-TC for people with dementia. Yet another commercial sales contract was closed in Q2 2023 with the Danish municipality of Gladsaxe, which demonstrates the strong interest that exists among the Danish municipalities, given that the usual sales cycle spans between 1-2 years.

Following a successful development and regulatory process with Rox Health, Brain+ introduced the CST-TC product in Germany in Q2 2023, approximately two years ahead of the originally announced roadmap in conjunction with the IPO in Q4 2021. This introduction coincided with Brain+'s partnership with Malteser Hilfsdienst, a leading German provider of dementia services with over one million members and sponsors. The purpose of this partnership is to raise awareness and gather feedback on Brain+'s CST-TC product to enhance its effectiveness in the German market. The collaboration commenced with a two-month pilot of Brain+'s German version of CST-TC in one of Malteser's dementia cafés, with the potential for expanding CST-TC usage across the organization's 100 dementia cafés in Germany.

Based on requests, Brain+ developed the *CST-Home Companion* in Q1-23, which is an extension to the CST-TC product and is designed to provide people enrolled in CST group sessions with access to the software at home. This is a useful feature that can help ensure continuity of care and support for patients outside of clinical settings. The other CST-products includes *CST- Home Care* and *CST for MCI*, 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, expected to combine all of Brain+'s three core technologies and target people with MCI, which significantly expands the commercial reach, given that the condition is 3-4x as prevalent as dementia. 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 2024, where the time to market is expected to be in 2025.

INITIALLY SOLD AS A B2B SAAS-SOLUTION…

The CST-TC product will initially be offered directly to Danish municipalities and care homes in Germany as a B2B SaaS solution. It initially takes the form of a digital health tool to support therapists and is not required to have a regulatory certification. Since DTx are considered medical devices, they must comply with MDR, which came into effect in May 2021, or FDA requirements for the US market, and Brain+ is currently developing a second MDR-compliant (Class 1) version of the CST-TC product that is reimbursable, with a planned market introduction in 2024. The 2nd version of CST-TC will be a more advanced product version that includes additional functions and features. Because the UK is the founding country of CST and is where it is used extensively, it enables the UK market introduction as a more complex version for more sophisticated users in the UK, thereby opening this new market for sales. In the UK, Brain+ will target NHS Trust/clinics and care centers for the sale of the CST-TC product.

The MDR regulation requires that companies have a QMS in place when applying as a medical device, which Brain+ completed in Q4 2022. As Brain+ collects more clinical data as well as gather real and tangible evidence, 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.

…WITH THE GOAL TO BE REIMBURSED GOING FORWARD

While the *CST-TC (1st)* product will be sold as a SaaS solution, the goal is to sell the other CST-products (*CST-TC 2nd*, *CST Home Care*, and *CST for MCI*) 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 foundation 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.

REIMBURSE-MENT UNLOCK HIGHER PRICING

Given the further maturity of the DTx market and Brain+'s established collaboration with Rox Health, Analyst Group forecast that Brain+ could secure reimbursement for the CST-TC 2nd product and *CST-Home Care* product in Germany and in the UK in 2025, which is estimated to unlock higher pricing in not only Germany and the UK 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 2023-2027

The financial forecast made for the period 2023-2027 are based solely on the CST-product suite, which are the products that Brain+ initially are prioritizing. To capture the additional revenue potential, beyond product revenue, in not only the CST product suite but also the other products under development, CCT and Starry Night, Analyst Group has modeled for future potential collaboration/licensing deals, in terms of deal worth, deal structure and length. Since we have made revenue assumptions for the *CST for MCI* product, which is expected to combine Brain+'s three core technologies, we have indirectly captured some of the potential in the other two technologies, however, not on a stand-alone basis. Lastly, the revenue forecast includes sales within the Danish, German, and UK markets during the period 2023-2027, which are the markets that Brain+ will focus on 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 US is high-priority market. 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 for MCI* products upon the following key drivers:

Product Revenue Drivers

Prescriptions 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 abovementioned key drivers, Analyst Group gives an illustrative example below on an annual basis:

Illustrative example
(On 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.
# 1,000	50%	50%	EUR 100
WRITTEN PRESRIPTIONS	FULFILLMENT RATE	PAYMENT RATE	AVERAGE SELLING PRICE (ASP)

= EUR 25,000

PRODUCT REVENUE

The *CST-TC* product is initially priced in Denmark either as a fee per therapist usage or as a full municipal license for unlimited therapist users. The product was first sold to the municipality of Herning as a basic package for one training facility, which was later expanded to cover the entire municipality. This demonstrates the potential for contract expansion after an initial agreement has been established.

For the sake of the model, Analyst Group has derived the revenue for the *CST-TC* product by estimating the number of municipalities it is sold to and an average selling price (ASP). This approach has been applied for Germany as well as for the estimated introduction in the UK in 2024, though Brain+ here rather addresses care homes/centers. Analyst Group has utilized the three-year duration of Brain+'s second commercial sales contract as a benchmark for future contracts with municipalities or care homes.

Financial Forecast

Licensing/Collaboration Deals Forecast 2023-2027

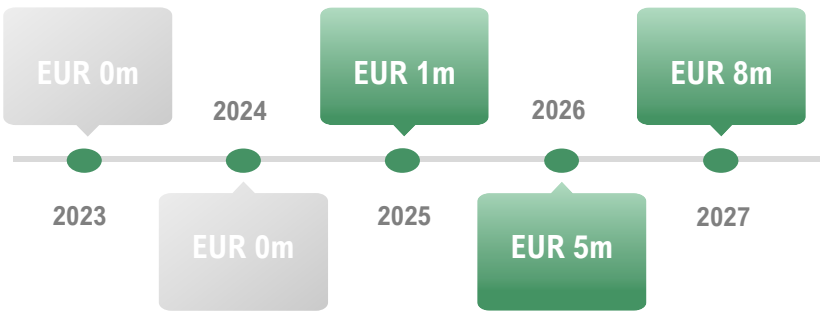
A common phenomenon within the Pharmaceutical/Life science space is that smaller market players engage with strategic partners such as Big Pharma companies who are offered the opportunity to finance and engage with the pivotal trial or regulatory process in exchange for licensing deals or partial commercialization 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+ signed a partnership agreement with RoX Health in late 2021, who supports Brain+ with expertise and funding for the development and regulatory processes in order for Brain+ to commercially introduce its CST-product suite in Germany. In return, RoX Health will receive 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.

Deal Structure Assumptions

Duration	Up-front payment	R&D investments-/funding	Commerical Milestones
4 years	5.5%	9.0%[1]	85.5%[2]

Estimated Potential Deal



Deal worth-distribution given assumed structure:

- **Up-front payment**: 5.5% of deal worth (Year 1)
- **R&D Investments**: 9% of deal worth (Year 1 and 2)
- **Commercial Milestone**: 85.5% of deal worth (Year 3 and 4)

[1] Spread evenly over the initial two years.
[2] 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 regards to the generally lower risk of failure within the DTx space compared to Pharma.

Previously, Analyst Group estimated that a licensing/collaboration deal could take place in 2024. However, due to a slight delay in the expected time to market for the *CST-Home Care* product, our estimates have been revised. It is now expected that the first licensing/collaboration deal will occur in 2025.

Financial Forecast

Perspective on Revenue Assumptions

Denmark
98
(Number of municipalities)

+30
(of which currently using the non-digital version of CST)

Germany
~2,275
(Nursing homes specialized in dementia)

+3,800
(Out-Patient Services specialized in dementia)

UK
~7,590
(Care homes with dementia specialism, England)

~8,690
(Care homes for older people and those living with dementia)

Summary Of Revenue Forecast 2023-2027

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 2023-2027 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 (more on this on next page) 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: Base scenario	2022	2023E	2024E	2025E	2026E	2027E
B2B SaaS (CST-Therapist Companion)						
Denmark						
Number of municipalities sold to	1	4	10	9	6	6
Acc. Municipalities sold to	1	5	15	24	30	36
Average Selling Price (net), EUR	6 500	9 500	13 500	22 500	26 500	29 500
Germany						
Number of care homes sold to	0	3	20	22	25	27
Acc. care homes sold to	0	3	23	45	70	97
Average Selling Price (net), EUR		3 167	4 500	7 500	8 833	9 833
UK						
Number of care homes sold to	0	0	2	10	20	20
Acc. care homes sold to	0	0	2	12	32	52
Average Selling Price (net), EUR	0	3 167	4 500	7 500	8 833	9 833
Prescriptions Written (Annually)						
Denmark						
CST-Home Care	0	0	0	1 700	2 500	3 500
CST for MCI	0	0	0	0	800	2 800
Germany						
CST-Home Care	0	0	0	2 800	4 500	6 700
CST for MCI	0	0	0	0	1 800	5 500
UK						
CST-Home Care	0	0	0	1 000	3 000	5 000
CST for MCI	0	0	0	0	1 000	3 000
Fulfillment rate						
Denmark						
CST-Home Care	0%	0%	0%	55%	65%	70%
CST for MCI	0%	0%	0%	0%	50%	60%
Germany						
CST-Home Care	0%	0%	0%	60%	65%	70%
CST for MCI	0%	0%	0%	0%	50%	60%
UK						
CST-Home Care	0%	0%	0%	60%	65%	65%
CST for MCI	0%	0%	0%	0%	50%	55%
Payment Rate						
Denmark						
CST-Home Care	0%	0%	0%	60%	60%	65%
CST for MCI	0%	0%	0%	0%	50%	60%
Germany						
CST-Home Care	0%	0%	0%	75%	80%	80%
CST for MCI	0%	0%	0%	0%	65%	70%
UK						
CST-Home Care	0%	0%	0%	65%	70%	70%
CST for MCI	0%	0%	0%	0%	60%	65%
Average Selling Price, EUR (Annually)						
Denmark						
CST-Home Care/CST for MCI	100	120	130	145	155	165
Germany						
CST-Home Care/CST for MCI	914	989	1 064	1 114	1 164	1 214
UK						
CST-Home Care/CST for MCI	825	900	975	1 025	1 075	1 125
Product Revenue, (EURm)						
Denmark	0,01	0,05	0,20	0,62	0,98	1,49
Germany	0	0,01	0,10	1,74	4,02	8,31
UK	0,00	0,00	0,01	0,49	2,07	4,28
Total Product Revenue, (EURm)	**0,01**	**0,06**	**0,32**	**2,85**	**7,07**	**14,08**
Licensing revenue, EURm	**0,00**	**0,00**	**0,00**	**0,10**	**0,55**	**1,24**
Other Operating Income, (EURm)	0,19	0,15	0,15	0,15	0,15	0,15
Capitalized development costs	0,65	0,83	0,83	0,83	0,83	0,83
Total revenue (EURm)	**0,85**	**1,04**	**1,30**	**3,94**	**8,60**	**16,30**
Total Net Revenue (EURm)	**0,01**	**0,06**	**0,32**	**2,95**	**7,62**	**15,32**
Gross Profit (EURm)	**0,42**	**0,65**	**0,89**	**2,50**	**5,31**	**9,90**

Financial Forecast

Operating Expenses 2023-2027

Due to Brain+'s 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 introductions. However, Brain+ is anticipated to rely on external partners for sales to a large extent, and expenses associated with that will be recorded as gross expenses in accordance with Brain+'s 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.

Depreciation & Amortization and Capital Expenditure 2023-2027

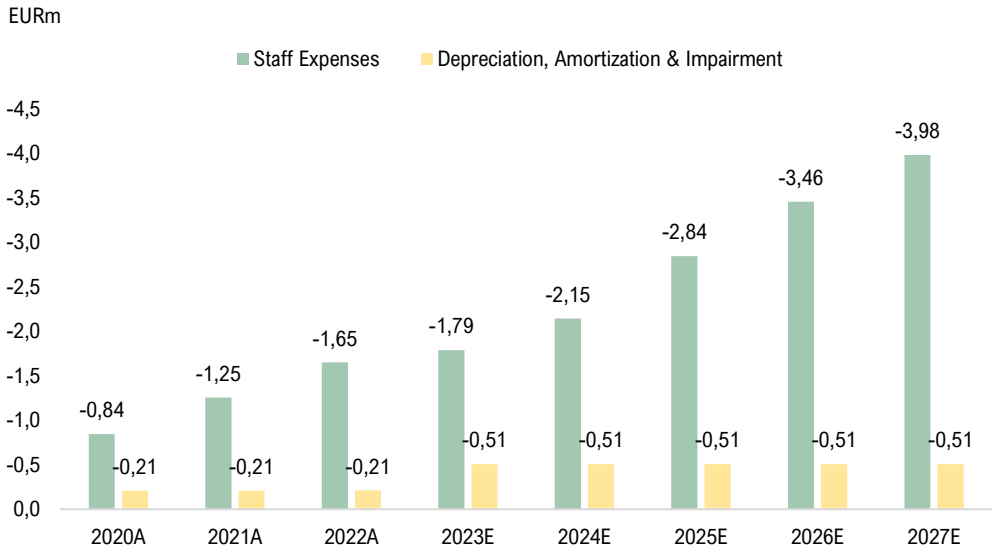
Brain+'s depreciation and amortization (D&A) mainly consists of amortization on completed development projects, which amounted to approximately EUR 0.2m in 2022. The completed development projects are amortized on a straight-line basis over a 10-year period, while the capital expenditures (Capex) for development projects in progress are capitalized on the profit and loss statement as capitalized development costs, also known as "Own Work Capitalized". These capitalized development costs are included in the gross profit along with other revenue and cost items, as mentioned earlier.

In 2022, Brain+ completed several clinical projects, which increased the value of completed development projects on the balance sheet and correspondingly decreased the value of development projects in progress by the same amount. Therefore, we have modeled for higher amortizations going forward.

Regarding capital expenditures, we expect investments made in intangible and tangible assets to be consistent with the historical average of approximately EUR 0.83m during the forecast period, based on Brain+'s current project pipeline and what Brain+ estimated to use in clinical programs with the proceeds from the rights issue and accompanied warrants of series TO2 and TO3. Ultimately, we then project that the capitalized development costs will amount to ~ EUR 0.83m during the forecast period, boosting the gross profit.

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

Staff Expenses and D&A, 2020A-2027E



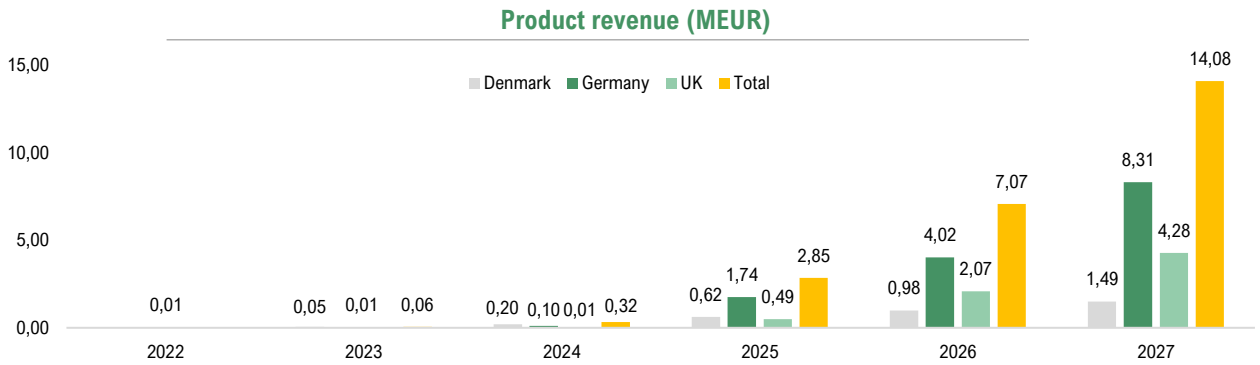
Source: Analyst Group (estimates)

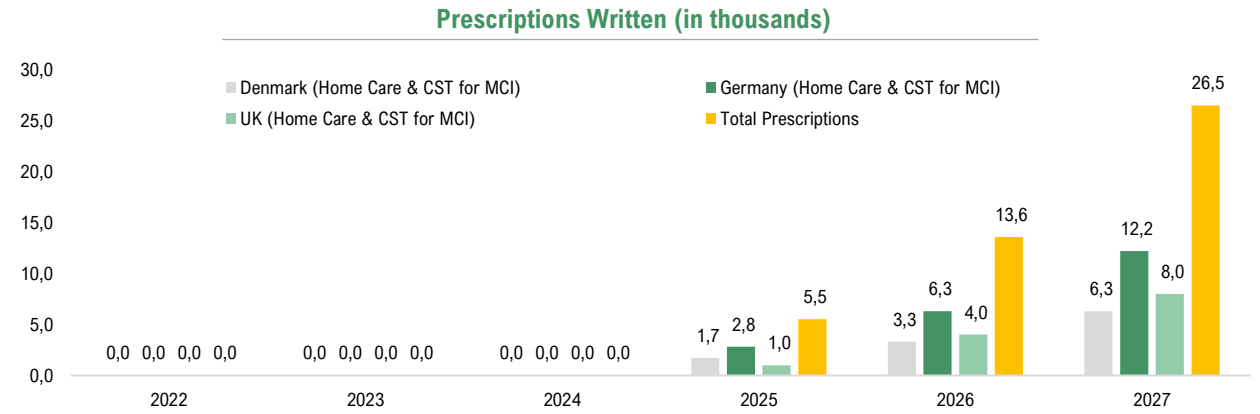
Financial Forecast

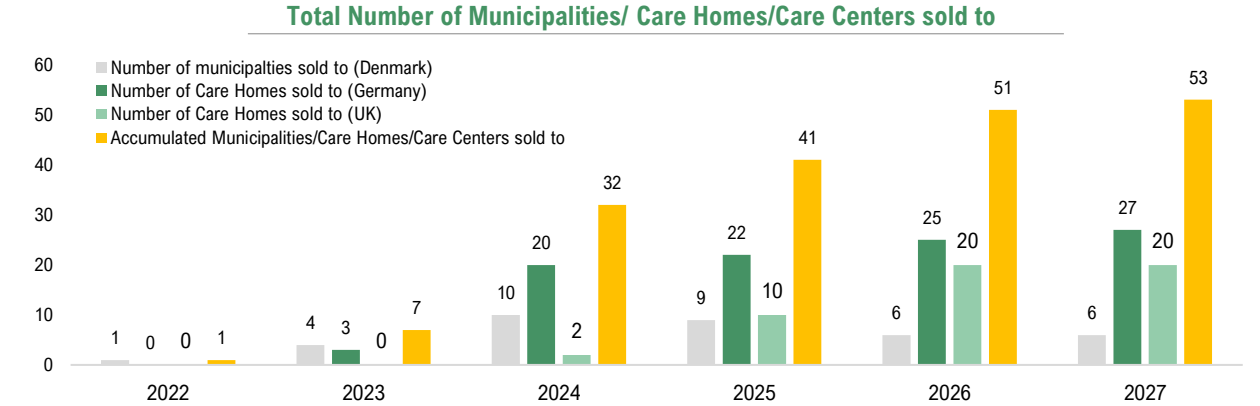
A Summary of Analyst Group's Financial Forecasts for Brain+.

Financial Forecasts, 2020A-2027E, Base Scenario

Base Scenario: Income Statement, (EURm)	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Gross Profit	**0,87**	**0,52**	**0,42**	**0,65**	**0,89**	**2,50**	**5,31**	**9,90**
Staff Expenses	-0,84	-1,25	-1,65	-1,79	-2,15	-2,84	-3,46	-3,98
Depreciation, Amortization & Impairment	-0,21	-0,21	-0,21	-0,51	-0,51	-0,51	-0,51	-0,51
EBIT	**-0,18**	**-0,94**	**-1,44**	**-1,65**	**-1,76**	**-0,85**	**1,34**	**5,41**
Other Finance Income	0,00	0,01	0,00	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	0,00
EBT	**-0,21**	**-1,18**	**-1,44**	**-1,65**	**-1,76**	**-0,85**	**1,34**	**5,41**
Tax Expense	0,05	0,26	0,19	0,00	0,00	0,00	0,00	0,00
Net income	**-0,17**	**-0,92**	**-1,26**	**-1,65**	**-1,76**	**-0,85**	**1,34**	**5,41**







Source: Analyst Group (estimates)

Valuation

To derive a company valuation for Brain+, Analyst Group has studied three listed DTx-companies with different level of maturity, which are Akili Inc, Better Therapeutics and DarioHealth. 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. Given the relatively small sample of public DTx companies, Analyst Group decided to broaden the peer group to also include innovative healthcare companies. This decision, taken combined, forms the basis for the valuation of Brain+.

DTx Companies

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.

Disruptive Healthcare Companies

Disruptive Healthcare Companies: As DTx technology shapes the way how therapies are administered, and with that introduces a new level of scalability, so do selected peers in this category, who instead target other parts of the broader healthcare industry. Selected peers consists of Novocure Limited, Guardant Health, Adaptive Biotechnologies, Shockwave Medical, Inspire Medical Systems, Shrodinger Inc, Dexcom, Outset Medical, Teladoc Health, Orexo, and ResMed Inc.

DTx-Peers At a Glance

Company	Total Adressable Market (TAM)	Commercial-stage	Product Clearence
Akili	USD 10b	Yes	One FDA-cleared product
Better Therapeutics	USD 490b	No	One FDA-cleared product (de-novo)
DarioHealth Corp.	USD 108b	Yes	One FDA-cleared app
Brain+	USD 5b	Yes	No

Valuation

Company	Equity Value (EURm)	Enterprise Value (EURm)	EV/Sales 2023E	EV/Sales 2024E	EV/Sales 2025E	EV/Gross Profit 2023E	EV/Gross Profit 2024E	EV/Gross Profit 2025E	Revenue CAGR 2023-2025E	Gross Profit CAGR 2023-2025E	Gross margin 2024E	Gross margin 2025E	EBITDA-margin 2024E	EBITDA-margin 2025E
DTx Companies (DTx)														
Akili Inc	77	-3	-2.3x	-0.3x	-0.1x	-30.3x	-0.3x	-0.1x	507%	336%	82%	87%	-499%	-103%
Better Therapeutics	23	30	n.a.	17.5x	7.7x	n.a.	178.7x	15.0x	1969%	1089%	10%	51%	-2287%	-740%
DarioHealth	75	55	2.4x	1.6x	1.1x	5.7x	3.6x	2.1x	25%	44%	46%	53%	-54%	-19%
Disruptive Healthcare Companies (DHC)														
Novocure Limited	1,965	1,640	3.5x	3.1x	3.0x	4.7x	4.2x	4.0x	3%	2%	74%	75%	-46%	-45%
Guardant Health	3,651	3,777	7.5x	6.1x	4.9x	12.5x	10.0x	7.9x	23%	21%	61%	62%	-49%	-33%
Adaptive Biotechnology Corp.	798	628	3.3x	2.6x	2.2x	5.2x	3.9x	3.3x	19%	17%	67%	67%	-32%	-18%
Shockwave Medical	7,626	7,443	11.1x	8.8x	7.3x	12.8x	10.2x	8.4x	31%	36%	86%	86%	28%	31%
Inspire Medical Systems	6,060	5,652	10.1x	7.9x	6.4x	12.0x	9.4x	7.6x	33%	33%	85%	85%	9%	9%
Schrodinger Inc	2,250	1,857	9.1x	6.4x	4.8x	16.6x	10.2x	6.6x	32%	44%	63%	73%	-45%	-27%
Dexcom	37,236	36,993	11.4x	9.5x	8.0x	18.1x	14.7x	12.3x	20%	20%	64%	65%	29%	30%
Outset Medical	597	487	3.7x	2.7x	1.8x	16.2x	9.2x	4.3x	36%	88%	29%	43%	-51%	-16%
Teladoc Health	3,386	3,963	1.6x	1.5x	1.4x	2.3x	2.1x	2.0x	8%	9%	71%	71%	12%	13%
Orexo	55	78	1.4x	1.2x	1.0x	1.6x	1.4x	1.2x	12%	13%	85%	85%	12%	16%
ResMed Inc	20,018	21,262	5.5x	5.0x	4.6x	9.7x	8.8x	8.0x	12%	12%	57%	58%	31%	33%
Maximum	37,236	36,993	11.4x	17.5x	8.0x	18.1x	178.7x	15.0x	1968.8%	1088.8%	86.2%	87.3%	31.4%	32.5%
75th Percentile	5,458	5,230	9.1x	7.5x	6.0x	12.8x	10.1x	8.0x	32.6%	44.3%	80.0%	82.1%	12.3%	15.1%
Median	2,107	1,748	3.7x	4.1x	3.8x	9.7x	9.0x	5.5x	24.2%	27.1%	65.8%	68.5%	-38.2%	-16.9%
Mean	5,987	5,990	5.2x	5.3x	3.9x	6.7x	19.0x	5.9x	195.0%	126.1%	62.9%	68.5%	-210.0%	-62.1%
25th Percentile	207	180	2.4x	1.9x	1.5x	4.7x	3.6x	2.4x	13.7%	13.9%	57.8%	58.9%	-50.5%	-31.2%
Minimum	23	-3	-2.3x	-0.3x	-0.1x	-30.3x	-0.3x	-0.1x	3.3%	1.5%	9.8%	42.9%	-2286.6%	-740.2%
Median, DTx	75	30	0.0x	1.6x	1.1x	-12.3x	3.6x	2.1x	506.8%	335.6%	46.2%	53.1%	-498.9%	-103.0%
Mean, DTx	58	27	0.0x	6.3x	2.9x	-12.3x	60.7x	5.7x	833.7%	489.5%	46.0%	63.8%	-946.4%	-287.4%
Median, DHC	3,386	3,777	5.5x	5.0x	4.6x	12.0x	9.2x	6.6x	19.9%	20.2%	67.3%	70.5%	9.2%	9.3%
Mean, DHC	7,604	7,616	6.2x	5.0x	4.1x	10.2x	7.6x	6.0x	20.9%	26.9%	67.5%	69.8%	-9.1%	-0.7%
Brain+	**1.7**	**1.0**	**17.2x**	**3.1x**	**0.3x**	**1.5x**	**1.1x**	**0.4x**	**668.7%**	**81.3%**	**-29.2%**	**51.5%**	**-397.9%**	**-11.6%**

Analyst Group is projecting strong revenue growth for Brain+ during the forecast period as a result of the commercial roll-out of the CST-suite 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.

In the selected DTx peer-group, Akili and DarioHealth have reached a commercial stage with at least one of their products (with FDA-clearance) and are currently generating actual product revenues. Meanwhile, Better Therapeutics received FDA authorization in July 2023, for AspyreRx™ (formerly BT-001), a prescription-only digital therapeutic (PDT) treatment indicated to provide cognitive behavioral therapy to patients 18 years or older with type 2 diabetes (T2D). This marks a significant development in the DTx space, as Better Therapeutics becomes the pioneer in creating a new class of diabetes digital behavioral therapeutic devices. AspyreRx is expected to launch commercially in Q4 2023, and its FDA authorization positions Better Therapeutics for future growth opportunities.

Compared to the other DTx companies, Brain+ does not currently possess product clearance. However, the Company has a roadmap to achieve Class 1 MDR certification, starting with the 2nd version of CST-TC in 2024 and followed by the CST-Home Care product in 2025. On December 31, Brain+ secured its inaugural commercial sale with a Danish municipal institution, albeit at a modest contract value of EUR 6,500. Nevertheless, the Company swiftly expanded its agreement with the same institution and forged a new contract with a different Danish municipality, which demonstrates Brain+'s increasing presence and impact in the market just months after its launch. However, as Brain+ lags behind Akili and DarioHealth in the commercialization phase and trails all selected DTx companies in terms of product clearance, Analyst Group argues that Brain+, with its notably lower market capitalization, justifies a valuation discount compared to its DTx counterparts.

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 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 2025 given increased market awareness and matureness, but also as an effect of increased commercial sales efforts and advancements in trials. Even though commercial sales are expected to accelerate successively during 2023-2024 as Brain+ continues to gain market traction and *Proof of Business* in Denmark and via the projected commercial introduction in Germany in Q2 2023, Analyst Group argues that valuing Brain+ on 2025 financial figures is more appropriate because by that time, its product would potentially have been on the market for at least two years.

[1] A subscription rate of 95% has been accounted for in announced rights issue in a Base scenario. Given that, net proceeds from the rights issue has been estimated as well as the *burn rate* during January to May 2023, in order to derive the net cash position and Enterprise Value.

Valuation

Analyst Group argues that, given that there are few public DTx companies for comparison, as shown by the selected peers in the field, incorporating disruptive health care companies in the peer group would provide a stronger perspective and context for valuing Brain+. When examining revenue estimates for the year 2025, the Disruptive Healthcare peer group demonstrates mean and median EV/S multiples of 3.9x and 3.8x (LTM ~7.4 & 6.4), respectively, signifying robust revenue projections. In contrast, the DTx peer group exhibits markedly lower multiples of 2.9x (mean) and 1.1x (median) based on 2025 figures[1]. Given Brain+'s considerably lower Market Capitalization, absence of current product clearance, and limited commercial traction in a still emerging and unproven market, Analyst Group believes that Brain+ is justified a valuation discount compared to these peer groups. Therefore, an EV/S target multiple of 2.3x has been derived, representing a contraction compared to the previously applied EV/S multiple of 2.9x, indicating a more conservative valuation in line with peers. Based on projected net revenues of EUR 3.0m in 2025, this target multiple results in an Enterprise Value of approximately EUR 6.8m or DKK 52.2m.

DKK 0.91
PER SHARE IN A BASE SCENARIO

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 present value. Based on an Enterprise Value of EUR 6.8m (DKK 52.2m) in 2025 and the applied discount rate it gives, after taking the net cash as of Q2 2023 into account, together with an estimated *burn rate* during July-August 2023, a potential net present value per share today of DKK 0.91 (DKK 1.12), representing a significant upside potential. Note that Analyst Group has not accounted for the potential capital injection in October 2023 or March 2024, when approx. 28.5m publicly traded Brain+ warrants of series TO2 and TO3 can be exercised, respectively, due to the difficulties to estimate the potential dilution and received funds from the warrants, as the proc-eeds to Brain+ will depend on e.g., the market price of existing share and number of warrants exercised.

[1] The mean and median EV/S (Enterprise Value to Sales) multiple for the Digital Therapeutics (DTx) peer group are skewed negatively, primarily because Akili exhibits low revenue and a negative Enterprise Value. This situation renders valuation multiples less pertinent for the trailing twelve months (LTM) period within this context.

Bull Scenario

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

- The commercial introduction in Denmark, Germany, and UK 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 commercial introductions 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 and 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.

DKK 1.40
PER SHARE IN A BULL SCENARIO

Given a discount rate of 16% and a target multiple of EV/S 2.5x on estimated sales of EUR 4.4m in 2025 in a Bull scenario, a potential present value per share of DKK 1.40 is derived.

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.

DKK 0.27
PER SHARE 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 estimated sales of EUR 1.1m, a target multiple of EV/S 1.5x and a discount rate of 16%, a potential present value per share of DKK 0.27 is derived in a Bear scenario.

Management & Board

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 Berlingske'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

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 Comittee & Member of the Board (Interim CFO)

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

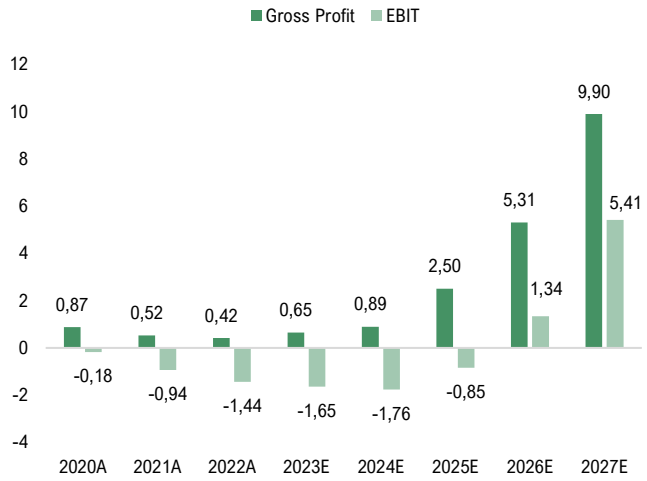
With positions as Executive Vice President and Head of R&D at Lundbeck, former Senior Program Leader of Neuroscience R&D at Merck, and former CEO at GoNeuro, Luthman brings strong expertise within neuroscience and dementia.

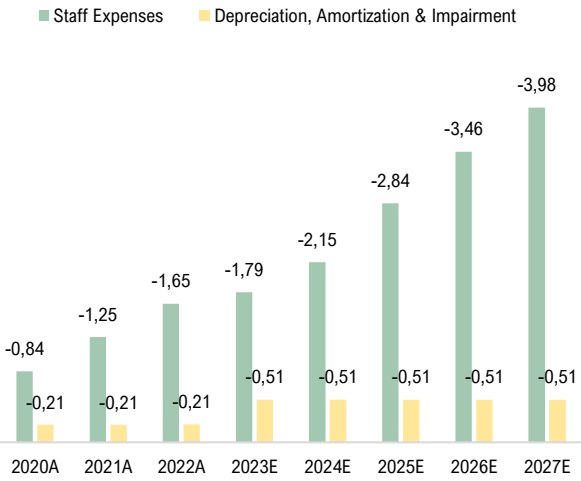
Betül Susamis Unaran, Member of the Board

As a Chief Strategy and Digital Officier 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.

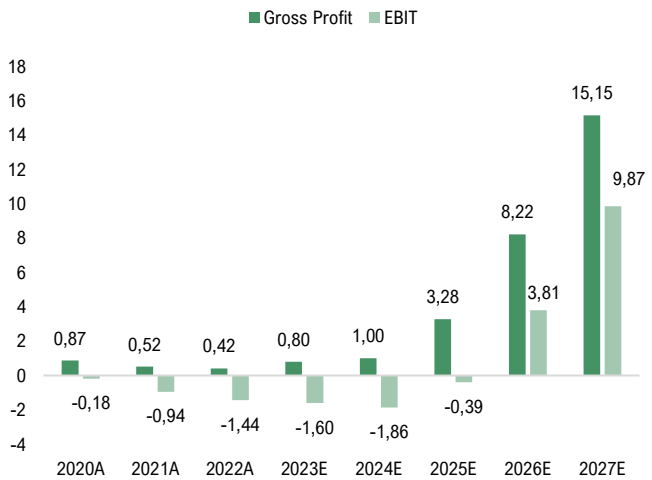
Appendix

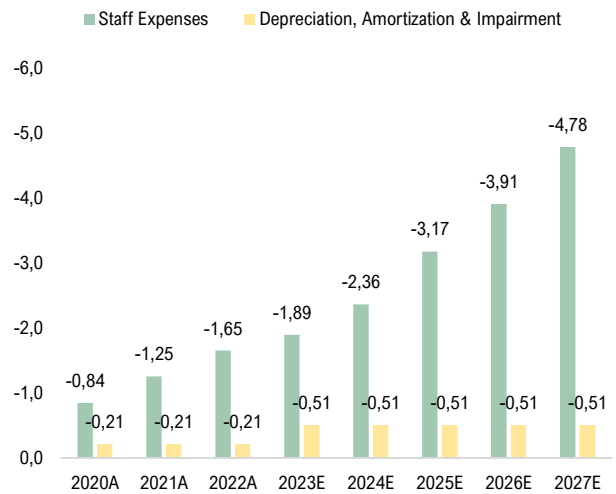
Base Scenario: Income Statement, (EURm)	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Gross Profit	**0.87**	**0.52**	**0.42**	**0.65**	**0.89**	**2.50**	**5.31**	**9.90**
Staff Expenses	-0.84	-1.25	-1.65	-1.79	-2.15	-2.84	-3.46	-3.98
Depreciation, Amortization & Impairment	-0.21	-0.21	-0.21	-0.51	-0.51	-0.51	-0.51	-0.51
EBIT	**-0.18**	**-0.94**	**-1.44**	**-1.65**	**-1.76**	**-0.85**	**1.34**	**5.41**
Other Finance Income	0.00	0.01	0.00	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	0.00
EBT	**-0.21**	**-1.18**	**-1.44**	**-1.65**	**-1.76**	**-0.85**	**1.34**	**5.41**
Tax Expense	0.05	0.26	0.19	0.00	0.00	0.00	0.00	0.00
Net income	**-0.17**	**-0.92**	**-1.26**	**-1.65**	**-1.76**	**-0.85**	**1.34**	**5.41**





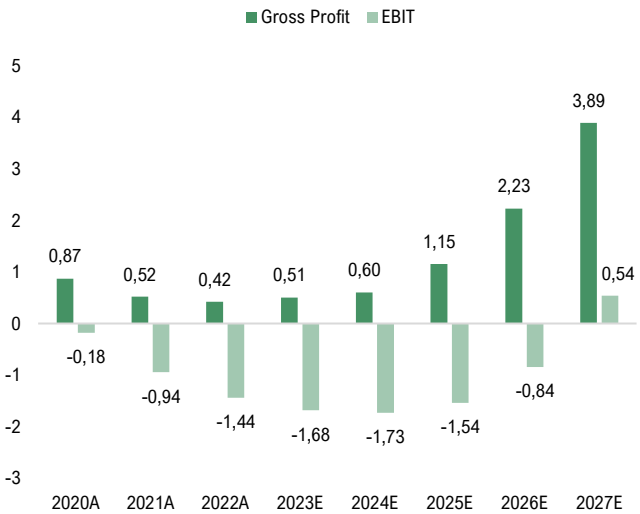
Bull Scenario: Income Statement, (EURm)	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Gross Profit	**0.87**	**0.52**	**0.42**	**0.80**	**1.00**	**3.28**	**8.22**	**15.15**
Staff Expenses	-0.84	-1.25	-1.65	-1.89	-2.36	-3.17	-3.91	-4.78
Depreciation, Amortization & Impairment	-0.21	-0.21	-0.21	-0.51	-0.51	-0.51	-0.51	-0.51
EBIT	**-0.18**	**-0.94**	**-1.44**	**-1.60**	**-1.86**	**-0.39**	**3.81**	**9.87**
Other Finance Income	0.00	0.01	0.00	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	0.00
EBT	**-0.21**	**-1.18**	**-1.44**	**-1.60**	**-1.86**	**-0.39**	**3.81**	**9.87**
Tax Expense	0.05	0.26	0.19	0.00	0.00	0.00	0.00	0.00
Net income	**-0.17**	**-0.92**	**-1.26**	**-1.60**	**-1.86**	**-0.39**	**3.81**	**9.87**

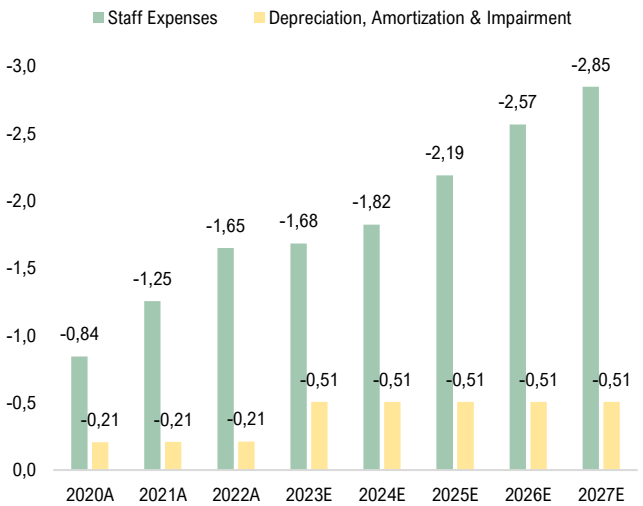




Appendix

Bear Scenario: Income Statement, (EURm)	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Gross Profit	**0.87**	**0.52**	**0.42**	**0.51**	**0.60**	**1.15**	**2.23**	**3.89**
Staff Expenses	-0.84	-1.25	-1.65	-1.68	-1.82	-2.19	-2.57	-2.85
Depreciation, Amortization & Impairment	-0.21	-0.21	-0.21	-0.51	-0.51	-0.51	-0.51	-0.51
EBIT	**-0.18**	**-0.94**	**-1.44**	**-1.68**	**-1.73**	**-1.54**	**-0.84**	**0.54**
Other Finance Income	0.00	0.01	0.00	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	0.00
EBT	**-0.21**	**-1.18**	**-1.44**	**-1.68**	**-1.73**	**-1.54**	**-0.84**	**0.54**
Tax Expense	0.05	0.26	0.19	0.00	0.00	0.00	0.00	0.00
Net income	**-0.17**	**-0.92**	**-1.26**	**-1.68**	**-1.73**	**-1.54**	**-0.84**	**0.54**





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The parts that the Company has been able to influence are the parts that are purely factual and objective.

The analyst does not own shares in the Company.