

# Lifecare: Securing growth capital

Lifecare Research Note 2023-10-20 10:45 Updated 2023-10-20 10:47

Redeye has a positive view on Lifecare securing NOK42.5m in growth capital, as it should allow the company to achieve substantial milestones in the upcoming quarters. We have updated our fair value range to reflect the actual outcome of the capital injection in comparison to our initial estimate.



Filip Einarsson

## Securing growth capital

Yesterday, after market close, Lifecare raised NOK42.5m in a private placement at NOK2.5 per share. Named takers in the transaction include Tjelta AS, owned by Jostein Tjelta (NOK20m), and Lactal AS, previously owning 15.4% of the company's shares, contributing another NOK8m.

According to the press release, the net proceeds from the transaction are intended to be used for the following:

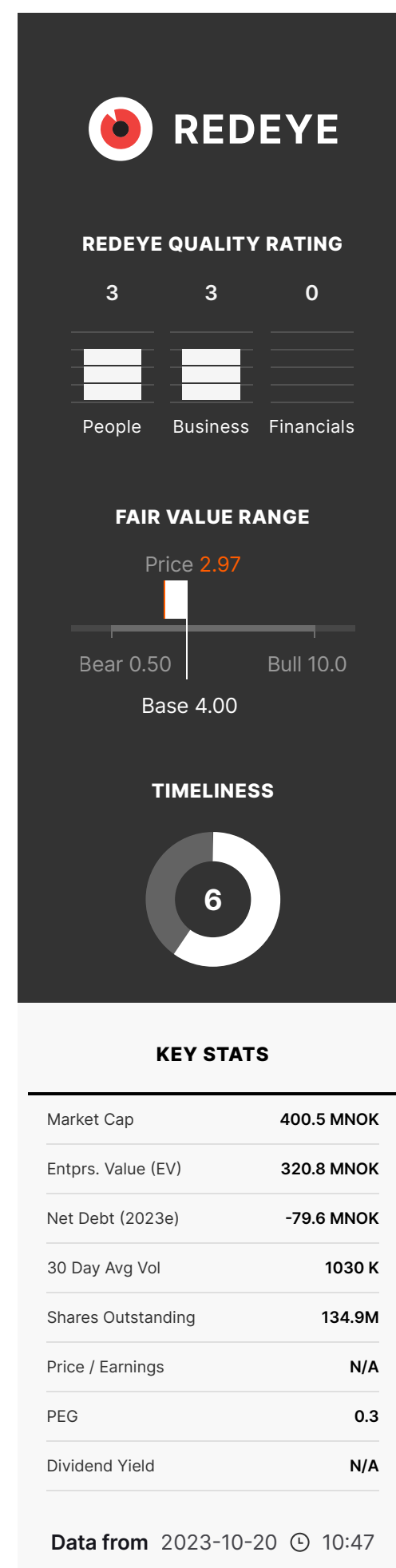
- Further research and clinical studies for Lifecare's sensor technology
- Product development of Sencell towards market launch in the veterinary market and CE mark preparations for the human market
- Financing of production set-up
- Strengthening the company's balance sheet to ensure financial capacity and flexibility to pursue growth opportunities
- Continue to develop the organization and internationalize the company
- Working capital and general corporate purposes

We have been anticipating a capital injection in Q4 for some time, so yesterday's news aligned with expectations. At large, we hold a positive view of this transaction, as it signifies interest and trust in Lifecare's investment case from both new and existing investors, especially considering the challenging financing climate. Moreover, the actual transaction was smaller in size and at a higher share price than our initial expectations, leading to a lower dilution than expected.

The net proceeds from this transaction position Lifecare for exciting milestones in 2024, including establishing an automated production line in Q2 2024 and launching a veterinary product in mid-2024. On the clinical development front, critical events are on the horizon, such as the commencement of the biocompatibility and longevity study LFS-SEN-002 in Q4 2023, ISO 13485 approval in November 2023, and the initiation of LFS-SEN-003 in Q2 2024. These developments pave the way for Sencell to achieve a CE mark in 2024.

## Valuation

We make two adjustments to our valuation of Lifecare. First, following a general Redeye policy decision, we raised the risk-free rate in our WACC calculation from 2.5% to 3%, resulting in a slight increase in our WACC to 15% (previously 14.5%). We also adjusted our DCF model for the actual outcome of the capital injection compared to our estimate. These adjustments lead to an adjustment in our base case valuation, now at NOK4 (3.5). Notably, our valuation accounts for an additional projected capital injection of approximately NOK100m expected at the end of 2024.



### IMPORTANT INFORMATION

All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

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Base case DCF				
Assumptions		DCF	NOKm	Per share
Tax rate	22,0%	2023e-2025e	-74	-0,4
WACC	15,0%	2026e-2031e	232	1,2
Revenue CAGR, 2023e-2025e	220,5%	Terminal	437	2,3
Revenue CAGR, 2026e-2031e	45,6%	Net cash*	159	0,8
Shares outstanding	134,9			
Shares outstanding (diluted)	188,0			
<b>Terminal values, 2032</b>				
Group revenue (SEKm)	1 757			
Terminal growth	2%			
EBIT margin	20%			
		<b>Fair value (diluted)</b>	<b>754</b>	<b>4,0</b>
		Upside from current price		49%

Since mid-September, it appears that the market has recognized the disparity between Lifecare's valuation and the potential of Sencell, as we have previously emphasized. For a period, the stock hovered around our prior base case valuation of NOK3.5. However, over the past week, there has been a retracement, and the stock now trades just above the subscription price from the private placement at NOK2.5. We believe that if Lifecare manages to continue the operational momentum and timeline mentioned above, these milestones could materialize concrete catalysts to allow the share to revisit our base case. Lifecare's Q3 report is released on November 8.