REDEYE

Equity Research

Research Update

(13 May 2023)

Lifecare

Sector: Medtech

Q1 2024 – Approaching veterinary launch

Redeye updates its outlook and fair value range on Lifecare following the company's Q1 report and announced capital raise. We believe that the company stands before an exciting H2 containing a rich news flow, we also give our initial take on the veterinary product expected to launch in the near term.

Q1 2024

Q1 financials did not deviate largely from expectations, Lifecare reported revenues of NOK0.4m (2.6) and NOK-12.8m (-6.4) EBIT, end of quarter cash position was NOK34.3m. The company's operation remains focused on the development of Sencell and has made progress in both automated production and preparations for longevity trials. In addition, it has also strengthened its IP and made an investment to bring forward solutions for the entire life cycle of Sencell.

Adjusted financing assumptions and inclusion of veterinary product in our forecasts

While we had already included a NOK100m rights issue in our valuation of Lifecare, we now adjust to align with the current outlook including the announced NOK75-95m rights issue and 2025 warrants. Following the announced rights issue and confirmation of pilot production we include our take on the prospects of Lifecare's veterinary sensor into our valuation model of the company. Taking a careful approach, we end up estimating NOK3.4m in 2024e sales expanding to NOK72m in 2026e from the veterinary sensor.

Eventful quarters ahead, new base case NOK4.3

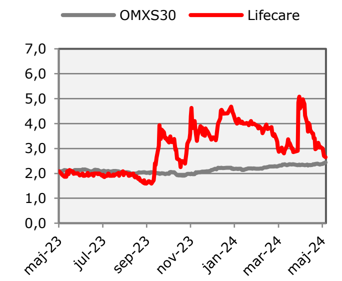
Our new base case comes in at NOK4.3 (4.5), bull- and bear amounts to NOK11 and NOK1. The revised fair value range reflects adjusted financing assumptions, inclusion of the veterinary product, as well as model fine-tuning. We expect a muted share price performance until completion of the rights issue, but after that, we foresee a strong operational newsflow likely to positively impact the share price.

Key Financials (SEKm)	2022	2023	2024e	2025e	2026e
Revenues	22	12	11	92	299
Revenue growth	1286%	-48%	-15%	836%	227%
EBITDA	-16	-33	-61	-46	44
EBIT	-19	-36	-65	-50	29
EBIT Margin (%)	-87%	-311%	-618%	-54%	10%
EV/Revenue	7,6	48,5	47,6	6,3	1,9
EV/EBITDA	neg	neg	neg	neg	12,9
EV/EBIT	neg	neg	neg	neg	19,4

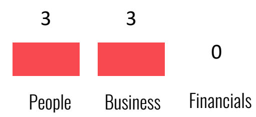
FAIR VALUE RANGE

BEAR	BASE	BULL
1	4.3 (4.5)	11

LIFE VERSUS OMXS30 – 12 MONTHS



REDEYE RATING



KEY STATS

Ticker	LIFE
Market	Euronext Growth
Share Price (NOK)	2.6
Market Cap (NOKm)	357
Net Debt (NOKm)	-28
Free Float (%)	64%
Avg. daily volume ('000)	438

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Investment Case

Innovative technology with disruptive potential targeting USD>6bn market

Lifecare targets diabetes patients with its next-generation continuous glucose monitor (CGM), Sencell. We see potential for Sencell – thanks to its robust and differentiated value proposition – to capture a slice of the >USD6bn market, which is growing c15% each year. The sensor's CE marking, anticipated in 2024 following the LFC-SEN-003 trial, in combination with initial veterinary sales could pave the way for a significant commercial opportunity a few years ahead not yet reflected in the share price.

Attractive value proposition opening up vast market potential

The blood glucose monitoring market is valued at cUSD11bn and comprises c60% of continuous glucose monitors (CGM), which have grown rapidly since the first approval in 1999. Annual growth is projected at c15% until 2026, suggesting it reaches USD13bn. CGM has revolutionised diabetes monitoring, and we believe Sencell's superior sensor longevity, potentially improved accuracy, and improved convenience should appeal to many patients. Considering the market size, Lifecare's sensor only needs to capture a fraction of the market to generate significant recurring revenue streams and becoming a very profitable company.

Supportive analysis: Appealing market, high value proposition

CGMs have revolutionised diabetes treatment and monitoring by providing patients and physicians with real-time access to glucose levels and trends via a reader, smartphone, or other smart wearables. This stands in contrast to their predecessors, BGMs, which require a blood sample from a finger prick to measure glucose levels at a single point in time. Diabetes management relies on patients injecting insulin based on accurate glucose readings to prevent short- and long-term complications. Improvements to these devices thus have significant implications for insulin-treated diabetes patients, putting a significant emphasis on their accuracy. This accuracy is often measured by the mean absolute relative difference (MARD), which calculates the average absolute difference between CGM readings and reference glucose values over a certain period of time, with lower MARD values indicating higher accuracy.

Sencell, Lifecare's CGM sensor, could offer type 1 diabetics and a subgroup of insulin-treated type 2 diabetics a next-generation approach to blood glucose monitoring. The device, which is the size of a grain of rice, is inserted under the skin and provides real-time glucose monitoring through osmotic pressure for up to six months. In the LFS-SEN-001 clinical trial, Sencell has reported a MARD just above the recently released successors to current market leaders, Freestyle Libre and Dexcom. Such characteristics should be appealing to many patients and allow Sencell to capture a slice of the CGM market, which entails a significant commercial opportunity.

Comparison of CGM's	Sencell	Dexcom G7	Eversense E3	Freestyle Libre 3	Medtronic Guadian 4	Competitor Average
Company	Lifecare	Dexcom	Senseonics	Abbott	Medtronic	
MARD (%)	9,6%	8,2%	8,5%	7,9%	8,7%	8,3%
Sensor logenvity (weeks)	26**	1,5	26	2	1	7,6
Warm-up time (hours)	0,5-1	0,5	24	1	2	6,9
Reading frequency (minutes)	<5	5	5	1	5	4,0
Senzor size (mm)	1x0.5x0.25	24x24x2	16x4x4	19x19x3	19x11x10	20x15x5
Approximate annual cost (USD)	650	4 000	3 300	1 700	4 200	3 300
Placement	Under skin	Arm/abdomen	Under skin	Arm	Arm/abdomen	N/A
Integrable with insulin pump	No	Yes	No	Yes	Yes***	N/A
Calibration required?	No	No	Every 12 hours	No	Every 12 hours	N/A
Requires transmitter to transfer data to phone / wearable	Yes	No	Yes	No	Yes	N/A

* In the LFS-SEN-001 trial, MARD is likely to decrease ahead of becoming commercially available

**Estimated minimum of 26 weeks

***Only integrable with Medtronic insulin pump

Challenge I: Development and regulatory approval remain

Sencell has generated promising data in a preclinical setting and in initial clinical trials. However, further steps are needed to confirm accuracy, reliability, and safety in a larger clinical setting for Lifecare to obtain regulatory approval for product marketing. Moreover, some engineering efforts remain to scale the sensor down to its commercial form.

Challenge II: Setbacks could lead to more capital being required

Promising prospects and market opportunities aside, Lifecare is in the late development and early commercialization phase of its innovative sensor, which elevates the financial risk. Should setbacks emerge, additional capital could be required. In this context, it is comforting that the company has supportive major owners that have participated in previous financing rounds somewhat reducing the risk. Our valuation accounts for this risk by including the anticipated dilution from the announced rights issue and warrants.

Valuation

We derive our fair value range based on a 2024e–2033e DCF valuation employing a WACC of 15% and using a risk-free rate of 3%. Our valuation takes height for the announced rights issue and warrants, leading to an additional estimated dilution of 34%.

Our base case amounts to NOK4.3, assuming 5% and 2% penetration of addressable T1D and T2D patients, respectively. Moreover, our bull case sees a value of NOK11, assuming twice the market penetration. In our NOK1 bear case, we assume less than half the market penetration compared to our base case and do not consider the veterinary usage of Sencell.

Base case DCF-assumptions

Lifecare: Base case valuation

Assumptions		DCF	NOKm	Per share
Tax rate	22,0%	2024 - 2028	-54	-0,3
WACC	15%	2029 - 2031	191	0,9
Shares outstanding (diluted)	205,7	2032 - 2033	167	0,8
Revenues CAGR 2024 - 2028	202%	Terminal	549	2,7
Revenues CAGR 2029 - 2031	20%	Net cash	28	0,1
Terminal value assumptions 2034		**Base case**		4,3
Group sales (NOKm)	2 038	Upside potential		62%
Terminal growth	2%			
EBITDA margin	25%			

Source: Redeye Research

Q1 2024 – Review

Recent activities

- Announcement of NOK75-90m rights issue

Lifecare has announced its intention to resolve a NOK75-95m rights issue, which was guaranteed up to NOK75m. The net proceeds are intended for the market launch of the veterinary sensor, continued development of Sencell, and investments in production.

- Target for pilot production reached

Lifecare announced at the start of April that it had reached the target for pilot production of the Sencell sensor. This milestone paves the way for automated production by the end of Q2.

- **Strategic investment in RemoveAid AS**

At the end of April, Lifecare announced its intention to invest NOK2m to become the majority shareholder in RemovAid (81% equity), a company certified under ISO 13485 that focuses on designing, producing, and supplying medical devices tailored for removing subdermal implants. Among its innovations, RemovAid has engineered and patented a gentle yet efficient Class IIa medical device endorsed by CE, for the removal of single-rod contraceptive implants.

- **New patent granted**

The European Patent Office has notified that it will grant Lifecare a new patent related to the chemistry composition reactive to glucose. This active fluid enables monitoring of glucose in Lifecares miniaturized sensor-technology, buy the means of osmotic pressure as the sensing principle. The patent strengthens protection until 2038.

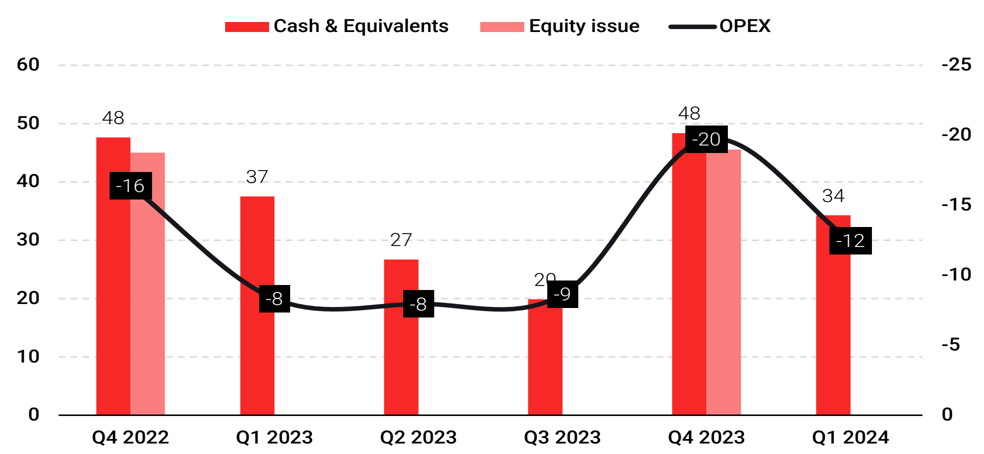
Financials Q1 2024

Revenues came in at NOK0.4m which is lower than previous quarters. However, this comes as an effect of the company's third-party laboratory service capacity have been reduced to be able to allocate the resources to internal projects.

OPEX was NOK-13.4m marking an increase on a y/y basis, however, given the ongoing high activity and production scale-up it aligns with expectations. Thus, EBIT in Q1 was NOK-12.8m.

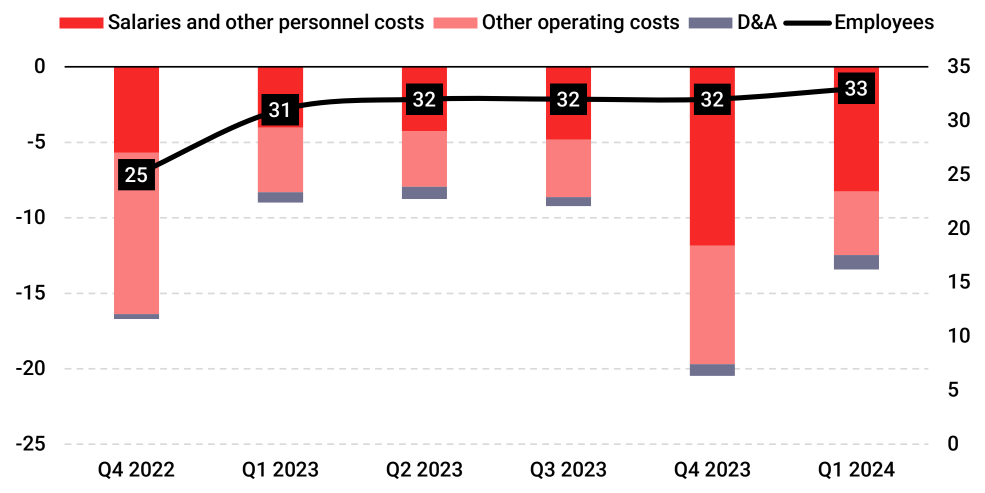
Operating cash flow amounted to NOK-14.3m of which NOK-6.1m was changes in working capital, last year's operating cash flow was NOK-9.3m. End of quarter cash position was NOK34.3m and it is expected to be reinforced by NOK75-95m shortly, providing cash runway for the foreseeable future, we will discuss this later in the report.

Cash position and OPEX



Source: Redeye Research, Company data

OPEX item distribution



Source: Redeye Research, Company data

NOK75-90m rights issue announced

We will adjust our financing assumptions after Lifecare's announcement of the NOK75-90m rights issue (click the link for a more elaborate description), covered by guarantee commitments to NOK75m. Lifecare mentions that it is now "fully financed" following the announcement. Given the outlook, it is reasonable to assume that the amount raised will be at the mid-to-upper end of the announced range. We had already incorporated a NOK100m rights issue (estimated c30% dilution), which thus aligned reasonably well with the announcement. One warrant will also be allocated for each two subscribed shares in the rights issue (we will provide a walkthrough on the next page).

Given that the subscription price is yet to be disclosed (VWAP minus a discount of 35% three days prior to the EGM), it is yet too early to make any definite assumptions on the dilution from the transaction compared to our initial estimate of c30%. However, given the current share price of NOK2.6 plus the 35% discount, a subscription price in the ballpark of NOK1.6-2.0 is reasonable. Accordingly, a mid-range assumption that Lifecare raises cNOK85m at 1.8 per share would imply a dilution of c26%. Potential outcomes on dilution from the righs issue are illustrated below:

Rights issue dilution scenario table (not including warrants)

	Capital raised (NOKm)				
Subscription price	95	90	85	80	75
1,40	33%	32%	31%	30%	28%
1,60	31%	29%	28%	27%	26%
1,80	28%	27%	26%	25%	24%
2,00	26%	25%	24%	23%	22%
2,20	24%	23%	22%	21%	20%

Source: Redeye Research

Warrants likely raising cNOK30-50m

Given the lack of concrete terms regarding the rights issue, it is still too early to make any absolute predictions about the raised amounts and dilution resulting from the warrants with reasonable precision. However, the final subscription price will be determined by the VWAP minus 30% three days before the exercise period. Nevertheless, the subscription price cannot exceed a 30% increase compared to that of the rights issue. Therefore, we can offer an overview of potential outcomes, starting from the mid-range assumption in the scenario table above.

For instance, in the abovementioned scenario where Lifecare raises cNOK85m in the rights issue at NOK1.8 per share, the rights issue would entail the issuance of approximately 47.2 million new shares and 23.6 million warrants, potentially leading to another 23.6 million new shares being issued from the warrants in June 2025.

According to the terms of the warrants and the abovementioned scenario it would entail a maximum subscription price in the warrants of NOK2.35 (30% higher than the assumed NOK1.8 subscription price in the rights issue), meaning that the warrants can raise a maximum of NOK55.5m (2.35*23.6million warrants).

Capital raised from warrants scenario table (NOKm)

		New shares				
		28,6	26,1	23,6	21,1	18,6
Warrants sub. price	0,90	25,7	23,5	21,2	19,0	16,7
	1,30	37,2	33,9	30,7	27,4	24,2
	1,70	48,6	44,4	40,1	35,9	31,6
	2,10	60,1	54,8	49,6	44,3	39,1
	2,35	67,2	61,3	55,5	49,6	43,7

Source: Redeye Research

Accordingly, we include our initial assumptions for the warrants in our valuation of Lifecare. In this assumption, we opt for a mid-range approach where we assume the warrants raise cNOK40m, resulting in additional dilution of c12%. Thus, this implies a total dilution of 34% compared to our initial assumption of c30%. We believe that this approach is reasonable as Lifecare stands before several value-creating milestones throughout 2024 and H1 2025, which are expected to have a positive impact on the share price until then. However, given the inherent uncertainty, we will continuously monitor this assumption and adjust it accordingly.

Inclusion of veterinary product into our valuation

Initially, we did not include any sales projections for the veterinary market, as we perceived the commercial prospects and value of the product to be less defined compared to its value proposition for T1D/T2D patients. However, given the ongoing market launch, we have decided to provide our initial projections. We chose a cautious approach toward the commercial opportunity in the veterinary market, where the Sencell sensor targets cats and dogs. We focus on the US and Europe, which offer the largest commercial opportunities to assess the market potential.

According to the American Pet Products Association, approximately 65.1 million households had a dog, and 46.5 million had a cat in 2023. To maintain a grounded approach, we assume that, on average, each of these households has 1.5 cats or dogs, although the actual number is likely higher. In Europe, the European Pet Food Industry Federation (FEDIAF) reported that in 2022, there were 340 million pets, including approximately 127 million cats and 104 million dogs. This provides us a starting point of roughly 170m cats and 170m dogs in the US and Europe.

To assess the prevalence of diabetes mellitus in cats and dogs, we anchored prevalence numbers from the scientific literature. We could find several epidemiology studies suggesting a prevalence between 0.26 - 0.36%[1,2,3] in dogs. The prevalence of diabetes mellitus in cats is comparably higher than in dogs, according to epidemiology studies, and one study, which seems to be the most reliable and referred to, suggests a prevalence of 0.58%[4] (n=194,563) among cats.

We chose a mid-range figure for dogs at 0.3% prevalence and take the prevalence from the O'Neill study as prevalence numbers for our TAM calculation. However, to ensure realism, we will consider that there will likely be a large amount of undiagnosed and untreated prevalence in real-world numbers. Therefore, we consider only a minor part of the estimated number of diabetic cats and dogs as our addressable market for the Sencell sensor.

Our total addressable market builds on the following assumptions:

- Targeting the US and European markets
- Diabetes mellitus prevalence of 0.30% in dogs and 0.58% in cats
- On account of an estimated large undiagnosed population and the Sencell being a novel product, we make a conservative assumption that only 30% of the dogs and 15% of the cats with diabetes mellitus constitute the addressable market
- Max market penetration of 20% for dogs and 10% for cats
- Annual average price of EUR1500
- Compliance rate of 60%
- We assume sales go through a partner where Lifecare would be entitled to 50% of the sales

[1] Yoon S, Fleeman LM, Wilson BJ, Mansfield CS, McGreevy P. Epidemiological study of dogs with diabetes mellitus attending primary care veterinary clinics in Australia. Vet Rec. 2020 Aug 8;187(3):e22. doi: 10.1136/vr.105467. Epub 2020 Feb 12. PMID: 32051292.

[2] Heeley, A.M., O'Neill, D.G., Davison, L.J. et al. Diabetes mellitus in dogs attending UK primary-care practices: frequency, risk factors and survival. Canine Genet Epidemiol 7, 6 (2020). https://doi.org/10.1186/s40575-020-00087-7

[3] Mattin, M.J., O'Neill, D.G., Church, D.B., McGreevy, P.D., Thomson, P.C., & Brodbelt, D.C. (2014). An epidemiological study of diabetes mellitus in dogs attending first opinion practice in the UK. VETERINARY MICRIOBIOLOGY, 174(14), 349.

4 O'Neill DG, Gostelow R, Orme C, Church DB, Niessen SJ, Verheyen K, Brodbelt DC. Epidemiology of Diabetes Mellitus among 193,435 Cats Attending Primary-Care Veterinary Practices in England. J Vet Intern Med. 2016 Jul;30(4):964-72. doi: 10.1111/jvim.14365. Epub 2016 Jun 29. PMID: 27353396; PMCID: PMC5094533.

These assumptions provide us with the following outlook for the US and Europe, where our initial projections suggest sales of EUR0.7m in 2024e extending to EUR12.4m in 2026e.

Sencell veterinary market model

		2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
Cats	US	69 750 000	70 377 750	71 011 150	71 650 250	72 295 102	72 945 758	73 602 270	74 264 691	74 933 073	75 607 470
	Europe	127 000 000	128 143 000	129 296 287	130 459 954	131 634 093	132 818 800	134 014 169	135 220 297	136 437 279	137 665 215
Diabetic cats	US	404 550	408 191	411 865	415 571	419 312	423 085	426 893	430 735	434 612	438 523
	Europe	736 600	743 229	749 918	756 668	763 478	770 349	777 282	784 278	791 336	798 458
Treated population	US	80 910	81 638	82 373	83 114	83 862	84 617	85 379	86 147	86 922	87 705
	Europe	147 320	148 646	149 984	151 334	152 696	154 070	155 456	156 856	158 267	159 692
Dogs	US	97 650 000	98 528 850	99 415 610	100 310 350	101 213 143	102 124 062	103 043 178	103 970 567	104 906 302	105 850 459
	Europe	104 000 000	104 936 000	105 880 424	106 833 348	107 794 848	108 765 002	109 743 887	110 731 582	111 728 166	112 733 719
Diabetic dogs	US	292 950	295 587	298 247	300 931	303 639	306 372	309 130	311 912	314 719	317 551
	Europe	312 000	314 808	317 641	320 500	323 385	326 295	329 232	332 195	335 184	338 201
Treated population	US	117 180	118 235	119 299	120 372	121 456	122 549	123 652	124 765	125 888	127 021
	Europe	124 800	125 923	127 057	128 200	129 354	130 518	131 693	132 878	134 074	135 280
TAM	US	198 090	199 873	201 672	203 487	205 318	207 166	209 030	210 912	212 810	214 725
	Europe	272 120	274 569	277 040	279 534	282 049	284 588	287 149	289 733	292 341	294 972
Penetration cats (%)	US		0,3%	2,3%	4,3%	6,3%	8,3%	10,0%	10,0%	10,0%	10,0%
	Europe		0,3%	2,3%	4,3%	6,3%	8,3%	10,0%	10,0%	10,0%	10,0%
Penetration dogs (%)	US		0,5%	4,5%	8,5%	12,5%	16,5%	20,0%	20,0%	20,0%	20,0%
	Europe		0,5%	4,5%	8,5%	12,5%	16,5%	20,0%	20,0%	20,0%	20,0%
Compliance rate	US		60%	60%	60%	60%	60%	60%	60%	60%	60%
	Europe		60%	60%	60%	60%	60%	60%	60%	60%	60%
Units sold (veterinary)	US	0	477	4 333	8 258	12 254	16 321	19 961	20 141	20 322	20 505
	Europe	0	601	5 455	10 397	15 428	20 548	25 131	25 357	25 585	25 815
Total sales (EURm)		**0,0**	**0,7**	**6,5**	**12,4**	**18,4**	**24,5**	**29,9**	**30,2**	**30,5**	**30,8**
Total sales (NOKm)		**0,0**	**8,3**	**75,8**	**144,4**	**214,3**	**285,4**	**349,0**	**352,2**	**355,3**	**358,5**
Lifecare topline (NOKm)		**0,0**	**4,2**	**37,9**	**72,2**	**107,1**	**142,7**	**174,5**	**176,1**	**177,7**	**179,3**

Source: Redeye Research

Estimate changes

We have made the following adjustments to our mid-term forecasts following the report:

- Inclusion of estimated veterinary Sencell sales
- Minor financial fine-tuning

Updated forecasts 2024e-2026e (NOKm)

Lifecare: Estimate changes	Updated			Previous			Chg. %	Chg. %	Chg. %
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
Revenues	10,6	91,9	298,6	8,7	72,2	271,3	22%	27%	10%
Revenue growth y/y	-8%	768%	225%	-25%	730%	275%			
EBITDA	-60,7	-45,8	43,5	-62,4	-54,1	40,1	-3%	-15%	8%
EBITDA margin	-573%	-50%	15%	-717%	-75%	15%			
EBIT	-65,4	-50,0	29,0	-66,6	-59,5	26,6	-2%	-16%	9%
EBIT margin	-618%	-54%	10%	-765%	-82%	10%			
EPS*	-0,3	-0,2	0,1	-0,5	-0,4	0,2	-40%	-49%	-31%

Source: Redeye Research

Financials 2019-2026e (NOKm)

	2019	2020	2021	2022	2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024	2025	2026
Sencell - Human	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	46,9	218,7
Sencell - Pet	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,6	3,5	4,2	37,9	72,2
Other income	2,1	5,4	1,6	22,2	11,6	0,4	1,0	2,1	2,9	6,4	7,1	7,8
Revenues	**2,1**	**5,4**	**1,6**	**22,2**	**11,6**	**0,4**	**1,0**	**2,7**	**6,4**	**10,6**	**91,9**	**298,6**
Gross Profit	**2,1**	**5,4**	**1,6**	**22,2**	**11,6**	**0,4**	**1,0**	**2,4**	**4,5**	**8,3**	**45,2**	**144,5**
Salaries and other personnel costs	-0,3	-0,7	-1,7	-12,2	-24,9	-8,2	-4,6	-5,4	-13,6	-31,8	-36,8	-42,8
Other operating costs	-8,4	-7,1	-15,2	-26,1	-19,6	-4,2	-9,6	-11,5	-11,8	-37,1	-54,2	-58,2
OPEX	**-8,8**	**-7,8**	**-16,9**	**-38,4**	**-44,6**	**-12,5**	**-14,2**	**-16,9**	**-25,4**	**-69,0**	**-91,0**	**-100,9**
EBITDA	**-6,7**	**-2,4**	**-15,3**	**-16,2**	**-33,0**	**-12,1**	**-13,2**	**-14,5**	**-20,9**	**-60,7**	**-45,8**	**43,5**
D&A	0,0	0,0	-0,6	-3,0	-2,9	-1,0	-1,1	-1,2	-1,4	-4,7	-4,2	-14,5
EBIT	**-6,7**	**-2,5**	**-15,9**	**-19,2**	**-35,9**	**-13,0**	**-14,3**	**-15,7**	**-22,3**	**-65,4**	**-50,0**	**29,0**
Revenue growth y/y	0%	161%	-70%	1286%	-48%	-84%	-19%	6%	25%	-8%	768%	225%
EBITDA margin	-325%	-45%	-959%	-73%	-286%	-2935%	-1321%	-532%	-324%	-573%	-50%	15%
EBIT margin	-326%	-46%	-996%	-87%	-311%	-3167%	-1430%	-577%	-346%	-618%	-54%	10%
EPS	-0,1	0,0	-0,2	-0,2	-0,3	-0,1	-0,1	-0,1	-0,1	-0,3	-0,2	0,1

Source: Redeye Research

Valuation

At Redeye, we approach the valuation of a company's stock using three scenarios to provide a dynamic view of the case. We also model pessimistic (bear case) and optimistic (bull case) scenarios to complement our base case valuation. The differences in estimates between the scenarios are based on modifications to the assumptions in our valuation process. We apply a WACC of 15% to all scenarios derived from Redeye's Company Quality Rating using a risk-free interest rate of 3% and use a NOK/EUR exchange rate of 11.7. Our valuation also includes estimates for the rights issue and warrants, leading to a total dilution of 34%.

Summary of changes to our valuation in this report:

- (+) Inclusion of estimated veterinary Sencell sales
- (-) Adjustment of funding assumptions following the announced rights issue and warrants
- Minor financial fine-tuning

Base case: NOK4.3 (4.5)

Our base case assumes a European launch of Sencell in 2025, followed by a launch in the US and Japan one year later. Considering the value proposition for patients and the expected health-economic benefits, we anticipate a successful launch enabling Lifecare to capture 5% of the addressable T1D patients and 2% of the addressable T2D patients for Sencell's usage. We model a market penetration of 20% and 10% on the veterinary market, respectively, for addressable dogs and cats, respectively.

Base case DCF

Lifecare: Base case valuation

Assumptions		**DCF**	**NOKm**	**Per share**
Tax rate	22,0%	2024 - 2028	-54	-0,3
WACC	15%	2029 - 2031	191	0,9
Shares outstanding (diluted)	205,7	2032 - 2033	167	0,8
Revenues CAGR 2024 - 2028	202%	Terminal	549	2,7
Revenues CAGR 2029 - 2031	20%	Net cash	28	0,1
Terminal value assumptions 2034		**Base case**		4,3
Group sales (NOKm)	2 038	Upside potential		62%
Terminal growth	2%			
EBITDA margin	25%			

Source: Redeye Research

Sensitivity analysis

Our valuation of Lifecare is affected by the WACC we attribute to the company, along with our assumptions for terminal EBITDA margin and WACC. We illustrate the impact of applying changes to these variables on our base case valuation in the sensitivity analysis below.

Sensitivity analysis

		Terminal EBITDA margin				
		15,0%	20,0%	25,0%	30,0%	35,0%
WACC	17%	1,9	2,5	3,1	3,7	4,2
	16%	2,1	2,8	3,5	4,2	4,8
	15%	2,4	3,2	4,0	4,8	5,6
	14%	2,7	3,7	4,6	5,5	6,4
	13%	3,1	4,2	5,3	6,4	7,5

Source: Redeye Research

Bull case: NOK11

Our bull case is built upon the foundations of our base case but envisions an even more successful launch, resulting in a greater penetration in both patient groups. In this scenario, we anticipate capturing 10% of the addressable T1D patients and 5% of the relevant T2D patients, creating a substantial market opportunity that would position Lifecare as a highly profitable company. On the veterinary market we model a market penetration of 40% and 20% respectively for addressable dogs and cats, respectively.

Bull case DCF

Lifecare: Bull case valuation

Assumptions		DCF	NOKm	Per share
Tax rate	22%	2024 - 2028	139	0,7
WACC	15%	2029 - 2031	499	2,4
Shares outstanding (diluted)	205,7	2032 - 2033	375	1,8
Revenues CAGR 2024 - 2028	221%	Terminal	1228	6,0
Revenues CAGR 2029 - 2031	22%	Net cash	28	0,1
Terminal value assumptions 2034		**Bull case**		11,0
Group sales (NOKm)	3 625	Upside potential		317%
Terminal growth	2%			
EBITDA margin	30%			

Source: Redeye Research

Bear case: NOK1

Our bear case builds on Lifecare facing challenges during the development and scale up process, resulting in a delayed market launch. Furthermore, we assume Sencell fails to generate expected traction in either the human or veterinary market, resulting in limited usage. These circumstances would create difficulties for the company in achieving profitability.

Bear case DCF

Lifecare: Bear case valuation

Assumptions		DCF	NOKm	Per share
Tax rate	22%	2024 - 2028	-65	-0,3
WACC	15%	2029 - 2031	75	0,4
Shares outstanding (diluted)	205,7	2032 - 2033	53	0,3
Revenues CAGR 2024 - 2028	114%	Terminal	173	0,8
Revenues CAGR 2029 - 2031	16%	Net cash	28	0,1
Terminal value assumptions 2034		**Bear case**		1,3
Group sales (NOKm)	643	Downside risk		-51%
Terminal growth	2%			
EBITDA margin	25%			

Source: Redeye Research

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General summary

Background

Established in 2006, Lifecare AS is a Norwegian clinical-stage medical sensor company with subsidiaries in Mainz (Germany), Reutlingen (Germany), and Bath (UK). Its primary focus is on developing the next generation of continuous glucose monitoring (CGM) systems based on osmotic pressure. In the future, this could also be suitable for identifying and monitoring other analytes and molecules in the human body.

Lifecare AS organises its operational development initiatives through subsidiaries and research collaborations with the University of Bath (UK) and the Goethe University of Frankfurt (Germany).

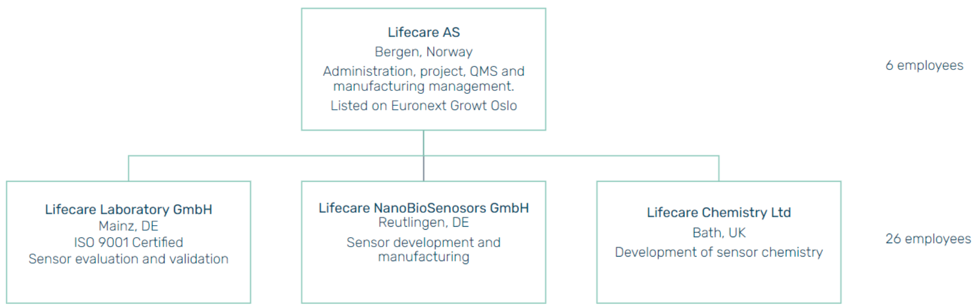
Lifecare NanoBioSensors GmbH in Reutlingen, Germany, develops and manufactures Lifecare's sensors and sensor systems, utilising the licensed Nano3DSense production method to print nanoscale pressure-sensor elements onto micro-sensors. This technique has enabled the miniaturisation of sensors suitable for subcutaneous implantation in humans.

In August 2021, Lifecare AS acquired Lifecare Laboratory GmbH, which is responsible for sensor and chemistry validation, processing in-vitro and in-vivo test results, and offering clinical research and testing services for the pharmaceutical and biotechnical industries. The laboratory also provides sensor validation and evaluation services to external customers and operates as a Covid PCR and rapid test centre under the German Infectious Disease Defence Act.

Lifecare Chemistry Ltd was incorporated in November 2022. The entity is a spin-off from Lifecare's long-standing research collaboration with Professor Tony James and his research team at the University of Bath. Lifecare Chemistry Ltd has been established to enhance the existing research partnership further and ensure Lifecare's ownership of the scientific, strategic, and operational advancements related to its enhanced analyte-specific chemical receptors.

At the end of May 2023, Lifecare announced a new company called Lifecare Veterinary, targeting veterinary use with its sensor. Bergen-based veterinary and entrepreneur Jo Amundstad will be the general manager of the subsidiary.

Organisational overview



Source: Company presentation

Historical highlights

Lifecare	
2018	
	Listed on Oslo Stock Exchange
	Identification of method for miniaturising pressure sensor enabling substanzial device miniaturisation
	Service agreemnet with cantiMED UG, patentholder of nano-production method
2019	
	In-vitro experiments confirming functionality of miniaturised pressure sensor
	Announcement of preparations for clinical testing
2020	
	Filing of Clinical Study Protocol
	Lifecare recieves grant from EU Commission as part of consortium FORGETDIABETES working to develop an artificial pancreas
2021	
	Lifecare recieves regulatory approval for first-in-human Clinical Pilot Evaluation
	Lifecare aquires cantiMED UG (renamed Lifecare NanoBioSensors GmbH)
	New patent granted
	Term sheet for acquisition of the laboratory of Pfützner Science & Health Institute GmbH (later renamed to Lifecare Laboratory GmbH
2022	
	Acquisition of Pfützner Science & Health Institute fomalized and finalized
	Successful in-vitro testing confirms functionality of miniaturised sensors with nanoscale pressure sensors, which confirms prototypes for upcoming clinical trials
	Start of clinical development studies, first-in-human
	Lifecare innovations categorised among top 14% of innovations recieving funding from EU Commission.
	Letter of intent - production location in Mainz
	Interim data analysis: proof-of-concept in humans
2023	
	Successful ISO audit - Lifecare Laboratory GmbH
	Sensor longevity: 12 weeks in-vitro
	Lifecare signs lease agreement in Mainz
	Lifecare launches spin-off company "Lifecare Veterinary"

Source: Company presentation

Business strategy

Diabetes patients are required to monitor their blood glucose levels continuously, resulting in a consistent demand for glucose sensors that need to be regularly replaced, this creates predictable revenue streams for the established players. Moreover, there is robust demand from both physicians and patients for a continuous glucose monitoring (CGM) system, since these are more convenient, with less discomfort, an ability to significantly improve glycaemic control, mitigation of diabetes-related complications, and an enhanced overall quality of life.

Lifecare is committed to developing its Sencell sensor technology and establishing its own production line to meet these demands. The company has taken significant steps towards this goal, including signing a lease agreement and initiating the production of a large-volume facility in Mainz, Germany. However, Lifecare also recognises the importance of partnering with a larger, established player to commercialise the product effectively and ensure compatibility with the aforementioned devices.

In line with this strategy, Lifecare has entered into an agreement with Sanofi, granting the pharmaceutical giant a right of first refusal (ROFR) for the technology. This partnership demonstrates Lifecare's intention to collaborate with industry leaders to advance the technology and take it to market.

Product development agreement with Sanofi

Sanofi-Avenis Group sponsor the development program for miniaturizing the Sencell Glucose sensor with funding of EUR 290.000 based on completion of defined development phases

The Development Agreement is **based on a robust evaluation and due diligence process** from Sanofi scientists and business department, including a detailed review of the product development plan and the commercial aspects of Lifecare's Sencell Glucose relative to Sanofi's product portfolio and the competitive landscape

Sanofi is entitled to a "first right of refusal" to negotiate an exclusive and worldwide distribution license of Lifecare technology and IP for glucose monitoring.

Source: Company presentation

Value proposition

Sencell's value proposition is built upon several key factors, aiming to deliver competitive accuracy, durability, and user comfort while addressing patients' needs and preferences. These factors include:

- **Potentially improved accuracy:** According to the preclinical and clinical trials conducted by Lifecare, Sencell's accuracy is superior to that achieved by the current market-leading sensors at the corresponding stage of development, and it is even comparable to the current industry benchmarks. With ongoing algorithm improvements, it is likely that Sencell's Mean Absolute Relative Difference (MARD) will be even lower, potentially surpassing today's industry benchmarks. However, confirming this claim requires further large-scale studies and additional algorithm enhancements.

- **Extended sensor longevity:** Sencell boasts an impressive six-month lifespan (and potentially even longer), significantly outperforming existing market leaders whose sensors typically offer a lifespan of only 10–14 days, implying additional convenience for patients with Sencell.

- **Superior patient comfort:** Sencell's design prioritises patient comfort by embedding the sensor beneath the skin. This approach mitigates the risk of accidental detachment due to physical impact, providing a more secure and reliable monitoring experience. Additionally, patients will likely appreciate the aesthetic aspect of not having a visible sensor attached to their bodies, further enhancing their comfort.

- **Calibration-free technology:** Sencell is a calibration-free sensor system. This innovative feature eliminates the need for regular calibration procedures, simplifying the monitoring process for both patients.

By combining competitive accuracy, extended sensor longevity, superior patient comfort, and calibration-free technology, Sencell has the potential to capture a slice of the >USD6bn CGM market.

Competitive advantages

Lifecare's approach to revolutionising minimally invasive CGM by measuring glucose levels through osmotic pressure is novel, and no competitor is pursuing this approach. Sencell allows for a significant step-up in longevity versus the market-leading sensor, which needs replacing every two weeks. We also emphasise that Sencell's positioning under the skin is a clear competitive advantage due to its value proposition to patients.

In terms of IP, Lifecare has patents covering the membrane (until 2024), extended osmotic pressure (until 2030), and the measurement with a sensor based on two chambers with a pressure sensor (until 2038), with additional patent applications pending.

Management, board and ownership

Lifecare has ~25 employees, and its management and board of directors provide the company with experience in relevant areas, including R&D, finance, law, and management.

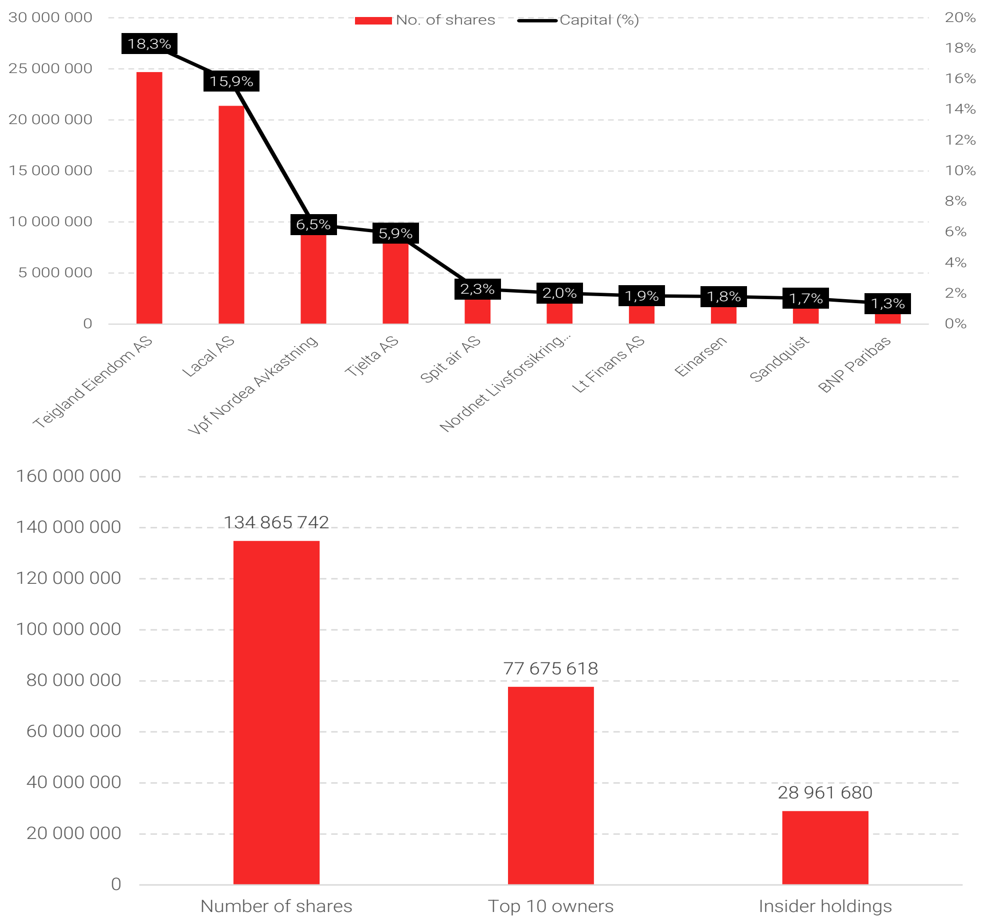
CEO Joacim Holter holds an LLM from the University of Bergen in Norway. He has spent more than 15 years in various management roles, including six years leading international R&D and product development in Switzerland. He also has been with the company for a long time, serving as both chairman and board member in 2011–2020.
The board of directors is led by Morten Foros Krohnstad, a partner in the law firm Schjødt, and he brings extensive experience as a board professional in Norwegian listed and unlisted companies.

Insiders hold about 29.2m shares in Lifecare, accounting for c25% of the equity:

- c24.7m shares – Teigland Eiendom AS (Trine Teigland, board member)
- c2.6m shares – Islay Venture AS (Andreas Pfützner, CSO)
- c1.9m shares – Cimter AS (Joacim Holter, CEO) and Joacim Holter (private)
- 0.2m shares – Hanibal Invest AS (Hans Hekland, board member).

We consider this a relatively high proportion and view it positively, since it signals alignment with shareholder value in management decision-making. It is also positively reflected in our Redeye Rating Model, in which skin in the game is an essential parameter.

Shareholders structure and share distribution (2024-05-10)



Source: Modular finance

Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

Rating changes in the report: No rating changes in this report

People: 3

Business: 3

Financials: 0

	2023	2024e	2025e	2026e
INCOME STATEMENT				
Revenues	12	11	92	299
Cost of Revenues	0	-2	-47	-154
Gross Profit	12	8	45	144
Operating Expenses	-45	-69	-91	-101
EBITDA	-33	-61	-46	44
D&A	-3	-5	-4	-15
EBIT	-36	-65	-50	29
Net Financial Items	0	0	0	0
EBT	-36	-65	-50	29
Income Tax Expenses	0	0	0	0
Non-Controlling Interest	0	0	0	0
Net Income	-36	-65	-50	29
BALANCE SHEET				
Assets				
Current assets				
Cash & Equivalents	48	86	11	27
Inventories	0	0	28	40
Accounts Receivable	4	0	20	29
Other Current Assets	11	2	10	15
Total Current Assets	63	87	69	111
Non-current assets				
Property, Plant & Equipment, Net	4	10	10	17
Goodwill	0	7	7	7
Intangible Assets	13	2	-2	-9
Right-of-Use Assets	7	0	0	0
Shares in Associates	0	0	0	0
Other Long-Term Assets	0	0	0	0
Total Non-Current Assets	23	19	15	15
Total Assets	86	107	85	126
Liabilities				
Current liabilities				
Short-Term Debt	0	0	0	0
Short-Term Lease Liabilities	0	0	0	0
Accounts Payable	2	0	28	40
Other Current Liabilities	4	0	0	0
Total Current Liabilities	7	0	28	40
Non-current liabilities				
Long-Term Debt	7	2	2	2
Long-Term Lease Liabilities	5	5	5	5
Other Long-Term Liabilities	2	2	2	2
Total Non-current Liabilities	13	9	9	9
Non-Controlling Interest	0	0	0	0
Shareholder's Equity	66	98	48	77
Total Liabilities & Equity	86	107	85	126
CASH FLOW				
EBT	-36	-65	-50	29
Cash Flow from changes in Working Ca	-8	-2	-28	-13
Operating Cash Flow	-38	-62	-74	30
Capital Expenditures	-1	-8	-10	-9
Investment in Intangible Assets	0	0	0	-6
Investing Cash Flow	0	-8	-10	-15
Financing Cash Flow	39	95	0	0
Free Cash Flow	-39	-70	-84	16

DCF Valuation Metrics 2023e-2037e	Sum FCF (SEKm)
Initial Period (2024 - 2028)	-54
Initial Period (2029 - 2031)	191
Stable Period (2032 - 2033)	167
Terminal Value	549
Net Debt (last quarter)	28
Equity Value	881
Fair Value per Share	4,3

SHARE INFORMATION

Reuters code	LIFE
List	Euronext Growth Oslo
Share price	2,6
Total shares, million	117,9
Total shares, million (diluted)	205,7

MANAGEMENT & BOARD

CEO	Joacim Holter
Chairman	Morten Foros Krohnstad

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	Redeye AB
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Gustaf Meyer	111 57 Stockholm

Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

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Disclaimer

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Redeye does not issue any investment recommendations for fundamental analysis. However, Redeye has developed a proprietary analysis and rating model, Redeye Rating, in which each company is analyzed and evaluated. This analysis aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

Redeye Rating (2024-05-12)

Rating	People	Business	Financials
5p	32	15	4
3p - 4p	142	128	43
0p - 2p	5	36	132
Company N	179	179	179

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CONFLICT OF INTERESTS

Filip Einarsson owns shares in the company : No
Gustaf Meyer owns shares in the company : No
Redeye performs services for the Company and receives received compensation from the Company in connection with this.