



Commissioned Research
17 October 2024

Lifecare ASA

Public retail offering closed – raising additional cash

Company Update

Fair value range:
NOK22.0–34.0

Share price:
NOK19.9

On Tuesday, 15 October, Lifecare announced the results of its public retail offering, launched on 8 October. A total of 831,266 new shares were subscribed at an offer price of NOK20 per share, raising approximately NOK16.6m in gross proceeds. Lifecare plans to allocate the net proceeds towards ongoing R&D activities, investments in machinery and equipment, and to support further business development. Additionally, Lifecare's stock is expected to be moved to the main list of the Oslo Stock Exchange (or alternatively to Euronext Expand) during the fourth quarter.

Last week, Lifecare also shared updates on the development of Sencell. The company conducted a biopsy and bacteriological examination on its first veterinary patient (a dog), finding no signs of tissue swelling or infection, nor any adverse reactions in the dog. Furthermore, the sensor remained fully functional after 12 weeks of implantation. While this analysis is based on a single case, it is encouraging that no significant side effects were observed, as this is a crucial risk when implanting foreign materials in the body.

Additionally, the company has finalised the study protocol for its pivotal LFC-SEN-003 study. The next steps involve concluding the technical design and specifications (design freeze) for Sencell. In parallel, Lifecare will engage a CRO to support study site selection and trial management. We believe that this would set the company up for initiating the study in H1 2025.

Following the public retail offering, we add the cash and factor in the new numbers of shares, which gives a fair value range of NOK22–34 per share (23–35).

Research analysts:

Ludvig Svensson
Maria Karlsson Osipova

Changes in this report (NOK)

	From	To	Chg
EPS adj. 2024e	-4.50	-4.36	+3%
EPS adj. 2025e	-4.34	-4.12	+5%
EPS adj. 2026e	-4.75	-4.50	+5%

Upcoming events

Q3 Report	13 Nov 2024
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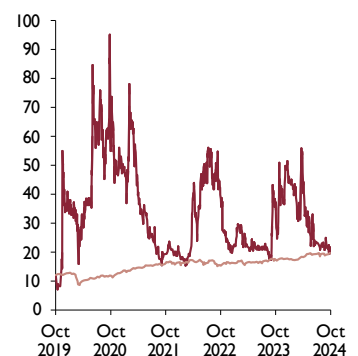
Key facts

No. shares (m)	15.9
Market cap. (USDm)	29
Market cap. (NOKm)	315
Net IB Debt. (NOKm)	-78
Adjustments (NOKm)	0
EV (2024e) (NOKm)	238
Free float	69.5%
Avg. daily vol. ('000)	22
Risk	High Risk
Fiscal year end	December
Share price as of (CET)	16 Oct 2024 11:57

Key figures (NOK)

	2023	2024e	2025e	2026e
Sales (m)	0	1	7	14
EBITDA (m)	-32	-53	-60	-66
EBIT (m)	-35	-57	-65	-71
EPS	-3.62	-4.36	-4.12	-4.50
EPS adj.	-3.62	-4.36	-4.12	-4.50
DPS	0.00	0.00	0.00	0.00
Sales growth Y/Y	0%	+chg	844%	112%
EPS adj. growth Y/Y	-chg	-chg	+chg	-chg
EBIT margin	n.m.	n.m.	n.m.	-500.8%
P/E adj.	n.m.	n.m.	n.m.	n.m.
EV/EBIT	neg.	neg.	neg.	neg.
EV/EBITA	neg.	neg.	neg.	neg.
EV/EBITDA	neg.	neg.	neg.	neg.
P/BV	3.1	4.3	2.9	8.6
Dividend yield	0.0%	0.0%	0.0%	0.0%
FCF yield	-12.2%	-17.8%	-22.8%	-24.7%
Equity/Total Assets	76.9%	54.2%	61.7%	32.5%
ROCE	-52.9%	-72.7%	-64.1%	-85.3%
ROE adj.	-57.3%	-81.9%	-72.1%	-98.7%
Net IB debt/EBITDA	1.4	1.5	1.8	0.4

Share price -5Y



— Lifecare ASA
— OSEBX (No) (Rebased)

High/Low (12M) NOK55.8/19.4

Perf.	3M	6M	12M	YTD
Abs.	-15.0	-50.8	-46.4	-59.4
Rel.	-15.9	-57.9	-56.1	-69.5

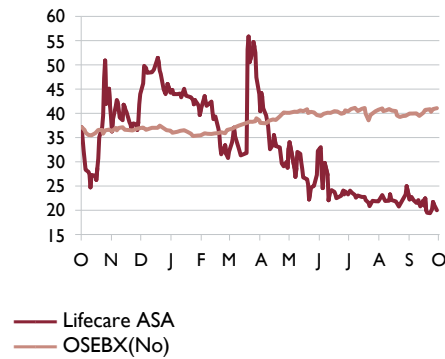
Source: Carnegie Research, FactSet, Millstream & company data

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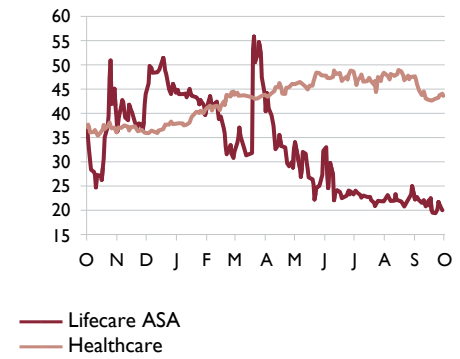
Performance & Valuation

Price relative to market – 1Y



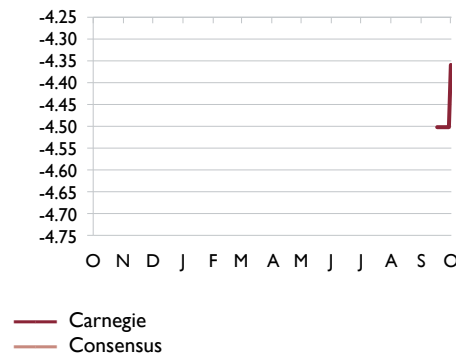
Source: FactSet

Price relative to sector – 1Y



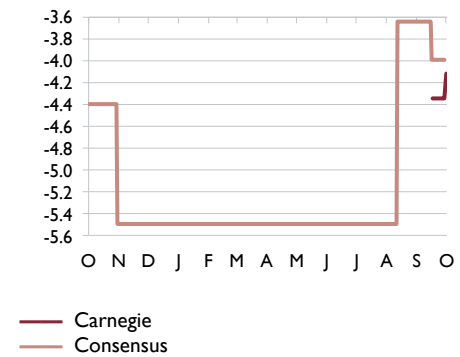
Source: FactSet

Adj. EPS expectations –2024e (NOK)



Source: Carnegie Research & FactSet

Adj. EPS expectations –2025e (NOK)



Source: Carnegie Research & FactSet

Major shareholders

Shareholders (%)	Capital	Votes
Lacal AS	14.7%	14.7%
Teigland Eiendom AS	14.0%	14.0%
Jostein Tjelta	6.0%	6.0%
Nordea Funds	4.7%	4.7%
Nordnet Livsforsikring AS	2.9%	2.9%
F2 Funds & Financial Funds	2.4%	2.4%

Source: FactSet

Company miscellaneous

CEO	Joacim Holter
CFO	Renete Kaarvik
IR	
Phone	
Web	www.lifecare.no
Address	Ytrebygdsvegen 215
City	Blomsterdalen

Source: Carnegie Research

Company description

Lifecare is a medtech company developing the next generation of continuous glucose monitoring (CGM) systems.

Source: Carnegie Research & FactSet

Valuation

Our fair value range is based solely on a DCF valuation. Conducting a peer valuation on Lifecare is challenging due to the lack of sales and positive EBIT, which makes valuation multiples irrelevant. Using the DCF valuation (including a funding discount of 10%) as a starting point, we take into account the potential for a better/worse performance and uncertainty surrounding terms and amounts of any potential future funding needs, and we arrive at a fair value range of NOK22–34.

In our DCF model, we estimate sales reaching NOK1.9bn in 2036e (NOK800m on risk-adjusted numbers). After this, we model a decline in sales growth due to potential competitors gaining traction in the market. The terminal year in our forecast period is 2043e, after which we model a perpetual growth rate of 2%. We expect Lifecare to reach positive FCF in 2030e and thereafter continue to deliver growth under profitability. We assume a terminal EBITDA margin of 25%. We discount future cash flows using a WACC of 12%.

DCF assumptions - Summary	2024e	2025e	2026e	Average year			Terminal period	
				4-5	6-10	11-15		16-20
Total sales growth	7021.1%	843.8%	111.8%	127.8%	48.4%	12.2%	5.6%	2.0%
EBITDA margin	neg.	neg.	neg.	-103.1%	10.1%	24.2%	25.0%	25.0%
Depreciation % of sales	nm.	nm.	nm.	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
EBITA margin	neg.	neg.	neg.	-104.1%	9.1%	23.2%	24.0%	24.0%
Amortisations % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT margin	neg.	neg.	neg.	-104.1%	9.1%	23.2%	24.0%	24.0%
Capex % of sales	nm.	nm.	nm.	-9.5%	-6.0%	-1.6%	-1.0%	-1.0%
Paid tax rate	0.0%	0.0%	0.0%	0.0%	-4.4%	-22.0%	-22.0%	-22.0%
NWC to sales	nm.	nm.	nm.	62.5%	18.4%	15.0%	15.0%	15.0%
Sales	1	7	14	54	300	788	1,108	1,232
EBITDA	-53	-60	-66	-44	46	192	277	308
Capex	-11	-4	-3	-5	-16	-12	-11	-12
Taxes	0	0	0	0	-5	-40	-58	65
Other	3	2	1	-19	-8	-12	-9	1,881
Free cash flow	-61	-62	-68	-68	17	127	199	2,242
Discounted FCF	-57	-52	-52	-44	5	30	27	246
Share of total discounted FCF	-18%	-17%	-17%	-28%	9%	48%	44%	79%

Valuation	(curr.)m	Per share	WACC assumptions	
EV (discounted FCF)	311	20	Risk free interest rate	4.0%
- Net debt (2023)	44	3	Debt risk premium	0.5%
+ Associates	0	0	Equity risk premium	4.0%
- Minority interest	0	0	Equity beta	2.00
- Outstanding warrants	0	0	Cost of Equity	12.0%
Other debt adjustments	98	6	Tax rate	22.0%
ESG penalty	0	0	After tax cost of debt	3.5%
Equity value at YE (23)	452	29	Equity weight	100%
Time adjustment	43	3	WACC	12.0%
Dividend	0	0		
Current equity value	495	31		

Source: Carnegie Research

Risks

Competition and commercialisation risks

Commercialisation risks for Lifecare in the continuous glucose monitor (CGM) market include competing with established companies such as Abbott, Dexcom, Medtronic and newcomers such as Senseonics, which already has a proven presence and customer base. Senseonics' product – an implantable CGM – benefits from a first-mover advantage, having gained early adoption among diabetes patients. In our view, this presents a major risk as Lifecare must overcome the already entrenched position of its competitors. It will require significant investment in marketing and distribution to establish its foothold in the competitive landscape. However, a licensing partnership with an experienced major actor may partly or wholly mitigate these risks.

Leadership risks

Lifecare faces some managerial risks when it comes to operation, given its modest management team of just two members and the geographical division of its business operations between Norway, the UK and Germany. Management risks include the potential for overburdening the small team, maintaining effective communication and coordination across different locations, and the need for comprehensive strategic oversight. However, Lifecare benefits from the international expertise of its board of directors, which brings significant experience in diabetes technology and legal matters. Additionally, the company's scientific advisory board is composed of highly reputable experts in diabetes technology, clinical medicine and endocrinology, physics, and nanotechnology, which provides strong scientific and technical guidance.

Macroeconomic risks

Lifecare, as a global business, is exposed to numerous local and global economic risks. Weak economic performance in various regions may lead to reduced allocations of national budgets to the healthcare sector. To mitigate these country-specific risks, Lifecare aims to diversify its geographical exposure. Another macroeconomic concern is the current inflationary environment, which has triggered interest rate hikes worldwide. This poses a risk for Lifecare, as it may not always be able to adjust its prices to customers to offset higher cost structures.

Regulatory risks

As a global business, Lifecare is also exposed to numerous local regulatory risks. Relevant legislation includes regulations in the healthcare segment, trade barriers, competition laws, and requirements for medtech products and techniques. If regulatory authorities adjust their demands, it may lead to substantial delays and additional costs for Lifecare. As detailed in this report, there is significant uncertainty regarding the timing of regulatory approval for Lifecare's Sencell product in both the EU and the US. This is an area where we would prefer a clearer understanding of the regulatory strategy, and it is uncertain how much detailed insight Lifecare has into the process. We believe Lifecare's financial targets are heavily dependent on this launch.

Reimbursement risks

The complexity and variability of reimbursement processes across different regions can delay market entry and revenue generation. In the US, Medicare expanded coverage for CGM systems in 2023, which significantly lowered the reimbursement risk. CMS coverage has also been positively affected by that decision, which in turn has influenced commercial payer policies by creating a precedent for reimbursement. When Medicare, a significant government payer, approves coverage for a specific medical device or technology, it often encourages private insurers to follow suit, as it establishes a level of trust and validation in the product's clinical efficacy and cost-effectiveness. However, in other regions the situation with CGM is decided on a country-by-country basis, which creates some uncertainty on uptake in markets outside the US. Additionally, securing regulatory approval does not guarantee reimbursement, as additional evidence demonstrating cost-effectiveness and clinical benefits may be required, leading to potential delays and increased costs. Frequent changes in reimbursement policies can further impact the profitability of existing products and the feasibility of new developments, as criteria and reimbursement levels may change unpredictably.

Financial risks

Owing to the company's current cash position, it will, in our view, need to take on capital to run its business, unless it signs a licensing deal. There are no guarantees that it can raise the necessary capital at favourable terms, or that it can raise any such capital at all. Should it not manage to raise this capital, we see a risk to its continued operation. We believe the risk associated with its financial position is low in the short term, due to the recent rights issue, but elevated in the long run.

Financial statements

Profit & loss (NOKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	0	0	0	0	0	0	0	1	7	14
COGS	0	0	0	0	0	0	0	0	-3	-6
Gross profit	0	0	0	0	0	0	0	0	4	9
Other income & costs	0	0	-7	-2	-16	-15	-32	-54	-64	-75
Share in ass. operations and JV	0	0	0	0	0	0	0	0	0	0
EBITDA	0	0	-7	-2	-16	-15	-32	-53	-60	-66
Depreciation PPE	0	0	0	0	0	-2	-2	-2	-2	-2
Depreciation lease assets	0	0	0	0	0	0	0	0	0	0
Amortisation development costs	0	0	0	0	0	0	0	0	0	0
Amortisation other intangibles	0	0	0	0	0	-1	-1	-2	-3	-3
Impairments / writedowns	0	0	0	0	0	0	0	0	0	0
EBITA	0	0	-7	-2	-16	-17	-35	-57	-65	-71
Amortization acquisition related	0	0	0	0	0	0	0	0	0	0
Impairment acquisition related	0	0	0	0	0	0	0	0	0	0
EBIT	0	0	-7	-2	-16	-17	-35	-57	-65	-71
Share in ass. operations and JV	0	0	0	0	0	0	0	0	0	0
Net financial items	0	0	0	0	0	0	0	0	0	0
of which interest income/expenses	0	0	0	0	0	0	0	0	0	0
of which interest on lease liabilities	0	0	0	0	0	0	0	0	0	0
of which other items	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	0	0	-7	-3	-16	-17	-35	-57	-65	-71
Taxes	0	0	0	0	0	-1	0	0	0	0
Post-tax minorities interest	0	0	0	0	0	0	0	0	0	0
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Net profit	0	0	-7	-3	-16	-17	-35	-57	-65	-71
Adjusted EBITDA	0	0	-7	-2	-16	-15	-32	-53	-60	-66
Adjusted EBITA	0	0	-7	-2	-16	-17	-35	-57	-65	-71
Adjusted EBIT	0	0	-7	-2	-16	-17	-35	-57	-65	-71
Adjusted net profit	0	0	-7	-3	-16	-17	-35	-57	-65	-71
Sales growth Y/Y	na	na	+chg	0.0%	0.0%	0.0%	0.0%	7021.2%	843.8%	111.8%
EBITDA growth Y/Y	na	na	-chg	+chg	-chg	+chg	-chg	-chg	-chg	-chg
EBITA growth Y/Y	na	na	-chg	+chg	-chg	-chg	-chg	-chg	-chg	-chg
EBIT growth Y/Y	na	na	-chg	+chg	-chg	-chg	-chg	-chg	-chg	-chg
EBITDA margin	nm	nm	na	na	na	na	na	na	-896.5%	-465.7%
EBITA margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBIT margin	nm	nm	na	na	na	na	na	na	na	-500.8%
Tax rate	na	na	na	na	0.6%	-3.1%	0.3%	na	na	na
Cash flow (NOKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	0	0	-7	-2	-16	-15	-32	-53	-60	-66
Paid taxes	0	0	0	0	0	-1	-1	0	0	0
Change in NWC	0	0	0	0	2	-3	-6	6	2	1
Non cash adjustments	0	0	0	0	0	0	4	-1	-2	1
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Total operating activities	0	0	-7	-3	-14	-18	-36	-48	-60	-65
Capex tangible assets	0	0	0	0	0	0	-1	-6	-4	-3
Capitalised development costs	0	0	0	0	0	0	0	0	0	0
Capex - other intangible assets	0	0	0	0	-7	-6	0	-2	-8	-10
Acquisitions/divestments	0	0	0	0	0	0	0	-3	0	0
Other non-cash adjustments	0	0	0	0	1	-3	0	0	0	0
Total investing activities	0	0	0	0	-7	-9	-1	-11	-12	-13
Net financial items	0	0	0	0	0	0	0	0	0	0
Lease payments	0	0	0	0	0	0	-1	0	0	0
Dividend paid and received	0	0	0	0	0	0	0	0	0	0
Share issues & buybacks	0	0	0	0	27	48	43	98	100	0
Change in bank debt	0	0	1	0	3	5	-3	0	0	0
Other cash flow items	0	0	0	0	0	0	0	0	0	0
Total financing activities	0	0	1	0	30	54	38	98	100	0
Operating cash flow	0	0	-7	-3	-14	-18	-36	-48	-60	-65
Free cash flow	0	0	-7	-3	-22	-24	-39	-56	-72	-78
Net cash flow	0	0	-6	-3	9	27	1	39	28	-78
Change in net IB debt	0	0	-7	-3	5	17	2	34	28	-78
Capex / Sales	nm	nm	0.0%	0.0%	0.0%	0.0%	12149.0%	842.6%	59.5%	21.1%
NWC / Sales	nm	nm	4093.7%	12725.2%	3276.2%	-7104.6%	35132.2%	617.9%	5.6%	-7.9%

Source: Carnegie Research & company data

Financial statements, cont.

Balance sheet (NOKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Acquired intangible assets	0	0	0	0	2	7	7	7	7	7
Other fixed intangible assets	0	0	0	0	7	6	5	5	10	17
Capitalised development	0	0	0	0	0	0	0	0	0	0
Tangible assets	0	0	0	0	0	3	3	7	9	10
Lease assets	0	0	0	0	0	4	7	12	12	12
Other IB assets (1)	0	0	0	0	0	0	0	0	0	0
Other non-IB assets	0	0	0	0	0	0	0	0	0	0
Fixed assets	0	0	0	0	9	20	22	31	38	46
Inventories (2)	0	0	0	0	0	0	0	0	0	0
Receivables (2)	0	0	0	0	0	1	4	5	9	14
Prepaid exp. & other NWC items (2)	0	0	2	3	2	6	12	11	12	14
IB current assets (1)	0	0	0	0	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash & cash equivalents (1)	0	0	15	11	21	48	48	88	116	38
Current assets	0	0	17	14	23	55	64	104	136	66
Total assets	0	0	17	15	32	75	86	135	175	113
Shareholders' equity	0	0	16	13	24	56	66	73	108	37
Minorities	0	0	0	0	0	0	0	0	0	0
Other equity	0	0	0	0	0	0	0	0	0	0
Total equity	0	0	16	13	24	56	66	73	108	37
Deferred tax	0	0	0	0	2	1	2	2	2	2
LT IB debt (1)	0	0	0	0	0	0	0	0	0	0
Other IB provisions (1)	0	0	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	3	5	10	10	10
Other non-IB liabilities	0	0	0	0	3	4	3	0	0	0
LT liabilities	0	0	0	0	4	9	9	12	12	12
ST IB debt (1)	0	0	0	0	0	0	0	0	0	0
Payables (2)	0	0	1	0	2	2	3	5	12	16
Accrued exp. & other NWC items (2)	0	0	1	1	2	6	5	9	9	14
Other ST non-IB liabilities	0	0	0	0	0	2	2	35	34	34
Liabilities - assets held for sale	0	0	0	0	0	0	0	0	0	0
Current liabilities	0	0	2	1	4	10	11	50	55	64
Total equity and liabilities	0	0	17	15	32	75	86	135	175	113
Net IB debt (=1)	0	0	-15	-11	-21	-45	-44	-78	-106	-28
Net working capital (NWC) (=2)	0	0	1	2	-1	0	7	1	-1	-2
Capital employed (CE)	0	0	16	13	26	61	73	85	119	48
Capital invested (CI)	0	0	1	2	8	20	30	33	38	45
Equity / Total assets	nm	nm	90%	91%	75%	75%	77%	54%	62%	32%
Net IB debt / EBITDA	nm	nm	2.2	4.7	1.3	3.1	1.4	1.5	1.8	0.4
Per share data (NOK)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Adj. no. of shares in issue YE (m)	0.00	0.00	0.00	6.25	7.54	9.06	10.37	15.85	15.85	15.85
Diluted no. of Shares YE (m)	0.00	0.00	0.00	6.25	7.54	9.06	10.37	15.85	15.85	15.85
EPS	na	na	na	-0.83	-2.30	-2.10	-3.62	-4.36	-4.12	-4.50
EPS adj.	na	na	na	-0.83	-2.30	-2.10	-3.62	-4.36	-4.12	-4.50
CEPS	na	na	na	-0.83	-2.30	-1.77	-3.42	-4.05	-3.80	-4.18
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS	na	na	na	2.13	3.22	6.23	6.41	4.61	6.80	2.31
Performance measures	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
ROE	nm	nm	-83.2%	-17.9%	-84.5%	-43.3%	-57.3%	-81.9%	-72.1%	-98.7%
Adj. ROCE pre-tax	na	na	na	-16.8%	-81.4%	-40.0%	-52.9%	-72.7%	-64.1%	-85.3%
Adj. ROIC after-tax	na	na	na	-163.8%	-328.8%	-129.2%	-141.9%	-182.9%	-185.3%	-172.9%
Valuation	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
FCF yield	0.0%	0.0%	-2.1%	-0.9%	-6.9%	-7.5%	-12.2%	-17.8%	-22.8%	-24.7%
Dividend yield YE	na	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend payout ratio	na	na	na	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend + buy backs yield YE	na	nm	nm	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Sales YE	na	nm	neg.	>50	>50	>50	>50	>50	31.18	20.19
EV/EBITDA YE	na	nm	2.2	neg.	neg.	neg.	neg.	neg.	neg.	neg.
EV/EBITA YE	na	nm	2.2	neg.	neg.	neg.	neg.	neg.	neg.	neg.
EV/EBITA adj. YE	na	nm	2.2	neg.	neg.	neg.	neg.	neg.	neg.	neg.
EV/EBIT YE	na	nm	2.2	neg.	neg.	neg.	neg.	neg.	neg.	neg.
P/E YE	na	na	na	nm	nm	nm	nm	nm	nm	nm
P/E adj. YE	na	na	na	nm	nm	nm	nm	nm	nm	nm
P/BV YE	na	na	na	22.48	5.81	3.18	7.65	4.31	2.92	8.63
Share price YE (NOK)		28.1	36.3	47.9	18.7	19.8	49.0	19.9		

Source: Carnegie Research & company data

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