

Lifecare: Rights issue oversubscribed

Lifecare Research Note 2024-06-17 08:43

Redeye comments on Lifecare after the announcement that its rights issue was oversubscribed, reinforcing its balance sheet with NOK90m in gross proceeds. We adjust our valuation model based on this outcome, which showed only a minor deviation from our initial estimate.



Filip Einarsson

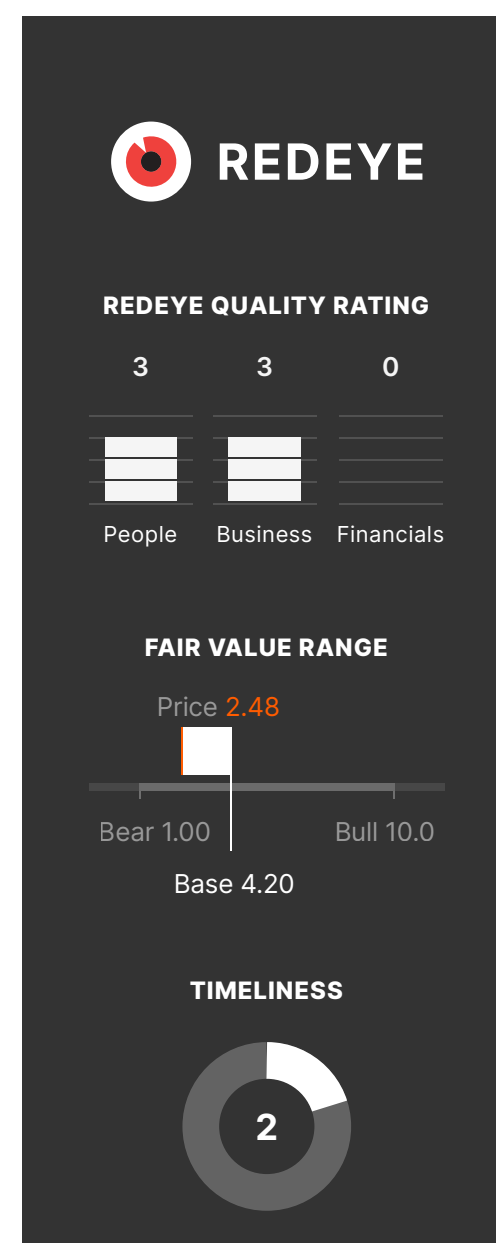
According to the terms of the rights issue, Lifecare could raise NOK75-90m by issuing 49.2-59.0 million shares. Friday's press release states that the company received subscriptions for 83.3 million shares, implying a subscription rate of approximately 140%. Considering that most rights issues in the life science sector are not fully subscribed to in the current market, we believe this to be a very solid number. As a result, Lifecare will raise approximately NOK90m in gross proceeds, ensuring compliance with the financial requirements for uplisting to the Oslo Stock Exchange main list. The transaction amounted to a dilution of 30% for non-participating shareholders.

In our previous [research update](#) in mid-May, we had expected a high subscription rate in the rights issue and based on the share price then, we estimated a dilution of 26%, which was slightly lower than the actual 30%.

The press release states that Munkekullen 5 Förvaltning and Buntel AB, which had underwritings of NOK50m in the rights issue, are entitled to compensation of an aggregate of 25 million warrants on the same terms as those issued in the rights issue. Given expected rich news flow until June 2025, when the warrants are subscribed, we believe it is reasonable to assume full subscription at the highest price of NOK1.98 for the warrants. This would lead to additional cash of NOK108m and a dilution of 22%, which we update our base case to reflect.

The adjustments in this research note updates our fully diluted base case to NOK4.2 (4.3). Our bull- and bear case amounts to NOK10 and NOK1.

Lifecare: Base case valuation				
Assumptions		DCF	NOKm	Per share
Tax rate	22.0%	2024 - 2028	-58	-0.2
WACC	15%	2029 - 2031	181	0.7
Shares outstanding (diluted)	248.4	2032 - 2033	165	0.7
Revenues CAGR 2024 - 2028	201%	Terminal	545	2.2
Revenues CAGR 2029 - 2031	20%	Net cash	215	0.9
Terminal value assumptions 2034		Base case		4.2
Group sales (NOKm)	1,996	Upside potential		79%
Terminal growth	2%			
EBITDA margin	25%			



KEY STATS	
Market Cap	480.8 MNOK
Entprs. Value (EV)	397.7 MNOK
Net Debt (2024e)	-83.1 MNOK
30 Day Avg Vol	663 K
Shares Outstanding	193.9M
Price / Earnings	N/A
PEG	N/A
Dividend Yield	N/A

Data from 2024-06-17 08:44

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Redeye, Mäster Samuelsgatan 42, 10tr, Box 7141, 103 87 Stockholm. Tel. +46 8-545 013 30
E-post: info@redeye.se

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