

Lifecare

Sector: Medtech

Q4 2023 – Setting the stage

Redeye makes minor upwards adjustments to its fair value range following Lifecare's year-end report. With a recently reinforced balance sheet the company stands before an eventful year ahead, which should include both automated production and launch of a veterinary product.

Q4 2023 – Higher revenues and lower EBIT than anticipated

Revenues amounted to NOK5.2m compared to our NOK2m estimate, EBIT was NOK-15.3m compared to our NOK-11.4m estimate. Deviations on revenues relates to a NOK3.4m tax refund and on the EBIT level primarily due to an accounting item related to the company's transition to IFRS. Aside some minor financial fine-tuning, we largely maintain our outlook for Lifecare which stands before a year with high activity.

Major steps forward towards automated production and launch of veterinary product

Lifecare expects its automated pilot production to be finalized by end of Q1 and the automated production line to be setup by end of Q2. Moreover, the company again states its ambition of launching its veterinary CGM product already by mid-year, which likely could provide some initial sales already in 2024.

New base case, NOK4.5

Following an eventful ending to 2023 we upwards revise our fair value range to NOK1-11, with a base case of NOK4.5. This adjustment is indicative of our discounted cash flow analysis applying a reduced discount to the net present value, given our closer proximity to the forecasted timeline.

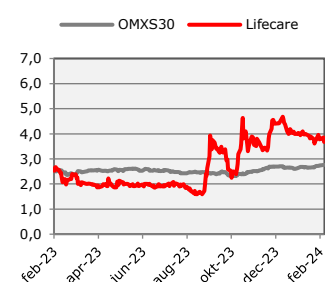
The Lifecare share has performed strongly since we initiated coverage (up approximately 93%), and we emphasize that continued supportive operational newsflow, such as the establishment of automated production, clinical validation, and a successful veterinary launch, are factors likely to further fuel positive share price development.

Key Financials (SEKm)	2022	2023	2024e	2025e	2026e
Revenues	22	12	9	71	264
Revenue growth	1284%	-48%	-25%	710%	275%
EBITDA	-15	-33	-62	-55	38
EBIT	-18	-36	-67	-60	25
EBIT Margin (%)	-79%	-311%	-765%	-85%	9%
EV/Revenue	7,4	48,5	52,6	6,5	1,7
EV/EBITDA	neg	neg	neg	neg	12,0
EV/EBIT	neg	neg	neg	neg	18,3

FAIR VALUE RANGE

BEAR	BASE	BULL
1 (0.5)	4.5 (4.2)	11 (10)

LIFE VERSUS OMXS30 – 12 MONTHS



REDEYE RATING

3	3	0
People	Business	Financials

KEY STATS

Ticker	LIFE
Market	Euronext Growth
Share Price (NOK)	3.67
Market Cap (NOKm)	526
Net Debt (NOKm)	-28
Free Float (%)	64%
Avg. daily volume ('000)	336

ANALYSTS

Filip Einarsson
filip.einarsson@redeye.se
Gustaf Meyer
gustaf.meyer@redeye.se

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 CGMs		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 longevity (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
Sensor 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: More capital will be required

Promising prospects and market opportunities aside, Lifecare will require additional capital before turning profitable, which raises the financial risk. In this context, it is comforting that the company has supportive major owners that have participated in previous financing rounds. Our valuation accounts for this risk by including a capital injection, raising a total of cNOK100m, resulting in c24% dilution.

Challenge II: 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.

Valuation

We derive our fair value range based on a 2024e–2033e DCF valuation employing a WACC of 15% based on our Redeye Rating model and using a risk-free rate of 3%.

Our diluted base case amounts to NOK4.5, using relatively conservative market penetration assumptions. Moreover, our bull case sees a value of NOK11, assuming a higher market penetration. In our NOK1 bear case, we assume half the market penetration compared to our base case and that Lifecare will require one additional capital injection compared to our base case.

Base case DCF-assumptions

Base case DCF				
Assumptions		DCF	NOKm	Per share
Tax rate	22,0%	2024e-2026e	-140	-0,8
WACC	15,0%	2027e-2032e	294	1,6
Revenue CAGR, 2024e-2026e	450,9%	Terminal	479	2,7
Revenue CAGR, 2026e-2032e	37,0%	Net cash*	171	0,9
Shares outstanding	134,9			
Shares outstanding (diluted)	180,3			
Anticipated dilution	25%			
		Fair value (diluted)	804	4,5
Terminal values, 2032		Upside from current price		21%
Group revenue (NOKm)	1 718			
Terminal growth	2%			
EBIT margin	20%			

*Including net proceeds from capital injection

Source: Redeye Research

Q4 2023 – Review

Recent activities

We highlight the following activities and events carried out by the company since our previous research update.

- **ISO 13485 certification**

In January Lifecare announced that it has received the ISO 13485 certification covering “Development services for manufacturers of medical devices such as CGM devices” and the entire life cycle of the device. This certification contributes to building a solid foundation spanning all the way from regulatory processes to commercialization for Sencell.

- **Broadening the organization with additional competence**

Lifecare has appointed Renete Kaarvik as its CFO, she most recently comes from Grief Seafood ASA where she had the position as Global Finance Officer. He has a background in companies including Zeiss (supplier of SEM to Lifecare), Varex, and Infineon. Moreover, the company also appointed Torsten Ernst as production manager, he will oversee the construction and operation of the production facility in Mainz.

- **Preparing for listing at Oslo Stock Exchange**

Following an eventful year Lifecare is preparing to change listing to the main list in Norway, the Oslo Stock Exchange. As we believe Lifecare will require additional capital ahead of becoming cash flow positive this is positive, it should allow for more liquidity and additional exposure to investors facilitating acquisition of capital. The board believes that the share should be ready for trading on the new list in Q4 2024.

- **Progress towards pilot production and automatization**

Following the acquisition of a BioScaffolder and a customized Nano-Plotter from the German supplier GeSiM mbH, Lifecare has successfully completed its plan to procure production equipment for automated production in Q4 2023. This acquisition marks the final step in fulfilling the roadmap presented in Q3 2023.

- **[NOK42.5m private placement](#)**

In October 2023 Lifecare announced that it had raised NOK42.5m in a private placement at NOK2.5 per share. Participants included Tjeltea AS and Lacal AS.

Financials

We perceive Lifecare's year-end report as rather undramatic given that the company is in a phase where maintained deadlines and operational progress is the primary drivers, rather than minor quarterly financial deviations.

Revenue was NOK5.2m (6.7m) and came in 158% above our NOK2m estimate. The deviation is, however, largely attributable to a NOK3.4m tax repayment "Skattefunn" in the quarter. As such, the laboratory-related income largely aligned with estimates.

EBIT was NOK-14.5m (-9.8m) which is 34% below our estimate of NOK-15.3m. The deviation largely stems from higher personnel costs, which in the quarter was affected by the company's transition to IFRS, where it included a non-cash flow affecting NOK-3.7m one-off item. Moreover, a high activity during Q4 also led to slightly higher overall costs than we had anticipated.

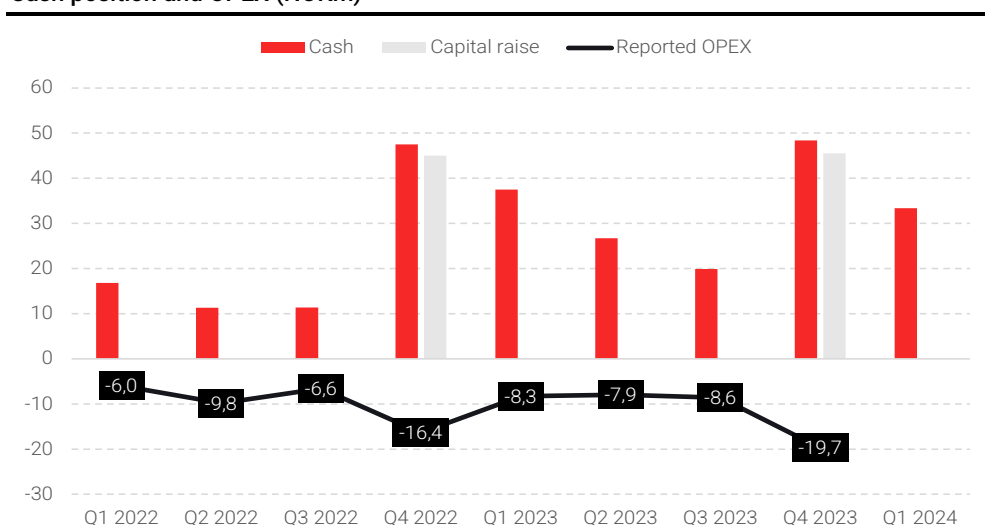
Cash and cash equivalents was NOK48.3m and was reinforced by NOK42.5m by the private placement announced in October. The company's operating cash flow amounted to NOK-13.4m (-10.7m). The cash position provides financial flexibility and runway to deliver on anticipated milestones in 2024, not least including automated production by Q2 2024 and the launch of the veterinary CGM product during 2024.

Deviation table (NOKm)

(SEKm)	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q4 2023e	dev.%	dev. Abs.
Revenues	6,7	2,6	1,2	2,6	5,2	2,0	158%	3,2
Revenue growth y/y	N/A	32%	-82%	-62%	-23%	-62%		
Revenue growth q/q	N/A	-61%	-53%	109%	101%	-22%		
Total opex	-16,4	-8,3	-7,9	-8,6	-19,7	-12,7	55%	-7,0
Personnel expenses	-6	-4	-4	-5	-12	-6		
Other operating costs	-11	-4	-4	-4	-8	-7		
Depreciation/Amortization	0	-1	-1	-1	-0,8	-1		
EBITDA	-9,7	-5,7	-6,7	-6,1	-14,5	-10,7	36%	-3,9
EBITDA margin	-144%	-219%	-546%	-236%	-282%	-535%		
EBIT	-10,0	-6,4	-7,5	-6,7	-15,3	-11,4	34%	-3,9
EBIT margin	-149%	-245%	-612%	-259%	-297%	-572%		

Source: Redeye Research

Cash position and OPEX (NOKm)



Source: Redeye Research

Our comments

Outlook

Lifecare has had a high activity, and the company prepares for an eventful 2024 where it already in H1 plans to reach several milestones including automated production, starting LFC-SEN-002 (longevity study in dogs), and launch of its veterinary CGM product. An overview of the company's anticipated timeline is displayed below:

Estimated operational progress overview



Source: Lifecare

Automated production

In 2024, Lifecare's primary focus is on achieving automated production. The company has already taken significant steps in this direction and anticipates having an automated pilot production system in place by the end of Q1. During the recent conference call, Lifecare outlined its plan to allocate cNOK15-20m towards automated production equipment and facilities throughout 2024. A considerable portion of this budget has already been allocated for the purchase of key components, which are expected to be delivered in Q2. Currently, the company is directing the majority of its resources towards this initiative and aims to finalize the automated production process by the end of Q2.

Although it may not directly impact financial sales in the short term, automated production is integral to the long-term investment case in Lifecare, allowing economies of scale and a global launch targeting both pets and humans. Therefore, achieving automated production represents a significant milestone for the company and potentially also a catalyst for the share.

Veterinary

We want to clarify that we view the human market as the primary focus for Lifecare's sensor, as we believe this is where Sencell offers its strongest value proposition, in addition to being the company's primary focus. However, the expansion into the veterinary market offers additional opportunities and exciting potential for some near-term revenues. While the company anticipates moderate revenues in 2024, with plans to launch its veterinary product by mid-year 2024, this strategic pivot provides flexibility and opens up a new avenue for growth. Consequently, in this research update, our valuation of Lifecare remains centered on Sencell's application in the human market.

However, during its conference call, the company briefly discussed its go-to-market strategy, indicating its intention to collaborate with major industry players. We assume that entering into a distributor agreement would be an attractive solution for Lifecare, allowing it to compete with larger market players while avoiding substantial financial commitments related to logistic, marketing, or sales at this stage. Additionally, the company has devised a contingency plan, referred to as Plan B, which involves initiating sales based in Norway towards the Scandinavian

market, most likely through established veterinary chains, with potential extension towards the DACH-region (Germany, Switzerland, and Austria).

Considering the company's prospects and its potential to also capture a portion of the veterinary market, we see a rationale for further exploration of Sencell's potential in this area and its inclusion in our valuation of Lifecare. However, before proceeding, we would like to obtain additional clarification from the company regarding the go-to-market strategy, which we anticipate will become clearer as the launch approaches. During the conference call, the company indicated its preparations for a mid-year launch and anticipated initial sales in 2024, albeit modest. Such modest sales align with expectations for the adoption of innovative medtech products like Sencell, which often follows a non-linear trajectory. Therefore, we interpret the company's statement as suggesting revenues in the range of a few million NOK in 2024, gradually increasing throughout 2025. We expect to revisit this topic and provide more specific take in the near future.

Sencell trials and Sanofi agreement

The company is also gearing up for the initiation of the study for LFC-SEN-002, which has received approval from Norwegian regulatory authorities. However, due to a minor setback related to a subcontractor, the commencement of this study is now anticipated by the end of March. The subcontractor related challenge concerns the sensor-to-readout device interface, particularly in meeting the required readout distance. The company will communicate to the market as soon as the study starts around end of Q1.

Furthermore, Lifecare anticipates reaching a milestone in its agreement with [Sanofi](#) in the near-term, which will lead to a corresponding milestone payment. While the company can not disclose the size of this milestone it could, however, disclose that the milestone structure is not equal compared to the one announced in Q3. Since there isn't much concrete information to base an estimate on, making such predictions are highly speculative. However, considering that the last milestone was said to have insignificant financial implications, and the total disclosed deal value of EUR 290 thousand, it's likely that it won't have a significant impact on the upcoming quarterly report and if we had to provide a "guesstimate" a figure in the ~EUR 50 thousand seems reasonable.

Estimate changes

We have only made minor changes to our estimates following the year-end report, primarily related to a modestly higher cost base as our Q4 assumptions were on the lower end.

Updated forecasts 2024e-2026e

	Updated			Previous			Chg % 2024e	Chg % 2025e	Chg % 2026e
	2024e	2025e	2026e	2024e	2025e	2026e			
Revenues	8,7	70,5	264,2	8,7	70,5	264,2			
Revenue growth y/y (%)	-25%	710%	275%	8%	710%	275%			
EBITDA	-62,4	-54,9	38,2	-60,7	-53,0	40,3	3%	4%	-5%
Depreciation/Amortization	-4	-5	-13	-4	-5	-13			
EBIT	-66,6	-60,3	24,9	-64,8	-58,4	27,1	3%	3%	-8%
EBIT margin (%)	-765%	-85%	9%	-744%	-83%	10%			

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%. We set the NOK/EUR exchange rate to 11.4 and our valuation also takes height for cNOK100m (24% dilution) in equity financing to bridge the funding gap we have identified.

Base case: NOK4.5 (4.2)

Our base case assumes a European launch of Sencell in 2025, followed by a launch in the US and Japan one year later. We believe that the value proposition of the sensor will be appealing leading it to be used by 5% of the addressable T1D patients and 2% of the addressable T2D patients.

Base case DCF

Base case DCF				
Assumptions		DCF	NOKm	Per share
Tax rate	22,0%	2024e-2026e	-140	-0,8
WACC	15,0%	2027e-2032e	294	1,6
Revenue CAGR, 2024e-2026e	450,9%	Terminal	479	2,7
Revenue CAGR, 2026e-2032e	37,0%	Net cash*	171	0,9
Shares outstanding	134,9			
Shares outstanding (diluted)	180,3			
Anticipated dilution	25%			
			Fair value (diluted)	804
				4,5
Terminal values, 2032			Upside from current price	21%
Group revenue (NOKm)	1 718			
Terminal growth	2%			
EBIT margin	20%			

*Including net proceeds from capital injection

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 EBIT margin and terminal growth rate. We illustrate the impact of applying changes to these variables on our base case valuation in the sensitivity analysis below.

Sensitivity analysis

		Weighed Average Cost of Capital (WACC)				
		17,0%	16,0%	15,0%	14,0%	13,0%
Terminal EBIT margin	16,0%	3,1	3,5	3,8	4,2	4,8
	18,0%	3,4	3,8	4,2	4,7	5,2
	20,0%	3,7	4,1	4,5	5,1	5,7
	22,0%	3,9	4,4	4,9	5,5	6,2
	24,0%	4,2	4,7	5,2	5,9	6,7
		Weighed Average Cost of Capital (WACC)				
		17,0%	16,0%	15,0%	14,0%	13,0%
Terminal EBIT margin	1,0%	3,5	3,9	4,3	4,8	5,4
	1,5%	3,6	4,0	4,4	4,9	5,6
	2,0%	3,7	4,1	4,5	5,1	5,7
	2,5%	3,8	4,2	4,7	5,2	5,9
	3,0%	3,8	4,3	4,8	5,4	6,2

Source: Redeye Research

Bull case: NOK11 (10)

Our bull case is built upon the foundations of our base case but envisions a very 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.

Bull case DCF

Bull case DCF				
Assumptions		DCF	NOKm	Per share
Tax rate	22,0%	2024e-2026e	-97	-0,5
WACC	15,0%	2027e-2032e	771	4,3
Revenue CAGR, 2024e-2026e	728,3%	Terminal	1 083	6,0
Revenue CAGR, 2026e-2032e	37,5%	Net cash*	171	0,9
Shares outstanding	134,9			
Shares outstanding (diluted)	180,3			
Anticipated dilution	25%			
			Fair value (diluted)	1 928
			Upside from current price	191%
Terminal values, 2032				
Group revenue (NOKm)	3 972			
Terminal growth	2%			
EBIT margin	20%			

*Including net proceeds from capital injection

Source: Redeye Research

Bear case: NOK1 (0.5)

We build our base case around a scenario where Lifecare faces challenges during the development process, resulting in delays to market launch and making the company requiring an additional cNOK50m capital injection compared to our base case. Furthermore, we assume half the market penetration compared to our base case.

Bear case DCF

Bear case DCF				
Assumptions		DCF	NOKm	Per share
Tax rate	22,0%	2024e-2026e	-172	-0,7
WACC	15,0%	2027e-2032e	75	0,3
Revenue CAGR, 2024e-2026e	212,4%	Terminal	209	0,8
Revenue CAGR, 2026e-2032e	43,7%	Net cash*	171	0,7
Shares outstanding	134,9			
Shares outstanding (diluted)	250,2			
Anticipated dilution	46%			
		Fair value (diluted)	282	1
Terminal values, 2032		Downside from current price		-69%
Group revenue (NOKm)	806			
Terminal growth	2%			
EBIT margin	20%			

*Including net proceeds from capital injection

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).

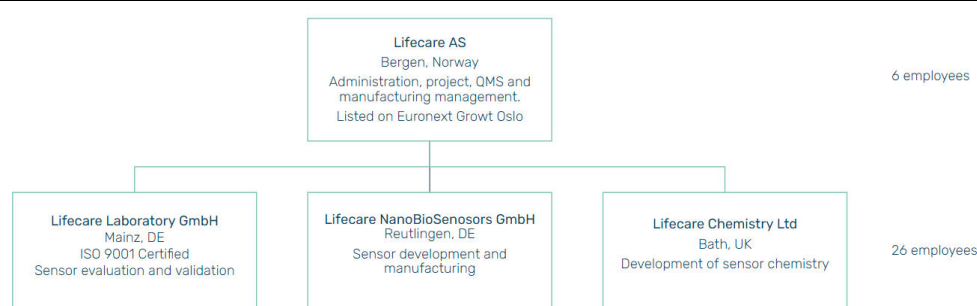
Lifecare NanoBioSensors GmbH in Reutlingen, Germany, develops and manufactures Lifecare's sensors and sensor systems, utilising the licensed Nano3DSense production method to print nanoscale pressure-sensor elements onto micro-sensors. This technique has enabled the miniaturisation of sensors suitable 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 substantial device miniaturisation Service agreement 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 receives grant from EU Commission as part of consortium FORGETDIABETES working to develop an artificial pancreas
2021	Lifecare receives regulatory approval for first-in-human Clinical Pilot Evaluation Lifecare acquires 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 formalized 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 receiving 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.

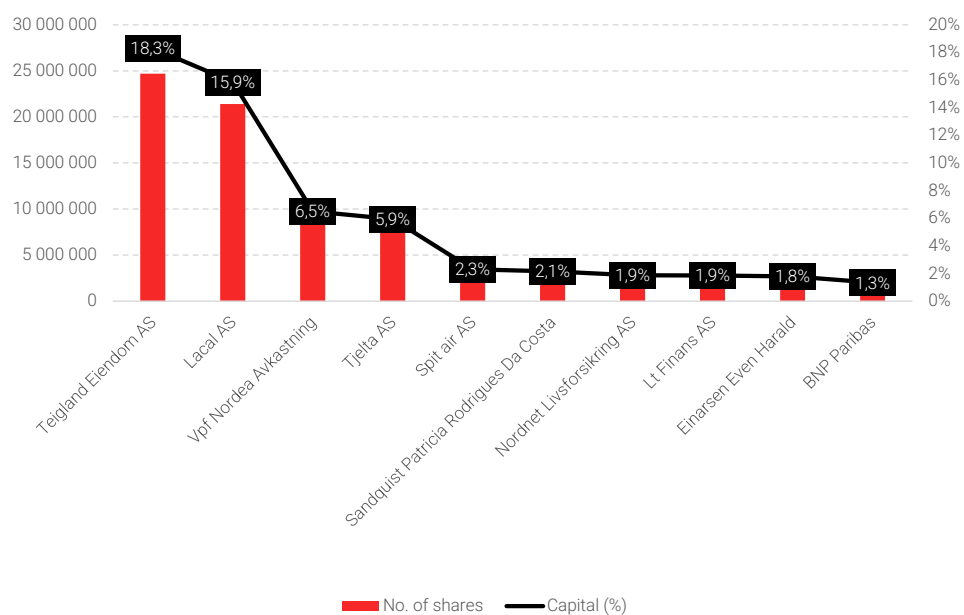
Management, board and owners

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.

Shareholders structure



Source: Lifecare year-end report

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

	2022	2023	2024e	2025e	DCF Valuation Metrics 2023e-2037e	Sum FCF (SEK M)
INCOME STATEMENT					2024e-2026e	-140
Net sales	0	0	0	61	2026e-2032e	294
Revenues	22	12	9	71	Terminal value	479
Operating Expenses	37	45	71	87	Net cash (capital raises)	171
EBITDA	-15	-33	-62	-55	Equity Value	804
Depreciation & Amortization	3	3	4	5	Fair Value per Share	4,5
EBIT	-18	-36	-67	-60	SHAREHOLDER STRUCTURE	
Net Financial Items	0	0	0	0	CAPITAL % VOTES %	
EBT	-17	-36	-67	-60	Teigland Eiendom AS	18% 18%
Income Tax Expenses	1	0	0	0	Lacal AS	16% 16%
Non-Controlling Interest	0	0	0	0	Vpf Nordea Avkastning	6% 6%
Net Income	-18	-36	-67	-60	Tjelta AS	6% 6%
					Spit air AS	2% 2%
BALANCE SHEET					SHARE INFORMATION	
Assets					Reuters code	LIFE
Current assets					List	Euronext Growth Oslo
Cash & Equivalents	48	48	80	-26	Share price	3,67
Inventories	0	0	2	10	Total shares, million	134,9
Accounts Receivable	1	4	2	10	Total shares, million (diluted)	177,6
Other Current Assets	6	11	6	10	MANAGEMENT & BOARD	
Total Current Assets	55	63	90	4	CEO	Joacim Holter
Non-current assets					Chairman	Morten Foros Krohnstad
Property, Plant & Equipment,	3	4	16	53	ANALYSTS	
Goodwill	6	0	0	0	Filip Einarsson	Redeye AB
Intangible Assets	6	13	11	9	Gustaf Meyer	Mäster Samuelsgatan 42, 10tr 111 57 Stockholm
Right-of-Use Assets	0	7	7	7		
Shares in Associates	0	0	0	0		
Other Long-Term Assets	0	0	0	0		
Total Non-Current Assets	15	23	34	69		
Total Assets	70	86	124	73		
Liabilities						
Current liabilities						
Short-Term Debt	0	0	0	0		
Short-Term Lease Liabilities	0	0	0	0		
Accounts Payable	2	2	6	10		
Other Current Liabilities	7	4	10	15		
Total Current Liabilities	9	7	16	25		
Non-current liabilities						
Long-Term Debt	0	7	7	7		
Long-Term Lease Liabilities	0	5	5	5		
Other Long-Term Liabilities	6	2	2	2		
Total Non-current Liabilities	6	13	13	13		
Non-Controlling Interest	0	0	0	0		
Shareholder's Equity	55	66	94	34		
Total Liabilities & Equity	70	86	124	73		
CASH FLOW						
NO PAT						
Change in Working Capital	1	-10	14	-11		
Operating Cash Flow	-18	-38	-48	-66		
Capital Expenditures						
Investment in Intangible Assets	0	0	0	0		
Investing Cash Flow	-9	0	-15	-40		
Financing Cash Flow						
Financing Cash Flow	54	39	95	0		
Free Cash Flow	-21	-39	-63	-106		

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.

Redeye Equity Research team

Management

Björn Fahlén

bjorn.fahlen@redeye.se

Tomas Otterbeck

tomas.otterbeck@redeye.se

Technology Team

Hjalmar Ahlberg

hjalmar.ahlberg@redeye.se

Henrik Alveskog

henrik.alveskog@redeye.se

Mattias Ehrenborg

mattias.ehrenborg@redeye.se

Jesper Von Koch

jesper.henriksson@redeye.se

Fredrik Nilsson

fredrik.nilsson@redeye.se

Mark Siöstedt

mark.siostedt@redeye.se

Niklas Sävås

niklas.savas@redeye.se

Jessica Grunewald

jessica.grunewald@redeye.se

Anton Hoof

anton.hoof@redeye.se

Fredrik Reuterhäll

fredrik.reutarhall@redeye.se

Rasmus Jacobsson

rasmus.jacobsson@redeye.se

Life Science Team

Oscar Bergman

oscar.bergman@redeye.se

Filip Einarsson

filip.einarsson@redeye.se

Christian Binder

christian.binder@redeye.se

Mats Hyttinge

mats.hyttinge@redeye.se

Gustaf Meyer

gustaf.meyer@redeye.se

Richard Ramanius

richard.ramanius@redeye.se

Kevin Sule

kevin.sule@redeye.se

Fredrik Thor

fredrik.thor@redeye.se

Johan Unnerus

johan.unnerus@redeye.se

Martin Wahlström

martin.wahlstrom@redeye.se

John Westborg

john.westborg@redeye.se

Disclaimer

Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

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Redeye Rating (2024-02-27)

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.