

Bonzun AB

A quarter of build-up for increased IVF action in H2

Johan Widmark | 2022-05-24 08:00

The Q1'22 report showed some progress for Bonzun's stress management service, Bonzun evolve, with an increased number of licenses and approval from the Swedish Social Insurance Agency, but reflected less activity in the other vertical, the IVF support app Bonzun IVF. This however, picked up in the beginning of Q2 with the launch of a new version, new features and a partner agreement covering the US and UK. But we have yet to see progress in the build-up of a network of IVF clinics. While sales were slow in absolute terms, the 103% revenue growth in Q1, increased influencer and network driven sales of Bonzun IVF backed by the reinforced financials following the rights issue, continues to support our expectation of an acceleration in H2'22 with a fair value of SEK 1.5-2.5 in 18-24 months.

Focus on rekindling Bonzun evolve in Q1

During Q1, Bonzun initiated stage 2 of the pilot with TRR (Trygghetsrådet), consisting of about 50 clients implementing the Bonzun evolve program, a pilot that will be evaluated by end Q2. Existing customers who offer the iKBT program Bonzun evolve to their employees, such as the Helsinki School of Economics (Hanken), IVL and Loomis, increased their number of licenses, while Bonzun was also approved by the Swedish Social Insurance Agency as organizer of workplace-oriented rehabilitation support, which enables Bonzun evolve's customers to apply for a grant for 50 percent of the cost of Bonzun's services. While still early days, this could be an indication that Bonzun is building momentum to scale evolve, potentially as part of mandatory programs tied to social insurance benefits.

Building foundation for increased activity in IVF in H2'22

With regards to Bonzun IVF, the company now works to establish the app in the US and the UK, partly through a partnership with the british platform Fertility Help Hub with over 150,000 members in the US and the UK. The opportunity to use Bonzun's historic presence in China to roll-out on the back of the country's new health insurance system for ART treatments has been delayed by the Covid-outbreak, but provide significant potential down the road. For the near to mid term however, we hope to see progress with building relationships with IVF clinics in order to leverage sales to end users.

Opportunities for international scalable growth

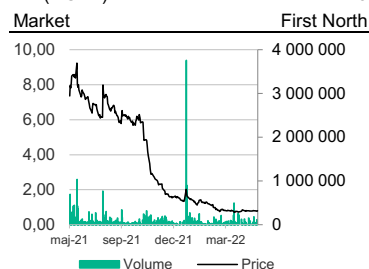
While the money from the rights issue will not be enough to support the business to positive cash flow, which we do not expect until 2024, it should be able to take the company to the next step and stronger momentum that should provide better and more favourable conditions for the next financing round. With increased monthly recurring revenue, continued growth for Bonzun evolve, partner and influencer driven marketing, increased contact with IVF clinics and potential for scalable growth in both the US and China, we continue to see support for a fair value of 1.5-2.5 SEK per share in 18-24 months.

MSEK	2020	2021	2022E	2023E	2024E
Revenue	1	1	4	8	14
EBITDA	-9	-7	-7	-4	1
EBIT	-30	-9	-11	-7	-2
EPS Adjusted	-189,01	-0,57	-0,48	-0,23	-0,08
Sales Growth, %	-96%	-58%	632%	102%	80%
EBITDA Margin, %	-718%	-1317%	-201%	-53%	6%
EBIT Margin, %	-2446%	-1806%	-289%	-90%	-11%
EV/Sales	-	67,6	5,0	2,1	0,3
EV/EBITDA	-	-5,1	-2,5	-4,0	5,6
EV/EBIT	-	-3,7	-1,7	-2,3	-2,9
P/E	-	-3,6	-1,5	-3,1	-9,4

Source: Emergers

Bonzun

Fair Value, SEK (12-24 m)	1,5 - 2,5
Current Price, SEK	0,71
Shares (M)	28,2
Mkt Cap (MSEK)	20
Net Debt (MSEK)	-2
EV (MSEK)	18



About Bonzun

Following Papilly's reverse acquisition of Bonzun Health Information AB, the new Bonzun AB consists of three parts. The most important part that constitutes the majority of both the business and the value, is Bonzun IVF, a digital support for IVF clinics and patients, which aims to increase the chance of success with their IVF treatment and to reduce patients' stress during treatment. The service was launched in 2019 and today has users in 95 countries.

In addition to Bonzun IVF, there is also a business in China, Bonzun (Kexuema) which launched back in 2014. Kexuema is a virtual midwife in China that has today been downloaded by millions of Chinese women, but is not actively developed and marketed today. The Bonzun (Kexuema) service was originally also available in Sweden and other western markets. However, the Swedish operations, including all markets outside China, were sold in 2020 to Life of Svea (owners of, among others, Nyheter24, Loppisgruppen, Familjeliv and Bröllopstorget).

Bonzun evolve is based on Papilly's previous operations, a research-based digital tool for preventing stress and treatment through individual support conversations and group conversations. Under the agreement to merge the companies through a reverse acquisition of Bonzun Health Information AB, Bonzun was deemed to constitute 60% of the value and Papilly AB 40%.

Strong drivers for market growth

The global IVF market is estimated at approximately USD 15 billion with an expected annual growth (CAGR) of 6.5 percent from 2021 to 2028. According to the market research company Grand View Research, the main driving force is considered to be a continuously reduced fertility in men and women. The average cost of an IVF treatment varies from \$ 3,000 to \$ 12,000 depending on the assessor and market. Bonzun's average revenue per customer is currently around USD 30, which means that the price for Bonzun IVF's application corresponds to around 1 percent of the cost of an IVF treatment. A rough estimate then indicates that the global market for Bonzun IVF could theoretically be estimated at \$ 150 million. This means that a market share of 10% would then correspond to revenues of approximately SEK 130 million annually.

1/3 use some form of IVF app

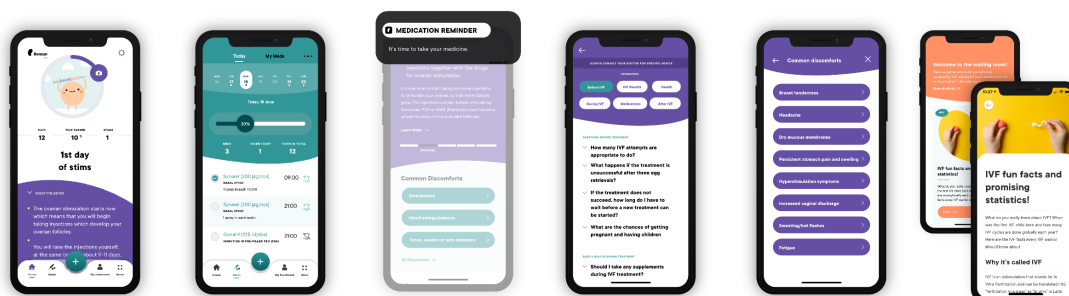
According to the app analysis company Apptopia, the market for IVF apps, eIVF Patient, Mindful IVF, Embie IVF, and Bonzun, corresponds to about 20,800 new users every month, and about 18,800 daily active users, and 94,000 monthly active users. Of these, Bonzun IVF is estimated to have a 3% market share in terms of number of users and 1% in terms of time spent in these apps. With three million IVF cycles per year globally (250,000 per month), this is an indication that approximately 1/3 (38%) of all IVF patients use some form of app support in their IVF treatment.

Products / Business model

The Bonzun IVF application is a digital support for IVF clinics and patients, which aims to increase the probability of the patient to succeed in their IVF treatment and to reduce patients' stress during treatment. Bonzun IVF was launched on the AppStore and Google Play 2019. The application is available in Swedish, English and Chinese. The purpose of the application's functions is to facilitate IVF treatment, through, among other things, medication

reminders, personalized treatment support and access to correct information about the treatment. Bonzun IVF is CE marked and all contents are medically examined by IVF doctors, midwives and fertility experts.

The Application, Bonzun IVF



Source: Bonzun

Three-pronged marketing strategy

The business model for Bonzun IVF consists of two legs: Direct to Consumer (D2C) and Business to Business (B2B).

- **D2C** - Bonzun IVF is downloaded as an application from the AppStore or Google Play Store and is available in two different versions for the user: Bonzun IVF (free service) and Bonzun IVF PLUS (paid subscription service). The business model for private consumers is based on a subscription model where the user pays to upgrade to Bonzun IVF's all premium features.

- **Support for patients at IVF clinics (B2B)** - Bonzun IVF is also offered to IVF clinics, B2B, through the service "Bonzun IVF PRO". Use of the service means reduced costs for the clinic as the service can meet certain parts of the patient's information needs. The service is sold in the form of a license package, based on the number of patients at the IVF clinic.

- In addition, the company is also looking for partnerships with pharmaceutical manufacturers of IVF drugs that can market the service to their customers. An example of this is Merck, which originally financed the development of Bonzun IVF.

Market investment for aggressive growth

Bonzun IVF acquires customers through direct communication with consumers / patients (D2C) in digital channels, such as social media campaigns and the use of influencers. In parallel with this, the company will process and seek agreements with larger chains of IVF clinics (B2B) in Sweden, the Nordic countries and the English-speaking world (USA, UK and Australia / New Zealand).

In our valuation, we have chosen to start from the combination of valuation multiples and a DCF valuation (20% with regard to the high volatility in the share). In total, we now see support for a justified value of SEK 1.5-2.5 per share in 18-24 months' time.

Management

CEO Bonnie Roupé is an entrepreneur with 20 years of experience in internet and mobile applications. She founded Bonzun Health Information AB in 2012 with a focus on the pregnancy application, where the Swedish and international business (eg China) was sold to Life of Svea 2020. Before that, she founded and built Red Tee, a golf magazine for women to 20% market share she sold after three years.

The chairman is Håkan Johansson, who has over 20 years of experience in various management positions at Ericsson and IBM.

Risks

In addition to the usual risks associated with investing in companies in the early development phase (see the company's company description), we see some company-specific risks.

Competition and speed in scaling up

Bonzun can partly be considered a challenger in its market, where today there are larger and more established players, especially internationally. These can also be expected to have better access to capital, expertise and networks in the IVF industry internationally, for example clinics in the USA. It is therefore important for Bonzun to quickly advance its positions before the market is cemented by larger players. In order to capitalize on the value of the company's platform and achieve network effects with D2C patients and clinics, Bonzun must reach an escape rate in the upscaling, which is associated with large investments in marketing. At the same time, it is possible that the market landscape can change before reaching a sufficient size.

Future financing

In our forecast, we assess that there are reasonable chances for the company to reach a positive cash flow, or alternatively find other forms of financing before reaching a positive cash flow. However, a higher-than-expected churn (15%) may cause the user base to grow more slowly than we expected. In the long run, this may mean a need for an additional capital injection from the owners.

Future expansion

We consider it likely that Bonzun, in order to extend the relationship and revenue from existing users, will in the long term expand its offering into nearby verticals, where a closer integration with the stress program and expansion into the pregnant app segment, with a focus on IVF pregnancies, is closest at hand. However, both of these fields have been tested by the company previously with unsatisfactory results.

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Income Statement

MSEK	2020	2021	2022E	2023E	2024E
Sales	1,2	0,5	3,7	7,5	13,5
Operating Costs	-10,0	-7,2	-11,2	-11,5	-12,7
EBITDA	-8,8	-6,7	-7,5	-4,0	0,8
Depreciation	-21,1	-2,5	-3,3	-2,8	-2,4
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0
EBIT	-29,9	-9,2	-10,7	-6,8	-1,6
Non-recurring Items	0,0	0,0	0,0	0,0	0,0
Associated Companies	0,0	0,0	0,0	0,0	0,0
Net Financial Items	-2,1	-0,4	-2,7	-1,0	-1,0
Pre-tax Result	-32,0	-9,6	-13,5	-7,8	-2,6
Tax	0,0	0,0	0,0	0,0	0,0
Minority Interest	0,0	0,0	0,0	0,0	0,0
Net Result	-32,0	-9,6	-13,5	-7,8	-2,6

Capital Expenditure

	2020	2021	2022E	2023E	2024E
Capital Expenditure, Absolute	-	0,0	0,1	0,3	0,4
As a Pct of Sales	-	8,2	3,5	3,5	3,0
Depreciation Multiple	-	0,0	0,0	0,1	0,2

Key Ratios

Share Price: SEK 0,71

	2020	2021	2022E	2023E	2024E
Share Price at 31 Dec	-	2,02	0,71	0,71	0,71
Number of Shares (Millions)	0	17	28	34	34
Market Cap	-	34,1	20,0	24,0	24,0
Enterprise Value	-	34,3	18,6	15,9	4,5
EPS (Reported)	-189,01	-0,57	-0,48	-0,23	-0,08
EPS (Adjusted)	-189,01	-0,57	-0,48	-0,23	-0,08
CEPS	-189,01	-0,57	-0,48	-0,23	-0,08
P/CEPS	-	n.a.	n.a.	n.a.	n.a.
Book Value/Share	426,1	1,7	0,5	0,2	0,2
P/BV	-	1,2	1,5	2,9	4,1
Dividend	0,00	0,00	0,00	0,00	0,00
Dividend Yield (%)	0,0	0,0	0,0	0,0	0,0
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	0,0
EV/Sales	-	67,6	5,0	2,1	0,3
EV/EBITDA	-	-5,1	-2,5	-4,0	5,6
EV/EBIT	-	-3,7	-1,7	-2,3	-2,9
P/E (Adjusted)	-	-3,6	-1,5	-3,1	-9,4
Sales Growth, Y/Y (%)	-96,4	-58,4	632,3	101,6	80,0
EBIT Growth, Y/Y (%)	-1212,0	-69,3	17,1	-37,0	-77,1
EPS Growth (Adjusted), Y/Y (%)	51720,3	-99,7	-15,7	-51,9	-67,1
EBITDA Margin (%)	-718,2	-1316,9	-201,2	-53,3	5,9
EBIT Margin (%)	-2446,3	-1805,7	-288,7	-90,2	-11,5
Return on Equity (%)	-69,9	-18,8	-58,9	-63,5	-36,1
Tax Rate (%)	0,0	0,0	0,0	0,0	0,0

Financial Position

	2020	2021	2022E	2023E	2024E
Interest-Bearing Net Debt	-1	0	-1	-8	-20
Net Debt/Equity	0,0	0,0	-0,1	-1,0	-3,4
Equity Ratio	0,9	0,6	0,2	0,1	0,0
Net Debt/EBITDA	0,2	0,0	0,2	2,0	-24,4

Source: Emergers, Company reports

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