

Bonzun AB

Set to refuel to latch on to global DTx trend

Johan Widmark | 2022-09-02 08:00

The Q2'22 report showed some continued progress for Bonzun's stress management service, Bonzun Evolve, with 450 new licenses from KTH and the launch of a mobile app. For the digital IVF support, an expanded language support and new pricing strategy have yielded a 75% increase in paying subscribers, while progress with IVF clinics has been slower.

The lower than expected sales growth has put a significant strain on financing, and with the recently raised new debt of SEK 2m, Bonzun will need to refill its coffers soon. But we don't expect the company to raise the SEK 12-15m we estimate are needed to get to positive CF in 2024, all at once. Adjusted for a raise in H2'22, we now find support for a fair value of SEK 0.8-1.5 (1.5-2.5) per share in 12-24 months. At the same time, international DTx giants show a similar picture, but at far higher valuations.

Activities with mixed traction in Q2

The revised pricing strategy for Bonzun IVF seems to quickly be generating results, with conversion rates for paying app users up from 43% of users at end of Q1 to 57% at end of Q2. Along with a language expansion to six languages, this has resulted in a 75% increase in paying subscribers, albeit from low absolute levels. As for the iKBT application Bonzun Evolve, KTH Royal Institute of Technology has expanded its collaboration with Bonzun to cover 450 new licenses at the end of Q2. Bonzun Evolve now also comes as a mobile app. With collaborations with the world's leading fertility network, Fertility Help Hub with 150,000 members in the US and the UK, and approval from the Swedish Social Insurance Agency as organizer of workplace-oriented rehabilitation support, we see a good chance for a pickup in sales growth in H2'22 and 2023.

International Digital Therapeutics (DTx) industry bustling

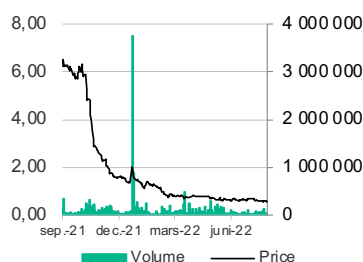
While Bonzun have taken a severe beating from the current market sentiment, which now rewards near term profits and punish companies with profits far ahead in the future, international players in the DTx industry show a similar or somewhat mixed picture. Just before summer, **Moka Care** that is building a B2B solution providing the employees of other companies access to mental health therapy, raised USD 15.8 m in a series A led by Left Lane Capital, joined by Singular and Origins. Other DTx company, **Pear Therapeutics** have seen its share drop c75% in 2022 and has trimmed staff, but is still valued at USD 240m. Other DTx company **Akili** listed via a SPAC in August 2022, that netted the company USD 163m, which it plans to use to commercialize its video game-based treatment for pediatric ADHD.

Another capital raise on the horizon

The SEK 2m in debt raised on the day of the report gives Bonzun runway for about one quarter, which means that we're likely to see some sort of capital raise in the near future. With the share price down c60% year to date, Bonzun provides an interesting entry point for new money looking for exposure to the two megatrends of digital stress management and IVF, in the form of digital IVF support. With some severe cost cutting measures we see a fair chance for Bonzun to turn to positive cash flow in 2024. While we don't expect the company to raise all the SEK 12-15m needed to reach positive cash flow, half of that would probably be enough to take the company to the next step and stronger momentum that should provide better and more favourable conditions for the next financing round in 2023. Adjusted for a raise in H2'22 we now find a support for a fair value of SEK 0.8-1.5 (1.5-2.5) per share in 12-24 months.

Bonzun

Fair Value, SEK (12-24 m)	0,8 - 1,5
Current Price, SEK	0,54
Shares (M)	28,2
Mkt Cap (MSEK)	15
Net Debt (MSEK)	2
EV (MSEK)	17
Market	First North



MSEK	2020	2021	2022E	2023E	2024E
Revenue	1	1	1	4	11
EBITDA	-9	-7	-10	-6	1
EBIT	-30	-9	-16	-11	-3
EPS Adjusted	-189,01	-0,57	-0,65	-0,41	-0,14
Sales Growth, %	-96%	-58%	140%	200%	200%
EBITDA Margin, %	-718%	-1317%	-818%	-152%	12%
EBIT Margin, %	-2446%	-1806%	-1301%	-289%	-27%
EV/Sales	-	67,6	12,9	2,9	-0,1
EV/EBITDA	-	-5,1	-1,6	-1,9	-1,1
EV/EBIT	-	-3,7	-1,0	-1,0	0,5
P/E	-	-3,6	-0,8	-1,3	-3,8

Source: Emergers

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

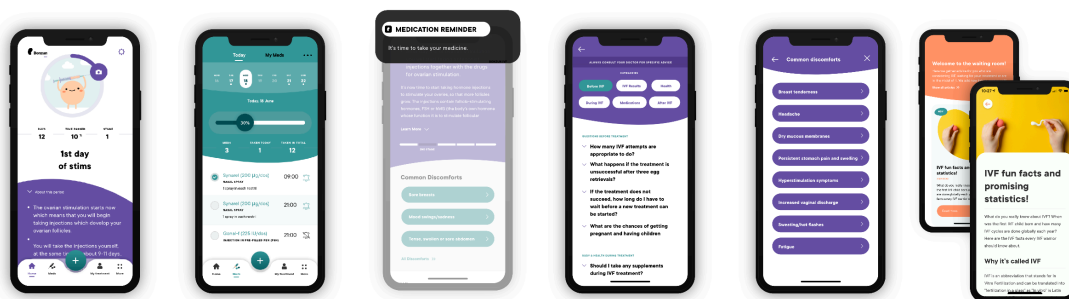
According to the app analysis company Apptopia, the market for IVF apps, eIVF Patient, Mindful IVF, Embie IVF, and Bonzun, corresponds to about 20,800 new users every month, and about 18,800 daily active users, and 94,000 monthly active users. Of these, Bonzun IVF is estimated to have a 3% market share 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 0.8-1.5 per share in 12-24 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.

Bonzun

Income Statement

MSEK	2020	2021	2022E	2023E	2024E
Sales	1,2	0,5	1,2	3,7	11,0
Operating Costs	-10,0	-7,2	-11,2	-9,2	-9,7
EBITDA	-8,8	-6,7	-10,0	-5,6	1,3
Depreciation	-21,1	-2,5	-5,9	-5,0	-4,3
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0
EBIT	-29,9	-9,2	-15,9	-10,6	-3,0
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	-2,3	-1,0	-1,0
Pre-tax Result	-32,0	-9,6	-18,2	-11,6	-4,0
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	-18,2	-11,6	-4,0

Capital Expenditure

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

Key Ratios

Share Price: SEK 0,54

	2020	2021	2022E	2023E	2024E
Share Price at 31 Dec	-	2,02	0,54	0,54	0,54
Number of Shares (Millions)	0	17	28	28	28
Market Cap	-	34,1	15,2	15,2	15,2
Enterprise Value	-	34,3	15,8	10,5	-1,4
EPS (Reported)	-189,01	-0,57	-0,65	-0,41	-0,14
EPS (Adjusted)	-189,01	-0,57	-0,65	-0,41	-0,14
CEPS	-189,01	-0,57	-0,65	-0,41	-0,14
P/CEPS	-	n.a.	n.a.	n.a.	n.a.
Book Value/Share	426,1	1,7	0,4	0,0	-0,1
P/BV	-	1,2	1,3	-69,8	-3,6
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	12,9	2,9	-0,1
EV/EBITDA	-	-5,1	-1,6	-1,9	-1,1
EV/EBIT	-	-3,7	-1,0	-1,0	0,5
P/E (Adjusted)	-	-3,6	-0,8	-1,3	-3,8
Sales Growth, Y/Y (%)	-96,4	-58,4	140,4	200,0	200,0
EBIT Growth, Y/Y (%)	-1212,0	-69,3	73,1	-33,3	-71,9
EPS Growth (Adjusted), Y/Y (%)	51720,3	-99,7	14,1	-36,3	-65,7
EBITDA Margin (%)	-718,2	-1316,9	-817,9	-152,3	11,7
EBIT Margin (%)	-2446,3	-1805,7	-1300,8	-289,1	-27,1
Return on Equity (%)	-69,9	-18,8	-88,9	-207,8	180,3
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	-5	-17
Net Debt/Equity	0,0	0,0	0,1	21,4	4,0
Equity Ratio	0,9	0,6	0,2	0,0	0,0
Net Debt/EBITDA	0,2	0,0	-0,1	0,8	-12,9

Source: Emergers, Company reports

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Johan Widmark | Tel: 0739196641 | Mail: johan@emergers.se