

# Bonzun AB

## Evidence-based DTx scaling up to combat stress and infertility

Johan Widmark | 2023-01-24 08:00

We re-initiate coverage on digital therapeutics (DTx) company Bonzun that offers evidence-based patient support for fertility treatments (IVF) and a digital CBT service to help employers combat stress. With the proceeds from the planned rights issue of units, of which 70% is secured, Bonzun now aims to scale up its mix of B2B and recurring B2C revenues in 2023. Fuelled by large framework agreement with the Swedish Security Council and partnerships like Wordapp, we foresee a more than doubling of revenues in 2023 and 2024, lending support to a revaluation of the share with a post-issue fair value of 0.5-0.7 SEK per share in 12-24 m.

### Digital Therapies for two major health challenges

Stress and infertility are two of the great health and societal challenges of our time. Both Bonzun's products offer evidence-based treatments for these challenges, and Bonzun IVF have been shown reduce dropout rate after a first failed cycle from 60% to 18% and increase the probability of getting pregnant by 49%. After the new company was formed in 2021, the efforts to transform existing products into scalable offerings were concluded late last year. The optimization of the patient support for fertility treatments, Bonzun IVF, meant a major change in sales strategy and with it changes to the app's paywalls, which resulted in a steep increase in paying subscribers late last year.

As for the stress treatment, Bonzun Evolve, previous pilots with the Swedish Security Council (TRR) have now resulted in a framework agreement that covers some 20 000 of 1.1 million civil servants eligible to seek aid from the TRR. Along 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, the scene is now set for a pickup in sales in 2023.

### Scene set for doubling of revenues in 2023 and 2024

In our model, we now expect Bonzun Evolve to outpace Bonzun IVF in 2023, with 2,000 Evolve-licenses sold in 2023 and 4,000 in 2024, at an average price of 1,500 per license. After severe cost cutting measures in 2022 we see a fair chance for Bonzun to turn to positive cash flow in 2025 (base case), and potentially already in 2024 should Evolve gather momentum with the Security Council framework agreement.

With the share price down 71% during 2022, 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. As we await the outcome of the rights issue, we now find support for a fair value of 0.5-0.7 SEK per share in 12-24 months, provided a full subscription in the rights issue.

MSEK	2020	2021	2022E	2023E	2024E
Revenue	1,2	0,5	1,0	2,5	5,0
EBITDA	-8,8	-6,7	-8,8	-5,8	-2,5
EBIT	-29,9	-9,2	-14,7	-10,8	-6,8
EPS Adjusted	-189,01	-0,57	-0,59	-0,40	-0,25
Sales Growth, %	-96%	-58%	88%	162%	100%
EBITDA Margin, %	-718%	-1317%	-920%	-232%	-50%
EBIT Margin, %	-2446%	-1806%	-1544%	-434%	-135%
EV/Sales	-	45,4	13,3	1,2	1,2
EV/EBITDA	-	-3,5	-1,4	-0,5	-2,4
EV/EBIT	-	-2,5	-0,9	-0,3	-0,9
P/E	-	-2,4	-0,7	-0,8	-1,2

Source: Emergers

### Bonzun

<b>Fair Value, SEK (12-24 m)</b>	<b>0,5 - 0,7</b>
Current Price, SEK	0,31
Shares (M)	28,2
Mkt Cap (MSEK)	8,6
Net Debt (MSEK)	6,9
EV (MSEK)	15,5
Market	First North



## About Bonzun

Bonzun is Digital Therapeutics company whose platforms create opportunities to help more individuals and tackle two of the great health and societal challenges of our time, infertility and stress. Following Papilly's reverse acquisition of Bonzun Health Information AB in 2020, Bonzun AB consists of three parts.

Bonzun IVF is 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.

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.

In addition to Bonzun IVF and Bonzun Evolve, 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 Bröllofstorget).

## Refuelling to scale up

In early December 2022, Bonzun announced the intention to do a partially guaranteed rights issue of units of approximately 15 MSEK and a directed offsetting issue of units of approximately 7 MSEK. About 70% of the proposed rights issue is covered by subscription obligations and guarantee commitments.

The net proceeds from the rights issue will primarily be used for sales activities and marketing linked to Bonzun Evolve (42%) and Bonzun IVF (25%), repayment of loans (11%) and product development (6%).

Each existing share as of the record date entitles the holder to one (1) unit right. Seven (7) units provide the right to subscribe for fifteen (15) new Units. Each Unit contains one (1) share and one (1) free of charge warrant of series TO2. Subscription price is set at 0.25 SEK per unit, corresponding to 0.25 SEK per share. The warrants of series TO2 are issued free of charge.

Three (3) warrants of series TO2 give the holder the right to subscribe for one (1) additional share during three separate utilization windows, the first during the period 1 May – 31 May 2023 at a rate of SEK 0.275 per share, the second during the period 1 August – 31 August 2023 at a rate of 0.30 SEK per share and the third during the period 1 November – 30 November 2023 at a rate of SEK 0.325 per share.

## Timetable

- Jan 18, 2023 - Record date for the right to subscribe for shares supported by unit rights
- Jan 20, 2023 through February 3, 2023 - Subscription period
- Jan 20, 2023 through Jan 31, 2023 - Trading in unit rights

- Jan 20, 2023 until the issue is registered with the Swedish Companies Registration Office - Trade in paid subscribed units (BTU)
- Feb 3, 2023 - Estimated date for publication of the outcome

## Bonzun Evolve

Evolve is an evidence-based digital tool, developed by researchers and psychologists at Karolinska Institutet, for stress management and self-leadership based on Acceptance and Commitment Training (ACT), which is a further development of the traditional cognitive behavioral therapy (CBT).

Sickness absence due to mental illness has increased steadily since 2010 and today accounts for almost half of all ongoing sickness cases according to the Social Insurance Agency (Försäkringskassan). Unfortunately, it is stress-related sick leave that is increasing the most and has picked up speed again after the pandemic.

Evolve offers a digital program for company employees to handle and combat stress. It is a program that provides lifelong learning with concrete exercises to provide behavioral changes that make the individual capable of managing stress and the emotions that give rise to stress. During Q2'22, Bonzun was approved by the Social Insurance Agency as an organizer of workplace-oriented rehabilitation support, which is a huge seal of quality.

The sales process for Evolve is often started with a pilot for a department or selected group before a decision is made about further use in larger parts of the company. This means that the company often has to wait for the outcome of the pilot before the company starts with the program to a greater extent. It takes at least 8 weeks and sometimes more. As data shows that the program can reduce stress of individuals by 25 percent (for the highly stressed by 30 percent), this means that the conversion rate from completed pilot to larger contracts is high.

## Bonzun IVF

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 USD to 12,000 USD depending on the assessor and market. Bonzun IVF's average revenue per customer is currently around USD 6.

### 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 for Bonzun IVF

IVF treatments are emotionally stressful and costly, the drop-out rate is 30-50% after an unsuccessful IVF cycle, despite the fact that it takes an average of three cycles for a pregnancy. There are therefore strong incentives for everyone involved to relieve the patients' stress in order for them to have the

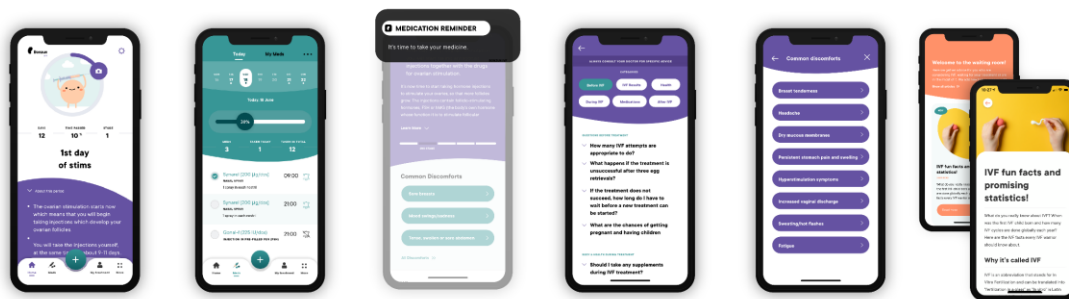
strength to undergo the additional treatments that statistics show are required to become pregnant. With the Bonzun IVF app, clinics and pharmaceutical companies can reduce the dropout rate after a first failed cycle from 60% to 18%, and increase the number of IVF cycles by 115%, thereby increasing the probability of getting pregnant by 49%.

The service addresses both the patients undergoing IVF treatment (D2C), and important partners such as IVF clinics and pharmaceutical companies that offer IVF treatments.

Bonzun IVF was launched on the AppStore and Google Play 2019. The application is available in Swedish, English, Chinese, German, Spanish and Portuguese. As of September 2022, the company had over 23,000 registered users globally.

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. 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.

## Developments with key accounts and partners

### Bonzun Evolve: Swedish Security Council

Right before Christmas, Bonzun and the Swedish Security Council (Trygghetsrådet, TRR) signed a framework agreement that includes both the Security Council's own employees and affiliated officials involved in restructuring. According to the framework agreement, the Security Council will call off the iKBT service Bonzun Evolve, to prevent stress and offer individual psychologist hours for its advisers and their clients.

The framework agreement is a natural continuation of the two pilots with the Security Council during 2022. Although the scope and outcome of the framework agreement is still unclear, we see this as a major milestone for the company.

### Bonzun IVF: Wordapp

In November 2022, Bonzun entered into a cooperation agreement with Wordapp B.V., the company behind the website [hairtransplantation.com](https://www.hairtransplantation.com). The collaboration includes, among other things, the development of a patient support for hair transplants with marketing towards the Chinese market and, by extension, also marketing of the Bonzun IVF app. Bonzun received SEK 750,000 in cash advance, as well as the equivalent of SEK 2,000,000, intended for marketing the IVF app in Wordapp's channels. Furthermore, Wordapp undertook, when the app is completed, to pay up to SEK 1,000,000 in commission in 2023 for the hair transplant app and up to SEK 8,250,000 annually in commission for the IVF app.

## Key Drivers for our forecast

### Bonzun Evolve

Bonzun Evolve is primarily dependant on framework agreements and large procurements with large private employers and authorities. The for Bonzun most important such to date is the Swedish Security Council.

Today, around 35,000 companies and approx. 1.1 million civil servants are connected to the Swedish Security Council, which helps people in transition and are in need of help dealing with stress. In 2020, a total of 22,932 civil servants sought support from the Security Council, and for 2021 the number was 9,407. In 2023, the economy is expected to weaken and the influx of people in need of support will end up at approximately the 2020 level.

The list price for Bonzun Evolve is 3,900 SEK ex. VAT for 12 months and 2,300 SEK ex. VAT for 6 months. Provided that the influx of civil servants in need of support end up around the 2020 level, at 20,000 civil servants and that a 10% (2,000 people) of those opt-in on using Bonzun Evolve, at a rebated average price of 1,500 SEK per person, this would translate to 3 MSEK in revenues for Bonzun in 2023. An assumption of 4,000 licenses sold would equal a revenue contribution of 6 MSEK.

## Valuation

In our valuation, we have chosen to start from the combination of valuation multiples and a DCF valuation (18% with regards to the high volatility in the share).

In terms of peers and multiple valuation, there is no real peer group in Digital Therapeutics in the Swedish listed environment. There are however some relevant US peers with in DTx. These are Akili Inc. valued at 120 MUSD and

Pear Therapeutics valued at 170 MUSD. Both lossmaking and trading at high Sales-multiples.

## Peer valuation

MSEK

	Mkt Cap local curr.	EV	Sales	EBITDA	Growth	EBITDA margin	EV/ Sales	EV/ EBITDA	Net Debt	Share price 1 year
Akili Inc	118	276	0,5	-49	NA	-5425%	579,5	-5,7	158	-85%
Bonzun	8	8	0,9	-12	NA	-1393%	9,1	-0,7	0	-79%
Pear Therapeuti	167	122	11,4	-124	292%	-1701%	10,6	-1,0	-46	-72%
Sleep Cycle	863	645	206	52	16%	17%	3,1	12,4	-218	-33%
Vitrolife	32 507	34 164	2 893	823	87%	27%	11,8	41,5	1 657	-39%
<b>AVERAGE</b>					<b>132%</b>	<b>-1695%</b>	<b>122,8</b>	<b>9,3</b>		<b>-62%</b>
<b>MEDIAN</b>					<b>109%</b>	<b>-1544%</b>	<b>11,2</b>	<b>4,3</b>		<b>-67%</b>

Source: Emergers, Company reporting

All in all, and with the steep revenue growth expected in 2023 and 2024 in mind, we now find support for a justified value post-issue of SEK 0.5-0.7 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 before 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	1,0	2,5	5,0
Operating Costs	-10,0	-7,2	-9,7	-8,3	-7,5
EBITDA	-8,8	-6,7	-8,8	-5,8	-2,5
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	-14,7	-10,8	-6,8
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	-2,0	-0,4	-0,4
<b>Pre-tax Result</b>	<b>-32,0</b>	<b>-9,6</b>	<b>-16,7</b>	<b>-11,2</b>	<b>-7,2</b>
Tax	0,0	0,0	0,0	0,0	0,0
Minority Interest	0,0	0,0	0,0	0,0	0,0
<b>Net Result</b>	<b>-32,0</b>	<b>-9,6</b>	<b>-16,7</b>	<b>-11,2</b>	<b>-7,2</b>

### Capital Expenditure

	2020	2021	2022E	2023E	2024E
Capital Expenditure, Absolute	-	0,0	0,9	0,1	0,2
As a Pct of Sales	-	8,2	99,5	3,5	3,0
Depreciation Multiple	-	0,0	0,2	0,0	0,0

### Key Ratios

Share Price: SEK 0,31

	2020	2021	2022E	2023E	2024E
Share Price at 31 Dec	-	1,35	0,39	0,31	0,31
Number of Shares (Millions)	0	17	28	28	28
Market Cap	-	22,8	11,0	8,6	8,6
Enterprise Value	-	23,1	12,7	3,0	6,0
EPS (Reported)	-189,01	-0,57	-0,59	-0,40	-0,25
EPS (Adjusted)	-189,01	-0,57	-0,59	-0,40	-0,25
CEPS	-189,01	-0,57	-0,59	-0,40	-0,25
P/CEPS	-	n.a.	n.a.	n.a.	n.a.
Book Value/Share	426,1	1,7	1,0	1,1	0,8
P/BV	-	0,8	0,4	0,3	0,4
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	-	45,4	13,3	1,2	1,2
EV/EBITDA	-	-3,5	-1,4	-0,5	-2,4
EV/EBIT	-	-2,5	-0,9	-0,3	-0,9
P/E (Adjusted)	-	-2,4	-0,7	-0,8	-1,2
Sales Growth, Y/Y (%)	-96,4	-58,4	87,6	162,3	100,0
EBIT Growth, Y/Y (%)	-1212,0	-69,3	60,4	-26,3	-37,6
EPS Growth (Adjusted), Y/Y (%)	51720,3	-99,7	4,9	-32,8	-36,3
EBITDA Margin (%)	-718,2	-1316,9	-920,4	-232,0	-49,6
EBIT Margin (%)	-2446,3	-1805,7	-1543,7	-434,0	-135,4
Return on Equity (%)	-69,9	-18,8	-59,2	-39,0	-26,3
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	2	-6	-3
Net Debt/Equity	0,0	0,0	0,1	-0,2	-0,1
Equity Ratio	0,9	0,6	0,6	0,7	0,6
Net Debt/EBITDA	0,2	0,0	-0,2	1,0	1,0

Source: Emergers, Company reports

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