

# Bonzun AB

## Merger with L2S a favorable reconfiguration for Bonzun's shareholders

Johan Widmark | 2023-07-07 08:30

**Bonzun has agreed to sell all shares in its subsidiary Bonzun Evolve to CBT-based sleep therapy company Learning to Sleep (L2S, listed on First North) for a consideration of 311.2m newly emitted shares in L2S, equivalent to a value of SEK 31.1m or SEK 0.25 per Bonzun share. The deal will give Bonzun 77% of the shares in the combined company, after which the L2S shares will be distributed to Bonzun's shareholders. This will expand and strengthen both companies' offerings, while also paving the way to build a new business fully focused on digital CBT-based mental health.**

### Merger at a 152% premium

Bonzun's wholly-owned subsidiary, Bonzun Evolve, is transferred for a consideration of SEK 31.1m, to be fully paid through 311.2m newly issued shares in L2S at a price of SEK 0.10 per share. This corresponds to SEK 0.25 per share in Bonzun, representing a premium of 152% compared to the closing price the day before the announcement.

After the transaction, Bonzun will own approximately 77% of the shares and votes in L2S, which it intends to distribute to Bonzun's shareholders. As for Bonzun IVF, which offers digital support for IVF clinics and patients, it will remain in the parent company and likely be spun off or sold, while the parent company will offer its listing to an as-yet-unlisted company seeking to enter the stock market through a reverse takeover. Through the deal, the current owners of Bonzun will become shareholders in both the new L2S, which will likely be renamed, and the old parent company Bonzun, where they can continue as minority shareholders in some new venture.

### Future focus on CBT therapy for stress and sleep

L2S is a digital sleep clinic that offers an efficient, side effect-free, and evidence-based CBT treatment for qualified care of sleep problems through a mobile application. The clinically validated method contributes to 90.3 percent of patients achieving improved sleep after completing the treatment, thanks in part to human interaction with psychologists. This means that L2S complements Bonzun Evolve's digital program for handling and combating stress very well.

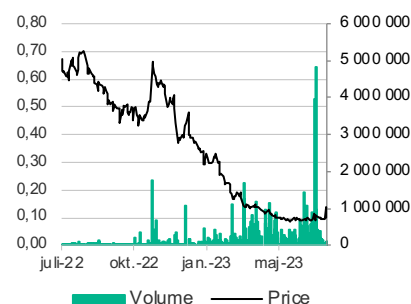
L2S has struggled to find product-market fit, with reduced reimbursements for digital providers from the public healthcare sector, and has relatively recently started exploring other models, such as direct sales to private customers and B2B, where they have seen some progress with Deloitte as a client. During Q2'23, they conducted a rights issue (subscribed to 37%) that strengthened their cash position by SEK 2 million and reduced debts by SEK 5.7 million. There should be significant opportunities for synergy and mutual benefit between Bonzun and L2S, for both the B2C and B2B operations. In the past 12 months, L2S had a turnover of SEK 3.5m and OPEX of SEK 16m, although costs have been cut towards Q1'23.

### Combined sales potential of SEK 10m in 2024

As for Bonzun Evolve, it has signed deals with six municipalities and one doctor's office in 2023 for its research-based 8-step ACT program for managing stress and increasing resilience. We continue to expect 2,000 Evolve-licenses sold in 2023 and 4,000 in 2024, at an average price of SEK 1,500 per license. After completing the deal we see a fair chance for the combined company to reach SEK 10m in annual sales in 2024, although our earlier expectation for Bonzun to be cash flow positive by 2025 is now pushed somewhat into the future. But to materialize the value in one of the companies' stock market

### Bonzun

Fair Value Combined Company, SEK	0,17 - 0,21
Current Price Bonzun, SEK	0,14
Shares, Bonzun, M	102,0
Mkt Cap, Bonzun MSEK	14,3
Net Debt, Bonzun MSEK	-0,4
EV, Bonzun, MSEK	13,8
Market	First North



listings, find a new home for Bonzun IVF, and, most importantly, scale up and cross-pollinate Bonzun Evolve and L2S' CBT operations, we consider the deal an overall favorable reconfiguration for Bonzun's shareholders.

With a continued need to trim costs for both companies, we now see a fair chance for the combined company to turn to positive cash flow by 2026, provided that Bonzun Evolve can continue to gather momentum. After the completion of the deal, our combined DCF (20% discount rate) and valuation multiples approach provide support for a fair value of SEK 0.17-0.21 per share in the combined company (0.2-0.3 per Bonzun share) in 12-24 months, after taking an estimated rights issue of SEK 16m in 2024 into account. We now see a) securing long term financing, b) new Evolve license deals, c) further bolt-on acquisitions, and d) sustained sales growth as the primary catalysts for the share.

**Estimate for Combined Company from Q4'23**

<b>MSEK</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Revenue	0,5	1,1	6,5	10,0	16,3
EBITDA	-6,7	-11,7	-8,2	-7,6	-2,6
EBIT	-9,2	-33,6	-13,4	-12,0	-6,3
EPS Adjusted	-0,57	-1,37	-0,16	-0,15	-0,10
Sales Growth, %	-58%	118%	492%	53%	63%
EBITDA Margin, %	-1317%	-1058%	-126%	-76%	-16%
EBIT Margin, %	-1806%	-3045%	-205%	-120%	-39%

Source: Emergers

## 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 Bröllopostorget).

## Learning 2 Sleep

Learning 2 Sleep was founded in 2009 and is the only digital health service in Sweden specialized in sleep disorders. The company aims to offer the best digital CBT (Cognitive Behavioral Therapy) treatment for individuals with sleep problems - without queues and regardless of geographical location. Thus, Learning 2 Sleep provides location-independent support by psychologists to provide a functioning and natural solution to patients' sleep problems.

## 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.

## Distribution of L2S share to Bonzun owners

After completion of the Transaction, Bonzun will own approximately 77 percent of the shares and votes in Learning 2 Sleep.[4] Bonzun intends to distribute the Consideration Shares to the shareholders in Bonzun as soon as practically possible. The distribution of the Consideration Shares presupposes that Bonzun has established the annual accounts for the current financial year in order to demonstrate sufficient distributable funds. In order to implement the dividend during 2023, Bonzun plans to shorten the current fiscal year to the period 1 January - 30 September 2023. The decision to reorganize Bonzun's fiscal year is proposed to be made at the extraordinary general meeting that is proposed to approve the Transaction. Furthermore, the distribution of the Consideration Shares will be subject to decision at the annual general meeting for the shortened fiscal year 1 January - 30 September 2023. For these reasons, and according to Bonzun's current assessment, the implementation of the dividend is expected to take place at the end of 2023. However, the size of the dividend may change and is dependent on several different factors that affect Bonzun's financial position at the actual time of the distribution of the Consideration Shares and will be announced at the latest in connection with the announcement of the invitation to the following annual general meeting.

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