

Morning Note – 12th April 2019

SPINEGUARD

Q1 sales: a weak quarter

- Revenues down 7% in Q1
- Smart Screw does well but PediGuard Classic faces concerns
- Future is definitively dependent on commercial partnerships

Some clouds in the US

SpineGuard posted yesterday night Q1 revenues of EUR1.69m (vs EUR1.77m in Q1 2018). Benefiting from a positive currency effect over the period, the decrease is approximatively -14% on a like-for-like basis. This counter performance is mainly due to a drop in the US (1,506 units sold vs 1,306 in Q1-2018). After a year of decline due to a focus on strategic countries, the activity in the rest of the world was very good (+22%) with encouraging orders from China and a rebound in Latin America. That said, US weighing for 85% of the group revenues, the overall performance is under our estimates (EUR1.9m).

New products can hardly limit the erosion of the PediGuard Classic

Whilst new references (Smart Screw and PediGuard Threaded) see a continuous rise, the historical PediGuard range faces real concerns. Current period is particularly tough for small medtech companies facing the aggressive commercial strategy of large groups signing extended supply agreements with first tier hospitals (e.g. financing equipment of operating theatres against purchase of devices and implants). SpineGuard is clearly affected and it becomes more and more delicate, not only to open new accounts but also to maintain the existing business.

No alternative to signing commercial or technological deals

In a complex environment (competition, tiny pricing power) and with limited financial resources, SpineGuard has a limited number of options. Expanding the current network of agents or distributors doesn't give any warranty of success. The group has to find rapidly opportunities to create value around DSG technology. The unique option we see today is to sign commercial deals with Medtech actors in the spine space and/or in the orthopaedic universe (plugging the PediGuard range in an existing catalogue to benefit from marketing synergies and to access to key accounts). Beside the spine indications, DSG technology is likely to generate interest in the robotics industry. We can imagine a deal with pure players in this universe and/or with large medtech groups (as did Zimmer when acquiring the French Rosa robot from Montpellier based Medtech).

Valuation and rating

The figures released do not meet expectations. Our conservative scenario sees flat sales in 2019E. We wait for Q2 figures before adapting, if required, our assumptions. Despite an aberrant stock price (EV/sales ratio clearly under the industry average) and a huge upside compared to our Fair Value (+210%), current period remains unclear. We maintain therefore our HOLD rating.

Next publication: Q2 sales, 11th, July 2019

France - Medtech

HOLD

Fair value (EUR)	1.60
Price (EUR)	0.516
Upside/down side	+210.1%

Lionel Labourdette, PhD, MBA

lionel@biostrategic-research.com

+33 617 965 019

Stock data (2019-04-11)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	0.516
Market capitalisation (EURm)	3.5
Free float (%)	31.0
Floating capitalisation (EURm)	1.1
Number of shares (,000)	6,725
Average daily volume (3 m)	51,760

12m performance



Change (%)	1 m	3 m	12m
Absolute	-16.0	-32.1	-78.5
Rel. to CAC SM190	-18.3	-42.9	-69.9
Rel. to Next Biotech	-24.7	-48.3	-84.4

Financials (31/12)

EURm	2018	2019E	2020E	2021E
Sales	7.6	7.6	8.1	8.9
EBITDA	-0.9	-0.9	-0.6	-0.1
EBIT	-1.1	-1.1	-0.8	-0.3
Net income	-2.3	-1.5	-1.1	-0.3
EPS (EUR)	-0.38	-0.25	-0.17	-0.05
Net debt	8.3	9.8	9.0	3.5

Key ratios

	2018	2019E	2020E	2021E
EV/Sales	1.6x	1.8x	1.6x	1.0x
EV/EBITDA	na	na	na	na
EV/EBIT	na	na	na	na
PER	na	na	na	na
ROIC	na	na	na	na
ROE	na	na	na	na
EV/IC	2.5x	2.9x	2.9x	2.0x
Gearing	-96%	-93%	-74%	-48%

Profit and Loss

As of 31/12 (EURm)	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	4.44	6.35	7.46	8.17	7.58	7.63	8.07	8.91
Change n-1	-3.9%	43.1%	17.6%	9.5%	-7.3%	0.7%	5.8%	10.4%
Other revenues	-	-	-	-	-	-	-	-
Total revenues	4.44	6.35	7.46	8.17	7.58	7.63	8.07	8.91
Gross margin	3.78	5.36	6.35	6.95	6.55	6.55	6.99	7.81
EBITDA	-4.26	-3.73	-3.31	-2.66	-0.86	-0.87	-0.60	-0.05
Change n-1	-45%	12%	11%	20%	68%	-1%	31%	92%
Depreciation & amortisation	0.23	0.26	0.33	0.31	0.26	0.22	0.22	0.23
Goodwill	-	-	-	-	-	-	-	-
EBIT	-4.48	-3.97	-3.63	-2.96	-1.11	-1.08	-0.81	-0.27
Change n-1	-42%	11%	9%	18%	63%	3%	24%	67%
Net financial income	-0.06	0.10	-0.54	-1.16	-1.21	-0.45	-0.24	-0.02
Minorities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Net profit before tax	-4.54	-3.88	-4.18	-4.13	-2.32	-1.53	-1.05	-0.29
Tax	-	-	-	-	-0.02	-	-	-
Net in come	-4.54	-3.88	-4.18	-4.13	-2.33	-1.53	-1.05	-0.29
Change n-1	-29%	15%	-8%	1%	43%	35%	31%	73%
EPS	-1.03	-0.77	-0.82	-0.72	-0.34	-0.22	-0.15	-0.04
EPS fully diluted	-1.03	-0.77	-0.75	-0.68	-0.38	-0.25	-0.17	-0.05
Gross margin (% of sales)	85.2%	84.5%	85.1%	85.1%	86.5%	85.8%	86.7%	87.6%
EBITDA (% of sales)	na	na	na	na	nm	nm	nm	nm
EBIT (% of sales)	na	na	na	na	nm	nm	nm	nm
Net margin (% of sales)	na	na	na	na	nm	nm	nm	nm

Cash Flow statement

Au 31/12 (MEUR)	2014	2015	2016	2017	2018	2019E	2020E	2021E
Net income	-4.54	-3.88	-4.18	-4.13	-2.33	-1.53	-1.05	-0.29
Depreciation and amortisation	0.23	0.26	0.33	0.31	0.26	0.22	0.22	0.23
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change in WCR	-0.07	0.53	-1.01	0.26	-0.08	0.16	-0.24	-0.03
Others	1.06	0.50	0.83	1.05	1.49	1.16	0.94	0.73
Cash-flow from operations	-3.32	-2.60	-4.03	-2.51	-0.67	0.01	-0.13	0.64
Capex	-0.05	-0.20	-0.06	-0.05	-0.05	-0.05	-0.05	-0.05
Free cash flow	-3.37	-2.80	-4.09	-2.56	-0.72	-0.04	-0.17	0.59
Acquisitions	-0.05	-0.37	-0.09	-	-	-	-	-
Divestments	-	-	0.01	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Capital increase	0.79	2.64	0.42	2.21	1.68	0.50	0.20	-
Financing(bank and others)	0.01	2.76	2.87	0.01	4.64	-	-	-
Others	-1.27	-1.51	-0.54	-0.26	-5.73	-0.32	-2.36	-2.53
Change in cash over the period	-3.89	0.72	-1.42	-0.61	-0.13	0.15	-2.34	-1.95
Opening cash position	6.40	2.51	3.23	1.80	1.19	1.05	1.20	-1.14
Closing cash position	2.51	3.23	1.80	1.19	1.06	1.20	-1.14	-3.09

Balance sheet

Au 31/12 (MEUR)	2014	2015	2016	2017	2018	2019E	2020E	2021E
Fixed assets	0.06	0.21	0.18	0.14	0.12	0.09	0.06	0.03
Intangible assets	1.09	1.26	1.11	0.90	0.72	0.58	0.45	0.32
Goodwill	3.08	3.08	3.08	3.08	3.08	3.08	3.08	3.08
Financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	0.65	0.59	1.02	0.81	0.84	0.76	0.80	0.89
Account receivables	0.68	0.94	1.41	1.38	1.32	1.28	1.36	1.50
Other receivables	0.38	0.54	0.68	0.54	0.59	0.55	0.55	0.59
Cash and cash equivalents	2.51	3.23	1.80	1.19	1.06	1.21	-1.13	-3.08
Prepaid expenses	-	-	-	-	-	-	-	-
Other non-current assets	0.12	0.06	0.13	0.12	0.13	0.13	0.13	0.13
Total assets	8.56	9.92	9.41	8.15	7.86	7.69	5.31	3.45
Equity	5.77	4.74	1.19	-0.20	-8.67	-10.56	-12.29	-11.27
Others	-	-	-	-	4.86	5.18	7.54	10.08
Provisions	0.04	0.05	0.07	0.04	0.04	0.04	0.04	0.04
Financial debt	1.45	2.99	6.00	6.23	9.39	11.00	7.90	2.32
Account payables	0.72	1.10	1.19	1.04	1.16	0.97	1.02	1.13
Other debts	0.58	1.04	0.96	0.98	0.81	0.79	0.82	0.89
Deferred income and other liabilities	-	-	-	0.06	0.26	0.26	0.26	0.26
Total liabilities	8.56	9.92	9.41	8.15	7.86	7.69	5.31	3.45

IMPORTANT INFORMATION

Responsibility for this publication

This publication has been prepared under the only responsibility of BioStrategic Partners.

Recipient

This publication is exclusively designed for "Eligible Counterparties" or "Business Customers". It is not designed to be distributed or transmitted, directly or indirectly, to "Retail Customers".

Absence of investment advice

This publication has been produced for information only and does not represent investment advice, given that it has been prepared without knowledge of the financial situation, asset position or any other personal circumstance of the persons who may receive it.

Absence of buy or sell offering of financial instruments

This publication does not represent an offering or an incentive to buy or sell the financial instruments outlined in it.

Reliability of information

Every precaution has been taken by Biostrategic Partners to ensure that the information contained in this publication come from sources considered reliable. Unless otherwise specifically indicated in this publication, all opinions, estimations and forecasts given, are those of Biostrategic Partners at that date and may be revised without prior notice.

Exemption from liability

Neither Biostrategic Partners nor SwissLife Banque Privée shall be liable for any damage that may result from the incorrect or incomplete nature of this publication. Neither Biostrategic Partners or SwissLife Banque Privée is not liable for any investment decisions, regardless of their nature, made by the users of this publication on its basis.

Transfer and distribution of this publication

This document was sent, prior to its publication, to the issuer of the financial instruments to which it refers. This document may not be reproduced, distributed or published in whole or in part without the prior written consent of Biostrategic Partners and SwissLife Banque Privée.

Warning concerning performance

Investors should note that any income from financial instruments can fluctuate and that prices can fall as well as rise. Past and simulated performance does not guarantee future performance.

Detection of potential conflicts of interest

Company	Potential conflicts of interest with Biostrategic Partners						
	a)	b)	c)	d)	e)	f)	g)
SPINEGUARD	No	No	No	No	Yes	No	No

The analyst has a familial relationship with a founding partner of IPF Partners who holds SpineGuard' bonds with warrants attached

- a) Biostrategic Partners has participated or is participating, either as lead manager or member of an investment or guarantee syndicate for a financial transaction, either as advisor of a public offering over the last twelve months or as Listing Sponsor of the company.
- b) Biostrategic Partners holds an investment stake greater than or equal to 5% in the capital of the company under analysis.
- c) The company who is the subject of this analysis holds an investment stake greater than or equal to 5% in Biostrategic Partners.
- d) Biostrategic Partners and/or one of its affiliates is/are liquidity provider(s) or market maker(s) for (one of) the company's financial instrument/s.
- e) Biostrategic Partners has agreed with the company to provide a service of production and distribution of analysis regarding the company.
- f) Biostrategic Partners has modified its conclusions after notifying the company before its distribution of this analysis.
- g) The person/s responsible for the analysis, a director or a member of the Board of Directors of Biostrategic Partners is a manager, director or member of the Board of Directors of the company.

Company	Potential conflicts of interest with SwissLifeBanquePrivée						
	a)	b)	c)	d)	e)	f)	g)
SPINEGUARD	Yes	No	No	Yes	No	No	No

- a) SwissLife Banque Privée has participated or is participating, either as lead manager or member of an investment or guarantee syndicate for a financial transaction, either as advisor of a public offering over the last twelve months or as Listing Sponsor of the company.
- b) SwissLife Banque Privée holds an investment stake greater than or equal to 5% in the capital of the company under analysis.
- c) The company who is the subject of this analysis holds an investment stake greater than or equal to 5% in SwissLife Banque Privée.
- d) SwissLife Banque Privée and/or one of its affiliates is/are liquidity provider(s) or market maker(s) for (one of) the company's financial instrument/s.
- e) SwissLife Banque Privée has agreed with the company to provide a service of production and distribution of analysis regarding the company.
- f) SwissLife Banque Privée has modified its conclusions after notifying the company before its distribution of this analysis.
- g) The person/s responsible for the analysis, a director or a member of the Board of Directors of SwissLife Banque Privée is a manager, director or member of the Board of Directors of the company.

Swiss Life Banque Privée

Société Anonyme au capital de 37.092.080 €
Code établissement bancaire n°11 238
RCS Paris 382 490 001
7. place Vendôme - F 75041 Paris Cedex 01 – France
Tél. : +33 1 53 29 14 14

BioStrategic Partners SAS

Société par Actions Simplifiée au capital de 30. 000 €
RCS Paris 530 430 487
140 bis. rue de Rennes - F 75006 Paris – France
Tél. : +33 6 17 96 50 19

BioStrategic Research est une marque déposée de BioStrategic Partners SAS