

Morning Note – 25th January 2019

SPINEGUARD

FY Sales: 2018, a transition year

- Sales decline resulting from the new strategy/organisation
- Positive EBITDA in Q4, US subsidiary positive on FY basis
- Stock still abnormally undervalued

New marketing priorities impact 2018 revenue

SpineGuard posted yesterday night its FY revenues (EUR7.6m) showing a decline of -7% (-4% at constant currency). After a limited growth in Q3 (+5%), Q4 sales are down -5% at EUR2.07m. Investors have to keep in mind that Q4-17 was particularly high (EUR2.18m). 9,001 PediGuard units were sold in 2018 (+3%) with US still representing the largest source of revenue for the group (85%). Following the focus on key countries (new strategy set in place in 2017), sales outside the US were expected to decline. SpineGuard managed however to increase the volumes (+6%) but this performance was off-set by a drop in the Average Selling Price (-27%). 2018 was a challenging year in the rest of the world with delay in reimbursement procedures in Turkey or weak performance in Saudi Arabia. With 120 procedures performed in 2018 (+50%), we see that market penetration is challenging for the Smart Screw. Market access is likely to be facilitated with future communications in medical congresses. Zavation (US non-exclusive partner) was a good partner for early stages in this project but commercial expansion has to be accelerated in our view by a large player in the field. The group is aware of this urgent need and we believe new marketing partnerships are likely to be announced in the coming semesters. The figures released are fully in line with our estimates (EUR7.6m). We expect however to see a stabilization of the ASP (outside the US) that was in 2018 slightly below our estimates.

Improved economic performance

The negotiation of a better profit sharing with Zavation for the marketing of the Smart Screw in the US had a positive impact on margin. The new organization (resource allocation on key markets) associated with a good cost management allowed the group to post an improved profitability. Management kept its promise and announced that Q4 was the first quarter with a positive EBITDA. This very positive signal has to be recognized by investors. First revenues from Adin (dental applications of DSG technology) are expected to stabilize the economic model in 2019 and beyond. Cash position remains a concern (EUR1.1m as of 31/12, with additional financing available) but a scenario of sustainable profitability in the next 12 months becomes realistic (lower risk of dilutive refinancing).

Valuation and rating

These figures, fully in line, do not hide any bad surprise. 2018 was expected to be a transition year. We see the group deliver from now a sustainable growth and positive EBITDA. We do not change therefore our scenario. Stock remains undervalued. We reiterate our Buy rating and EUR3.2 target price.

Next publication: FY results, 14th March 2019

France - Medtech

BUY

Fair value (EUR)	3.20
Price (EUR)	1.06
Upside/down side	+201.9%

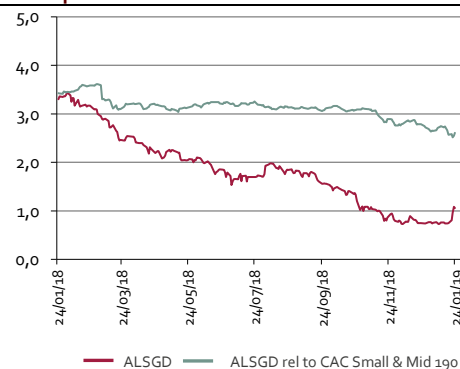
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Stock data (2019-01-24)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	1.060
Market capitalisation (EURm)	7.1
Free float (%)	31.0
Floating capitalisation (EURm)	2.2
Number of shares (,000)	6,725
Average daily volume (3 m)	19,536

12m performance



Change (%)	1 m	3 m	12m
Absolute	43.2	-20.6	-67.9
Rel. to CAC SM190	33.3	-15.8	-43.8
Rel. to Next Biotech	31.0	-20.1	-56.2

Financials (31/12)

EURm	2017	2018E	2019E	2020E
Sales	8.2	7.6	8.3	10.3
EBITDA	-2.7	-1.0	0.2	1.4
EBIT	-3.0	-1.2	0.0	1.1
Net income	-4.1	-1.7	-0.4	1.0
EPS (EUR)	-0.68	-0.28	-0.06	0.96
Net debt	5.0	4.5	3.2	1.6

Key ratios

	2017	2018E	2019E	2020E
EV/Sales	1.4X	1.4X	1.1X	0.7X
EV/EBITDA	na	na	38.5X	5.7X
EV/EBIT	na	na	591.1X	6.9X
PER	na	na	na	6.3X
ROIC	na	na	0%	24%
ROE	na	na	na	na
EV/IC	2.3X	2.2X	2.0X	1.6X
Gearing	-2564%	-326%	-139%	-71%

Profit and Loss

As of 31/12 (EURm)	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	4.62	4.44	6.35	7.46	8.17	7.63	8.29	10.30
Change n-1	19.0%	-3.9%	43.1%	17.6%	9.5%	-6.7%	8.7%	24.2%
Other revenues	-	-	-	-	-	-	-	-
Total revenues	4.62	4.44	6.35	7.46	8.17	7.63	8.29	10.30
Gross margin	4.03	3.78	5.36	6.35	6.95	6.50	7.11	8.95
EBITDA	-2.94	-4.26	-3.73	-3.31	-2.66	-1.00	0.24	1.35
Change n-1	2%	-45%	12%	11%	20%	62%	124%	-462%
Depreciation & amortisation	0.23	0.23	0.26	0.33	0.31	0.21	0.22	0.24
Goodwill	-	-	-	-	-	-	-	-
EBIT	-3.15	-4.48	-3.97	-3.63	-2.96	-1.21	0.02	1.11
Change n-1	1%	-42%	11%	9%	18%	59%	101%	-7008%
Net financial income	-0.36	-0.06	0.10	-0.54	-1.16	-0.49	-0.37	-0.15
Minorities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Net profit before tax	-3.51	-4.54	-3.88	-4.18	-4.13	-1.70	-0.35	0.96
Tax	-	-	-	-	-	-	-	-
Net in come	-3.51	-4.54	-3.88	-4.18	-4.13	-1.70	-0.35	0.96
Change n-1	-8%	-29%	15%	-8%	1%	59%	79%	371%
EPS	-0.82	-1.03	-0.77	-0.82	-0.72	-0.30	-0.06	0.17
EPS fully diluted	-0.82	-1.03	-0.77	-0.75	-0.68	-0.28	-0.06	0.16
Gross margin (% of sales)	87.3%	85.2%	84.5%	85.1%	85.1%	85.2%	85.7%	86.9%
EBITDA (% of sales)	na	na	na	na	na	na	na	na
EBIT (% of sales)	na	na	na	na	na	na	na	na
Net margin (% of sales)	na	na	na	na	na	na	na	na

Cash Flow statement

Au 31/12 (MEUR)	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net income	-3.51	-4.54	-3.88	-4.18	-4.13	-1.70	-0.35	0.96
Depreciation and amortisation	0.23	0.23	0.26	0.33	0.31	0.21	0.22	0.24
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change in WCR	-0.22	-0.07	0.53	-1.01	0.26	0.08	-0.09	-0.28
Others	0.51	1.06	0.50	0.83	1.05	0.83	0.83	0.83
Cash-flow from operations	-2.99	-3.32	-2.60	-4.03	-2.51	-0.59	0.60	1.74
Capex	-0.02	-0.05	-0.20	-0.06	-0.05	-0.11	-0.12	-0.15
Free cash flow	-3.02	-3.37	-2.80	-4.09	-2.56	-0.70	0.48	1.59
Acquisitions	-0.15	-0.05	-0.37	-0.09	-	-	-	-
Divestments	-	-	-	0.01	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Capital increase	6.76	0.79	2.64	0.42	2.21	1.20	0.90	-
Financing(bank and others)	0.62	0.01	2.76	2.87	0.01	-	-	-
Others	-0.14	-1.27	-1.51	-0.54	-0.26	-1.65	-2.18	-1.60
Change in cash over the period	4.08	-3.89	0.72	-1.42	-0.61	-1.15	-0.80	-0.01
Opening cash position	2.31	6.40	2.51	3.23	1.80	1.19	0.04	-0.76
Closing cash position	6.40	2.51	3.23	1.80	1.19	0.04	-0.76	-0.77

Balance sheet

Au 31/12 (MEUR)	2013	2014	2015	2016	2017	2018E	2019E	2020E
Fixed assets	0.05	0.06	0.21	0.18	0.14	0.16	0.19	0.22
Intangible assets	1.22	1.09	1.26	1.11	0.90	0.78	0.65	0.53
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	0.44	0.65	0.59	1.02	0.81	0.76	0.82	1.02
Account receivables	0.65	0.68	0.94	1.41	1.38	1.28	1.40	1.73
Other receivables	0.46	0.38	0.54	0.68	0.54	0.59	0.55	0.59
Cash and cash equivalents	6.40	2.51	3.23	1.80	1.19	0.04	-0.76	-0.77
Prepaid expenses	-	-	-	-	-	-	-	-
Other non-current assets	0.13	0.12	0.06	0.13	0.12	0.12	0.12	0.12
Total assets	12.41	8.56	9.92	9.41	8.15	6.81	6.05	6.54
Equity	8.92	5.77	4.74	1.19	-0.20	-1.39	-2.27	-2.23
Others	-	-	-	-	-	1.65	3.83	5.43
Provisions	0.03	0.04	0.05	0.07	0.04	0.04	0.04	0.04
Financial debt	2.25	1.45	2.99	6.00	6.23	4.58	2.41	0.81
Account payables	0.69	0.72	1.10	1.19	1.04	0.97	1.05	1.31
Other debts	0.53	0.58	1.04	0.96	0.98	0.96	1.00	1.19
Deferred income and other liabilities	-	-	-	-	0.06	-	-	-
Total liabilities	12.41	8.56	9.92	9.41	8.15	6.81	6.05	6.54

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