

Morning Note – 28th January 2021

SPINEGUARD

Q4: second wave shifts many surgeries

- Sales down -25% in Q4 (-29% in 2020)
- Costs control in a delicate context
- Next exit from the safeguard procedure

2020: health resources prioritized for Covid patients

If they are very disabling for many patients suffering from deformities of the spine (pain, incapacity), the life-threatening diagnosis is rarely initiated and many surgeries were postponed during the first wave (Europe and US). After a Q2 that gave hope for a return to normal, the second wave and local lock-downs once again upset the surgeries schedules. In fact, SpineGuard suffered in Q4 in the US, an area heavily impacted by the pandemic, and saw many postponed surgeries. Sales were down -33% at constant exchange rates. The Europe zone, less impacted by the second wave, on the contrary saw an encouraging rebound with an increase of +17%. Over the year, the group's turnover stood at EUR4.85m (-29%), below our expectations (EUR5.4m).

Tight costs control should limit losses

With a turnover significantly lower than expected, the question of profitability over the year arises. Aware from H1 of the uncertainty over sales, management has managed the group with the utmost caution and controlled costs. Our expectations of an operating loss of close to EUR1m (excluding exceptional items) still seem realistic. The pandemic should nevertheless delay our scenario of break-even by one year. We are awaiting the release of annual results to refine our model.

2021: positive signals

The 3rd wave poses a real questioning in the short term, but the surgeries cannot be postponed constantly. Vaccination should help channel the pandemic and ease the "Covid" overload in hospitals. Management anticipates a return to "normal" activity in Q2. At the same time, resources will be allocated for the launch of DSG Connect in the US (regulatory clearance expected in Q1). Dental projects are resuming following funds raised by partner Confident ABC (a range should be ready by the end of 2021). Finally, the robotics and artificial intelligence programs with the Sorbonne and European partners are on track. Technical advances should facilitate discussions with actors looking for innovation in this field.

Valuation and rating

The group should come out of the safeguard procedure in March (rescheduled debt). The period remains delicate, but the future is not worrying. The stock rebounded significantly following a likely realization that assets had fundamental value. Given the high volatility of the share close to our fair value, we are waiting for the annual figures to review our valuation model.

Next communication: FY results April 8th (after market)

France - Medtech

BUY

Fair value (EUR)	0.85
Price (EUR)	1.20
Upside/down side	-29.2%

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Stock data (2021-01-27)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	1.20
Market capitalisation (EURm)	29.4
Free float (%) est.	90.0
Floating capitalisation (EURm)	26.5
Number of shares (,000)	24,512
Average daily volume (3 m)	3,549,353

12m performance



Change (%)	1 m	3 m	12m
Absolute	-11.4	+605.9	+365.1
Rel. to CAC SM190	-10.6	+582.5	+365.8
Rel. to Next Biotech	-17.4	+587.6	+369.1

Financials (31/12)

EURm	2019	2020E	2021E	2022E
Sales	6.8	5.4	7.9	10.0
EBITDA	-0.1	-0.8	0.5	1.1
EBIT	-0.4	-1.0	0.2	0.8
Net income	-0.7	-1.7	-0.1	0.6
EPS (EUR)	0.0	-0.1	0.0	0.0
Net debt	4.7	4.9	3.1	4.4

Key ratios

	2019	2020E	2021E	2022E
EV/Sales	1.1x	6.4x	4.1x	3.4x
EV/EBITDA	na	na	59.8x	29.9x
EV/EBIT	na	na	130.3x	40.8x
PER	na	na	na	49.0x
ROIC	-9%	na	5%	17%
ROE	12%	30%	2%	-6%
EV/IC	1.5x	6.9x	6.6x	6.8x
Gearing	-84%	-85%	-49%	-43%

Profit and Loss

As of 31/12 (EURm)	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	6.35	7.46	8.17	7.58	6.83	5.37	7.95	10.00
Change n-1	43.1%	17.6%	9.5%	-7.3%	-9.9%	-21.4%	48.0%	25.8%
Other revenues	-	-	-	-	-	-	-	-
Total revenues	6.35	7.46	8.17	7.58	6.83	5.37	7.95	10.00
Gross margin	5.36	6.35	6.95	6.55	5.77	4.59	7.01	8.89
EBITDA	-3.73	-3.31	-2.66	-0.86	-0.14	-0.76	0.54	1.13
Change n-1	12%	11%	20%	68%	84%	-460%	171%	-108%
Depreciation & amortisation	0.26	0.33	0.31	0.26	0.30	0.29	0.29	0.30
Goodwill	-	-	-	-	-	-	-	-
EBIT	-3.97	-3.63	-2.96	-1.11	-0.43	-1.05	0.25	0.83
Change n-1	11%	9%	18%	63%	61%	-143%	124%	-232%
Net financial income	0.10	-0.54	-1.16	-1.21	-0.64	-0.69	-0.36	-0.23
Minorities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Net profit before tax	-3.88	-4.18	-4.13	-2.32	-1.07	-1.74	-0.11	0.60
Tax	-	-	-	-0.02	0.39	-	-	-
Net in come	-3.88	-4.18	-4.13	-2.33	-0.69	-1.74	-0.11	0.60
Change n-1	15%	-8%	1%	43%	71%	-154%	94%	646%
EPS	-0.77	-0.82	-0.72	-0.34	-0.05	-0.10	-0.01	0.03
EPS fully diluted	-0.77	-0.75	-0.68	-0.38	-0.05	-0.09	-0.01	0.03
Gross margin (% of sales)	84.5%	85.1%	85.1%	86.5%	84.5%	85.5%	88.1%	88.9%
EBITDA (% of sales)	na	na	na	na	na	na	7%	11%
EBIT (% of sales)	na	na	na	na	na	na	3%	8%
Net margin (% of sales)	na	na	na	na	na	na	na	6%

Cash Flow statement

Au 31/12 (MEUR)	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net income	-3.88	-4.18	-4.13	-2.33	-0.69	-1.74	-0.11	0.60
Depreciation and amortisation	0.26	0.33	0.31	0.26	0.30	0.29	0.29	0.30
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change in WCR	0.53	-1.01	0.26	-0.08	0.27	-0.60	-0.37	-0.14
Others	0.50	0.83	1.05	1.49	0.71	1.01	0.67	0.54
Cash-flow from operations	-2.60	-4.03	-2.51	-0.67	0.60	-1.05	0.49	1.30
Capex	-0.20	-0.06	-0.05	-0.05	-0.08	-0.08	-0.08	-0.08
Free cash flow	-2.80	-4.09	-2.56	-0.72	0.52	-1.13	0.41	1.22
Acquisitions	-0.37	-0.09	-	-	-0.15	-	-	-
Divestments	-	0.01	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Capital increase	2.64	0.42	2.21	1.68	1.75	-	-	-
Financing (bank and others)	2.76	2.87	0.01	4.64	0.22	-	-	-
Others	-1.51	-0.54	-0.26	-5.73	-1.54	-	-2.36	-2.53
Change in cash over the period	0.72	-1.42	-0.61	-0.13	0.80	-1.13	-1.96	-1.31
Opening cash position	2.51	3.23	1.80	1.19	1.05	2.01	0.88	-1.08
Closing cash position	3.23	1.80	1.19	1.06	1.85	0.88	-1.08	-2.39

Balance sheet

Au 31/12 (MEUR)	2015	2016	2017	2018	2019	2020E	2021E	2022E
Fixed assets	0.21	0.18	0.14	0.12	0.63	0.56	0.48	0.40
Intangible assets	1.26	1.11	0.90	0.72	0.72	0.59	0.45	0.31
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	0.59	1.02	0.81	0.84	0.66	0.53	0.79	0.99
Account receivables	0.94	1.41	1.38	1.32	0.95	0.90	1.34	1.68
Other receivables	0.54	0.68	0.54	0.59	0.55	0.50	0.39	0.58
Cash and cash equivalents	3.23	1.80	1.19	1.06	1.40	0.27	-1.68	-2.99
Prepaid expenses	-	-	-	-	-	-	-	-
Other non-current assets	0.06	0.13	0.12	0.13	0.12	0.12	0.12	0.12
Total assets	9.92	9.41	8.15	7.86	8.12	6.56	4.97	4.17
Equity	4.74	1.19	-0.20	-5.35	-5.57	-5.76	-6.36	-10.15
Others	-	-	-	4.86	5.78	5.78	8.15	10.68
Provisions	0.05	0.07	0.04	0.04	0.05	0.05	0.05	0.05
Financial debt	2.99	6.00	6.23	6.07	6.08	5.16	1.41	1.41
Account payables	1.10	1.19	1.04	1.16	1.04	0.68	1.01	1.27
Other debts	1.04	0.96	0.98	0.81	0.62	0.52	0.60	0.80
Deferred income and other liabilities	-	-	0.06	0.26	0.11	0.11	0.11	0.11
Total liabilities	9.92	9.41	8.15	7.86	8.12	6.56	4.97	4.17

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