

Morning Note – 30th January 2020

SPINEGUARD

FY revenues : a year of transition

- Classic range decline partially balanced by new products
- EBITDA positive in H2
- Still waiting for partnerships...

A significant drop in revenues to be linked to the product mix shift

SpineGuard released yesterday night FY revenues down to EUR6.8m (-14% on a like for like basis). After a weak Q3 (-8%), the group managed to stabilize the sales but sees a significant drop compared to a bright Q4 2018 (-20%). 7,668 DSG enabled devices were sold in 2019 (9,001 in 2018, -15%). The overall counter-performance has to be read in light of a strategic move that led to allocation of resources toward recent innovations: Smart Screw and PediGuard Threaded. These latter as well as the dental projects (Adin' partnership) see a noticeable growth (+26%). PediGuard Classic, still used in many operating theaters, is therefore expected to suffer from a continuous erosion in the next quarters. Regarding geographical split, revenues in the US are down -15%, and the rest of the world sees a decline of -8%. These figures are 6% below our estimates (EUR7.2m) as far as we were expecting a stronger commitment of Zavation (US partner) in the Smart Screw deployment.

Profitability in H2 but cash situation remains concerning

A sales decline is undoubtedly a negative sign. That said, when looking at the Average Selling Price, investors will notice and appreciate that the group did not sacrifice prices to maintain its activity level (ASP of EUR1,248 in the US/ +3.9% and EUR351 in the ROW/+10%). We expect therefore the group to post a stable growth margin in 2019. Reorganization (new HQ in the US and headcount adjustments) associated with a tight cost control made achievable the break even in H2. Management sees full year EBITDA close to -EUR50k (to be compared to -EUR586k in 2018). From now, the company is supposed to be cash flow positive. Cash position as of December 31st was EUR1.3m. Whilst operations are likely to limit cash consumption in 2020, the cost of the debt remains the great concern for the group that has to negotiate as quick as possible a new reimbursement timetable.

Valuation and rating

2019 was a year of transformation. In such period, setting up reliable business plan is a real challenge. One could have expected a better performance of the Smart Screw but it is clear that the group has to find an alternative to Zavation to enter more efficiently the US market. SpineGuard can no longer progress on a stand-alone basis. The management is aware of this situation and we hope the ongoing partnering process (driven by Healthios Capital Markets) will contribute in concluding deals in H1 2020. Robotics or commercial agreements are likely to change radically the story.

There is today no rational between the stock price and the value of the assets. Our fair value remains realistic but stock is likely to be kept under pressure until the release of good news of the partnering side.

Next publication: FY results, 19th March 2020

France - Medtech

BUY

| | |
|------------------|-------|
| Fair value (EUR) | 1.00 |
| Price (EUR) | 0.244 |
| Upside/down side | +310% |

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Stock data (2020-01-29)

| | |
|--------------------------------|--------------|
| ISIN | FR0011464452 |
| Ticker | ALSGD.PA |
| Price (EUR) | 0.244 |
| Market capitalisation (EURm) | 3.0 |
| Free float (%) est. | 73.0 |
| Floating capitalisation (EURm) | 2.2 |
| Number of shares (,000) | 12,541 |
| Average daily volume (3 m) | 293,507 |

12m performance



| Change (%) | 1 m | 3 m | 12m |
|----------------------|------|-------|--------|
| Absolute | +3.4 | -9.0 | -69.0 |
| Rel. to CAC SM190 | +4.7 | -12.5 | -79.6 |
| Rel. to Next Biotech | -0.8 | -34.6 | -125.3 |

Financials (31/12)

| EURm | 2018 | 2019E | 2020E | 2021E |
|------------|-------|-------|-------|-------|
| Sales | 7.6 | 7.2 | 7.6 | 8.5 |
| EBITDA | -0.9 | -0.6 | -0.0 | 0.7 |
| EBIT | -1.1 | -0.8 | -0.2 | 0.4 |
| Net income | -2.3 | -1.3 | -0.5 | 0.4 |
| EPS (EUR) | -0.31 | -0.11 | -0.04 | 0.04 |
| Net debt | 5.0 | 5.4 | 5.4 | 2.9 |

Key ratios

| | 2018 | 2019E | 2020E | 2021E |
|-----------|------|-------|-------|-------|
| EV/Sales | 0.9x | 1.1x | 1.1x | 0.6x |
| EV/EBITDA | Na | na | na | 8.4x |
| EV/EBIT | Na | na | na | 12.6x |
| PER | Na | na | na | 6.1x |
| ROIC | Na | na | na | 10% |
| ROE | Na | na | na | na |
| EV/IC | 1.5x | 1.8x | 1.8x | 1.3x |
| Gearing | -94% | -87% | -62% | -33% |

Profit and Loss

| As of 31/12 (EURm) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019E | 2020E | 2021 ^E |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------|
| Sales | 4.44 | 6.35 | 7.46 | 8.17 | 7.58 | 7.17 | 7.63 | 8.50 |
| Change n-1 | -3.9% | 43.1% | 17.6% | 9.5% | -7.3% | -5.3% | 6.4% | 11.3% |
| Other revenues | - | - | - | - | - | - | - | - |
| Total revenues | 4.44 | 6.35 | 7.46 | 8.17 | 7.58 | 7.17 | 7.63 | 8.50 |
| Gross margin | 3.78 | 5.36 | 6.35 | 6.95 | 6.55 | 6.22 | 6.68 | 7.52 |
| EBITDA | -4.26 | -3.73 | -3.31 | -2.66 | -0.86 | -0.59 | -0.02 | 0.65 |
| Change n-1 | -45% | 12% | 11% | 20% | 68% | 32% | 96% | 2723% |
| 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 | -0.79 | -0.24 | 0.44 |
| Change n-1 | -42% | 11% | 9% | 18% | 63% | 28% | 70% | 285% |
| 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 | -1.25 | -0.47 | 0.42 |
| Tax | - | - | - | - | -0.02 | - | - | - |
| Net in come | -4.54 | -3.88 | -4.18 | -4.13 | -2.33 | -1.25 | -0.47 | 0.42 |
| Change n-1 | -29% | 15% | -8% | 1% | 43% | 47% | 62% | 188% |
| EPS | -1.03 | -0.77 | -0.82 | -0.72 | -0.34 | -0.12 | -0.05 | 0.04 |
| EPS fully diluted | -1.03 | -0.77 | -0.75 | -0.68 | -0.38 | -0.11 | -0.04 | 0.04 |
| Gross margin (% of sales) | 85.2% | 84.5% | 85.1% | 85.1% | 86.5% | 86.7% | 87.6% | 88.4% |
| 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 | -1.25 | -0.47 | 0.42 |
| 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 | 0.20 | -0.26 | -0.04 |
| 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 | 0.33 | 0.44 | 1.33 |
| Capex | -0.05 | -0.20 | -0.06 | -0.05 | -0.05 | -0.04 | -0.05 | -0.05 |
| Free cash flow | -3.37 | -2.80 | -4.09 | -2.56 | -0.72 | 0.28 | 0.39 | 1.28 |
| 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 | 0.47 | -1.77 | -1.26 |
| Opening cash position | 6.40 | 2.51 | 3.23 | 1.80 | 1.19 | 1.05 | 1.52 | -0.26 |
| Closing cash position | 2.51 | 3.23 | 1.80 | 1.19 | 1.06 | 1.52 | -0.26 | -1.51 |

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 | 0.31 |
| 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 | 0.65 | 0.59 | 1.02 | 0.81 | 0.84 | 0.71 | 0.76 | 0.84 |
| Account receivables | 0.68 | 0.94 | 1.41 | 1.38 | 1.32 | 1.21 | 1.28 | 1.43 |
| Other receivables | 0.38 | 0.54 | 0.68 | 0.54 | 0.59 | 0.55 | 0.52 | 0.55 |
| Cash and cash equivalents | 2.51 | 3.23 | 1.80 | 1.19 | 1.06 | 1.53 | -0.25 | -1.50 |
| 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 | 7.88 | 6.04 | 4.88 |
| Equity | 5.77 | 4.74 | 1.19 | -0.20 | -5.35 | -6.24 | -8.72 | -8.84 |
| 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 | 6.07 | 6.97 | 5.16 | 1.41 |
| Account payables | 0.72 | 1.10 | 1.19 | 1.04 | 1.16 | 0.91 | 0.97 | 1.08 |
| Other debts | 0.58 | 1.04 | 0.96 | 0.98 | 0.81 | 0.76 | 0.77 | 0.85 |
| 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 | 7.88 | 6.04 | 4.88 |

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