

Morning Note – 2nd April 2020

SPINEGUARD

CE mark for DSG Connect

- New look for the PediGuard range
- Finding partners: the priority in 2020
- Coronavirus crisis: impact in H1 but unchanged potential

After the sound, “the image”!

SpineGuard has announced that it has obtained the CE mark for its new DSG Connect device. In few words, this device consists of a pad and an application allowing to visualize and record the signal received from the tip of the devices of the PediGuard or Smart Screw range. This innovation represents a real advance for surgeons who will now be able to quantify the intensity of the signal thanks to a clear display, completely independent of a form of subjectivity which can exist with an audible signal. In fact, there is always background noise in an operating theater (staff, patient monitoring equipment, etc.) likely to annoy surgeons. These latter may indeed see their interpretation of the sound emitted vary according to their hearing (possible hearing loss with age) or their state of fatigue during very long surgeries such as the correction of very large deformities (severe scoliosis which require the insertion of numerous pedicle screws). DSG Connect brings a facelift for DSG technology in spine surgery. The possibility of memorizing the history of signals will also represent a precious help for hospitals in the event of litigation by providing tangible and hardly opposable evidences (in case of medical errors).

A future still dependent on strategic partnerships

If the DSG technology has obvious advantages, it remains difficult to gain market share. There is today no doubt that only a leading group in the field of spine surgery or robotics will be able to get attention from key accounts. Discussions are underway and the technology is being evaluated by potential partners (see our note dated 25-03). 2020 will therefore be a key year for SpineGuard.

Coronavirus: no or few surgeries in times of crisis

Hospital services and staffs are mobilized to respond to the epidemic wave. All "non-urgent" surgeries are postponed to a later date. SpineGuard is therefore directly affected by these calendar shifts, but it should be borne in mind that this is only a time lag since the needs of the patients remain unchanged.

Valuation and rating

We expect an air pocket in activity in H1, which should be followed by a strong rebound by the end of 2020. As a precaution, we lowered our forecast of annual turnover (5.4 MEUR vs 6.9 MEUR) but 2021 should see strong growth (+48%). Our DCF model has not fundamentally changed (Fair Value of 1.0EUR). We therefore remain positive on the dossier.

Next publication: H1 revenues – July 7th

France - Medtech

BUY

Fair value (EUR)	1.00
Price (EUR)	0.249
Upside/down side	+ 301%

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Stock data (2020-04-01)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	0.244
Market capitalisation (EURm)	3.1
Free float (%) est.	73.0
Floating capitalisation (EURm)	2.3
Number of shares (,000)	12,541
Average daily volume (3 m)	352,897

12m performance



Change (%)	1 m	3 m	12m
Absolute	-23.1	+2.9	-52.5
Rel. to CAC SM190	-0.3	+34.7	-25.1
Rel. to Next Biotech	-11.7	+20.0	-63.5

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	1.3x	1.7x	0.9x	0.9x
EV/EBITDA	na	na	13.5x	7.6x
EV/EBIT	na	na	29.4x	10.4x
PER	na	na	na	7.0x
ROIC	-9%	-21%	5%	17%
ROE	12%	30%	2%	-6%
EV/IC	1.8x	1.8x	1.5x	1.7x
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	-0.13	-0.01	0.05
EPS fully diluted	-0.77	-0.75	-0.68	-0.38	-0.05	-0.12	-0.01	0.04
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	nm	nm	nm	7%	11%
EBIT (% of sales)	na	na	na	nm	nm	nm	3%	8%
Net margin (% of sales)	na	na	na	nm	nm	nm	nm	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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