

Morning Note – 24th April 2020

SPINEGUARD

Q1 sales: good signs before the Covid 19 storm

- January-February: reassuring figures after the 2019 downturn
- Inevitable calendar shift of many surgeries
- An obvious rebound after the Covid-19 episode

A good start

SpineGuard published its Q1 turnover last night, which stands at EUR1.4m, down from Q1 2019 (-16.5%). The group sold 1,536 DSG units over the period (2,028 in Q1 2019), including 871 in the US (1,056 in Q1 2019). Outside the US (-23% at constant exchange rates), sales increased slightly (+2%). SpineGuard logically suffered from the impact of the health crisis, especially in the US where activity was halted in the middle of March. Outside the US, performance remains remarkable in view of the absence in the quarter of orders from China and the Middle East. This turnover is not surprisingly, in decline and in line with our expectations (we had revised downwards our expectations for 2020, see our note of 2nd April).

The health emergency has frozen the schedule of elective surgeries

If deformities of the spine and other lumbar / cervical pain represent sometimes critical situations for patients, the vital diagnosis is not initiated. In fact, almost all of the so-called “elective” surgeries scheduled for March and the following weeks were postponed to a later date (mobilization of resuscitation services and recovery rooms to manage Covid-19 patients). That said, patients remain suffering and must be operated on as soon as possible. SpineGuard is therefore facing a calendar shift in these interventions, the volume of which should be very high at the end of the health crisis.

H2 looks good despite everything

As mentioned, the resumption of surgical procedures will be inevitable. It already seems that dates are set in some hospitals during the month of May. Q2 will be very strongly impacted by the Covid crisis, but we believe that H2 will see sustained demand. In addition to catching up on lost Q1 and Q2 sales, the extension of the offer with the launch of DSG Connect should help win back surgeons / hospitals. Finally, the process of finding strategic partners, initiated in 2019, continues with ongoing discussions. The company may announce progress on this aspect of the case by the end of the fiscal year.

Valuation and rating

The expected dip in activity is here. The rebound also seems to be taking shape in H2. We therefore remain positive on the dossier, the group being also protected by the safeguard procedure which gives it a little respite from its lenders.

Next communication: H1 revenues – 9th July 2020

France - Medtech

BUY

Fair value (EUR)	1.00
Price (EUR)	0.220
Upside/down side	+ 355%

Lionel Labourdette, PhD, MBA

lionel@biostrategic-research.com

+33 617 965 019

Stock data (2020-04-23)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	0.220
Market capitalisation (EURm)	2.8
Free float (%) est.	73.0
Floating capitalisation (EURm)	2.0
Number of shares (,000)	12,541
Average daily volume (3 m)	404,274

12m performance



Change (%)	1 m	3 m	12m
Absolute	-32.1	-11.3	-52.5
Rel. to CAC SM190	-37.2	+12.0	-29.7
Rel. to Next Biotech	-55.6	-6.3	-83.6

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	1.5x	0.8x	0.6x
EV/EBITDA	na	na	11.0x	6.5x
EV/EBIT	na	na	24.0x	8.8x
PER	na	na	na	4.8x
ROIC	-9%	-21%	5%	17%
ROE	12%	30%	2%	-6%
EV/IC	1.5x	1.6x	1.2x	1.5x
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

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