

Morning Note – 9th July 2020

SPINEGUARD

Q2: a period logically impacted by the Covid-19

- A sharp decline but the month of June shows a good trend
- A stronger activity expected in H2
- A stock still undervalued

Pandemic: temporary suspension of many surgeries

SpineGuard has just published its Q2 sales figure which came to no surprise at EUR 0.9m, down sharply by -50%. The health crisis has forced a drop in hospital capacity towards patients affected by the coronavirus, making many surgeries deemed "non-urgent" impossible. Despite significant suffering for the patients, most surgeries on the spine were postponed, leading to a significant drop in sales of PediGuard, all references taken together. It was especially the month of April which had the greatest impact (turnover down -86%), the months of May and June showing a decline of -46% and -26% respectively. The company publishes H1 turnover of 2.28MEUR (-34%). This underperformance, which began in Q1, is in line with our expectations and with our scenario revised downwards in early April.

Towards a return to normal in H2

If the vital diagnosis is not generally initiated, the deformities of the spine remain delicate situations (chronic pain, reduced mobility, etc.). It is therefore imperative to restore a normal alignment of vertebrae. With the decrease in the number of Covid patients hospitalized in many European countries and in certain American states, resuscitation services are under less pressure. The recovery rooms are again available. Elective surgeries can therefore be scheduled. The month of June bears witness to this rebound in activity which should continue in Q3 and Q4. That said, it is unlikely that surgeons will be able to catch up and compensate in H2 for the delay accumulated on Q2 in the planning of interventions. Our assumption of annual turnover down 20% is therefore realistic. This is all the more relevant since the situation remains complex in the Latin America zone where the pandemic is experiencing a strong expansion and that certain clusters impose the local re-confinement of populations, a phenomenon which affects all continents.

Valuation and rating

The month of June is for us the most important indicator that shows that the end of the crisis has started. As the underlying demand remains intact, we believe that SpineGuard should see its sales increase in H2 (in rolling months). The launch of DSG Connect is affected by the health context, but this new device should contribute to developing forward sales. Discussions with potential partners are also active and could lead to value-creating deals. Even if the period remains delicate, we remain positive on this dossier whose current price does not reflect the value of the assets. The group is still protected by the safeguard procedure which rejects the repayment of its debt and gives time to the rebound scenario.

Next communication: HY Results – 15th September 2020

France - Medtech

BUY

Fair value (EUR)	1.00
Price (EUR)	0.1695
Upside/down side	+ 44,0%

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Stock data (2020-07-08)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	0.1695
Market capitalisation (EURm)	3.0
Free float (%) est.	85,0
Floating capitalisation (EURm)	2.6
Number of shares (,000)	17,707
Average daily volume (3 m)	424,991

12m performance



Change (%)	1 m	3 m	12m
Absolute	-21.5	-23.0	-47.2
Rel. to CAC SM190	-19.5	-35.7	-34.9
Rel. to Next Biotech	-23.9	-38.2	-83.1

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	1.5x	0.8x	0.8x
EV/EBITDA	na	na	11.4x	6.6x
EV/EBIT	na	na	24.8x	9.0x
PER	na	na	na	5.1x
ROIC	-9%	-21%	5%	17%
ROE	12%	30%	2%	-6%
EV/IC	1.5x	1.6x	1.3x	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	-0.10	-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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