

Morning Note – 16th October 2020

SPINEGUARD

Q3: a satisfactory recovery in activity

- Rebound after a weak Q2
- Safeguard procedure: hearing scheduled for October 21st
- A second wave whose impact is delicate to quantify

Rescheduling of surgeries supported Q3 sales

SpineGuard published last night its Q3 turnover which came out at EUR1.33m, down -23% compared to Q3 2019 (-20% at constant exchange rates). Sales nevertheless increased by + 47% compared to Q2, which was severely impacted by the health crisis (postponement of numerous interventions to free up capacity in intensive care units and recovery rooms). Over the period, the group sold 1,424 Pediguard units against 886 in Q2 2020, highlighting the reprogramming of spine surgeries. Activity outside the US, particularly in France and Germany, was strong (+ 10% sales vs. Q3 2019 and + 152% of units sold vs. Q2). The group has not seen any sales in China (countries with significant stocks), a situation which has a positive impact on the ASP (Average Selling Price) which we estimate to be outside the US at EUR481 (vs. EUR351 in fiscal year 2019). The situation in the US is more complex with a somewhat weaker than expected recovery (+ 24% units sold compared to Q2). While the number of overdue patients has not decreased during the confinement period, the fear of contracting the virus in hospital may represent a barrier to some patients' decision to undergo surgery, but the major impact seems to lie in the lack of visibility for certain households (loss of employment and therefore loss of the healthcare insurance). After a complex period, management plans to strengthen its commercial actions in the US to boost sales (layoffs in the sector offer opportunities to recruit good salespeople).

What to expect from the upcoming hearing?

SpineGuard is due to present its plan to the Commercial Court of Créteil next week. It is very likely that the rescheduling of the debt will be recorded in order to give the group better visibility to repay its creditors. It should be kept in mind that operational balance has almost been reached and the realistic development plan (sales growth, partnerships) must be supported by postponing loan repayment deadlines.

Valuation and rating

The released figures are reassuring. The dynamics in the US could be better but the situation can change very quickly in this area. The current question mark is the impact of the second wave which is affecting Europe and may cause the postponement of some surgeries. However, the postponement cannot go on forever. The stock price is still decorrelated from the value and potential of the technology. We therefore remain positive on the dossier.

Next communication: FY revenues (end of January 2021, date to be defined)

France - Medtech

BUY

Fair value (EUR)	0.85
Price (EUR)	0.181
Upside/down side	+ 370%

Lionel Labourdette, PhD, MBA

lionel@biostrategic-research.com
+33 617 965 019

Stock data (2020-10-15)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	0.181
Market capitalisation (EURm)	3.8
Free float (%) est.	85,0
Floating capitalisation (EURm)	3.3
Number of shares (,000)	20,848
Average daily volume (3 m)	122,427

12m performance



Change (%)	1 m	3 m	12m
Absolute	-1.1%	-4.5%	-25.8%
Rel. to CAC SM190	1.5%	-4.9%	-16.1%
Rel. to Next Biotech	-8.6%	8.4%	-45.4%

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	1.6x	0.9x	0.8x
EV/EBITDA	na	na	12.7x	7.3x
EV/EBIT	na	na	27.7x	9.9x
PER	na	na	na	6.3x
ROIC	-9%	na	5%	17%
ROE	12%	30%	2%	-6%
EV/IC	1.5x	1.8x	1.4x	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	-0.10	-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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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

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