

Morning Note – 8th July 2021

SPINEGUARD

Q2 revenues: very positive signals

- Sustained growth in Q2 (+39%)
- Exit of the safeguard procedure in the US in the near future
- R&D projects progressing as planned

Pandemic still present but slightly less impactful

SpineGuard released last night its Q2 sales at 1.18MEUR, up +31% (+39% at constant exchange rate). H1 activity grew by +4% with 2,731 DSG units sold (vs 2,422 in H1 2020). Excluding the US, sales posted a fourth quarter growth and returned to levels equivalent to 2019. In the US, sales are up +22% (+13% at constant currency). However, the solid growth must be analyzed in the light of H1 2020, which was impacted by the first containment, making the basis for comparison particularly weak. That said, the figures published are very encouraging, as they highlight a real dynamic in key countries (France, Germany) and show the first effects of the recruitment of the new sales director who has taken over the network of agents on American soil. It is important to note that this upturn in activity has not affected average sales prices, which have remained stable compared with previous years. The published figures are therefore good, and generally in line with our expectations.

Towards the end of Chapter 11: confidence soon to be restored

After the end of the safeguard procedure in France in March, SpineGuard should also soon emerge from Chapter 11 protection in the US. The lawyers seem confident about the outcome of the hearing scheduled for July 22th, which should result in an exit from the procedure within two months. This step is particularly important because the image of the company is inevitably altered (reliability of a supplier in "difficulty" and this independently of the quality of its products). Once the procedure is closed, SpineGuard should regain the confidence of the purchasing departments of certain hospitals.

Good news on the innovation front

In addition to its commercial activities, the company has continued its R&D efforts. Dental projects are progressing well. Steps have also been taken in robotics (collaboration with the Sorbonne) confirming the relevance of the DSG offer in the guidance of robotic arms.

Valuation and rating

Growth was anticipated because the postponement of certain procedures could not continue (patient suffering). The second half of the year should see further growth in sales. The emergence of variants of the virus is a real concern, but the growing proportion of people vaccinated should limit the impact of new waves on the level of activity in intensive care units, leaving surgical procedures such as spinal surgery possible. We therefore remain very positive on this dossier with obvious advantages.

Next communication: HY results September 15th (after market)

France - Medtech

BUY

Fair value (EUR)	2.15
Price (EUR)	1.164
Upside/down side	+84.7%

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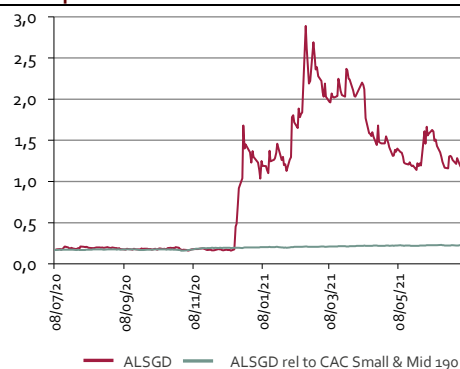
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Stock data (2021-07-07)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	1.164
Market capitalisation (EURm)	31.3
Free float (%) est.	91.6
Floating capitalisation (EURm)	28.6
Number of shares (,000)	26,851
Average daily volume (3 m)	874,672

12m performance



Change (%)	1 m	3 m	12m
Absolute	-27.6	-45.1	+584.7
Rel. to CAC SM190	-27.0	-46.9	+551.8
Rel. to Next Biotech	-32.9	-41.9	+602.0

Financials (31/12)

EURm	2020	2021E	2022E	2023E
Sales	4.9	5.6	6.7	8.1
EBITDA	-1.5	-0.3	0.3	0.9
EBIT	-1.8	-0.6	0.0	0.6
Net income	-2.7	-1.2	-0.4	0.4
EPS (EUR)	-0.10	-0.04	-0.01	0.01
Net debt	4.4	3.2	1.5	0.1

Key ratios

	2020	2021E	2022E	2023E
EV/Sales	6.6x	5.8x	4.6x	3.6x
EV/EBITDA	na	na	93.3x	31.4x
EV/EBIT	na	na	na	47.2x
PER	na	na	na	83.7x
ROIC	na	na	na	16%
ROE	na	na	na	8%
EV/IC	7.8x	7.3x	7.4x	7.3x
Gearing	na	220%	49%	2%

Profit and Loss

As of 31/12 (EURm)	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	7,46	8,17	7,58	6,83	4,85	5,55	6,71	8,14
Change n-1	17,6%	9,5%	-7,3%	-9,9%	-29,0%	14,4%	20,9%	21,3%
Other revenues	-	-	-	-	-	-	-	1,00
Total revenues	7,46	8,17	7,58	6,83	4,85	5,55	6,71	9,14
Gross margin	6,35	6,95	6,55	5,77	4,04	4,81	5,82	7,08
EBITDA	-3,31	-2,66	-0,86	-0,14	-1,49	-0,33	0,33	0,94
Change n-1	11%	20%	68%	84%	-993%	78%	202%	-183%
Depreciation & amortisation	0,33	0,31	0,26	0,30	0,35	0,30	0,31	0,32
Goodwill	-	-	-	-	-	-	-	-
EBIT	-3,63	-2,96	-1,11	-0,43	-1,84	-0,63	0,03	0,63
Change n-1	9%	18%	63%	61%	-326%	66%	104%	-2393%
Net financial income	-0,54	-1,16	-1,21	-0,64	-0,84	-0,53	-0,40	-0,28
Minorities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Net profit before tax	-4,18	-4,13	-2,32	-1,07	-2,68	-1,16	-0,38	0,35
Tax	-	-	-0,02	0,39	-0,04	-	-	-
Net in come	-4,18	-4,13	-2,33	-0,69	-2,72	-1,16	-0,38	0,35
Change n-1	-8%	1%	43%	71%	-296%	57%	67%	193%
EPS	-0,82	-0,72	-0,34	-0,05	-0,12	-0,05	-0,01	0,01
EPS fully diluted	-0,75	-0,65	-0,31	-0,05	-0,10	-0,04	-0,01	0,01
Gross margin (% of sales)	85,1%	85,1%	86,5%	84,5%	83,2%	86,6%	86,8%	87,0%
EBITDA (% of sales)	NA	NA	NA	NA	NA	NA	5,0%	11,6%
EBIT (% of sales)	NA	NA	NA	NA	NA	NA	0,4%	7,7%
Net margin (% of sales)	NA	NA	NA	NA	NA	NA	NA	4,3%

Cash Flow statement

Au 31/12 (MEUR)	2016	2017	2018	2019	2020	2021E	2022E	2023E
Net income	-4,18	-4,13	-2,33	-0,69	-2,72	-1,16	-0,38	0,35
Depreciation and amortisation	0,33	0,31	0,26	0,30	0,35	0,30	0,31	0,32
Goodwill	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Change in WCR	-1,01	0,26	-0,08	0,27	0,64	-0,51	0,34	0,29
Others	0,83	1,05	1,49	0,71	1,04	0,88	0,75	0,68
Cash-flow from operations	-4,03	-2,51	-0,67	0,60	-0,68	-0,48	1,03	1,63
Capex	-0,06	-0,05	-0,05	-0,08	-0,05	-0,08	-0,08	-0,08
Free cash flow	-4,09	-2,56	-0,72	0,52	-0,73	-0,56	0,95	1,55
Acquisitions	-0,09	-	-	-0,15	-0,15	-0,15	-0,15	-0,15
Divestments	0,01	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Capital increase	0,42	2,21	1,68	1,75	1,75	2,00	1,00	-
Financing (bank and others)	2,87	0,01	4,64	0,22	0,01	-	-	-
Others	-0,54	-0,26	-5,73	-1,54	-0,99	-1,25	-1,19	-1,13
Change in cash over the period	-1,42	-0,61	-0,13	0,80	-0,12	0,03	0,61	0,28
Opening cash position	3,23	1,80	1,19	1,05	2,01	2,03	2,22	2,97
Closing cash position	1,80	1,19	1,06	1,85	1,89	2,07	2,82	3,25

Balance sheet

Au 31/12 (MEUR)	2016	2017	2018	2019	2020	2021E	2022E	2023E
Fixed assets	0,18	0,14	0,12	0,63	0,50	0,43	0,35	0,26
Intangible assets	1,11	0,90	0,72	0,72	0,69	0,55	0,40	0,25
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	1,02	0,81	0,84	0,66	0,66	0,55	0,67	0,81
Account receivables	1,41	1,38	1,32	0,95	0,71	0,93	1,13	1,37
Other receivables	0,68	0,54	0,59	0,55	0,67	0,48	0,55	0,66
Cash and cash equivalents	1,80	1,19	1,06	1,40	1,22	1,41	2,16	2,59
Prepaid expenses	-	-	-	-	-	-	-	-
Other non-current assets	0,13	0,12	0,13	0,50	0,51	0,51	0,51	0,51
Total assets	9,41	8,15	7,86	8,50	8,06	7,94	8,85	9,53
Equity	1,19	-0,21	-0,50	0,59	-0,01	1,46	3,03	4,28
Others	-	-	-	-	-	-	-	-
Provisions	0,07	0,05	0,05	0,05	0,05	0,05	0,05	0,05
Financial debt	6,00	6,23	6,07	6,08	5,64	4,63	3,65	2,66
Account payables	1,19	1,04	1,16	1,04	1,34	0,70	0,85	1,03
Other debts	0,96	0,98	0,81	0,62	0,88	0,93	1,12	1,36
Deferred income and other liabilities	-	0,06	0,26	0,11	0,15	0,15	0,15	0,15
Total liabilities	9,41	8,15	7,86	8,50	8,06	7,94	8,85	9,53

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