

Morning Note – 7th January 2022

SPINEGUARD

A promising partnership in the US in pediatric surgery

- Distribution agreement in the growing pediatric segment
- WishBone: a clear positioning and a growing reputation
- Assets still undervalued

A timely agreement

SpineGuard announced last night that it has signed an exclusive distribution agreement with WishBone Medical (a young American company - created in 2017) to distribute PediGuard in pediatric orthopedic centers in the United States. This commercial partnership in the world's largest market seems to us to be very timely, especially since it coincides with the launch of DSG Connect, the connected interface that provides comfort for the surgeon during surgery. Apart from a few cases of spinal trauma requiring spinal stabilization implants (accidents), the market addressed by PediGuard in children/adolescents is that of large deformities (disabling scoliosis) requiring correction of several vertebral levels with the installation of rods held in place by dozens of pedicle screws. Surgeons need to check the placement of the implants multiple times with x-rays. Young patients and caregivers are therefore exposed to particularly high doses of x-rays, which PediGuard helps to limit.

A motivated partner, a great efficiency in the field

If the legal entity WishBone Medical seems to be recent, the group benefits from a long-standing expertise in the development and validation of orthopedic devices dedicated to pediatrics (CEO Nick Deeter has been working on this "niche" for 20 years). The offer now covers various fields of bone and joint surgery with a strong focus on single-use devices. WishBone, whose positioning is very clear, has quickly become a reference player and has points of entry in nearly 90% of American pediatric hospitals. SpineGuard will benefit from a privileged and rapid access to a community of pediatric surgeons who are expected to adopt PediGuard.

Valuation and rating

The signing of this partnership is very good news. The impact on sales will remain to be assessed over the coming quarters, but we are confident in the ability of both partners to create value quickly. However, the period is still uncertain due to the pandemic whose waves of variants are still disrupting healthcare facilities (deprogramming of surgeries to free up capacity in resuscitation departments). That said, the value of SpineGuard is not solely dependent on sales of the PediGuard line. The potential also lies in the robotics projects for which we expect positive news in 2022. We therefore remain very positive on the dossier.

Next communication: FY revenues January 26th (after market)

France - Medtech

BUY

Fair value (EUR)	1.70
Price (EUR)	1.110
Upside/down side	+53.2%

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Stock data (2022-01-06)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	1.110
Market capitalisation (EURm)	32.9
Free float (%) est.	91.6
Floating capitalisation (EURm)	30.1
Number of shares (,000)	29,635
Average daily volume (3 m)	317,426

12m performance



Change (%)	1 m	3 m	12m
Absolute	-1.8	-14.6	-11.2
Rel. to CAC SM190	-4.3	-19.6	-25.6
Rel. to Next Biotech	-10.4	-21.0	-7.8

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	7.9x	6.3x	5.2x	4.1x
EV/EBITDA	na	na	104.8x	35.5x
EV/EBIT	na	Na	1384x	53.2x
PER	na	Na	na	94.5x
ROIC	na	Na	1%	16%
ROE	na	Na	Na	8%
EV/IC	9.4x	8.2x	8.3x	8.3x
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	-0.04	-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	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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