

Morning Note – 27th January 2022

SPINEGUARD

2021 revenues: the pandemic has a strong impact on business

- Q4: still very turbulent in the US
- Progress on innovative projects
- Assets still undervalued

Successive waves have disrupted surgery schedules

SpineGuard published last night its 2021 Sales at EUR4.4m, down -9% (-7% at constant exchange rates). In Q4, sales were down by 7%, reflecting a still very disrupted situation in the United States due to numerous postponements of surgical procedures (staff shortages in hospitals and priority still given to covid patients in intensive care units). In the rest of the world, the situation is much better, with sales growth of +37% in Q4, thus concluding a year of very good growth (+36%). Over the year, the group sold 5,183 DSG units (including 2,477 in the US) compared to 5,216 in 2020 (including 3,167 in the US). Q4 performance was well below our expectations and annual sales were significantly below our expectations (EUR5.55m). After a sharp decline in Q3, we were expecting a return to the usual pace of surgeries in US hospitals, but the progression of new variants, whose contagiousness and dangerousness were difficult to anticipate, definitively invalidated the rebound expected at the end of the year.

Towards a return to normal in 2022

If 2021 was a complex year, the reality of patients in pain and still waiting for spinal surgery cannot be questioned. Postponements, as frequent as they were last year, will have to lead surgeons to intervene and thus catch up with the "reservoir" of patients that is not becoming empty, on the contrary. While the threat of new variants remains a possibility, the impact of the expanded vaccination of populations should help free up capacity in hospitals. We can therefore expect a return to solid growth in DSG unit sales in 2022, particularly in the US, where the recent partnership with WishBone, which provides privileged access to many paediatric hospitals, is expected to boost activity. The DSG Connect offer will also be a factor of attractiveness and new perception of the technology which should encourage (re)appropriation of the PediGuard range. On the R&D side, the dental project should see the final design of a piercing device that could be marketed by the end of 2022.

Valuation and rating

US sales are disappointing but no real surprise given the successive waves of the pandemic. We are waiting to see the trend in Q1 before adjusting our scenario. The growth drivers are being put in place and the long term is not in jeopardy as the company has a solid cash position to finance its projects. We therefore remain positive on the stock.

Next communication: FYresults + Q1 revenues April 20th (after market)

France - Medtech

BUY

Fair value (EUR)	1.70
Price (EUR)	1.124
Upside/down side	+51.2%

Lionel Labourdette, PhD, MBA

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

Stock data (2022-01-27)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	1.124
Market capitalisation (EURm)	33.4
Free float (%) est.	91.6
Floating capitalisation (EURm)	30.6
Number of shares (,000)	29,734
Average daily volume (3 m)	418,228

12m performance



Change (%)	1 m	3 m	12m
Absolute	+1.3	-4.7	-6.3
Rel. to CAC SM190	+3.7	-1.0	-20.0
Rel. to Next Biotech	+21.6	+4.3	+19.6

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	6.6x	5.3x	4.2x
EV/EBITDA	na	na	106.0x	35.9x
EV/EBIT	na	na	1400x	53.9x
PER	na	na	na	95.7x
ROIC	na	na	1%	16%
ROE	na	na	na	8%
EV/IC	9.4x	8.3x	8.4x	8.4x
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	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

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