

## Morning Note – 29th April 2022

### SPINEGUARD

2021: a difficult year but growth returns in 2022

- Losses under control in the context of a pandemic
- The year 2022 is off to a better start
- Innovation will bring good visibility to the dossier

#### A logical dip in the wave

SpineGuard had already published its 2021 turnover at the end of January (down -9%), a counter-performance resulting from a strong disruption in the US (around 80% of the group's sales in normal times). The Covid waves have forced the postponement of many surgical procedures. The change in the geographical mix resulted in a 1.3 point drop in the gross margin rate (sales prices in the US are significantly higher than in the rest of the world). R&D costs increased, as management decided to actively support new projects (growth drivers for the group). Stable marketing expenditures and a decrease in administrative costs limited the operating loss to EUR -1.24m (vs. EUR -0.96m in 2020). The end of the safeguard period results in lower non-recurring expenses (EUR 110k vs. EUR 875k in 2020). The restructuring of the debt also allows a strong decrease of the financial expenses (299kEUR vs 844kEUR). Despite the decline in sales, the net loss improved (EUR -1.72m vs EUR -2.72m in 2020). These results are consistent with our initial expectation of a loss of EUR -1.2m based on sales of EUR 5.6m.

#### A return to growth in Q1 2022

SpineGuard is taking advantage of this annual publication to report Q1 sales at EUR1.13m (+7.8%). The number of units sold is stable but the most important is a good performance in March in the US after two months still very disturbed by the Omicron wave. Outside the US, growth was +13%, a continuous increase over 6 consecutive quarters. Although it is premature to anticipate a major rebound in activity, these signals are very reassuring and give hope for a return to sustainable growth.

#### Expanding the commercial network and investing in new projects

2021 saw the group reach key milestones in its projects. Whether it is a redeployment of the sales team in the US or the partnership with Wishbone (a US leading player in paediatrics surgery), SpineGuard is allocating resources to revitalise sales, benefiting from new references (DSG connect) or new indications (approval for anterior approach surgery). New DSG applications (robotics, drill, etc.) open up future prospects that must be supported to launch differentiating growth relays that should make surgeons captive.

#### Valuation and rating

2021 was a year of commercial downturn but used to rethink an organisation and move forward on new projects. We are waiting for the financial report to refine our model. The fundamentals remain solid in our view and we are confident. We therefore remain positive on the stock.

*Next communication: HY revenues - July 12th (after market)*

### France - Medtech

**BUY**

Fair value (EUR)	1.70
Price (EUR)	1.062
Upside/down side	+60.1%

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#### Stock data (2022-04-28)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	1.062
Market capitalisation (EURm)	31.7
Free float (%) est.	96.1
Floating capitalisation (EURm)	30.4
Number of shares (,000)	29,822
Average daily volume (3 m)	209,556

#### 12m performance



Change (%)	1 m	3 m	12m
Absolute	+1.5	+1.5	-27.7
Rel. to CAC SM190	+4.7	+3.0	-26.9
Rel. to Next Biotech	+7.5	+21	+12.2

#### 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	6.2x	5.0x	3.9x
EV/EBITDA	na	na	100.4x	33.9x
EV/EBIT	na	na	1326x	50.9x
PER	na	na	na	90.5x
ROIC	na	na	1%	16%
ROE	na	na	na	8%
EV/IC	9.4x	8.3x	7.9x	7.9x
Gearing	na	220%	49%	2%

## Profit and Loss

As of 31/12 (EURm)	2016	2017	2018	2019	2020	2021E	2022E	2023E
<b>Sales</b>	<b>7.46</b>	<b>8.17</b>	<b>7.58</b>	<b>6.83</b>	<b>4.85</b>	<b>5.55</b>	<b>6.71</b>	<b>8.14</b>
Change n-1	17.6%	9.5%	-7.3%	-9.9%	-29.0%	14.4%	20.9%	21.3%
Other revenues	-	-	-	-	-	-	-	1.00
<b>Total revenues</b>	<b>7.46</b>	<b>8.17</b>	<b>7.58</b>	<b>6.83</b>	<b>4.85</b>	<b>5.55</b>	<b>6.71</b>	<b>9.14</b>
Gross margin	6.35	6.95	6.55	5.77	4.04	4.81	5.82	7.08
<b>EBITDA</b>	<b>-3.31</b>	<b>-2.66</b>	<b>-0.86</b>	<b>-0.14</b>	<b>-1.49</b>	<b>-0.33</b>	<b>0.33</b>	<b>0.94</b>
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	-	-	-	-	-	-	-	-
<b>EBIT</b>	<b>-3.63</b>	<b>-2.96</b>	<b>-1.11</b>	<b>-0.43</b>	<b>-1.84</b>	<b>-0.63</b>	<b>0.03</b>	<b>0.63</b>
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	-	-	-	-	-	-	-	-
<b>Net profit before tax</b>	<b>-4.18</b>	<b>-4.13</b>	<b>-2.32</b>	<b>-1.07</b>	<b>-2.68</b>	<b>-1.16</b>	<b>-0.38</b>	<b>0.35</b>
Tax	-	-	-0.02	0.39	-0.04	-	-	-
<b>Net in come</b>	<b>-4.18</b>	<b>-4.13</b>	<b>-2.33</b>	<b>-0.69</b>	<b>-2.72</b>	<b>-1.16</b>	<b>-0.38</b>	<b>0.35</b>
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
<b>Net income</b>	<b>-4.18</b>	<b>-4.13</b>	<b>-2.33</b>	<b>-0.69</b>	<b>-2.72</b>	<b>-1.16</b>	<b>-0.38</b>	<b>0.35</b>
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
<b>Cash-flow from operations</b>	<b>-4.03</b>	<b>-2.51</b>	<b>-0.67</b>	<b>0.60</b>	<b>-0.68</b>	<b>-0.48</b>	<b>1.03</b>	<b>1.63</b>
Capex	-0.06	-0.05	-0.05	-0.08	-0.05	-0.08	-0.08	-0.08
<b>Free cash flow</b>	<b>-4.09</b>	<b>-2.56</b>	<b>-0.72</b>	<b>0.52</b>	<b>-0.73</b>	<b>-0.56</b>	<b>0.95</b>	<b>1.55</b>
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
<b>Change in cash over the period</b>	<b>-1.42</b>	<b>-0.61</b>	<b>-0.13</b>	<b>0.80</b>	<b>-0.12</b>	<b>0.03</b>	<b>0.61</b>	<b>0.28</b>
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
<b>Total assets</b>	<b>9.41</b>	<b>8.15</b>	<b>7.86</b>	<b>8.50</b>	<b>8.06</b>	<b>7.94</b>	<b>8.85</b>	<b>9.53</b>
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
<b>Total liabilities</b>	<b>9.41</b>	<b>8.15</b>	<b>7.86</b>	<b>8.50</b>	<b>8.06</b>	<b>7.94</b>	<b>8.85</b>	<b>9.53</b>

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