

Morning Note – 16th September 2022

SPINEGUARD

HY results: investments for the future

- Losses logically increased
- Significant progress in H1
- Potential still intact

A period of efforts on all fronts

SpineGuard published its H1 results last night. The 14% increase in turnover (see note of 13/07) highlighted a return to more sustained growth, despite a still delicate situation in the United States, which has not yet regained its pre-pandemic momentum. The gross margin increased by 3.4pts, an improvement that has to be read to the sale of products manufactured on the basis of "ante-inflation" manufacturing costs and revenues not associated with operational costs (Confident' milestone). During the period, the group allocated significant resources in marketing (to increase the presence on the ground) but also in R&D to support innovative projects (robotics and new concepts). The operating loss is therefore logically increased (EUR-1.0m vs EUR-0.78m in H1 2021) but this must be analysed in the light of future value creation. The net loss is EUR-1.18m (vs EUR-0.83m) and the cash consumption is close to EUR0.92m for the period. As of 31/08, the cash position stood at EUR 3.7m, ensuring visibility until mid-2024 following the drawing of additional financing lines.

The (re)conquest of the United States is on track

Performance in this key territory remains below expectations. While the pandemic has clearly affected surgeries schedules, SpineGuard needed to evolve its model to better address the various healthcare institutions. The first deal with Wishbone has enabled the company to take a position in the paediatric segment. Initial feedback has been very positive, with the partner enabling the opening of new hospitals. The recent agreement with Omnia Medical now opens doors in the adult segment and gives access to ambulatory surgery. The partnership also includes taking over the Smart Screw, which Zavation, the previous partner in the US, had clearly failed to promote. As far as dental projects are concerned, technical milestones have also been reached by the partner Confident, paving the way to the finalisation of the drilling device and its future approval. Lastly, the Faros robotics project seems to be on track with a very positive mid-term audit.

Valuation and rating

The published loss is greater than our expectations. The actions taken to explain this overshoot are, however, necessary to roll out more products more quickly in the future. It is therefore an "evil for a good" that does not jeopardise the story, quite the contrary. We therefore remain positive on this dossier, whose long-term potential remains unchanged.

Next communication: Q3 revenues - October 12th (after market)

France - Medtech

BUY

Fair value (EUR)	1.56
Price (EUR)	0.616
Upside/down side	+153.2%

Lionel Labourdette, PhD, MBA

lionel@biostrategic-research.com

+33 617 965 019

Stock data (2022-07-12)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	0.616
Market capitalisation (EURm)	19.6
Free float (%) est.	96.1
Floating capitalisation (EURm)	18.9
Number of shares (,000)	31,741
Average daily volume (3 m)	107,734

12m performance



Change (%)	1 m	3 m	12m
Absolute	-2.1	-25.8	-55.5
Rel. to CAC SM190	+6.8	-25.1	-40.6
Rel. to Next Biotech	+0.3	-38.1	-53.4

Financials (31/12)

EURm	2021	2022E	2023E	2024E
Sales	4.4	5.6	7.2	8.9
EBITDA	-1.5	-0.4	0.3	1.0
EBIT	-1.8	-0.7	0.0	0.6
Net income	-2.7	-1.1	-0.3	0.5
EPS (EUR)	-0.10	-0.03	-0.01	0.01
Net debt	4.4	-1.0	-1.6	-2.8

Key ratios

	2021	2022E	2023E	2024E
EV/Sales	7.5x	3.3x	2.5x	1.9x
EV/EBITDA	na	na	na	17.3x
EV/EBIT	na	na	na	26.7x
PER	na	na	na	40.5x
ROIC	na	na	na	17%
ROE	na	na	na	7%
EV/IC	7.8x	4.4x	4.5x	4.5x
Gearing	na	-19%	-28%	-42%

Profit and Loss

As of 31/12 (EURm)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	8.17	7.58	6.83	4.85	4.41	5.62	7.16	8.91
Change n-1	9.5%	-7.3%	-9.9%	-29.0%	-9.2%	27.6%	27.4%	24.4%
Other revenues	-	-	-	-	-	-	-	-
Total revenues	8.17	7.58	6.83	4.85	4.41	5.62	7.16	8.91
Gross margin	6.95	6.55	5.77	4.04	3.61	4.56	5.90	7.38
EBITDA	-2.66	-0.86	-0.14	-1.49	-1.04	-0.38	0.35	0.97
Change n-1	20%	68%	84%	-993%	30%	63%	191%	-178%
Depreciation & amortisation	0.31	0.26	0.30	0.35	0.31	0.33	0.34	0.35
Goodwill	-	-	-	-	-	-	-	-
EBIT	-2.96	-1.11	-0.43	-1.84	-1.35	-0.71	0.01	0.63
Change n-1	18%	63%	61%	-326%	27%	47%	102%	-4338%
Net financial income	-1.16	-1.21	-0.64	-0.84	-0.30	-0.40	-0.28	-0.15
Minorities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Net profit before tax	-4.13	-2.32	-1.07	-2.68	-1.65	-1.11	-0.26	0.48
Tax	-	-0.02	0.39	-0.04	-0.08	-	-	-
Net in come	-4.13	-2.33	-0.69	-2.72	-1.72	-1.11	-0.26	0.48
Change n-1	1%	43%	71%	-296%	37%	35%	77%	285%
EPS	-0.72	-0.34	-0.05	-0.12	-0.06	-0.04	-0.01	0.02
EPS fully diluted	-0.65	-0.31	-0.05	-0.10	-0.05	-0.03	-0.01	0.01
Gross margin (% of sales)	85.1%	86.5%	84.5%	83.2%	81.9%	81.2%	82.5%	82.9%
EBITDA (% of sales)	NA	NA	NA	NA	NA	NA	4.9%	10.9%
EBIT (% of sales)	NA	NA	NA	NA	NA	NA	0.2%	7.1%
Net margin (% of sales)	NA	NA	NA	NA	NA	NA	NA	5.4%

Cash Flow statement

Au 31/12 (MEUR)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Net income	-4.13	-2.33	-0.69	-2.72	-1.72	-1.11	-0.26	0.48
Depreciation and amortisation	0.31	0.26	0.30	0.35	0.31	0.33	0.34	0.35
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change in WCR	0.26	-0.08	0.27	0.64	-0.09	0.14	0.46	0.40
Others	1.05	1.49	0.71	1.04	0.27	0.34	0.26	0.13
Cash-flow from operations	-2.51	-0.67	0.60	-0.68	-1.23	-0.30	0.80	1.36
Capex	-0.05	-0.05	-0.08	-0.05	-0.04	-0.08	-0.08	-0.08
Free cash flow	-2.56	-0.72	0.52	-0.73	-1.27	-0.38	0.72	1.28
Acquisitions	-	-	-0.15	-0.15	-0.33	-0.15	-0.15	-0.15
Divestments	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Capital increase	2.21	1.68	1.75	1.75	6.48	1.00	-	-
Financing (bank and others)	0.01	4.64	0.22	0.01	0.04	-	-	-
Others	-0.26	-5.73	-1.54	-0.99	-0.91	-1.19	-1.13	-1.06
Change in cash over the period	-0.61	-0.13	0.80	-0.12	4.01	-0.72	-0.56	0.07
Opening cash position	1.80	1.19	1.05	2.01	2.03	6.33	5.76	5.36
Closing cash position	1.19	1.06	1.85	1.89	6.04	5.61	5.21	5.43

Balance sheet

Au 31/12 (MEUR)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Fixed assets	0.14	0.12	0.63	0.50	0.37	0.30	0.21	0.12
Intangible assets	0.90	0.72	0.72	0.69	0.89	0.72	0.55	0.38
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	0.81	0.84	0.66	0.66	0.68	0.56	0.71	0.88
Account receivables	1.38	1.32	0.95	0.71	0.62	0.95	1.20	1.50
Other receivables	0.54	0.59	0.55	0.67	0.57	0.51	0.65	0.83
Cash and cash equivalents	1.19	1.06	1.40	1.22	5.21	4.64	4.23	4.45
Prepaid expenses	-	-	-	-	-	-	-	-
Other non-current assets	0.12	0.13	0.50	0.51	0.48	0.48	0.48	0.48
Total assets	8.15	7.86	8.50	8.06	11.90	11.23	11.12	11.73
Equity	-0.21	-0.50	0.59	-0.01	5.06	5.30	5.65	6.64
Others	-	-	-	-	-	-	-	-
Provisions	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Financial debt	6.23	6.07	6.08	5.64	4.47	3.65	2.66	1.67
Account payables	1.04	1.16	1.04	1.34	1.00	0.71	0.91	1.13
Other debts	0.98	0.81	0.62	0.88	1.00	1.21	1.54	1.92
Deferred income and other liabilities	0.06	0.26	0.11	0.15	0.32	0.32	0.32	0.32
Total liabilities	8.15	7.86	8.50	8.06	11.90	11.23	11.12	11.73

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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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