

## Morning Note – 10<sup>th</sup> January 2023

### SPINEGUARD

Q4: a very positive end to the year

- Confirmation of the momentum observed in Q3
- Improvement in the US underway
- Still undervalued

#### Strong growth in Q4

SpineGuard reported last night Q4 sales of EUR 1.58m, up strongly by +37% (+27% at constant exchange rates). On a full year basis, after a modest Q1 (+8%), growth accelerated in H2. Turnover reached EUR5.6m (vs EUR4.4m in 2021), up +27% (+17% at constant exchange rates). This is the 4<sup>th</sup> consecutive quarter of growth, an evidence of a return to a more established activity after long months disrupted by the successive waves of the pandemic. In the US, SpineGuard sold 2,738 DSG units in 2022 (+11%) with solid growth in Q4 (+18%). In the rest of the world 3,196 units were sold in 2022 (+18%), with Q4 performance being exceptional (+50%). Outside the US, sales were particularly strong in Mexico and several European countries. In Q4, the Group only recorded a small amount of non-operating revenues (cash received from partnerships). The reading of the activity on the ground is therefore clear. The reception of DSG Connect (signal now visible on a tablet) is excellent. This novelty is taking a growing share of surgeries. The sales published for the financial year are in line with our expectations (EUR5.6m).

#### New organization delivers in the US

In line with the previous quarter, sales in this strategic country are very well oriented. Wishbone Medical, the local partner, has placed new orders (post initial deliveries). Penetration of paediatric spine surgery is therefore well on track.

#### 2023: reassuring prospects

The renewed sales momentum should continue in the coming quarters. DSG Connect brings real added value and is a clear marketing asset. This new functionality gives the technology a "facelift" and is generating strong interest among surgeons. The return to normal activity in hospitals (post covid) is also reassuring and surgeries are rescheduled.

#### Valuation and rating

Q3 had given us a glimpse of a better post-pandemic sky. This Q4 confirms the trend. The market will therefore be reassured and will be able to place again its trust in the company. Financial visibility is good (cash until end of 2024), giving the company time to develop its sales but also to advance its R&D programmes which, according to our expectations, will be monetised within 18-24 months (own revenues or deals/licences). We therefore reiterate our positive opinion on this dossier, whose potential will progressively be recognized.

*Next communication: FY results - April 13<sup>th</sup>*

### France - Medtech

**BUY**

Fair value (EUR)	1.56
Price (EUR)	0.776
Upside/down side	+101.8%

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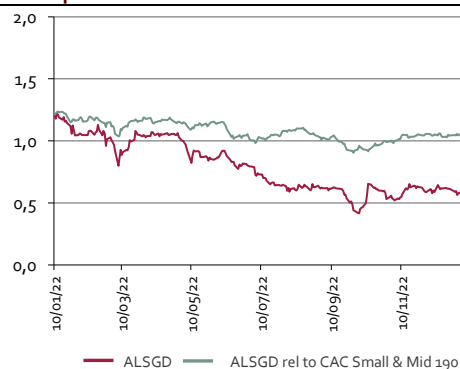
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#### Stock data (2023-01-09)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	0.773
Market capitalisation (EURm)	24.5
Free float (%) est.	96.1
Floating capitalisation (EURm)	23.6
Number of shares (,000)	31,741
Average daily volume (3 m)	136,887

#### 12m performance



Change (%)	1 m	3 m	12m
Absolute	+20.2	+54.3	-36.2
Rel. to CAC SM190	+15.2	+36.1	-26.7
Rel. to Next Biotech	+24.7	+56.6	-30.1

#### 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	4.2x	3.2x	2.4x
EV/EBITDA	na	na	na	22.4x
EV/EBIT	na	na	na	34.6x
PER	na	na	na	50.8x
ROIC	na	na	na	17%
ROE	na	na	na	7%
EV/IC	7.8x	5.6x	5.8x	5.8x
Gearing	na	-19%	-28%	-42%

## Profit and Loss

As of 31/12 (EURm)	2017	2018	2019	2020	2021	2022E	2023E	2024E
<b>Sales</b>	<b>8.17</b>	<b>7.58</b>	<b>6.83</b>	<b>4.85</b>	<b>4.41</b>	<b>5.62</b>	<b>7.16</b>	<b>8.91</b>
Change n-1	9.5%	-7.3%	-9.9%	-29.0%	-9.2%	27.6%	27.4%	24.4%
Other revenues	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>8.17</b>	<b>7.58</b>	<b>6.83</b>	<b>4.85</b>	<b>4.41</b>	<b>5.62</b>	<b>7.16</b>	<b>8.91</b>
Gross margin	6.95	6.55	5.77	4.04	3.61	4.56	5.90	7.38
<b>EBITDA</b>	<b>-2.66</b>	<b>-0.86</b>	<b>-0.14</b>	<b>-1.49</b>	<b>-1.04</b>	<b>-0.38</b>	<b>0.35</b>	<b>0.97</b>
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	-	-	-	-	-	-	-	-
<b>EBIT</b>	<b>-2.96</b>	<b>-1.11</b>	<b>-0.43</b>	<b>-1.84</b>	<b>-1.35</b>	<b>-0.71</b>	<b>0.01</b>	<b>0.63</b>
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	-	-	-	-	-	-	-	-
<b>Net profit before tax</b>	<b>-4.13</b>	<b>-2.32</b>	<b>-1.07</b>	<b>-2.68</b>	<b>-1.65</b>	<b>-1.11</b>	<b>-0.26</b>	<b>0.48</b>
Tax	-	-0.02	0.39	-0.04	-0.08	-	-	-
<b>Net in come</b>	<b>-4.13</b>	<b>-2.33</b>	<b>-0.69</b>	<b>-2.72</b>	<b>-1.72</b>	<b>-1.11</b>	<b>-0.26</b>	<b>0.48</b>
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
<b>Net income</b>	<b>-4.13</b>	<b>-2.33</b>	<b>-0.69</b>	<b>-2.72</b>	<b>-1.72</b>	<b>-1.11</b>	<b>-0.26</b>	<b>0.48</b>
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
<b>Cash-flow from operations</b>	<b>-2.51</b>	<b>-0.67</b>	<b>0.60</b>	<b>-0.68</b>	<b>-1.23</b>	<b>-0.30</b>	<b>0.80</b>	<b>1.36</b>
Capex	-0.05	-0.05	-0.08	-0.05	-0.04	-0.08	-0.08	-0.08
<b>Free cash flow</b>	<b>-2.56</b>	<b>-0.72</b>	<b>0.52</b>	<b>-0.73</b>	<b>-1.27</b>	<b>-0.38</b>	<b>0.72</b>	<b>1.28</b>
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
<b>Change in cash over the period</b>	<b>-0.61</b>	<b>-0.13</b>	<b>0.80</b>	<b>-0.12</b>	<b>4.01</b>	<b>-0.72</b>	<b>-0.56</b>	<b>0.07</b>
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
<b>Total assets</b>	<b>8.15</b>	<b>7.86</b>	<b>8.50</b>	<b>8.06</b>	<b>11.90</b>	<b>11.23</b>	<b>11.12</b>	<b>11.73</b>
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
<b>Total liabilities</b>	<b>8.15</b>	<b>7.86</b>	<b>8.50</b>	<b>8.06</b>	<b>11.90</b>	<b>11.23</b>	<b>11.12</b>	<b>11.73</b>

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