

Morning Note – 12th July 2023

SPINEGUARD

Q2: air pocket in the US

- Q2 sales down -32%
- Sales team back in the field
- Lower revenue estimates for 2023

The US partner is going through a difficult period

SpineGuard published last night sales for Q2 of EUR963k, down sharply (-32%). This underperformance is the result of a significant drop in activity in the United States (-45% of units sold compared to Q2 2022, -24% compared to Q1 2023) where the main commercial partner is experiencing governance and financing of its activity. In contrast, sales in the rest of the world are up +13% according to our restatements with a strong increase in the number of units sold (+37%), a very positive and reassuring point of this press release showing the continuous and increasing adoption by surgeons of DSG technology. These figures are significantly lower than our expectations (EUR3.6m estimated in H1 against EUR2.2m published)

Make up for the failure of the US distributor as quickly as possible

As part of its deployment strategy in the United States, SpineGuard was counting on key distributors such as Wishbone Medical, but had also planned to set up its own team to address key accounts and support the actions of its commercial partners. The failure of the main distributor, which is difficult to reverse, puts the newly-formed team in the front line to develop the business. The effects on the ground should be visible in Q3, but especially in Q4. That said, unrealized sales in Q1 and Q2 are unlikely to be caught up.

Revised expectations for 2023

DSG technology or the benefits provided by PediGuard are not in question, as evidenced by the strong growth outside the US. We are adjusting our model downwards, which shows 2023E revenue of EUR5.5m, virtually unchanged from 2022 but significantly lower than our previous estimate of EUR7.2m. The impact on profitability is mechanical, with increased losses of EUR -2.6m in 2023E (vs. EUR -0.4m).

Valuation and rating

The incident with the American distributor has had a logical impact on the growth scenario, and has postponed the achievement of break-even by at least 18 months. SpineGuard has sufficient cash to get through this difficult period. The revision of our model has resulted in a new fair value of EUR 1.24/share (vs. 1.56), still leaving real potential for appreciation (+184%). Uncertainty persists over the recovery in US sales, which can only be assessed once Q3 sales are published. In the short term, and pending confirmation of a return to sustainable growth in the US, we are adopting a Neutral position on the dossier, the technological potential and future long-term commercial success of which remain intact.

Next communication : H1 results on September 12th

France - Medtech

HOLD (vs BUY)

Fair value (EUR)	1.24 (vs 1.56)
Price (EUR)	0.436
Upside/down side	+184.1%

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Stock data (2023-07-11)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	0.436
Market capitalisation (EURm)	15.7
Free float (%) est.	96.1
Floating capitalisation (EURm)	15.1
Number of shares (,000)	35,975
Average daily volume (3 m)	161,338

12m performance



Change (%)	1 m	3 m	12m
Absolute	-16.2	-44.7	-37.7
Rel. to CAC SM190	-15.0	-41.7	-43.2
Rel. to Next Biotech	-10.7	-45.0	-27.2

Financials (31/12)

EURm	2022	2023E	2024E	2025E
Sales	5.6	5.5	7.1	8.9
EBITDA	-1.4	-1.9	-1.4	-0.7
EBIT	-1.7	-2.2	-1.8	-1.1
Net income	-2.4	-2.6	-2.1	-1.3
EPS (EUR)	-0.07	-0.07	-0.05	-0.03
Net debt	-0.3	0.5	0.8	0.2

Key ratios

	2022	2023E	2024E	2025E
EV/Sales	3.3x	3.0x	2.4x	1.8x
EV/EBITDA	na	na	na	na
EV/EBIT	na	na	na	na
PER	na	na	na	na
ROIC	na	na	na	na
ROE	na	na	na	na
EV/IC	3.6x	3.1x	3.3x	3.1x
Gearing	-6%	10%	16%	3%

Profit and Loss

As of 31/12 (EURm)	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	7.58	6.83	4.85	4.41	5.60	5.52	7.09	8.89
Change n-1	-7.3%	-9.9%	-29.0%	-9.2%	27.1%	-1.4%	28.4%	25.4%
Other revenues	-	-	-	-	-	-	-	-
Total revenues	7.58	6.83	4.85	4.41	5.60	5.52	7.09	8.89
Gross margin	6.55	5.77	4.04	3.61	4.71	4.51	5.86	7.40
EBITDA	-0.86	-0.14	-1.49	-1.04	-1.37	-1.87	-1.44	-0.74
Change n-1	68%	84%	-993%	30%	-31%	-37%	23%	48%
Depreciation & amortisation	0.26	0.30	0.35	0.31	0.43	0.51	0.52	0.53
Goodwill	-	-	-	-	-	-	-	-
EBIT	-1.11	-0.43	-1.84	-1.35	-1.66	-2.24	-1.82	-1.13
Change n-1	63%	61%	-326%	27%	-23%	-35%	19%	38%
Net financial income	-1.21	-0.64	-0.84	-0.30	-0.43	-0.31	-0.18	-0.05
Minorities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Net profit before tax	-2.32	-1.07	-2.68	-1.65	-2.09	-2.55	-2.00	-1.18
Tax	-0.02	0.39	-0.04	-0.08	-0.30	-0.07	-0.07	-0.07
Net in come	-2.33	-0.69	-2.72	-1.72	-2.39	-2.62	-2.07	-1.25
Change n-1	43%	71%	-296%	37%	-39%	-9%	21%	39%
EPS	-0.34	-0.05	-0.12	-0.06	-0.07	-0.07	-0.05	-0.03
EPS fully diluted	-0.31	-0.05	-0.10	-0.05	-0.07	-0.07	-0.05	-0.03
Gross margin (% of sales)	86.5%	84.5%	83.2%	81.9%	84.2%	81.7%	82.7%	83.3%
EBITDA (% of sales)	na	na	na	na	na	na	na	na
EBIT (% of sales)	na	na	na	na	na	na	na	na
Net margin (% of sales)	na	na	na	na	na	na	na	na

Cash Flow statement

Au 31/12 (MEUR)	2018	2019	2020	2021	2022	2023E	2024E	2025E
Net income	-2.33	-0.69	-2.72	-1.72	-2.39	-2.62	-2.07	-1.25
Depreciation and amortisation	0.26	0.30	0.35	0.31	0.43	0.51	0.52	0.53
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change in WCR	-0.08	0.27	0.64	-0.09	-0.51	-0.33	-0.31	-0.19
Others	1.49	0.71	1.04	0.27	1.07	0.89	0.76	0.64
Cash-flow from operations	-0.67	0.60	-0.68	-1.23	-1.40	-1.55	-1.09	-0.28
Capex	-0.05	-0.08	-0.05	-0.04	-0.14	-0.08	-0.08	-0.08
Free cash flow	-0.72	0.52	-0.73	-1.27	-1.54	-1.63	-1.17	-0.36
Acquisitions	-	-0.15	-0.15	-0.33	-0.32	-0.30	-0.30	-0.30
Divestments	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Capital increase	1.68	1.75	1.75	6.48	1.19	1.00	1.00	1.00
Financing (bank and others)	4.64	0.22	0.01	0.04	0.00	0.00	0.00	0.00
Others	-5.73	-1.54	-0.99	-0.91	-1.09	-1.11	-1.04	-0.98
Change in cash over the period	-0.13	0.80	-0.12	4.01	-1.76	-2.03	-1.52	-0.64
Opening cash position	1.19	1.05	2.01	2.03	6.41	4.97	3.24	2.02
Closing cash position	1.06	1.85	1.89	6.04	4.65	2.94	1.72	1.38

Balance sheet

Au 31/12 (MEUR)	2018	2019	2020	2021	2022	2023E	2024E	2025E
Fixed assets	0.12	0.63	0.50	0.37	0.28	0.19	0.10	0.00
Intangible assets	0.72	0.72	0.69	0.89	1.27	1.07	0.86	0.66
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	0.84	0.66	0.66	0.68	0.87	0.86	1.10	1.38
Account receivables	1.32	0.95	0.71	0.62	1.10	1.08	1.39	1.74
Other receivables	0.59	0.55	0.67	0.57	0.63	0.79	0.78	1.01
Cash and cash equivalents	1.06	1.40	1.22	5.21	4.12	2.38	1.17	0.83
Prepaid expenses	-	-	-	-	-	-	-	-
Other non-current assets	0.13	0.50	0.51	0.48	0.17	0.50	0.50	0.50
Total assets	7.86	8.50	8.06	11.90	11.50	9.96	8.98	9.20
Equity	-0.50	0.59	-0.01	5.06	5.14	5.05	4.78	5.51
Others	-	-	-	-	-	-	-	-
Provisions	0.05	0.05	0.05	0.05	0.18	0.04	-0.10	-0.25
Financial debt	6.07	6.08	5.64	4.47	3.83	2.87	1.93	0.99
Account payables	1.16	1.04	1.34	1.00	1.14	0.70	0.90	1.13
Other debts	0.81	0.62	0.88	1.00	1.00	1.08	1.27	1.60
Deferred income and other liabilities	0.26	0.11	0.15	0.32	0.21	0.21	0.21	0.21
Total liabilities	7.86	8.50	8.06	11.90	11.50	9.96	8.98	9.20

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