

Morning Note – 13th September 2023

SPINEGUARD

H1: impact of poor performance in the United States

- On all fronts despite decline in sale
- A return to growth expected in H2
- A wait-and-see stance in the short term

A logical deterioration in the income statement

In July, SpineGuard published H1 sales of EUR2.23m (down 12%). While the trend is positive in the rest of the world, the United States saw a marked decline in Q2 (-32%) due to difficulties encountered by its main distributor. Given the high prices charged in this key market, the impact on gross margin is unavoidable (79.1% vs. 84.9% in H1 2022). In order to restore the growth that the technology offer can deliver, a new organization has been put in place, leading to a logical increase in selling expenses (+13%). R&D programs have also been stepped up to make progress on the development of innovations, for which good news is expected in 2024. The end of the dental partnership also resulted in non-recurring legal costs and debt write-offs. The operating loss is therefore logically higher (EUR -1.97m vs. EUR -1.00m in H1 2022). On the positive side, financial expenses were lower (debt renegotiation). The net loss is (EUR-2.00m vs EUR-1.18m in H1 2022), significantly higher than our expectations (EUR-1.7m).

H2: regain momentum in the United States as quickly as possible

The first challenge facing the company is to re-establish an efficient organization in the United States. The recruitments made now make it possible to take over from Whisbone Medical and re-establish relationships with key accounts. It is important to note that the underperformance is in no way linked to a rejection of the technology by surgeons, quite the contrary. It is likely that the first effects will be seen in Q3, with the fall in sales halted, before we see increased demand in Q4. In the rest of the world, momentum is very good. China is in the process of being set up. The partner Xinrong, which has acquired a stake in the company, is very active in penetrating its local market and putting in place the regulatory files for the entire PediGuard® range.

Valuation and rating

These figures are not surprising, given the unfavourable "low sales/increased costs" scissor effect. The company has a healthy cash position (EUR 4.6m at 30/06), enabling it to get through this phase without refinancing. That said, in order to support its innovative projects and commercial expansion, the company is currently considering equity financing to control dilution of the share price. In the short term, and pending the publication of Q3 sales figures, we remain on "Hold" on the stock, which should see some fine achievements in 2024 (including advances in robotics and the smart drill project, etc).

Next communication : Q3 revenues on October 11th

France - Medtech

HOLD (vs BUY)

Fair value (EUR)	1.24
Price (EUR)	0.388
Upside/down side	+219.8%

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Stock data (2023-07-11)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	0.388
Market capitalisation (EURm)	14.0
Free float (%) est.	96.1
Floating capitalisation (EURm)	13.4
Number of shares (,000)	35,975
Average daily volume (3 m)	167,324

12m performance



Change (%)	1 m	3 m	12m
Absolute	-10.4	-24.5	-37.4
Rel. to CAC SM190	-9.8	-22.5	-41.8
Rel. to Next Biotech	-14.7	-45.6	-45.9

Financials (31/12)

EURm	2021	2022E	2023E	2024E
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

	2021	2022E	2023E	2024E
EV/Sales	3.3x	2.7x	2.1x	1.6x
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	2.8x	2.9x	2.8x
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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