

## Morning Note – 12<sup>th</sup> October 2023

### SPINEGUARD

Q3 sales: transition phase in the United States

- A logical downturn in the US, but the rebound is beginning
- Q4 should see further solid growth
- Still a wait-and-see attitude

#### Sales down sharply

Last night, SpineGuard published its sales figures for Q3, down sharply to EUR 0.98m (-34% vs Q3 2022). Unsurprisingly, and given the complex situation of the main distributor (Wishbone Medical), performance in the United States was poor (-29%). A closer analysis of the figures nevertheless reveals an interesting trend in this strategic region (609 units sold in Q3, compared with 426 in Q2 and 569 in Q1). The reconstituted sales team's grip on key accounts seems to be yielding encouraging initial results. In the rest of the world, revenues were down 33% due to an unfavourable comparison base, which included royalty revenues in 2022. In terms of product sales, momentum remains good, with another positive quarter and sales up by +5%. It is important to note that the first order from Chinese partner Xiron was not booked in this quarter (invoicing expected in Q4). Although the positive trends seem to be confirmed, these figures are significantly below our expectations (EUR 1.3m), calling into question our estimates for the financial year.

#### A low point reached that must give way to a return to growth

While all hopes were pinned on the partnership with Wishbone Medical, the latter's shareholding evolution has resulted in new strategic orientations and has led to financial problems. SpineGuard is currently in the process of closing this agreement in order to take distribution back into its own hands. The team is working hard in the field, and the 42% increase in unit sales in Q3 vs Q2 is a very positive sign. Alongside the existing ranges, 2024 should see the emergence of new sources of growth with the roll-out of the device designed for anterior approach surgery, which is attracting a great deal of interest from surgeons. The PediGuard developed for sacroiliac fusion is also expected to be a key contributor to growth in 2024.

#### Valuation and rating

The figures published have led us to revise our scenario downwards. We now expect sales for 2023E to be close to EUR 4.5m (compared with EUR 5.5m) and are making a logical revision for 2024E and 2025E. This adjustment results in a time lag in future cash flows and hence a new fair value of EUR 0.99/share (vs. EUR 1.24), which also takes account of the shares issued. The financial situation remains sound. However, the group is still considering strengthening equity to finance new projects and sales ramp-up. We therefore remain "Neutral" for the short term, pending Q4 figures.

*Next communication : full-year sales (estimated end January 2024)*

### France - Medtech

**HOLD**

<b>Fair value (EUR)</b>	<b>0.99 (vs 1.24)</b>
Price (EUR)	0.3885
Upside/down side	+154.8%

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#### Stock data (2023-10-11)

ISIN	FR0011464452
Ticker	ALSGD.PA
<b>Price (EUR)</b>	<b>0.3885</b>
Market capitalisation (EURm)	14.4
Free float (%) est.	96.1
Floating capitalisation (EURm)	13.8
Number of shares (,000)	39,587
Average daily volume (3 m)	164,949

#### 12m performance



Change (%)	1 m	3 m	12m
Absolute	+0.1	-1.5	-40.7
Rel. to CAC SM190	+6.4	+7.1	-50.4
Rel. to Next Biotech	+3.7	-26.5	-50.8

#### Financials (31/12)

EURm	2021	2022E	2023E	2024E
Sales	5.6	4.5	5.8	7.3
EBITDA	-1.4	-2.5	-1.6	-0.8
EBIT	-1.7	-2.9	-2.0	-1.2
Net income	-2.4	-3.3	-2.2	-1.3
EPS (EUR)	-0.07	-0.08	-0.05	-0.03
Net debt	-0.3	1.0	1.5	1.0

#### Key ratios

	2021	2022E	2023E	2024E
EV/Sales	3.3X	3.4X	2.7X	2.2X
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	3.0X	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
<b>Sales</b>	<b>7.58</b>	<b>6.83</b>	<b>4.85</b>	<b>4.41</b>	<b>5.60</b>	<b>4.48</b>	<b>5.82</b>	<b>7.35</b>
Change n-1	-7.3%	-9.9%	-29.0%	-9.2%	27.1%	-20.0%	30.0%	26.2%
Other revenues	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>7.58</b>	<b>6.83</b>	<b>4.85</b>	<b>4.41</b>	<b>5.60</b>	<b>4.48</b>	<b>5.82</b>	<b>7.35</b>
Gross margin	6.55	5.77	4.04	3.61	4.71	3.68	4.85	6.17
<b>EBITDA</b>	<b>-0.86</b>	<b>-0.14</b>	<b>-1.49</b>	<b>-1.04</b>	<b>-1.37</b>	<b>-2.52</b>	<b>-1.61</b>	<b>-0.77</b>
Change n-1	68%	84%	-993%	30%	-31%	-84%	36%	52%
Depreciation & amortisation	0.26	0.30	0.35	0.31	0.43	0.51	0.52	0.53
Goodwill	-	-	-	-	-	-	-	-
<b>EBIT</b>	<b>-1.11</b>	<b>-0.43</b>	<b>-1.84</b>	<b>-1.35</b>	<b>-1.66</b>	<b>-2.89</b>	<b>-1.99</b>	<b>-1.16</b>
Change n-1	63%	61%	-326%	27%	-23%	-74%	31%	42%
Net financial income	-1.21	-0.64	-0.84	-0.30	-0.43	-0.31	-0.18	-0.05
Minorities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Net profit before tax</b>	<b>-2.32</b>	<b>-1.07</b>	<b>-2.68</b>	<b>-1.65</b>	<b>-2.09</b>	<b>-3.20</b>	<b>-2.17</b>	<b>-1.21</b>
Tax	-0.02	0.39	-0.04	-0.08	-0.30	-0.07	-0.07	-0.07
<b>Net in come</b>	<b>-2.33</b>	<b>-0.69</b>	<b>-2.72</b>	<b>-1.72</b>	<b>-2.39</b>	<b>-3.27</b>	<b>-2.24</b>	<b>-1.28</b>
Change n-1	43%	71%	-296%	37%	-39%	-37%	31%	43%
EPS	-0.34	-0.05	-0.12	-0.06	-0.07	-0.09	-0.06	-0.03
EPS fully diluted	-0.31	-0.05	-0.10	-0.05	-0.07	-0.08	-0.05	-0.03
Gross margin (% of sales)	86.5%	84.5%	83.2%	81.9%	84.2%	82.1%	83.3%	83.9%
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
<b>Net income</b>	<b>-2.33</b>	<b>-0.69</b>	<b>-2.72</b>	<b>-1.72</b>	<b>-2.39</b>	<b>-3.27</b>	<b>-2.24</b>	<b>-1.28</b>
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	-0.22	-0.34	-0.23
Others	1.49	0.71	1.04	0.35	1.07	0.89	0.76	0.64
<b>Cash-flow from operations</b>	<b>-0.67</b>	<b>0.60</b>	<b>-0.68</b>	<b>-1.16</b>	<b>-1.40</b>	<b>-2.09</b>	<b>-1.30</b>	<b>-0.35</b>
Capex	-0.05	-0.08	-0.05	-0.04	-0.14	-0.08	-0.08	-0.08
<b>Free cash flow</b>	<b>-0.72</b>	<b>0.52</b>	<b>-0.73</b>	<b>-1.19</b>	<b>-1.54</b>	<b>-2.17</b>	<b>-1.38</b>	<b>-0.43</b>
Acquisitions	-	-	-	-	-	-	-	-
Divestments	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Capital increase	1.69	1.75	1.75	6.51	1.20	1.00	1.00	1.00
Financing (bank and others)	4.63	0.22	0.00	-	-	-	-	-
Others	-5.73	-1.54	-0.99	-0.91	-1.09	-1.11	-1.04	-0.98
<b>Change in cash over the period</b>	<b>-0.13</b>	<b>0.96</b>	<b>0.03</b>	<b>4.41</b>	<b>-1.44</b>	<b>-2.28</b>	<b>-1.42</b>	<b>-0.41</b>
Opening cash position	1.29	1.16	2.12	2.15	6.56	5.12	2.85	1.42
Closing cash position	1.16	2.12	2.15	6.56	5.12	2.85	1.42	1.02

## 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	0.70	0.91	1.14
Account receivables	1.32	0.95	0.71	0.62	1.10	0.88	1.14	1.44
Other receivables	0.59	0.55	0.67	0.57	0.63	0.79	0.64	0.83
Cash and cash equivalents	1.06	1.40	1.22	5.21	4.12	1.84	0.42	0.01
Prepaid expenses	-	-	-	-	-	-	-	-
Other non-current assets	0.13	0.50	0.51	0.48	0.17	0.50	0.50	0.50
<b>Total assets</b>	<b>7.86</b>	<b>8.50</b>	<b>8.06</b>	<b>11.90</b>	<b>11.50</b>	<b>9.05</b>	<b>7.64</b>	<b>7.66</b>
Equity	-0.50	0.59	-0.01	5.06	5.14	4.40	3.83	4.45
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	0.57	0.74	0.93
Other debts	0.81	0.62	0.88	1.00	1.00	0.96	1.04	1.32
Deferred income and other liabilities	0.26	0.11	0.15	0.32	0.21	0.21	0.21	0.21
<b>Total liabilities</b>	<b>7.86</b>	<b>8.50</b>	<b>8.06</b>	<b>11.90</b>	<b>11.50</b>	<b>9.05</b>	<b>7.64</b>	<b>7.66</b>

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