

SpineGuard Reports Six-Month 2020 Financial Results

- Net recurring operating result stabilized despite COVID-19
 - Strong revenue recovery since June
 - Cash runway secured until mid-2022

Paris (France) and Boulder (CO, USA), September 15, 2020 – 18:00 CEST – SpineGuard (FR0011464452 – ALSGD), an innovative company that deploys its DSG® (Dynamic Surgical Guidance) sensing technology to secure and streamline the placement of bone implants, announced today financial results for the half year ending June 30, 2020, as approved by the Board of Directors on September 15, 2020.

Pierre JEROME, Chairman & CEO of SpineGuard, said: ‘As experienced by many industry peers, whose revenue depends on hospital elective surgeries, our half-year financial results were significantly impacted by the postponement of non-urgent surgeries in the context of the global pandemic. Despite a shortfall of revenue of nearly 50% in Q2, at the initial outbreak of the virus, the recurring operating results were close to breakeven without jeopardizing our innovation strategy. The robotic program developments are advancing well and we are excited by the growing prospective opportunities. Regarding the new DSG Connect platform, the feedback from the first European users have been very encouraging and we continue to expect a US clearance by year end. The company also secured, in the first half of 2020, a cash runway by adopting permanent financial discipline, the signing of a new equity line and the opening of the Chapter 11 proceedings and its French equivalent. We are progressing actively with our main bondholders and new potential strategic partners to finalize the ‘safeguard exit plan’ which will be presented soon to both the US and French Courts under the supervision of the French Trustee, Mr. Thévenot. I would also like to take this opportunity to thank the entire SpineGuard Team for their remarkable spirit and tenacity throughout this particularly challenging period.’

€ thousands – IFRS	H1 2020	H1 2019	H1 2018
Revenue	2,275	3,445	3,626
Gross margin	1,915	2,914	3,131
Gross margin (% of revenue)	84,1%	84,6%	86,3%
Sales, distribution, marketing	-1,309	-1,868	-2,436
Administrative costs	- 852	- 986	- 980
Research & Development	-311	-470	-554
Recurring operating profit / (loss)	- 557	- 409	- 839
Non-recurring operating costs	-597	-92	0
Operating profit / (loss)	-1,153	-501	-839
Financial result	-235	-326	-229
Income tax	-	21	-19
Net profit / (loss)	-1,389	-805	-1,086
EBITDA	-854	-351	-483

NB: unaudited

Recurring Operating loss under control despite impact of COVID-19

Despite the pandemic, the recurring operating loss was well controlled and stands at € -557 K vs. € -409 K and EBITDA at € -854 K at June 30, 2020 compared to € -351 K at June 30, 2019.

Operating expenses were € 2,472 K for H1 2020, compared with € 3,332 K, a decrease of € 850 K (26%) compared with June 30, 2019.

Gross margin of 84.1% at June 30, 2020 remains consistent compared with prior year result of 84.6%. The change mainly reflects a global stability of ASP's and non-recurring higher costs of manufacturing in the context of the pandemic.

For H1 2020, the Company reported revenues of € 2,275 K, down 34% (35% cc) compared with H1 2019. Revenue was significantly impacted by the COVID-19 pandemic from mid-March with a peak at the end of April and a progressive resuming of sales in May and June.

Revenue in the United States decreased 36% cc (-35% reported) to € 1,864 K in the first half of 2020, compared with € 2,867 K in the first half of 2019. In the rest of the world, revenue decreased by 29% during the first half of 2020 to € 411 K compared with € 578 K in the first half of 2019.

2,422 DSG units were sold in the first half of 2020 compared with 3,875 in the first half of 2019, including 1,508 in the United States, representing 62% of total units sold.

Working capital requirements were € 87 K compared with € 919 K at December 31, 2019.

At June 30, 2020, cash and cash equivalents were € 1,189 K compared with € 1,399 K at December 31, 2019, and is explained as follows:

- Operating cash flow of € -436 K compared with the same period last year of € -491 K.
- Postponement of payments for social benefits in France for € 170 K
- Equity funding using the equity line (OCAPI) for a gross amount of € 600 K throughout the period.
- The payment of interests to Norgine Ventures and Harbert European Growth of € 33 K.
- The voluntary filing for Chapter 11 in the USA and its equivalent in France ('procédure de sauvegarde') stopped the reimbursement of the principal of the venture loans and of the Bpifrance loan.
- For the same reason, € 242 K (of which € 30k in the USA) remained unpaid to creditors.

The Company's workforce count is 14 at H1 2020 and stable compared to the end of December 2019.

Impact of COVID-19 on the half-year financials:

Until mid-March, the Company was performing ahead of plan. Volumes were then immediately impacted with a peak in the second half of March and in April. While sales gradually resumed in May and June, the shortfall compared to the second quarter of 2019 is close to 50%. The pandemic also delayed the alpha phase for the launch of the new DSG-Connect platform as surgeries began to slowly resume only by mid-June.

Updates on French 'safeguard' and US Chapter 11 procedures:

Assisted by the French Trustee ('administrateur') Maître Thévenot, the Company is currently drafting its safeguard plan taking into consideration the progress made with several potential strategic partners. Once finalized, the plan will be presented to the French Court of Commerce, depending on the hearing schedules, the date for which has not yet been determined. This presentation must be made in coordination with the American procedure which has already had several hearings in March and June. This phase will enable SpineGuard to formalize a proposal for debt restructuring.

The Company is therefore continuing its discussions with its main creditors to arrange the "venture" debt and the FEI Innovation loan respectively. The current procedure does not exclude the possibility of a pre-packaged agreement which would shorten its duration.

Pending the finalization of the safeguard plan, the payment of debts prior to the opening of the procedure are frozen. It should also be remembered that the safeguard procedure freezes any ability to exercise existing securities or collateral. As a reminder, as at January 31, 2020, the outstanding capital amounted to € 3.8 M compared to € 4.5 M at the conclusion of the 'venture' bond debt and of € 0.9 M against € 1.5 M for the FEI Innovation loan.

Outlook:

The cash position as of June 30, 2020 of € 1.2 M plus the secured equity line facility for € 2.4 M means that the total cash available to the Company is € 3.6 M. Considering the current cash position, the secured convertible bond facility and the recurring expected business, the Company estimates that it can fund its needs until mid-2022.

SpineGuard remains focused on the following objectives for the second half of 2020:

1. Continue the pre-launch in Europe of the new generation of PediGuard equipped with the DSG-Connect module, a wireless interface which adds the visual signal to the audio to optimize signal processing, allowing data recording as forensic evidence to perform clinical studies on bone quality.
2. Obtain DSG-Connect clearance and initiate its pre-launch in the US before the end of 2020.
3. Continue to provide scientific evidence of the value of DSG for surgical robotics.
4. Maintain, as feasibly possible, the course of operational profitability in the context of COVID-19.
5. Intensify collaboration with ConfiDent ABC on dental applications with the co-development of a new generation of products incorporating DSG technology.
6. Close other industrial and strategic partnerships, specifically for the robotic application, assisted by the investment bank *Healthios Capital Markets*.

The company's half-year financial report is available in the Investors > Exchange filings section of the www.spineguard.com website.

Next financial press release: Third quarter 2020 revenue on October 15, 2020.

About SpineGuard®

Founded in 2009 in France and the USA by Pierre Jérôme and Stéphane Bette, SpineGuard is an innovative company deploying its proprietary radiation-free real time sensing technology DSG® (Dynamic Surgical Guidance) to secure and streamline the placement of implants in the skeleton. SpineGuard designs, develops and markets medical devices that have been used in over 80,000 surgical procedures worldwide. Fifteen studies published in peer-reviewed scientific journals have demonstrated the multiple benefits DSG® offers to patients, surgeons, surgical staff and hospitals. Building on these solid fundamentals and several strategic partnerships, SpineGuard has expanded its technology platform in a disruptive innovation: the « smart » pedicle screw launched late 2017 and is broadening the scope of applications in dental implantology and surgical robotics. DSG® was co-invented by Maurice Bourlion, Ph.D., Ciaran Bolger, M.D., Ph.D., and Alain Vanquaethem, Biomedical Engineer.

For further information, visit www.spineguard.com

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