

SpineGuard announces its full-year 2020 financial results, first quarter 2021 sales and a flexible financing of €10M

- Net Income positive US operations for the third consecutive year
 - Controlled operating results despite Covid-19 pandemic
 - Cash runway over 36 months
 - Q1-21 OUS growth at 21%

This news release cancels and replace the April 8, 2021 – 17h45 CEST as the income statement issued on that occasion contained a typo in the sum presented in the net profit/(loss) line.

All the other statements, numbers and information are correct in the net profit / (loss) components. Of note, the April 8 webinar presentation and the 2020 financial report (French only) (available on the company's web site) do not contain this typo.

PARIS and BOULDER (CO), April 16, 2021 – 18h00 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 its full-year 2020 financial results, as approved by the Board of Directors on April 8, 2021, its first quarter 2021 sales and a €10M financing in the form of an equity line with Nice & Green.

<i>€ thousands – IFRS audited</i>	Dec 31, 2020	Dec 31, 2019
Revenue	4 852	6 829
Gross Margin	4 036	5 768
<i>Gross margin (% of revenue)</i>	<i>83,2%</i>	<i>84,5%</i>
<i>Sales, distribution & marketing</i>	<i>2 578</i>	<i>3 500</i>
<i>Administrative costs</i>	<i>1 740</i>	<i>1 855</i>
<i>Research & Development</i>	<i>680</i>	<i>724</i>
Operating profit / (loss)	- 961	- 311
Non-recurring operating costs	-875	-120
Financial Result	-844	-643
Income Tax	-37	-389
Net profit / (loss)	-2 716	-686
EBITDA	-1 284	-50

Pierre Jérôme, co-founder, Chairman and CEO of SpineGuard, said: “Despite the significant impact on our sales of the Covid-19 related cancellation of numerous elective surgeries, we exited 2020 much stronger than anticipated thanks to the mobilization of the entire team, the controlled use of our equity line, the favorable outcome of the “sauvegarde” proceeding as well as our sustained investments in R&D. The latter enabled us to continue to innovate and advance our projects, which has already borne fruit in 2021 with the FDA clearance of the DSG Connect platform, the participation to the Faros surgical robotic program and the extension of our intellectual property. The rescheduling of our debt validated by the French Commercial Court at the end of March and the new substantial and flexible funding provide us with appreciable room to maneuver. We can now accelerate the deployment of our DSG technology and boost our commercial activities, particularly in the US, leaning on the launch of DSG Connect and the gradual resumption of elective surgeries as vaccination campaigns continue to expand.”

Net operating result under control despite the Covid-19 pandemic

The current operating loss was € -961K vs. € -311K in 2019. In S2-2021, the operating loss was € -211K. Gross margin decreased by 130 bps at 83.2% vs. 84.5% mainly due to reduced volumes and temporary adjustments.

Operating expenses decreased by 17.8% or € 1,082k reflecting both the full impact of the company reorganization started in 2019, the impact of the Covid 19 pandemic and a rigorous control of operational expenses over the year.

Despite the pandemic and maintaining a solid level of strategic innovation expenses, R&D and IP protection, the operating cash flow was € -646K vs € +224K in 2019.

Non-recurring operating costs are mainly related to the French “sauvegarde” and US Chapter 11 proceedings at € 875K vs € 120K in 2019.

Working capital requirements were € -176K vs. € 512K in 2019.

Financial expenses were € -844K mainly corresponding to the interest charges of the venture loans with Norgine Venture and Harbert European Growth Capital. There are € 108K of Fx rate losses and € 35K of non-cash financial income related to the compliance with IFRS accounting principles on financing instruments.

Cash runway extended over 36 months

At Dec. 31, 2020, cash and cash equivalents were € 1.2M, plus the secured € 1.8M of convertible warrants (BSAR) which was since drawn. At March 31, 2021, cash and cash equivalents were € 2.1M. With the new financing equity line of €10M provided by Nice & Green, SpineGuard’s cash runway stands at over 36 months.

French ‘sauvegarde’ and US Chapter 11 proceedings

In its decision of March 24, 2021, the Commercial Court of Creteil validated the ‘sauvegarde’ plan which ends the French ‘sauvegarde’ proceeding. The company will now enter the execution phase of the plan.

In summary, the liabilities of c. € 5M including € 4.8M of financial debt, were settled as follows:

- 1) An agreement with the bond holders (Norgine and Harbert) as part of the U.S. Chapter 11 proceeding for an amount of € 3,875K with a 5-year reimbursement schedule starting February 2021;
- 2) Bpifrance has accepted the reimbursement of its € 975K loan over a 9-year period starting February 2022;
- 3) The majority of the other creditors accepted a 9-year reimbursement plan starting February 2022 for a total of € 60K;
- 4) The few remaining suppliers opted for a one-time payment of € 5K totaling € 60K;
- 5) There is no remaining litigation. Two non-material disputes have been addressed and resolved by the ‘Mandataire Judiciaire’ on March 24, 2021.

As the U.S. court also agreed on the two procedures to be aligned in timing, the company expects to exit Chapter 11 by the end of May contingent upon the U.S. judicial administrative processes.

Significant technology advances

Robotic application

In 2020, the collaboration with Sorbonne's ISIR lab made solid progress with a new experimental platform using a medical grade robotic arm, multiple experiments using 2nd generation algorithms for automatic breach detection, the commencement of live patient DSG data collection at the Trousseau Hospital in Paris and the preparation of new IP. The company also started a project of a smart universal drill for orthopedic surgery using the concepts from the robotic platform work, and the European Community validated collaborative research program Faros (Functional Accurate RObotic Surgery).

Connectivity and signal visualization

As a reminder, in 2019 SpineGuard had completed the design of a new generation of PediGuard products, "DSG Connect", that features a data transmission capability as well as a software for signal display and recording on a dedicated tablet. These new products aim at facilitating adoption by new surgeons and allow for data recording useful for medical-legal purposes and research on bone quality measurement.

The CE mark was obtained in late 2019 and the FDA clearance in February 2021. Limited release surgeries started in 2020 in order to collect user feedback that will be integrated for the full launch late in 2021.

Dental implantology – worldwide license and collaboration with ConfiDent, a subsidiary of Adin

The relevance of the DSG technology in dental implantology was validated by the CE mark of a first generation product and by the very promising customer feedback that resulted. The collaboration continues with excellent dynamism toward the development of disruptive tools in this sector.

Bone Quality Measurement (BQM)

In 2020 the scientific advisory board of SpineGuard collaborated with an expert in bone pathologies in order to identify the most promising applications of the technology and the concept validation plan.

Strengthening of intellectual property

We recorded in 2020 the international extensions of the Robotic DSG patent application, and the grant of an Ultrasound patent both in China and Japan that completes DSG by the determination of the entry points without using x-rays. Additionally, the "Real Time" patent was granted in Russia, Singapore, China and most recently in Israel, providing a greater geographical stronghold as well as the critical extension of the DSG technology protections. Lastly, the strategic IP survey process at SpineGuard was upgraded.

2021 First quarter revenue

Global revenue in the first quarter of 2021 was €1,049K vs. €1,376K in Q1 2020, a 23.8% decrease.

SpineGuard sold 1,360 DSG units in the first quarter of 2021 vs. 1,536 units in Q1 2020.

558 units were sold in the USA vs. 871 units during the same period in 2020. Exacerbated by the adverse weather conditions in early February that caused significant logistic issues, the third wave of COVID-19 strongly impacted business in January and the first three weeks of February. March showed

an encouraging rebound with a renewed momentum of orders and shipments. Overall, US revenue decreased 36% as reported (-29% cc) at €700K vs. €1,088K.

Outside the USA, the positive dynamics of the second-half of 2020 continued and revenue grew 21% at € 348K vs. € 288K in the first quarter of 2020. Of note, this is the third consecutive quarter with double digit growth OUS, it was 17% in Q4 and 10% in Q3 2020.

Flexible financing over 36 months including an incentive program

Main terms and conditions

The flexible 36 months-financing is provided by Nice & Green, a private company that specializes in financing solutions tailored to the requirements of listed companies. SpineGuard and Nice & Green have worked together since 2017.

The company has entered into this BSAR facility as authorized by the Shareholders' Meeting of May 14, 2020 in its 11th and 12th resolutions. The facility was approved by the Board of Directors on April 8, 2021 and delegated to the CEO ('Directeur Général') the authority to execute each of the draws contemplated under the facility agreement.

The facility provides a secured and scheduled financing facility up to €10M in the form of 500 convertible warrants (BSAR) with a nominal value of twenty thousand (20,000) euros each that will be subscribed by Nice & Green.

The facility does not require the establishment of a prospectus requiring a visa by the AMF.

There will be a minimum of 65 stock days between each draw of 50 BSAR each, altered only by mutual agreement between SpineGuard and Nice & Green.

The number of shares resulting from the conversion of the BSAR will be determined by the lowest VWAP 10 days plus a discount of 7%.

Conversion of the BSAR by Nice & Green is at their hand.

The BSAR will not be listed.

The BSAR are numbered from 1 to 500.

Each tranche may be drawn after 65 stock days following the previous draw. The time between two draws may be reduced in case market transactions exceed €10M. Draws can be postponed or reimbursed upon mutual agreement between SpineGuard and Nice & Green.

The BSAR are non-transferable, except to companies controlled by Nice & Green.

Cases of default: The agreement includes standard provisions for cases of defaults under similar contracts that allow the solicitation of an anticipated reimbursement or a stop of the BSAR issuances and subscriptions and/or to suspend or refuse to subscribe the BSAR not yet issued.

Subscription and exercise of the BSAR

The subscription price of each BSAR is of nineteen thousand (19,000) euros and shall be paid by Nice & Green to SpineGuard on the subscription date together with the exercise price of one thousand (1,000) euros. Except in the case of suspension per the terms and condition of the agreement, each BSAR shall be converted within 120 days after the subscription date at Nice & Green discretion.

Conversion of the BSAR:

BSAR can be converted into SpineGuard shares upon the holder request, at any time, according to the following conversion formula:

$$N = (PS + PEx) / PE$$

« N »: the number of new ordinary shares of to be issued under one BSAR conversion

« PS »: the subscription price

« PEx »: the exercise price

« PE »: the emission price

Example for the 10 BSAR to be converted:

Average Weighted Stock Price for the period: €2.50 x 0.93 = €2.3000

of shares to be issued: (190,000 + 10,000) / €2.3000 = 86,956 shares

The new shares issued upon the conversion of the BSAR shall be immediately eligible for dividends, bear the same right of all others existing ordinary shares and will trade on Euronext Growth under Code ISIN FR0011464452 - ALSGD.

The number of shares issued pursuant the BSAR conversions will be communicated by the Company on its web site under the category of regulated information relative to the existing number of shares and their associated voting rights. Should the case of significant conversion of BSAR occur, thus with a potential impact on the stock price, the Company will proceed to an ad-hoc communication in respect. Nice & Green policy is not to be part of the governance of the companies in which it has invested. Therefore, it will not require any seat at SpineGuard's Board of Directors.

Nice & Green does not act as a financial intermediary and invests its own equity resources. Therefore, while Nice & Green has no constraints for a fast sell of the converted BSAR, it has no intention of remaining a long-term shareholder.

Theoretical effect of the issuance of the BSAR

The theoretical effect of the issue of the BSAR for a total nominal amount of € 10,000,000 would be as follows:

Incidence of the issue on a 1% stake of a shareholder:

Equity per share (%)	Base non diluted	Base diluted (1)	Number of shares
Before the issue of the BSAR	1.00%	0.90%	25,129,579
After the issue of 500 BSAR	0.85%	0.78%	29,477,405

The calculation of the number of new issued shares and its subsequent dilution for the shareholders has been made on the base of an exercise price of €2.3000 per share resulting in a total of 4,347,826 newly created shares for the 750 BSAR

Effect of the issue on the equity per share: base is the net equity per the financial statements as of 31 December 2020 i.e., € -9K and of the total issued shares on the effective date of the financing i.e. 25,129,579 shares:

Equity per share (in euros)	Base non diluted	Base diluted (1)	Number of shares
Before the issue of the BSAR	(€0.00)	(€0.00)	25,129,579
After the issue of 500 BSAR	(€0.00)	(€0.00)	29,477,405

⁽¹⁾ Calculations are made on the assumption that all warrants, stock-options and free shares are exercised prior to the issue of the BSAR.

Profit-sharing program

Nice & Green has embedded a profit-sharing scheme designed to grant SpineGuard a stake of the potential financial gains made by Nice & Green. It consists in a cash allowance to SpineGuard as a percentage of realized gains from the sale by Nice & Green of shares issued from the BSAR conversion.

Such a scheme comes out from the principle where the proper use of the resources transferred by Nice & Green to SpineGuard will bring a favorable impact on the value creation, will improve liquidity, and will make the trading of the shares easier.

2021 Perspectives

SpineGuard is focusing on the following priorities while investing selectively to remain close to breakeven:

1. Boost commercial activities with the launch of the DSG-Connect visual interface.
2. Accelerate the implementation of the DSG digital technology in the surgical robotic field through the deployment of AI algorithms, new scientific evidence, and additional patents.
3. Intensify the collaboration with ConfiDent ABC for the dental application and co-develop a new generation of products embedding the DSG technology.
4. Affirm the company's technological shift and sign new strategic partnerships in particular for the use of DSG technology in the robotic field.

Next financial press release: 2021 half-year revenue on July 7, 2021

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. Sixteen 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

Disclaimer

The SpineGuard securities may not be offered or sold in the United States as they have not been and will not be registered under the Securities Act or any United States state securities laws, and SpineGuard does not intend to make a public offer of its securities in the United States. This is an announcement and not a prospectus, and the information contained herein does and shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities referred to herein in the United States in which such offer, solicitation or sale would be unlawful prior to registration or exemption from registration.

Contacts

SpineGuard

Pierre Jérôme
Chairman and CEO
Tél. : +33 1 45 18 45 19
p.jerome@spineguard.com

Manuel Lanfossi
Chief Financial Officer
m.lanfossi@spineguard.com

Europe / NewCap

Investor Relations & Financial Communication
Mathilde Bohin / Pierre Laurent
Tél. : +33 1 44 71 94 94
spineguard@newcap.eu

