

Morning Note – 6th April 2018

SPINEGUARD

Q1: sweet-and-sour

- Q1 sales down 8% at cc to EUR1.77m (volume -2%, price -6%)
- Reorganization impacted outside the US sales
- Transition phase in the US with the launch of the Smart Screw

Q1 sales down 8% at cc, with volume down 2%

Q1-18 revenue came in at EUR1.77m, down 18% (- 8% at constant currency) compared to Q1-17, strongly impacted by the decrease of the USD/EUR rate (Q1-17 was the highest historical Q). The number of PediGuard sold declined only by 2% to 2,351, from 2,397 units sold in Q1-17, implying a pricing of -6%.

Reorganization impacted outside the US sales

The volume and price decline in Q1 is mainly explained by outside the US (44% of the units sold, 20% in value), where the company enforces tight control over operating expenses since mid-2017, by adopting a selective approach country by country. Furthermore, SpineGuard has encountered some difficulties with distributors notably in Germany and in Brazil. A local meta-agent has been put in place only two months ago to take care of Latin America from Brazil, like the organization in the Middle-East. Finally, outside the US average selling price declined, impacted by the new business in China.

US: Transition phase but new deal with Zavation looks nice

The US (56% of units sold but about 80% in value) are in a transition phase with a wait-and-see attitude from users since the launch of the Smart Screw redistribute cards. SpineGuard and Zavation have defined a new split for the value created around the Smart Screw with a stronger commitment of SpineGuard's commercial team compensated by a higher revenue per surgery. Impact on gross margin for SpineGuard will be significant making the break-even more and more realistic by the end of 2018.

US FDA inspection: no observations

SpineGuard underwent an US FDA inspection end of March without any inspectional observations, which is important to notice since the last one occurred about 10 years ago, when PediGuard was still a SpineVision's asset.

Valuation and rating

Following the release of Q1 sales, we have revised our model to integrate lower sales in the coming quarters. Nevertheless, the operating profitability should be reached more rapidly thanks to the new co-commercialization partnership with Zavation and to the launch of dental surgery dedicated devices late 2019E (SpineGuard is expected to capture royalty streams from Adin, on top of milestones payments). Better profitability offsetting lower sales in our DCF approach, we reiterate our target price of EUR5.5.

Next publication: HY sales, July 11th

France - Medtech

BUY

Fair value (EUR)	5.50
Price (EUR)	2.49
Upside/down side	+120.9%

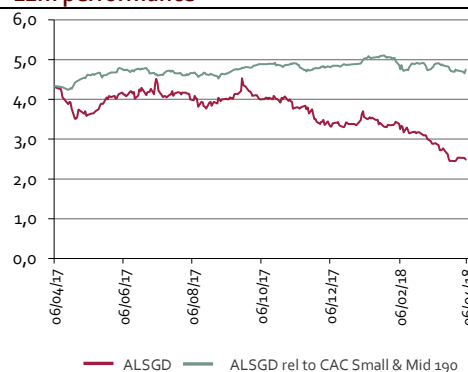
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Stock data (2018-04-05)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	2.49
Market capitalisation (EURm)	13.9
Free float (%)	30.1
Floating capitalisation (EURm)	4.2
Number of shares (,000)	5,601
Average daily volume (3 m)	18,139

12m performance



Change (%)	1 m	3 m	12 m
Absolute	-13.8	-28.9	-42.4
Rel. to CAC SM190	-13.0	-22.9	-52.3
Rel. to Next Biotech	-11.2	-30.8	-55.1

Financials (31/12)

EURm	2017	2018E	2019E	2020E
Sales	8.2	8.6	9.5	11.3
EBITDA	-2.7	-1.0	0.3	0.6
EBIT	-3.0	-1.2	0.1	0.3
Net income	-4.1	-1.7	-0.3	0.2
EPS (EUR)	-0.68	-0.28	-0.04	0.03
Net debt	5.0	4.7	3.3	2.4

Key ratios

	2017	2018E	2019E	2020E
EV/Sales	2.4x	2.2x	1.8x	1.5x
EV/EBITDA	na	na	163.9x	50.1x
EV/EBIT	na	na	52.4x	29.0x
PER	na	na	na	78.2x
ROIC	na	na	2%	7%
ROE	na	na	na	na
EV/IC	4.0x	4.0x	3.7x	3.5x
Gearing	-2564%	-318%	-145%	-82%

Profit and Loss

As of 31/12 (EURm)	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	4.62	4.44	6.35	7.46	8.17	8.58	9.50	11.26
Change n-1	19.0%	-3.9%	43.1%	17.6%	9.5%	5.0%	10.7%	18.6%
Other revenues	-	-	-	-	-	-	-	-
Total revenues	4.62	4.44	6.35	7.46	8.17	8.58	9.50	11.26
Gross margin	4.03	3.78	5.36	6.35	6.95	7.32	8.17	9.77
EBITDA	-2.94	-4.26	-3.73	-3.31	-2.66	-1.00	0.33	0.58
Change n-1	2%	-45%	12%	11%	20%	63%	134%	-72%
Depreciation & amortisation	0.23	0.23	0.26	0.33	0.31	0.21	0.23	0.24
Goodwill	-	-	-	-	-	-	-	-
EBIT	-3.15	-4.48	-3.97	-3.63	-2.96	-1.21	0.11	0.33
Change n-1	1%	-42%	11%	9%	18%	59%	109%	-211%
Net financial income	-0.36	-0.06	0.10	-0.54	-1.16	-0.49	-0.37	-0.15
Minorities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Net profit before tax	-3.51	-4.54	-3.88	-4.18	-4.13	-1.70	-0.26	0.18
Tax	-	-	-	-	-	-	-	-
Net in come	-3.51	-4.54	-3.88	-4.18	-4.13	-1.70	-0.26	0.18
Change n-1	-8%	-29%	15%	-8%	1%	59%	85%	169%
EPS	-0.82	-1.03	-0.77	-0.82	-0.72	-0.30	-0.05	0.03
EPS fully diluted	-0.82	-1.03	-0.77	-0.75	-0.68	-0.28	-0.04	0.03
Gross margin (% of sales)	87.3%	85.2%	84.5%	85.1%	85.1%	85.3%	86.0%	86.8%
EBITDA (% of sales)	na	na	na	na	nm	nm	nm	5%
EBIT (% of sales)	na	na	na	na	nm	nm	nm	3%
Net margin (% of sales)	na	na	na	na	nm	nm	nm	2%

Cash Flow statement

Au 31/12 (MEUR)	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net income	-3.51	-4.54	-3.88	-4.18	-4.13	-1.70	-0.26	0.18
Depreciation and amortisation	0.23	0.23	0.26	0.33	0.31	0.21	0.23	0.24
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change in WCR	-0.22	-0.07	0.53	-1.01	0.26	-0.06	-0.13	-0.25
Others	0.51	1.06	0.50	0.83	1.05	0.83	0.83	0.83
Cash-flow from operations	-2.99	-3.32	-2.60	-4.03	-2.51	-0.72	0.66	1.01
Capex	-0.02	-0.05	-0.20	-0.06	-0.05	-0.13	-0.14	-0.17
Free cash flow	-3.02	-3.37	-2.80	-4.09	-2.56	-0.85	0.52	0.84
Acquisitions	-0.15	-0.05	-0.37	-0.09	-	-	-	-
Divestments	-	-	-	0.01	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Capital increase	6.76	0.79	2.64	0.42	2.21	1.20	0.90	-
Financing(bank and others)	0.62	0.01	2.76	2.87	0.01	-	-	-
Others	-0.14	-1.27	-1.51	-0.54	-0.26	-1.65	-2.18	-1.60
Change in cash over the period	4.08	-3.89	0.72	-1.42	-0.61	-1.30	-0.75	-0.76
Opening cash position	2.31	6.40	2.51	3.23	1.80	1.19	-0.11	-0.86
Closing cash position	6.40	2.51	3.23	1.80	1.19	-0.11	-0.86	-1.63

Balance sheet

Au 31/12 (MEUR)	2013	2014	2015	2016	2017	2018E	2019E	2020E
Fixed assets	0.05	0.06	0.21	0.18	0,14	0,17	0,21	0,25
Intangible assets	1.22	1.09	1.26	1.11	0,90	0,78	0,66	0,54
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	0.44	0.65	0.59	1.02	0,81	0,85	0,94	1,12
Account receivables	0.65	0.68	0.94	1.41	1,38	1,44	1,60	1,89
Other receivables	0.46	0.38	0.54	0.68	0,54	0,59	0,62	0,68
Cash and cash equivalents	6.40	2.51	3.23	1.80	1,19	-0,11	-0,86	-1,63
Prepaid expenses	-	-	-	-	-	-	-	-
Other non-current assets	0.13	0.12	0.06	0.13	0,12	0,12	0,12	0,12
Total assets	12.41	8.56	9.92	9.41	8,15	6,93	6,37	6,06
Equity	8.92	5.77	4.74	1.19	-0,20	-1,47	-2,25	-2,96
Others	-	-	-	-	-	1,65	3,83	5,43
Provisions	0.03	0.04	0.05	0.07	0,04	0,04	0,04	0,04
Financial debt	2.25	1.45	2.99	6.00	6,23	4,58	2,41	0,81
Account payables	0.69	0.72	1.10	1.19	1,04	1,09	1,21	1,43
Other debts	0.53	0.58	1.04	0.96	0,98	1,04	1,13	1,32
Deferred income and other liabilities	-	-	-	-	0,06	-	-	-
Total liabilities	12.41	8.56	9.92	9.41	8,15	6,93	6,37	6,06

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