

Morning Note – 05 January 2018

SPINEGUARD

2017 : solid revenue growth

- 2017 revenue fully in line with expectations
- Q4: new record in sales
- 2018E and beyond: Smart Screw expected to boost the top line

Solid annual revenue growth

SpineGuard reported annual revenue of EUR8.2m fully in line with expectations. Sales rose by 9.5% (12% in constant currency), primarily driven by a solid double-digit growth of US revenue (11%, 14% cc). With 61% of the units sold there, the US represents 81.5% of the total revenues. The PediGuard product range still delivers a double-digit growth. The performance in 2017 is remarkable when considering the period of internal restructuring in H1 (such times being often associated to a decrease in productivity due to questioning from employees about the future).

A record quarter in volume and in revenue

With 2,708 units sold in Q4, SpineGuard reports a revenue record quarter (EUR2.18m in Q4-17 vs EUR2.15m in Q4-16). The quarterly volume growth of 19% is driven by strong outside the US volume growth of 34% to 1,223 units sold, thanks to the first order in China through leading distributor XinRong Medical (partnership signed last June), a sustained activity in France and a tender order in Saudi Arabia.

2018 and beyond: an inflection point in the story

Since the IPO, SpineGuard worked hard for making Dynamic Surgical Guidance a reality in spine surgery as well as in other usages (e.g. dental surgery). In 2018, SpineGuard enters into a new era with the Smart Screw, a cutting-edge implant, launched last October par the US partner Zavation. In a sector lacking innovation, Smart Screw is expected to generate solid revenues and to drive the group future growth. On top of the spine surgery devices, SpineGuard is expected to see its top line benefit from new sources of revenues (dental, robotics, new usages in orthopaedics). Regarding operating profitability, the company announced that it made good progress towards its goal of reaching monthly breakeven for the end of 2018E (end of 2019E according to our assumptions).

Valuation and rating

The figures released yesterday night are fully in line with our expectations. As a reminder, our DCF model is built on conservative assumptions (solid sales growth to EUR17m in 2021E, positive EBIT margin in 2020E and a discount rate of 11%). Current price is still far from our fair value. We reiterate therefore our Buy rating and EUR5.5 target price.

Next publication: FY results, March 14th

France - Medtech

BUY

Fair value (EUR)	5.50
Price (EUR)	3.70
Upside/down side	+48.6%

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Stock data (04-01-2018)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	3.70
Market capitalisation (EURm)	20.7
Free float (%)	34.5
Floating capitalisation (EURm)	7.1
Number of shares (,000)	5,601
Average daily volume (3 m)	7,209

12m performance



Change (%)	1 m	3 m	12 m
Absolute	+9.8	-7.5	-19.6
Rel. to CAC SM190	+6.4	-9.5	-42.8
Rel. to Next Biotech	-1.4	-2.8	-23.7

Financials (31/12)

EURm	2016	2017E	2018E	2019E
Sales	7.5	8.2	9.0	10.1
EBITDA	-3.3	-2.2	-0.9	0.0
EBIT	-3.6	-2.4	-1.1	-0.2
Net income	-4.2	-3.2	-1.6	-0.6
EPS (EUR)	-0.75	-0.52	-0.26	-0.1
Net debt	4.2	5.4	4.9	3.9

Key ratios

	2016	2017E	2018E	2019E
EV/Sales	3.1x	3.2x	2.9x	2.4x
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	4.4x	5.4x	5.3x	5.1x
Gearing	-353%	-712%	-250%	-125%

Profit and Loss

As of 31/12 (EURm)	2013	2014	2015	2016	2017E	2018E	2019E	2020E
Sales	4.62	4.44	6.35	7.46	8.18	8.99	10.10	11.76
Change n-1	19.0%	-3.9%	43.1%	17.6%	9.6%	10.0%	12.3%	16.5%
Other revenues	-	-	-	-	-	-	-	-
Total revenues	4.62	4.44	6.35	7.46	8.18	8.99	10.10	11.76
Gross margin	4.03	3.78	5.36	6.35	6.97	7.61	8.51	9.81
EBITDA	-2.94	-4.26	-3.73	-3.31	-2.19	-0.85	0.01	0.93
Change n-1	2%	-45%	12%	11%	34%	61%	101%	-11929%
Depreciation & amortisation	0.23	0.23	0.26	0.33	0.21	0.22	0.23	0.25
Goodwill	-	-	-	-	-	-	-	-
EBIT	-3.15	-4.48	-3.97	-3.63	-2.40	-1.07	-0.23	0.67
Change n-1	1%	-42%	11%	9%	34%	55%	79%	397%
Net financial income	-0.36	-0.06	0.10	-0.54	-0.75	-0.49	-0.37	-0.15
Minorities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Net profit before tax	-3.51	-4.54	-3.88	-4.18	-3.15	-1.56	-0.60	0.52
Tax	-	-	-	-	-	-	-	-
Net in come	-3.51	-4.54	-3.88	-4.18	-3.15	-1.56	-0.60	0.52
Change n-1	-8%	-29%	15%	-8%	25%	50%	62%	188%
EPS	-0.82	-1.03	-0.77	-0.82	-0.56	-0.28	-0.11	0.09
EPS fully diluted	-0.82	-1.03	-0.77	-0.75	-0.52	-0.26	-0.10	0.09
Gross margin (% of sales)	87.3%	85.2%	84.5%	85.1%	85.2%	84.6%	84.3%	83.4%
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)	2013	2014	2015	2016	2017E	2018E	2019E	2020E
Net income	-3.51	-4.54	-3.88	-4.18	-3.15	-1.56	-0.60	0.52
Depreciation and amortisation	0.23	0.23	0.26	0.33	0.21	0.22	0.23	0.25
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	0.50	-0.09	-0.12	-0.18
Others	0.51	1.06	0.50	0.83	0.83	0.83	0.83	0.83
Cash-flow from operations	-2.99	-3.32	-2.60	-4.03	-1.62	-0.61	0.34	1.42
Capex	-0.02	-0.05	-0.20	-0.06	-0.08	-0.13	-0.15	-0.18
Free cash flow	-3.02	-3.37	-2.80	-4.09	-1.70	-0.74	0.19	1.24
Acquisitions	-0.15	-0.05	-0.37	-0.09	-	-	-	-
Divestments	-	-	-	0.01	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Capital increase	6.76	0.79	2.64	0.42	0.50	1.20	0.90	-
Financing(bank and others)	0.62	0.01	2.76	2.87	-	-	-	-
Others	-0.14	-1.27	-1.51	-0.54	-0.30	-1.65	-2.18	-1.60
Change in cash over the period	4.08	-3.89	0.72	-1.42	-1.50	-1.19	-1.08	-0.36
Opening cash position	2.31	6.40	2.51	3.23	1.80	0.31	-0.89	-1.97
Closing cash position	6.40	2.51	3.23	1.80	0.31	-0.89	-1.97	-2.33

Balance sheet

Au 31/12 (MEUR)	2013	2014	2015	2016	2017E	2018E	2019E	2020E
Fixed assets	0.05	0.06	0.21	0.18	0.19	0.22	0.26	0.30
Intangible assets	1.22	1.09	1.26	1.11	0.98	0.86	0.74	0.62
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	0.96	1.05	1.18	1.37
Account receivables	0.65	0.68	0.94	1.41	1.33	1.46	1.64	1.91
Other receivables	0.46	0.38	0.54	0.68	0.80	0.87	0.96	1.08
Cash and cash equivalents	6.40	2.51	3.23	1.80	0.31	-0.89	-1.97	-2.33
Prepaid expenses	-	-	-	-	-	-	-	-
Other non-current assets	0.13	0.12	0.06	0.13	0.13	0.13	0.13	0.13
Total assets	12.41	8.56	9.92	9.41	7.77	6.79	6.02	6.17
Equity	8.92	5.77	4.74	1.19	-0.76	-1.97	-3.07	-3.40
Others	-	-	-	-	0.30	1.95	4.13	5.73
Provisions	0.03	0.04	0.05	0.07	0.07	0.07	0.07	0.07
Financial debt	2.25	1.45	2.99	6.00	5.70	4.05	1.88	0.28
Account payables	0.69	0.72	1.10	1.19	1.38	1.52	1.70	1.98
Other debts	0.53	0.58	1.04	0.96	1.07	1.18	1.32	1.52
Deferred income and other liabilities	-	-	-	-	-	-	-	-
Total liabilities	12.41	8.56	9.92	9.41	7.77	6.79	6.02	6.17

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