

Morning Note – 15th February 2018

SPINEGUARD

A new step forward for the dental project with Adin

- Successful proof of concept performed on anatomic models
- Toward an earlier than expected market launch?
- An attractive story at a cheap price: Buy

A technical milestone passed with Adin Dental Implant Systems

SpineGuard and Adin entered into an agreement last July to develop DSG (Dynamic Surgical Guidance) enabled devices for dental surgery. DSG is likely to offer opportunities in this space since sensitive tissues may be damaged along hole drilling in the upper jaw. This is the case for sinus cavity breaches. Adin has demonstrated in an in-vitro study that DSG allows an improved surgery preserving sensitive anatomical structures.

A great optimism shown by the partner

The proof of concept made by Adin is a key milestone in the partnership. This success paves the way to further developments. SpineGuard's partner appears to be very enthusiastic with these results. There is no doubt that all resources will be allocated to support this project. Adin's CEO seems to be comfortable with a faster development than initially expected. Benefiting from the learning curve in spine surgery, we believe that the two partners will be able to design and validate innovative devices in a reasonable time.

Short-term: all eyes turned on the first revenues of the Smart Screw

Dental surgery represents a good opportunity for creating value around DSG technology. That said, the short-term equity story will be supported by the marketing launch of the Smart Screw (DSG enabled pedicle screw). Investors will pay attention to Q1 sales expected to show the first revenues from Zavation in the US (SpineGuard's non-exclusive US partner for this device).

Valuation and rating

We anticipate a launch of dental surgery dedicated devices late 2019E. In this partnership, SpineGuard is expected to capture royalty streams from Adin (on top of milestones payments). This deal will therefore generate costless revenues and have consequently a positive impact on future profitability. This positive news makes our scenario more realistic. We remain however conservative on these future revenues.

Current stock price is definitively disconnected from the intrinsic value of the assets. 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)	3.15
Upside/down side	+74.6%

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Stock data (2018-02-15)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	3.15
Market capitalisation (EURm)	16.6
Free float (%)	34.5
Floating capitalisation (EURm)	6.1
Number of shares (,000)	5,601
Average daily volume (3 m)	8,708

12m performance



Change (%)	1 m	3 m	12 m
Absolute	-6.5	-16.0	-31.4
Rel. to CAC SM190	-1.5	-18.1	-47.6
Rel. to Next Biotech	-14.0	-49.9	-65.4

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	2.8x	2.5x	2.1x
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	4.7x	4.7x	4.4x
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%	-119/29%
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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