

Morning Note – 15th March 2018

SPINEGUARD

FY 2017: preparing the future

- Operating loss reduced by more than EUR1m
- 2018E and beyond: Smart Screw expected to boost the top line
- Pending investor meeting, assumptions and model maintained

France – Medtech

BUY

Fair value (EUR)	5.50
Price (EUR)	2.72
Upside/down side	+102.2%

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Stock data (2018-03-14)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	2.72
Market capitalisation (EURm)	15.2
Free float (%)	34.5
Floating capitalisation (EURm)	5.3
Number of shares (,000)	5,601
Average daily volume (3 m)	8,515

12m performance



Change (%)	1 m	3 m	12 m
Absolute	-13.9	-18.3	-40.9
Rel. to CAC SM190	-14.4	-19.2	-57.7
Rel. to Next Biotech	-11.1	-42.0	-63.4

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	2.5x	2.2x	1.9x
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	4.2x	4.2x	3.9x
Gearing	-353%	-712%	-250%	-125%

2017 results: improvement of operating result

With annual revenue of EUR8.2m, up 9.5% (+12% like for like), SpineGuard's operating loss came at EUR2.5m compared to a loss of EUR3.6m in the prior year (roughly in line with our expectations of EUR2.4m). Thanks to the combination of a stable gross margin at 85.1% despite headwinds on currency and a restructuring plan put in place at the end of the first half of 2017, the operating income improved by more than EUR1m vs 2016. The control of expenses has led to a decrease of 5% of operating costs to EUR9.5m, with the main effort on sale, distribution & marketing costs. SpineGuard reported a net loss of EUR4.1m compared to EUR4.2m the prior year impacted by non-recurring expenses of EUR0.4m (restructuring plan) and by the increase of financial costs and of loans' interest. At December 31, 2017, cash and cash equivalents were EUR1.2m with a convertible bond facility of EUR2.0m, ahead of our expectations.

2018 and beyond: an expected inflection point in the story

SpineGuard is working hard for making Dynamic Surgical Guidance a reality, not only in spine surgery but also in other usages like in dental surgery. In 2018, SpineGuard should enter a new era with the Smart Screw launched last October by the US partner Zavation. In the short term, we expect the Smart Screw to drive the group revenues growth. On top of the spine surgery devices, SpineGuard is expected to see its top line also benefiting from new sources of revenues, particularly in dental surgery with Adin Dental Implant Systems (recent Proof of Concept done). We expect a launch of the first devices in this new indication space late 2019E-mid 2020E. Top line growth and controlled operating costs are likely to make EBITDA margin become positive in 2019E, a scenario confirmed by the management.

Valuation and rating

The figures released are broadly in line with our expectations. Pending the investor meeting of today to clarify various points on the Smart Screw deployment and on dental surgery perspectives, we are maintaining our previous assumptions of solid sales growth over the four next years (EUR17m in 2021E) and a positive EBITDA margin from 2019E. Our DCF model (central scenario built on 11% discount rate in line with marketing challenges), gives a fair value of EUR5.5 per share. Current price represents therefore a good opportunity to play the story.

Next publication: Q1 sales, April 5th

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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