

Morning Note – 12th October 2018

SPINEGUARD

Q3 revenues : back to growth

- Q3 sales up 4% at cc to EUR1.88m, driven by the US
- Smart Screw: still modest volumes but the best is to come
- Recovery is on course, scenario unchanged: Buy

Q3 sales up 4% at cc, with volumes up 5%

Q3-18 revenue came in at EUR 1.88m, up 5% (+4% at constant currency) compared to Q3-17, thanks to the US growth (+8% reported, +7% in cc). The number of units sold grew by 5% to 1,874 from 1,792 units sold in Q3-17, implying a slight decline in the Average Selling Price (-1%). The return to growth, although modest, is mainly due to the US (72% of units sold) dynamic growth with volumes up 10% in Q3. In the US, the bar of 200 surgeries with the Smart Screw has been reached (since its launch end-2017). Outside the US, the performance remains weak. The implementation of the new strategy (allocation of commercial resources on key countries) has had a direct impact on volumes. After a period of significant decline, Q3 sees however an improvement. The postponing of the delivery of orders for roughly 200 units to China and Arabia has a direct impact on the performance (units to be included in Q4 revenues). The attention paid by the group to the Chinese deployment has also a direct consequence on the ASP in this area (lower prices compared to Europe/US).

Smart Screw: the deployment is underway

The contribution of this strategic asset in the 9-m revenues remains marginal (200 units to be compared to 3,948 units of PediGuard). If there is no doubt that the launching period requires time, we don't note any cannibalism since PediGuard' volumes are still rising in the US. To accelerate the penetration rate, SpineGuard supports today its US-partner Zavation for the marketing of the device (with a better value sharing). We may expect a continuous improvement of the volumes. However, the commercial inflexion point for the Smart Screw is lying, in our view, in a partnership with a large player in the orthopedic area with a one-stop shopping experience for hospitals (and owning ideally an extended offer in the pedicle screws business).

Valuation and rating

The figures released are consistent with our FY expectations, i.e. 2018E sales of EUR7.63m. Although we have revised down revenue in our model at the beginning of the year, we have underlined that the operating profitability should be reached more rapidly than previously expected thanks to the new cost structure (new organization) and to the renegotiated commercial partnership with Zavation for the Smart Screw. New sources of revenues are expected in 2019E with milestones payments from Adin (dental projects) combined with continuous growth of volumes (US, Asia) that make realistic return to profitability. We remain therefore positive on the dossier and reiterate our Buy rating and EUR3.2 target price.

Next publication: Q4 revenues, early-January 2018 (date not available yet)

France - Medtech

BUY

Fair value (EUR)	3.20
Price (EUR)	1.445
Upside/down side	+121.5%

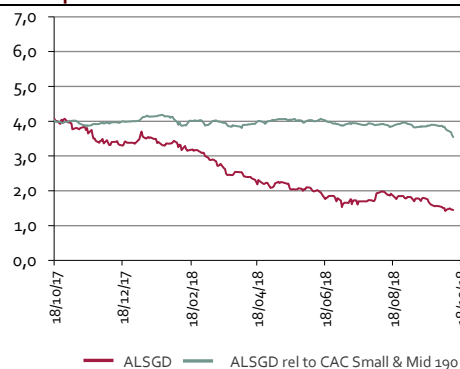
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Stock data (2018-07-11)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	1.445
Market capitalisation (EURm)	9.0
Free float (%)	31.0
Floating capitalisation (EURm)	2.8
Number of shares (,000)	6,214
Average daily volume (3 m)	11,198

12m performance



Change (%)	1 m	3 m	12 m
Absolute	-15.5	-10.2	-64.0
Rel. to CAC SM190	-7.3	0.1	-52.3
Rel. to Next Biotech	2.5	2.5	-60.9

Financials (31/12)

EURm	2017	2018E	2019E	2020E
Sales	8.2	7.6	8.3	10.3
EBITDA	-2.7	-1.0	0.2	1.4
EBIT	-3.0	-1.2	0.0	1.1
Net income	-4.1	-1.7	-0.4	1.0
EPS (EUR)	-0.68	-0.28	-0.06	0.96
Net debt	5.0	4.5	3.2	1.6

Key ratios

	2017	2018E	2019E	2020E
EV/Sales	1.9x	1.7x	1.4x	1.0x
EV/EBITDA	na	na	47.6x	7.3x
EV/EBIT	na	na	732.3x	8.9x
PER	na	na	na	10.5x
ROIC	na	na	0%	24%
ROE	na	na	na	na
EV/IC	3.1x	2.7x	2.5x	2.1x
Gearing	-2564%	-326%	-139%	-71%

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	7.63	8.29	10.30
Change n-1	19.0%	-3.9%	43.1%	17.6%	9.5%	-6.7%	8.7%	24.2%
Other revenues	-	-	-	-	-	-	-	-
Total revenues	4.62	4.44	6.35	7.46	8.17	7.63	8.29	10.30
Gross margin	4.03	3.78	5.36	6.35	6.95	6.50	7.11	8.95
EBITDA	-2.94	-4.26	-3.73	-3.31	-2.66	-1.00	0.24	1.35
Change n-1	2%	-45%	12%	11%	20%	62%	124%	-462%
Depreciation & amortisation	0.23	0.23	0.26	0.33	0.31	0.21	0.22	0.24
Goodwill	-	-	-	-	-	-	-	-
EBIT	-3.15	-4.48	-3.97	-3.63	-2.96	-1.21	0.02	1.11
Change n-1	1%	-42%	11%	9%	18%	59%	101%	-7008%
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	-0.35	0.96
Tax	-	-	-	-	-	-	-	-
Net in come	-3.51	-4.54	-3.88	-4.18	-4.13	-1.70	-0.35	0.96
Change n-1	-8%	-29%	15%	-8%	1%	59%	79%	371%
EPS	-0.82	-1.03	-0.77	-0.82	-0.72	-0.30	-0.06	0.17
EPS fully diluted	-0.82	-1.03	-0.77	-0.75	-0.68	-0.28	-0.06	0.16
Gross margin (% of sales)	87.3%	85.2%	84.5%	85.1%	85.1%	85.2%	85.7%	86.9%
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	2017	2018E	2019E	2020E
Net income	-3.51	-4.54	-3.88	-4.18	-4.13	-1.70	-0.35	0.96
Depreciation and amortisation	0.23	0.23	0.26	0.33	0.31	0.21	0.22	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	0.08	-0.09	-0.28
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	-0.59	0.60	1.74
Capex	-0.02	-0.05	-0.20	-0.06	-0.05	-0.11	-0.12	-0.15
Free cash flow	-3.02	-3.37	-2.80	-4.09	-2.56	-0.70	0.48	1.59
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	-1.15	-0.80	-0.01
Opening cash position	2.31	6.40	2.51	3.23	1.80	1.19	0.04	-0.76
Closing cash position	6.40	2.51	3.23	1.80	1.19	0.04	-0.76	-0.77

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	0.16	0.19	0.22
Intangible assets	1.22	1.09	1.26	1.11	0.90	0.78	0.65	0.53
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	0.76	0.82	1.02
Account receivables	0.65	0.68	0.94	1.41	1.38	1.28	1.40	1.73
Other receivables	0.46	0.38	0.54	0.68	0.54	0.59	0.55	0.59
Cash and cash equivalents	6.40	2.51	3.23	1.80	1.19	0.04	-0.76	-0.77
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	6.81	6.05	6.54
Equity	8.92	5.77	4.74	1.19	-0.20	-1.39	-2.27	-2.23
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	0.97	1.05	1.31
Other debts	0.53	0.58	1.04	0.96	0.98	0.96	1.00	1.19
Deferred income and other liabilities	-	-	-	-	0.06	-	-	-
Total liabilities	12.41	8.56	9.92	9.41	8.15	6.81	6.05	6.54

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