

Morning Note – 16th July 2024

SPINEGUARD

Q2 sales: the rebound is underway

- A very good trend in the United States
- A timely strengthening of shareholders' equity
- Buy reiterated with Fair Value adjustment.

The recovery of the US market is underway

Last night, SpineGuard published its Q2 sales figures, up 14% to EUR1.095m. Geographically, growth was driven by the United States, with a return, for the second consecutive quarter, to very strong momentum (+29% in units sold). This performance is due to the work of the redeployed sales team, which took over the customer accounts managed by the failing distributor Wishbone Medical. The rest of the world took a break (-2% of units sold), with underperformance linked mainly to Latin America and the Middle East, which had placed large orders in H1 2023. A recovery is expected in H2. Other geographical areas are showing good momentum. Although unfavorable base effects are impacting figures in some countries, the rebound seen in Q1 is confirmed.

Fund-raising to further consolidate business

The company announced last week that it had raised 1.1 MEUR. This injection of liquidity improves financial visibility and provides the means to move forward on all fronts. In addition to winning back the US market, the company is finalizing regulatory filings for new products that will broaden its revenue streams (PediGuard for anterior scoliosis correction and sacroiliac fusion, and the DSG-enabled Drill for spinal surgery). Regulatory progress are expected in H2, and the timetable for launches in 2025 looks realistic. The company is also pursuing its search for partners and discussions to add value to its technology (robotics, dental). The S2 congresses dedicated to spine surgery (NASS, Eurospine) will be important opportunities for exchanges with potential partners.

Valuation and rating

After a complex 2023 (failure of the US distributor), SpineGuard is back on the growth track. We have taken advantage of this publication to update our sales forecasts for 2024E and subsequent years. This minor adjustment has a limited impact on future cash flow. We anticipate a return to breakeven on a full-year basis in 2027E. On the other hand, the issue of new shares during the recent capital increase has had a dilutive impact on the value per share, which now stands at EUR0.75 (vs. EUR0.86). The turbulence in the local stockmarket due to political uncertainty in France does not call the fundamentals into question. The current price level is totally irrational in relation to technology assets and the current turnaround scenario.

We therefore remain confident in the stock, and reiterate our Buy recommendation.

Next communication: HY results – September 11th

France - Medtech

Buy

Fair value (EUR)	0.75 (vs 0.83)
Price (EUR)	0.1582
Upside/down side	+374.1%

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Stock data (2024-07-15)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	0.1582
Market capitalisation (EURm)	8.5
Free float (%) est.	95.2
Floating capitalisation (EURm)	8.1
Number of shares (,000)	53,501
Average daily volume (3 m)	109,374

12m performance



Change (%)	1 m	3 m	12m
Absolute	-35.7	-36.0	-74.5
Rel. to CAC SM190	-37.9	-32.9	-72.4
Rel. to Next Biotech	-51.0	-50.6	-65.5

Financials (31/12)

EURm	2023	2024E	2025E	2026E
Sales	4.3	5.4	7.0	8.5
EBITDA	-3.7	-2.6	-1.5	-0.6
EBIT	-4.0	-2.9	-1.8	-1.0
Net income	-4.2	-3.2	-2.0	-1.1
EPS (EUR)	-0.08	-0.06	-0.03	-0.02
Net debt	-0.8	0.4	1.2	0.8

Key ratios

	2023	2024E	2025E	2026E
EV/Sales	2.0x	2.3x	1.9x	1.5x
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	1.7x	2.3x	2.5x	2.4x
Gearing	-13%	7%	31%	19%

Profit and Loss

As of 31/12 (EURm)	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	6.83	4.85	4.41	5.60	4.31	5.39	6.99	8.49
Change n-1	-9.9%	-29.0%	-9.2%	27.1%	-23.0%	25.1%	29.6%	21.3%
Other revenues	-	-	-	-	-	-	-	-
Total revenues	6.83	4.85	4.41	5.60	4.31	5.39	6.99	8.49
Gross margin	5.77	4.04	3.61	4.71	3.38	4.37	5.85	7.19
EBITDA	-0.14	-1.49	-1.04	-1.37	-3.68	-2.56	-1.45	-0.59
Change n-1	84%	-993%	30%	-31%	-169%	31%	43%	59%
Depreciation & amortisation	0.30	0.35	0.31	0.43	0.16	0.25	0.25	0.26
Goodwill	-	-	-	-	-	-	-	-
EBIT	-0.43	-1.84	-1.35	-1.66	-3.98	-2.93	-1.83	-0.98
Change n-1	61%	-326%	27%	-23%	-139%	26%	37%	46%
Net financial income	-0.64	-0.84	-0.30	-0.43	-0.23	-0.20	-0.13	-0.06
Minorities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Net profit before tax	-1.07	-2.68	-1.65	-2.09	-4.20	-3.14	-1.96	-1.05
Tax	0.39	-0.04	-0.08	-0.30	0.02	-0.07	-0.07	-0.07
Net in come	-0.69	-2.72	-1.72	-2.39	-4.18	-3.21	-2.03	-1.12
Change n-1	71%	-296%	37%	-39%	-75%	23%	37%	45%
EPS	-0.05	-0.12	-0.06	-0.07	-0.09	-0.06	-0.03	-0.02
EPS fully diluted	-0.05	-0.10	-0.05	-0.07	-0.08	-0.06	-0.03	-0.02
Gross margin (% of sales)	84.5%	83.2%	81.9%	84.2%	78.3%	81.0%	83.6%	84.8%
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)	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net income	-0.69	-2.72	-1.72	-2.39	-4.18	-3.21	-2.03	-1.12
Depreciation and amortisation	0.30	0.35	0.31	0.43	0.16	0.25	0.25	0.26
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change in WCR	0.27	0.64	-0.09	-0.51	-0.10	-0.48	-0.28	-0.32
Others	0.71	1.04	0.35	1.07	0.51	0.43	0.36	0.29
Cash-flow from operations	0.60	-0.68	-1.16	-1.40	-3.62	-3.01	-1.70	-0.89
Capex	-0.08	-0.05	-0.04	-0.14	-0.07	-0.08	-0.08	-0.08
Free cash flow	0.52	-0.73	-1.19	-1.54	-3.69	-3.09	-1.78	-0.97
Acquisitions	-	-	-	-	-	-	-	-
Divestments	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Capital increase	1.75	1.75	6.51	1.20	4.77	1.50	1.00	1.00
Financing (bank and others)	0.22	0.00	-	-	-	-	-	-
Others	-1.54	-0.99	-0.91	-1.09	-1.09	-0.65	-0.61	-0.08
Change in cash over the period	0.96	0.03	4.41	-1.44	-0.01	-2.24	-1.40	-0.04
Opening cash position	1.16	2.12	2.15	6.56	5.12	5.11	2.87	1.48
Closing cash position	2.12	2.15	6.56	5.12	5.11	2.87	1.48	1.43

Balance sheet

Au 31/12 (MEUR)	2019	2020	2021	2022	2023	2024E	2025E	2026E
Fixed assets	0.63	0.50	0.37	0.28	0.23	0.14	0.05	-0.05
Intangible assets	0.72	0.69	0.89	1.27	1.24	1.03	0.82	0.61
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	0.66	0.66	0.68	0.87	0.95	0.84	1.09	1.32
Account receivables	0.95	0.71	0.62	1.10	0.75	1.06	1.37	1.66
Other receivables	0.55	0.67	0.57	0.63	0.73	0.56	0.70	0.91
Cash and cash equivalents	1.40	1.22	5.21	4.12	3.89	1.65	0.26	0.21
Prepaid expenses	-	-	-	-	-	-	-	-
Other non-current assets	0.50	0.51	0.48	0.17	0.17	0.17	0.17	0.17
Total assets	8.50	8.06	11.90	11.50	11.04	8.53	7.54	7.92
Equity	0.59	-0.01	5.06	5.14	6.03	4.92	3.93	4.24
Others	-	-	-	-	-	-	-	-
Provisions	0.05	0.05	0.05	0.18	0.03	0.16	0.29	0.42
Financial debt	6.08	5.64	4.47	3.83	3.09	2.02	1.47	1.00
Account payables	1.04	1.34	1.00	1.14	1.21	0.68	0.89	1.08
Other debts	0.62	0.88	1.00	1.00	0.67	0.75	0.97	1.19
Deferred income and other liabilities	0.11	0.15	0.32	0.21	-	-	-	-
Total liabilities	8.50	8.06	11.90	11.50	11.04	8.53	7.54	7.92

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