

Estimated price: € 2.34

Share price (€) (As of 08/12/2016)	0.77
High/Low (€) since Jan. 1 st , 2016	1.85/0.72
Market Cap (€M) (as of Dec. 8 th 2016)	16.4
Estimated Net Cash (€M)	6.4
Estimated Market Cap. (€M)	43.6
Number of shares (M)	21.3
Estimated price (€)	2.34
Volume 3-month average	214,067
Free float	79%

Implanet confirms clinical benefits of Jazz implants after three years of patient follow-up

Implanet released additional clinical data showing the good performance of the Jazz band implant in correcting large spine deformities in adolescents. Data were published in a white paper by French KOLs, giving Implanet additional arguments to convince more surgeons to adopt the company's product, while expanding its scope of application. Implanet recently secured a €6.9M follow-on financing. The operation received a strong support from institutional investors despite difficult market conditions. The funds will support the strategic deployment initiated by the company to accelerate sales of its spinal implants, which have experienced strong growth since the beginning of the year. According to our estimates, additional funds will provide Implanet about 24 months of financial visibility. Our valuation of Implanet remains unchanged, but we adjusted our target price to €2.34/share, taking into account the newly issued shares and cash raised subsequent to the follow-on offering.

Additional data confirming the clinical benefits of Jazz band in large deformities

Implanet just communicated the results of a clinical study, demonstrating the safety and efficacy of using sub-lamellar Jazz implant in correcting adolescent hypokyphotic idiopathic scoliosis. Full results from the study were published by a group of French KOL in the white paper "Correction of Adolescent Idiopathic Scoliosis in hypokyphotic patients using JAZZ sublaminar bands: preliminary results of a multicentric study using 3D reconstruction". The study was performed in 3 leading French hospitals including Robert Debré (Paris), la Timone (Marseille) and Purpan Hospital (Toulouse), and involved 35 patients for an average of 34 month. According to investigators, using sub-lamellar Jazz implants associated with titanium or cobalt rods, demonstrated a good restoration of the frontal and sagittal balance on these patients. They also estimated that sub-lamellar JAZZ band could reduce surgical complications, especially tearing of concave screws that can occur during surgery. Moreover, the small number of Jazz implants required for these operations reduces overall surgical costs, and the risk of spinal cord trauma. Although the

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Jazz band already demonstrated benefits and efficacy in various spine surgeries, these results obtained after almost 3 years of follow-up, strengthen the relevance of using Jazz to support or replace traditional implants such as pedicle hooks and screws. They should also help the company convince new surgeons to adopt Jazz products in their clinical practice.

Strong support from French and international investors

Implanet recently announced they successfully completed a € 6.9M follow-on financing. The operation took place between October 26th and November 9th 2016, and was subscribed at almost 100%, reflecting the strong interest of investors in Implanet. Interestingly, several new French and foreign institutional investors also participated in the operation, including Sigma Gestion, Vatel Capital and Brio Capital. Additional 9,833,105 shares were issued at €0.70/share.

According to Implanet, the money raised will be used to accelerate market adoption of its lead product, the JAZZ implants. The company will also strengthen both its R&D and commercial activities, especially in the US. For this purpose, the company intends to:

- Strengthen the clinical data demonstrating the performance of using Jazz implants to support or replace traditional spinal implants such as pedicular screws and hooks
- Perform medical studies to evaluate the potential of Jazz implants for new spine surgery indications
- Evaluate the interest of using Jazz implants for various types of spine surgical procedures
- Strengthen the marketing sales force in different countries and especially in the US

Implanet aims at establishing the JAZZ implant, as a reference device for back surgery. The company expects that these efforts would boost the adoption among surgeons, and the funds raised would be an important asset to achieve such ambitions.

Note that in October 2015, Implanet secured a € 5M debt financing through convertible bonds with L1 Capital, of which € 1.6M have already been drawn. The remaining € 3.4M could provide additional funding for the company. Considering a cash position of € 3.9M at June 30th, we estimated that the € 6.9M follow-on offering should provide the company a financial visibility of approximately 24 months.

JAZZ sales in good momentum

Implanet's sales have taken good momentum since the beginning of the year, primarily driven by the spinal implant products. The company benefits from the growing adoption of JAZZ, in France and

the US. During the first nine months of 2016, the company recorded revenues of € 5.6M, a 12% increase compared to the same period last year. Note that sales slightly slowed down in the third quarter of 2016 (-12%), due to a decrease in knee implants sales (especially in Brazil), a historical business of Implanet, accounting for approximately 30% of the company's revenue. However, the company's main asset is the JAZZ band range of products for spine surgery, which has by far, the largest market potential. For instance, JAZZ sales have increased by 27% for the first 9 months of 2016 compared to 2015.

Valuation

Following the €6.9M follow-on offering and the newly issued shares, we adjusted our target price to € 2.34 per share. Our valuation model on the company remains unchanged, with an Enterprise Value estimated at € 43.6M.

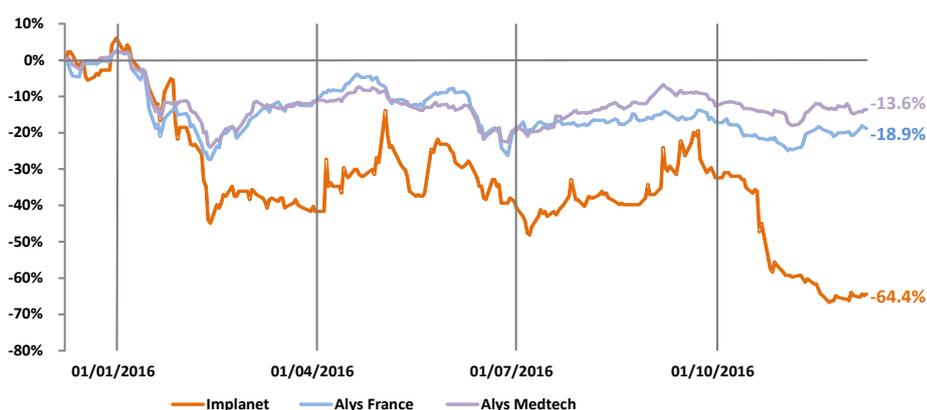
Stock performance

The difficult market conditions due to numerous worldwide political and macroeconomic events (Brexit referendum, US presidential elections, Syrian crisis...), continue to heavily impact Life Sciences stocks. Since the beginning of the year, the French Biotech/Medtech index Alys France have lost 20.9% of its value, compared to +1.2% for the CAC40 index. Over the same period, Implanet's stock (Euronext. IMPL) declined by 58.4%, with shares trading at € 0.77 as of December 8th 2016. Moreover, the company's stock also plummeted from the investors' negative reaction on the recent €6.9M follow-on offering. The 3-month average daily trading volume is approximately 214,067 shares.

Euronext since Jan. 1 st , 2016	
Implanet	-58.5%
Alys France*	-20.9%
CAC Healthcare.	-5.0%
CAC 40	+1.2%
CAC Small	+3.9%

Index of French smallcaps (less than €1B market capitalization at time of inclusion) in the healthcare and life sciences sector, listed on Euronext Paris.

See <http://www.aurgalys.com/aurgalys-indices>



Financial data

INCOME STATEMENT (€M)					
	2014	2015	2016e	2017e	2018e
Revenue	7,0	6,7	8,4	10,9	14,8
EBIT	-5,9	-6,9	-6,2	-5,2	-3,8
Net Income	-6,1	-7,3	-6,4	-5,5	-4,0
EARNINGS PER SHARE (€)					
	2014	2015	2016e	2017e	2018e
EPS	-1,1	-0,7	-0,3	-0,2	-0,2
<i>Diluted EPS</i>	-	-	-	-	-
BALANCE SHEET (€M)					
	2014	2015	2016e	2017e	2018e
Non Current Assets	5,8	3,0	2,6	2,5	2,6
Current assets	8,8	13,2	14,2	10,5	6,8
<i>Including cash & cash equivalent</i>	<i>2,1</i>	<i>1,2</i>	<i>7,4</i>	<i>3,5</i>	<i>-2,1</i>
Total Assets	14,6	16,3	16,8	13,1	9,4
LIABILITIES AND SHAREHOLDER'S EQUITY					
Total Equity	7,2	10,3	11,3	8,2	4,1
Total Debt	3,1	2,7	2,7	3,0	3,5
Total Liabilities and Shareholder's Equity	14,6	16,3	16,8	13,1	9,4
CASH FLOW STATEMENT (€M)					
	2014	2015	2016e	2017e	2018e
Cash Flow from operating activities	-5,3	-7,5	-4,4	-5,2	-3,9
Cash Flow from investment activities	7,5	0,0	3,9	0,5	-0,8
Cash Flow from financing activities	-3,0	0,0	6,7	0,8	-1,0
Net change in cash	-0,9	-7,5	6,2	-3,9	-5,6

Disclaimer

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You may call +33(0)1 75 66 20 52 or write to m.dubourd@aurgalys.com to request a copy of this independent research

Aurgalys

1, rue Pierre Fontaine
91058 Evry Cedex
France

www.aurgalys.com

