

Analyst Report

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Implanet

Euronext Paris: ALIMP [FR0010458729]

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Estimated price:	€1.40
Share price (€)*	0.68
Market Cap. (€M)*	15.4
Estimated Market Cap. (€M)	32.1
Number of shares (M)	22.7
YTD High/Low (€)	0.86/0.62
3-month average daily vol.	191,000
Free Float	76%
Estimated Net Cash (€M)	0.6

* as of 2017/09/28

Implanet reports a 19% increase in Jazz sales for first-half 2017 on the European market

Implanet published its 2017 first-half results with reported sales of €4.12M. 58% of the company's revenues were generated by Jazz, the Implanet's main technology platform. Thanks to the launch of Jazz in Australia and Germany and the presence of distributors in Italy, Spain and the UK, the international sales have progressed by 101%. The priority adults degenerative spine disorder sales increase by +37%. Furthermore, the company has taken cost reduction measures, which led to a reduction of operating expenses (-13%). Our target price is maintained at €1.40/share.

Jazz sales up to €4.12M (+19%)

Jazz sales have increased by 19% to €2.4M in the first-half of 2017, representing 58% of total sales (vs 49% in H1-2016). This growth is supported by an active direct sales approach in France, that has led to an increase of 24 % (790k€). In Europe, Implanet has started to directly commercialize its products in Germany. The historical network of distributors in Italy, Spain and UK has delivered a 101% growth at 554k€. Furthermore, the Company has decided to develop the Australian and New Zealand market in partnership with Device Technology, a well-known medical equipment supplier present in these two countries.

Reduction of operating expenses by 13%

Implanet has continued to reduce its operating expenses. Regulatory affairs, quality control cost and operating costs decreased respectively by 28% and 25%. However, the company has decided to maintain its efforts in innovation and commercialization by reducing R & D costs by 2% and Sales & Marketing, by only 1%. Thanks to this reduction operating income improve by 13% to -€3.08M (vs -€3.55M in H1-2016). However, these costs should remain stable, as the Company focused on Jazz sales growth.

Perspectives

The priority adult degenerative spine disorder segment sales will be the next objective of development for the company. The sales for this segment showed an increase of 37% (€0.7M) for the first-half of 2017 in France and the United States.

Even if the Jazz sales in the US stabilized at €1.06M, the company thinks they should gain momentum in the coming months because of the recruitment and the reinforcement of an experienced team of sales and partners. Moreover, the publication of some new clinical publications (cf. white paper on optimization of axial correction without altering thoracic sagittal alignment) will comfort the use of Jazz implants platform as a safe and efficient alternative to traditional (All-Screw) techniques.

Implanet has received marketing clearance from US (510(k)) and European (CE Mark) regulatory agencies for the Jazz Frame, Jazz Standalone and Jazz Passer demonstrating the continuous dynamic growth of the Jazz platform and product.

With 24 granted patents, the Company could definitely be considered as an innovative machine in the field of rachis surgery. Also the company begins the sales of its new product: Jazz Passer. In Australia's and New Zealand's markets the Company begin to work with a new distributor: Device Technologies. Regulatory clearance was received by Implanet from FDA and Europe (CE mark) for its products: Jazz Frame and Jazz Standalone implants.

Valuation

We maintained our target price to €1.40/share. Our model has already taken into account the decrease of the knee/arthroscopy sales; the slower uptake of the US sales had the most significant impact on our target price.

Financials

INCOME STATEMENT (€M)	2014	2015	2016	2017e	2018e	2019e
Revenue	7,0	6,7	7,8	8,3	11,8	17,4
EBIT	-5,9	-7,6	-6,9	-6,3	-5,1	-3,4
Net Income	-6,1	-8,0	-7,3	-6,6	-5,3	-3,4

EARNINGS PER SHARE (€)	2014	2015	2016	2017e	2018e	2019e
EPS	-1,1	-0,8	-0,3	-0,3	-0,2	-0,1
<i>Diluted EPS</i>	-	-	-	-	-	-

BALANCE SHEET (€M)	2014	2015	2016	2017e	2018e	2019e
Non Current Assets	5,8	3,0	3,2	3,4	4,1	4,6
Current assets	8,8	13,2	13,3	7,1	1,9	4,8
<i>Including cash & cash equivalent</i>	<i>2,1</i>	<i>1,2</i>	<i>6,1</i>	<i>0,4</i>	<i>-6,3</i>	<i>-6,1</i>
Total Assets	14,6	16,3	16,5	10,5	6,0	9,3

LIABILITIES AND SHAREHOLDER'S EQUITY

Total Equity	7,2	10,3	9,7	5,8	1,2	-2,3
Total Debt	3,1	2,7	2,9	2,6	3,1	3,8
Total Liabilities and Shareholder's Equity	14,6	16,3	16,5	10,5	6,0	9,3

CASH FLOW STATEMENT (€M)	2014	2015	2016	2017e	2018e	2019e
Cash Flow from operating activities	-5,3	-7,5	-6,3	-5,3	-5,0	-3,0
Cash Flow from investment activities	7,5	0,0	4,0	-0,7	-1,1	-1,4
Cash Flow from financing activities	-3,0	0,0	8,1	0,3	-0,7	4,6
Net change in cash	-0,9	-7,5	5,7	-5,6	-6,7	0,2

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