

Medical Devices

IMPZY - OTCQX September 19, 2017

Intraday Price 09/19/2017 **€0.70**
 Rating: Buy
 12-Month Target Price: €3.00
 52-Week Range: €0.55 - €1.46
 Market Cap (M): 17
 Shares O/S (M): 24.1
 Avg. Daily Volume (000): 146
 Dividend: €0.00
 Dividend Yield: 0.00%
 Risk Profile: Speculative
 Fiscal Year End: December

Total Revenues ('000)

	2017E	2018E	2019E
1Q	€2,048A	€2,787	€3,362
2Q	€2,071A	€2,909	€3,508
3Q	€2,391	€3,151	€3,801
4Q	€2,656	€3,272	€3,947
FY	€9,017	€12,119	€14,617
Prior	€9,079	—	—

Total Expenses ('000)

	2017E	2018E	2019E
1Q	€3,078A	€5,393	€6,102
2Q	€4,127A	€5,627	€6,367
3Q	€4,840	€6,096	€6,897
4Q	€5,078	€6,331	€7,163
FY	€18,561	€23,446	€26,528
Prior	€18,579	—	—



Gabrielle Zhou
 (212) 895-3784
 gzhou@maximgrp.com

Jason Kolbert
 (212) 895-3516
 jkolbert@maximgrp.com

Jason McCarthy, Ph.D.
 (212) 895-3556
 jmccarthy@maximgrp.com

Implanet SA

Buy

Reports 1H17 Results - JAZZ Continues to Drive Sales

Summary

- Implanet announced 1H17 (ending June 30, 2017) results with total revenues of €4.1M, mainly driven by €2.4M of JAZZ sales. Revenue for 2Q17 was €2M, including €1.3M from JAZZ implants and €734K from knee and arthroscopy products.
- Implanet sold 4,641 JAZZ implants in the first half of the year, achieving 66% of the total volume sold in full year 2016 (7,001 implants). A total of 137 surgeons adopted use of JAZZ in both France and the U.S.
- During 1H17, Implanet spent €7.2M and reported a net loss of €3.7M. The company ended the period with €5M in cash. We note that Implanet has the option to subscribe to 190 convertible bonds with warrants from the European Select Growth Opportunities Fund which would bring in an additional €1.9M. Revenues from JAZZ sales continue to partially offset operating expenses. However, at the current burn rate, capital is running low.
- Conclusion: Implanet continues to build revenues mainly driven by JAZZ in the U.S. and France (where the company operates directly). While it is still early days in the launch, we believe over time the revenue will continue build as JAZZ gains more traction.

Details

Implanet is now commercializing its product, JAZZ, for complications related to spinal fusion in the EU (direct in France), the U.S. (direct), and in other countries worldwide. The unique design and approach of the JAZZ devices creates the potential over time to become the new standard of care for spinal disorders requiring spinal fusion, which affects millions globally every year. The product is a temporary implant to be used in orthopedic surgery. The flexibility of the range, ease of use, and efficacy appeals to healthcare professionals. The product range also complements the tools already used for spinal fusion. Management is expanding territories with an exclusive distribution partnership now in place with Device Technologies (private) for Australia and New Zealand. This combined with a U.S. (510k) and European (CE) regulatory clearances granted for the new JAZZ Lock, JAZZ Claw and JAZZ Frame implants should support growth.

Braided implant competition. There are currently four implants on the market competing with JAZZ. The Universal Clamp marketed by Zimmer was the first successful flexible braided implant. The initial development manager for the Universal Clamp, Régis Le Couëdic, is now the R&D director at Implanet. Medice developed Ligapass, which confirms the potential of braided implants. Approved in the U.S. and the EU, the Ligapass seems to have been launched since 2013. The company considers that the development of the Ligapass must have been hindered or made more complex by the combined patent portfolios of Zimmer and Implanet. In 2014, the American company Globus Medical launched a braided implant called SILC, which also uses a polyester braid. It seems, however, that its designers did not find a viable and patent-free solution for blocking the braid and implant with a single tensioning instrument, which also occurred with the JAZZ implant and on Zimmer Spine's UC. And, in 2015, K2M, a company specializing in the treatment of spinal deformity, launched a braided implant called NILE, which also uses a polyester. However, as is the case above, the designers did not manage to find a viable and patent-free solution for blocking the braid and implant with a single tensioning instrument.

Implanet SA.: Income Statement ('000)															
YE December 31	2015A	2016A	1Q17A	2Q17A	3Q17E	4Q17E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue	7,518														
Jazz (US)		1,647	415	644	515	578	1,976	5,045	6,995	10,841	15,643	23,677	33,759	43,236	51,678
Jazz (France)		1,725	417	373	546	612	2,070	1,930	2,156	2,365	2,578	4,371	5,563	6,457	6,255
Jazz (RoW)		729	234	321	192	215	816	1,498	1,697	1,886	2,082	3,612	4,662	5,476	6,282
Madison + Twist (France)		2,618	687	533	654	734	2,608	2,710	2,913	3,131	3,364	3,613	3,879	4,163	4,467
Madison + Twist (RoW)		1,106	295	200	275	308	1,128	302	-	-	-	-	-	-	-
Knee Revisions (EU)	-	-			209	209	418	634	856	1,083	1,535	1,997	2,471	2,956	3,452
Total Revenue	7,518	7,825	2,048	2,071	2,391	2,656	9,017	12,119	14,617	19,307	25,202	37,271	50,334	62,288	72,134
Expenses:															
Costs of Goods Sold	4,599	3,844	1,001	1,013	717	797	2,705	3,636	3,947	5,213	6,804	9,318	12,584	14,326	16,591
			%COGS												
Research and Development	827	870	210	314	650	675	2,500	4,000	5,000	6,000	7,500	10,000	2,000	2,100	2,205
			%R&D												
General and Administrative	3,697	2,883	532	799	1,365	1,418	5,250	7,000	8,000	9,000	10,000	10,500	11,025	11,576	12,155
			%SG&A												
Cost of regulatory affairs and quality assurance	1,063	916	147	221	250	260	962	1,010	1,060	1,113	1,169	1,228	1,289	1,353	1,421
Sales & Marketing	5,063	5,105	1,028	1,542	1,560	1,620	6,000	6,600	7,260	7,986	8,785	9,663	10,629	11,692	12,862
Operating costs	895	1,089	158	238	297	309	1,143	1,201	1,261	1,324	1,390	1,459	1,532	1,609	1,689
Total Expenses	16,143	14,707	3,078	4,127	4,840	5,078	18,561	23,446	26,528	30,636	35,648	42,168	39,059	42,657	46,923
Operating income	(8,624)	(6,882)	(1,030)	(2,056)	(2,449)	(2,422)	(9,544)	(11,328)	(11,911)	(11,329)	(10,447)	(4,897)	11,275	19,631	25,211
Non-recurring operating income and expenses			(182)	(272)			(454)								
Financial expenses	(758)		(60)	(90)			(150)								
Financial income	65														
Change in the fair value of the derivative	40														
Foreign exchange gains and losses	228														
Total other income	(424)	(405)	(242)	(362)	-	-	(150)	-	-	-	-	-	-	-	-
Pretax Income	(9,049)	(7,288)	(1,272)	(2,418)	(2,449)	(2,422)	(10,148)	(11,328)	(11,911)	(11,329)	(10,447)	(4,897)	11,275	19,631	25,211
Income Tax Benefit (Provision)	-	-	-	-	-	-	-	-	-	-	-	-	1,127	2,945	4,538
Tax Rate													10%	15%	18%
GAAP Net Income (Loss)	(9,049)	(7,288)	(1,272)	(2,418)	(2,449)	(2,422)	(10,148)	(11,328)	(11,911)	(11,329)	(10,447)	(4,897)	10,147	16,686	20,673
GAAP-EPS	(0.93)	(0.58)	(0.08)	(0.15)	(0.15)	(0.13)	(0.57)	(0.58)	(0.58)	(0.54)	(0.49)	(0.23)	0.46	0.74	0.90
GAAP-EPS (Dil)	0.83	(0.58)	(0.08)	(0.15)	(0.15)	(0.13)	(0.57)	(0.58)	(0.58)	(0.54)	(0.49)	(0.23)	0.46	0.74	0.90
Wgt'd Avg Shrs (Bas) - '000s	9,692	12,669	16,606	16,623	16,640	18,806	17,723	19,589	20,488	20,900	21,320	21,748	22,185	22,631	23,086
Wgt'd Avg Shrs (Dil) - '000s	9,692	12,669	16,606	16,623	16,640	18,806	17,723	19,589	20,488	20,900	21,320	21,748	22,185	22,631	23,086

Source: Company reports and Maxim

DISCLOSURES

Implanet SA Rating History as of 09/18/2017

powered by: BlueMatrix



Maxim Group LLC Ratings Distribution		As of: 09/18/17	
		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
Buy	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	80%	38%
Hold	Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither significantly outperform nor underperform its relevant index over the next 12 months.	18%	18%
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	2%	25%

**See valuation section for company specific relevant indices*

I, Gabrielle Zhou, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

I, Jason Kolbert, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

I, Jason McCarthy, Ph.D., attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

The research analyst(s) primarily responsible for the preparation of this research report have received compensation based upon various factors, including the firm's total revenues, a portion of which is generated by investment banking activities.

Maxim Group makes a market in Implanet SA

Maxim Group managed/co-managed/acted as placement agent for an offering of the securities for Implanet SA in the past 12 months.

Maxim Group received compensation for investment banking services from Implanet SA in the past 12 months.

Maxim Group expects to receive or intends to seek compensation for investment banking services from Implanet SA in the next 3 months.

IMPZY: We use the NASDAQ BTK index.

Valuation Methods

IMPZY: We use FCFF, Sum of the Parts and DCF models, equal weighted and averaged to determine our price target. We also use a risk cut in our revenue models and an R-value (risk rate) of 30% in our therapeutic models.

Price Target and Investment Risks

IMPZY: Risks include the need and ability to raise capital, regulatory risks, commercial risks.

RISK RATINGS

Risk ratings take into account both fundamental criteria and price volatility.

Speculative – Fundamental Criteria: This is a risk rating assigned to early-stage companies with minimal to no revenues, lack of earnings, balance sheet concerns, and/or a short operating history. Accordingly, fundamental risk is expected to be significantly above the industry. Price Volatility: Because of the inherent fundamental criteria of the companies falling within this risk category, the price volatility is expected to be significant with the possibility that the investment could eventually be worthless. Speculative stocks may not be suitable for a significant class of individual investors.

High – Fundamental Criteria: This is a risk rating assigned to companies having below-average revenue and earnings visibility, negative cash flow, and low market cap or public float. Accordingly, fundamental risk is expected to be above the industry. Price Volatility: The price volatility of companies falling within this category is expected to be above the industry. High-risk stocks may not be suitable for a significant class of individual investors.

Medium – Fundamental Criteria: This is a risk rating assigned to companies that may have average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to approximate the industry average.

Low – Fundamental Criteria: This is a risk rating assigned to companies that may have above-average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to be below the industry.

DISCLAIMERS

Some companies that Maxim Group LLC follows are emerging growth companies whose securities typically involve a higher degree of risk and more volatility than the securities of more established companies. The securities discussed in Maxim Group LLC research reports may not be suitable for some investors. Investors must make their own determination as to the appropriateness of an investment in any securities referred to herein, based on their specific investment objectives, financial status and risk tolerance.

This communication is neither an offer to sell nor a solicitation of an offer to buy any securities mentioned herein. This publication is confidential for the information of the addressee only and may not be reproduced in whole or in part, copies circulated, or disclosed to another party, without the prior written consent of Maxim Group, LLC ("Maxim").

Information and opinions presented in this report have been obtained or derived from sources believed by Maxim to be reliable, but Maxim makes no representation as to their accuracy or completeness. The aforementioned sentence does not apply to the disclosures required by FINRA Rule 2241. Maxim accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does

not apply to the extent that such liability arises under specific statutes or regulations applicable to Maxim. This report is not to be relied upon in substitution for the exercise of independent judgment. Maxim may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and Maxim is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by Maxim and are subject to change without notice. The price, value of and income from any of the securities mentioned in this report can fall as well as rise. The value of securities is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities. Investors in securities such as ADRs, the values of which are influenced by currency volatility, effectively assume this risk. Securities recommended, offered or sold by Maxim: (1) are not insured by the Federal Deposit Insurance Company; (2) are not deposits or other obligations of any insured depository institution; and (3) are subject to investment risks, including the possible loss of principal invested. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support these losses.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST



Corporate Headquarters

The Chrysler Building
405 Lexington Ave., 2nd FL
New York, NY 10174
Tel: 212-895-3500

Capital Markets/Syndicate: 212-895-3695

Corporate Finance: 212-895-3811

Equity/Options Trading: 212-895-3790

Equity Research: 212-895-3736

Event Driven/Risk Arb Group: 212-895-3878

Fixed Income Trading: 212-895-3875

Global Equity Trading: 212-895-3623

Institutional Sales: 212-895-3745

Institutional Sales Trading: 212-895-3873

Prime Brokerage: 212-895-3755

Wealth Management: 212-895-3624

Woodbury, Long Island

20 Crossways Park Drive North
Suite 304
Woodbury, NY 11797
Tel: 516-393-8300

Red Bank, New Jersey

246 Maple Avenue
Red Bank, NJ 07701
Tel: 732-784-1900

San Francisco, Bay Area

Lafayette, California
3732 Mt. Diablo Blvd
Suite 158
Lafayette, CA 94549
Tel: 415-762-0114

Boca Raton, Florida

7900 Glades Road
Suite 505
Boca Raton, FL 33434
Tel: 561-465-2605