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Implanet**Implanet s'implante à l'Est**

Implanet vient de communiquer sur un partenariat stratégique avec un accord de premier plan avec un acteur chinois, Sanyou Medical. Il s'agit de la première implantation d'importance de la part d'Implanet sur le marché chinois. Achat Fort avec un TP: 1,21 €.

Implanet expands in the East

Implanet has just announced a strategic partnership with a leading Chinese player, Sanyou Medical. This is Implanet's first major presence in the Chinese market. Strong buy with a TP: €1.21.

Recommendation **1. Strong Buy**
Closing Price on 5 Jul. 2022 **0,19 €**
Target price **1,21 € (+539,6 %)**

Fruit des discussions avec Sanyou Medical, un des acteurs chinois majeurs de la chirurgie du rachis, Implanet annonce un accord stratégique (technologique, commercial et financier), accord qui lui permettra de s'implanter en Chine.

Cet accord structurant et stratégique comprend plusieurs volets :

- Un volet technologique selon lequel les deux sociétés vont développer conjointement un système de fixation hybride ;
- Un volet commercial, grâce notamment à un accord de distribution de la plateforme JAZZ sur le territoire chinois ;
- Un volet financier, avec un projet d'augmentation de capital avec maintien du DPS, opération garantie à hauteur de 5 M€ par Sanyou Medical.

Opinion Achat Fort maintenue sur la valeur avec un TP à 1,21 €

As a result of discussions with Sanyou Medical, one of the major Chinese players in spine surgery, Implanet announces a strategic agreement (technological, commercial, and financial), agreement which will enable it to establish itself in China.

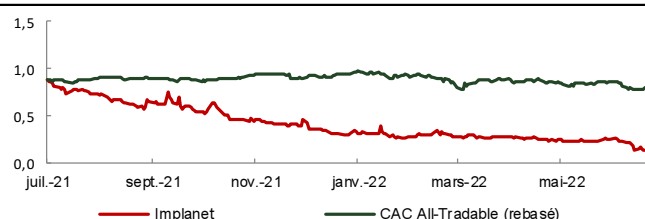
This structuring and strategic agreement includes several components:

- A technological component whereby the two companies will jointly develop a hybrid fixation system;
- A commercial component, thanks to a distribution agreement for the JAZZ platform on Chinese territory;
- A financial component, with a proposed capital increase (right issue), subscription guaranteed up to €5 million by Sanyou Medical.

Strong Buy opinion maintained on the stock with a TP of €1.21

Performances

Absolute perf. 1 month 6 months 12 months
 -20,4 % -36,6 % -77,8 %

**Current shareholding structure**

Free float : 77 % ; Financial Investors : 18 % ; Management : 4 % ;
 Auto control: 1 %

Key figures

	2020	2021	2022E	2023E	2024E
Sales (€m)	3,9	6,1	7,9	9,7	11,6
Change (%)	11,2%	-14,5%	57,8%	22,7%	19,5%
EBITDA (€m)	-3,3	-4,3	-1,8	-0,7	0,3
EBIT (€m)	-3,3	-4,3	-2,0	-1,0	0,0
EBIT margin (%)	-85,0%	-70,3%	-25,8%	-10,3%	0,4%
Net profit gp sh. (€m)	-4,0	-3,1	-2,1	-0,6	0,0
Net margin (%)	-102,1%	-50,2%	-26,6%	-5,8%	-0,2%
EPS *	-0,03	-0,01	-0,02	-0,01	-0,01

Market data

	ALIMP.PA / ALIMP:FP
Reuters / Bloomberg ticker	ALIMP.PA / ALIMP:FP
Market capitalisation (€m)	2,5 M€
Enterprise value (€m)	2,7 M€
Free Float	1,9 M€ (77 %)
Number of shares	20 120 250
Daily volume	73 955 €
Capital turnover rate (1 year)	778,5%
High (52 weeks)	0,88 €
Low (52 weeks)	0,13 €

Agenda

Jul 11, 2022: H1 Revenue; Sep 20, 2022 : H1 Results

Ratios

	2020	2021	2022E	2023E	2024E
VE / CA	1,6	0,9	1,2	1,5	1,8
VE / EBE	NS	NS	NS	NS	NS
VE / REX	NS	NS	NS	NS	NS
P / E	-0,6	-0,8	-1,2	-4,4	-130,1
Gearing (%)	NS	NS	NS	NS	NS
Dette nette / EBE	-1,1	-0,7	-3,8	-16,4	54,3
RCE (%)	-64,3%	-135,2%	-56,0%	-24,3%	1,0%

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Un accord structurant...

Implanet vient d'annoncer la signature d'un accord de partenariat à entrées multiples avec la société chinoise Sanyou Medical. L'accord porte donc sur plusieurs aspects : technologique, commercial et financier.

Tout d'abord, la composante technologique : les deux sociétés souhaitent développer un nouveau système de fixation hybride qui intégrerait les bandes sous-laminaires de la franchise JAZZ d'Implanet aux techniques maîtrisées par Sanyou Medical, à savoir le système d'ostéosynthèse thoraco-lombaire-sacré ou les techniques mini-invasives.

La composante commerciale est principalement cristallisée par la signature d'un premier accord de distribution de la franchise JAZZ en Chine. Toutefois, Sanyou Medical ne débutera la commercialisation de JAZZ et de ces déclinaisons qu'à l'issue d'un enregistrement du device auprès de la CFDA (China Food & Drug Administration). La conclusion des accords définitifs de distribution et de partenariat technologique n'interviendra qu'après résolution de conditions suspensives et au plus tard le 31 décembre 2022.

...avec un volet financier conséquent.

Implanet souhaite réaliser une levée de fonds par augmentation de capital avec émission d'actions à bon de souscription d'actions (ABSA) et maintien du droit préférentiel de souscription (DPS), opération ouverte à tous les actionnaires au prix unitaire de 0,28 € (prime d'émission incluse). Avant exercice des bons de souscription d'actions attachés (BSA), le montant brut initial est compris entre 2,5 et 2,75 M€ (prime d'émission incluse). Les BSA attachés aux actions nouvelles seront exerçables jusqu'au 31 mars 2023 à un prix d'exercice de 0,32 €/action, ce qui à termes devrait constituer un apport complémentaire de 2,5 à 2,75 M€ (prime d'émission incluse). Ce montant devrait être suffisant pour couvrir les besoins financiers de la société pour les 12 prochains mois.

Pour cette opération, Sanyou Medical s'est engagé à souscrire, sous certaines conditions, aux ABSA qui n'auraient pas été souscrites, à titre irréductible ainsi qu'à la souscription des BSA attachés, pour un montant total de 5 M€.

Un acteur de premier ordre en Chine

Sanyou Medical est un acteur de premier plan de la chirurgie du rachis en Chine. Fondée en 2005, Shanghai Sanyou Medical Co., Ltd. est une société qui se consacre à la recherche et au développement, à la fabrication et à la vente de produits orthopédiques innovants et indépendants. Les principaux produits de Shanghai Sanyou sont les implants rachidiens et traumatiques. Shanghai Sanyou est l'une des rares entreprises à posséder la capacité de réaliser des innovations originales basées sur des exigences cliniques dans le domaine des implants rachidiens en Chine.

Depuis sa création, Shanghai Sanyou Medical, a semble-t-il mis l'accent sur l'amélioration des produits, grâce notamment à des infrastructures de R&D particulièrement performantes ainsi que des outils de gestions de projets tous aussi avancés. En janvier 2021, Shanghai Sanyou Medical avait reçu 22 certificats d'enregistrement de dispositifs médicaux de classe III et 131 brevets, dont 28 brevets d'invention chinois, 98 brevets de modèles d'utilité chinois, 1 brevet d'utilité américain, 1 brevet d'invention australien, 1 brevet d'invention japonais, 1 brevet de modèle d'utilité allemand et 1 brevet de design chinois.

En 2021, le chiffre d'affaires de Shanghai Sanyou Medical était de 84,9 M€ en progression de 39,3 % YoY, avec un EBIT aussi en progression de 36,2% à 29,2 M€. Les hypothèses de croissance des revenus de Sanyou Medical sont marquées par une croissance continue attendue sur les prochaines années. Sanyou s'efforce d'accompagner l'évolution du marché chinois en augmentant constamment ses investissements en R&D afin de conserver son avance dans le domaine des implants du rachis. C'est pourquoi, l'accord avec Implanet nous semble particulièrement intéressant pour les 2 parties.

A structuring agreement...

Implanet has just announced the signature of a multiple entry partnership agreement with the Chinese company Sanyou Medical. The agreement covers several aspects: technological, commercial and financial.

First, the technological component: the two companies wish to develop a new hybrid fixation system that would integrate the sublaminar bands of Implanet's JAZZ franchise with the techniques mastered by Sanyou Medical, such as the thoracolumbar-sacral osteosynthesis system or the minimally invasive techniques.

The commercial component is mainly realized in the signing of a first distribution agreement for the JAZZ franchise in China. However, Sanyou Medical will only begin marketing JAZZ and its variations once the device has been registered with the CFDA (China Food & Drug Administration). The conclusion of the final distribution and technology partnership agreements will only take place after the resolution of suspensive conditions and at the latest on December 31, 2022.

...with a significant financial component.

Implanet wishes to carry out a capital increase with the issuance of shares with warrants, with preferential subscription rights, opened to all shareholders at a share price of € 0.28 (including issue premium). Before exercise of the attached warrants, the initial gross amount is between € 2.5 and € 2.75 million (including issue premium). The warrants attached to the new shares will be exercisable until March 31, 2023 at an exercise price of € 0.32 / share, which should ultimately constitute an additional contribution of € 2.5 to € 2.75 million (including issue premium). This amount should be sufficient to cover the company's financial needs for the next 12 months.

For this financing round, Sanyou Medical has undertaken to subscribe, under certain conditions, to the shares with warrants that would not have been subscribed, on an irreducible basis as well as to the subscription of the attached warrants for a total amount of € 5 million.

A leading player in China

Sanyou Medical is a leading player in spine surgery in China. Founded in 2005, Shanghai Sanyou Medical Co, Ltd. is a company dedicated to the research and development, manufacture and sale of innovative and independent orthopedic products. The main products of Shanghai Sanyou are spinal and trauma implants. Shanghai Sanyou is one of the few companies with the ability to make original innovations based on clinical requirements in the field of spinal implants in China.

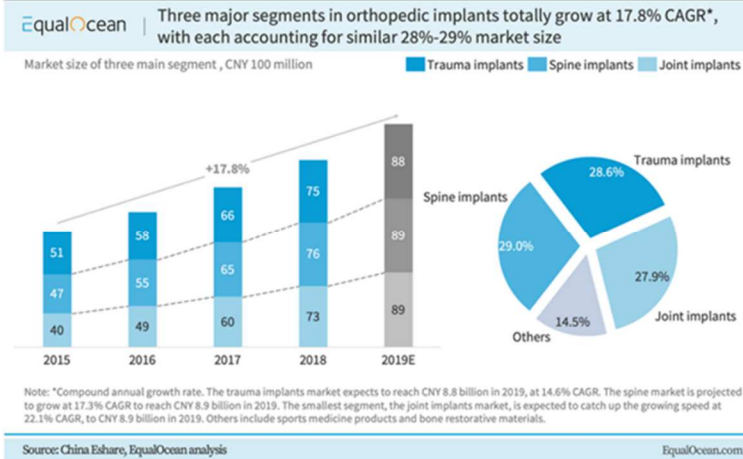
Since its inception, Shanghai Sanyou Medical has been focusing on product improvement, with a strong R&D infrastructure and advanced project management tools. As of January 2021, Shanghai Sanyou Medical has received 22 class III medical device registration certificates and 131 patents, including 28 Chinese invention patents, 98 Chinese utility model patents, 1 US utility patent, 1 Australian invention patent, 1 Japanese invention patent, 1 German utility model patent and 1 Chinese design patent.

In 2021, Shanghai Sanyou Medical's turnover was € 84.9 million, up 39.3% YoY, with EBIT also up 36.2% to € 29.2 million. Sanyou Medical's sales growth assumptions are marked by continued sales growth over the next few years. Sanyou is striving to keep pace with the evolution of the Chinese market by constantly increasing its R&D investments to maintain its lead in the field of spine implants. Therefore, the agreement with Implanet seems particularly interesting for both parties.

Pourquoi Shanghai Sanyou Medical ?

Nous voyons de multiples raisons à ce partenariat, mais nous allons en souligner deux, qui tiennent toutes deux au marché chinois.

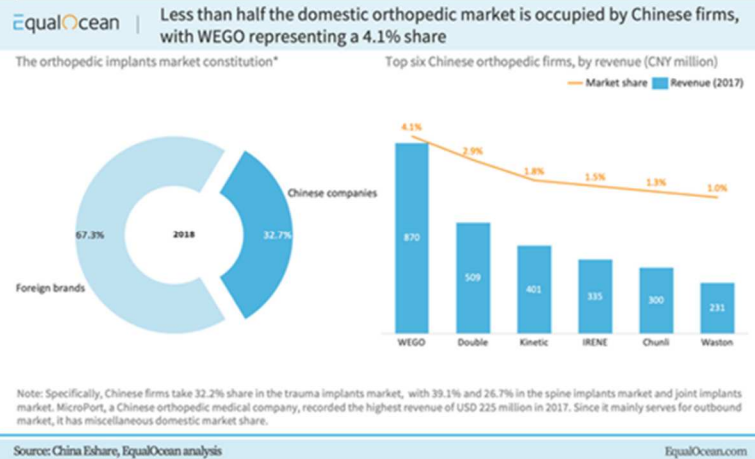
Tout d’abord, l’ensemble du marché de l’équipement médical est en croissance, avec des variations en fonction des sous-segments. Plus particulièrement, le marché des implants rachidiens aurait progressé pour atteindre 1,09 MME (CNY 7,6 bn) au point de représenter la plus grande part de l’industrie des implants orthopédiques (29%), qui comme on peut le voir sur la figure ci-dessous (à gauche) a été en constante progression.



Why Shanghai Sanyou Medical?

We see multiple reasons for this partnership, but we will highlight two, both of which are related to the Chinese market.

First, the overall medical equipment market is growing, with variations depending on the sub-segments. In particular, the spinal implant market is said to have grown to € 1.09 MM (CNY 7.6 bn) to the point of representing the largest share of the orthopedic implant industry (29%), which as can be seen in the figure below (left) was growing steadily.



Par ailleurs, la part du marché domestique chinois de l’orthopédie détenue par les industriels chinois est de l’ordre de 32,7% avec la première entreprise locale WEGO ne détenant de 4,2%, comme on peut le voir sur la figure ci-dessus (à droite), Sanyou Medical se situant dans le top 10 chinois.

D’autre part, la mise en place des programmes d’achat basés sur les volumes (VBP) au niveau des hôpitaux chinois aura eu pour effet de réduire les prix des dispositifs médicaux tout en privilégiant les acteurs chinois : deux objectifs certainement ciblés par le gouvernement local. Ainsi selon le site Equalocean, on aurait assisté à une véritable remplacement des entreprises multinationales par les entreprises chinoises. Celles-ci, avec un contrôle des prix, des portefeuilles diversifiés et des stratégies optimales de prix, ont semble-t-il gagné des parts de marché. Selon une analyse de Global Data, la part des acteurs nationaux chinois dans les implants orthopédiques se serait accrue de manière importante grâce notamment au précédent programme VBP des 12 provinces (2020). Les dispositifs médicaux produits en Chine représentaient ainsi 935 600 ensembles, soit 96,7 %, alors que la demande de produits importés était de 32 000 ensembles, soit seulement 3,3 %. Une demande qui aurait grandement profité à certains acteurs nationaux chinois, comme Dabo, Zhengtian et Weigao, acteurs qui détiennent une part importante du marché des dispositifs de fixation des traumatismes. Il est très probable que le nouvel VBP national de 2022 aura aussi un effet positif sur les parts de marchés détenues par des acteurs locaux.

En s’associant avec Sanyou Medical, Implanet non seulement s’ouvre le marché chinois, mais dans des conditions satisfaisantes par rapport aux programmes VBP, tout en apportant à la firme chinoise une vraie diversification au sein de son portefeuille produits. Il semble bien que nous soyons face à un deal gagnant-gagnant.

Opinion Achat fort maintenue

A la suite de cette annonce, nous maintenons nos prévisions de croissance à court et moyen termes, en attente notamment du T2 qui devrait donner une bonne indication de l’exercice 2022.

Nous demeurons confiants dans la capacité de la société à capitaliser avec succès sur son recentrage sur le rachis et son activité commerciale à l’international, qui intègre aujourd’hui les USA et la Chine.

Notre TP ressort donc à 1,21 € / titre corrigé de la mise à jour du WACC (évolution du taux sans risque, de la prime de marché, du beta) et du nombre d’actions. Opinion Achat fort maintenue.

Moreover, the share of the Chinese domestic orthopedic market held by Chinese manufacturers is around 32.7%, with the leading local company WEGO holding only 4.2%, as can be seen in the figure above (right), with Sanyou Medical in the Chinese top 10.

On the other hand, the implementation of volume-based purchasing (VBP) programs at the level of Chinese hospitals will have had the effect of reducing the prices of medical devices while favoring Chinese players: two objectives certainly targeted by the local government. Thus, according to the Equalocean website, we have witnessed a real replacement of multinational companies by Chinese companies. The latter, with price control, diversified portfolios, and optimal pricing strategies, have apparently gained market share. According to an analysis by Global Data, the share of Chinese domestic players in orthopedic implants has increased significantly, thanks in part to the previous 12-province VBP program (2020). Domestically produced medical devices accounted thus for 935,600 sets, or 96.7%, while the demand for imported products was 32,000 sets, or only 3.3%. This demand would have greatly benefited some domestic Chinese players, such as Dabo, Zhengtian, and Weigao, who hold a significant share of the trauma fixation device market. It is very likely that the new national VBP in 2022 will also affect positively the market shares held by local players.

By partnering with Sanyou Medical, Implanet is not only opening the Chinese market, but under satisfactory conditions compared to VBP programs, while bringing real diversification to the Chinese firm’s product portfolio. It seems that we are facing a win-win deal

Strong Buy rating maintained

Following this announcement, we are maintaining our short- and medium-term growth forecasts, pending Q2, which should give a good indication of the year.

We remain confident in the company’s ability to successfully capitalize on it refocusing on the buyout and its commercial activity, which now includes the USA and China.

Our TP is therefore €1.21/share following the update of the WACC (evolution of the risk-free rate, the market premium, the beta) and the number of shares. Strong Buy opinion maintained.

Important Disclosure

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1. Strong Buy	The absolute share price performance is expected to be at least +25 %
2. Buy	The absolute share price performance is expected to be comprised between +10% and +25 %
3. Neutra	The absolute share price performance is expected to be comprised between +10% and -10 %
4. Sell	The absolute share price performance is expected to be comprised between -10% and -25 %
5. Strong Sell	The absolute share price performance is expected to be at least -25 %

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No	No	No	No	Yes	No	Yes

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Rating and target price evolution throughout the last 12 months

Date of 1 st publication	Rating	Target Price
6 th July 2022	Equity Flash Strong Buy	€ 1.21
27 th April 2022	Equity Flash Strong Buy	€ 2.10
6 th April 2022	Equity Flash Strong Buy	€ 2.10
26 th January 2022	Equity Flash Strong Buy	€ 1.86
4 th October 2021	Equity Flash Strong Buy	€ 1.96
19 th July 2021	Equity Flash Strong Buy	€ 1.73

Ratings distribution



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