

### Medical Devices

**IMPZY - OTCQX**

March 28, 2017

**Intraday Price 03/28/2017**

**€0.85**

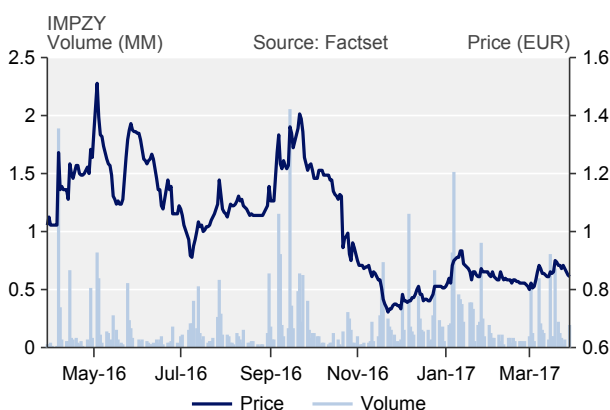
Rating: Buy  
12-Month Target Price: €3.00  
52-Week Range: €0.71 - €1.63  
Market Cap (M): 18  
Shares O/S (M): 21.7  
Avg. Daily Volume (000): 223  
Dividend: €0.00  
Dividend Yield: 0.00%  
Risk Profile: Speculative  
Fiscal Year End: December

#### Total Revenues ('000)

	2016A	2017E	2018E
H1	€3,296	€3,632	€4,848
H2	€4,528	€5,447	€7,271
FY	€7,825	€9,079	€12,119
Prior	€7,267	—	—

#### Total Expenses ('000)

	2016A	2017E	2018E
H1	€5,883	€7,432	€9,379
H2	€8,824	€11,148	€14,068
FY	€14,707	€18,579	€23,446
Prior	€15,235	€18,632	€23,502



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## Implanet SA

**Buy**

### All That JAZZ Drives Revenues

#### Summary

- Implanet reported its strongest quarter yet, €2.2M driven by Jazz revenues of €1.2M with full year revenues of €7.8M, and a net loss of \$7.3M. The company ended the period with €7.4M in cash. In addition to cash, Implanet has the option of exercising 340 convertible bonds coupled with equity warrants (OCABSA) with L1 EUROPEAN HEALTHCARE OPPORTUNITIES FUND for €3.4M. At the current burn rate, we estimate the company has approximately over one year of cash runway.
- The increase in sales during the period was mainly driven by the growing adoption of Jazz technology in direct markets including the U.S. and France, with growth in the degenerative bone disorder segment (surgical treatment of elderly patients). As of YE 2016, a total of 127 surgeons are users of JAZZ technology in France and the U.S., compared to 82 in 2015.
- Conclusion. Implanet is building traction as revenues, driven by JAZZ build. While its still early days in the launch we see potential for revenues to build.

#### 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 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 competing with Jazz on the market. 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	1Q16A	2Q16A	3Q16A	4Q16A	2016A	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue	7,518														
Jazz (US)		403	696	51	497	1,647	3,266	5,045	6,995	10,841	15,643	23,677	33,759	43,236	51,678
Jazz (France)		259	378	749	339	1,725	1,565	1,930	2,156	2,365	2,578	4,371	5,563	6,457	6,255
Jazz (RoW)		175	101	48	405	729	1,108	1,498	1,697	1,886	2,082	3,612	4,662	5,476	6,282
Madison + Twist (France)		817	652	443	706	2,618	2,519	2,710	2,913	3,131	3,364	3,613	3,879	4,163	4,467
Madison + Twist (RoW)		334	280	190	302	1,106	204	302	-	-	-	-	-	-	-
Knee Revisions (EU)	-	-				-	418	634	856	1,083	1,535	1,997	2,471	2,956	3,452
<b>Total Revenue</b>	<b>7,518</b>	<b>1,988</b>	<b>2,107</b>	<b>1,481</b>	<b>2,249</b>	<b>7,825</b>	<b>9,079</b>	<b>12,119</b>	<b>14,617</b>	<b>19,307</b>	<b>25,202</b>	<b>37,271</b>	<b>50,334</b>	<b>62,288</b>	<b>72,134</b>
<b>Expenses:</b>															
Costs of Goods Sold	4,599	777	1,166	760	1,141	3,844	2,724	3,636	3,947	5,213	6,804	9,318	12,584	14,326	16,591
%COGS							30%	30%	27%	27%	27%	25%	25%	23%	23%
Research and Development	827	213	319	135	203	870	2,500	4,000	5,000	6,000	7,500	10,000	10,000	2,100	2,205
%R&D															
General and Administrative	3,697	614	920	540	809	2,883	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	204	306	162	244	916	962	1,010	1,060	1,113	1,169	1,228	1,289	1,353	1,421
Sales & Marketing	5,063	1,042	1,564	1,000	1,499	5,105	6,000	6,600	7,260	7,986	8,785	9,663	10,629	11,692	12,862
Operating costs	895	210	316	225	338	1,089	1,143	1,201	1,261	1,324	1,390	1,459	1,532	1,609	1,689
<b>Total Expenses</b>	<b>16,143</b>	<b>3,060</b>	<b>4,591</b>	<b>2,822</b>	<b>4,234</b>	<b>14,707</b>	<b>18,579</b>	<b>23,446</b>	<b>26,528</b>	<b>30,636</b>	<b>35,648</b>	<b>42,168</b>	<b>39,059</b>	<b>42,657</b>	<b>46,923</b>
<b>Operating income</b>	<b>(8,624)</b>	<b>(1,072)</b>	<b>(2,484)</b>	<b>(1,341)</b>	<b>(1,985)</b>	<b>(6,882)</b>	<b>(9,500)</b>	<b>(11,328)</b>	<b>(11,911)</b>	<b>(11,329)</b>	<b>(10,447)</b>	<b>(4,897)</b>	<b>11,275</b>	<b>19,631</b>	<b>25,211</b>
Financial expenses	(758)														
Financial income	65														
Change in the fair value of the derivative	40														
Foreign exchange gains and losses	228														
<b>Total other income</b>	<b>(424)</b>	<b>(98)</b>	<b>(148)</b>	<b>(64)</b>	<b>(95)</b>	<b>(405)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pretax Income</b>	<b>(9,049)</b>	<b>(1,171)</b>	<b>(2,631)</b>	<b>(1,405)</b>	<b>(2,080)</b>	<b>(7,288)</b>	<b>(9,500)</b>	<b>(11,328)</b>	<b>(11,911)</b>	<b>(11,329)</b>	<b>(10,447)</b>	<b>(4,897)</b>	<b>11,275</b>	<b>19,631</b>	<b>25,211</b>
Income Tax Benefit (Provision)	-	-			-	-	-	-	-	-	-	-	1,127	2,945	4,538
Tax Rate													10%	15%	18%
<b>GAAP Net Income (Loss)</b>	<b>(9,049)</b>	<b>(1,171)</b>	<b>(2,631)</b>	<b>(1,405)</b>	<b>(2,080)</b>	<b>(7,288)</b>	<b>(9,500)</b>	<b>(11,328)</b>	<b>(11,911)</b>	<b>(11,329)</b>	<b>(10,447)</b>	<b>(4,897)</b>	<b>10,147</b>	<b>16,686</b>	<b>20,673</b>
<b>GAAP-EPS</b>	<b>(0.93)</b>	<b>(0.10)</b>	<b>(0.23)</b>	<b>(0.12)</b>	<b>(0.13)</b>	<b>(0.58)</b>	<b>(0.53)</b>	<b>(0.57)</b>	<b>(0.58)</b>	<b>(0.54)</b>	<b>(0.49)</b>	<b>(0.22)</b>	<b>0.45</b>	<b>0.73</b>	<b>0.89</b>
GAAP-EPS (Dil)	0.83	(0.10)	(0.23)	(0.12)	(0.13)	(0.58)	(0.53)	(0.57)	(0.58)	(0.54)	(0.49)	(0.22)	0.45	0.73	0.89
Wgt'd Avg Shrs (Bas) - '000s	9,692	11,249	11,361	11,475	16,590	12,669	17,839	19,708	20,609	21,023	21,446	21,877	22,317	22,765	23,223
Wgt'd Avg Shrs (Dil) - '000s	9,692	11,249	11,361	11,475	16,590	12,669	17,839	19,708	20,609	21,023	21,446	21,877	22,317	22,765	23,223

Source: Company reports and Maxim

## DISCLOSURES

## Implanet SA Rating History as of 03/27/2017

powered by: BlueMatrix



## Maxim Group LLC Ratings Distribution

As of: 03/27/17

		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
<b>Buy</b>	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	<b>75%</b>	<b>31%</b>
<b>Hold</b>	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.	<b>23%</b>	<b>17%</b>
<b>Sell</b>	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	<b>2%</b>	<b>0%</b>

*\*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.

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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 to raise capital, regulatory risks, commercial risks.

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### **RISK RATINGS**

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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.

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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

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