

### Medical Devices

**IMPZY - OTCQX**

July 21, 2017

**Intraday Price 07/21/2017**

**€0.68**

Rating: Buy  
12-Month Target Price: €3.00  
52-Week Range: €0.66 - €1.48  
Market Cap (M): 15  
Shares O/S (M): 22.7  
Avg. Daily Volume (000): 123  
Dividend: €0.00  
Dividend Yield: 0.00%  
Risk Profile: Speculative  
Fiscal Year End: December

#### Total Revenues ('000)

	2015A	2016A	2017E
H1	€3,736	€1,988	€4,119
H2	€3,782	€2,249	€4,629
FY	€7,518	€7,825	€8,661
Prior	—	—	€9,079

#### Total Expenses ('000)

	2015A	2016A	2017E
H1	€8,567	€3,060	€9,792
H2	€7,575	€4,234	€5,015
FY	€16,143	€14,707	€18,454
Prior	—	—	€18,579



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## Implanet SA

**Buy**

### JAZZ Continues to Drive Sales

#### Summary

- Implanet announced 2Q17 and 1H17 revenues. Revenue in 2Q17 of €2M included €1.3M of sales from JAZZ implants and \$734K from knee and arthroscopy products. The company has not yet reported expenses or guidance.
- For 1H17, total revenues of €4.1M were mainly driven by the sales of JAZZ (\$2.4M). Implanet sold 4,641 JAZZ implants in the first half of the year, achieving 66% of the total volume sold in 2016 (7,001 implants).
- Conclusion: Implanet is in the process of building revenue 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 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 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.

In 2016, Implanet sold 1,450 JAZZ implants in the United States, 3,552 in France and 1,999 in the rest of the world, achieving total sales of 7,001 implants (vs. 5,601 in 2015) and volume growth of +25%, representing approximately 1,400 operations. As of December 31, 2016, in its direct markets, 127 surgeons were users of Implanet's JAZZ technology (vs. 82 surgeons as of December 31, 2015), 69 of them in the United States (vs. 43) and 58 in France (vs. 39).

**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.

## DISCLOSURES

## Implanet SA Rating History as of 07/20/2017

powered by: BlueMatrix



## Maxim Group LLC Ratings Distribution

As of: 07/20/17

		% 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>78%</b>	<b>34%</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>19%</b>	<b>18%</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>3%</b>	<b>17%</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.

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.

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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.

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