

# aap Implantate

## Exploring strategic alternatives to add value

aap Implantate announced its H1 results with a 5% increase in I-f-I sales to €5.4m. This increase was predominantly due to a reported 14% Trauma sales growth in H1 despite Q2 Trauma sales remaining flat versus the previous year's €2.3m, though still broadly in line with management's expectations. H1 positives include growth in established markets where aap Implantate has focused initiatives to drive sales (North America +26% and DACH region +10%). Traction in these markets (Europe and the US) remains key to a sustained return to growth.

### Strategic progression starting to prove fruitful

aap Implantate has focused sales initiatives in its established markets, both of which have shown good growth in H1 (26% North America and 10% DACH region). Q2 was a slower sales quarter than Q1 with Q2 Trauma sales flat on the previous year (€2.3m). Importantly, however, results remain in line with guidance. The H117 cash position of €24.8m will be utilised to increase value to shareholders, a part of which has been a voluntary public share buyback in H117.

### Steps to create value via review of strategic options

aap Implantate also announced that it is exploring strategic alternatives in order to create more value from its Trauma product portfolio and its patented platform technologies as well as building on its strengthened financial position following the divestment in 2016 of its biomaterials and aap Joints businesses. There are various options potentially available to management (co-development, licensing, joint ventures asset and share deal), although all of these options require aap Implantate attracting an interested party. The orthopaedics market is dominated by a small number of large companies, which are often acquisitive in order to bring in innovative products and/or improve existing products to create a leading, differentiated proposition. If aap Implantate can demonstrate a return to sustained growth now it has streamlined its focus on Trauma, the company could attract M&A interest.

### Valuation: Strategic execution could offer upside

aap Implantate has three technologies in its trauma portfolio: its anatomical plating system LOQTEQ for fracture repair (being marketed); its antibacterial silver coating technology (in regulatory process); and absorbable magnesium (in development). Areas of focus which, if delivered, could offer upside include established revenue growth in the established markets of North America and Europe, execution of a technology deal for its LOQTEQ and/or its silver coating technology with a larger player and decisive steps for CE marking and FDA approval for its silver coating technology.

#### Reported financials

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/15	28.0	(5.3)	(0.2)	0.0	N/A	N/A
12/16	14.7	14.6	0.5	0.0	N/A	N/A

Source: aap Implantate accounts

#### Healthcare equipment & services

17 August 2017

**Price** €1.51  
**Market cap** €43m

#### Share price graph



#### Share details

Code AAQ  
 Listing XETRA  
 Shares in issue 28.6m

#### Business description

aap Implantate is a German medtech company, focused on developing, manufacturing and selling products for bone fractures. This is primarily the LOQTEQ trauma plating system alongside earlier-stage innovations including antibacterial silver coating technology and absorbable magnesium.

#### Bull

- Proven technology and strong IP protection.
- Transition to a pure trauma player means company can concentrate on building the core.
- Focused on driving sales in more established markets – increased number of distributors in the US and an experienced head of US sales engaged.

#### Bear

- FY16 continuing business (trauma) sales were down by 15% vs FY15.
- The orthopaedic space is dominated by a few large players, making it difficult for a small player to gain traction.
- Impact of increased sales focus on established markets not yet fully demonstrated.

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