

aap Implantate

Healthcare equipment & services
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Preliminary FY17 sales in line with guidance

aap Implantate's preliminary FY17 results show an encouraging 20% y-o-y growth in trauma revenues, with the strongest performance coming from the North American distribution business. Management has guided to continued revenue growth and reducing EBITDA losses in FY18. Delivery on key partnerships and the commercialisation of the silver-coating technology are the main stepping points to eventual profitability. The near-term goal for aap is to start the human clinical trial for the silver-coating technology with the aim of reaching CE and FDA approval.

20% growth in trauma sales encouraging

aap Implantate's preliminary unaudited sales figures for FY17 show full-year revenues of €10.9m (+4%), including prior disposals and within management guidance (€10-13m). Trauma now accounts for 98% of FY17 revenues, up 20% y-o-y and up 11% from Q317 to Q417. This growth is encouraging and validates aap's strategic transformation into a pure-play trauma business. Key revenue drivers included the North America distribution (+70%) and the International (+26%) businesses. Full audited results are due to be published on 29 March 2018.

Out-pacing global trauma market growth in FY18

Management guidance is for FY18 revenues of €13-15m, up 20-40% y-o-y and reducing the EBITDA loss to between €5m and €3.4m. Management points this out to be a higher growth rate than the global trauma market. Key to this will be continued significant growth in North America, both via new partnerships with global orthopaedic companies and distribution deals. Investors are still awaiting details on the human clinical study for the silver-coating technology which should pave the way to eventual planning approval. The study is expected to start in FY18 and will inevitably result in higher costs during the period. Q118 revenues are guided to between €1.8m and €3.0m and for an EBITDA loss of between €1.9m and €1.4m.

Looking forward to silver-coating technology

Now that aap Implantate is a pure-play trauma company, investor attention is likely to focus on revenue growth as well as its plans and progress with silver-coating technology. The coating helps to prevent expensive post-implantation infections and revisions. The company highlights the start of the human clinical trial as a key focus for FY18.

Price €1.80
Market cap €51m

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 innovations including antibacterial silver coating technology and bioabsorbable magnesium implants that are to be incorporated into its products.

Bull

- Significant growth from the trauma business.
- Focus on increasing trauma revenues in 2018 through growth in all markets, especially in North America.
- Innovative new product launch on the horizon.

Bear

- Clinical trial costs and timelines for silver-coated trauma implants remain to be determined.
- The orthopaedic space is dominated by a few large players, making it difficult for a small player to gain traction.
- Once the existing products mature and reach peak sales, the company will need to launch new products to maintain long-term revenue growth.

Analysts

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Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/16	10.5	(9.9)	(0.30)	0.0	N/A	N/A
12/17e	10.9	(6.9)	(0.20)	0.0	N/A	N/A
12/18e	13.4	(6.3)	(0.16)	0.0	N/A	N/A

Source: FY16 numbers as reported by company (representing continued operations only), FY17e revenue as reported by the company (preliminary revenue figure), other figures from Bloomberg. Note: Bloomberg consensus figures based on single analyst estimates.

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