



2020 annual results

- **18% increase in operating income**
- **Improved performances during the second half of 2020**
- **Continued strengthening of the financial structure**

<i>In thousands of euros</i> <i>Consolidated accounts</i>	HY1 2020	HY2 2020	% variation	2020	2019	% variation
Revenue	1 426	1 953	+ 37%	3 379	5 018	- 33%
Cost of goods sold	- 540	- 720	+ 33%	- 1 260	- 1 174	+ 7%
Gross margin	886	1 233	+ 39%	2 119	3 844	- 45%
Operating costs ¹	- 2 250	- 1 779	- 21%	- 4 029	- 6 169	- 35%
<i>Including operational costs</i>	- 1 266	- 1 003	- 21%	- 2 269	- 2 517	- 10%
<i>Including personnel expenses</i>	- 1 170	- 1 108	- 5%	- 2 278	- 2 520	- 10%
Operating income	- 1 364	- 546	+ 60%	- 1 910	- 2 325	+ 18%
Financial income	- 10 575	- 1 704		- 12 279	- 140	
<i>Including Negma financial one-offs²</i>	- 10 561	- 1 417		- 11 978	0	
Non-recurring items	-72	156		84	- 411	
Net income	- 12 011	- 2 094		- 14 105	- 2 876	
Including restated net income²	- 1 450	- 677	+ 53%	- 2 127	- 2 876	+ 26%

Spineway's Board of Directors, at a meeting held on 25 January 2021 chaired by Stéphane Le Roux, closed the 2020 annual accounts.

Thanks to a sharp increase in sales in December 2020 (+30% compared with December 2019), Spineway's revenue for Q4 2020 was up 21% compared with Q3, at €1 068K. This positive momentum, buoyed, in particular, by an increase in sales in Asia during the fourth quarter (+71% compared with 2019), allowed the Group's annual revenue to reach €3 379K, closing the gap a bit with 2019 (-33%) in a year that was greatly disrupted by the COVID pandemic.

Significant improvement in performances for the second half of the year

This increase in sales during the second half of the year allowed Spineway to post improved operational performances for the second half of the year after a first half heavily impacted by the pandemic. The gross margin for the second half of 2020 was of €1 233K compared with €886K for the first half of 2020, representing a 39% increase, and was of €2 119K for the year 2020.

¹ Net of R&D expenses activated since the second half of 2019, i.e., €902K in 2020 v. €358K in 2019.

² See explanation of this one-off expense on page 2 under net income.

During this period, Spineway continued to invest in R&D, quality and regulatory affairs in order to remain competitive, anticipate future developments and secure approvals per the new European requirements. In addition, the cost-saving measures implemented made it possible to mitigate the impact of the pandemic on the Group's results, in particular, the full effect of the decrease in personnel expenses initiated in 2019, the lower hospitality and marketing expenses (trade shows, conventions, travel, etc.), as well as the controlling of overhead, in particular, via a cost-cutting plan concerning the US subsidiary as its results to date are not in line with expectations in view of the pandemic.

Thanks to these cost-saving measures, operating income for the second half of the year was up 60% compared with the first half of the year at –€546K. For the financial year as a whole, it was of –€1 910K, up 18% compared with the previous year.

As announced with the publication of the results for the first half of the year³, the recording of a one-time financial expense representing compensation for the Negma financing agreement affected the net income for 2020 by almost €12M. In order to avoid this mechanism, Spineway carried out two capital decreases during the financial year by decreasing the share's par value (in May and in September), which is why this burden mainly concerns the first half of the year (€11M), the time for these decisions to have effect. As a reminder, this financial burden did not result in any outflow of cash for the Group and was fully financed in Spineway shares.

Restated to include this non-recurring expense, the Group's net income increased significantly by 26%, amounting to –€2 127K compared with –€2 876K in 2019.

Strengthened financial structure to support development

During this unprecedented time, the Group paid special attention to client payment deadlines and effectively managing inventory. This proactive management made it possible to improve the WCR by €985K, bringing it to €1 828K compared with €2 813K the previous year.

The Group's cash position benefitted from this improvement, as it did from the lower operating costs, and was also strengthened by the financing agreement with Negma. During the course of 2020, the conversion of bonds convertible or exchangeable for ordinary new or existing shares with warrants (OCABSA)⁴ generated over €6M in net cash for the Group. In addition, Spineway also obtained a government-backed loan (PGE) of €1.4M.

Thus, as at 31 December 2020, the cash and liquid assets amounted to €4 857K, allowing the Group to post a cash position net of financial debts of €1 969K.

Technological and scientific partnerships with great potential

In accordance with its innovation strategy, Spineway is working on developing new products that will improve surgical techniques, facilitate surgeons' movements and decrease operating time. To this end, the Group intends to enter into technological and scientific partnerships with high added value. These would be based on cutting-edge technologies such as 3D printing and collaborations with renowned spinal surgeons that would assist the rise of the Group's premium implants.

Thanks to a solid foundation and strengthened financial means, Spineway is prepared and ready to continue its development in its existing territories during the pandemic and is in a position to seize any and all opportunities for external growth offering synergies that would create value for the Group.

³ See press release for half-year results dated [27 October 2020](#)

⁴ The breakdown of such financing is provided in the annual financial report.

Upcoming: web conference on 26 January 2021 at 11:30 a.m.
Review of 2020 activities and discussion of the Group's prospects

The annual accounts are available on the company's website in the Investors

SPINEWAY IS ELIGIBLE FOR THE PEA-PME (EQUITY SAVINGS PLANS FOR SMES)

Find out all about Spineway at www.spineway.com

This press release has been prepared in both English and French. In case of discrepancies, the French version shall prevail.

Spineway designs, manufactures and markets innovative implants and surgical instruments for treating severe disorders of the spinal column.

Spineway has an international network of over 50 independent distributors and 90% of its revenue comes from exports.

Spineway, which is eligible for investment through FCPIs (French unit trusts specializing in innovation), has received the OSEO Excellence award since 2011 and has won the Deloitte Fast 50 award (2011). Rhône Alpes INPI Patent Innovation award (2013) – INPI Talent award (2015).

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