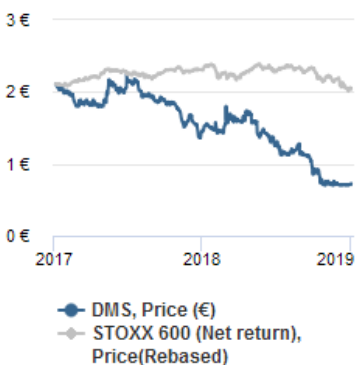


Opinion	Buy
Upside (%)	79.1
Price (€)	0.73
Target Price (€)	1.30
Bloomberg Code	DGM FP
Market Cap (€M)	11.7
Enterprise Value (€M)	20.9
Momentum	UNFAVORABLE
Fundamental Strength	0/10
Governance	2.0/10
Credit Risk	DDD 

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Conflicts of interest

Corporate broking	No
Trading in corporate shares	No
Analyst ownership	No
Advice to corporate	No
Research paid for by corporate	Yes
Corporate access	No
Link between AV and banks	No
Brokerage activity at AV	No
Client of AlphaValue Research	No

DMS

Patience is (still) required

PROS

- The group should benefit from the new segments currently being developed: DMS Biotech and DMS Wellness
- It could also benefit from further acquisitions (after Intrasure in FY18) thanks to its rather sound financial structure

CONS

- The acquisition strategy is unreadable, to say the least, with the telling example of Alpha Mos, sold again in FY17 after having been presented as the future of the group
- Growth and margins remain very disappointing in the historical business (DMS Imaging, over 95% of revenues) and management seems more interested in new segments than on fixing these issues
- The financial communication of DMS is questionable: flooding the financial community with press releases does not make a strategy

KEY DATA	12/16A	12/17A	12/18E	12/19E	12/20E
Adjusted P/E (x)	-14.1	-6.41	-7.87	-7.45	-14.4
<i>Dividend yield (%)</i>	0.00	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-94.1	-14.0	-13.7	-27.0	ns
Adjusted EPS (€)	-0.14	-0.29	-0.16	-0.10	-0.05
<i>Growth in EPS (%)</i>	n/a	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00	0.00
Sales (€M)	37.4	27.1	27.1	29.8	32.3
<i>EBIT margin (%)</i>	-3.43	-13.4	-0.41	0.00	0.00
Attributable net profit (€M)	-2.24	-4.67	-2.53	-1.57	-0.81
ROE (after tax) (%)	-9.13	-19.4	-11.5	-7.93	-4.37
<i>Gearing (%)</i>	-6.19	-0.61	17.7	38.4	57.5

DMS (Buy)

Med Tech / France

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Recent Updates

► Updates

16/11/2018 9 months 2018 sales: a tick better, from a low basis though

Earnings/sales releases

Fact

DMS released 9 months 18 sales which reached €16.9m (-12%), including a 15% fall in the historic Imaging business to €16.2m and an increase in Wellness and Biotech (from €0.4m to €0.7m).

Analysis

As usual (see our comments for Q1 and H1 18), new segments are growing from a very low basis while the historic Imaging business is still decreasing, albeit at a slower pace in Q3 (-15% in 9 months vs -19% in H1). It is also worth noting that the comparison basis is getting easier (Q3 17 was actually down 6% and sales over 9 months in FY17 down 5%). In Q3 18, new segments were up 51% (DMS Biotech) but again on a very small number (€0.5m so far this year and the simple rounding of small numbers does not allow us to confirm this is really +51%), with DMS Wellness up to €0.2m from scratch. We also note that the group has postponed the results initially expected in H2 for the first clinical studies of its arthrosis treatment solution to H1 19, which is not exactly good news. As a reminder, last full-year sales reached on a comparable perimeter €27.1m. In other words, it would take a strong €10m sales level in Q4 to reach flat sales. This is unlikely, despite the fact a table for Egypt may be booked at last, as announced earlier. This suggests our numbers are probably (again) too high. No word either on the new factory (initially planned to be built before year-end 2018).

Impact

While the share price has been under strong pressure as of late, we believe the market will wait for better signs of a real pick-up in sales before having a closer look at the group. On a fundamental basis, it does look cheap, but management has to convince it can really improve the momentum of sales and profits, which is not obvious at this stage.

12/10/2018 An agreement with UGAP

Significant news

Fact

DMS announced that it has been selected as a supplier to UGAP – a French public purchasing body – for its Platinum and Optima DRF solutions.

Analysis

Again, the group puts forward a release that looks positive news. According to management, the agreement signed with UGAP (to be carried out through NGI's salesforce) could bring as much as €10m in sales for DMS over four years. Why not. That said, a number of past releases have mentioned or understated big numbers could be reached (including the agreement with NGI in January 2017 or that with UniHA signed in early 2018) with no tangible results so far. Moreover, there is no commitment for UGAP to buy anything as we understand the agreement. The figure put forward is only DMS's estimate of what the agreement could bring. The other issue is of course the pricing of such agreements (by definition such bodies tend to put pressure on prices) and the fact NGI will take its margins a well. In short, it remains to be seen if/when volumes go up thanks to this new agreement and, secondly, the kind of margins DMS is able to achieve. Investors will be happy to wait, we believe, and this all the more since the group's credibility has been damaged as of late.

Impact

We will not change our forecasts, since future sales linked to this agreement are very theoretical so far.

► Updates

01/10/2018 H1 18: not so bad after all

Change in Target Price

€ 1.30 vs 1.29

+0.88%

Our opinion has turned to a "Buy" despite the fact our target price has not materially changed after the release of the H1 18 results. This is due to the fact the stock price has collapsed after the release of very weak top-line numbers (end of August). That said, the favourable mix has enabled the group to save results and it seems to be in line with our previous forecasts for FY18 and beyond.

24/09/2018 Merging with Intrasure? Cancelled

M&A /Corp. Action

Fact

DMS announced this morning the end of talks with Intrasure, with which it was supposed to merge its Imaging business.

Analysis

As a reminder, DMS had announced in May that it had entered into exclusive negotiations with Intrasure, a listed Montpellier-based company which designs Myrian®, a software solution allowing medical images' visualisation and analysis. If the deal had gone through, DMS would have contributed its imaging activities to Intrasure, in exchange for new shares to be issued, and would have become its majority shareholder. Now the negotiations are over, as we understand it, since both boards could not agree on the relative valuations, and both companies are now back to square one after weeks and months of uncertainty. Despite the fact we had doubts on the merits of such a merger (see our Latest dated 16 May), this is another blow to DMS and most of all for its core imaging business, which is currently suffering. New activities (Wellness and Biotech), albeit growing, are still hardly significant (sales of €0.6m in H1 18), while management's initiatives concerning Imaging have not exactly been successful so far, to say the least. The group argues that it can always cooperate with Intrasure, on a commercial basis as opposed to buying it. True, but if this was the right move, why suggest buying it in the first place? With a 16% fall in sales in H1 18 and the time wasted on this potential acquisition, things are starting to look a bit worrying, we believe. Of course, the deal's failure will not change our numbers, for the simple reason that it was not accounted for before its closing, but this new failure comes as (another) disappointment.

Impact

No impact on our numbers, which did not integrate this potential move. However, the H1 18 results due on 28 September are set to be disappointing, after the poor half-year sales numbers communicated on 29 August (see our comment on that day: "_Nothing new under the rain_").

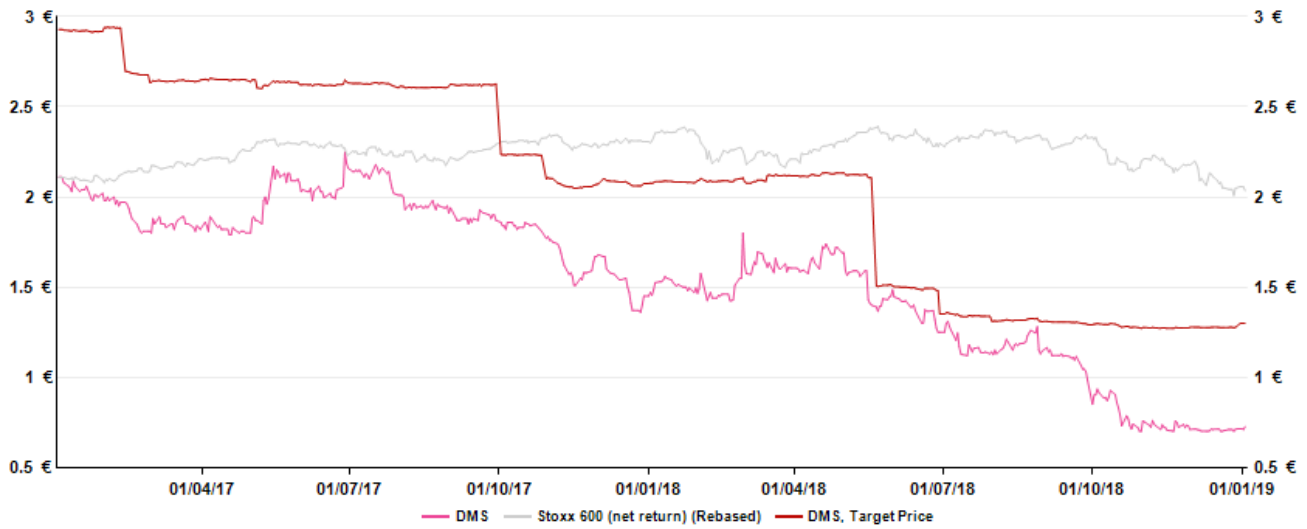
Body of research

DMS (Buy)

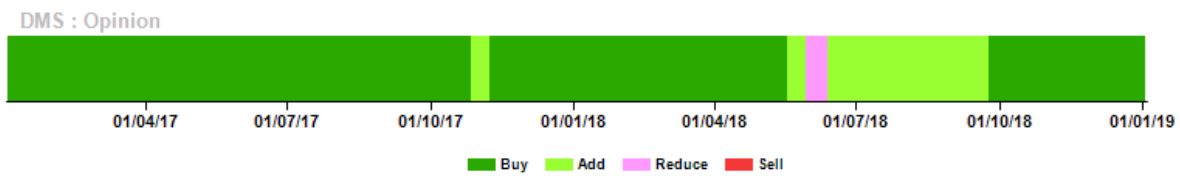
Med Tech / France

► Target Price & Opinion

Stock Price and Target Price



Earnings Per Share & Opinion



► Businesses & Trends

Businesses & Trends

One main leg, so far

DMS (Diagnostic Medical Systems), founded in 1993, specialises in two main segments, today under the “DMS Imaging” umbrella: bone densitometry (previously DMS company) and radiology (previously Apelem).

Osteoporosis is a bone disease that occurs when the body loses too much bone, makes too little bone, or both. As a result, bones become weak and may break if a person has a fall or, in serious cases, from sneezing or minor bumps. According to the group, it is estimated that 300m people worldwide suffer or at risk of suffering from osteoporosis, of whom 80% are women, particularly those aged over 50. In Europe alone, the cost of the associated bone fractures is believed to be €3bn yearly. Osteoporosis is not curable, but prevention can help limit costs (and the inconvenience caused), in particular through the prescription of drugs and the adoption of a new lifestyle (sports, diet). Therefore, both doctors and patients benefit considerably from tools that detect osteoporosis, which are the roots of the DMS group. The technologies used are based on X-rays (mainly DXA – Dual Energy X-ray Absorptiometry) or ultrasound (which is cheaper and targets orthopaedists, sports doctors, paediatricians.....). The market is supported by long-term trends (ageing, development of drugs to fight osteoporosis, desire to limit health costs) and is split between hospitals and clinics, asking for first-class equipment and specialists (rheumatologists, gynaecologists, orthopaedists or even general practice doctors in the US) who typically do not spend much on equipment. As a result, the bulk of the market (c.70%) is made of middle-of-the-range products, a segment DMS has served since 2008 with the launch of Stratos, as well as the upper end of the market. The industry is also supported by the reimbursement policies of different countries (both for the diagnosis and treatment of osteoporosis), which indirectly impacts market growth. Two main players dominate the market: General Electric (through Lunar, which was acquired in 2001) and Hologic, both achieving the bulk of their sales in the US, with DMS ranking number three worldwide. General Electric, the well-known conglomerate, achieved sales of US\$117bn in FY15 from Power to Oil&Gas, Transportation, Renewables, Capital (...), and Healthcare of course (diagnostic imaging systems – MRI, CT, nuclear & molecular imaging, digital mammography, surgical imaging products, ultrasound, pharmaceutical research & production tools).

In radiology too, DMS's business is to provide its clients with diagnostic tools based on X-ray and digital technologies. In particular, the group is marketing its new Optima and Platinum tables, in its conventional or dRF versions (digital). The main markets addressed by the group are the US, Europe and also emerging countries, sometimes backed by institutions such as the UN, UNICEF or the World Bank for the financing of the tables. In terms of competition, the market splits between large multinationals/ conglomerates (General Electric, Siemens, Toshiba, Philips) and smaller ones such as Swisstray (medical imaging devices, grown by M&A in the field of bone densitometry in 2013), Villa (analog and digital general radiographic rooms, mobile units, surgical X-ray units, mammography) or...Apelem, DMS's subsidiary. Growth is supported by the replacement of tables (each one typically lasting about 10-15 years), upgrading to new technologies (digital) or first acquisitions in under-equipped countries such as Russia, China and emerging countries.

The other businesses are still small:

After having (surprisingly) sold Alpha Mos (the first company to market electronic noses), the other activities of DMS include DMS Wellness and DMS Biotech. The “biotech” segment stems from the acquisition of Stemcis, in 2015, a company involved in fundamental and applied research into adipose tissue, protocols and innovative medical devices for use in human and veterinary medicine. For instance, adipose tissues are used in plastic or reconstructive surgery (moving adipose tissue from one part of the body to another). It is also conducting research on the utilisation of cells originating from adipose tissue (stem cells) in the treatment of arthritis and ischaemic diabetic foot, the latter leading to a significant number of amputations. While no treatment for arthritis exists, it is estimated that 70% of people aged over 55 in the US suffer from arthritis in one form or another and 1.2bn people in the world have chronic joint pains. The company is currently conducting pre-clinical research on treating osteoarthritis in humans, or at least limiting its occurrence and development, and is targeting to reach the market within three years. Another field of application could be female incontinence and male erectile dysfunction, using stem cells for revascularisation as well, a domain where Stemcis is also currently conducting research.

DMS Wellness is a new branch of the DMS Group. It proposes innovative solutions on the healthcare and wellness markets. The segment gathers, among others, Cellis, the group's cellulite and lymphatic drainage solution.

DMS (Buy)

Med Tech / France

Businesses & Trends

Altogether, these two segments accounted for less than 2% of group sales (6% in FY18 according to our estimates).

As a summary of the group's strategy, one can proclaim that the DMS group is primarily a Medtech company with two correlated businesses (radiology and bone densitometry) which is also ready to invest in side businesses that may have strong potential and growth rates (DMS Wellness and DMS Biotech) without necessarily offering obvious synergies with the core businesses. From a market perspective, this has certainly had a negative impact on the group's share price development (misunderstanding, confusion about the strategy followed, on top of the wired disposal of the stake in Alpha Mos, previously presented as the future jewel in the group). Nonetheless, we like the idea that DMS is ready to seize (cheap) opportunities, as evidenced by Stemcis, to put a foot into new markets. Whether the potential fully materialises remains to be seen though.

Divisional Breakdown Of Revenues

Sector	12/17A	12/18E	12/19E	12/20E	Change 18E/17		Change 19E/18E	
					€M	of % total	€M	of % total
Total sales	27.1	27.1	29.8	32.3	0	NA	3	100%
<i>O/w organic growth (%)</i>	-9.44	-0.22	10.0	8.57	9	NA	10	379%
Radiology	Med Tech							
Densitometry	Med Tech							
Instruments	Med Tech							
DMS Imaging	Med Tech	26.6	25.3	26.3	27.3	-1	1	37%
DMS Wellness	Med Tech	0.00	1.00	2.00	3.00	1	1	37%
DMS Biotech	Med Tech	0.53	0.80	1.50	2.00	0	1	26%
Other								

Key Exposures

	Revenues	Costs	Equity
Dollar	0.0%	10.0%	0.0%
Emerging currencies	0.0%	0.0%	0.0%
Long-term global warming	0.0%	0.0%	0.0%

Sales By Geography

Europe	54.2%
Americas	3.9%
Asia	14.7%
Africa	5.6%
EMEA	16.8%
Other	4.8%

We address exposures (eg. how much of the turnover is exposed to the \$) rather than sensitivities (say, how much a 5% move in the \$ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.

Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in \$ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling. In addition, subjects are frequently intertwined. A \$ exposure may encompass all revenues in \$ pegged currencies and an emerging currency exposure is likely to include \$ pegged currencies as well.

Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

► Money Making

Money Making

The recent history of the group has been characterised by a shift in strategy, particularly since Mr Ansel took the helm in 2009. DMS has refocused on a limited number of products, rather than offering a large number of hardly profitable ones. This said, the context since 2008 has been rather unfavourable. After the subprime crisis and the subsequent financial crisis governments were forced to reduce spendings, including health-related expenses (freeze on equipment, lower reimbursements to practitioners and patients...). As a result, and the case for the health sector as a whole, the groups involved in the radiology market could no longer assume ever-growing markets, with sustained growth rates and little effort to achieve targets. It is also worth mentioning that clients now tend to consider the global cost of a table for its entire lifetime as opposed to its list price. A figure will say more than words: a radiologist can derive €5,000 per day in revenue thanks to his equipment. Needless to say, any outage has a huge opportunity cost for him, and reliability/ease of maintenance and repair are key success factors in this field.

Since the arrival of Mr Ansel as CEO, the group's offer has been simplified (most notably from 70 products to just five today) and the refocus has been on its P&L. As a matter of fact, the operating profitability of the group has increased. EBIT in FY09 was a disastrous loss of €6m (-40% margin) while it was a mere €0.3m loss in FY15 (-0.1%), excluding new businesses. A quite spectacular recovery which has needed some financial means. The group has carried out two capital increases (€5m in FY10 and €5.5m in FY12). However, after the progress made in the improvement in "profitability" (i.e. lowering losses) the group finds it difficult to generate results. EBITDA in FY17 was still a disappointing €-2.3m (i.e. a sharp decrease on FY16 and FY15), on sales also markedly down (-9% comparable).

Divisional EBIT

	12/17A	12/18E	12/19E	12/20E	Change 18E/17		Change 19E/18E	
					€M	of % total	€M	of % total
Total	-3.64	-0.11	0.00	0.00	4	100%	0	100%
Radiology								
Densitometry								
Instruments								
DMS Imaging	-2.91	-1.01	0.00	0.00	2	54%	1	918%
DMS Wellness	-0.25	0.40	0.00	0.00	1	18%	0	-364%
DMS Biotech	-0.48	0.30	0.00	0.00	1	22%	0	-273%
Other/cancellations	0.00	0.20	0.00	0.00	0	6%	0	-182%

Divisional EBIT margin

	12/17A	12/18E	12/19E	12/20E
Total	-13.4%	-0.41%	0.00%	0.00%
Radiology				
Densitometry				
Instruments				
DMS Imaging	-10.9%	-4.00%	0.00%	0.00%
DMS Wellness		40.0%	0.00%	0.00%
DMS Biotech	-89.8%	37.5%	0.00%	0.00%

▶ Debt

Debt

At year-end 2016, the group had €8.1m in available cash, corresponding to a gross debt position of €6.2m (almost equally split between bank debt, conditional advances from public bodies and the mobilisation of supplier debt) and a net cash position amounting to €1.9m. This was primarily stemming from a number of capital increases in FY12 (issuance of new shares worth €5.5m), FY14 (€8.3m, partly to finance the acquisition of Alpha Mos) and FY15 (€2.3m) and in FY16 (Alpha Mos). All in all, the group was cash positive at the end of FY16, despite a negative free cash flow and thanks to the capital increases. To this extent, a recovery in profitability was needed to avoid future dilution, even if the group can also resort to financial debt to finance its potential needs (such as the financing of the new building which will bring together the two existing ones). This was confirmed by the fact net debt at year-end 2017 was €1.6m (i.e. a negative c.€3.5m change to FY16). For this reason, and also to be able to seize potential acquisition opportunities, in May 2018, DMS reached an agreement with the Luxemburg fund "European High Growth Opportunities Securitization Fund", according to which DMS will be able to issue interest-free "ORNANES" (bonds repayable in cash and/or new and/or existing shares), with equity warrants for a maximum of €25m nominal (excluding warrants) over the next five years (and €37.5m including warrants). A major risk of dilution, we believe, as long as potential targets are not known. On top of this, the first deal struck (Intrasense) will be dilutive (a deal to closed in FY18), DMS acquiring a loss-making company, contributing the Imaging segment in exchange for a majority stake in the target. This raises questions on the future deals the group will be able or willing to strike.

Funding - Liquidity

		12/17A	12/18E	12/19E	12/20E
EBITDA	€M	-2.32	-1.88	-0.77	0.19
Funds from operations (FFO)	€M	-1.65	-2.03	-1.07	-0.31
Ordinary shareholders' equity	€M	23.5	20.6	19.0	18.1
Gross debt	€M	2.40	7.40	11.0	13.6
o/w Less than 1 year - Gross debt	€M	0.40	0.40	0.40	0.40
o/w 1 to 5 year - Gross debt	€M	0.00	0.00	0.59	0.19
of which Y+2	€M	0.40	0.40	0.40	0.19
of which Y+3	€M	0.40	0.40	0.19	
of which Y+4	€M	0.40	0.19		
of which Y+5	€M	0.19			
o/w Beyond 5 years - Gross debt	€M	2.00	7.00	10.0	13.0
+ Gross Cash	€M	0.75	1.73	2.04	1.69
= Net debt / (cash)	€M	1.65	5.67	8.95	11.9
Bank borrowings	€M	0.20	0.20	10.0	13.0
Other financing	€M	2.20	7.20	0.99	0.59
Gearing (at book value)	%	-0.61	17.7	38.4	57.5
Adj. Net debt/EBITDA(R)	x	-0.71	-3.01	-11.6	63.1
Adjusted Gross Debt/EBITDA(R)	x	-1.15	-4.03	-14.5	73.1
Adj. gross debt/(Adj. gross debt+Equity)	%	10.2	26.9	37.0	43.2
Ebit cover	x	-21.3	-16.2	-4.30	-0.63
FFO/Gross Debt	%	-61.8	-26.7	-9.54	-2.23
FFO/Net debt	%	-100	-35.8	-11.9	-2.58
FCF/Adj. gross debt (%)	%	-220	-53.0	-29.3	-21.4
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	-12.9	-5.76	-3.12	-3.15
"Cash" FCF/ST debt	x	-14.8	-10.1	-8.22	-7.38

► Valuation

Valuation

Our NAV valuation is based on sales multiples, since none of the group's activities are profitable (including at EBITDA level). Our DCF is based on historic growth rates in the radiology/densitometry perimeter (8-10%), and a slow improvement in margins which should reach 10% at the EBITDA level by...2028. Again, this is not particularly optimistic considering the ambitions of the group with the ramp-up of its OEM activity with Carestream and Toshiba. If the group can actually sell 250 tables by 2018-19, the related turnover of these tables alone should be higher than our total group revenues (!), without taking into account densitometry, side products, after-sales and the newly-acquired businesses. This shows our conservatism, which however leads to a quite significant upside.

The peer valuation is based on stocks currently covered by AlphaValue in the MedTech universe, with the major drawback being that DMS's P&L is below break-even on the operating side. As a result, as is always the case with this method in such cases, all profitability-based comparisons lead to low results and are not very telling, although they still impact (downwards) our overall valuation.

Lastly, since the company proceeded with a reverse split on 21 July 2016 (1 for 10), our target price has been accordingly adapted.

Valuation Summary

Benchmarks		Values (€)	Upside	Weight
DCF		1.20	65%	40%
NAV/SOTP per share		1.83	152%	40%
P/E	Peers	0.36	-50%	5%
EV/Ebitda	Peers	0.00	-100%	5%
P/Book	Peers	1.45	100%	5%
Dividend Yield	Peers	0.00	-100%	5%
Target Price		1.30	79%	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	21.9	13.2	3.99	1.98
DMS's ratios	-7.75	-31.0	0.62	0.00
Premium	20.0%	20.0%	20.0%	20.0%
Default comparison based valuation (€)	0.36	0.00	1.45	0.00
Coloplast	28.0	19.2	17.9	3.06
Smith & Nephew	18.8	10.1	2.74	2.30
Sonova Holding	19.8	13.5	4.20	2.04
bioMerieux	21.4	10.6	2.81	0.85
Carl Zeiss Meditec	36.6	21.6	4.22	0.93
William Demant Holding	18.7	13.0	4.34	0.00
Getinge	11.6	8.07	1.07	2.93

► DCF

DCF Valuation Per Share

WACC	%	8.08	Avg net debt (cash) at book value	€M	7.31
PV of cashflow FY1-FY11	€M	-5.14	Provisions	€M	0.20
FY11CF	€M	4.23	Unrecognised actuarial losses (gains)	€M	0.00
Normalised long-term growth"g"	%	2.00	Financial assets at market price	€M	0.00
Terminal value	€M	69.5	Minorities interests (fair value)	€M	0.00
PV terminal value	€M	31.9	Equity value	€M	19.3
<i>PV terminal value in % of total value</i>	%	119	Number of shares	Mio	16.1
Total PV	€M	26.8	Implied equity value per share	€	1.20

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	300
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	6.50
Tax advantage of debt finance (normalised)	%	30.0	Company beta (leveraged)	x	1.22
Average debt maturity	Year	5	Company gearing at market value	%	48.5
Sector asset beta	x	0.94	Company market gearing	%	32.6
Debt beta	x	0.60	Required return on geared equity	%	9.59
Market capitalisation	€M	11.7	Cost of debt	%	4.55
Net debt (cash) at book value	€M	5.67	Cost of ungeared equity	%	8.19
Net debt (cash) at market value	€M	4.98	WACC	%	8.08

DCF Calculation

		12/17A	12/18E	12/19E	12/20E	12/21E	Growth	12/22E	12/28E
Sales	€M	27.1	27.1	29.8	32.3	33.9	10.0%	37.3	66.1
EBITDA	€M	-2.32	-1.88	-0.77	0.19	0.75	37.5%	1.03	6.96
<i>EBITDA Margin</i>	%	-8.55	-6.96	-2.59	0.58	2.21		2.76	10.5
Change in WCR	€M	-0.31	0.21	-0.71	-0.64	-0.33	7.00%	-0.35	-0.52
Total operating cash flows (pre tax)	€M	-1.79	-1.68	-1.48	-0.45	0.42		0.68	6.44
Corporate tax	€M	0.00	0.00	0.00	0.00	0.00	2.00%	0.00	0.00
Net tax shield	€M	-0.05	-0.05	-0.09	-0.15	-0.15	0.00%	-0.15	-0.15
Capital expenditure	€M	-3.92	-2.20	-1.50	-2.00	-2.00	1.00%	-2.02	-2.14
<i>Capex/Sales</i>	%	-14.5	-8.13	-5.04	-6.19	-5.90		-5.42	-3.24
Pre financing costs FCF (for DCF purposes)	€M	-5.77	-3.92	-3.07	-2.60	-1.73		-1.49	4.14
Various add backs (incl. R&D, etc.) for DCF purposes	€M								
Free cash flow adjusted	€M	-5.77	-3.92	-3.07	-2.60	-1.73		-1.49	4.14
Discounted free cash flows	€M	-5.77	-3.92	-2.84	-2.23	-1.37		-1.09	1.90
Invested capital	€	21.7	23.2	24.9	27.1	28.9		29.2	31.0

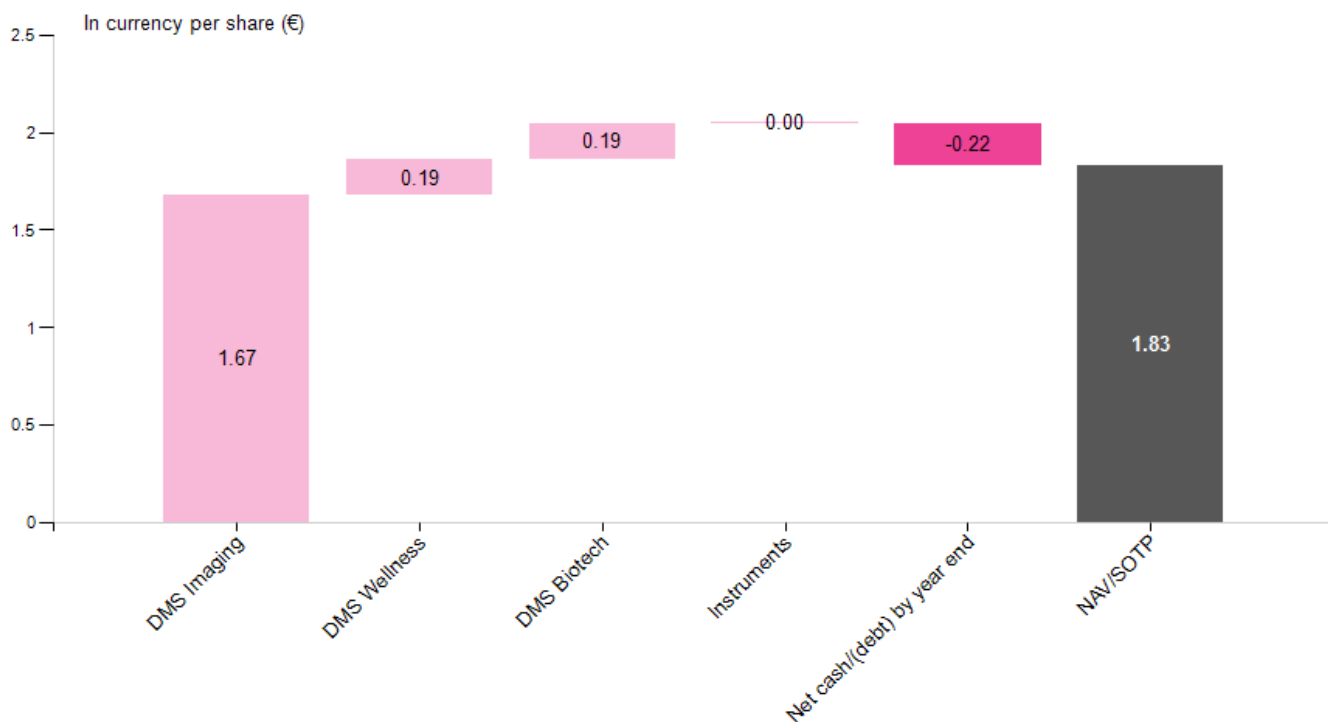
DMS (Buy)

Med Tech / France

▶ NAV/SOTP (edit)

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€M)	Stake valuation (€M)	In currency per share (€)	% of gross assets
DMS Imaging	100%	EV/Sales	1	27.0	27.0	1.67	81.8%
DMS Wellness	100%	EV/Sales	3	3.00	3.00	0.19	9.08%
DMS Biotech	100%	EV/Sales	3	3.00	3.00	0.19	9.08%
Instruments	42.9%	EV/Sales	0.01	0.06	0.03	0.00	0.08%
Radiology	100%	EV/Sales	1	0.00	0.00	0.00	0.00%
Densitometry	100%	EV/Sales	1.5	0.00	0.00	0.00	0.00%
Other							
Total gross assets					33.0	2.05	100%
Net cash/(debt) by year end					-3.56	-0.22	-10.8%
Commitments to pay							
Commitments received							
NAV/SOTP					29.5	1.83	89.2%
Number of shares net of treasury shares - year end (Mio)					16.1		
NAV/SOTP per share (€)						1.83	
Current discount to NAV/SOTP (%)						60.3	



DMS (Buy)

Med Tech / France

► Worth Knowing

Worth Knowing

DMS (Diagnostic Medical Systems) was created in 1993 in Montpellier where it first entered the bone densitometry market with its Ubis 5000 device and later the X-ray densitometer. In 1998, the group was listed on the French “Nouveau Marché” and it acquired, a year later, Apelem and its technologies, which specialises in radiology. In 2001, DMS launched the Lexxos, the first bi-dimensional bone densitometer enabling high quality image acquisition in only 1.5 seconds while the radiology division launched the first full field dynamic digital detector featured on a remote-controlled table. In 2009, Mr Jean -Paul Ansel was appointed General Manager and Chairman in 2011, when he initiated the restructuring of the group. In 2014, DMS acquired Alpha Mos for €6m (72.88%, then 42.94% held after the exercise of options and a capital increase in FY16), which is an analytical instrumentation company set up in 1993 to develop and market electronic noses and tongues, stake that was sold in FY17. In 2015, DMS acquired AXS Medical, specialising in imaging and 3D modelling in the field of orthopaedics. Lastly, DMS took control of Stemcis by means of a contribution in kind worth €2.3m (fundamental and applied research on adipose tissue, protocols and innovative medical devices for use in human and veterinary medicine), aimed at the osteoarthritis market, as well as reconstructive and cosmetic surgery, ophthalmology and maxillofacial surgery. In FY17, DMS decided to sell its stake in Alpha Mos, although the company was earlier presented as a major growth driver looking forward.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
G.S.E Holding	9.26%	15.6%	0.00%
Samuel Sancerni	2.25%	3.68%	0.00%
Jean-Paul Ansel	1.46%	2.46%	0.00%
Ricard Odile	0.99%	0.84%	0.00%
See-Nuan Simonyi	0.11%	0.10%	0.00%
Apparent free float			85.9%

Financials

Valuation Key Data

		12/17A	12/18E	12/19E	12/20E
Adjusted P/E	x	-6.41	-7.87	-7.45	-14.4
Reported P/E	x	-6.52	-7.87	-7.45	-14.4
EV/EBITDA(R)	x	-14.0	-13.7	-27.0	ns
P/Book	x	1.30	0.97	0.62	0.65
Dividend yield	%	0.00	0.00	0.00	0.00
Free cash flow yield	%	-19.3	-20.2	-28.1	-25.2
Average stock price	€	1.89	1.24	0.73	0.73

Consolidated P&L

		12/17A	12/18E	12/19E	12/20E
Sales	€M	27.1	27.1	29.8	32.3
Sales growth	%	-27.5	-0.22	10.0	8.57
Sales per employee	€th	187	198	210	220
Organic change in sales	%	-9.44	-0.22	10.0	8.57
Purchases and external costs (incl. IT)	€M				
R&D costs as % of sales	%	0.00	0.00	0.00	0.00
Staff costs	€M	-8.25	-8.66	-9.09	-9.55
Operating lease payments	€M				
Cost of sales/COGS (indicative)	€M				
EBITDA	€M	-2.32	-1.88	-0.77	0.19
EBITDA(R)	€M	-2.32	-1.88	-0.77	0.19
EBITDA(R) margin	%	-8.55	-6.96	-2.59	0.58
EBITDA(R) per employee	€th	-16.0	-13.8	-5.43	1.28
Depreciation	€M	-1.32	-0.50	-0.50	-0.50
Depreciations/Sales	%	4.86	1.85	1.68	1.55
Amortisation	€M	0.00	0.00		
Underlying operating profit	€M	-3.64	-2.38	-1.27	-0.31
Underlying operating margin	%	-13.4	-8.81	-4.27	-0.96
Other income/expense (cash)	€M				
Other inc./ exp. (non cash; incl. assets revaluation)	€M				
Earnings from joint venture(s)	€M				
Impairment charges/goodwill amortisation	€M				
Operating profit (EBIT)	€M	-3.64	-2.38	-1.27	-0.31
Interest expenses	€M	-0.26	-0.25	-0.40	-0.60
of which effectively paid cash interest expenses	€M	-0.17			
Financial income	€M	0.09	0.10	0.10	0.10
Other financial income (expense)	€M				
Net financial expenses	€M	-0.17	-0.15	-0.30	-0.50
of which related to pensions	€M		0.00	0.00	0.00
Pre-tax profit before exceptional items	€M	-3.81	-2.53	-1.57	-0.81
Exceptional items and other (before taxes)	€M				
of which cash (cost) from exceptionals	€M				
Current tax	€M	0.00	0.00	0.00	0.00
Impact of tax loss carry forward	€M				
Deferred tax	€M				
Corporate tax	€M	0.00	0.00	0.00	0.00
Tax rate	%	0.00	0.00	0.00	0.00
Net margin	%	-14.0	-9.36	-5.28	-2.51
Equity associates	€M				
Actual dividends received from equity holdings	€M				
Minority interests	€M	-0.86	0.00	0.00	0.00
Actual dividends paid out to minorities	€M				
Income from discontinued operations	€M				
Attributable net profit	€M	-4.67	-2.53	-1.57	-0.81
Impairment charges/goodwill amortisation	€M	0.00	0.00	0.00	0.00
Other adjustments	€M				
Adjusted attributable net profit	€M	-4.67	-2.53	-1.57	-0.81

DMS (Buy)

Med Tech / France

► Financials

Interest expense savings	€M				
Fully diluted adjusted attr. net profit	€M	-4.67	-2.53	-1.57	-0.81
NOPAT	€M	-2.55	-1.67	-0.89	-0.21

Cashflow Statement

		12/17A	12/18E	12/19E	12/20E
EBITDA	€M	-2.32	-1.88	-0.77	0.19
Change in WCR	€M	-0.31	0.21	-0.71	-0.64
<i>of which (increases)/decr. in receivables</i>	€M	0.97	0.11	-0.93	-0.88
<i>of which (increases)/decr. in inventories</i>	€M	2.16	0.11	-0.83	-0.75
<i>of which increases/(decr.) in payables</i>	€M	-2.68	-0.02	0.78	0.74
<i>of which increases/(decr.) in other curr. liab.</i>	€M	-0.77	-0.01	0.27	0.25
Actual dividends received from equity holdings	€M	0.00	0.00	0.00	0.00
Paid taxes	€M		0.00	0.00	0.00
Exceptional items	€M				
Other operating cash flows	€M	0.84	0.00	0.00	0.00
Total operating cash flows	€M	-1.79	-1.68	-1.48	-0.45
Capital expenditure	€M	-3.92	-2.20	-1.50	-2.00
<i>Capex as a % of depreciation & amort.</i>	%	298	440	300	400
Net investments in shares	€M	0.00	0.00	0.00	0.00
Other investment flows	€M	1.45	0.00	0.00	0.00
Total investment flows	€M	-2.48	-2.20	-1.50	-2.00
Net interest expense	€M	-0.17	-0.15	-0.30	-0.50
<i>of which cash interest expense</i>	€M	-0.17	-0.15	-0.30	-0.50
Dividends (parent company)	€M				
Dividends to minorities interests	€M	0.00	0.00	0.00	0.00
New shareholders' equity	€M	1.05	0.00	0.00	0.00
<i>of which (acquisition) release of treasury shares</i>	€M				
(Increase)/decrease in net debt position	€M		5.00	3.59	2.60
Other financial flows	€M	0.00	0.00		
Total financial flows	€M	0.88	4.85	3.30	2.11
Change in scope of consolidation, exchange rates & other	€M	0.00			
Change in cash position	€M	-3.39	0.98	0.31	-0.34
Change in net debt position	€M	-3.39	-4.02	-3.28	-2.95
Free cash flow (pre div.)	€M	-5.89	-4.03	-3.28	-2.95
Operating cash flow (clean)	€M	-1.79	-1.68	-1.48	-0.45
<i>Reinvestment rate (capex/tangible fixed assets)</i>	%	97.7	44.7	26.7	30.9

► Financials

Balance Sheet

		12/17A	12/18E	12/19E	12/20E
Goodwill	€M	4.04	4.38	4.58	4.88
Contracts & Rights (incl. concession) intangible assets	€M	0.57	0.57	0.57	0.57
Other intangible assets	€M	6.73	7.58	8.08	8.83
Total intangible	€M	11.3	12.5	13.2	14.3
Tangible fixed assets	€M	1.37	1.88	2.18	2.63
Financial fixed assets (part of group strategy)	€M	0.29	0.29	0.29	0.29
Financial hedges (LT derivatives)	€M	0.00	0.00	0.00	0.00
Other financial assets (investment purpose mainly)	€M	0.00	0.00	0.00	0.00
<i>of which available for sale</i>	€M	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
WCR	€M	8.74	8.53	9.25	9.88
<i>of which trade & receivables (+)</i>	€M	<i>9.43</i>	<i>9.31</i>	<i>10.2</i>	<i>11.1</i>
<i>of which inventories (+)</i>	€M	<i>9.38</i>	<i>9.26</i>	<i>10.1</i>	<i>10.8</i>
<i>of which payables (+)</i>	€M	<i>7.37</i>	<i>7.35</i>	<i>8.13</i>	<i>8.87</i>
<i>of which other current liabilities (+)</i>	€M	<i>2.70</i>	<i>2.69</i>	<i>2.96</i>	<i>3.21</i>
Other current assets	€M	4.42	4.41	4.85	5.27
<i>of which tax assets (+)</i>	€M	<i>3.37</i>	<i>3.37</i>	<i>3.37</i>	<i>3.37</i>
Total assets (net of short term liabilities)	€M	26.2	27.6	29.8	32.3
Ordinary shareholders' equity (group share)	€M	23.5	20.6	19.0	18.1
Quasi Equity & Preferred	€M	0.00			
Minority interests	€M	0.13	0.13	0.13	0.13
Provisions for pensions	€M	0.27	0.20	0.20	0.20
Other provisions for risks and liabilities	€M	0.00	0.00	0.00	0.00
Deferred tax liabilities	€M	0.00	0.00	0.00	0.00
Other liabilities	€M	0.63	1.01	1.49	2.00
Net debt / (cash)	€M	1.65	5.67	8.95	11.9
Total liabilities and shareholders' equity	€M	26.2	27.6	29.8	32.3
Average net debt / (cash)	€M	-0.14	3.66	7.31	10.4
Off B/S business guarantees given	€M	5.70	5.70	5.70	5.70

EV Calculations

		12/17A	12/18E	12/19E	12/20E
EV/EBITDA(R)	x	-14.0	-13.7	-27.0	ns
EV/EBIT (underlying profit)	x	-8.90	-10.8	-16.4	-76.5
EV/Sales	x	1.19	0.95	0.70	0.74
EV/Invested capital	x	1.49	1.11	0.84	0.88
Market cap	€M	30.4	20.0	11.7	11.7
+ Provisions (including pensions)	€M	0.27	0.20	0.20	0.20
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
+ Net debt at year end	€M	1.65	5.67	8.95	11.9
+ Leases debt equivalent	€M	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	€M				
+ Minority interests (fair value)	€M				
= Enterprise Value	€M	32.4	25.8	20.9	23.8

DMS (Buy)

Med Tech / France

► Financials

Per Share Data

		12/17A	12/18E	12/19E	12/20E
Adjusted EPS (bfr goodwill amort. & dil.)	€	-0.29	-0.16	-0.10	-0.05
<i>Growth in EPS</i>	%	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Reported EPS	€	-0.29	-0.16	-0.10	-0.05
Net dividend per share	€	0.00	0.00	0.00	0.00
Free cash flow per share	€	-0.37	-0.25	-0.20	-0.18
Operating cash flow per share	€	-0.11	-0.10	-0.09	-0.03
Book value per share	€	1.46	1.28	1.18	1.12
Number of ordinary shares	Mio	16.1	16.1	16.1	16.1
Number of equivalent ordinary shares (year end)	Mio	16.1	16.1	16.1	16.1
Number of shares market cap.	Mio	16.1	16.1	16.1	16.1
Treasury stock (year end)	Mio				
Number of shares net of treasury stock (year end)	Mio	16.1	16.1	16.1	16.1
Number of common shares (average)	Mio	15.9	16.1	16.1	16.1
Conversion of debt instruments into equity	Mio				
Settlement of cashable stock options	Mio				
Probable settlement of non mature stock options	Mio				
Other commitments to issue new shares	Mio				
Increase in shares outstanding (average)	Mio	0.00	0.00	0.00	0.00
Number of diluted shares (average)	Mio	15.9	16.1	16.1	16.1
Goodwill per share (diluted)	€	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	€	-0.29	-0.16	-0.10	-0.05
EPS before goodwill amortisation (non-diluted)	€	-0.29	-0.16	-0.10	-0.05
Actual payment	€				
Payout ratio	%	0.00	0.00	0.00	0.00
Capital payout ratio (div +share buy back/net income)	%	0.00	0.00	0.00	0.00

Financials

Funding - Liquidity

		12/17A	12/18E	12/19E	12/20E
EBITDA	€M	-2.32	-1.88	-0.77	0.19
Funds from operations (FFO)	€M	-1.65	-2.03	-1.07	-0.31
Ordinary shareholders' equity	€M	23.5	20.6	19.0	18.1
Gross debt	€M	2.40	7.40	11.0	13.6
o/w Less than 1 year - Gross debt	€M	0.40	0.40	0.40	0.40
o/w 1 to 5 year - Gross debt	€M	0.00	0.00	0.59	0.19
of which Y+2	€M	0.40	0.40	0.40	0.19
of which Y+3	€M	0.40	0.40	0.19	
of which Y+4	€M	0.40	0.19		
of which Y+5	€M	0.19			
o/w Beyond 5 years - Gross debt	€M	2.00	7.00	10.0	13.0
+ Gross Cash	€M	0.75	1.73	2.04	1.69
= Net debt / (cash)	€M	1.65	5.67	8.95	11.9
Bank borrowings	€M	0.20	0.20	10.0	13.0
Other financing	€M	2.20	7.20	0.99	0.59
Gearing (at book value)	%	-0.61	17.7	38.4	57.5
Adj. Net debt/EBITDA(R)	x	-0.71	-3.01	-11.6	63.1
Adjusted Gross Debt/EBITDA(R)	x	-1.15	-4.03	-14.5	73.1
Adj. gross debt/(Adj. gross debt+Equity)	%	10.2	26.9	37.0	43.2
Ebit cover	x	-21.3	-16.2	-4.30	-0.63
FFO/Gross Debt	%	-61.8	-26.7	-9.54	-2.23
FFO/Net debt	%	-100	-35.8	-11.9	-2.58
FCF/Adj. gross debt (%)	%	-220	-53.0	-29.3	-21.4
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	-12.9	-5.76	-3.12	-3.15
"Cash" FCF/ST debt	x	-14.8	-10.1	-8.22	-7.38

ROE Analysis (Dupont's Breakdown)

		12/17A	12/18E	12/19E	12/20E
Tax burden (Net income/pretax pre excp income)	x	1.23	1.00	1.00	1.00
EBIT margin (EBIT/sales)	%	-13.4	-8.81	-4.27	-0.96
Assets rotation (Sales/Avg assets)	%	99.9	101	104	104
Financial leverage (Avg assets /Avg equity)	x	1.13	1.22	1.45	1.67
ROE	%	-19.4	-11.5	-7.93	-4.37
ROA	%	-17.0	-10.4	-5.16	-1.16

Shareholder's Equity Review (Group Share)

		12/17A	12/18E	12/19E	12/20E
Y-1 shareholders' equity	€M	6.18	2.56	20.6	19.0
+ Net profit of year	€M	-4.67	-2.53	-1.57	-0.81
- Dividends (parent cy)	€M	0.00	0.00	0.00	0.00
+ Additions to equity	€M	1.05	0.00	0.00	0.00
o/w reduction (addition) to treasury shares	€M	0.00	0.00	0.00	0.00
- Unrecognised actuarial gains/(losses)	€M	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	€M		20.6	-0.04	-0.09
= Year end shareholders' equity	€M	2.56	20.6	19.0	18.1

DMS (Buy)

Med Tech / France

Financials

Staffing Analytics

		12/17A	12/18E	12/19E	12/20E
Sales per staff	€th	187	198	210	220
Staff costs per employee	€th	-56.9	-63.2	-64.0	-65.0
Change in staff costs	%	5.00	5.00	5.00	5.00
Change in unit cost of staff	%	13.0	11.1	1.30	1.43
Staff costs/(EBITDA+Staff costs)	%	139	128	109	98.1

Average workforce	unit	145	137	142	147
Europe	unit	135	140	145	150
North America	unit	0.00	0.00	0.00	0.00
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	0.00	0.00	0.00	0.00
Other key countries	unit	0.00	0.00	0.00	0.00
Total staff costs	€M	-8.25	-8.66	-9.09	-9.55
Wages and salaries	€M	-8.25	-8.66	-9.09	-9.55
of which social security contributions	€M	-3.08	-3.24	-3.40	-3.57
Equity linked payments	€M				
Pension related costs	€M		0.00	0.00	0.00

Divisional Breakdown Of Revenues

		12/17A	12/18E	12/19E	12/20E
Total sales	€M	27.1	27.1	29.8	32.3
O/w organic growth (%)	%	-9.44	-0.22	10.0	8.57
Radiology	€M				
Densitometry	€M				
Instruments	€M				
DMS Imaging	€M	26.6	25.3	26.3	27.3
DMS Wellness	€M	0.00	1.00	2.00	3.00
DMS Biotech	€M	0.53	0.80	1.50	2.00
Other	€M				

Divisional Breakdown Of Earnings

		12/17A	12/18E	12/19E	12/20E
EBIT Analysis					
Radiology	€M				
Densitometry	€M				
Instruments	€M				
DMS Imaging	€M	-2.91	-1.01	0.00	0.00
DMS Wellness	€M	-0.25	0.40	0.00	0.00
DMS Biotech	€M	-0.48	0.30	0.00	0.00
Other/cancellations	€M	0.00	0.20	0.00	0.00
Total	€M	-3.64	-0.11	0.00	0.00
EBIT margin	%	-13.4	-0.41	0.00	0.00

Revenue Breakdown By Country

		12/17A	12/18E	12/19E	12/20E
Europe	%	54.2	54.2		
Americas	%	3.87	3.87		
Asia	%	14.7	14.7		
Africa	%	5.62	5.62		
EMEA	%	16.8	16.8		
Other	%	4.84	4.84		

DMS (Buy)

Med Tech / France

► Financials

ROCE/CFROIC/Capital Invested

		12/17A	12/18E	12/19E	12/20E
ROCE (NOPAT+lease exp.*(1-tax))/(net) cap employed adjusted	%	-11.7	-7.18	-3.56	-0.79
CFROIC	%	-27.1	-17.3	-13.2	-10.9
Goodwill	€M	4.04	4.38	4.58	4.88
Accumulated goodwill amortisation	€M	2.80	3.02	3.17	3.37
All intangible assets	€M	7.30	8.15	8.65	9.40
Accumulated intangible amortisation	€M	9.35	9.53	9.58	9.63
Financial hedges (LT derivatives)	€M	0.00	0.00	0.00	0.00
Capitalised R&D	€M	0.00	0.00	0.00	0.00
PV of non-capitalised lease obligations	€M	0.00	0.00	0.00	0.00
Other fixed assets	€M	1.37	1.88	2.18	2.63
Accumulated depreciation	€M	2.65	3.05	3.45	3.85
WCR	€M	8.74	8.53	9.25	9.88
Other assets	€M	0.29	0.29	0.29	0.29
Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	€M	21.7	23.2	24.9	27.1
Capital employed before depreciation	€M	36.5	38.8	41.1	43.9

Divisional Breakdown Of Capital

		12/17A	12/18E	12/19E	12/20E
Radiology	€M				
Densitometry	€M				
Instruments	€M				
DMS Imaging	€M				
DMS Wellness	€M				
DMS Biotech	€M				
Other	€M	21.7	23.2	24.9	27.1
Total capital employed	€M	21.7	23.2	24.9	27.1

► Pension Risks

Pension matters

In FY17, the group employed an average 136 people (vs 156 in FY16 and 144 in FY15 due to the exit of Alpha Mos from the consolidation perimeter), mainly in DMS Apelem. As far as Apelem is concerned, about half of the workforce is dedicated to production and 20% to R&D (physicists, engineers, electronics, electrical engineers...). Other main areas include sales (c.15%) and after-sales (c.15% too), a key function of the group's activities.

As far as pensions are concerned, the group's balance sheet includes a €73k provision to cover unfunded obligations (retirement benefits at the time of departure, with no future commitments), made under the group's assumptions (1% salary increase, discount rate 1.30%, retirement at 67...).

Summary Of Pension Risks

		12/17A	12/18E	12/19E	12/20E
Pension ratio	%	0.84	0.95	1.04	1.11
Ordinary shareholders' equity	€M	23.5	20.6	19.0	18.1
Total benefits provisions	€M	0.20	0.20	0.20	0.20
<i>of which funded pensions</i>	€M	0.00	0.00	0.00	0.00
<i>of which unfunded pensions</i>	€M	0.20	0.20	0.20	0.20
<i>of which benefits / health care</i>	€M		0.00	0.00	0.00
Unrecognised actuarial (gains)/losses	€M	0.00	0.00	0.00	0.00
<i>Company discount rate</i>	%	2.33	2.33	2.33	2.33
Normalised recomputed discount rate	%		1.50		
<i>Company future salary increase</i>	%	1.00	1.00	1.00	1.00
Normalised recomputed future salary increase	%		2.00		
<i>Company expected rate of return on plan assets</i>	%	2.00	2.00	2.00	2.00
Normalised recomputed expd rate of return on plan assets	%		0.00		
Funded : Impact of actuarial assumptions	€M		0.00		
Unfunded : Impact of actuarial assumptions	€M		0.08		

Geographic Breakdown Of Pension Liabilities

		12/17A	12/18E	12/19E	12/20E
US exposure	%				
UK exposure	%				
Euro exposure	%	100	100	100	100
Nordic countries	%				
Switzerland	%				
Other	%				
Total	%	100	100	100	100

Balance Sheet Implications

		12/17A	12/18E	12/19E	12/20E
Funded status surplus / (deficit)	€M	0.00	0.00	0.00	0.00
Unfunded status surplus / (deficit)	€M	-0.20	-0.28	-0.29	-0.29
Total surplus / (deficit)	€M	-0.20	-0.28	-0.29	-0.29
Total unrecognised actuarial (gains)/losses	€M	0.00	0.00	0.00	0.00
Provision (B/S) on funded pension	€M	0.00	0.00	0.00	0.00
Provision (B/S) on unfunded pension	€M	0.20	0.20	0.20	0.20
Other benefits (health care) provision	€M		0.00	0.00	0.00
Total benefit provisions	€M	0.20	0.20	0.20	0.20

P&L Implications

		12/17A	12/18E	12/19E	12/20E
Funded obligations periodic costs	€M	0.00	0.00	0.00	0.00
Unfunded obligations periodic costs	€M	0.00	0.00	0.00	0.00
Total periodic costs	€M	0.00	0.00	0.00	0.00
<i>of which incl. in labour costs</i>	€M	0.00	0.00	0.00	0.00
<i>of which incl. in interest expenses</i>	€M	0.00	0.00	0.00	0.00

► Pension Risks

Funded Obligations

		12/17A	12/18E	12/19E	12/20E
Balance beginning of period	€M	0.00	0.00	0.00	0.00
Current service cost	€M		0.00	0.00	0.00
Interest expense	€M		0.00	0.00	0.00
Employees' contributions	€M				
Impact of change in actuarial assumptions	€M		0.00	0.00	0.00
<i>of which impact of change in discount rate</i>	€M		0.00		
<i>of which impact of change in salary increase</i>	€M		0.00		
Changes to scope of consolidation	€M				
Currency translation effects	€M				
Pension payments	€M				
Other	€M				
Year end obligation	€M	0.00	0.00	0.00	0.00

Plan Assets

		12/17A	12/18E	12/19E	12/20E
Value at beginning	€M		0.00	0.00	0.00
Company expected return on plan assets	€M		0.00	0.00	0.00
Actuarial gain/(loss)	€M		0.00	0.00	0.00
Employer's contribution	€M	0.00	0.00	0.00	0.00
Employees' contributions	€M	0.00	0.00	0.00	0.00
Changes to scope of consolidation	€M				
Currency translation effects	€M				
Pension payments	€M	0.00	0.00	0.00	0.00
Other	€M				
Value end of period	€M	0.00	0.00	0.00	0.00
Actual and normalised future return on plan assets	€M	0.00	0.00	0.00	0.00

Unfunded Obligations











		12/17A	12/18E	12/19E	12/20E
Balance beginning of period	€M	0.20	0.20	0.28	0.29
Current service cost	€M		0.00	0.00	0.00
Interest expense	€M		0.00	0.00	0.00
Employees' contributions	€M				
Impact of change in actuarial assumptions	€M		0.08	0.00	0.00
<i>of which Impact of change in discount rate</i>	€M		0.04		
<i>of which Impact of change in salary increase</i>	€M		0.04		
Changes to scope of consolidation	€M				
Currency translation effects	€M				
Pension payments	€M				
Other	€M				
Year end obligation	€M	0.20	0.28	0.29	0.29

► Governance & Management

Governance & Management

The board of DMS comprises three members and is chaired by Mr Jean-Paul Ansel, the CEO of the group. It also includes the deputy General Manager, Mr Sancerni and Mrs Simonyi See-Nuan. The board can therefore not be considered as independent, as is often the case with a “small cap”.




Governance parameters

	Yes  / No 	Weighting
One share, one vote		20%
Chairman vs. Executive split		5%
Chairman not ex executive		5%
Independent directors equals or above 50% of total directors		20%
Full disclosure on mgt pay (performance related bonuses, pensions and non financial benefits)		10%
Disclosure of performance anchor for bonus trigger		15%
Compensation committee reporting to board of directors		5%
Straightforward, clean by-laws		20%
Governance score	20	100%







Existing committees

	Audit / Governance Committee
	Compensation committee
	Financial Statements Committee
	Litigation Committee
	Nomination Committee
	Safety committee
	SRI / Environment

Management

Name	Function	Birth date	Date in	Date out	Compensation, in k€ (year)	
					Cash	Equity linked
Jean-Paul ANSEL	M  CEO		2009		238	(2017)
Samuel SANCERNI	M  Chief Executive (not Chairman)		2012			(2017)
Mireille CUDENNEC	F  CFO		2012			

Board of Directors

Name	Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in k€(year)	Value of holding, in k€(year)
Jean-Paul ANSEL	M  	President/Chairman of th...			2010		9.00 (2017)	353 (2017)
Samuel SANCERNI	M  	Member			2012		0.00 (2017)	544 (2017)
Simonyi SEE-NUAN	F  	Member			2013		0.00 (2017)	

► Governance & Management

Human Resource

Accidents at work

25% Of H.R. Score


Human resources development

35% Of H.R. Score


Pay

20% Of H.R. Score


Job satisfaction





















10% Of H.R. Score


Internal communication

10% Of H.R. Score



HR Breakdown

		Yes  / No 	Rating
Accidents at work	25%		10/100
Set targets for work safety on all group sites?	40%		10/100
Are accidents at work declining?	60%		0/100
Human resources development	35%		18/100
Are competences required to meet medium term targets identified?	10%		4/100
Is there a medium term (2 to 5 years) recruitment plan?	10%		0/100
Is there a training strategy tuned to the company objectives?	10%		0/100
Are employees trained for tomorrow's objectives?	10%		0/100
Can all employees have access to training?	10%		0/100
Has the corporate avoided large restructuring lay-offs over the last year to date?	10%		4/100
Have key competences stayed?	10%		4/100
Are managers given managerial objectives?	10%		4/100
If yes, are managerial results a deciding factor when assessing compensation level?	10%		4/100
Is mobility encouraged between operating units of the group?	10%		0/100
Pay	20%		0/100
Is there a compensation committee?	30%		0/100
Is employees' performance combining group performance AND individual performance?	70%		0/100
Job satisfaction	10%		0/100
Is there a measure of job satisfaction?	33%		0/100
Can anyone participate ?	34%		0/100
Are there action plans to prop up employees' morale?	33%		0/100
Internal communication	10%		10/100
Are strategy and objectives made available to every employee?	100%		10/100
Human Ressource score:			38/100

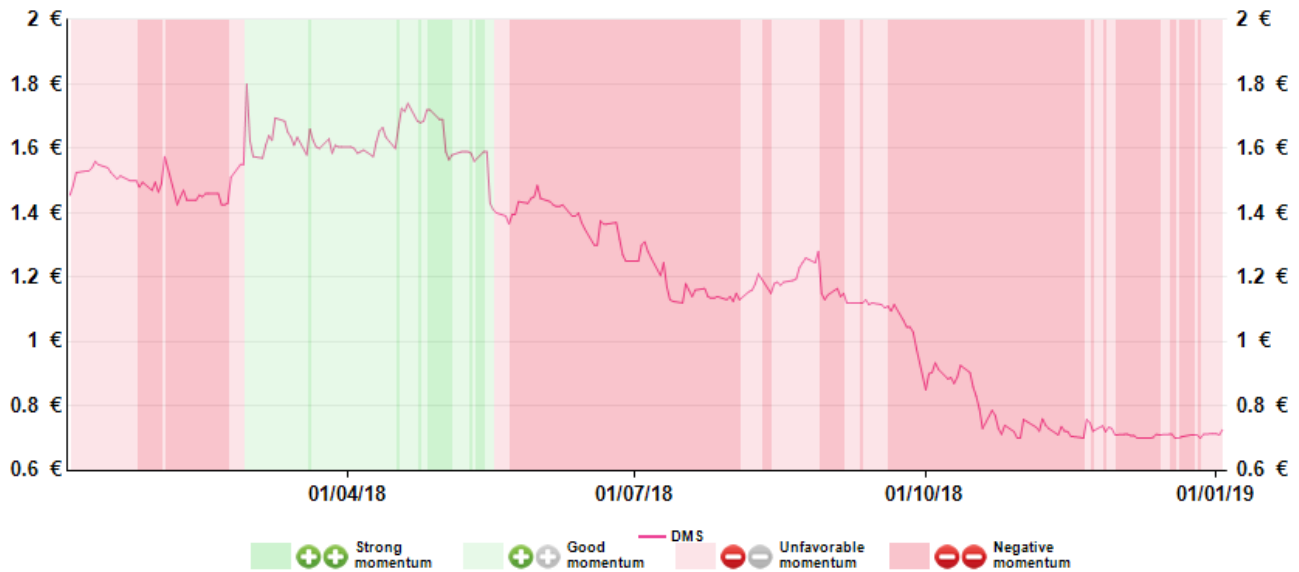
HR Score

H.R. Score : 3.8/10






 ▼ Health
 ■ DMS

► Graphics

Momentum



Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows. The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames. For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator. The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

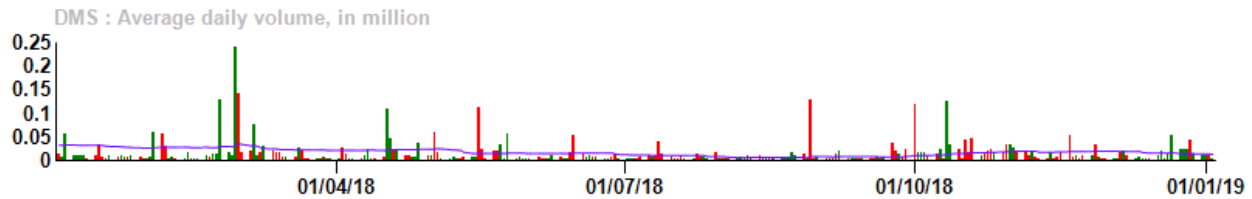
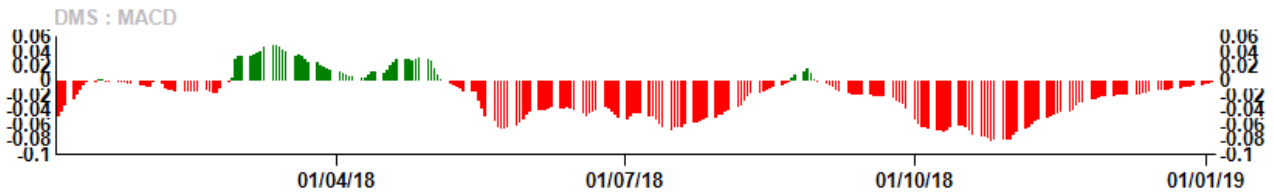
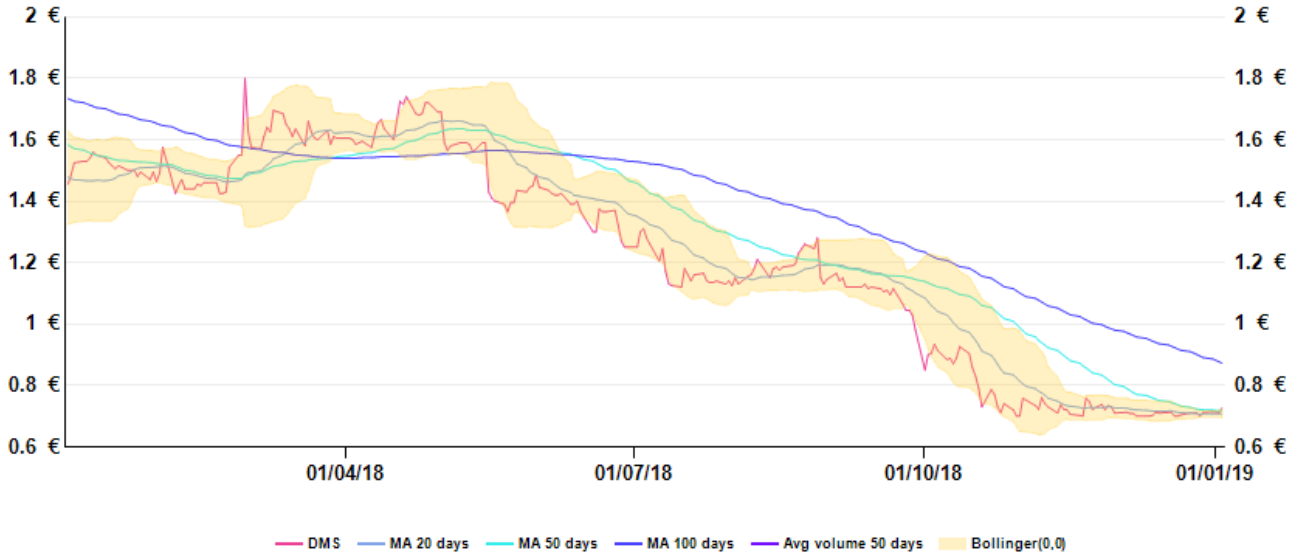
-  : Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes
-  : Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes
-  : Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes
-  : Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

DMS (Buy)

Med Tech / France

► Graphics

Moving Average MACD & Volume



DMS (Buy)

Med Tech / France

► Graphics

€/\$ sensitivity



Sector Health



Methodology

► Methodology

Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a "value" approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency**, all underlying figures are accessible, and **consistency**, same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility 10 < VIX index < 30	Normal Volatility 15 < VIX index < 35	High Volatility 35 < VIX index
Buy ■	More than 15% upside	More than 20% upside	More than 30% upside
Add ■	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce ■	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell ■	Below -10%	Below -10%	Below -10%

There is deliberately no "neutral" recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaValue intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

► Methodology

Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	50%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	10%	15%
P/Book	5%	5%	5%	5%	10%	10%
Banks' intrinsic method	0%	0%	0%	0%	10%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%