INVEST SECURITIES

PHARMA

CROSSJECT

BUY

TARGET PRICE : 6,5€ (vs 3,2€) +92%

BARDA DEAL AND CONFERENCE CALL

A TRANSFORMATIVE AGREEMENT

Crossject's agreement with BARDA on ZENEO® Midazolam, potentially worth $155m, is transformative. There was great anticipation around the decision on BARDA's request for proposals, which was expected in 2022. This announcement is very good news since, despite the company's solid case, visibility was limited on the timing of the decision, the competition, and the potential amounts. The deal lends credibility to the pipeline of emergency treatments and also significantly enhances the company's commercial prospects. We expect the 1st shipments to occur in H1 23. After updating our model, we have raised our TP to €6.5 (from €3.2 previously). BUY reiterated.

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A deal that creates significant value

Last Saturday, Crossject announced a new agreement with BARDA for ZENEO® Midazolam. BARDA had launched a request for proposals to develop a 10mg Midazolam auto-injector as well as a pediatric dose (5mg), and for the supply of up to 776k units to replace the diazepam auto-injectors in the CHEMPACK strategic national stockpile. The agreement signed Saturday has three components. First, BARDA placed an order for $60m for a first shipment of ZENEO® Midazolam as soon as FDA authorization is obtained. Second, it committed to finance clinical and regulatory activities associated with the development of ZENEO® Midazolam in the US until the FDA approves the 10mg dose and new 5mg pediatric dose. Lastly, BARDA has the option to purchase additional units for up to $59m. Factoring in the BARDA funding and the exercise of all possible options, the overall value of the contract is $155m. From a regulatory standpoint, the authorization application will be filed for treatment of epileptic seizures (including those brought on by exposure to neurotoxic agents) in adult and pediatric (>2 years) populations. The company will initially file for an emergency use authorization, similar to what was done for Covid tests during the health crisis, before submitting the MAA. This means FDA approval could come fairly quickly (estimated 3-6 months). It should be noted that Meridian has exclusivity in the US for treating epileptic seizures through 2025, but Crossject hopes to dethrone it by demonstrating the superiority of ZENEO® in terms of rapidity and ease of use with a human factors study. Following the signature of the deal with BARDA and given the properties of ZENEO®, we believe its chances of doing so are very good.

A bona fide commercial springboard

As discussed in our previous flashes, all eyes were on BARDA as we awaited a decision in 2022 on its request for proposals. This announcement is very good news as, while the case was very solid, visibility was limited on the timing of the decision, the competition, and the potential amounts. The deal will be a bona fide commercial springboard for Crossject. First, because it lends credibility to the company's pipeline of emergency medicines, and second, because it bolsters its commercial prospects. As we see it, this deal guarantees that the MAA will be approved and it will benefit the entire ZENEO® platform in the US, and in Europe as well, since the innovation focuses mainly on the administration system.

in € / share	2022e	2023e	2024e
Adjusted EPS	-0,28	-0,04	0,54
chg.	*n.s.*	*n.s.*	*n.s.*
estimates chg.	*n.s.*	*n.s.*	*n.s.*

au 31/12	2022e	2023e	2024e
PE	n.s.	n.s.	5,9x
EV/Sales	50,3x	8,6x	3,4x
EV/Adjusted EBITD	n.s.	16,7x	3,5x
EV/Adjusted EBITA	n.s.	57,4x	4,3x
FCF yield*	n.s.	n.s.	14,0%
Div. yield (%)	n.s.	n.s.	n.s.

* After tax op. FCF before WCR

key points	
Closing share price 20/06/2022	3,4
Number of Shares (m)	26,6
Market cap. (€m)	90
Free float (€m)	65
ISIN	FR0011716265
Ticker	ALCJ-FR
DJ Sector	Health Technology

	1m	3m	Ytd
Absolute perf.	+67,2%	+74,5%	+18,8%
Relative perf.	+81,8%	+95,0%	+38,8%

Source : Factset, Invest Securities estimates

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Our model previously assumed a deal worth about $70m by 2026. It now factors in $120m by 2028. Crossject has the capacity to produce some 500k units a year, which should suffice to fill orders from BARDA. Over the medium term, it may have to invest more to keep up with market demand across the entire pipeline. Though the emergency use authorization may come quickly, the company will still need to conduct a bioequivalence study and possibly a human factors study to complete the application. We expect the first batches to be delivered to BARDA late in H1 23.

Our estimates were also based on the assumption that the clinical and regulatory development of ZENEO® Midazolam in the US would be fully funded by Crossject, which will not be the case. Consequently, we have removed $36m of R&D and regulatory spending related to the ZENEO® Midazolam project from our model.

What about the cash runway?

According to our estimates, despite the exercise of €3.9m worth of share warrants in 2022 (strike price of €3.0, expiration at end-June) and the different types of funding assistance to be received, the deal with BARDA will not make a significant earnings contribution before the end of H1 23. The company could therefore continue to seek out additional sources of funding.

TP raised to €6.5 (from €3.2), still a BUY

We have updated several parts of our model. First, we upgraded the sales outlook for ZENEO® Midazolam in the US market to reflect the BARDA deal, and significantly lowered our OPEX estimates for this project. Next, we raised the POS for intramuscular projects, which are also priority projects (Hydrocortisone, Adrenaline, Midazolam), to 100%. And lastly, we adjusted the WACC to reflect the latest market parameters and lowered the beta to 1.5x (from 1.9x), considering that BARDA's support of ZENEO® Midazolam lowers the company's risk profile. We have raised our TP to €6.5 (from €3.2) and are keeping the stock on a BUY. Despite the stock's exceptional rise yesterday (+95%), we still do not believe the market has fully priced in the BARDA deal. The EV remains below the value of the deal, and investors are overlooking how much it does to enhance credibility and boost the entire pipeline.

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FINANCIAL DATA

Share information	2017	2018	2019	2020	2021	2022e	2023e	2024e
Published EPS (€)	-1,04	-1,47	-0,32	-0,41	-0,41	-0,34	-0,04	0,54
Adjusted EPS (€)	-0,79	-0,56	-0,29	-0,39	-0,41	-0,28	-0,04	0,54
Diff. I.S. vs Consensus	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*	*n.s.*
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Valuation ratios	2017	2018	2019	2020	2021	2022e	2023e	2024e
P/E	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	5,9x
EV/Sales	n.s.	n.s.	95,8x	4723,1x	101,3x	50,3x	8,6x	3,4x
EV/Adjusted EBITDA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	16,7x	3,5x
EV/Adjusted EBITA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	57,4x	4,3x
Op. FCF bef. WCR yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	14,0%
Op. FCF yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	10,4%
Div. yield (%)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.

NB : valuation based on annual average price for past exercise

Entreprise Value (€m)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Share price in €	*5,1*	*3,2*	*1,9*	*3,4*	*3,1*	*3,2*	*3,2*	*3,2*
Market cap.	37,1	23,0	42,0	80,8	80,0	90,2	90,2	100,3
Net Debt	5,3	4,1	5,8	12,8	11,5	19,1	24,4	13,5
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions/ near-debt	0,1	0,1	0,2	0,8	0,8	0,8	0,8	0,8
+/- Adjustments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Entreprise Value (EV)	**42,5**	**27,1**	**47,9**	**94,5**	**92,4**	**110,1**	**115,4**	**114,6**

Income statement (€m)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Sales	0,0	0,0	0,5	0,0	0,9	2,2	13,4	34,0
chg.	*n.s.*	*n.s.*	*n.s.*	*-96,0%*	*+4460,0%*	*+140,0%*	*+510,4%*	*+154,2%*
Adjusted EBITDA	-6,6	-7,7	-5,0	-5,8	-6,7	-5,4	6,9	32,4
adjusted EBITA	**-8,6**	**-11,6**	**-8,6**	**-10,7**	**-11,8**	**-9,5**	**2,0**	**26,9**
chg.	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***
EBIT	-8,9	-11,6	-8,6	-11,2	-11,7	-9,5	2,0	26,9
Financial result	0,2	-0,7	0,1	-0,3	-0,8	-0,4	-0,4	-0,4
Corp. tax	1,1	1,6	1,3	1,6	1,8	1,1	-2,8	-9,6
Minorities+affiliates	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net attributable profit	-7,6	-10,7	-7,2	-9,8	-10,7	-8,8	-1,2	16,9
Adjusted net att. profit	**-7,6**	**-10,7**	**-7,2**	**-9,8**	**-10,7**	**-8,8**	**-1,2**	**16,9**
chg.	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***

Cash flow statement (€m)	2017	2018	2019	2020	2021	2022e	2023e	2024e
EBITDA	-6,6	-7,7	-5,0	-5,8	-6,7	-5,4	6,9	32,4
Theoretical Tax / EBITA	0,0	0,0	0,0	0,0	0,0	0,0	-0,7	-9,0
Capex	-4,2	-3,3	-4,4	-6,1	-6,4	-6,6	-6,9	-7,4
Operating FCF bef. WCR	**-10,8**	**-11,0**	**-9,4**	**-11,9**	**-13,2**	**-11,9**	**-0,7**	**16,0**
Change in WCR	0,6	-1,0	-1,7	-0,5	-0,5	-0,3	-2,1	-4,1
Operating FCF	**-10,2**	**-12,0**	**-11,1**	**-12,4**	**-13,6**	**-12,2**	**-2,7**	**11,9**
Acquisitions/disposals	0,0	0,0	0,0	0,0	-1,0	0,0	0,0	0,0
Capital increase/decrease	6,7	11,8	8,9	5,2	13,1	3,9	0,0	0,0
Dividends paid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other adjustments	1,3	0,9	1,4	1,4	1,0	0,7	-2,5	-1,0
Published Cash-Flow	**-2,3**	**0,6**	**-0,8**	**-5,7**	**-0,5**	**-7,6**	**-5,3**	**10,8**

Balance Sheet (€m)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Assets	11,4	11,3	12,5	14,9	16,8	19,2	21,2	23,1
Intangible assets/GW	4,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
WCR	0,6	-1,0	-1,7	-0,5	-0,5	-0,3	-2,1	-4,1
Group equity capital	6,1	1,7	3,0	-1,1	-5,4	-10,3	-11,5	5,4
Minority shareholders	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions	0,1	0,1	0,2	0,8	0,8	0,8	0,8	0,8
Net financial debt	**5,3**	**4,1**	**5,8**	**12,8**	**11,5**	**19,1**	**24,4**	**13,5**

Financial ratios	2017	2018	2019	2020	2021	2022e	2023e	2024e
EBITDA margin	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	51,6%	95,3%
EBITA margin	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	15,0%	79,2%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	49,7%
ROCE	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	10,5%	141,7%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	313,2%
Gearing	86,6%	244,7%	191,9%	n.s.	n.s.	n.s.	n.s.	251,2%
ND/EBITDA (in x)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	3,5x	0,4x

Source : company, Invest Securities Estimates

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INVESTMENT CASE

Crossject is developing its needle-free auto-injector ZENEO® for seven different indications. We appreciate how the company has adapted its strategy to focus on emergency treatments, which speeds up the approval process in the US and increases its chances of finding licensing partners quickly. Crossject's agreement with BARDA on ZENEO® Midazolam, potentially worth $155m, is transformative. This announcement is very good news as, while the case was very solid, visibility was limited on the timing of the decision, the competition, and the potential amounts. First, because it lends credibility to the company's pipeline of emergency medicines, and second, because it bolsters its commercial prospects.

SWOT ANALYSIS

STRENGTHS

- 7 products in the pipeline
- A best-in-class technology for a market with high unmet medical needs
- Agreement with BARDA

WEAKNESSES

- Possible pricing pressure
- Competitive market environment

OPPORTUNITIES

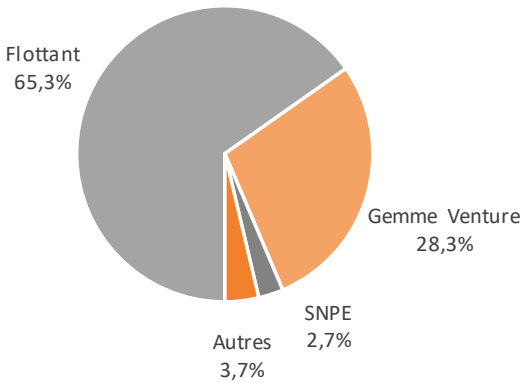
- Many potential uses for emergency treatment drugs
- Licensing agreements in the US and Europe
- Potential takeover target

THREATS

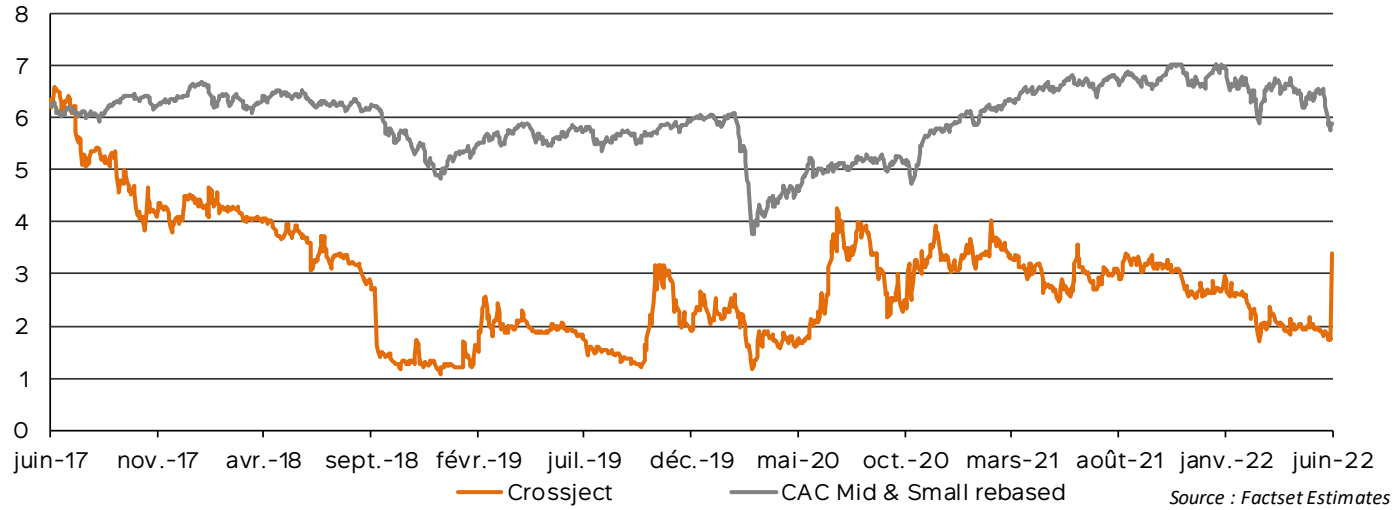
- Delays in clinical development
- Tight development timeframe

ADDITIONAL INFORMATION

Shareholders



SHARE PRICE CHANGE FOR 5 YEARS



Source : Factset Estimates

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TARGET PRICE AND RECOMMENDATION

Our analyst ratings are dependent on the expected absolute performance of the stock on a 6- to 12-month horizon. They are based on the company’s risk profile and the target price set by the analyst, which takes into account exogenous factors related to the market environment that may vary considerably. The Invest Securities analysis office sets target prices based on a multi-criteria fundamental analysis, including, but not limited to, discounted cash flows, comparisons based on peer companies or transaction multiples, sum-of-the-parts value, restated net asset value, discounted dividends.

Ratings assigned by the Invest Securities analysis office are defined as follows:

- BUY: Upside potential of more than 10% (the minimum upside required may be revised upward depending on the company’s risk profile)
- NEUTRAL: Between -10% downside and +10% upside potential (the maximum required may be revised upward depending on the company’s risk profile)
- SELL: Downside potential of more than 10%
- TENDER or DO NOT TENDER: Recommendations used when a public offer has been made for the issuer (takeover bid, public exchange offer, squeeze-out, etc.)
- SUBSCRIBE or DO NOT SUBSCRIBE: Recommendations used when a company is raising capital
- UNDER REVIEW: Temporary recommendation used when an exceptional event that has a substantial impact on the company’s results or our target price makes it impossible to assign a BUY, NEUTRAL or SELL rating to a stock

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12-MONTH HISTORY OF OPINION

Le tableau ci-dessous reflète l'historique des changements de recommandation et d'objectif de cours réalisés par le bureau d'analyse financière d'Invest Securities au cours des 12 derniers mois.

Company Name	Main Author	Release Date	Rating	Target Price	Potential
Crossject	Thibaut Voglimacci	25-mars.-22	ACHAT	3,2	+44%
Crossject	Thibaut Voglimacci	15-déc.-21	ACHAT	4,1	+49%
Crossject	Thibaut Voglimacci	22-sept.-21	ACHAT	4,3	+39%

DETECTION OF CONFLICTS OF INTEREST

	Crossject
Invest Securities was lead manager or co-lead manager in a public offer concerning the financial instruments of this issuer during the last twelve months.	No
Invest Securities has signed a liquidity contract with the issuer.	No
Invest Securities and the issuer have signed a research service agreement.	Yes
Invest Securities and the issuer have signed a Listing Sponsor agreement.	No
Invest Securities has been remunerated by this issuer in exchange for the provision of other investment services during the last twelve months (RTO, Execution on behalf of third parties, advice, placement, underwriting).	No
This document was sent to the issuer prior to its publication. This rereading did not lead the analyst to modify the valuation.	No
This document was sent to the issuer for review prior to its publication. This rereading led the analyst to modify the valuation.	No
The financial analyst has an interest in the capital of the issuer.	No
The financial analyst acquired equity securities of the issuer prior to the public offering transaction.	No
The financial analyst receives remuneration directly linked to the transaction or to an investment service provided by Invest Securities.	No
An executive officer of Invest Securities is in a conflict of interest with the issuer and was given access to this document prior to its completion.	No
Invest Securities or the All Invest group owns or controls 5% or more of the share capital issued by the issuer.	No
Invest Securities or the All Invest group holds, on a temporary basis, a net long position of more than 0.5% of the issuer's capital.	No
Invest Securities or the All Invest group holds, on a temporary basis, a net short position of more than 0.5% of the issuer's capital.	No
The issuer owns or controls 5% or more of the capital of Invest Securities or the All Invest group.	No

La politique de gestion des conflits d'intérêts d'Invest Securities est accessible sur le site d'Invest Securities dans la rubrique Règlementation. Une liste de toutes les recommandations diffusées sur 12 mois ainsi que la publication trimestrielle de la part des « ACHAT, VENTE, NEUTRE, AUTRES » sur 12 mois, sont accessibles sur le site de recherche d'Invest Securities.

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