



Crossject

Supergenerics / France

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A strategic review... and some adjustments to our forecasts

Patience will pay off - 24/11/2016

Change in Target Price

€ 19.3 vs 24.4 **-21.0%**

Our target price goes down, mainly due to the lower DCF valuation after the group presented its new strategy in mid-november, which is based on a focus on emergency products, the US and a larger agreement with Cenexi, which should spend over €5m to bring total capacities to over 10m units a year (vs 2m). Timing remains the main issue and is of course the first reason behind our lower valuation, which also captures the disappointment after the group postponed again the market launch of Zeneo, by at least a year (2019 at the earliest vs late 2017 previously).

Change in EPS

2016 : € -0.90 vs -0.90
2017 : € -0.50 vs -0.36 **ns**

Our EPS goes marginally down for FY17, where we initially had the first revenues stemming from Methotrexate, which are now postponed to FY19. Other than this, we have not changed our short-term forecasts.

Change in NAV

€ 24.5 vs 28.7 **-14.7%**

Our SOTP valuation also goes down, since it is computed on average sales over the first year after each product reaches the market (FY19-21). In particular, sales are lower per product since US sales will typically come a year after first European sales, while average prices are higher in the US, explaining the bulk of the lower valuation obtained through this method, which leads to very similar results to the DCF.

Change in DCF

€ 23.0 vs 31.6 **-27.2%**

We have revised our forecasts, based on later-than-expected product launches (with, for each product, a first launch in Europe and a year later in the US). We have also lowered the level of capex from 2017 onwards, since the bulk of capex will be spent by Cenexi, the group's global industrial partner. We have so far considered that the level of margins is unchanged compared to the scenario where Crossject was investing and producing Zeneo devices instead of subcontracting. Our valuation, unsurprisingly, goes down, in line with our view that timing is the biggest issue the group currently has to face and despite a lower future capex level.

AlphaValue is contracted by Crossject to provide equity research on Crossject, using AlphaValue's unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

Buy **Upside : 299%**

Target Price (6 months)	€ 19.3
Share Price	€ 4.83
Market Capitalisation €M	32.1
Price Momentum	NEGATIVE
Extremes 12Months	4.59 ▶ 11.1
Newsflow	Positive
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

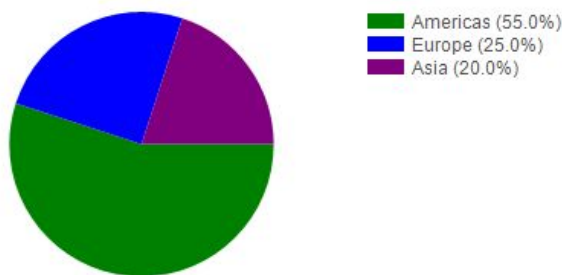
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PERF	1w	1m	3m	12m
Crossject	-23.8%	-30.0%	-39.9%	-36.4%
Pharma	-3.46%	-5.87%	-10.1%	-13.6%
SXXR Index	0.70%	-0.86%	-0.50%	-7.78%

Last updated: 24/11/2016	12/14A	12/15A	12/16E	12/17E
Adjusted P/E (x)	-14.0	-8.17	-5.39	-9.66
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-12.7	-7.63	-5.08	-14.2
Adjusted EPS (€)	-0.68	-0.88	-0.90	-0.50
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	1.74	2.37	2.37	2.00
EBITA margin (%)	ns	ns	ns	-87.1
Attributable net profit (€M)	-4.44	-5.73	-5.80	-3.24
ROE (after tax) (%)	-30.6	-49.2	-98.5	-236
Gearing (%)		-91.3	-190	

[Company Valuation](#) - [Company Financials](#)

Sales by Geography



Consolidated P&L Accounts

		12/15A	12/16E	12/17E
Sales	€M	2.37	2.37	2.00
Change in sales	%	35.8	0.00	-15.6
Change in staff costs	%	32.0	15.9	63.2
EBITDA	€M	-5.51	-5.00	-1.74
EBITDA(R) margin	%	-232	-211	-87.1
Depreciation	€M	-1.51	-1.51	-1.20
Underlying operating profit	€M	-7.01	-6.50	-2.94
Operating profit (EBIT)	€M	-7.06	-6.50	-2.94
Net financial expense	€M	0.29	-0.30	-0.30
of which related to pensions	€M		0.00	0.00
Exceptional items & other	€M	-0.01	0.00	0.00
Corporate tax	€M	1.05	1.00	0.00
Equity associates	€M			
Minority interests	€M			
Adjusted attributable net profit	€M	-5.73	-5.80	-3.24
NOPAT	€M	-4.91	-4.55	-2.06

Cashflow Statement

		12/15A	12/16E	12/17E
EBITDA	€M	-5.51	-5.00	-1.74
Change in WCR	€M	-0.41	0.92	0.09
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	1.00	1.00	0.00
Exceptional items	€M	0.00	0.00	0.00
Other operating cash flows	€M	0.00	0.00	0.00
Total operating cash flows	€M	-4.91	-3.07	-1.65
Capital expenditure	€M	-1.81	-7.50	-0.50
Total investment flows	€M	-1.81	-7.50	-0.50
Net interest expense	€M	0.29	-0.30	-0.30
Dividends (parent company)	€M			
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	0.00	0.00	0.00
Total financial flows	€M	1.12	11.7	12.8
Change in cash position	€M	-5.60	1.11	10.6
Free cash flow (pre div.)	€M	-6.43	-10.9	-2.45

Per Share Data

		12/15A	12/16E	12/17E
No. of shares net of treas. stock (year...	Mio	6.48	6.48	6.48
Number of diluted shares (average)	Mio	6.48	6.48	6.48
Benchmark EPS	€	-0.88	-0.90	-0.50
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 23.0	40%	Actelion
NAV/SOTP per share	€ 24.5	40%	Faes Farma
P/E	€ 2.42	5%	Hikma Pharmaceuti...
EV/Ebitda	€ 0.00	5%	Ipsen
P/Book	€ 2.42	5%	Stada Arzneimittel
Dividend Yield	€ 0.00	5%	UCB
TARGET PRICE	€ 19.3	100%	

NAV/SOTP Calculation

Balance Sheet

		12/15A	12/16E	12/17E
Goodwill	€M	0.00	0.00	0.00
Total intangible	€M	2.33	8.33	7.79
Tangible fixed assets	€M	1.74	1.73	1.57
Financial fixed assets	€M	1.85	1.85	1.85
WCR	€M	-2.50	-3.42	-3.52
Other assets	€M	2.04	2.04	2.04
Total assets (net of short term liab.)	€M	5.48	10.5	9.76
Ordinary shareholders' equity	€M	8.80	2.99	-0.25
Quasi Equity & Preferred	€M			
Minority interests	€M			
Provisions for pensions	€M	0.00	0.00	0.00
Other provisions for risks and liabilities	€M	0.34	0.34	0.34
Total provisions for risks and liabilities	€M	0.34	0.34	0.34
Tax liabilities	€M	0.00	0.00	0.00
Other liabilities	€M	1.48	13.5	16.6
Net debt (cash)	€M	-5.14	-6.24	-6.89
Total liab. and shareholders' equity	€M	5.48	10.5	9.76

Capital Employed

		12/15A	12/16E	12/17E
Capital employed after depreciation	€M	3.42	8.49	7.70

Profits & Risks Ratios

		12/15A	12/16E	12/17E
ROE (after tax)	%	-49.2	-98.5	-236
ROCE	%	-143	-53.6	-26.7
Gearing (at book value)	%	-91.3	-190	
Adj. Net debt/EBITDA(R)	x	0.93	1.25	3.96
Interest cover (x)	x	24.0	-21.7	-9.80

Valuation Ratios

		12/15A	12/16E	12/17E
Reference P/E (benchmark)	x	-8.17	-5.39	-9.66
Free cash flow yield	%	-13.7	-34.7	-7.83
P/Book	x	5.32	10.5	-126
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/15A	12/16E	12/17E
Market cap	€M	46.8	31.3	31.3
+ Provisions	€M	0.34	0.34	0.34
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-5.14	-6.24	-6.89
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M			
+ Minority interests (fair value)	€M			
= EV	€M	42.0	25.4	24.8
EV/EBITDA(R)	x	-7.63	-5.08	-14.2
EV/Sales	x	17.7	10.7	12.4

Analyst : Fabrice Farigoule, Changes to Forecasts : 24/11/2016.