



Crossject

Supergenerics / France



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H1 17: a new NTE in the pipeline...and further delays

Earnings/sales releases - 25/09/2017

Fact

Crossject released its H1 17 results. Revenues reached €1,635k (vs €1,600k), operating result €-4,256k (vs €-2,779k), and the net result €-3,360k (vs €-2,831k). Net cash at the end of H1 17 was €6,096k vs €2,634k at the end of FY16, including the €4,985k capital increase carried out in March. The company also announced it will engage in the development of a new product (Zeneo Terbutaline) in the field of acute asthma. Lastly, the group indicated that the priority US filings will be delayed by c. 6 months, due to the "PARC" production line in Dijon (tubes "Prêts A Remplir" ready-to-fill tubes).

Analysis

As usual, the numbers as such are of little relevance given the fact the story of Crossject is based on the future launch of Zeneo combined with the NTEs the group is targeting. This said, we stress that the cash position has improved thanks to the capital increase and the payment of refundable incentives from PIAVE and BPI France and despite the increase in operating charges (c. +€1.4m to €5.9m, or +35%) which corresponds to the ramp-up of the production team and consulting and external charges (the PARC production line, purchase of components). We view these expenses as investments, thus no reason for worry and all the more so since Crossject will benefit from €5.9m in cash before year-end (refunding of the tax credit, incentives, equity line...) which secures its net cash position. On the positive side, the group also announced it will develop a new NTE (Zeneo Terbutaline) targeting the acute asthma market. Around 235m people suffer from asthma worldwide, 10% of whom in its acute form, with only a few being offered an emergency solution. This seems to be a target for Crossject, although we need a bit of time to dig into this. On the less positive side, Crossject foresees new delays due to industrial issues in the Dijon production unit. In short, market approval files in Europe and the US should be delayed by c. 6 months, which has no impact on the group's strategy to focus on emergency NTEs amongst its current portfolio of 7 NTEs, and, more specifically, on the products that could lead to early distribution agreements (with upfront fees) in the US. The group also maintains its target of negotiating an exclusive distribution agreement in the US for Zeneo Sumatriptan and to launch a call for the tender of Zeneo Midazolam in FY17.

Impact

Altogether, the outcome is unclear. Short term, there will be pressure on the stock because of new delays in the launch of Crossject's first products on the market. At the same time, Zeneo Terbutaline offers a new opportunity, in the long term though. All in all, the group's valuation is based on future products, so delays should lower it, as the discount of cash flows should be higher, while a new opportunity also has to be integrated into the group's portfolio. We will review our model after talking in more detail with the company but, again, we expect a rather negative reaction to this release.

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: 222%
Target Price (6 months)	€ 16.1
Share Price	€ 5.01
Market Cap. €M	44.1
Price Momentum	NEGATIVE
Extremes 12Months	4.39 ▶ 7.60
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

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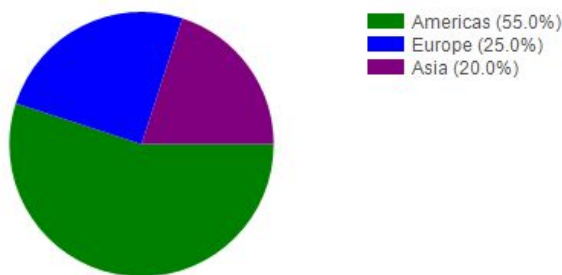


PERF	1w	1m	3m	12m
Crossject	-8.74%	-9.57%	-23.9%	-34.0%
Pharma	1.47%	3.02%	-4.90%	7.42%
STOXX 600	0.66%	2.49%	-1.37%	10.2%

Last updated: 19/05/2017	12/15A	12/16A	12/17E	12/18E
Adjusted P/E (x)	-8.17	-8.04	-12.2	-14.1
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-7.63	-9.70	-14.9	-9.52
Adjusted EPS (€)	-0.88	-0.98	-0.41	-0.36
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	2.37	1.43	2.00	2.00
EBIT margin (%)	ns	ns	-196	ns
Attributable net profit (€M)	-5.73	-6.66	-3.22	-3.09
ROE (after tax) (%)	-49.2	-88.4	-44.0	-44.6
Gearing (%)	-91.3	-62.3	-46.4	-183

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

Sales by Geography



Consolidated P&L Accounts

	12/16A	12/17E	12/18E
Sales	€M 1.43	2.00	2.00
Change in sales	% -39.8	40.2	0.00
Change in staff costs	% 5.41	17.7	12.2
EBITDA	€M -5.52	-2.57	-2.97
EBITDA(R) margin	% -387	-129	-148
Depreciation	€M -1.77	-1.35	-1.35
Underlying operating profit	€M -7.29	-3.92	-4.32
Operating profit (EBIT)	€M -7.29	-3.92	-4.32
Net financial expense	€M -1.06	-0.30	-0.30
of which related to pensions	€M	0.00	0.00
Exceptional items & other	€M 0.59	0.00	0.00
Corporate tax	€M 1.10	1.00	1.52
Equity associates	€M		
Minority interests	€M		
Adjusted attributable net profit	€M -6.66	-3.22	-3.09
NOPAT	€M -5.10	-2.74	-3.02

Cashflow Statement

	12/16A	12/17E	12/18E
EBITDA	€M -5.52	-2.57	-2.97
Change in WCR	€M -0.33	0.46	0.21
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M 0.00	1.00	1.52
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 -5.85	-1.11	-1.23
Capital expenditure	€M -6.00	-0.50	-0.53
Total investment flows	€M -6.00	-0.50	-0.53
Net interest expense	€M -1.06	-0.30	-0.30
Dividends (parent company)	€M		
Dividends to minorities interests	€M 0.00	0.00	0.00
New shareholders' equity	€M 4.10	4.30	0.00
Total financial flows	€M 9.00	0.96	10.9
Change in cash position	€M -2.85	-0.65	9.16
Free cash flow (pre div.)	€M -12.9	-1.91	-2.06

Per Share Data

	12/16A	12/17E	12/18E
No. of shares net of treas. stock (year...)	Mio 7.11	8.63	8.63
Number of diluted shares (average)	Mio 6.80	7.87	8.68
Benchmark EPS	€ -0.98	-0.41	-0.36
Restated NAV per share	€		
Net dividend per share	€ 0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 21.5	40%	● Actelion
NAV/SOTP per share	€ 18.2	40%	■ Faes Farma
P/E	€ 2.51	5%	■ Hikma Pharmaceuti...
EV/Ebitda	€ 0.00	5%	■ Ipsen
P/Book	€ 2.87	5%	● Stada Arzneimittel
Dividend Yield	€ 0.00	5%	■ UCB
TARGET PRICE	€ 16.1	100%	

NAV/SOTP Calculation

Balance Sheet

	12/16A	12/17E	12/18E
Goodwill	€M 0.00	0.00	0.00
Total intangible	€M 2.51	2.17	1.83
Tangible fixed assets	€M 5.78	5.27	4.78
Financial fixed assets	€M 0.10	0.10	0.10
WCR	€M -2.17	-2.63	-2.84
Other assets	€M 1.97	2.97	3.21
Total assets (net of short term liab.)	€M 8.24	7.93	7.14
Ordinary shareholders' equity	€M 6.28	8.36	5.51
Quasi Equity & Preferred	€M		
Minority interests	€M		
Provisions for pensions	€M 0.00	0.00	0.00
Other provisions for risks and liabilities	€M 0.12	0.12	0.12
Total provisions for risks and liabilities	€M 0.12	0.12	0.12
Tax liabilities	€M 0.00	0.00	0.00
Other liabilities	€M 4.52	4.52	16.6
Net debt (cash)	€M -2.69	-5.08	-15.1
Total liab. and shareholders' equity	€M 8.24	7.93	7.14

Capital Employed

	12/16A	12/17E	12/18E
Capital employed after depreciation	€M 6.22	4.91	3.88

Profits & Risks Ratios

		12/16A	12/17E	12/18E
ROE (after tax)	%	-88.4	-44.0	-44.6
ROCE	%	-82.1	-55.9	-77.9
Gearing (at book value)	%	-62.3	-46.4	-183
Adj. Net debt/EBITDA(R)	x	0.49	1.97	5.09
Interest cover (x)	x	-6.88	-13.1	-14.4

Valuation Ratios

		12/16A	12/17E	12/18E
Reference P/E (benchmark)	x	-8.04	-12.2	-14.1
Free cash flow yield	%	-23.0	-4.42	-4.76
P/Book	x	8.92	5.17	7.85
Dividend yield	%	0.00	0.00	0.00

EV Calculation

	12/16A	12/17E	12/18E	
Market cap	€M 56.1	43.2	43.2	
+ Provisions	€M 0.12	0.12	0.12	
+ Unrecognised actuarial losses/(gains)	€M 0.00	0.00	0.00	
+ Net debt at year end	€M -2.69	-5.08	-15.1	
+ Leases debt equivalent	€M 0.00	0.00	0.00	
- Financial fixed assets (fair value)	€M			
+ Minority interests (fair value)	€M			
= EV	€M 53.5	38.3	28.2	
EV/EBITDA(R)	x	-9.70	-14.9	-9.52
EV/Sales	x	37.5	19.1	14.1

Analyst : Fabrice Farigoule, Changes to Forecasts : 19/05/2017.