



# Crossject

Supergenerics / France

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## On its way to reach the market...

Earnings/sales releases - 22/03/2018

### Fact

Crossject released its FY17 results. Revenues came in at €4.14m vs €1.43m, operating result €-8,621k (vs €-7,291k), and net result €-7,611k (vs €-6,663k). Net cash at the end of FY17 amounted to €2.8m (vs €2.6m the year before).

### Analysis

As usual, we recall that numbers are of little relevance since the story of Crossject is based on the future launch of Zeneo combined with the NTEs the group is targeting. Still, the result is quite significantly below our estimates, due to the fact FY17 was a restructuring year, where the PARC line (tubes "Prêts A Remplir" ready-to-fill tubes) was put in place and is now up and running, as well as the line producing gas generators. Around 20,000 tubes have thus been supplied to Cenexi in H2 17 and another 20,000 should be delivered before the end of the month. The planning of market approval filings in Europe and the US were also confirmed (FY19 for Zeneo® Sumatriptan, Zeneo® Midazolam, Zeneo® Adrenaline, Zeneo® Hydrocortisone, Zeneo® Naloxone, FY20 for Zeneo® Methotrexate and Zeneo® Terbutaline). It is worth noting that a survey ("Intuitive") carried out with 134 patients showed that 93% successfully handled the product, 97% said that Zeneo is easy to use and a massive 99% would ask their doctor to prescribe Zeneo instead of another injection device, comforting our view on the product as such.

Revenues have mainly increased with the start of the industrialisation process, while the sharp rise in external charges illustrate the build-up of inventory (€7.4m vs €4.5m) as well as external consulting services or the interim workforce. Staff costs have also significantly risen (c.+€0.7m) with the number of employees climbing from 39 to 58 (production, quality control...). Lastly, the increase in depreciation (+€0.5m) is due to the rise in capitalised R&D expenses (depreciated over five years) that have regularly been rising, leading to a total €-7.6m net result (vs €-6.6m) after a €1.1m tax income. As far as the cash flow is concerned (the main metric both in absolute terms and since the company is still not selling its products), the net cash outflow was exactly covered by the capital increase and the equity line (€7.4m) and further advances (€3.4m) leading to an almost unchanged cash position (€2.6m). On the funding side, the company has issued €5.3m in convertible bonds at the beginning of FY18 (see our comment dated 14 February).

As for FY18, we see no big issues since €8m of financing is already secured (€5.3m from the convertible bond issued, €1.4m from PIAVE and €1.3m in tax credit), despite the fact the company will have to finance (in FY18 and FY19) the studies aimed at obtaining the regulatory approvals of its eight NTEs currently in the pipe (see above). Moreover, upfront fees and/or the conversion of options could provide extra-financing, which may also benefit from additional incentives. With the industrialisation process now well on track, the group will be able to focus on its main tasks: getting regulatory approvals while negotiating distribution/royalty agreements with US/European partners, with a view to reach the market as soon as approvals are granted.



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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.

<b>Buy</b>	<b>Upside: 282%</b>
Target Price (6 months)	€ 16.1
Share Price	€ 4.21
Market Cap. €M	37.1
Price Momentum	<b>NEGATIVE</b>
Extremes 12Months	3.91 ▶ 6.80
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

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PERF	1w	1m	3m	12m
Crossject	-5.39%	-4.32%	-0.47%	-14.4%
Pharma	-0.11%	0.52%	-6.10%	-4.41%
STOXX 600	0.01%	-0.87%	-4.03%	-0.19%

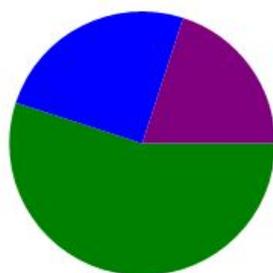
Last updated: 06/11/2017	12/15A	12/16A	12/17E	12/18E
Adjusted P/E (x)	-8.05	-7.64	-12.9	-11.8
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-7.51	-9.19	-15.8	-7.20
Adjusted EPS (€)	-0.88	-0.98	-0.41	-0.36
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	2.37	1.43	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

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## ■ Impact

The numbers are not relevant as such. Much more interesting for investors is the fact that Crossject products are slowly getting closer to the market. After years of development, this is the key trigger the market has been expecting. There is still some way to go, but the outcome now seems within reach, meaning that patient investors should ultimately “get their reward”. We will update our numbers, not based on the FY17 results but on a review of our assumptions as well as integrating the most recent NTE in the pipe (“Terbutaline”).

## Sales by Geography



■ Americas (55.0%)  
■ Europe (25.0%)  
■ Asia (20.0%)

## 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
<b>EBITDA(R) margin</b>	%	<b>-387</b>	<b>-129</b>	<b>-148</b>
Depreciation	€M	-1.77	-1.35	-1.35
Underlying operating profit	€M	-7.29	-3.92	-4.32
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>-7.29</b>	<b>-3.92</b>	<b>-4.32</b>
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			
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>-6.66</b>	<b>-3.22</b>	<b>-3.09</b>
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
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>-12.9</b>	<b>-1.91</b>	<b>-2.06</b>

## Per Share Data

		12/16A	12/17E	12/18E
No. of shares net of treas. stock (year...	Mio	7.11	8.64	8.64
Number of diluted shares (average)	Mio	6.80	7.87	8.69
<b>Benchmark EPS</b>	<b>€</b>	<b>-0.98</b>	<b>-0.41</b>	<b>-0.36</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 21.5	40%	● Faes Farma
NAV/SOTP per share	€ 18.2	40%	■ Hikma Pharmaceuti...
P/E	€ 2.11	5%	■ Ipsen
EV/Ebitda	€ 0.00	5%	● Stada Arzneimittel
P/Book	€ 2.11	5%	■ UCB
Dividend Yield	€ 0.00	5%	
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
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>6.28</b>	<b>8.36</b>	<b>5.51</b>
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
<b>Net debt (cash)</b>	<b>€M</b>	<b>-2.69</b>	<b>-5.08</b>	<b>-15.1</b>
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
<b>ROE (after tax)</b>	%	<b>-88.4</b>	<b>-44.0</b>	<b>-44.6</b>
ROCE	%	-82.1	-55.9	-77.9
<b>Gearing (at book value)</b>	%	<b>-62.3</b>	<b>-46.4</b>	<b>-183</b>
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
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>-7.64</b>	<b>-12.9</b>	<b>-11.8</b>
Free cash flow yield	%	-24.2	-4.21	-5.67
P/Book	x	8.48	5.44	6.60
<b>Dividend yield</b>	%	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

		12/16A	12/17E	12/18E
Market cap	€M	53.3	45.5	36.4
+ 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	50.7	40.5	21.4
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>-9.19</b>	<b>-15.8</b>	<b>-7.20</b>
EV/Sales	x	35.5	20.2	10.7

Analyst : Fabrice Farigoule, Changes to Forecasts : 06/11/2017.