



Crossject

Supergenerics / France

A licensing agreement for Zeneo Hydrocortisone in the US and Canada

Latest - 17/06/2021

Zeneo Hydrocortisone to be licensed in the US and Canada

The news confirms the pharmaceutical firms' interest in Crossject's product

The remuneration of the contract looks fine, in our view

We expect more agreements to come

Fact

Crossject has just announced it has signed a licensing agreement with Eton Pharmaceuticals for the marketing of Zeneo Hydrocortisone in the US and Canada.

Analysis

Eton Pharmaceuticals is a speciality pharmaceutical company focused on developing and commercialising innovative treatments for rare paediatric diseases. Adrenal crisis, the indication for hydrocortisone, is a potentially life-threatening rare medical condition requiring immediate emergency treatment (patients with adrenal insufficiency can go into adrenal crisis if their cortisol levels are too low). Under this agreement, Eton will be responsible for all regulatory and commercial activities, including licensing, regulatory filing fees, distribution, and promotion. Crossject will receive milestones of US\$5m until the product reaches the market (US\$0.5m upon signing, US\$0.5m escrowed and the rest over three years). Once the product is marketed, Crossject will receive a "mid-double-digit" price for each Zeneo Cortisone sold, a 10% royalty on net sales and sales milestones of US\$6m subject to three thresholds in Eton's annual sales. In the US, Eton estimates that 100,000 people currently suffer from adrenocortical insufficiency and are at risk of adrenal crisis. Note we had expected sales of Zeneo Hydrocortisone to reach c. €22m in...2028 with a 50% probability of success, so we feel rather comfortable with the numbers mentioned (which again concern the US and Canada only) while the market launch will, however, come later than we had initially expected (no earlier than FY23 at best in our view vs FY22 in our numbers). The other positive piece of news of this release is that yet another pharmaceutical company after Desitin in Germany for Zeneo Midazolam seems to believe firmly in the group's device. The remuneration of Crossject seems also OK with a decent unit price according to the group's hint and a rather nice 10% in royalties on net sales once Zeneo Hydrocortisone reaches the market.

Impact

The share price has reacted very positively to this piece of news, the latter confirming our positive stance on the stock. We will not amend our numbers at this stage, but will update all our assumptions (i.e. on all product launches planned, both in terms of quantities and prices) within the next few days.



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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy	Upside: 258%
Target Price (6 months)	€ 10.5
Share Price	€ 2.95
Market Cap. €M	66.1
Price Momentum	UNFAVORABLE
Extremes 12Months	2.06 ▶ 4.26
Sustainability score	3.7 /10
Credit Risk	BB ↗
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

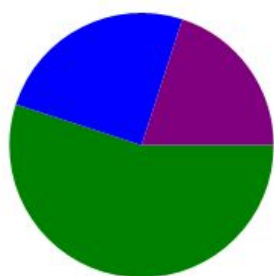

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PERF	1w	1m	3m	12m
Crossject	8.66%	6.88%	-11.1%	35.3%
Pharma	2.53%	7.20%	12.7%	7.02%
STOXX 600	1.19%	3.97%	7.74%	26.6%

Last updated: 15/12/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	-3.81	-8.29	16.3	3.24
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-7.85	-13.3	8.94	3.10
Adjusted EPS (€)	-0.49	-0.32	0.18	0.91
Growth in EPS (%)	n/a	n/a	n/a	403
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	5.99	4.01	27.3	63.7
EBIT margin (%)	0.00	0.00	100.0	100.0
Attributable net profit (€M)	-7.78	-6.49	4.06	20.4
ROE (after tax) (%)	-333	-237	87.9	119
Gearing (%)	113	174	207	120

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

Sales by Geography



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

Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€M	5.99	4.01	27.3
Change in sales	%	70.1	-33.1	580
Change in staff costs	%	26.2	11.3	11.3
EBITDA	€M	-5.00	-4.69	10.1
EBITDA(R) margin	%	-83.3	-117	37.0
Depreciation	€M	-3.65	-3.32	-3.35
Underlying operating profit	€M	-8.64	-8.01	6.75
Operating profit (EBIT)	€M	-8.64	-8.01	6.75
Net financial expense	€M	-0.49	-0.70	-0.70
of which related to pensions	€M		0.00	0.00
Exceptional items & other	€M	0.02	0.00	0.00
Corporate tax	€M	1.34	2.22	-2.00
Equity associates	€M			
Minority interests	€M			
Adjusted attributable net profit	€M	-7.78	-6.49	4.06
NOPAT	€M	-6.05	-5.61	4.73

Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€M	-5.00	-4.69	10.1
Change in WCR	€M	-0.96	0.75	-26.8
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M		2.22	-2.00
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	-5.95	-1.71	-18.7
Capital expenditure	€M	-4.40	-1.66	-1.72
Total investment flows	€M	-4.40	-1.66	-1.72
Net interest expense	€M	-0.49	-0.70	-0.70
Dividends (parent company)	€M			
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	5.40	5.70	0.00
Total financial flows	€M	4.40	8.90	16.2
Change in cash position	€M	-5.95	5.53	-4.20
Free cash flow (pre div.)	€M	-10.8	-4.07	-21.1

Per Share Data

		12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...	Mio	18.3	22.4	22.3
Number of diluted shares (average)	Mio	16.0	20.5	22.4
Benchmark EPS	€	-0.49	-0.32	0.18
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 14.7	40%	■ Faes Farma
NAV/SOTP per share	€ 9.94	40%	■ Hikma Pharmaceuti...
P/E	€ 5.90	5%	■ Ipsen
EV/Ebitda	€ 5.90	5%	■ UCB
P/Book	€ 1.75	5%	
Dividend Yield	€ 0.00	5%	
TARGET PRICE	€ 10.5	100%	

NAV/SOTP Calculation

Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	€M	0.00	0.00	0.00
Total intangible	€M	6.25	5.42	5.09
Tangible fixed assets	€M	5.78	4.94	4.14
Financial fixed assets	€M	0.10	0.10	0.10
WCR	€M	-1.09	-1.84	25.0
Other assets	€M	2.61	2.85	2.59
Total assets (net of short term liab.)	€M	14.0	11.9	37.3
Ordinary shareholders' equity	€M	3.01	2.47	6.76
Quasi Equity & Preferred	€M			
Minority interests	€M			
Provisions for pensions	€M		0.00	0.00
Other provisions for risks and liabilities	€M	0.13	0.13	0.13
Total provisions for risks and liabilities	€M	0.13	0.13	0.13
Tax liabilities	€M	0.00	0.00	0.00
Other liabilities	€M	5.80	5.80	5.80
Net debt (cash)	€M	5.11	3.47	24.6
Total liab. and shareholders' equity	€M	14.0	11.9	37.3

Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€M	11.0	8.62	34.3

Profits & Risks Ratios

		12/19A	12/20E	12/21E
ROE (after tax)	%	-333	-237	87.9
ROCE	%	-54.8	-65.0	13.8
Gearing (at book value)	%	113	174	207
Adj. Net debt/EBITDA(R)	x	-1.02	-0.74	2.43
Interest cover (x)	x	-17.6	-11.4	9.65

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	-3.81	-8.29	16.3
Free cash flow yield	%	-31.9	-6.91	-32.1
P/Book	x	11.3	23.8	9.71
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/19A	12/20E	12/21E
Market cap	€M	34.0	58.9	65.7
+ Provisions	€M	0.13	0.13	0.13
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	5.11	3.47	24.6
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M			
+ Minority interests (fair value)	€M			
= EV	€M	39.2	62.5	90.4
EV/EBITDA(R)	x	-7.85	-13.3	8.94
EV/Sales	x	6.54	15.6	3.31

Analyst : Fabrice Farigoule, Changes to Forecasts : 15/12/2020.