



Crossject

Supergenerics / France

Extra-financing to increase visibility

Financing issue - 23/12/2019

Fact

Crossject announced it has issued zero-coupon convertible bonds (€5.7m) at 92% of their nominal value, maturing on 31 December 2021, convertible at the lowest price between €2.30 and an average market price less 10%. Gemmes Venture (Crossject's main shareholder) has invested €2.1m in this issue, in line with its shareholding.

Analysis

If the timing came a bit as a surprise, although forecasting it is impossible, the move is not. After the €2.6m structured financing agreed upon last month (see our Latest dated 19 November), this new issue will enable the group to finance the year to come. In short, and after the exercise of options (€3.2m), the group has raised c. €11.5m to which should be added public incentives (PIAVE, tax credit...) leading to a total of €13.4m to finance the company. In October, management had estimated Crossject would need c.€12m to finance its development over the next twelve months, so the issue is perfectly in line with expectations in terms of size. Obviously, there could/will be a dilutive impact once the bonds are converted. At today's price (€1.91 on Friday), this would lead to the creation of 3.68m shares (i.e. 18.5% of the total 19.72m diluted shares). All in all, we consider the issue as positive insofar as it secures the group's need for the year to come, which should see the first market approvals. That said, the implied dilution will take its toll on our valuation, despite the cash inflow. We will adjust our numbers, considering that the conversion will take place at €2.3 (which implies that the share price will have gone up between now and the day of conversion), reducing the dilution to some 13.5%.

Impact

We will adjust our numbers, considering that the bonds will be converted at some stage during FY20. The current price is penalising, and it is likely that a real conversion will in fact take place at a higher price than today's, thus our choice to use the €2.3 as the conversion price in FY20.



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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: 434%
Target Price (6 months)	€ 10.2
Share Price	€ 1.91
Market Cap. €M	35.2
Price Momentum	GOOD
Extremes 12Months	1.07 ▶ 3.18
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

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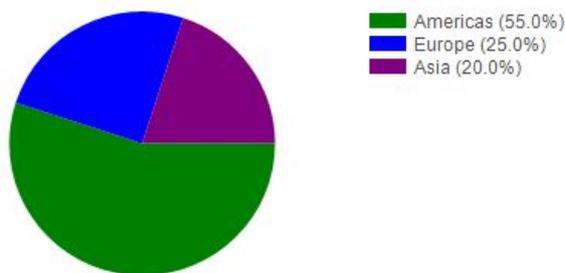


PERF	1w	1m	3m	12m
Crossject	-6.83%	-33.4%	37.9%	52.8%
Pharma	3.20%	4.55%	8.14%	27.4%
STOXX 600	1.55%	3.61%	6.48%	24.3%

Last updated: 05/06/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	-1.81	-3.98	-5.55	8.64
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-3.06	-4.85	-7.64	6.17
Adjusted EPS (€)	-0.96	-0.48	-0.34	0.22
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	3.52	4.01	4.01	27.3
EBIT margin (%)	0.00	0.00	0.00	100.0
Attributable net profit (€M)	-10.7	-7.65	-6.32	4.06
ROE (after tax) (%)	-276	-1,178	186	-157
Gearing (%)	-23.7			1,321

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

Sales by Geography



Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	€M	3.52	4.01	4.01
Change in sales	%	-14.9	13.8	0.00
Change in staff costs	%	29.2	22.8	11.3
EBITDA	€M	-8.23	-7.40	-5.40
EBITDA(R) margin	%	-234	-184	-135
Depreciation	€M	-3.32	-3.32	-3.32
Underlying operating profit	€M	-11.6	-10.7	-8.73
Operating profit (EBIT)	€M	-11.6	-10.7	-8.73
Net financial expense	€M	-0.70	-0.70	-0.70
of which related to pensions	€M		0.00	0.00
Exceptional items & other	€M	-0.01	0.00	0.00
Corporate tax	€M	1.59	3.77	3.11
Equity associates	€M			
Minority interests	€M			
Adjusted attributable net profit	€M	-10.7	-7.65	-6.32
NOPAT	€M	-8.09	-7.50	-6.11

Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	€M	-8.23	-7.40	-5.40
Change in WCR	€M	-1.06	1.36	-0.76
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	1.59	3.77	3.11
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	-7.70	-2.27	-3.06
Capital expenditure	€M	-3.27	-1.60	-1.66
Total investment flows	€M	-3.27	-1.60	-1.66
Net interest expense	€M	-0.70	-0.70	-0.70
Dividends (parent company)	€M			
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	11.8	5.40	0.00
Total financial flows	€M	12.5	7.50	13.3
Change in cash position	€M	1.53	3.63	8.55
Free cash flow (pre div.)	€M	-11.7	-4.57	-5.41

Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Mio	13.4	18.2	18.2
Number of diluted shares (average)	Mio	11.1	15.9	18.3
Benchmark EPS	€	-0.96	-0.48	-0.34
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 15.2	40%	■ Faes Farma
NAV/SOTP per share	€ 10.1	40%	■ Hikma Pharmaceuti...
P/E	€ 0.96	5%	■ Ipsen
EV/Ebitda	€ 0.00	5%	■ UCB
P/Book	€ 0.96	5%	
Dividend Yield	€ 0.00	5%	
TARGET PRICE	€ 10.2	100%	

NAV/SOTP Calculation

Balance Sheet

		12/18A	12/19E	12/20E
Goodwill	€M	0.00	0.00	0.00
Total intangible	€M	4.65	3.82	2.99
Tangible fixed assets	€M	6.34	5.45	4.62
Financial fixed assets	€M	0.10	0.10	0.10
WCR	€M	-2.05	-3.41	-2.64
Other assets	€M	2.02	2.26	2.50
Total assets (net of short term liab.)	€M	11.3	8.46	7.80
Ordinary shareholders' equity	€M	1.66	-0.36	-6.43
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	7.81	7.81	7.81
Net debt (cash)	€M	1.72	0.88	6.30
Total liab. and shareholders' equity	€M	11.3	8.46	7.80

Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	€M	9.05	5.96	5.06

Profits & Risks Ratios

		12/18A	12/19E	12/20E
ROE (after tax)	%	-276	-1,178	186
ROCE	%	-89.4	-126	-121
Gearing (at book value)	%	-23.7		
Adj. Net debt/EBITDA(R)	x	-0.21	-0.12	-1.17
Interest cover (x)	x	-16.5	-15.3	-12.5

Valuation Ratios

		12/18A	12/19E	12/20E
Reference P/E (benchmark)	x	-1.81	-3.98	-5.55
Free cash flow yield	%	-50.0	-13.1	-15.5
P/Book	x	14.1	-97.8	-5.42
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/18A	12/19E	12/20E
Market cap	€M	23.4	34.8	34.8
+ 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	1.72	0.88	6.30
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M			
+ Minority interests (fair value)	€M			
= EV	€M	25.2	35.9	41.3
EV/EBITDA(R)	x	-3.06	-4.85	-7.64
EV/Sales	x	7.16	8.94	10.3

Analyst : Fabrice Farigoule, Changes to Forecasts : 05/06/2019.