



Crossject

Supergenerics / France

Securing the financing needs

Financing issue - 28/02/2024

With the issuance of bonds, the details of which are given below, the group is securing its short-term financing. We will integrate this new financing in our model. Depending on a number of assumptions (partial or total conversion, interest paid, cash repayments, etc.) our target price is likely to go down, even if the upside will remain significant in any case.

Fact

The group has announced an issue of 70 amortizable bonds convertible into new stock with a nominal value of €100,000, for an amount of €7m, waiving preferential subscription rights.

Analysis

The initial investment or First Tranche of €7m may be supplemented by a Second Tranche of a maximum amount of €5m on Crossject's initiative and subject to compliance with certain conditions. In particular, Crossject must have received authorization from the FDA to deliver the first units of ZEPIZURE to the Strategic National Stockpile under the contract between Crossject and BARDA.

For the First tranche, the convertible bonds may be converted into new ordinary stocks at an initial ratio of 19,420.5 stocks per convertible bond, i.e. a conversion price of €5.5 per ordinary stock.

The number of new stocks that may be issued under the convertible bonds (1st tranche) is between 1,359,434 and 7,816,665. The convertible bonds bear a 7% interest yearly. All in all, the maximum dilution could be c.18% (first tranche) or 27% (tranche 1+2) depending on a number of assumptions on the amortization if the bonds (see below).

This move secures the financing of the group at least partly for FY24 and, as such, is good news. The interest paid also looks acceptable at this stage of the group's development. That said, the market seemed to be more interested in the dilution with the share price down by c. 15% yesterday. It is also important to keep in mind that this issue comes on top of the current funding by BARDA (for \$6.7m invoiced over 2023 out of a maximum overall budget of \$32m), for the advanced development of Zeneo Midazolam.

On the negative side, the potential dilution has obviously played a role in the fall in the share price, as did investor regret that the Group did not, or could not, have recourse to secured bank debt. For each tranche, the amortization schedule of the convertible bonds is provided for at the rate of 17 equal payments every 2 months, from the 4th month following the date of issue, payable according to the company's options: in cash for an amount equal to 102% of the amount due or in new ordinary stocks issued, the value of which is equal to 85% of the market Value of the stocks in a given period of time: in short, the dilution may start taking place as of June this year.

Lastly, the issue is the use of these bonds which the investors tend to dislike with a number of examples where share prices have remained under pressure for a long period of time.



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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: 227%

Target Price (6 months)	€ 11.5
Share Price	€ 3.52
Market Cap. €M	129
Price Momentum	UNFAVORABLE
Extremes 12Months	3.25 ▶ 5.83
Sustainability score	4.4 /10
Credit Risk	BBB →
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA


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PERF	1w	1m	3m	12m
Crossject	-9.74%	-32.3%	-20.0%	-27.9%
Pharma	0.44%	3.55%	8.34%	11.7%
STOXX 600	0.90%	2.58%	8.27%	7.30%

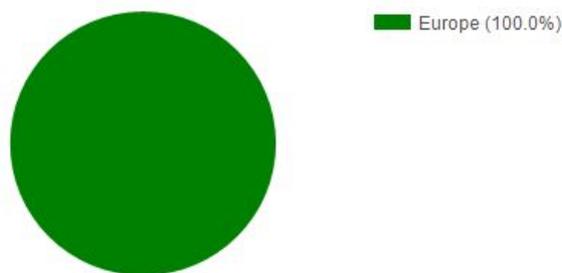
Last updated: 25/07/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-8.01	-17.5	7.07	3.36
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-16.5	-28.5	4.83	2.70
Adjusted EPS (€)	-0.36	-0.23	0.50	1.05
Growth in EPS (%)	n/a	n/a	n/a	111
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	9.72	14.0	59.0	92.9
EBIT margin (%)	0.00	0.00	78.0	100
Attributable net profit (€M)	-11.2	-8.47	18.4	38.8
ROE (after tax) (%)	798	550	410	112
Gearing (%)	418		173	79.2

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

■ Impact

We will factor this new financing into our model. Depending on a number of assumptions (partial or total conversion, interest paid, cash repayments, etc.) our target price is likely to go down, even if the upside will remain significant in any case.

Sales by Geography



Consolidated P&L Accounts

		12/22A	12/23E	12/24E
Sales	€M	9.72	14.0	59.0
Change in sales	%	43.5	44.2	321
Change in staff costs	%	16.7	0.00	14.3
EBITDA	€M	-6.93	-5.59	34.5
EBITDA(R) margin	%	-71.3	-39.9	58.5
Depreciation	€M	-6.36	-6.36	-6.36
Underlying operating profit	€M	-13.3	-11.9	28.2
Operating profit (EBIT)	€M	-13.3	-11.9	28.2
Net financial expense	€M	0.11	-0.70	-0.70
of which related to pensions	€M		0.00	0.00
Exceptional items & other	€M	-0.20	0.00	0.00
Corporate tax	€M	2.22	4.17	-9.07
Equity associates	€M			
Minority interests	€M			
Adjusted attributable net profit	€M	-11.2	-8.47	18.4
NOPAT	€M	-9.97	-8.96	21.1

Cashflow Statement

EBITDA	€M	-6.93	-5.59	34.5
Change in WCR	€M	-2.80	1.11	-46.0
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	2.22	4.17	-9.07
Exceptional items	€M	0.00	0.00	0.00
Other operating cash flows	€M	2.00	0.00	0.00
Total operating cash flows	€M	-5.50	-0.31	-20.6
Capital expenditure	€M	-6.78	-2.27	-5.38
Total investment flows	€M	-6.78	-2.27	-5.38
Net interest expense	€M	0.11	-0.70	-0.70
Dividends (parent company)	€M			
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	4.09	0.00	0.00
Total financial flows	€M	11.2	-3.34	51.1
Change in cash position	€M	-1.08	-5.92	25.2
Free cash flow (pre div.)	€M	-12.2	-3.27	-26.6

Per Share Data

No. of shares net of treas. stock (year...	Mio	36.4	36.4	36.4
Number of diluted shares (average)	Mio	31.2	37.0	37.0
Benchmark EPS	€	-0.36	-0.23	0.50
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 14.2	40%	● UCB
NAV/SOTP per share	€ 12.5	40%	● Coloplast
P/E	€ 7.04	5%	● Faes Farma
EV/Ebitda	€ 7.04	5%	● bioMerieux
P/Book	€ 2.45	5%	● Hikma Pharmaceuti...
Dividend Yield	€ 0.00	5%	● Ipsen
TARGET PRICE	€ 11.5	100%	● Carl Zeiss Meditec
			● Sartorius

NAV/SOTP Calculation

Balance Sheet

		12/22A	12/23E	12/24E
Goodwill	€M	0.00	0.00	0.00
Total intangible	€M	10.7	10.1	9.42
Tangible fixed assets	€M	7.67	5.17	5.78
Financial fixed assets	€M	0.00	0.00	0.00
WCR	€M	1.08	-0.02	46.0
Other assets	€M	1.48	1.22	0.96
Total assets (net of short term liab.)	€M	22.3	17.1	62.8
Ordinary shareholders' equity	€M	2.69	-5.77	14.8
Quasi Equity & Preferred	€M			
Minority interests	€M			
Provisions for pensions	€M		0.00	0.00
Other provisions for risks and liabilities	€M	1.42	1.42	
Total provisions for risks and liabilities	€M	1.42	1.42	0.00
Tax liabilities	€M	0.00	0.00	0.00
Other liabilities	€M	9.30	9.30	9.30
Net debt (cash)	€M	8.86	12.1	38.8
Total liab. and shareholders' equity	€M	22.3	17.1	62.8

Capital Employed

Capital employed after depreciation	€M	19.4	15.2	61.2
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Profits & Risks Ratios

ROE (after tax)	%	798	550	410
ROCE	%	-51.3	-58.9	34.5
Gearing (at book value)	%	418		173
Adj. Net debt/EBITDA(R)	x	-1.28	-2.17	1.12
Interest cover (x)	x	121	-17.1	40.3

Valuation Ratios

Reference P/E (benchmark)	x	-8.01	-17.5	7.07
Free cash flow yield	%	-11.7	-2.24	-20.8
P/Book	x	38.8	-25.3	8.67
Dividend yield	%	0.00	0.00	0.00

EV Calculation

Market cap	€M	104	146	128
+ Provisions	€M	1.42	1.42	0.00
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	8.86	12.1	38.8
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M			
+ Minority interests (fair value)	€M			
= EV	€M	114	159	167
EV/EBITDA(R)	x	-16.5	-28.5	4.83
EV/Sales	x	11.8	11.4	2.83

Analyst : Fabrice Farigoule, Changes to Forecasts : 25/07/2023.