



Crossject

Supergenerics / France



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When apparent threats are also opportunities

Significant news - 28/08/2016

■ Fact

Mylan's EpiPen was subject to fierce criticism from politicians including "President -to-be" Hillary Clinton after the generics maker raised the price of its emergency allergy injector by some 500% (!) in the past five years to over US\$300 per unit (i.e. over US\$600 for a pack of two, sold for €76 in France for instance).

■ Analysis

At first glance, the news could seem as negative for the sector as a whole (and Crossject more particularly) since the news stresses again the growing worries on the American health system, still the most profitable (by far) for all pharma companies, and the constraints that are weighing more and more on it, not to mention the political dimension only weeks before the presidential election. This said, the news is in fact positive, we argue: first, because in the field of pharma as well as in any other sector, the best way of putting pressure on players and reducing costs is to increase competition. In other words, and even if regulatory approvals are or should be mainly based on criteria such as efficiency and lack of side-effects, we believe the economic side is gaining ground and should prompt authorities to promote competition, a much needed factor of efficiency in a free economy. This may be an opportunity for Crossject's own device to get access to the American market earlier rather than later. Second, concerning the economics, the price of Mylan's injector is well above Crossject's. As a reminder, and this is the number we use in our model, the company plans to sell its needle-free device for US\$120 in the US as far as Epinephrin and Naloxone are concerned, a fraction of Mylan's price (i.e. a 60% discount). We are not saying that the political willingness to reduce health spending is good news as such but, in this particular case, it may well turn out to be positive for Crossject, a new entrant on the market which will be able to offer lower prices and put pressure on the market leader which, so far, enjoys an almost monopolistic position.

■ Impact

No impact on our numbers as such since Xeneo is unlikely to enter the US market before FY18 at the earliest, but the need for more competition in the US market is undoubtedly positive for Crossject.

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 : 209%
Target Price (6 months)	€ 24.5
Share Price	€ 7.95
Market Capitalisation €M	52.9
Price Momentum	GOOD
Extremes 12Months	3.52 ▶ 11.1
Newsflow	Positive
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

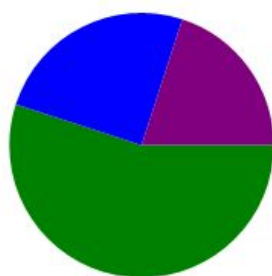
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PERF	1w	1m	3m	12m
Crossject	9.66%	5.72%	-2.21%	20.1%
Pharma	-0.71%	-4.38%	0.99%	-0.21%
STOXX 600	1.05%	0.29%	-1.49%	-1.83%

Last updated: 25/02/2016	12/14A	12/15A	12/16E	12/17E
Adjusted P/E (x)	-14.0	-8.17	-8.88	-21.8
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-12.7	-7.63	-9.13	ns
Adjusted EPS (€)	-0.68	-0.88	-0.90	-0.36
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	1.74	2.37	2.37	13.8
EBITA margin (%)	ns	ns	ns	2.46
Attributable net profit (€M)	-4.44	-5.73	-5.80	-2.36
ROE (after tax) (%)	-30.6	-49.2	-98.5	-130
Gearing (%)		-91.3	-190	-766

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

Sales by Geography



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

Consolidated P&L Account

		12/15A	12/16E	12/17E
Sales	€M	2.37	2.37	13.8
Change in sales	%	35.8	0.00	481
Change in staff costs	%	32.0	15.9	63.2
EBITDA	€M	-5.51	-5.00	0.34
EBITDA(R) margin	%	-232	-211	2.46
Depreciation	€M	-1.51	-1.51	-2.40
Underlying operating profit	€M	-7.01	-6.50	-2.06
Operating profit (EBIT)	€M	-7.06	-6.50	-2.06
Net financial expense	€M	0.29	-0.30	-0.30
of which related to pensions	€M		0.00	0.00
Exceptional items & other	€M	-0.01	0.00	0.00
Corporate tax	€M	1.05	1.00	0.00
Equity associates	€M			
Minority interests	€M			
Adjusted attributable net profit	€M	-5.73	-5.80	-2.36
NOPAT	€M	-4.91	-4.55	-1.44

Cashflow Statement

		12/15A	12/16E	12/17E
EBITDA	€M	-5.51	-5.00	0.34
Change in WCR	€M	-0.41	0.92	-4.95
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	1.00	1.00	0.00
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	-4.91	-3.07	-4.61
Capital expenditure	€M	-1.81	-7.50	-1.00
Total investment flows	€M	-1.81	-7.50	-1.00
Net interest expense	€M	0.29	-0.30	-0.30
Dividends (parent company)	€M			
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	0.00	0.00	0.00
Total financial flows	€M	1.12	11.7	12.8
Change in cash position	€M	-5.60	1.11	7.19
Free cash flow (pre div.)	€M	-6.43	-10.9	-5.91

Per Share Data

		12/15A	12/16E	12/17E
No. of shares net of treas. stock (year...	Mio	6.48	6.48	6.48
Number of diluted shares (average)	Mio	6.48	6.48	6.48
Benchmark EPS	€	-0.88	-0.90	-0.36
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 31.6	40%	■ Actelion
NAV/SOTP per share	€ 28.7	40%	■ Faes Farma
P/E	€ 3.98	5%	■ Hikma Pharmaceuti...
EV/Ebitda	€ 0.00	5%	■ Ipsen
P/Book	€ 3.98	5%	■ Stada Arzneimittel
Dividend Yield	€ 0.00	5%	■ UCB
TARGET PRICE	€ 24.5	100%	

NAV/SOTP Calculation

Balance Sheet

		12/15A	12/16E	12/17E
Goodwill	€M	0.00	0.00	0.00
Total intangible	€M	2.33	8.33	7.25
Tangible fixed assets	€M	1.74	1.73	1.41
Financial fixed assets	€M	1.85	1.85	1.85
WCR	€M	-2.50	-3.42	1.52
Other assets	€M	2.04	2.04	2.04
Total assets (net of short term liab.)	€M	5.48	10.5	14.1
Ordinary shareholders' equity	€M	8.80	2.99	0.63
Quasi Equity & Preferred	€M			
Minority interests	€M			
Provisions for pensions	€M	0.00	0.00	0.00
Other provisions for risks and liabilities	€M	0.34	0.34	0.34
Total provisions for risks and liabilities	€M	0.34	0.34	0.34
Tax liabilities	€M	0.00	0.00	0.00
Other liabilities	€M	1.48	13.5	16.6
Net debt (cash)	€M	-5.14	-6.24	-3.44
Total liab. and shareholders' equity	€M	5.48	10.5	14.1

Capital Employed

		12/15A	12/16E	12/17E
Capital employed after depreciation	€M	3.42	8.49	12.0

Profits & Risks Ratios

		12/15A	12/16E	12/17E
ROE (after tax)	%	-49.2	-98.5	-130
ROCE	%	-143	-53.6	-12.0
Gearing (at book value)	%	-91.3	-190	-766
Adj. Net debt/EBITDA(R)	x	0.93	1.25	-10.1
Interest cover (x)	x	24.0	-21.7	-6.87

Valuation Ratios

		12/15A	12/16E	12/17E
Reference P/E (benchmark)	x	-8.17	-8.88	-21.8
Free cash flow yield	%	-13.7	-21.1	-11.5
P/Book	x	5.32	17.2	81.6
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/15A	12/16E	12/17E
Market cap	€M	46.8	51.5	51.5
+ Provisions	€M	0.34	0.34	0.34
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-5.14	-6.24	-3.44
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M			
+ Minority interests (fair value)	€M			
= EV	€M	42.0	45.6	48.4
EV/EBITDA(R)	x	-7.63	-9.13	ns
EV/Sales	x	17.7	19.3	3.52

Analyst : Fabrice Farigoule, Changes to Forecasts : 25/02/2016.