



Crossject

Supergenerics / France

A commercial success

Latest - 19/06/2019

Fact

Crossject announced the signature of a commercial agreement on Midazolam with German Desitin.

Analysis

The agreement mainly includes the licensing, distribution and promotion, for up to 10 years after the commercial launch, of Zeneo Midazolam in Germany, unless certain opt-out options are exercised by Crossject or Desitin, for example concerning development deadlines or sales levels reached. A total of €2.5m prepayment will be made by Desitin to Crossject (€0.5m on signing, two development milestones of €0.5m each in early and mid-2020 and €1m on marketing approval). Desitin is a €100m revenue German company, mainly active in neurology (€60m) and the leading German one in terms of epileptic patients treated. Crossject will sell the product at a mid double-digit percentage (we understand 50%+) of Desitin's net selling price to wholesalers, with a minimum floor price per unit. Altogether, it is estimated that 400,000 to 700,000 people suffer from epilepsy in Germany. The agreement is good news, and we also note that the details given fit with our own estimates on Midazolam in Europe. Of course, it is (still) not easy to extrapolate numbers, but our model is so far based, as far as Midazolam in Europe is concerned, on a €40 price/unit sold and an average price of 45% of the net selling price to wholesalers (and sales to reach c. 1m units globally in 2024). All in all, this is thus good news since the agreement does not only illustrate the ability of Crossject to market its products, but also starts validating the assumptions behind the business model. Also, the news is in line with previously communicated focus on Midazolam, Adrenaline and Naloxone, the latter being seen as a potential candidate for yet another agreement in the current year.

Impact

No big impact short term on the numbers as such, but a strong "psychological one" after this step towards the marketing of Zeneo Midazolam in Germany.



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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.

Buy	Upside: 419%
Target Price (6 months)	€ 10.2
Share Price	€ 1.96
Market Cap. €M	36.1
Price Momentum	GOOD
Extremes 12Months	1.07 ▶ 3.74
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

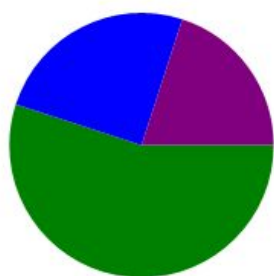

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PERF	1w	1m	3m	12m
Crossject	0.51%	4.53%	-7.33%	-46.7%
Pharma	2.52%	5.24%	2.37%	16.6%
STOXX 600	1.02%	0.86%	0.70%	-0.29%

Last updated: 05/06/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	-3.25	-4.08	-5.69	8.86
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-5.33	-4.97	-7.80	6.26
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



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

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	€ 15.1	40%	■ Faes Farma
NAV/SOTP per share	€ 10.1	40%	■ Hikma Pharmaceuti...
P/E	€ 0.98	5%	■ Ipsen
EV/Ebitda	€ 0.00	5%	■ UCB
P/Book	€ 0.98	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	-3.25	-4.08	-5.69
Free cash flow yield	%	-27.8	-12.8	-15.1
P/Book	x	25.4	-100	-5.56
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/18A	12/19E	12/20E
Market cap	€M	42.0	35.8	35.8
+ 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	43.8	36.8	42.2
EV/EBITDA(R)	x	-5.33	-4.97	-7.80
EV/Sales	x	12.4	9.17	10.5

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