Crossject

Supergenerics / France

Cooperation agreement with the US Department of Defense

Latest - 15/10/2019

Fact

Crossject announced yesterday it had signed a Cooperative Research and Development Agreement (CRADA) with the US Department of Defense.

Analysis

This cooperation agreement consists, in our understanding, in developing Zeneo Midazolam (and potentially other speciality products) to be used in the case of chemical/bacteriological attacks on the battlefield or elsewhere. This is, of course, very positive news for Crossject, which indicated an audit had been carried out in July in Dijon. Not only could the agreement give Crossject new opportunities on the US market (with the Federal state as a client), but it certainly strengthens its current position and increases the likelihood of positive news on the FDA front, with filings expected for Naloxone, Midazolam and Adrenaline in FY20 and commercial launches in FY21. This also comes after the first commercial agreement signed last summer with German Desitin on Midazolam (see our Latest dated 19 June), which has already contributed to validate the group's technology and support its prospects. As a reminder, the Department of Defense and the FDA announced in late 2018 that they intended to formalise collaboration to advance medical products in support of American military personnel. In short, a success in Crossject's collaboration with the DoD could only lead to an increased probability for the FDA to approve the group's products.

Impact

There will be no short-term impact on our numbers, given the lack of details on the potential quantitative consequences of the announcement. That said, such a release can only support Crossject's prospects and management's credibility. Our target price, based on the success of the group's technology, leaves ample room for a share price re-rating once products actually reach the market. Therefore, the share price reaction is not only justified, but also not as strong as one may have believed.

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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: 655%**
Target Price (6 months)	€ 10.2
Share Price	€ 1.35
Market Cap. €M	24.9
Price Momentum	**UNFAVORABLE**
Extremes 12Months	1.07 ▶ 2.57
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

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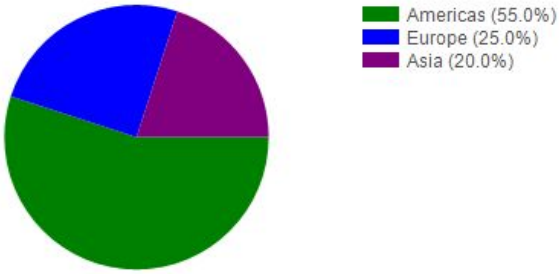
PERF	1w	1m	3m	12m
Crossject	5.06%	-0.74%	-26.2%	-5.81%
Pharma	0.06%	2.03%	6.53%	18.3%
STOXX 600	1.77%	-0.54%	0.73%	8.56%

Last updated: 05/06/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	-1.81	-2.81	-3.92	6.10
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-3.06	-3.47	-5.75	5.16
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



Valuation Summary

Benchmarks	Value	Weight
DCF	€ 15.2	40%
NAV/SOTP per share	€ 10.1	40%
P/E	€ 0.68	5%
EV/Ebitda	€ 0.00	5%
P/Book	€ 0.68	5%
Dividend Yield	€ 0.00	5%
TARGET PRICE	€ 10.2	100%

NAV/SOTP Calculation

Largest comparables

- Faes Farma
- Hikma Pharmaceuti...
- Ipsen
- UCB

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

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

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**

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

Capital employed after depreciation	€M	9.05	5.96	5.06

Profits & Risks Ratios

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

Reference P/E (benchmark)	**x**	**-1.81**	**-2.81**	**-3.92**
Free cash flow yield	%	-50.0	-18.6	-22.0
P/Book	x	14.1	-69.1	-3.83
Dividend yield	**%**	**0.00**	**0.00**	**0.00**

EV Calculation

Market cap	€M	23.4	24.6	24.6
+ Provisions	€M	0.13	0.13	0.13
+ Unrecognised acturial 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	25.6	31.0
EV/EBITDA(R)	**x**	**-3.06**	**-3.47**	**-5.75**
EV/Sales	x	7.16	6.39	7.74

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

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