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Initiating coverage of Crossject.

Initiation cov. - 25/02/2016

Recommendation and upside

We initiate coverage of Crossject, a new entrant in the New Therapeutic Entities field. Its differentiating feature is its delivery mechanism, Zeneo, a pretty unique injection system. Crossject has completed clinical trials on a first well-known molecule, Methotrexate, with another six to go in the pipeline. The current market capitalisation stands at c. €50m based on a share price of €7.5, while we see a massive potential upside (over 220%), with a target price of €24.5, reflecting the company's huge growth prospects.

Business and Trend

Today, Crossject has a portfolio of seven products under development: Methotrexate (anti-rheumatic), Sumatriptan (acute migraine), Epinephrin (treatment of anaphylactic shocks), Naloxone (opioid overdoses), Apomorphine (Parkinson disease) Midazolam (epilepsy) and L15 (name and indication confidential). The first sales are expected in FY17 (Methotrexate in H2, with clinical studies already done), while clinical studies are currently being carried out for Sumatriptan, which should get market approval and be commercially launched in H1 18 as well as for L15, while Midazolam should be filed in H2 17 for a market launch in FY18. Epinephrin should be on shelves in FY18 and Apomorphine a year later together with Naloxone.

Based on our estimates, Crossject should be able to generate total turnover of over €190m as soon as 2021, which should breakdown as follows:

Turnover per NTE (€m)	2016e	2017e	2018e	2019e	2020e	2021e
Naloxone units sold (m)				0,1	0,2	0,3
Turnover				3,8	7,6	11,3
Sumatriptan units sold (m)		0	0,25	0,5	0,7	1
Turnover		0,0	8,8	17,5	24,6	35,1
Midazolam units sold (m)			0,1	0,2	0,3	0,5
Turnover			3,8	7,6	11,3	18,9
Apomorphine units sold (m)				0,1	0,3	0,75
Turnover				3,1	9,2	23,0
Epinephrin units sold (m)			0,2	0,5	0,7	1
Turnover			10,6	26,4	37,0	52,9
Methotrexate units sold (m)		0,3	0,5	0,75	1	1,5
Turnover		13,8	22,9	34,4	45,9	44,9
L15 units sold (m)		0	0,1	0,15	0,18	0,2
Turnover		0,0	3,8	5,7	6,9	7,6
Total turnover (€m)	0,0	13,8	49,9	98,5	142,4	193,7

Source: Datamonitor, Crossject, AlphaValue estimates.

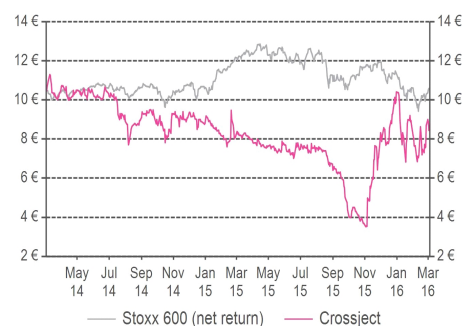
Need to know

Zeneo, an automatic, single-use needle-free injection device was originally developed within Laboratoires Fournier in its « drug delivery » division, together with SNPE (Société Nationale des Poudres et Explosifs, which is a shareholder of Crossject). In 2001, the technology was sold to the newly-created Crossject. GSK was originally the main partner of Crossject, with a view to developing a solution for its vaccines. This market was ultimately considered as too risky in terms of investment needs, low margins and the high volumes required. Therefore, Crossject was restructured in 2011-13, with a change in the group's strategy: the goal of Crossject is no longer to sell a device to the Big Pharmas to market their own chemical entities, but to provide the

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 : 183%
Target Price (6 months)	€ 24.6
Share Price	€ 8.68
Market Capitalisation €M	57.7
Price Momentum	GOOD
Extremes 12Months	3.52 ▶ 10.4
Newsflow	Positive
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

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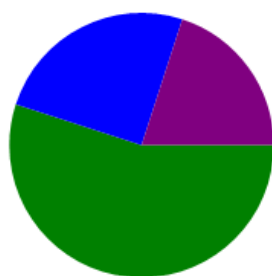
PERF	1w	1m	3m	12m
Crossject	14.2%	7.83%	10.2%	3.70%
Pharma	0.00%	-3.01%	-8.85%	-8.49%
STOXX 600	3.94%	1.44%	-8.79%	-12.4%

Last updated: 25/02/2016	12/14A	12/15A	12/16E	12/17E
Adjusted P/E (x)	-14.0	-8.17	-9.69	-23.8
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-12.7	-7.63	-10.1	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](#)

market with its own pre-filled devices, on the basis of New Therapeutic Entities, using a known drug (generic) with an innovative delivery system. New industrial partnerships were also signed with Hirtenberger (for the pyrotechnical and mechanical sides) and Cenexi (aseptic filling and final packaging). Today, the Zeneo device is protected by over 400 patents covering 80% of the market (including the US, Europe and Japan) valid until 2035.

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	€ 4.34	5%	■ Hikma Pharmaceuti...
EV/Ebitda	€ 0.00	5%	■ Ipsen
P/Book	€ 4.34	5%	■ Stada Arzneimittel
Dividend Yield	€ 0.00	5%	■ UCB
TARGET PRICE	€ 24.6	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	-9.69	-23.8
Free cash flow yield	%	-13.7	-19.3	-10.5
P/Book	x	5.32	18.8	89.1
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/15A	12/16E	12/17E
Market cap	€M	46.8	56.3	56.3
+ 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	50.4	53.2
EV/EBITDA(R)	x	-7.63	-10.1	ns
EV/Sales	x	17.7	21.3	3.86

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