



Crossject

Supergenerics / France

Patience is a virtue... hopefully

Earnings/sales releases - 03/04/2024

The group took the market by surprise, issuing a press release on the progress made in its US strategy and a (very summarized) set of results for FY23. We mostly see negative points in this release and the hope of Zeneo reaching the US market through an EUA in FY24 have vanished... we will downgrade our numbers after the release of the FY23 detailed results, in particular by postponing the launch of the group's NTEs.

Fact

Crossject issued a press release to detail its US strategy as well as to publish its (partial) annual accounts for FY23 (full report due on 24 April).

Analysis

First and foremost, this release came as a surprise since, as already mentioned, the annual report is due on 24 April.

Second, the release is rather bad news for investors. Actually:

- The group now expects the EUA for Zepizure in the US no sooner than in Q125 (the last target communicated was FY23/Q124 and today's news can only disappoint investors).

- The group has also indicated that it is able to finance its business plan until... September 2024. Note that it issued €7m in bonds in February (see our Latest dated 28 Feb 2024) and the release clearly underscores that there will be other financing in the short-term, implying further dilution in our view.

- This will prevent the group from requesting the total or partial drawdown of the Second Tranche of the latest bond issuance (up to €5m) in the short-term (which could have been the case as of July otherwise) since the conditions will not be met soon (at best next year).

- To a lesser extent, the P&L still shows a fairly hefty loss (€-12.3m vs -13.3m a year ago at the operating level) and this despite the amount invoiced to the BARDA (€6.7m vs €1.8m). While this had been expected – i.e. more costs on the development side partly compensated by the BARDA – it remains that the P&L does not look much better than last year and implies that the group is still burning a significant amount of cash.

- We fail to understand why the full set of accounts has not been released (or why we have this very partial report), which hardly makes investors' lives easier.

The group also expects to file in H125 for an NDA (New Drug Application) of Zepizure and is “working on activities related to its registration and pre-commercialization in the United States, since Crossject intends to retain U.S. commercial rights to Zepizure”. The group will “only” have to demonstrate the bioequivalence of Zepizure (as compared to other injectables). Fair enough. But this means that these products will certainly not be able to reach the market before FY26 at best. Now the key issue in the short-term remains financing and the market will probably be happy to wait to know more on this point before the momentum on the stock can improve and the short-term market reaction is very likely to be negative.



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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: 267%
Target Price (6 months)	€ 11.6
Share Price	€ 3.15
Market Cap. €M	115
Price Momentum	NEGATIVE
Extremes 12Months	3.03 ▶ 5.83
Sustainability score	4.3 /10
Credit Risk	BBB →
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

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PERF	1w	1m	3m	12m
Crossject	3.96%	-8.03%	-35.6%	-22.0%
Pharma	-1.11%	2.12%	8.92%	11.0%
STOXX 600	-0.49%	2.21%	6.28%	11.1%

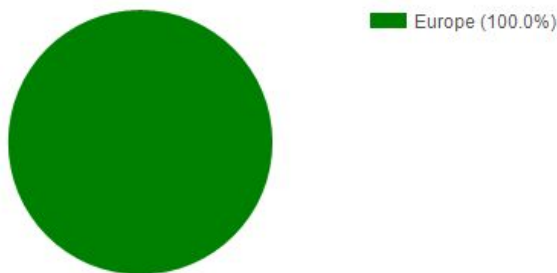
Last updated: 25/07/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-8.01	-17.5	6.33	3.01
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-16.5	-28.5	4.44	2.49
Adjusted EPS (€)	-0.36	-0.23	0.50	1.05
Growth in EPS (%)	n/a	n/a	n/a	111
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	9.72	14.0	59.0	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 adjust our model after the release of the FY23 detailed results (24 April). The big difference will be the timing of product launches as well as the dilution (on which we will have to make a number of assumptions). These two elements can clearly only lead to a lower valuation, as we had already underscored after the announcement of the bond issue last February.

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

	12/22A	12/23E	12/24E
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

	12/22A	12/23E	12/24E
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	€ 14.5	40%	● Sartorius
NAV/SOTP per share	€ 12.5	40%	● Coloplast
P/E	€ 6.30	5%	● bioMerieux
EV/Ebitda	€ 6.30	5%	● Carl Zeiss Meditec
P/Book	€ 3.14	5%	● Faes Farma
Dividend Yield	€ 0.00	5%	● Hikma Pharmaceuti...
TARGET PRICE	€ 11.6	100%	● Ipsen
			● UCB

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

	12/22A	12/23E	12/24E
Capital employed after depreciation	€M 19.4	15.2	61.2

Profits & Risks Ratios

	12/22A	12/23E	12/24E
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

	12/22A	12/23E	12/24E
Reference P/E (benchmark)	x -8.01	-17.5	6.33
Free cash flow yield	% -11.7	-2.24	-23.3
P/Book	x 38.8	-25.3	7.76
Dividend yield	% 0.00	0.00	0.00

EV Calculation

	12/22A	12/23E	12/24E
Market cap	€M 104	146	115
+ 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	153
EV/EBITDA(R)	x -16.5	-28.5	4.44
EV/Sales	x 11.8	11.4	2.60

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