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A strategic review....and a few questions

Strategic Plan - 22/11/2016

■ Fact

Crossject held a presentation at the end of last week to disclose its new strategy, in particular in the light of its extended partnership with Cenexi.

■ Analysis

To make a long story short, Crossject has decided to review its strategy, particularly by insisting first on emergency NTEs amongst its current portfolio of 7 NTEs, and, more specifically, on the products that could lead to early distribution agreements (with upfront fees) in the US and could get market approvals through a “fast-track” procedure. The group has also extended the initial partnership with Cenexi through a global five-year exclusive agreement, whereby Cenexi will commit itself to €5m capex to increase production capacities to about 10m (vs 2m initially) and to build a “fast-track” production line in H1 17 aimed at producing the lots needed for regulatory approvals. Also, Crossject intends to internalise all “non-pharmaceutical” operations at its own site (tubes finishing, packaging...). This will not only simplify the production process, but also enable Crossject to benefit from Cenexi’s experience and record, in both the US and EU, and make the company independent of other smaller suppliers. As a result of these new developments, the calendar is delayed for all products, compared to what it was in our initiation of coverage report dated 25 February 2016. As examples, the dates for filing for approval in Europe and the US for Sumatriptan, Midazolam and Adenaline are postponed by a year, which basically implies that the first products to reach the market in Europe will do so in FY19 and FY20 in the US. Of course, this will have an impact on our valuation (i.e. cash flows will be discounted over a longer period of time), but Crossject will also be able to spend less on capex, since the bulk of investment will be made by Cenexi. At the end of the day, the outcome is a decrease in the industrial risk and capex for Crossject, which comes with a delayed access to the market though. We believe the move makes sense and secures future production and revenues, with the only reservation that this comes at the price of another delay, which the market by definition does not appreciate, particular when this is not the first time the company has acted in this way.

■ Impact

Altogether it is our impression that the valuation has to go down, since the company’s products will reach the market c. one year later than initially thought. Even though we like the idea of a larger (and sole) industrial partner, the delay comes as a disappointment and is most likely to cost in terms of valuation despite the savings on capex. We will revise our valuation, which should go down after these announcements, mainly on time-to-market issues.

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 : 380%
Target Price (6 months)	€ 24.4
Share Price	€ 5.08
Market Capitalisation €M	33.8
Price Momentum	NEGATIVE
Extremes 12Months	4.59 ▶ 11.1
Newsflow	Positive
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA



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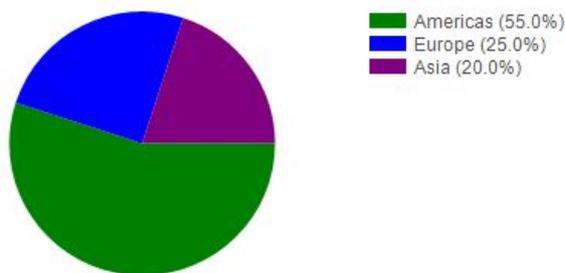


PERF	1w	1m	3m	12m
Crossject	-20.0%	-26.8%	-35.4%	-33.7%
Pharma	-3.31%	-6.29%	-9.86%	-14.0%
STOXX 600	0.55%	-0.95%	0.17%	-10.7%

Last updated: 25/02/2016	12/14A	12/15A	12/16E	12/17E
Adjusted P/E (x)	-14.0	-8.17	-5.67	-13.9
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-12.7	-7.63	-5.41	88.0
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



Consolidated P&L Accounts

	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	€ 2.54	5%	Hikma Pharmaceuti...
EV/Ebitda	€ 0.05	5%	Ipsen
P/Book	€ 2.54	5%	Stada Arzneimittel
Dividend Yield	€ 0.00	5%	UCB
TARGET PRICE	€ 24.4	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	-5.67	-13.9
Free cash flow yield	%	-13.7	-33.0	-17.9
P/Book	x	5.32	11.0	52.1
Dividend yield	%	0.00	0.00	0.00

EV Calculation

	12/15A	12/16E	12/17E	
Market cap	€M 46.8	32.9	32.9	
+ 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	27.0	29.8	
EV/EBITDA(R)	x	-7.63	-5.41	88.0
EV/Sales	x	17.7	11.4	2.17

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