



Crossject

Supergenerics / France

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A convertible bond and options for existing shareholders

Financing issue - 14/02/2018

Fact

Crossject announced the granting of free options ("BSA") to existing shareholders as well as the issue of a convertible bond (€5.25m). Existing shareholders will be granted one option for ten shares held, each option enabling them to purchase a share for €4.50 as of 10 April 2018 and until 30 June 2018. The convertible bond (maturity 20 February 2020) does not bear interest and SNPE and Gemme Ventures, the company's historic shareholders, will contribute €1.5m to the total subscription. The subscription price will be 92% of the nominal value and the conversion price will be the lowest between €4.50 and a weighted average share price less 10% prior to the conversion.

Analysis

The company intends to use the proceeds of the convertible bond issuance to finance its development plan, in particular regarding the work needed prior to regulatory filings for its NTEs. The options could provide the group with another €3.9m in financing, should all shareholders exercise their rights (excluding treasury shares). Of course, this would come with a dilution, with the creation of a total maximum number of new shares of 2.1m shares (1,128k from the convertible and 877k from the options), leading to a new total number of shares of 11.1m vs 8,958k or +23%. At the same time, the cash position would increase by €9.2m (again if all options are exercised), enabling the group to finance the development phases before regulatory market approvals. Even if these operations secure the short/mid-term financing of the company, they do imply a rather significant dilution. The price to pay for the company's products to reach the market...

Impact

We will update our numbers when the outcome of these operations is known and probably together with the FY17 results. We expect a rather neutral short-term market reaction though, the extra financing compensating for the dilution.

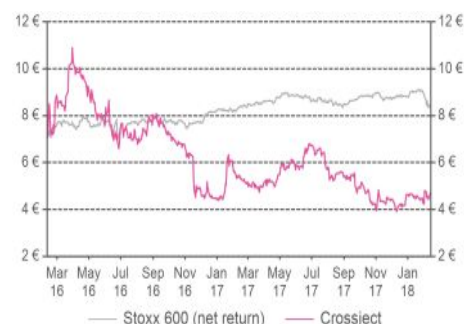


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AlphaValue is contracted by Crossject to provide equity research on Crossject, using AlphaValue's unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

| Buy | Upside: 241% |
|-------------------------|----------------|
| Target Price (6 months) | € 16.1 |
| Share Price | € 4.72 |
| Market Cap. €M | 41.6 |
| Price Momentum | GOOD |
| Extremes 12Months | 3.91 ▶ 6.80 |
| Bloomberg | ALCJ FP Equity |
| Reuters | ALCJ.PA |

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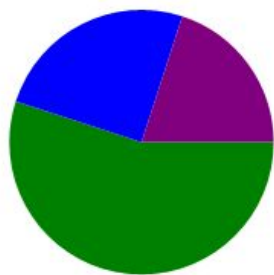


| PERF | 1w | 1m | 3m | 12m |
|-----------|--------|--------|--------|--------|
| Crossject | 4.66% | 4.89% | 8.26% | -13.5% |
| Pharma | -0.46% | -8.94% | -6.59% | -3.20% |
| STOXX 600 | -0.59% | -7.00% | -4.03% | 0.12% |

| Last updated: 06/11/2017 | 12/15A | 12/16A | 12/17E | 12/18E |
|------------------------------|--------|--------|--------|--------|
| Adjusted P/E (x) | -8.05 | -7.64 | -12.9 | -13.3 |
| Dividend yield (%) | 0.00 | 0.00 | 0.00 | 0.00 |
| EV/EBITDA(R) (x) | -7.51 | -9.19 | -15.8 | -8.68 |
| Adjusted EPS (€) | -0.88 | -0.98 | -0.41 | -0.36 |
| Growth in EPS (%) | n/a | n/a | n/a | n/a |
| Dividend (€) | 0.00 | 0.00 | 0.00 | 0.00 |
| Sales (€M) | 2.37 | 1.43 | 2.00 | 2.00 |
| EBIT margin (%) | ns | ns | -196 | ns |
| Attributable net profit (€M) | -5.73 | -6.66 | -3.22 | -3.09 |
| ROE (after tax) (%) | -49.2 | -88.4 | -44.0 | -44.6 |
| Gearing (%) | -91.3 | -62.3 | -46.4 | -183 |

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Sales by Geography



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

Consolidated P&L Accounts

| | | 12/16A | 12/17E | 12/18E |
|---|-----------|--------------|--------------|--------------|
| Sales | €M | 1.43 | 2.00 | 2.00 |
| Change in sales | % | -39.8 | 40.2 | 0.00 |
| Change in staff costs | % | 5.41 | 17.7 | 12.2 |
| EBITDA | €M | -5.52 | -2.57 | -2.97 |
| EBITDA(R) margin | % | -387 | -129 | -148 |
| Depreciation | €M | -1.77 | -1.35 | -1.35 |
| Underlying operating profit | €M | -7.29 | -3.92 | -4.32 |
| Operating profit (EBIT) | €M | -7.29 | -3.92 | -4.32 |
| Net financial expense | €M | -1.06 | -0.30 | -0.30 |
| of which related to pensions | €M | | 0.00 | 0.00 |
| Exceptional items & other | €M | 0.59 | 0.00 | 0.00 |
| Corporate tax | €M | 1.10 | 1.00 | 1.52 |
| Equity associates | €M | | | |
| Minority interests | €M | | | |
| Adjusted attributable net profit | €M | -6.66 | -3.22 | -3.09 |
| NOPAT | €M | -5.10 | -2.74 | -3.02 |

Cashflow Statement

| | | 12/16A | 12/17E | 12/18E |
|---|-----------|--------------|--------------|--------------|
| EBITDA | €M | -5.52 | -2.57 | -2.97 |
| Change in WCR | €M | -0.33 | 0.46 | 0.21 |
| Actual div. received from equity holdi... | €M | 0.00 | 0.00 | 0.00 |
| Paid taxes | €M | 0.00 | 1.00 | 1.52 |
| 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 | -5.85 | -1.11 | -1.23 |
| Capital expenditure | €M | -6.00 | -0.50 | -0.53 |
| Total investment flows | €M | -6.00 | -0.50 | -0.53 |
| Net interest expense | €M | -1.06 | -0.30 | -0.30 |
| Dividends (parent company) | €M | | | |
| Dividends to minorities interests | €M | 0.00 | 0.00 | 0.00 |
| New shareholders' equity | €M | 4.10 | 4.30 | 0.00 |
| Total financial flows | €M | 9.00 | 0.96 | 10.9 |
| Change in cash position | €M | -2.85 | -0.65 | 9.16 |
| Free cash flow (pre div.) | €M | -12.9 | -1.91 | -2.06 |

Per Share Data

| | | 12/16A | 12/17E | 12/18E |
|--|----------|--------------|--------------|--------------|
| No. of shares net of treas. stock (year... | Mio | 7.11 | 8.64 | 8.64 |
| Number of diluted shares (average) | Mio | 6.80 | 7.87 | 8.69 |
| Benchmark EPS | € | -0.98 | -0.41 | -0.36 |
| Restated NAV per share | € | | | |
| Net dividend per share | € | 0.00 | 0.00 | 0.00 |

Valuation Summary

| Benchmarks | Value | Weight | Largest comparables |
|--------------------|--------|--------|------------------------|
| DCF | € 21.5 | 40% | ■ Faes Farma |
| NAV/SOTP per share | € 18.2 | 40% | ■ Hikma Pharmaceuti... |
| P/E | € 2.36 | 5% | ■ Ipsen |
| EV/Ebitda | € 0.00 | 5% | ■ Stada Arzneimittel |
| P/Book | € 2.36 | 5% | ■ UCB |
| Dividend Yield | € 0.00 | 5% | |
| TARGET PRICE | € 16.1 | 100% | |

NAV/SOTP Calculation

Balance Sheet

| | | 12/16A | 12/17E | 12/18E |
|--|-----------|--------------|--------------|--------------|
| Goodwill | €M | 0.00 | 0.00 | 0.00 |
| Total intangible | €M | 2.51 | 2.17 | 1.83 |
| Tangible fixed assets | €M | 5.78 | 5.27 | 4.78 |
| Financial fixed assets | €M | 0.10 | 0.10 | 0.10 |
| WCR | €M | -2.17 | -2.63 | -2.84 |
| Other assets | €M | 1.97 | 2.97 | 3.21 |
| Total assets (net of short term liab.) | €M | 8.24 | 7.93 | 7.14 |
| Ordinary shareholders' equity | €M | 6.28 | 8.36 | 5.51 |
| Quasi Equity & Preferred | €M | | | |
| Minority interests | €M | | | |
| Provisions for pensions | €M | 0.00 | 0.00 | 0.00 |
| Other provisions for risks and liabilities | €M | 0.12 | 0.12 | 0.12 |
| Total provisions for risks and liabilities | €M | 0.12 | 0.12 | 0.12 |
| Tax liabilities | €M | 0.00 | 0.00 | 0.00 |
| Other liabilities | €M | 4.52 | 4.52 | 16.6 |
| Net debt (cash) | €M | -2.69 | -5.08 | -15.1 |
| Total liab. and shareholders' equity | €M | 8.24 | 7.93 | 7.14 |

Capital Employed

| | | 12/16A | 12/17E | 12/18E |
|-------------------------------------|----|--------|--------|--------|
| Capital employed after depreciation | €M | 6.22 | 4.91 | 3.88 |

Profits & Risks Ratios

| | | 12/16A | 12/17E | 12/18E |
|--------------------------------|---|--------------|--------------|--------------|
| ROE (after tax) | % | -88.4 | -44.0 | -44.6 |
| ROCE | % | -82.1 | -55.9 | -77.9 |
| Gearing (at book value) | % | -62.3 | -46.4 | -183 |
| Adj. Net debt/EBITDA(R) | x | 0.49 | 1.97 | 5.09 |
| Interest cover (x) | x | -6.88 | -13.1 | -14.4 |

Valuation Ratios

| | | 12/16A | 12/17E | 12/18E |
|----------------------------------|----------|--------------|--------------|--------------|
| Reference P/E (benchmark) | x | -7.64 | -12.9 | -13.3 |
| Free cash flow yield | % | -24.2 | -4.21 | -5.05 |
| P/Book | x | 8.48 | 5.44 | 7.40 |
| Dividend yield | % | 0.00 | 0.00 | 0.00 |

EV Calculation

| | | 12/16A | 12/17E | 12/18E |
|---|----------|--------------|--------------|--------------|
| Market cap | €M | 53.3 | 45.5 | 40.8 |
| + Provisions | €M | 0.12 | 0.12 | 0.12 |
| + Unrecognised actuarial losses/(gains) | €M | 0.00 | 0.00 | 0.00 |
| + Net debt at year end | €M | -2.69 | -5.08 | -15.1 |
| + Leases debt equivalent | €M | 0.00 | 0.00 | 0.00 |
| - Financial fixed assets (fair value) | €M | | | |
| + Minority interests (fair value) | €M | | | |
| = EV | €M | 50.7 | 40.5 | 25.8 |
| EV/EBITDA(R) | x | -9.19 | -15.8 | -8.68 |
| EV/Sales | x | 35.5 | 20.2 | 12.9 |

Analyst : Fabrice Farigoule, Changes to Forecasts : 06/11/2017.