



# Crossject

Supergenerics / France

**Fabrice FARIGOULE**  
pharma@alphavalue.eu  
+33 (0) 1 70 61 10 50  
corporate.alphavalue.com

## FY16 results - untelling (as expected) and a €4.3m capital increase

Earnings/sales releases - 11/03/2017

### Fact

Crossject released its FY16 results. Revenues reached €1.43m vs €2.73m in FY15 (-48%), operating result €-7,291k (vs €-7,013k), and the net result €-6,663k (vs €-5,687k). Net cash at the end of FY16 amounted to €2.6m (vs €5.2m a year before). The company also announced a capital increase (€4.3m at €4.5 per share with subscription rights), which is 75% underwritten by the main shareholder, Gemmes Ventures.

### Analysis

The numbers as such are irrelevant, as we previously mentioned, since the story of Crossject is based on the future launch of Zeneo combined with the NTEs the group is targeting. However, we note that the net loss is above our expectation (€-5.8m) on slightly lower revenues and despite rather high operating expenses which are kept under control. The net cash position has significantly decreased (capex of €6m, while our forecasts also included some milestone payments on Zeneo Adrenaline which hasn't occurred yet).

As a reminder, Crossject has decided to review its strategy, particularly by insisting first on emergency NTEs among its current portfolio of seven 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 (see our comment dated 23 November 2016, with, at that time, the delay in expected product launches vs the group's initial plans).

As a result, Crossject is launching a capital increase, issuing a maximum number of 963k shares (before a potential 15% extension clause, thus a maximum of 1,107k shares) at a price of €4.50 per share. Eight subscription rights will entitle holders to acquire one share. The subscription period will run from 16-30 March. Gemmes Ventures, Crossject's main shareholder with c.20%, has committed itself to taking part in the capital increase and is also underwriting the issue, up to 75% of the shares to be issued. At the end of the day, and considering 963k shares will be issued, this will increase the total number of shares from 7.7m to 8.6m.

### Impact

We will fine-tune our numbers, mainly due to the capital increase and the dilution stemming from it. However, it is worth mentioning that the move secures the group's financing, while it is expecting cash inflows (refundable incentives, milestone payments) to fund future developments.

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.

<b>Buy</b>	<b>Upside : 268%</b>
Target Price (6 months)	€ 19.3
Share Price	€ 5.24
Market Capitalisation €M	34.9
Price Momentum	<b>UNFAVORABLE</b>
Extremes 12Months	4.46 ▶ 11.1
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

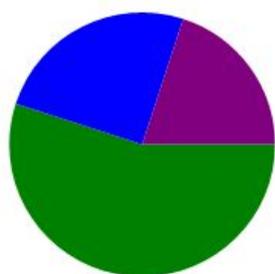
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PERF	1w	1m	3m	12m
Crossject	1.35%	-4.90%	13.2%	-38.7%
Pharma	-0.82%	6.45%	11.6%	11.6%
STOXX 600	-0.53%	2.55%	5.02%	11.9%

Last updated: 24/11/2016	12/14A	12/15A	12/16E	12/17E
Adjusted P/E (x)	-14.0	-8.17	-8.80	-10.5
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-12.7	-7.63	-9.04	-15.7
Adjusted EPS (€)	-0.68	-0.88	-0.90	-0.50
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	2.00
EBITA margin (%)	ns	ns	ns	-87.1
Attributable net profit (€M)	-4.44	-5.73	-5.80	-3.24
ROE (after tax) (%)	-30.6	-49.2	-98.5	-236
Gearing (%)		-91.3	-190	

[Company Valuation](#) - [Company Financials](#)

## Sales by Geography



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

## Consolidated P&L Accounts

		12/15A	12/16E	12/17E
Sales	€M	2.37	2.37	2.00
Change in sales	%	35.8	0.00	-15.6
Change in staff costs	%	32.0	15.9	63.2
EBITDA	€M	-5.51	-5.00	-1.74
<b>EBITDA(R) margin</b>	%	<b>-232</b>	<b>-211</b>	<b>-87.1</b>
Depreciation	€M	-1.51	-1.51	-1.20
Underlying operating profit	€M	-7.01	-6.50	-2.94
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>-7.06</b>	<b>-6.50</b>	<b>-2.94</b>
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			
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>-5.73</b>	<b>-5.80</b>	<b>-3.24</b>
NOPAT	€M	-4.91	-4.55	-2.06

## Cashflow Statement

		12/15A	12/16E	12/17E
EBITDA	€M	-5.51	-5.00	-1.74
Change in WCR	€M	-0.41	0.92	0.09
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	-1.65
Capital expenditure	€M	-1.81	-7.50	-0.50
Total investment flows	€M	-1.81	-7.50	-0.50
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	10.6
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>-6.43</b>	<b>-10.9</b>	<b>-2.45</b>

## 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
<b>Benchmark EPS</b>	<b>€</b>	<b>-0.88</b>	<b>-0.90</b>	<b>-0.50</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 23.0	40%	● Actelion
NAV/SOTP per share	€ 24.5	40%	■ Faes Farma
P/E	€ 2.62	5%	■ Hikma Pharmaceuti...
EV/Ebitda	€ 0.00	5%	■ Ipsen
P/Book	€ 2.62	5%	● Stada Arzneimittel
Dividend Yield	€ 0.00	5%	■ UCB
TARGET PRICE	€ 19.3	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	7.79
Tangible fixed assets	€M	1.74	1.73	1.57
Financial fixed assets	€M	1.85	1.85	1.85
WCR	€M	-2.50	-3.42	-3.52
Other assets	€M	2.04	2.04	2.04
Total assets (net of short term liab.)	€M	5.48	10.5	9.76
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>8.80</b>	<b>2.99</b>	<b>-0.25</b>
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
<b>Net debt (cash)</b>	<b>€M</b>	<b>-5.14</b>	<b>-6.24</b>	<b>-6.89</b>
Total liab. and shareholders' equity	€M	5.48	10.5	9.76

## Capital Employed

		12/15A	12/16E	12/17E
Capital employed after depreciation	€M	3.42	8.49	7.70

## Profits & Risks Ratios

		12/15A	12/16E	12/17E
<b>ROE (after tax)</b>	%	<b>-49.2</b>	<b>-98.5</b>	<b>-236</b>
ROCE	%	-143	-53.6	-26.7
<b>Gearing (at book value)</b>	%	<b>-91.3</b>	<b>-190</b>	
Adj. Net debt/EBITDA(R)	x	0.93	1.25	3.96
Interest cover (x)	x	24.0	-21.7	-9.80

## Valuation Ratios

		12/15A	12/16E	12/17E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>-8.17</b>	<b>-8.80</b>	<b>-10.5</b>
Free cash flow yield	%	-13.7	-21.3	-7.22
P/Book	x	5.32	17.1	-137
<b>Dividend yield</b>	%	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

		12/15A	12/16E	12/17E
Market cap	€M	46.8	51.1	34.0
+ 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	-6.89
+ 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	45.2	27.4
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>-7.63</b>	<b>-9.04</b>	<b>-15.7</b>
EV/Sales	x	17.7	19.1	13.7

Analyst : Fabrice Farigoule, Changes to Forecasts : 24/11/2016.