



Crossject

Supergenerics / France

FY22: not much to learn from the release

Earnings/sales releases - 23/03/2023

As usual, the FY results are not meaningful.

The financing is secured for the short term, but this is not new news.

No real news either on the progress made on various fronts (BARDA, EUA, filings).

The market remains hungry for more.

We see room to improve the group's communication.

Fact

Crossject FY22 results. Operating income reached €9.718m vs €6.772m, the operating result was €-19.386m vs €-11.823m, and the net result €-17.255m vs €-10.806m. The company "had cash of €8m (€10m a year ago), plus €6.2m in non-dilutive financing and €3.8m from the same plan, yet to be received, of which €2m is conditional on obtaining Emergency Use Authorisation (EUA) from the FDA".

Analysis

As always, note that the current numbers are of little relevance since the story of Crossject is based on the future launch of Zeneo combined with the NTEs the group is targeting. In particular, the group's top-line has little meaning along with the losses posted by the company. Note that this income includes c.€1.8m stemming from the BARDA invoicing. Nonetheless, operating income increased quite substantially (+43% to €9.7m including c. €6.1m in capitalized production). Again, not such an important number in absolute terms, but still positive news (by the way, note that the P&L mentioned in the English version of the release in page 5 is...wrong since the capitalized production is missing). On a less positive front, operating expenses steadily increased to €23m vs €18.6m, an acceleration vs the H122 where they "only" reached €10m. While this is understandable for a company that is still in a ramp-up phase with personnel expenses and purchases/external charges growing by some €4m, this is certainly part of the explanation for the mild market reaction to these numbers, on top of communication that we deem to be "awkward".

On the financing front, the company has reached a number of agreements and proceeded with a few capital issuances which have secured the structure of its balance sheet (roughly speaking €11m in capital increase and loans, the latter reaching a total of €14m of which €4m were granted in FY22 – also see our Latest dated 12 January 2023). Thus the available cash at year-end FY22 amounted to €7.8m, broadly stable on a year-on-year basis given the cash-burn. The latter reached €-5.1m in operating terms and €-6.8m in capex, for a total of c.€12m. The company again indicated that it was confident in "its ability to find the necessary financing to continue its development", taking into account the amount of available cash, the remaining part of the €14m loan from banks and the expected cash-in from the BARDA contract (monthly invoicing). We regret that the management no longer mentions pursuing its strategy of focusing on non-dilutive instruments in its future financing. In fact, they indicate that the use of such instruments is much less likely than before but do not rule them out completely. As



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Buy	Upside: 147%
Target Price (6 months)	€ 9.87
Share Price	€ 3.99
Market Cap. €M	145
Price Momentum	GOOD
Extremes 12Months	1.71 ▶ 4.95
Sustainability score	3.8 /10
Credit Risk	DDD ↗
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

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PERF	1w	1m	3m	12m
Crossject	-5.67%	-11.7%	13.4%	96.2%
Pharma	1.96%	-1.74%	-0.29%	-0.90%
STOXX 600	2.45%	-3.76%	4.66%	-2.51%

Last updated: 12/12/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	-6.81	-9.23	-12.0	9.78
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-12.8	-12.2	-12.3	8.00
Adjusted EPS (€)	-0.45	-0.31	-0.33	0.41
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	6.77	3.01	3.01	49.0
EBIT margin (%)	0.00	0.00	0.00	93.9
Attributable net profit (€M)	-10.7	-9.76	-12.4	15.2
ROE (after tax) (%)	325	95.3	58.8	-78.4
Gearing (%)				

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

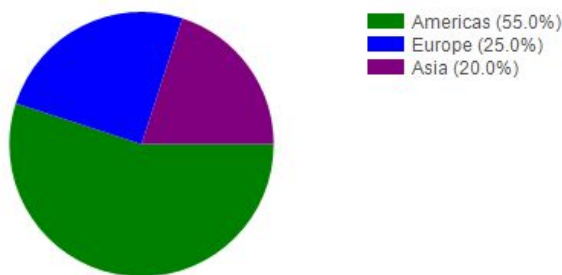
far as capex is concerned (roughly €7m for both FY22 and FY21), we see no reason for this figure to increase materially before the first contracts are signed (i.e. after the product filings). As mentioned above, this should also be financed by the growing income from the BARDA agreement (US\$1.8m in FY22) with a total of US\$35m to come (on a monthly basis) over the next three years. It is worth mentioning that these billings are not evenly split but will grow as time goes by so we don't expect US\$12-15m in FY23. Some more financing will nonetheless come from this source and, although no detail is given, we estimate that the group should be able to cash in at least a good €5m in FY23 (to remain conservative).

At the end of the day, the market reaction (c.-12%) was a mix of several elements in our view. It was not due to the numbers as such, which did not send any particularly negative signals. Still, we believe that investors expected more on the development side. The agreement with the BARDA was good news in FY22, but has been known since...last June. Moreover, nothing has changed (i.e. no additional details given) on the EUA (Emergency Use Utilization) with the first products still expected to be delivered by the year-end. We also found the group's communication with the financial markets rather awkward, in particular in terms of information distribution and organization, with the analysts' meeting taking place almost two days after the release. We believe the group also has to work on this, even if the market is primarily expecting progress on the marketing of the group's products.

■ Impact

These numbers will not change our forecasts much. We will fine-tune our model on the basis of the FY22 accounts but, since the group's valuation is essentially based on its mid to long term prospects, our valuation is unlikely to change significantly.

Sales by Geography



Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€M	6.77	3.01	3.01
Change in sales	%	18.2	-55.6	0.00
Change in staff costs	%	0.00	16.7	0.00
EBITDA	€M	-7.33	-10.5	-14.4
EBITDA(R) margin	%	-108	-349	-480
Depreciation	€M	-4.49	-3.35	-3.35
Underlying operating profit	€M	-11.8	-13.9	-17.8
Operating profit (EBIT)	€M	-11.8	-13.9	-17.8
Net financial expense	€M	-0.82	-0.70	-0.70
of which related to pensions	€M		0.00	0.00
Exceptional items & other	€M	0.08	0.00	0.00
Corporate tax	€M	1.82	4.81	6.10
Equity associates	€M			
Minority interests	€M			
Adjusted attributable net profit	€M	-10.7	-9.76	-12.4
NOPAT	€M	-8.87	-10.4	-13.3

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	€M	-7.33	-10.5	-14.4
Change in WCR	€M	-0.34	1.83	1.12
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M		4.81	6.10
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	-7.67	-3.88	-7.22
Capital expenditure	€M	-6.73	-2.66	-2.27
Total investment flows	€M	-6.73	-2.66	-2.27
Net interest expense	€M	-0.82	-0.70	-0.70
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	12.1	24.1	9.30
Change in cash position	€M	-2.34	17.5	-0.19
Free cash flow (pre div.)	€M	-15.2	-7.24	-10.2

Per Share Data

		12/21A	12/22E	12/23E
No. of shares net of treas. stock (year...)	Mio	25.3	36.3	36.1
Number of diluted shares (average)	Mio	24.0	31.4	37.3
Benchmark EPS	€	-0.45	-0.31	-0.33
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 11.8	40%	● UCB
NAV/SOTP per share	€ 12.3	40%	● Coloplast
P/E	€ 2.00	5%	● Faes Farma
EV/Ebitda	€ 0.00	5%	● bioMerieux
P/Book	€ 2.00	5%	● Hikma Pharmaceuti...
Dividend Yield	€ 0.00	5%	● Ipsen
TARGET PRICE	€ 9.87	100%	● Carl Zeiss Meditec
			● Sartorius

NAV/SOTP Calculation

Balance Sheet

		12/21A	12/22E	12/23E
Goodwill	€M	0.00	0.00	0.00
Total intangible	€M	9.14	8.81	8.47
Tangible fixed assets	€M	7.15	7.29	7.04
Financial fixed assets	€M	0.08	0.08	0.08
WCR	€M	-1.71	-3.54	-4.66
Other assets	€M	3.02	2.75	2.49
Total assets (net of short term liab.)	€M	18.4	16.1	14.2
Ordinary shareholders' equity	€M	-5.48	-15.0	-27.2
Quasi Equity & Preferred	€M			
Minority interests	€M			
Provisions for pensions	€M		0.00	0.00
Other provisions for risks and liabilities	€M	0.13	0.13	0.13
Total provisions for risks and liabilities	€M	0.13	0.13	0.13
Tax liabilities	€M	0.00	0.00	0.00
Other liabilities	€M	7.25	7.25	7.25
Net debt (cash)	€M	16.5	23.8	34.0
Total liab. and shareholders' equity	€M	18.4	16.1	14.2

Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	€M	14.7	12.6	10.9

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	325	95.3	58.8
ROCE	%	-60.5	-82.3	-122
Gearing (at book value)	%			
Adj. Net debt/EBITDA(R)	x	-2.25	-2.26	-2.35
Interest cover (x)	x	-14.5	-19.8	-25.4

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	-6.81	-9.23	-12.0
Free cash flow yield	%	-19.7	-6.96	-7.07
P/Book	x	-14.1	-6.94	-5.31
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/21A	12/22E	12/23E
Market cap	€M	77.3	104	144
+ Provisions	€M	0.13	0.13	0.13
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	16.5	23.8	34.0
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M			
+ Minority interests (fair value)	€M			
= EV	€M	94.0	128	178
EV/EBITDA(R)	x	-12.8	-12.2	-12.3
EV/Sales	x	13.9	42.5	59.2

Analyst : Fabrice Farigoule, Changes to Forecasts : 12/12/2022.