



Crossject

Supergenerics / France



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

H1 16 results: not very telling as expected

Earnings/sales releases - 19/09/2016

Fact

Crossject released H1 16 results. Revenues reached €1.6m vs €1,238k in H1 15 (+29%), the operating result was €-2,279k (vs €-3,765k), and the net result €-2,831k (vs €-3,558k). Net cash at the end of H1 16 amounted to €3.2m (€5.2m).

Analysis

Numbers as such are not very telling since the story of Crossject is based on the future launch of Zeneo combined with the NTEs the group is targeting (seven at this stage, with no sales before H2 17/H1 18) and the market approvals the group is looking to obtain (see our initiating study dated 25 February 2016). As a quick reminder, Crossject plans to launch Naloxone, Sumatriptan, Midazolam, Apomorphine, Epinephrin, Methotrexate and Hydrocortisone (formerly referred to as « L15 ») which will be delivered through its proprietary device, Zeneo. However, we note that the operating loss is decreasing, mainly on lower R&D expenditures (both due to the developments already achieved on Zeneo and expenses related to regulatory approvals). It is also worth mentioning that the equity-line put in place in H1 with Kepler could enable the company to issue new shares (up to 1.2m shares, 0.23m of which were issued in H1).

On the governance/management side, three new members will join the Management Board: Dr Isabelle Liebschutz (Head of Quality), Olivier Giré (Head of Sales) and Henri de Parseval (Production and Supply Chain) who will strengthen management as product launches become closer.

Impact

No changes to our numbers given the fact these are essentially based on future sales, once the first products reach the market. We welcome the strengthening of Crossject's management team and see it as a sign, if one is needed, that things are going the right way, i.e. that Zeneo should reach the market sooner rather than later. We have so far anticipated a (limited) level of revenues for FY17 (on Methotrexate only) but our valuation and recommendation are of course based on future product launches and ramp-ups which offer considerable upside potential to the share.

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 : 214%
Target Price (6 months)	€ 24.5
Share Price	€ 7.81
Market Capitalisation €M	51.9
Price Momentum	GOOD
Extremes 12Months	3.52 ▶ 11.1
Newsflow	Positive
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

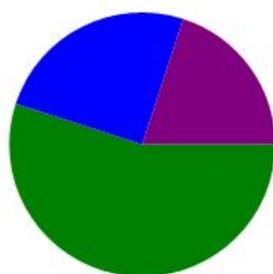
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PERF	1w	1m	3m	12m
Crossject	2.09%	7.72%	10.8%	30.6%
Pharma	2.14%	-0.20%	7.42%	-1.96%
STOXX 600	-0.28%	0.33%	4.75%	-3.81%

Last updated: 25/02/2016	12/14A	12/15A	12/16E	12/17E
Adjusted P/E (x)	-14.0	-8.17	-8.72	-21.4
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-12.7	-7.63	-8.95	ns
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



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

Consolidated P&L Account

	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	€ 3.91	5%	■ Hikma Pharmaceuti...
EV/Ebitda	€ 0.00	5%	■ Ipsen
P/Book	€ 3.91	5%	■ Stada Arzneimittel
Dividend Yield	€ 0.00	5%	■ UCB
TARGET PRICE	€ 24.5	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	-8.72	-21.4
Free cash flow yield	%	-13.7	-21.5	-11.7
P/Book	x	5.32	16.9	80.1
Dividend yield	%	0.00	0.00	0.00

EV Calculation

	12/15A	12/16E	12/17E	
Market cap	€M 46.8	50.6	50.6	
+ 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	44.7	47.5	
EV/EBITDA(R)	x	-7.63	-8.95	ns
EV/Sales	x	17.7	18.9	3.45

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