



Crossject

Supergenerics / France

No news is not always good news...

Strategic Plan - 08/02/2024

The presentation held on Tuesday gave little information (if any) on the recent developments of the company. We regret that no further details were given with respect to the filing processes in the US (Emergency Use Authorization), in particular concerning the timing. We also regret that it will take a long time (end of April!) to have more flavour on the FY23 accounts and financial perspectives to cope with the extra financing needed. In short, we are disappointed.

Fact

The group held an online “business briefing” on Tuesday to provide a summary of the recent milestones reached and an update on its strategic priorities for 2024.

Analysis

To start with, and quite bluntly, we found the presentation pretty “empty”, beginning with a reminder of what Crossject is, i.e. the product(s) it intends to sell and the developments during the last 20 years or so.

The group reminded that it had entered into an agreement in the US with Syneos, a service provider, which should help the group in the filing processes as well as the marketing of Zeneo once authoriaations are granted. The group again repeated that it is also advancing its licensing and commercialisation efforts for ZEPIZURE (e.g. with a licensing agreement with AFT Pharmaceuticals for Australia and New Zealand and a new commercialisation agreement for northern Europe) and that it will focus in 2024 on regulatory approvals for ZEPIZURE. Good, though nothing new.

In January 2024, Crossject engaged Syneos Health, a leading fully-integrated biopharmaceutical solutions organisation, to prepare for the commercial launch of its ZENEO-midazolam autoinjector, proposed name ZEPIZURE®, an innovative rescue therapy for epileptic seizures, including those caused by nerve agent exposure, in the US. Syneos Health has a strong US presence and significant expertise in commercialising new therapies for Crossject, as it approaches filing for regulatory approval. The main details of the BARDA contract in the US were also reminded (see our previous comments about this).

Now, the discussions with the FDA related to the requirements necessary for Emergency Use Authorization of ZEPIZURE were said to bw “continuing” moving forward, which we had no doubt about but the statement looks a bit too short to convince investors that things will get going any time soon.

We also regret that the presentation of the FY23 results will not take place before...24 April (!) which looks very late to us, in particular with respect to the current cash situation and the needs the group may/will have to keep financing its development prior to the launch of its products. In June 2023, the cash position was €5.3m, keeping in mind of course that Crossject is burning cash and will keep doing so for a (quite long) while. In H1 23, the free cash flow was actually a negative €8.3m including €4.5m in capex. To that extent, (part of) the very mild market reaction (c.-20%) came from the fact that new financing will be needed and, potentially, dilutive instruments could be used. Although management asserts it will do its best to avoid such an option, nothing is ruled out and investors seem

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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy	Upside: 185%
Target Price (6 months)	€ 11.6
Share Price	€ 4.07
Market Cap. €M	149
Price Momentum	GOOD
Extremes 12Months	3.25 ▶ 5.83
Sustainability score	4.4 /10
Credit Risk	BBB →
Bloomberg	ALCJ FP Equity
Reuters	ALCJ.PA

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PERF	1w	1m	3m	12m
Crossject	-21.6%	-24.9%	-6.22%	-4.57%
Pharma	0.78%	1.99%	6.80%	11.5%
STOXX 600	-0.01%	1.56%	9.67%	5.99%

Last updated: 25/07/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-8.01	-17.5	8.17	3.88
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-16.5	-28.5	5.41	3.01
Adjusted EPS (€)	-0.36	-0.23	0.50	1.05
Growth in EPS (%)	n/a	n/a	n/a	111
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€M)	9.72	14.0	59.0	92.9
EBIT margin (%)	0.00	0.00	78.0	100
Attributable net profit (€M)	-11.2	-8.47	18.4	38.8
ROE (after tax) (%)	798	550	410	112
Gearing (%)	418		173	79.2

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

unconvinced that such a solution can be avoided when looking at their reaction. We, too, have increasing doubts about the ability of the group to steer clear of a capital increase or other dilutive instruments.

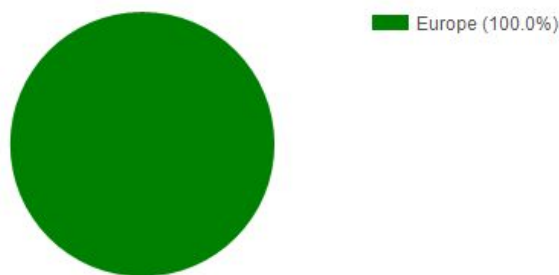
Lastly, the COO of Engineering & Industry (in short production and supply) is leaving, replaced by the Industrial Director. These things happen of course but this can't be considered as good news either.

All in all, we believe that the market needs more flesh to believe fully in the investment case. Even if some progress has been made on the marketing of Zeneo, things take a very long time to materialise and this implies some more negative news on the financing side. This is all the more the case since Crossject has already long been used to having problems with sticking to deadlines. Even taking into account the money provided by the BARDA agreement (US\$3.2m in FY23) and the lease-back of real estate over several years, the numbers hardly add up without external financing looking into FY24 and, even more so, if the EUA filing takes longer than expected. As a reminder, it was expected for the end of FY23/beginning of FY24 and the clock keeps ticking...

■ Impact

We will not change our numbers/model at this stage. In fact, we will wait for the release of the FY23 report before doing so, but we are a bit sceptical again about timing issues concerning the launch of products in the US market. The calendar is not really in the hands of management, true, but this can't be enough to ignore the likely need for more external financing. To that extent, we would rather expect a revision downwards of our estimates (most notably regarding the timing of the cash inflow into the company) which could/should weigh on our target price.

Sales by Geography



Consolidated P&L Accounts

	12/22A	12/23E	12/24E
Sales	€M 9.72	14.0	59.0
Change in sales	% 43.5	44.2	321
Change in staff costs	% 16.7	0.00	14.3
EBITDA	€M -6.93	-5.59	34.5
EBITDA(R) margin	% -71.3	-39.9	58.5
Depreciation	€M -6.36	-6.36	-6.36
Underlying operating profit	€M -13.3	-11.9	28.2
Operating profit (EBIT)	€M -13.3	-11.9	28.2
Net financial expense	€M 0.11	-0.70	-0.70
of which related to pensions	€M	0.00	0.00
Exceptional items & other	€M -0.20	0.00	0.00
Corporate tax	€M 2.22	4.17	-9.07
Equity associates	€M		
Minority interests	€M		
Adjusted attributable net profit	€M -11.2	-8.47	18.4
NOPAT	€M -9.97	-8.96	21.1

Cashflow Statement

	12/22A	12/23E	12/24E
EBITDA	€M -6.93	-5.59	34.5
Change in WCR	€M -2.80	1.11	-46.0
Actual div. received from equity holdi...	€M 0.00	0.00	0.00
Paid taxes	€M 2.22	4.17	-9.07
Exceptional items	€M 0.00	0.00	0.00
Other operating cash flows	€M 2.00	0.00	0.00
Total operating cash flows	€M -5.50	-0.31	-20.6
Capital expenditure	€M -6.78	-2.27	-5.38
Total investment flows	€M -6.78	-2.27	-5.38
Net interest expense	€M 0.11	-0.70	-0.70
Dividends (parent company)	€M		
Dividends to minorities interests	€M 0.00	0.00	0.00
New shareholders' equity	€M 4.09	0.00	0.00
Total financial flows	€M 11.2	-3.34	51.1
Change in cash position	€M -1.08	-5.92	25.2
Free cash flow (pre div.)	€M -12.2	-3.27	-26.6

Per Share Data

	Mio	36.4	36.4	36.4
No. of shares net of treas. stock (year...				
Number of diluted shares (average)	Mio	31.2	37.0	37.0
Benchmark EPS	€	-0.36	-0.23	0.50
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 14.2	40%	● Sartorius
NAV/SOTP per share	€ 12.5	40%	● Coloplast
P/E	€ 8.14	5%	● bioMerieux
EV/Ebitda	€ 8.14	5%	● Carl Zeiss Meditec
P/Book	€ 2.31	5%	● Faes Farma
Dividend Yield	€ 0.00	5%	● Hikma Pharmaceuti...
TARGET PRICE	€ 11.6	100%	● Ipsen
			● UCB

NAV/SOTP Calculation

Balance Sheet

	12/22A	12/23E	12/24E
Goodwill	€M 0.00	0.00	0.00
Total intangible	€M 10.7	10.1	9.42
Tangible fixed assets	€M 7.67	5.17	5.78
Financial fixed assets	€M 0.00	0.00	0.00
WCR	€M 1.08	-0.02	46.0
Other assets	€M 1.48	1.22	0.96
Total assets (net of short term liab.)	€M 22.3	17.1	62.8
Ordinary shareholders' equity	€M 2.69	-5.77	14.8
Quasi Equity & Preferred	€M		
Minority interests	€M		
Provisions for pensions	€M	0.00	0.00
Other provisions for risks and liabilities	€M 1.42	1.42	
Total provisions for risks and liabilities	€M 1.42	1.42	0.00
Tax liabilities	€M 0.00	0.00	0.00
Other liabilities	€M 9.30	9.30	9.30
Net debt (cash)	€M 8.86	12.1	38.8
Total liab. and shareholders' equity	€M 22.3	17.1	62.8

Capital Employed

	12/22A	12/23E	12/24E
Capital employed after depreciation	€M 19.4	15.2	61.2

Profits & Risks Ratios

	%	798	550	410
ROE (after tax)				
ROCE	% -51.3	-58.9	34.5	
Gearing (at book value)	% 418	173		
Adj. Net debt/EBITDA(R)	x -1.28	-2.17	1.12	
Interest cover (x)	x 121	-17.1	40.3	

Valuation Ratios

	x	-8.01	-17.5	8.17
Reference P/E (benchmark)				
Free cash flow yield	% -11.7	-2.24	-18.0	
P/Book	x 38.8	-25.3	10.0	
Dividend yield	% 0.00	0.00	0.00	

EV Calculation

	€M	104	146	148
Market cap				
+ Provisions	€M 1.42	1.42	0.00	
+ Unrecognised actuarial losses/(gains)	€M 0.00	0.00	0.00	
+ Net debt at year end	€M 8.86	12.1	38.8	
+ Leases debt equivalent	€M 0.00	0.00	0.00	
- Financial fixed assets (fair value)	€M			
+ Minority interests (fair value)	€M			
= EV	€M 114	159	187	
EV/EBITDA(R)	x -16.5	-28.5	5.41	
EV/Sales	x 11.8	11.4	3.17	

Analyst : Fabrice Farigoule, Changes to Forecasts : 25/07/2023.