

LICENSING AGREEMENT

PLEASANT SURPRISE FOR ZENEO® HYDROCORTISONE

Crossject announced yesterday morning that it had penned a new licensing agreement with Eton for ZENEO® Hydrocortisone. In the wake of the conference call, we have sharply upgraded our estimates for ZENEO® Hydrocortisone at several levels. While the deal does not involve a priority project, it does underscore the depth of the company's portfolio, which we have still only partially taken on board and which the market seems to be totally ignoring. Our updated estimates lift our TP to €4.3. This upward revision is wholly attributable to the higher valuation assigned to ZENEO® Hydrocortisone. With +46% upside potential, we are putting the stock on a BUY (vs. HOLD).

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An encouraging deal, albeit for a lower-priority product

The company announced yesterday morning that it had entered into a licensing agreement with Eton, a US-based adrenal insufficiency specialist (market cap of \$150m), for ZENEO® Hydrocortisone. This comes as a pleasant surprise, since most attention has been focused on Crossject's two priority drugs - ZENEO® Midazolam and ZENEO® Adrenaline. The deal underscores the depth of the company's portfolio and validates its strategy of focusing on drugs for use in emergency situations, particularly in the intramuscular segment, where its ZENEO® technology could have more advantages. In detail, the agreement includes milestone payments totaling \$11m, including \$5m to be paid pre-marketing, and covers the US and Canada. Crossject will receive \$1m upfront (including the \$0.5m already paid) and an additional \$4m once certain development and regulatory milestones are met. It will charge a price for each unit supplied to Eton, and receive 10% royalties on Eton's net sales. Lastly, the deal calls for the payment of up to \$6m more if Eton's annual net sales hit three separate commercial milestones. Eton expects to submit a marketing application to the FDA in 2023 and to request Orphan Drug Designation to lock in exclusivity for seven years.

A niche market that could be more important than anticipated

ZENEO® Hydrocortisone is a two-step "ready-to-use" rescue kit that is auto-injectable. It is intended for a niche market largely overlooked by big pharma: acute adrenal insufficiency, or Addison's disease. The disease is caused by an abrupt drop in the production of steroid hormones (cortisol and aldosterone) by the adrenal glands. An adrenal crisis is considered an emergency situation and survival requires rapid treatment. Some 100k people in the US suffer from the disease, and the incidence of acute crises is close to 25% according to the scientific literature. After the conference call with management, we sharply upgraded our estimates for ZENEO® Hydrocortisone at several levels. First, we factored in higher amounts for the licensing deal with Eton (\$11m vs. \$1.3me). We also adjusted our marketing model to factor in the 10% royalties on Eton's net sales and the unit supply price. And, after talking to Crossject management, we revised the pricing of ZENEO® Hydrocortisone up considerably to €625 in the US and €156 in Europe (vs. €175 and €75 previously). Our previous estimates did not seem to fully reflect the added value ZENEO® technology represents. Indeed, medical needs are significant, since there is only one solution available on the market (Solu Cortef) and it is not adapted to emergency situations since, while it can be used to treat adrenal crises, it involves 15 steps, vs. only two for ZENEO®.

en € / action	2021e	2022e	2023e
BNA dilué	-0,39	-0,03	1,31
var. 1 an	n.s.	n.s.	n.s.
Révisions	n.s.	n.s.	n.s.

au 31/12	2021e	2022e	2023e
PE	n.s.	n.s.	2,3x
VE/CA	41,0x	5,4x	0,9x
VE/EBITDA ajusté	n.s.	22,9x	1,3x
VE/EBITA ajusté	n.s.	453,2x	1,4x
FCF yield*	n.s.	n.s.	47,8%
Rendement	n.s.	n.s.	n.s.

* FCF opérationnel fiscalisé avant BFR rapporté à la VE

Informations clés			
Cours de clôture du 16/06/2021			3,0
Nb d'actions (m)			25,4
Capitalisation (m€)			75
Capi. flottante (m€)			53
ISIN			FR0011716265
Ticker			ALCJ-FR
Secteur DJ			Health Technology

	1m	3m	Dp 31/12
Variation absolue	+7,3%	-11,1%	-3,8%
Variation relative	+4,7%	-16,4%	-16,0%

Source : Factset, estimations Invest Securities

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While Solu Cortef sells for just \$20, its added value in a crisis situation could be well below that of ZENEO®. Moreover, given how easy it is to use ZENEO®, we have assumed that ZENEO® Hydrocortisone would be sold preventatively as well. Rather than target only those patients who experience acute crises (about 25% of Addison's patients have a crisis every year), we now believe that some patients will want to keep a CROSSJECT product on hand in case of emergency.

Based on the above, we now see the partner's peak sales reaching €34m (vs. €5m previously), and will adjust our estimates as development moves forward. Note that the launch schedule (FDA filing in 2023) is in line with our expectations. Following the signature of the licensing deal, we now put the likelihood of reaching the market at 75% (vs. 35% previously). We had previously applied a fairly low probability of success because this product is not a priority for the company.

Target price raised to €4.3 (vs. €3.8), now a BUY (vs. HOLD)

Our updated model lifts our TP to €4.3 (from €3.8). The change is attributable solely to our higher value assigned to ZENEO® Hydrocortisone (+€0.60/share). Note also that ZENEO® Hydrocortisone's weighting in our valuation increases to 14% (from 1%).

Another benefit of the Eton deal is that it will make the valuation less sensitive to the two priority products: ZENEO® Adrenaline and Midazolam. Our TP leaves significant upside potential of +46%. We are therefore putting the stock on a BUY (vs. HOLD). As explained in our previous flash, we were waiting for the company to land new deals before taking a more bullish stance on the stock. Though this deal does not involve one of the priority products, it does illustrate the depth of Crossject's portfolio, which is only partially reflected in our estimates and is still being totally ignored by the market.

FINANCIAL DATA

Données par action	2016	2017	2018	2019	2020	2021e	2022e	2023e
BNA publié	-0,91	-1,04	-1,47	-0,32	-0,41	-0,41	-0,03	1,31
BNA corrigé dilué	-0,78	-0,79	-0,56	-0,29	-0,38	-0,39	-0,03	1,31
<i>Ecart /consensus</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>
Dividende	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Ratios valorisation	2016	2017	2018	2019	2020	2021e	2022e	2023e
P/E	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	2,3x
VE/CA	n.s.	n.s.	n.s.	161,58x	4422,54x	40,95x	5,38x	0,92x
VE/EBITDA ajusté	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	22,9x	1,3x
VE/EBITA ajusté	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	453,2x	1,4x
FCF yield op. avt BFR	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	47,8%
FCF yield opérationnel	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	28,5%
Rendement	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.

NB : les ratios sont calculés sur le cours moyen annuel pour les exercices terminés

Valeur d'Entreprise (m€)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Cours en €	7,6	5,1	3,2	1,9	3,0	3,0	3,0	3,0
Capitalisation	55,6	74,8	74,8	74,8	74,8	74,8	74,8	74,8
Dettes Nette	3,1	5,3	4,1	5,8	12,8	19,9	24,6	3,6
Valeur des minoritaires	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions/ quasi-dettes	0,1	0,1	0,1	0,2	0,8	0,8	0,8	0,8
+/- corrections	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Valeur d'Entreprise (VE)	58,7	80,2	79,0	80,8	88,5	95,6	100,2	79,2

Compte résultat (m€)	2016	2017	2018	2019	2020	2021e	2022e	2023e
CA	0,0	0,0	0,0	0,5	0,0	2,3	18,6	86,0
<i>var.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>-96,0%</i>	<i>+11566,7%</i>	<i>+697,8%</i>	<i>+361,8%</i>
EBITDA ajusté	-5,8	-6,6	-7,7	-5,0	-5,8	-6,3	4,4	61,5
EBITA ajusté	-7,3	-8,6	-11,6	-8,6	-10,7	-11,1	0,2	56,4
<i>var.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>
EBIT	-6,7	-8,9	-11,6	-8,6	-11,2	-11,1	0,2	56,4
Résultat financier	-1,1	0,2	-0,7	0,1	-0,3	-0,3	-0,5	-0,5
IS	1,1	1,1	1,6	1,3	1,6	0,9	-0,5	-19,8
SME+Minoritaires	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
RN pdg publié	-6,7	-7,6	-10,7	-7,2	-9,8	-10,6	-0,8	36,1
RN pdg corrigé	-6,7	-7,6	-10,7	-7,2	-9,8	-10,6	-0,8	36,1
<i>var.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>

Tableau de flux (m€)	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA	-5,8	-6,6	-7,7	-5,0	-5,8	-6,3	4,4	61,5
IS théorique / EBITA	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	-18,8
Total capex	-6,1	-4,2	-3,3	-4,4	-6,1	-6,0	-7,4	-4,8
FCF opérationnel net IS avt BFR	-11,9	-10,8	-11,0	-9,4	-11,9	-12,3	-3,1	37,9
Variation BFR	-0,3	0,6	-1,0	-1,7	-0,5	-0,6	-0,7	-15,3
FCF opérationnel net IS après BFR	-12,2	-10,2	-12,0	-11,1	-12,4	-12,9	-3,8	22,5
Acquisitions/cessions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Variation de capital	4,9	6,7	11,8	8,9	5,2	5,2	0,0	0,0
Dividendes versés nets	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Autres dont correction IS	1,1	1,3	0,9	1,4	1,4	0,5	-0,9	-1,5
Cash-flow publié	-6,2	-2,3	0,6	-0,8	-5,7	-7,1	-4,7	21,0

Bilan (m€)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Actifs immobilisés	9,3	11,4	11,3	12,5	14,9	16,1	19,3	19,0
dont incorporels/GW	2,5	4,1	0,0	0,0	0,0	0,0	0,0	0,0
BFR	-0,3	0,6	-1,0	-1,7	-0,5	-0,6	-0,7	-15,3
Capitaux Propres groupe	6,3	6,1	1,7	3,0	-1,1	-6,5	-7,3	28,8
Minoritaires	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions	0,1	0,1	0,1	0,2	0,8	0,8	0,8	0,8
Dettes fl. nette	3,1	5,3	4,1	5,8	12,8	19,9	24,6	3,6

Ratios financiers (%)	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA/CA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	23,6%	71,6%
EBITA/CA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	1,2%	65,6%
RN corrigé/CA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	42,0%
ROCE	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	1,2%	1533,4%
ROE corrigé	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	125,2%
DN/FP	48,6%	86,6%	244,7%	191,9%	n.s.	n.s.	n.s.	12,3%
DN/EBITDA (en x)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	5,6x	0,1x

Source : données sociétés, estimations Invest Securities

INVESTMENT CASE

Crossject is developing its needle-free auto-injector ZENEO® for seven different indications. We appreciate how the company has adapted its strategy to focus on emergency treatments, which speeds up the approval process in the US and increases its chances of finding licensing partners quickly. For now, visibility on the cash runway remains limited, and uncertainty remains about the timing of its marketing authorization applications. It will need to sign more licensing deals across its pipeline to fully convince investors of the potential of its ZENEO® technology for use in emergency medical situations and to improve its risk profile.

SWOT ANALYSIS

STRENGTHS

- ❑ 7 products in the pipeline
- ❑ A best-in-class technology for a market with high unmet medical needs
- ❑ Industrial partnership with Cenexi

WEAKNESSES

- ❑ Possible pricing pressure
- ❑ Competitive market environment

OPPORTUNITIES

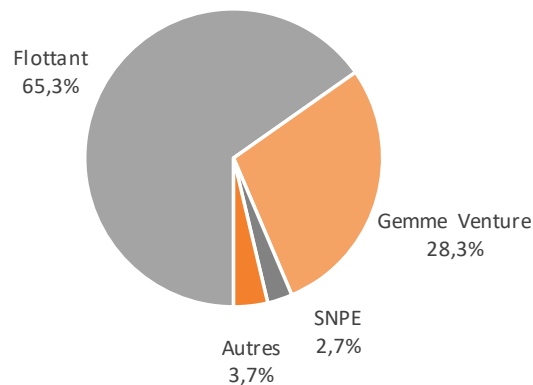
- ❑ Many potential uses for emergency treatment drugs
- ❑ Licensing agreements in the US and Europe
- ❑ Potential takeover target

THREATS

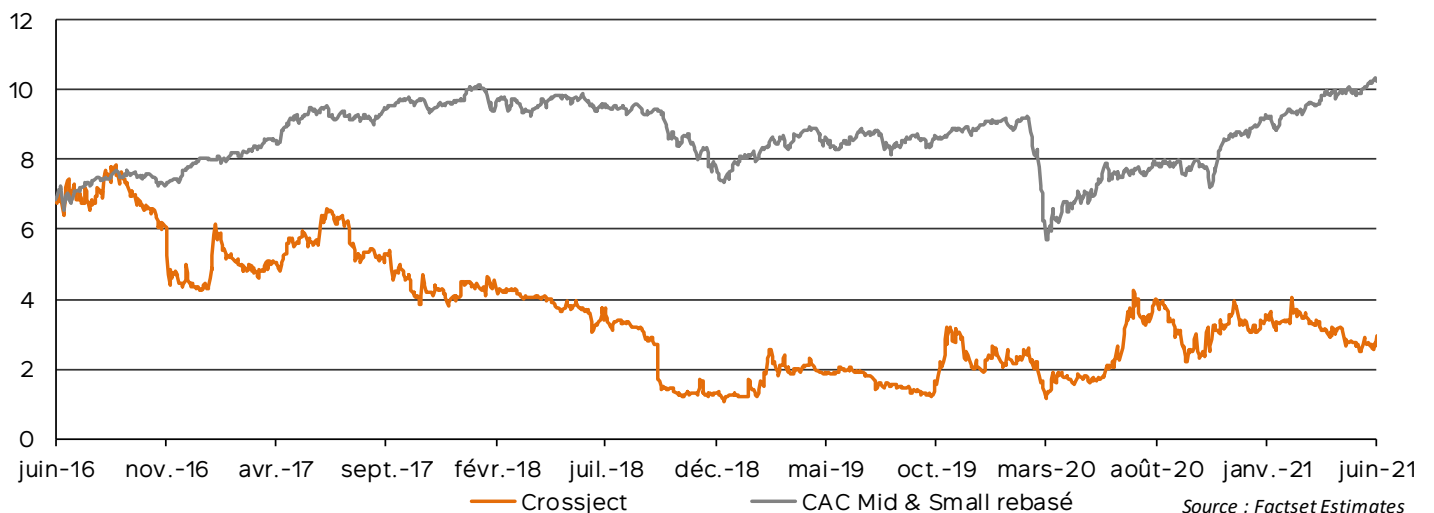
- ❑ Delays in clinical development
- ❑ Tight development timeframe

ADDITIONAL INFORMATION

Actionnariat



SHARE PRICE CHANGE FOR 5 YEARS



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- TENDER or DO NOT TENDER: Recommendations used when a public offer has been made for the issuer (takeover bid, public exchange offer, squeeze-out, etc.)
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12-MONTH HISTORY OF OPINION

Le tableau ci-dessous reflète l'historique des changements de recommandation et d'objectif de cours réalisés par le bureau d'analyse financière d'Invest Securities au cours des 12 derniers mois.

Société couverte	Analyste principal	Date de publication	Opinion	Objectif de Cours	Potentiel vs OC
Crossject	Thibaut Voglimacci	13-avr.-21	NEUTRE	3,8	+28%
Crossject	Thibaut Voglimacci	01-févr.-21	NEUTRE	3,4	+3%
Crossject	Thibaut Voglimacci	17-déc.-20	NEUTRE	3,2	-4%

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	Crossject
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Invest Securities et l'émetteur ont signé une convention de prestation de service d'analyse.	Oui
Invest Securities et l'émetteur ont signé une convention de Listing sponsor.	Non
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Le présent document a été communiqué à l'émetteur préalablement à sa publication. Cette relecture n'a pas conduit l'analyste à modifier son objectif de cours et sa recommandation boursière.	Oui
Le présent document a été communiqué à l'émetteur pour relecture préalablement à sa publication. Cette relecture a conduit l'analyste à modifier son objectif de cours et sa recommandation boursière.	Non
L'analyste financier a des intérêts dans le capital de l'émetteur.	Non
L'analyste financier a acquis des titres de capital de l'émetteur avant l'opération d'offre publique.	Non
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Invest Securities ou le groupe All Invest détient, à titre temporaire, une position longue nette de plus de 0.5% du capital de l'émetteur.	Non
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