

Valneva SE

France / Biotechnology
 Euronext Paris
 Bloomberg: VLA FP
 ISIN: FR0004056851

Update

RATING
BUY

PRICE TARGET
€ 7.40

Return Potential 49.2%
 Risk Rating High

POSITIVE LYME PHASE II RESULTS; UK SARS-COV-2 VACCINE DEAL

Valneva has announced positive results of VLA15-201, the first of two parallel phase II studies of its Lyme vaccine candidate, VLA15. VLA15-201 met its endpoints and compared to Phase I, the higher doses used in this trial elicited higher antibody responses. VLA15 was also generally safe across all dose and age groups tested. Last week Valneva further announced that it has been selected to deliver SARS-CoV-2 vaccines to the UK. Valneva first announced on 22 April that it is developing a vaccine candidate, VLA2001, against SARS-CoV-2. VLA2001 is based on Valneva's existing platform for the Japanese encephalitis vaccine, Ixiaro, and so we think the probability that the vaccine will work is good. VLA2001 is expected to enter clinical studies by the end of this year and potentially achieve regulatory approval in H2/21. The deal with the UK Government is an in principle agreement for 60 million doses. If the vaccine is proven to be safe and effective, the UK Government has an option on a further 40 million doses. We have incorporated 60 million doses into our valuation model which we assume would generate revenue of ca. €480m if the vaccine is approved. On the basis of the UK Government deal, we raise our price target from €6.90 to €7.40. We maintain our Buy recommendation.

VLA15-201 met its primary endpoint In VLA15-201, VLA15 was administered at Day 1, Month 1 and Month 2. The primary endpoint, which was met by the trial, was immunogenicity at Day 85 (one month after finalisation of primary immunisation). Immunogenicity was measured by determining immunoglobulin G antibodies against each of the six most prevalent Outer Surface Protein A serotypes of Lyme borreliosis in the US and Europe covered by the vaccine. Results from VLA15-202, the second of the two Lyme phase II studies, are due later this year. In VLA15-202, VLA15 was administered at Day 1, Month 2 and Month 6. Data from the two phase II studies will be used to set the dose and vaccination schedule for VLA15's phase III trial which is expected to start in 2021/22. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2016	2017	2018	2019	2020E	2021E
Revenue (€m)	94.06	105.29	113.04	126.20	116.02	150.22
Y-o-y growth	20.0%	11.9%	7.4%	11.6%	-8.1%	29.5%
EBIT (€m)	-42.57	-3.95	6.26	-0.81	-20.02	-10.07
EBIT margin	n.a.	n.a.	5.5%	n.a.	n.a.	n.a.
Net income (€m)	-49.18	-11.48	3.26	-2.30	-21.91	-11.67
EPS (diluted) (€)	-0.66	-0.15	0.04	-0.03	-0.24	-0.13
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	2.82	8.74	12.55	-5.36	75.44	-38.30
Net gearing	40.3%	36.1%	-35.5%	-28.2%	-100.3%	-82.1%
Liquid assets (€m)	42.18	38.06	81.72	64.44	154.57	160.72

RISKS

Risks include, but are not limited to development, partnering, regulatory, competition and retention of key personnel.

COMPANY PROFILE

Valneva is a fully integrated, commercial stage biotech company focused on developing innovative vaccines for diseases with unmet medical need. The company has a portfolio of two commercialised travel vaccines and two vaccines in clinical development for infectious diseases. Valneva is incorporated in France and has over 500 employees.

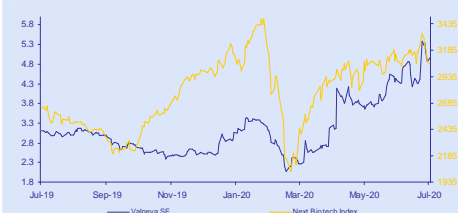
MARKET DATA

As of 27 Jul 2020

Closing Price € 4.96
 Shares outstanding 90.92m
 Market Capitalisation € 450.95m
 52-week Range € 2.07 / 5.39
 Avg. Volume (12 Months) 219,288

Multiples	2019	2020E	2021E
P/E	n.a.	n.a.	n.a.
EV/Sales	3.7	4.1	3.1
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2020

Liquid Assets € 80.83m
 Current Assets € 142.69m
 Intangible Assets € 40.84m
 Total Assets € 276.57m
 Current Liabilities € 45.13m
 Shareholders' Equity € 133.16m

SHAREHOLDERS

Groupe Grimaud La Corbière 15.1%
 US PIPE investors 8.2%
 Bpifrance Participations SA 8.7%
 MVM Funds 0.9%
 Free Float and other 67.1%



In principle agreement to deliver SARS-CoV-2 vaccine VLA2001 to UK Government

Last week Valneva announced that it has been selected to deliver SARS-CoV-2 vaccines to the UK. Valneva expects the UK Government to contribute to the cost of UK clinical studies of VLA2001 and the two parties are also negotiating funding to expand Valneva's Scottish facility at Livingston. Valneva plans further investment in its manufacturing sites at both Livingston and at Solna, Sweden within the context of its response to SARS-CoV-2.

VLA2001 uses the same platform as Valneva's approved Ixiaro vaccine

VLA2001 is an inactivated whole virus vaccine candidate and so uses a well-established technology which is also the basis of Valneva's Japanese encephalitis vaccine, Ixiaro. Ixiaro has been approved in the US, the EU and Canada since 2009. We thus think the probability that VLA2001 will work is good. Valneva has not made any statements on the pricing of VLA2001, but management confirms that if deliveries take place they will be on a commercial basis. We have assumed €8 per dose.

Price target raised from €6.90 to €7.40. Buy recommendation maintained

We have incorporated 60 million doses of VLA2001 into our valuation model, which we assume will generate revenue of ca. €480m from 2022 if the vaccine is approved. On the basis of the UK Government deal, we raise our price target from €6.90 to €7.40. We maintain our Buy recommendation.

Figure 1: Valuation model

Compound	Project ¹⁾	Present Value	Target Pop	Vaccine Cost	Market Size	Penetration Rate	Sales 2030	PACME Margin ²⁾	Discount Factor	Time to Market
Ixiaro	Japanese Encephalitis	€611.3M	21,112K	€ 198	€4,180.0M	2.3%	€161.1M	42%	10%	-
Dukoral	Cholera & ETEC	€108.5M	56,000K	€ 40	€2,240.0M	1.1%	€33.3M	38%	10%	-
VLA84	Clostridium Difficile	€28.9M	60,000K	€ 248	€14,876.0M	2.2%	€407.6M	12%	15%	8 Years
VLA15	Lyme Disease	€252.6M	120,000K	€ 135	€16,145.5M	2.8%	€580.6M	19%	10%	5 Years
VLA 1553	Chikungunya virus	€196.8M	25,000K	€ 164	€4,090.9M	2.2%	€109.9M	42%	10%	3 Years
VLA 1601	Zika virus	€34.4M	145,000K	€ 145	€20,959.1M	1.4%	€370.1M	7%	15%	8 Years
VLA 2001	SARS-CoV-2	€95.2M	60,000K	€ 8	n.a.	n.a.	n.a.	60%	10%	2 Years
EB66 cell line	Technology Platform	€27.5M					€19.7M	16%	10%	-
PACME PV		€1,355.1M			€62,491.5M		€1,682.1M			
Costs PV ⁴⁾		€829.0M								
NPV		€526.1M								
PV grants, collabs., 3rd party distrib.		€205.1M								
Proforma net cash		€23.2M								
Fair Value		€754.4M								
Proforma share count (fully diluted)		101,979K								
Price Target		€7.40								

Source: First Berlin Equity Research estimates



Figure 2: Changes to our valuation model

	Old	New	Delta
PACME PV	€1,259.9M	€1,355.1M	7.6%
Costs PV	€784.8M	€829.0M	5.6%
NPV	€475.1M	€526.1M	10.7%
PV grants, collabs., 3rd party distrib. milestones	€205.1M	€205.1M	0.0%
Net cash (pro-forma)	€22.3M	€23.2M	3.9%
Fair Value	€702.6M	€754.4M	7.4%
Share Count (fully diluted)	101,756K	101,979K	0.2%
Price Target	€6.90	€7.40	7.2%

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in EUR '000	2016	2017	2018	2019	2020E	2021E
Product sales	80,428	92,619	103,476	129,511	86,000	109,500
Collaborations, licensing/services	13,634	12,672	9,559	-3,315	30,019	40,720
Total revenues	94,062	105,291	113,035	126,196	116,019	150,220
Cost of materials/goods sold	-43,076	-45,979	-44,448	-49,968	-39,567	-45,707
Gross Profit	50,986	59,312	68,587	76,228	76,452	104,513
Sales & marketing	-16,639	-17,875	-20,930	-24,145	-21,562	-24,090
General & administrative	-14,412	-15,545	-16,932	-18,398	-18,445	-20,500
Research & development	-24,589	-23,356	-25,291	-37,883	-60,280	-72,200
Amortization of intangibles	-41,246	-10,731	-3,177	-2,952	-2,881	-3,475
Other operating items, net*	3,332	4,241	4,004	6,339	6,692	5,678
Gain on bargain purchase	0	0	0	0	0	0
Operating income (EBIT)	-42,568	-3,954	6,261	-811	-20,024	-10,074
Net financial result	-6,260	-8,606	-4,031	-1,633	-3,690	-3,600
Associates	0	0	1,122	1,574	1,800	2,000
Pre-tax income (EBT)	-48,828	-12,560	3,351	-870	-21,914	-11,674
Income taxes	-356	1,078	-88	-1,430	0	0
Net income / loss	-49,184	-11,482	3,264	-2,300	-21,914	-11,674
EPS	-0.66	-0.15	0.04	-0.03	-0.24	-0.13
EBITDA**	2,811	10,708	13,089	7,800	-10,824	-3,396

*Note 1: Other operating income includes the former top line position of grants income

**Note 2: EBITDA for 2016 are adjusted for a one-off bargain purchase and impairment of intangibles respectively

Ratios as % of total revenues

Gross margin	54.2%	56.3%	60.7%	60.4%	65.9%	69.6%
EBITDA margin	3.0%	10.2%	11.6%	6.2%	-9.3%	-2.3%
EBIT margin	n.a.	n.a.	n.a.	-0.6%	-17.3%	-6.7%
Net margin	n.a.	n.a.	2.9%	n.a.	n.a.	n.a.

Expenses as % of total revenues

Sales & marketing	-17.7%	-17.0%	-18.5%	-19.1%	-18.6%	-16.0%
General & administrative	-15.3%	-14.8%	-15.0%	-14.6%	-15.9%	-13.6%
Research & development	-26.1%	-22.2%	-22.4%	-30.0%	-52.0%	-48.1%

Y-Y Growth

Product sales	30.7%	15.2%	11.7%	25.2%	-33.6%	27.3%
Total revenues	20.0%	11.9%	7.4%	11.6%	-8.1%	29.5%
Operating income (EBIT)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net income / loss	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.



BALANCE SHEET

All figures in EUR '000	2016	2017	2018	2019	2020E	2021E
Assets						
Current Assets, Total	91,197	83,448	125,972	129,162	223,800	225,580
Cash and cash equivalents	42,180	38,055	81,725	64,439	154,568	160,718
Receivables	16,912	17,622	11,259	24,030	17,200	17,520
Inventories	22,701	19,931	22,727	25,772	21,500	27,594
Other current assets	9,404	7,840	10,261	14,921	30,533	19,748
Non-Current Assets, Total	115,686	105,895	103,935	135,562	123,152	134,955
Property, plant & equipment	39,039	38,374	37,997	20,003	19,780	19,710
Right of use assets	0	0	0	49,334	41,000	52,203
Intangibles	58,959	48,468	44,891	41,813	37,841	35,566
Equity-accounted investees	0	0	1,122	2,263	4,063	6,063
Other assets	17,688	17,368	17,236	17,161	15,480	16,425
Deferred tax assets	0	1,686	2,689	4,988	4,988	4,988
Total Assets	206,883	189,343	229,907	264,723	346,952	360,534
Shareholders' Equity & Debt						
Current Liabilities, Total	38,890	37,674	42,944	41,300	65,643	74,109
Short-term debt	20,959	17,399	16,664	1,999	1,000	0
Accounts payable	7,808	9,527	13,325	16,567	17,200	21,900
Other current liabilities and provisions	2,439	2,896	2,041	7,344	2,580	3,285
Current finance lease liabilities	0	0	865	2,308	1,533	1,951
Tax and employee-related liabilities	7,123	7,531	8,643	10,624	10,320	13,140
Current tax liability	561	322	1,406	2,458	3,010	3,833
Deferred income	0	0	0	0	30,000	30,000
Longterm Liabilities, Total	67,942	59,000	43,777	88,270	168,070	139,405
Long term debt	61,544	54,097	14,273	24,317	40,000	40,000
Non-current finance lease liabilities	0	0	25,797	56,592	55,000	55,000
Other liabilities	6,398	4,903	3,707	7,361	4,888	6,224
Deferred income	0	0	0	0	68,182	38,182
Shareholders Equity	100,051	92,669	143,186	135,153	113,240	147,020
Total Consolidated Equity and Debt	206,883	189,343	229,907	264,723	346,952	360,534
Ratios						
Current ratio (x)	2.34	2.22	2.93	3.13	3.41	3.04
Quick ratio (x)	1.76	1.69	2.40	2.50	3.08	2.67
Net gearing	40.3%	36.1%	-35.5%	-28.2%	-100.3%	-82.1%
Book value per share (€)	1.34	1.20	1.77	1.49	1.25	1.62
Equity ratio	48.4%	48.9%	62.3%	51.1%	32.6%	40.8%



CASH FLOW STATEMENT

All figures in EUR '000	2016	2017	2018	2019	2020E	2021E
Net income / loss	-49,184	-11,482	3,264	-1,744	-21,914	-11,674
Depreciation and amortization	11,269	11,141	6,828	8,532	9,200	6,678
Impairment	34,109	3,568	0	75	0	0
Share-based payments	1,428	811	1,887	2,552	0	0
Tax provision	357	-1,078	88	874	0	0
Changes in working capital	3,032	4,199	3,955	-6,682	-3,219	3,024
Deferred income	0	0	0	0	98,182	-30,000
Other adjustments	5,494	5,670	286	1,922	-1,800	-2,000
Operating cash flow	6,505	12,829	16,306	5,529	80,450	-33,972
Property, plant and equipment	-2,411	-2,890	-2,874	-10,502	-3,805	-3,133
Investments in intangibles	-1,270	-1,148	-297	-382	-1,200	-1,200
Free cash flow	2,824	8,744	12,553	-5,355	75,445	-38,304
Acquisitions & disposals, net	15,279	-94	76	0	0	0
Interest received	3,290	72	178	199	0	0
Investing cash flow	14,888	-4,060	-2,917	-10,685	-5,005	-4,333
Debt and lease financing	-23,331	-5,311	-14,153	-7,253	14,684	-1,000
Equity financing, net	7,471	-147	49,263	-2,463	0	45,455
Interest expense	-10,932	-4,980	-4,165	-2,621	0	0
Cash flow from financing	-26,792	-10,438	30,945	-12,337	14,684	44,455
Forex & other effects	5,012	-2,456	-664	207	0	0
Net cash flows	-387	-4,125	43,670	-17,286	90,129	6,150
Cash, start of the year	42,567	42,180	38,055	81,725	64,439	154,568
Cash, end of the year	42,180	38,055	81,725	64,439	154,568	160,718
EBITDA/share	0.04	0.14	0.16	0.09	-0.12	-0.12
Y-Y Growth						
Operating cashflow	n.a.	97.2%	27.1%	-66.1%	1355.1%	n.a.
Free cashflow	n.a.	209.6%	43.6%	n.a.	n.a.	n.a.
EBITDA/share	n.a.	267.2%	17.1%	-47.0%	n.a.	n.a.

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	26 April 2017	€2.52	Buy	€4.00
2...17	↓	↓	↓	↓
18	7 May 2019	€3.43	Buy	€5.50
19	25 June 2019	€3.23	Buy	€5.50
20	2 August 2019	€3.09	Buy	€6.00
21	5 November 2019	€2.56	Buy	€6.00
22	2 March 2020	€2.81	Buy	€6.00
23	31 March 2020	€2.30	Buy	€5.60
24	12 May 2020	€4.22	Buy	€6.90
26	Today	€4.96	Buy	€7.40

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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