

# Valneva SE

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

Update

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 8.60**

Return Potential 31.7%  
 Risk Rating High

## FINAL SARS-COV-2 VACCINE SUPPLY DEAL WITH UK GOVERNMENT

Valneva has announced an enlargement of the scale of the agreement first announced on 20th July to supply its SARS-CoV-2 vaccine VLA2001 to the UK Government. The preliminary undertaking announced in July between Valneva and the UK Government stipulated the supply of 60m doses with an option for a further 40m doses providing that the vaccine be proven to be safe and effective. The commercial supply agreement announced on 14 September adds a further 30m to 90m optional doses to the 40m optional doses previously announced. Clinical studies of VLA2001 are scheduled to start by the end of this year with a view to achieving regulatory approval in H2 2021. We have raised our price target to €8.60 (previously: €7.40) to reflect the larger scale and greater transparency of the final commercial supply agreement in comparison with the preliminary agreement announced in July. We maintain our Buy recommendation.

**First 60m doses to be delivered by end 2021** Valneva is scheduled to deliver the first 60m doses of the vaccine by the end of 2021. The UK Government then has an option on 40m doses in 2022 and a total of a further 30m to 90m doses during 2023 to 2025. The first 60m doses will generate revenue of €470m (equivalent to €7.83 per dose) for Valneva while revenue from the maximum number of 130m optional doses could amount to almost €900m (equivalent to ca. €6.80 per dose). The vaccine is expected to have a two-dose regimen.

**€30m investment at Livingston facility to support VLA2001 programme** Valneva and the UK Government will each invest GBP14m (€15.1m) in Valneva's vaccine facility at Livingston, Scotland. The UK Government will recoup this investment from the delivery of the first 60m doses of VLA2001.

**Jump in 2021 revenue forecast** Our new 2021 forecast incorporates €470m of revenue from the delivery of the first 60m VLA2001 doses to the UK Government. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2016	2017	2018	2019	2020E	2021E
Revenue (€m)	94.06	105.29	113.04	126.20	129.26	612.50
Y-o-y growth	20.0%	11.9%	7.4%	11.6%	2.4%	373.8%
EBIT (€m)	-42.57	-3.95	6.26	-0.81	-27.88	214.10
EBIT margin	n.a.	n.a.	5.5%	n.a.	n.a.	35.0%
Net income (€m)	-49.18	-11.48	3.26	-2.30	-33.93	210.62
EPS (diluted) (€)	-0.66	-0.15	0.04	-0.02	-0.37	2.23
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	2.82	8.74	12.55	-5.36	40.27	118.21
Net gearing	40.3%	36.1%	-35.5%	-28.2%	-77.2%	-67.7%
Liquid assets (€m)	42.18	38.06	81.72	64.44	134.86	290.69

### 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 24 Sep 2020

Closing Price € 6.53  
 Shares outstanding 90.92m  
 Market Capitalisation € 593.69m  
 52-week Range € 2.07 / 6.64  
 Avg. Volume (12 Months) 307,782

Multiples	2019	2020E	2021E
P/E	n.a.	n.a.	3.0
EV/Sales	4.1	4.0	0.8
EV/EBIT	n.a.	n.a.	2.4
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2020

Liquid Assets € 200.05m  
 Current Assets € 253.45m  
 Intangible Assets € 39.97m  
 Total Assets € 389.35m  
 Current Liabilities € 104.72m  
 Shareholders' Equity € 111.06m

### 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%



We have modelled the cash impact of the rebate of the UK Government's €15.1 investment in Livingston by assuming that Valneva makes the entire €30.2m investment itself. We have also increased our 2021E G&A and R&D expense forecasts by 32% and 60% respectively to reflect additional costs of the VLA2001 programme. Our end-2021 forecast of €291m for cash and cash equivalents includes an assumed €45m in net proceeds raised in conjunction with the planned 2021 U.S. listing of the Valneva share.

**Buy recommendation maintained, price target raised to €8.60 (previously: €7.40)** We have raised our price target to €8.60 to reflect the larger scale and greater transparency of the commercial supply agreement in comparison with the preliminary agreement announced in July. We maintain our Buy recommendation.

**Figure 1: Changes to our forecasts**

All figures in EUR '000	2020E			2021E		
	Old	New	% Δ	Old	New	% Δ
Product sales revenues	76,342	76,300	-0.1%	100,500	570,500	467.7%
Revenues from collaboration, licensing and services	52,965	52,965	0.0%	42,000	42,000	0.0%
<b>Total revenues</b>	<b>129,307</b>	<b>129,265</b>	<b>0.0%</b>	<b>142,500</b>	<b>612,500</b>	<b>329.8%</b>
Gross profit	90,855	90,813	0.0%	94,725	376,725	297.7%
<i>margin (%)</i>	70.3%	70.3%	-	66.5%	61.5%	-
Sales & marketing	-19,250	-19,250	-	-20,625	-20,625	-
General & administrative	-18,009	-18,009	-	-19,000	-25,000	-
Research & development	-73,047	-88,047	-	-75,000	-120,000	-
Amortisation of intangibles	-2,880	-2,880	-	-3,000	-3,000	-
Other operating items, net	9,453	9,453	0.0%	6,000	6,000	0.0%
<b>EBIT</b>	<b>-12,878</b>	<b>-27,920</b>	<b>-</b>	<b>-16,900</b>	<b>214,100</b>	<b>-</b>
<i>margin (%)</i>	<i>n.a.</i>	<i>n.a.</i>	-	<i>n.a.</i>	<i>n.a.</i>	-
Net financial result	-7,810	-7,810	-	-3,480	-3,480	-
<b>EBT</b>	<b>-20,688</b>	<b>-35,730</b>	<b>-</b>	<b>-20,380</b>	<b>210,620</b>	<b>-</b>
Tax	1,759	1,759	0.0%	0	0	-
<b>Net income</b>	<b>-18,929</b>	<b>-33,971</b>	<b>-</b>	<b>-20,380</b>	<b>210,620</b>	<b>-</b>
<b>EPS (in EUR)</b>	<b>-0.21</b>	<b>-0.37</b>	<b>-</b>	<b>-0.21</b>	<b>2.23</b>	<b>-</b>
<b>EBITDA</b>	<b>-3,678</b>	<b>-18,720</b>		<b>-10,292</b>	<b>222,325</b>	

Source: First Berlin Equity Research estimates



Figure 2: Valuation model

Compound	Project <sup>1)</sup>	Present Value	Target Pop	Vaccine Cost	Market Size	Penetration Rate	Sales 2030	PACME Margin <sup>2)</sup>	Discount Factor	Time to Market
Ixiaro	Japanese Encephalitis	€604.2M	21,112K	€ 198	€4,180.0M	2.3%	€162.8M	41%	10%	-
Dukoral	Cholera & ETEC	€102.2M	56,000K	€ 40	€2,240.0M	1.1%	€33.1M	31%	10%	-
VLA84	Clostridium Difficile	€28.9M	60,000K	€ 248	€14,876.0M	2.2%	€407.6M	12%	15%	8 Years
VLA15	Lyme Disease	€254.4M	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	€262.8M	60,000K	€ 8	n.a.	n.a.	n.a.	60%	10%	2 Years
EB66 cell line	Technology Platform	€27.3M					€19.7M	16%	10%	-
<b>PACME PV</b>		<b>€1,510.9M</b>			<b>€62,491.5M</b>		<b>€1,683.6M</b>			
<b>Costs PV<sup>4)</sup></b>		<b>€886.0M</b>								
<b>NPV</b>		<b>€624.9M</b>								
PV grants, collabs., 3rd party distrib.		€85.0M								
Proforma net cash		€129.4M								
<b>Fair Value</b>		<b>€839.3M</b>								
Proforma share count (fully diluted)		97,557K								
<b>Price Target</b>		<b>€8.60</b>								

1) A project typically refers to a specific indication or, where necessary or relevant, a combination between indication and geographic market

2) PACME (Profit After Costs and Marketing Expenses) reflects the company's profit share on future revenues. This share may be derived in the form of royalties (outsourced marketing/manufacturing) or operating EBITDA margin (in-house model), or some mix of both (depending on the specific parameters of partnership agreements)

3) Remaining patent life after the point of approval

4) Includes company-level R&D, G&A, Financing Costs and CapEx; COGS and S&M are factored into the PACME margin for each project

Source: First Berlin Equity Research estimates

Figure 3: Changes to our valuation model

	Old	New	Delta
<b>PACME PV</b>	<b>€1,355.1M</b>	<b>€1,510.9M</b>	<b>11.5%</b>
Costs PV	€829.0M	€886.0M	6.9%
<b>NPV</b>	<b>€526.1M</b>	<b>€624.9M</b>	<b>18.8%</b>
PV grants, collabs., 3rd party distrib. milestones	€205.1M	€85.0M	-58.6%
Net cash (pro-forma)	€23.2M	€129.4M	457.6%
<b>Fair Value</b>	<b>€754.4M</b>	<b>€839.3M</b>	<b>11.3%</b>
Share Count (fully diluted)	101,979K	97,557K	-4.3%
<b>Price Target</b>	<b>€7.40</b>	<b>€8.60</b>	<b>16.3%</b>

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	76,300	570,500
Collaborations, licensing/services	13,634	12,672	9,559	-3,315	52,965	42,000
<b>Total revenues</b>	<b>94,062</b>	<b>105,291</b>	<b>113,035</b>	<b>126,196</b>	<b>129,265</b>	<b>612,500</b>
Cost of materials/goods sold	-43,076	-45,979	-44,448	-49,968	-38,452	-235,775
<b>Gross Profit</b>	<b>50,986</b>	<b>59,312</b>	<b>68,587</b>	<b>76,228</b>	<b>90,813</b>	<b>376,725</b>
Sales & marketing	-16,639	-17,875	-20,930	-24,145	-19,250	-20,625
General & administrative	-14,412	-15,545	-16,932	-18,398	-18,009	-25,000
Research & development	-24,589	-23,356	-25,291	-37,883	-88,047	-120,000
Amortization of intangibles	-41,246	-10,731	-3,177	-2,952	-2,880	-3,000
Other operating items, net*	3,332	4,241	4,004	6,339	9,453	6,000
Gain on bargain purchase	0	0	0	0	0	0
<b>Operating income (EBIT)</b>	<b>-42,568</b>	<b>-3,954</b>	<b>6,261</b>	<b>-811</b>	<b>-27,920</b>	<b>214,100</b>
Net financial result	-6,260	-8,606	-4,031	-1,633	-8,300	-5,480
Associates	0	0	1,122	1,574	490	2,000
<b>Pre-tax income (EBT)</b>	<b>-48,828</b>	<b>-12,560</b>	<b>3,351</b>	<b>-870</b>	<b>-35,730</b>	<b>210,620</b>
Income taxes	-356	1,078	-88	-1,430	1,759	0
<b>Net income / loss</b>	<b>-49,184</b>	<b>-11,482</b>	<b>3,264</b>	<b>-2,300</b>	<b>-33,971</b>	<b>210,620</b>
<b>EPS</b>	<b>-0.66</b>	<b>-0.15</b>	<b>0.04</b>	<b>-0.02</b>	<b>-0.37</b>	<b>2.23</b>
<b>EBITDA**</b>	<b>2,811</b>	<b>10,708</b>	<b>13,089</b>	<b>7,800</b>	<b>-18,720</b>	<b>222,325</b>

\*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%	70.3%	61.5%
EBITDA margin	3.0%	10.2%	11.6%	6.2%	-14.5%	36.3%
EBIT margin	n.a.	n.a.	n.a.	-0.6%	-21.6%	35.0%
Net margin	n.a.	n.a.	2.9%	n.a.	n.a.	34.4%

### Expenses as % of total revenues

Sales & marketing	-17.7%	-17.0%	-18.5%	-19.1%	-14.9%	-3.4%
General & administrative	-15.3%	-14.8%	-15.0%	-14.6%	-13.9%	-4.1%
Research & development	-26.1%	-22.2%	-22.4%	-30.0%	-68.1%	-19.6%

### Y-Y Growth

Product sales	30.7%	15.2%	11.7%	25.2%	-41.1%	647.7%
Total revenues	20.0%	11.9%	7.4%	11.6%	2.4%	373.8%
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
<b>Assets</b>						
<b>Current Assets, Total</b>	<b>91,197</b>	<b>83,448</b>	<b>125,972</b>	<b>129,162</b>	<b>203,996</b>	<b>449,223</b>
Cash and cash equivalents	42,180	38,055	81,725	64,439	134,856	290,694
Receivables	16,912	17,622	11,259	24,030	15,260	42,788
Inventories	22,701	19,931	22,727	25,772	30,520	85,575
Other current assets	9,404	7,840	10,261	14,921	23,360	30,167
<b>Non-Current Assets, Total</b>	<b>115,686</b>	<b>105,895</b>	<b>103,935</b>	<b>135,562</b>	<b>128,177</b>	<b>165,608</b>
Property, plant & equipment	39,039	38,374	37,997	20,003	17,549	48,607
Right of use assets	0	0	0	49,334	48,000	50,000
Intangibles	58,959	48,468	44,891	41,813	39,141	38,133
Equity-accounted investees	0	0	1,122	2,263	2,753	4,753
Other assets	17,688	17,368	17,236	17,161	13,734	17,115
Deferred tax assets	0	1,686	2,689	4,988	7,000	7,000
<b>Total Assets</b>	<b>206,883</b>	<b>189,343</b>	<b>229,907</b>	<b>264,723</b>	<b>332,173</b>	<b>614,831</b>
<b>Shareholders' Equity &amp; Debt</b>						
<b>Current Liabilities, Total</b>	<b>38,890</b>	<b>37,674</b>	<b>42,944</b>	<b>41,300</b>	<b>45,425</b>	<b>70,640</b>
Short-term debt	20,959	17,399	16,664	1,999	7,823	0
Accounts payable	7,808	9,527	13,325	16,567	20,601	42,788
Other current liabilities and provisions	2,439	2,896	2,041	7,344	2,289	2,853
Current finance lease liabilities	0	0	865	2,308	1,360	10,167
Tax and employee-related liabilities	7,123	7,531	8,643	10,624	10,682	11,410
Current tax liability	561	322	1,406	2,458	2,671	3,423
Contract liabilities and refund liabilities	0	0	0	0	0	0
<b>Longterm Liabilities, Total</b>	<b>67,942</b>	<b>59,000</b>	<b>43,777</b>	<b>88,270</b>	<b>183,511</b>	<b>184,880</b>
Long term debt	61,544	54,097	14,273	24,317	47,326	47,326
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	4,337	5,705
Contract liabilities and refund liabilities	0	0	0	0	76,849	76,849
<b>Shareholders Equity</b>	<b>100,051</b>	<b>92,669</b>	<b>143,186</b>	<b>135,153</b>	<b>103,237</b>	<b>359,311</b>
<b>Total Consolidated Equity and Debt</b>	<b>206,883</b>	<b>189,343</b>	<b>229,907</b>	<b>264,723</b>	<b>332,173</b>	<b>614,831</b>
<b>Ratios</b>						
Current ratio (x)	2.34	2.22	2.93	3.13	4.49	6.36
Quick ratio (x)	1.76	1.69	2.40	2.50	3.82	5.15
Net gearing	40.3%	36.1%	-35.5%	-28.2%	-77.2%	-67.7%
Book value per share (€)	1.34	1.20	1.77	1.49	1.14	3.95
Equity ratio	48.4%	48.9%	62.3%	51.1%	31.1%	58.4%



## CASH FLOW STATEMENT

All figures in EUR '000	2016	2017	2018	2019	2020E	2021E
<b>Net income / loss</b>	<b>-49,184</b>	<b>-11,482</b>	<b>3,264</b>	<b>-1,744</b>	<b>-33,929</b>	<b>210,620</b>
Depreciation and amortization	11,269	11,141	6,828	8,532	9,200	8,225
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	-5,971	-60,365
Deferred income	0	0	0	0	76,849	0
Other adjustments	5,494	5,670	286	1,922	-1,800	-2,000
<b>Operating cash flow</b>	<b>6,505</b>	<b>12,829</b>	<b>16,306</b>	<b>5,529</b>	<b>44,348</b>	<b>156,480</b>
Property, plant and equipment	-2,411	-2,890	-2,874	-10,502	-1,574	-35,775
Investments in intangibles	-1,270	-1,148	-297	-382	-2,500	-2,500
<b>Free cash flow</b>	<b>2,824</b>	<b>8,744</b>	<b>12,553</b>	<b>-5,355</b>	<b>40,274</b>	<b>118,206</b>
Acquisitions & disposals, net	15,279	-94	76	0	0	0
Interest received	3,290	72	178	199	0	0
<b>Investing cash flow</b>	<b>14,888</b>	<b>-4,060</b>	<b>-2,917</b>	<b>-10,685</b>	<b>-4,074</b>	<b>-38,275</b>
Debt and lease financing	-23,331	-5,311	-14,153	-7,253	28,833	-7,823
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
<b>Cash flow from financing</b>	<b>-26,792</b>	<b>-10,438</b>	<b>30,945</b>	<b>-12,337</b>	<b>28,833</b>	<b>37,632</b>
Forex & other effects	5,012	-2,456	-664	207	1,310	0
<b>Net cash flows</b>	<b>-387</b>	<b>-4,125</b>	<b>43,670</b>	<b>-17,286</b>	<b>70,417</b>	<b>155,837</b>
Cash, start of the year	42,567	42,180	38,055	81,725	64,439	134,856
<b>Cash, end of the year</b>	<b>42,180</b>	<b>38,055</b>	<b>81,725</b>	<b>64,439</b>	<b>134,856</b>	<b>290,694</b>
<b>EBITDA/share</b>	<b>0.04</b>	<b>0.14</b>	<b>0.16</b>	<b>0.09</b>	<b>-0.21</b>	<b>-0.21</b>
<b>Y-Y Growth</b>						
Operating cashflow	n.a.	97.2%	27.1%	-66.1%	702.1%	252.8%
Free cashflow	n.a.	209.6%	43.6%	n.a.	n.a.	193.5%
EBITDA/share	n.a.	267.2%	17.1%	-47.0%	n.a.	n.a.

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#### 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 <sup>1</sup>	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%

<sup>1</sup> 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...19	↓	↓	↓	↓
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
25	28 July 2020	€4.96	Buy	€7.40
26	11 August 2020	€5.85	Buy	€7.40
27	10 September 2020	€5.11	Buy	€7.40
28	Today	€6.53	Buy	€8.60

#### INVESTMENT HORIZON

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**Legally required information regarding**

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

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