

Valneva SE

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

Capital Raise

RATING	BUY
PRICE TARGET	€ 7.70
Return Potential	203.9%
Risk Rating	High

FUNDING GROWTH INVESTMENTS AHEAD OF LYME VACCINE LAUNCH

Valneva had cash and cash equivalents of €131m at the end of June. Cashburn will be lower in H2/24 compared with the first six months due to the completion in the spring of Valneva's contributions to the VLA15 Lyme vaccine development cooperation with Pfizer. However, sustainable free cashflow is unlikely until revenues, milestones and royalties are forthcoming from the launch (subject to approval) of VLA15 in 2027. Our previous study of 20 August showed a cash position of €10m at the end of 2026. In August 2023 Valneva announced a doubling of the debt outstanding to its principal creditors, DeerField and OrbiMed, to USD200m. In March 2024 the interest-only period on the first USD100m tranche was extended from July 2024 to January 2026. The second USD100m tranche is interest-only until Q1/27. Given the increase in its debt and the prospect of the substantial depletion of its cash position over the next 27 months, it was always possible that Valneva would seek to raise new equity capital. The capital raise completed on 13 September, which raised gross proceeds of €61m, provides Valneva with the flexibility to invest in its chikungunya, shigella, zika and preclinical R&D projects before free cashflow turns positive following the Lyme vaccine launch. We now forecast Valneva's end-2026 cash position at €64m, and so we believe the capital raise has eliminated any requirement for cash ahead of the Lyme vaccine launch. This means investors will capture full upside from the expected positive Lyme vaccine phase 3 data (expected by end 2025), regulatory approval and launch. We have reduced our price target from €8.60 to €7.70 to reflect the dilution occasioned by the issue. However, we reiterate our Buy recommendation as we think the Valneva share is very undervalued relative to the prospects both for the existing commercialised vaccine portfolio and the pipeline, above all VLA15.

CEPI/EU grant provides additional support for IXCHIQ investments On 13 September Valneva announced the completion of a private placement of 23m new shares at €2.66 per share raising gross proceeds of €61.18m. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2022	2023	2024E	2025E	2026E	2027E
Revenue (€m)	361.3	153.7	174.6	213.9	282.5	473.2
Y-o-y growth	3.8%	-57.5%	13.6%	22.5%	32.1%	67.5%
EBIT (€m)	-113.4	-82.1	21.3	-36.7	-0.2	162.4
EBIT margin	n.a.	n.a.	12.2%	n.a.	n.a.	34.3%
Net income (€m)	-143.3	-101.4	3.9	-54.3	-14.9	135.7
EPS (diluted) (€)	-1.24	-0.73	0.03	-0.39	-0.11	0.98
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-274.7	-217.1	-34.0	-51.8	-0.3	136.7
Net gearing	-62.4%	64.5%	35.6%	95.5%	120.5%	7.6%
Liquid assets (€m)	289.4	126.1	147.1	95.3	63.8	165.3

RISKS

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

COMPANY PROFILE

Valneva is a specialty vaccine company which develops and commercialises prophylactic vaccines for infectious diseases with significant unmet medical need. Valneva is currently commercialising three vaccines and has successfully advanced several vaccine candidates into and through the clinic, including candidates against Lyme disease, the chikungunya virus and COVID-19. Valneva is incorporated in France and had over 700 employees at end June 2024.

MARKET DATA

As of 20 Sep 2024

Closing Price	€ 2.53
Shares outstanding	162.28m
Market Capitalisation	€ 411.21m
52-week Range	€ 2.53 / 6.36
Avg. Volume (12 Months)	497,930

Multiples	2023	2024E	2025E
P/E	n.a.	90.7	n.a.
EV/Sales	2.8	2.5	2.0
EV/EBIT	n.a.	20.2	n.a.
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2024

Liquid Assets	€ 126.08m
Current Assets	€ 262.82m
Intangible Assets	€ 25.57m
Total Assets	€ 460.06m
Current Liabilities	€ 158.86m
Shareholders' Equity	€ 128.25m

SHAREHOLDERS

CDC	8.7%
Pfizer Inc.	5.9%
Polar Capital	5.0%
Groupe Grimaud la Corbiere	4.2%
Free Float and other	76.3%



The issue increases the company's share capital by 16.5% and was made at a 15.2% discount to the previous day's closing price of €3.138 and a 15% discount to the volume-weighted average price on Euronext over the previous three trading sessions. Valneva said that it intends to use the proceeds of the issue to fund phase 3 pediatric and phase 4 programs for its chikungunya vaccine (IXCHIQ) as well as the anticipated phase 2 programs for the shigella and zika vaccine candidates. Some of the net proceeds will also be used for the further commercialization of IXCHIQ, to fund the acceleration of the company's pre-clinical research and development activities, and for general corporate purposes. Costs for IXCHIQ phase 4 and certain other IXCHIQ studies are also supported by an additional CEPI (Coalition for Epidemic Preparedness Innovations) grant. The expansion of Valneva's partnership with CEPI, with support from the EU, was announced on 22 July and provides Valneva with up to USD41.3m of additional funding over five years.

Figure 1: Largest shareholders in Valneva before and after the issue

	Old no. shares	% capital	New no. shares	% capital	Δ	% contribution to capital raise
Groupe CDC	13,539,703	9.72%	14,089,703	8.68%	550,000	2.4%
Pfizer Inc.	9,554,395	6.86%	9,554,395	5.89%	0	0.0%
Groupe Grimaud La Corbiere	6,744,702	4.84%	6,744,702	5.01%	0	0.0%
Polar Capital	5,423,702	0.00%	8,123,702	4.16%	2,700,000	11.7%
Braidwell LP	0	0.00%	5,400,000	3.33%	5,400,000	23.5%
Free Float	104,014,399	74.68%	118,364,399	72.94%	14,350,000	62.4%
Total	139,276,901	100.00%	162,276,901	100.00%	23,000,000	100.0%

Source: First Berlin Equity Research estimates

Contributors to the equity capital raise include the US healthcare specialists, Braidwell LP and Polar Capital, who between them subscribed for over a third of the new shares.

Valneva to receive payments of USD143m from Pfizer on Lyme vaccine commercialisation Valneva had cash of €131m at the end of June and on our previous forecast (see our note of 20 August) a cash runway until the end of 2026. We expect Pfizer to launch the Lyme vaccine, VLA15, in 2027. Valneva will become eligible to receive payments of USD143m from Pfizer in connection with the first commercialisation of VLA15 in the US and Europe.

We maintain our Buy recommendation but lower the price target from €8.60 to €7.70 We have reduced our price target from €8.60 to €7.70 to reflect the dilution occasioned by the issue. However, we reiterate our Buy recommendation as we think the Valneva share is very undervalued relative to the prospects both for the existing commercialised vaccine portfolio and the pipeline, above all the Lyme vaccine candidate VLA15, which is expected to be launched in the US market in 2027.

**Figure 2: Valuation model**

Compound	Project ¹⁾	Present Value	Market Size 2030	Market Share 2030	Sales 2030	PACME Margin ²⁾	Discount Factor	Time to Market
Ixiaro	Japanese Encephalitis	€599.7M	€149.5M	90.0%	€1345M	40%	9.0%	-
Dukoral	Cholera & ETEC	€150.2M	€178.3M	25.0%	€44.6M	30%	9.0%	-
VLA15	Lyme Disease	€792.3M	€909.1M	70.0%	€636.4M	18%	10.0%	3 Years
VLA 1553	Chikungunya virus	€808.4M	€463.0M	58.9%	€272.7M	45%	9.0%	-
S4V	Shigellosis	€240.5M	n.a.	n.a.	n.a.	45%	10.0%	6 years
EB66 cell line	Technology Platform	€11.9M			€19.7M	15%	9.0%	-
PACME PV		€2,603.0M						
Costs PV ³⁾		€1,523.1M						
NPV		€1,079.9M						
PV grants, collabs., 3rd party distrib.		€192.1M						
Proforma net cash		-€23.2M						
Fair Value		€1,248.9M						
Proforma share count (fully diluted)		162,277K						
Price Target		€7.70						

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) 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



INCOME STATEMENT

All figures in EUR '000	2022	2023	2024E	2025E	2026E	2027E
Product sales	114,797	144,624	167,075	206,140	274,514	334,929
Other income	246,506	9,089	7,534	7,760	7,993	138,233
Total revenues	361,303	153,713	174,609	213,900	282,507	473,161
Cost of materials/goods sold	-324,441	-100,875	-96,396	-93,875	-117,138	-135,279
Gross Profit	36,862	52,838	78,213	120,024	165,369	337,882
Sales & marketing	-23,509	-48,752	-49,181	-55,658	-65,883	-77,034
General & administrative	-34,073	-47,799	-50,000	-53,596	-52,158	-56,938
Research & development	-104,922	-59,894	-67,711	-67,500	-67,500	-47,500
Other operating items, net	12,199	21,520	110,000	20,000	20,000	6,000
Operating income (EBIT)	-113,443	-82,087	21,321	-36,730	-172	162,411
Net financial result	-18,794	-22,115	-17,596	-17,596	-14,714	-11,660
Foreign exchange gains/(loss)	-12,587	5,573	0	0	0	0
Pre-tax income (EBT)	-144,815	-98,629	3,725	-54,326	-14,886	150,751
Income taxes	1,536	-2,800	158	0	0	-15,075
Net income / loss	-143,279	-101,429	3,883	-54,326	-14,886	135,676
EPS	-1.24	-0.73	0.03	-0.39	-0.11	0.98
Adjusted EBITDA	-69,200	-65,187	40,274	-17,305	19,739	182,823
Ratios as % of total revenues						
Gross margin	10.2%	34.4%	44.8%	56.1%	58.5%	71.4%
EBITDA margin	-19.2%	-42.4%	23.1%	-8.1%	7.0%	38.6%
EBIT margin	-31.4%	-53.4%	12.2%	-17.2%	-0.1%	34.3%
Net margin	n.a.	n.a.	2.2%	n.a.	n.a.	28.7%
Expenses as % of total revenues						
Sales & marketing	-6.5%	-31.7%	-28.2%	-26.0%	-23.3%	-16.3%
General & administrative	-9.4%	-31.1%	-28.6%	-25.1%	-18.5%	-12.0%
Research & development	-29.0%	-39.0%	-38.8%	-31.6%	-23.9%	-10.0%
Y-Y Growth						
Product sales	82.3%	26.0%	15.5%	23.4%	33.2%	22.0%
Total revenues	3.8%	-57.5%	13.6%	22.5%	32.1%	67.5%
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	2022	2023	2024E	2025E	2026E	2027E
Assets						
Current Assets, Total	424,659	262,824	282,427	247,822	240,620	377,657
Cash and cash equivalents	289,430	126,080	147,096	95,279	63,833	165,313
Receivables	23,912	41,645	40,098	45,351	56,001	68,325
Inventories	35,104	44,466	41,769	47,412	54,903	66,986
Other current assets	76,213	50,633	53,464	59,781	65,883	77,034
Non-Current Assets, Total	196,685	197,238	207,502	208,227	213,914	218,552
Property, plant & equipment	112,435	136,198	135,202	134,176	133,119	132,030
Right of use assets	41,603	20,392	23,558	29,066	38,707	47,225
Intangibles	28,711	25,567	32,343	29,117	25,889	22,657
Equity-accounted investees	0	0	0	0	0	0
Other assets	8,299	8,489	9,807	9,276	9,608	10,048
Deferred tax assets	5,637	6,592	6,592	6,592	6,592	6,592
Total Assets	621,344	460,062	489,929	456,049	454,534	596,210
Shareholders' Equity & Debt						
Current Liabilities, Total	277,392	158,863	87,326	130,814	165,119	268,981
Short-term debt	11,580	44,079	0	31,189	35,195	110,463
Accounts payable	41,491	44,303	45,110	55,658	71,374	87,081
Other current liabilities and provisions	36,780	11,427	13,201	16,287	21,690	26,463
Current finance lease liabilities	25,411	2,879	3,326	4,104	5,465	6,667
Tax and employee-related liabilities	15,738	16,209	18,725	22,675	30,197	36,842
Current tax liability	532	632	730	901	1,200	1,464
Contract liabilities and refund liabilities	145,860	39,334	6,234	0	0	0
Longterm Liabilities, Total	124,155	172,952	215,301	192,154	171,117	73,155
Long term debt	87,227	132,768	176,847	145,658	110,463	0
Non-current finance lease liabilities	28,163	29,090	33,606	41,463	55,216	67,368
Other liabilities	1,436	1,153	1,320	1,610	2,118	2,566
Contract liabilities and refund liabilities	6,635	6,303	0	0	0	0
Shareholders Equity	219,797	128,247	187,301	133,081	118,298	254,073
Total Consolidated Equity and Debt	621,344	460,062	489,929	456,049	454,534	596,210
Ratios						
Current ratio (x)	1.53	1.65	3.23	1.89	1.46	1.40
Quick ratio (x)	1.40	1.37	2.76	1.53	1.12	1.15
Net gearing	-62.4%	64.5%	35.6%	95.5%	120.5%	7.6%
Book value per share (€)	2.42	1.41	2.06	1.46	1.30	2.79
Net debt	-137,049	82,736	66,682	127,135	142,506	19,186
Equity ratio	35.4%	27.9%	38.2%	29.2%	26.0%	42.6%



CASH FLOW STATEMENT

All figures in EUR '000	2022	2023	2024E	2025E	2026E	2027E
Net income / loss	-143,279	-101,429	3,883	-54,326	-14,886	135,676
Adjustments for non-cash transactions	44,070	44,984	18,953	19,425	19,911	20,412
Changes in non-current op. assets/liab.	-147,713	514	-10,000	0	0	0
Changes in working capital	1,732	-145,578	-32,148	-1,744	10,344	-3,322
Other adjustments	0	0	0	0	0	0
Income tax	-154	-1,236	0	0	0	0
Operating cash flow	-245,344	-202,745	-19,313	-36,645	15,369	152,766
Property, plant and equipment	-29,246	-14,231	-14,658	-15,098	-15,551	-16,017
Investments in intangibles	-76	-81	-75	-75	-75	-75
Free cash flow	-274,666	-217,057	-34,046	-51,818	-256	136,674
Acquisitions & disposals, net	8	-7,482	0	0	0	0
Interest received	260	1,210	0	0	0	0
Investing cash flow	-29,054	-20,585	-14,733	-15,173	-15,626	-16,092
Debt financing, net	37,538	79,014	0	0	-31,189	-35,195
Equity financing, net	189,837	-240	55,062	0	0	0
Payment of lease liabilities	-3,048	-3,127	0	0	0	0
Interest expense	-9,211	-12,567	0	0	0	0
Cash flow from financing	215,116	63,080	55,062	0	-31,189	-35,195
Forex & other	2,026	-3,100	0	0	0	0
Net cash flows	-57,256	-163,350	21,016	-51,818	-31,445	101,479
Cash and equivs., start of the year	346,686	289,430	126,080	147,096	95,279	63,833
Cash and equivs., end of the year	289,430	126,080	147,096	95,279	63,833	165,313
Adj. EBITDA/share	-0.60	-0.47	0.29	-0.12	0.14	1.32
Y-Y Growth						
Operating cashflow	n.a.	n.a.	n.a.	n.a.	n.a.	894.0%
Free cashflow	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA/share	n.a.	n.a.	n.a.	n.a.	n.a.	826.2%

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Anschrift:

First Berlin Equity Research GmbH
Friedrichstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

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First Berlin Equity Research GmbH

Authored by: Simon Scholes, Analyst

All publications of the last 12 months were authored by Simon Scholes.

Company responsible for preparation: First Berlin Equity Research GmbH, Friedrichstraße 69, 10117 Berlin

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Person responsible for forwarding or distributing this financial analysis: Martin Bailey

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PRICE TARGET DATES

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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...37	↓	↓	↓	↓
38	26 July 2022	€9.75	Buy	€12.50
39	19 August 2022	€9.91	Add	€12.00
40	4 April 2023	€4.86	Buy	€8.90
41	22 May 2023	€5.69	Buy	€8.90
42	12 October 2023	€5.46	Buy	€8.90
43	27 February 2024	€3.21	Buy	€8.60
44	12 April 2024	€3.94	Buy	€8.60
45	20 August 2024	€3.78	Buy	€8.60
46	Today	€2.53	Buy	€7.70

INVESTMENT HORIZON

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

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

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