

Valneva SE

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

Update

RATING **BUY**
PRICE TARGET **€ 23.40**
 Return Potential 53.8%
 Risk Rating High

PLATFORM ADAPTABLE TO NEW COVID-19 VARIANTS AS REQUIRED

Valneva continues to submit data on its COVID-19 vaccine candidate VLA2001 to the European Medicines Agency, the UK MHRA and the Bahraini NHRA and confirmed on 6 January that it expects decisions on regulatory approval from these bodies by the end of the current quarter. CEO Lingelbach has stated that production of an Omicron-specific vaccine could start at the “beginning of March at the latest” if needed. The company has also confirmed that its technology platform is adaptable for other new variants, if and when these arise. Q1/22 should also see final data from the phase 3 trial of the chikungunya vaccine candidate, VLA1553. VLA1553 has received Fast Track designation from the FDA and PRIME designation from the European Medicines Agency. This suggests that first revenues from the vaccine could be forthcoming in 2023. In addition, the release of topline data from VLA15-221, the third phase 2 study of Valneva’s Lyme Disease vaccine candidate, VLA15, is scheduled for H1/22. Subject to positive results, the pivotal phase 3 trial will start later in 2022 and the readout based on one tick season is expected by the end of 2023. Subject to regulatory approval, first licensure is anticipated in H1/25. We maintain our €23.40 price target but raise the recommendation from Add to Buy to reflect the decline in the share price since our last note of 16 December.

Platform adaptability is key Valneva released data on 19 January showing that its COVID-19 vaccine candidate VLA2001 stimulates production of neutralising antibodies against the Omicron variant. Valneva used sera from 30 participants who received three doses in the phase 1/2 trial VLA2001-201 to analyse neutralisation of the ancestral SARS-CoV-2 virus as well as the Delta and Omicron variants. All 30 samples (100%) presented neutralising antibodies against the ancestral virus and the Delta variant. In common with approved COVID-19 vaccines (AstraZeneca, Moderna, Pfizer/Biontech) the production of antibodies stimulated by VLA2001 is less plentiful against Omicron than against the ancestral virus and the Delta variant. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020	2021E	2022E
Revenue (€m)	105.29	113.04	126.20	110.32	103.08	805.91
Y-o-y growth	11.9%	7.4%	11.6%	-12.6%	-6.6%	681.8%
EBIT (€m)	-3.95	6.26	-0.81	-55.12	-189.24	346.54
EBIT margin	0.0	5.5%	n.a.	n.a.	n.a.	43.0%
Net income (€m)	-11.48	3.26	-2.30	-64.39	-189.81	344.37
EPS (diluted) (€)	-0.15	0.04	-0.02	-0.71	-1.95	3.28
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	8.74	12.55	-5.36	118.27	-245.30	287.37
Net gearing	36.1%	-35.5%	-28.2%	-195.1%	-126.2%	-90.6%
Liquid assets (€m)	38.06	81.72	64.44	204.44	134.30	421.68

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 has successfully commercialised two 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 has around 700 employees.

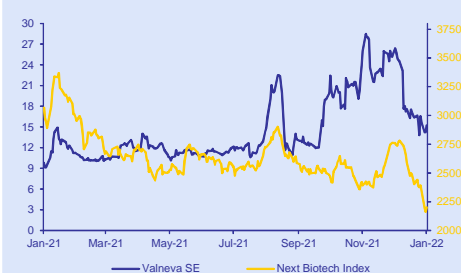
MARKET DATA

As of 26 Jan 2022

Closing Price	€ 15.21
Shares outstanding	105.06m
Market Capitalisation	€ 1598.01m
52-week Range	€ 9.13 / 28.48
Avg. Volume (12 Months)	1,460,151

Multiples	2020	2021E	2022E
P/E	n.a.	n.a.	4.6
EV/Sales	12.8	13.7	1.7
EV/EBIT	n.a.	n.a.	4.1
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2021

Liquid Assets	€ 329.77m
Current Assets	€ 561.96m
Intangible Assets	€ 34.42m
Total Assets	€ 745.11m
Current Liabilities	€ 456.92m
Shareholders' Equity	€ 77.07m

SHAREHOLDERS

Groupe Grimaud La Corbière	13.0%
CDC Groupe	10.0%
Management and employees	0.7%
Other registered shareholders	1.0%
Free Float and other	75.3%



€23.40 price target maintained; recommendation raised from Add to Buy 26 of the 30 samples (87%) presented neutralising antibodies against the Omicron variant and the mean fold reduction of neutralisation relative to the ancestral virus was 2.7-fold for Delta and 16.7-fold for Omicron. On 25 January Valneva announced the start of booster vaccinations in adult participants in its phase 3 trial of VLA2001. The booster vaccinations will provide both homologous (VLA2001 as a booster for VLA2001) and heterologous (VLA2001 as a booster for other vaccines) data to complement the phase 1/2 booster results. Topline data, which are scheduled for Q2/22 will not be included in the initial regulatory approval process, which is expected to conclude by the end of Q1/22. Demand for a vaccine targeting Omicron may be short-lived as new cases of the variant are expected to peak over the next two months. Nevertheless, CEO Lingelbach has stated that production of an Omicron-specific vaccine could start at the “beginning of March at the latest” if needed. The company also confirmed that its technology platform is adaptable for other new variants if required. We maintain our €23.40 price target but raise the recommendation from Add to Buy to reflect the decline in the share price since our last note of 16 December.

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	€369.7M	21,112K	€ 198	€4,180.0M	1.8%	€122.9M	40%	10%	-
Dukoral	Cholera & ETEC	€96.6M	56,000K	€ 40	€2,240.0M	1.4%	€44.1M	30%	10%	-
VLA84	Clostridium Difficile	€28.9M	60,000K	€ 248	€14,876.0M	2.2%	€407.6M	12%	15%	6 Years
VLA15	Lyme Disease	€752.8M	120,000K	€ 178	€21,381.8M	4.0%	€1,088.7M	19%	10%	3 Years
VLA 1553	Chikungunya virus	€322.8M	25,000K	€ 164	€4,090.9M	2.2%	€109.9M	42%	10%	1 Year
VLA 1601	Zika virus	€34.4M	145,000K	€ 145	€20,959.1M	1.4%	€370.1M	7%	15%	6 Years
VLA 2001	SARS-CoV-2	€1,408.1M	514,000K	€ 8	n.a.	n.a.	n.a.	55%	10%	1 Year
EB66 cell line	Technology Platform	€11.9M					€19.7M	15%	10%	-
PACME PV		€3,025.1M			€67,727.8M		€2,162.9M			
Costs PV³⁾		€964.6M								
NPV		€2,060.6M								
	PV grants, collabs., 3rd party distrib.	€207.2M								
	Net cash	€190.5M								
	Fair Value	€2,458.3M								
	Proforma share count (fully diluted)	105,063K								
	Price Target	€23.40								

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	2017	2018	2019	2020	2021E	2022E
Product sales	92,619	103,476	129,511	65,938	64,278	760,264
Collaborations, licensing/services	12,672	9,559	-3,315	44,383	38,802	45,647
Total revenues	105,291	113,035	126,196	110,321	103,080	805,911
Cost of materials/goods sold	-45,979	-44,448	-49,968	-54,302	-64,034	-345,368
Gross Profit	59,312	68,587	76,228	56,019	39,046	460,543
Sales & marketing	-17,875	-20,930	-24,145	-18,264	-19,643	-30,000
General & administrative	-15,545	-16,932	-18,398	-27,538	-41,904	-30,000
Research & development	-23,356	-25,291	-37,883	-84,454	-178,737	-60,000
Amortization of intangibles	-10,731	-3,177	-2,952	0	0	0
Other operating items, net*	4,241	4,004	6,339	19,117	12,000	6,000
Gain on bargain purchase	0	0	0	0	0	0
Operating income (EBIT)	-3,954	6,261	-811	-55,120	-189,238	346,543
Net financial result	-8,606	-4,031	-1,633	-10,049	-1,800	-4,174
Associates	0	1,122	1,574	-133	1,900	2,000
Pre-tax income (EBT)	-12,560	3,351	-870	-65,302	-189,138	344,370
Income taxes	1,078	-88	-1,430	909	-668	0
Net income / loss	-11,482	3,264	-2,300	-64,393	-189,806	344,370
EPS	-0.15	0.04	-0.02	-0.71	-1.95	3.28
EBITDA	10,708	13,089	7,800	-45,200	-179,807	355,301

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

Ratios as % of total revenues

Gross margin	56.3%	60.7%	60.4%	50.8%	37.9%	57.1%
EBITDA margin	10.2%	11.6%	6.2%	-41.0%	-174.4%	44.1%
EBIT margin	n.a.	n.a.	-0.6%	-50.0%	-183.6%	43.0%
Net margin	n.a.	2.9%	n.a.	n.a.	n.a.	42.7%

Expenses as % of total revenues

Sales & marketing	-17.0%	-18.5%	-19.1%	-16.6%	-19.1%	-3.7%
General & administrative	-14.8%	-15.0%	-14.6%	-25.0%	-40.7%	-3.7%
Research & development	-22.2%	-22.4%	-30.0%	-76.6%	-173.4%	-7.4%

Y-Y Growth

Product sales	15.2%	11.7%	25.2%	-49.1%	-2.5%	1082.8%
Total revenues	11.9%	7.4%	11.6%	-12.6%	-6.6%	681.8%
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	2017	2018	2019	2020	2021E	2022E
Assets						
Current Assets, Total	83,448	125,972	129,162	308,427	308,530	654,441
Cash and cash equivalents	38,055	81,725	64,439	204,435	134,304	421,675
Receivables	17,622	11,259	24,030	19,232	19,926	114,040
Inventories	19,931	22,727	25,772	26,933	115,700	76,026
Other current assets	7,840	10,261	14,921	57,827	38,600	42,700
Non-Current Assets, Total	105,895	103,935	135,562	140,737	187,204	194,245
Property, plant & equipment	38,374	37,997	20,003	34,778	73,920	76,026
Right of use assets	0	0	49,334	43,374	50,000	52,000
Intangibles	48,468	44,891	41,813	35,409	34,401	33,331
Equity-accounted investees	0	1,122	2,263	2,130	4,030	6,030
Other assets	17,368	17,236	17,161	19,476	19,283	21,287
Deferred tax assets	1,686	2,689	4,988	5,570	5,570	5,570
Total Assets	189,343	229,907	264,723	449,164	495,734	848,686
Shareholders' Equity & Debt						
Current Liabilities, Total	37,674	42,944	41,300	175,870	173,049	223,671
Short-term debt	17,399	16,664	1,999	6,988	0	0
Accounts payable	9,527	13,325	16,567	36,212	54,636	83,629
Other current liabilities and provisions	2,896	2,041	6,201	13,010	12,856	45,616
Current finance lease liabilities	0	865	2,308	2,696	2,600	2,700
Tax and employee-related liabilities	7,531	8,643	10,624	13,164	2,571	12,164
Current tax liability	322	1,406	2,459	0	386	4,562
Contract liabilities and refund liabilities	0	0	1,142	103,800	100,000	75,000
Longterm Liabilities, Total	59,000	43,777	88,270	195,872	253,018	210,978
Long term debt	54,097	14,273	24,317	46,375	46,375	46,375
Non-current finance lease liabilities	0	25,797	56,592	49,392	56,000	57,000
Other liabilities	4,903	3,707	7,361	2,900	643	7,603
Contract liabilities and refund liabilities	0	0	0	97,205	150,000	100,000
Shareholders Equity	92,669	143,186	135,153	77,422	69,668	414,038
Total Consolidated Equity and Debt	189,343	229,907	264,723	449,164	495,734	848,686
Ratios						
Current ratio (x)	2.22	2.93	3.13	1.75	1.78	2.93
Quick ratio (x)	1.69	2.40	2.50	1.60	1.11	2.59
Net gearing	36.1%	-35.5%	-28.2%	-195.1%	-126.2%	-90.6%
Book value per share (€)	1.20	1.77	1.49	0.85	0.77	4.55
Net debt	33,441	-50,788	-38,123	-151,072	-87,929	-375,300
Equity ratio	48.9%	62.3%	51.1%	17.2%	14.1%	48.8%



CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019	2020	2021E	2022E
Net income / loss	-11,482	3,264	-1,744	-64,393	-189,806	344,370
Adjustments for non-cash transactions	14,442	8,802	12,704	37,941	9,431	8,758
Changes in non-current op. assets/liab.	0	0	3,597	88,472	48,995	-75,000
Changes in working capital	4,199	3,955	-6,682	77,740	-64,351	21,038
Other adjustments	6,330	1,559	0	0	-2,000	-2,000
Income tax	-660	-1,273	-2,346	-2,021	0	0
Operating cash flow	12,829	16,306	5,529	137,738	-197,730	297,166
Property, plant and equipment	-2,890	-2,874	-10,502	-18,936	-45,065	-7,294
Investments in intangibles	-1,148	-297	-382	-535	-2,500	-2,500
Free cash flow	8,744	12,553	-5,355	118,267	-245,295	287,372
Acquisitions & disposals, net	-94	76	0	24	0	0
Interest received	72	178	199	107	0	0
Investing cash flow	-4,060	-2,917	-10,685	-19,340	-47,565	-9,794
Debt financing, net	-5,311	-14,153	97	28,271	-6,988	0
Equity financing, net	-147	49,263	-2,463	290	168,720	0
Payment of lease liabilities	0	0	-2,709	-2,111	0	0
Interest expense	-4,980	-4,165	-2,621	107	0	0
Cash flow from financing	-10,438	30,945	-7,696	26,557	161,732	0
Forex & other	-2,456	-5,305	207	-4,959	13,432	0
Net cash flows	-4,125	39,029	-12,645	139,996	-70,131	287,372
Cash and equivs., start of the year	42,180	38,055	77,084	64,439	204,435	134,304
Cash and equivs., end of the year	38,055	77,084	64,439	204,435	134,304	421,675
EBITDA/share	0.14	0.16	0.09	-0.50	-1.81	3.93
Y-Y Growth						
Operating cashflow	97.2%	27.1%	-66.1%	2391.2%	n.a.	n.a.
Free cashflow	209.6%	43.6%	n.a.	n.a.	n.a.	n.a.
EBITDA/share	267.2%	17.1%	-47.0%	n.a.	n.a.	n.a.

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Anschrift:

First Berlin Equity Research GmbH
Mohrenstr. 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, Mohrenstraße 34, 10117 Berlin

The production of this recommendation was completed on 27 January 2022 at 10:57

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

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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...26	↓	↓	↓	↓
27	14 January 2021	€9.95	Add	€11.00
28	5 February 2021	€13.26	Add	€13.50
29	8 April 2021	€10.50	Buy	€13.50
30	27 May 2021	€10.52	Buy	€13.50
31	17 August 2021	€11.33	Buy	€14.40
32	22 October 2021	€18.92	Buy	€23.80
33	12 November 2021	€21.60	Add	€23.40
34	16 December 2021	€22.36	Add	€23.40
35	Today	€15.21	Buy	€23.40

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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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