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# Zacks Small-Cap Research

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## Saverone 2014 Ltd (SVRE-NASDAQ)

**SVRE: OEM agreement with IVECO announced and the company introduces a new SaaS revenue model. Dilution risk remains a concern.**

Based on our new DCF model we are increasing our valuation target for SVRE but given the higher share count our valuation target remains at $1.80/ADS. The growth of shares outstanding could negatively impact our target valuation.

| | |
|---|---|
| Current Price (03/27/24) | $1.37 |
| **Valuation** | **$1.80** |

## OUTLOOK

SaverOne continues to make impressive strides toward commercializing the company's distracted driver prevention system. The company finalized and announced an OEM agreement with Iveco, which will see the SaverOne software integrated into IVECO's hardware.

The company also announced full-year 2023 results this week which were slightly below our expectations but at this point in the company's trajectory sales and installations can be expected to be lumpy.

The company continues to tap its standby equity purchase agreement to fund operations but investors should note that total outstanding ADSs jumped from 5.55 mil on 12/31/22 to 13.9 mil on 12/31/23 and we estimate it stands at 16.1 mil today (up nearly 300% in 15 months).

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$1.63** |
| **52-Week Low** | **$0.29** |
| **One-Year Return (%)** | **24.55** |
| **Beta** | **2.14** |
| **Average Daily Volume (sh)** | **185,960** |
| **ADS Outstanding (mil)** | **16.1** |
| **Market Capitalization ($mil)** | **$22** |
| **Short Interest Ratio (days)** | **N/A** |
| **Institutional Ownership (%)** | **2** |
| **Insider Ownership (%)** | **N/A** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **N/A** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **N/A** |
| **P/E using 2024 Estimate** | **N/A** |
| **P/E using 2025 Estimate** | **N/A** |
| **Zacks Rank** | **N/A** |

| | |
|---|---|
| **Risk Level** | **High, Speculative** |
| **Type of Stock** | **Growth** |
| **Industry** | **Vehicle Safety** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2022 | | 0.1 A | | 0.2 A | 0.3 A |
| 2023 | | 0.4 A | | 0.4 A | 0.8 E |
| 2024 | | 0.5 E | | 1.8 E | 2.3 E |
| 2025 | | 2.4 E | | 3.4 E | 5.8 E |

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2022 | | -1.55 A | | -0.73 A | -$2.15 A |
| 2023 | | -0.86 A | | -0.65 E | -$1.49 E |
| 2024 | | -0.29 E | | -0.24 E | -$0.53 E |
| 2025 | | -0.17 E | | -0.13 E | -$0.30 E |

*earnings presented as USD earnings per ADS

** half year earnings per ADS may not sum due to rounding and share issuance

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## WHAT'S NEW

- SaverOne 2014 (NASDAQ: SVRE) announced the long-anticipated OEM agreement with IVECO that was first discussed in 2022 when the companies signed a memorandum of understanding. The agreement covers the integration of SaverOne's "safety technology" within IVECO's vehicles. As a reminder, while the company is not a household name for many investors, IVECO manufactures over 150,000 vehicles per year and is a major producer of commercial vehicles in Europe. Through 2024 the company indicated that SaverOne's software will be integrated within IVECO's hardware. Down the road, the company left open the possibility that the company's mobile app could be integrated with the IVECO mobile app and/or SaverOne's hardware and software could be added to IVECO vehicles on the assembly line.

- On March 25, the company announced results for the full year 2023 which included eye-popping headline numbers like revenues up 128% year over year. However, below the surface, we think that business was more challenging than the company had previously indicated as we estimate that revenues actually fell a little over 10% sequentially in the second half of 2023 and the total number of installed systems only grew by roughly 200 units from August of 2023 to March 2024. Given the concentration of the company's sales in Israel, this may have been a one-time anomaly.

  **Full Year 2023 Financial Results**

  - SaverOne released its 2023 financial results early this week and we've backed into results for the six months ended 12/31/23. Revenues were up substantially year over year (up more than 60%) in the last six months of the year to roughly $350,000 but as previously noted we believe that was a sequential decline from the first half of the year when the company reported sales of close to $400,000. At this stage in the company's development, we are not concerned with the slip in revenues as that could simply be a few installations sliding from one period to the next.

  - The company also indicated that the total number of orders received has increased to 4,600 units with about 3,200 installed units. As of August 2023, the company reported orders of 4,300 and about 3,000 installed units, so it is worth noting that over the past 7 months or so, the company only received orders for roughly 300 units and installed approximately 200 units. Again, at this stage, many of the company's initial installations are pilot programs (roughly 950 of the 4,600 units ordered are for pilot programs) so the company is a proof of concept stage with many customers and we are not too concerned with the pace of orders.

  - Operating expenses were roughly in line with our expectations and first-half 2023 results, as slight declines in R&D and administrative costs were offset by higher selling costs. The company classifies "investor relationship" costs as a selling and marketing expense and after becoming a publicly traded company in 2022, the company's cost of investor relations increased meaningfully in 2023.

  - The company has continued to fund operating losses by accessing the company's standby equity purchase agreement with YA II. While this has enabled the company to continue its aggressive R&D spending as the company rolls out its pilot agreements, it has resulted in a sharply higher share count (and by default a higher number of ADSs outstanding). As a reminder the company's common stock to ADS ratio is 5:1. On 12/31/22, the company had 27.8 mil shares outstanding or 5.56 million ADS outstanding, however by 12/31/23, that share count had increased to 69.6 million or 13.9 million ADS. The company also indicated that after the year end, it had issued another 2.15 million ADS under this purchase agreement bringing the total estimated ADS

outstanding to approximately 16.1 million. The company also noted that they have increased the availability under this agreement from $10 million to $15 million so it is likely that investors should anticipate additional share issuance.

- To date, the steady positive news flow from the company has been able to offset concerns regarding dilution. The ADSs are up over 40% in the six weeks since our initiation despite the substantial increase in the number of ADSs outstanding. We think investors should be prepared for the possibility of a pause in the shares given that the market capitalization has risen nearly threefold in the past 15 months. We readily admit that the news out of the company has been positive but we also must point out that the valuation of the company is rising rapidly in a period when the company only averaged about 1 unit installed per day over the past seven months.

**Iveco Announcement**

In 2021, IVECO began evaluating the SaverOne solution and after a successful demonstration in the fourth quarter of 2021, the companies entered a memorandum of understanding in 2022 for integrating the SaverOne technology into IVECO trucks.

On March 27, 2024, the companies announced the formal OEM agreement which will bring the SaverOne system to Iveco's trucks. As we understand it, the solution will not be the complete SaverOne Distracted Driver Prevention System (DDPS) which includes software, hardware, and an installed app on a driver's phone but rather a software solution offered to IVECO's customers.

This also means that the pricing will likely be significantly different from our original assumption as the software will be sold as a subscription service rather than as a large upfront equipment purchase. We think this has the potential to offer margin upside in the future for the company but it may mean lower initial revenues than some investors may have been anticipating.

At this point, there are several unknowns about the pricing of this system and exactly how it will work without the full suite of sensors that come with a complete SaverOne system but we look forward to a product demonstration when the first IVECO trucks equipped with SaverOne ship in 2024.

**Other Recent News**

- **March 2024:** Announced that after a successful pilot GB Tours in Israel was going to expand its use of the SaverOne system across its entire fleet of transportation and tour buses. The initial pilot order was for 20 buses and the 77 additional buses will install the system as a result of this agreement.
- **March 2024:** Announced an OEM agreement with Volvo Bus to install the company's Driver Distraction Prevention System in Volvo buses manufactured for the Mexican market. We think this has the potential to be a significant deal for the company particularly if it can expand its relationship with Volvo.
- **March 2024:** Announced that the company had hired a consulting firm to evaluate the business prospects for the company's Vulnerable Road User (VRU) solution. As we noted in our initiation report we think that building a stand-alone business around this technology may be challenging but it has the potential to complement existing driver assistance tools.
- **February 2024:** Announced a new pilot with Motor Supply, Inc. based in Columbia, South Carolina. While Motor Supply, Inc., is a fairly small operator (total fleet size of 16) we note that this is another project in the United States which as a market has a great deal of potential for SaverOne.

## Valuation

SaverOne remains at the very early stages of its growth cycle but the recent OEM agreements with Volvo Bus and IVECO give us increased confidence in the prospects for the company to partner with major OEMs to enhance vehicle and passenger safety. We are still forecasting that SaverOne will more than double revenues in 2024 and 2025 but we have become more conservative with our revenue forecast given the SaaS model that is being deployed with IVECO initially.

All of the companies we have selected as comparables are dramatically larger than SaverOne (the smallest comp that we included is projected to have 2025 revenue at least 10 times our 2025 revenue forecast for SaverOne). Given the explosive growth in the market for technical driver assistance tools like those assistance most of these companies trade at significant multiples of revenue averaging nearly 5 times 2025 revenues.

At the time of our initiation in February, we believed that it could be possible for the company to trade at $1.80/ADS or achieve an implied valuation of $22.5 million by the end of 2024. While ADSs have not reached our target given the fact that the company has continued to issue shares, the company's implied market valuation with 16.1 million ADS outstanding is now approaching that target $22.0 million. We are maintaining our target of $1.80/ADS giving the company an implied valuation of $28.9 million by the end of 2024 (based on the higher share count) as the new agreements give us increased confidence that additional opportunities will become available to the company. If the company issues significantly more shares under the standby equity purchase agreement than we have anticipated to meet its capital needs we may have to adjust our price target down to reflect a higher ADS count.

## OVERVIEW

Business:

SaverOne has built its first commercial product to address the growing issue of distracted driving caused by mobile phone use. The company's solution detects and locates a driver's cell phone radio frequency (RF) signal when the SaverOne app is installed and the accompanying "phone location unit" is installed in a vehicle. SaverOne's in-cabin Driver Distraction Prevention Solution (DDPS) will identify if the driver's cell phone is within the area of the driver's seat when the SaverOne App is installed and limit the phone's use to handsfree calling, navigation, music streaming, and any critical apps selected by the client.

**Figure 1: SaverOne Solutions**




Source: Company Presentation

While most drivers are familiar with Apple Carplay and Android Auto's tools which aim to reduce distracted driving, if you've used these tools, you will be aware that bypassing the system simply requires clicking the "I'm not driving" button. Those tools effectively work on the honor system which is not adequate for corporations, fleet managers, or bus companies looking to ensure their drivers are completely focused on the task at hand – driving safely. Also, Carplay and Android Auto are principally solutions for passenger vehicles with center console entertainment systems that are often missing from commercial vehicles.

The SaverOne system will block access to the most distracting apps on the driver's phone (i.e., social media and texting) while still allowing access to necessary apps like navigation and the ability to make hands-free phone calls. SaverOne developed this technology in Israel and is initially deploying this solution for the commercial vehicle market in Israel and Europe with plans to expand to the United States market. The principal driver of adoption thus far has been the need for commercial operators and fleet managers to mitigate the risk associated with distracted driving when employees are operating their vehicles or buses. While this technology has existed for years (we've identified at least three versions of

RF-blocking technologies that came to market well over a decade ago) the market has been demanding a solution that is not based on completely blocking access to a phone. A solution like SaverOne's which is not reliant on driver cooperation yet still allows drivers to access navigation tools, music services or proprietary apps can help mitigate risk for corporate fleets while allowing a phone to still be a useful tool. The company launched its initial product in 2019 in Israel (before the Covid-19 pandemic) with several pilot installations. As of March 2024, the company has reported that about 4,600 systems have been ordered and roughly 3,200 of these systems have been installed.

## PROJECTED INCOME STATEMENT

**SaverOne 2014 Ltd**
Income statement in USD (converted from NIS at $1 = 3.627 NIS)

| | 2021 | 2022 | 6 months 6/30/23 | 6 months 12/31/23 | 2023 | 6 months 6/30/24 | 6 months 12/31/24 | 2024 | 6 months 6/30/25 | 6 months 12/31/25 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net revenues | $ 128 | $ 322 | $ 398 | $ 352 | $ 750 | $ 533 | $ 1,784 | $ 2,316 | $ 2,352 | $ 3,406 | $ 5,757 |
| Cost of revenues | $ 82 | $ 224 | $ 272 | $ 271 | $ 543 | $ 373 | $ 1,257 | $ 1,630 | $ 1,679 | $ 2,442 | $ 4,121 |
| Gross profit | $ 46 | $ 98 | $ 126 | $ 81 | $ 207 | $ 160 | $ 526 | $ 686 | $ 673 | $ 964 | $ 1,636 |
| | 36% | 31% | 32% | 23% | 28% | 30% | 30% | 30% | 29% | 28% | 28% |
| Operating expenses: | | | | | | | | | | | |
| Research and development expenses | 5,356 | 5,799 | 3,289 | 3,014 | 6,303 | 2,773 | 2,551 | 5,324 | 1,531 | 1,225 | 2,755 |
| Selling and marketing expenses | 691 | 429 | 391 | 653 | 1,044 | 666 | 693 | 1,359 | 707 | 735 | 1,441 |
| General and administrative expenses | 1,463 | 1,752 | 1,206 | 1,090 | 2,296 | 1,112 | 1,134 | 2,247 | 1,157 | 1,180 | 2,337 |
| Total operating expenses | $ 7,510 | $ 7,980 | $ 4,885 | $ 4,758 | $ 9,643 | $ 4,551 | $ 4,378 | $ 8,930 | $ 3,394 | $ 3,140 | $ 6,534 |
| (Loss)/Income from operations | $ (7,464) | $ (7,882) | $ (4,759) | $ (4,677) | $ (9,436) | $ (4,392) | $ (3,852) | $ (8,244) | $ (2,722) | $ (2,176) | $ (4,898) |
| Net Financing Income/(Loss) | ($64) | $1,146 | ($31) | $138 | $107 | ($29) | ($19) | ($48) | ($17) | ($10) | ($27) |
| Loss for the period | $ (7,528) | $ (6,736) | $ (4,790) | $ (4,539) | $ (9,329) | $ (4,420) | $ (3,872) | $ (8,292) | $ (2,739) | $ (2,186) | $ (4,925) |
| (Loss)/Earnings per ordinary share | N/A | ($0.39) | ($0.17) | ($0.13) | ($0.30) | ($0.06) | ($0.05) | ($0.11) | ($0.03) | ($0.03) | ($0.06) |
| (Loss)/Earnings per ADS | N/A | ($1.95) | ($0.86) | ($0.65) | ($1.49) | ($0.29) | ($0.24) | ($0.53) | ($0.17) | ($0.13) | ($0.30) |
| Weighted average number of shares outstanding | | | | | | | | | | | |
| Average shares used to calculate EPS | N/A | 17,301 | 27,839 | 34,921 | 31,380 | 74,954 | 80,329 | 77,642 | 81,534 | 83,165 | 82,349 |
| Average ADSs used to calculate EPS | N/A | 3,460 | 5,568 | 6,984 | 6,276 | 14,991 | 16,066 | 15,528 | 16,307 | 16,633 | 16,470 |

Source: Zacks SCR, Brian Lantier, Company Filings

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## BALANCE SHEET

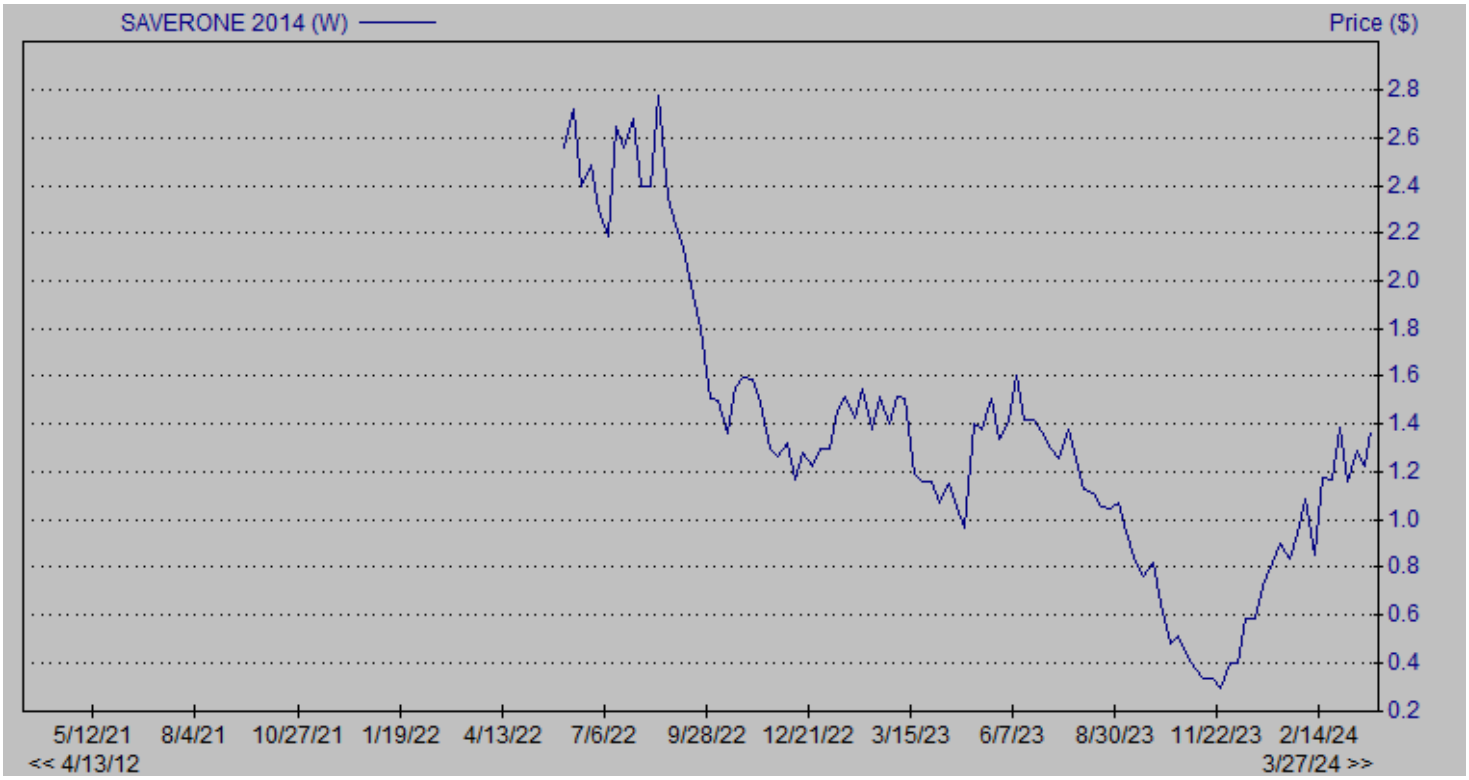
**SaverOne 2014 Ltd**
Balance Sheet in USD (converted from NIS at $1 = 3.627 NIS)
12/31/23

| | |
|---|---|
| **Assets** | |
| **Current Assets** | |
| Cash and cash equivalents | 4,718 |
| Short-term bank deposits | 0 |
| Trade receivables | 291 |
| Inventory | 1,250 |
| Other current assets | 416 |
| **Total current assets** | 6,675 |
| **Non-Current Assets** | |
| Property & Equipment (net) | 68 |
| Restricted deposits | 58 |
| trade recivables, net | 290 |
| Right of use assets | 350 |
| **Total non-current assets** | 767 |
| **Total Assets** | **7,441** |
| **Liabilities** | |
| **Current Liabilities** | |
| Promissory note, net | 1,968 |
| Trade payable | 1,186 |
| Current maturities of leasing liabilities | 97 |
| Other current liabilities | 563 |
| Derivative warrants liability | 76 |
| Liability in respect of government grants | 191 |
| **Total current liabilities** | 4,082 |
| **Non-Current Liabilities** | |
| Leasing liability, net current | 270 |
| Liability in respect of government grants | 175 |
| **Total Liabilities** | **4,527** |
| **Shareholder's Equity** | |
| Additional Paid-in Capital | 37,288 |
| Captial reserve in respect of share-based payment | 3,016 |
| Accumulated deficit | (37,389) |
| **Shareholder's Equity (Deficiency)** | **2,915** |
| **Total Liabilities & Shareholder's Equity** | **7,441** |

*Source: Company filing*

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