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Zacks Small-Cap Research

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Saverone 2014 Ltd (SVRE-NASDAQ)

SVRE: Offers a vision to protect vulnerable road users. Forms new subsidiary to commercialize the technology.

We are maintaining our valuation target at $1.80/ADS but we recognize that the lower current share price could mean ADS outstanding are growing faster than our forecast and this could negatively impact our target valuation.

Current Price (06/05/24)	$0.55
Valuation	**$1.80**

OUTLOOK

The company released a presentation on its go-to-market strategy for the vulnerable road user tool it is developing based on its Radio Frequency (RF) sensors.

The company is in between financial reporting periods and we think the lack of communication with the market and the slower rate of contract announcements has impacted the share price.

Estimating the total ADS count is challenging given that the company has potentially accessed its standby equity purchase agreement to fund operations. However, we suspect that management may use cash balances to fund operations with the ADS's trading substantially below the first quarter average closing price which was above $1/share.

SUMMARY DATA

52-Week High	**$1.63**
52-Week Low	**$0.26**
One-Year Return (%)	**-59.92**
Beta	**2.37**
Average Daily Volume (sh)	**94,985**
ADS Outstanding (mil)	**16.1**
Market Capitalization ($mil)	**$8.9**
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 A
2024		0.4 E		1.3 E	1.6 E
2025		1.7 E		2.4 E	4.1 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 A	-$1.49 A
2024		-0.29 E		-0.21 E	-$0.50 E
2025		-0.15 E		-0.12 E	-$0.26 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) published a 27-page PowerPoint pitch deck on its investor website earlier this week which detailed the opportunity that the company and a consulting firm see in the vulnerable road user safety market. The company offered up some eye-popping predictions around the size of this market and the potential for its VRU solution and while we recognize the need in the market, we would remind investors that the company is targeting delivering an MVP of this solution in 2025 and commercialization in 2028. The company also indicated that it expects that it will require roughly $35 million of outside capital to bring this product to commercialization which it hopes to secure from a strategic partner.

- Since our last update, SaverOne announced that it had received a purchase order for a proof-of-concept (POC) for its vulnerable road user solution from its long-term partner Iveco. This solution that we will discuss below could be integrated into an existing Advanced Driver Assistance System (ADAS). We are encouraged by Iveco's continued support of the SaverOne approach to safety and we believe Iveco's purchase order will speed the development of the company's MVP expected to be delivered in 2025.

- The company also announced in mid-May that it had received a new patent from the European Patent Office that covers its core technology for selectively blocking certain functions of a driver's cell phone while still allowing other occupants of the vehicle full access to their mobile devices. This was the company's 11th granted patent and the company has another 12 patents pending as of June 2024.

Protecting Vulnerable Road Users: Stepping outside the vehicle cabin

SaverOne retained a consulting firm in March 2024 to evaluate the total addressable market and potential interest from OEMs for the company's Vulnerable Road User (VRU) solution. This week the company announced that as a result of this report's findings it was establishing a new company to bring this product to the market.

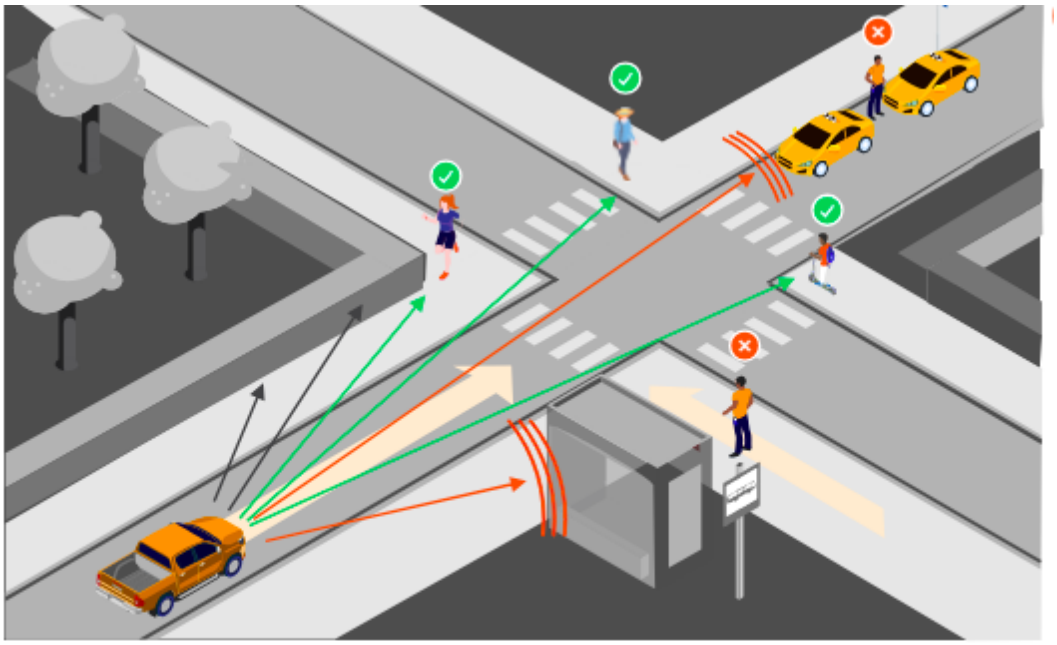
Any forecast that is built around today's market but projects out more than a decade into the future is going to face challenges from recency bias, overlooking new technologies and predicting the rate of acceptance. Do you think any consulting firms wish they could edit their 2016 publications that predicted nearly all real estate transactions would be completed on the blockchain by 2025?

However, many of the takeaways from the consultant's report regarding anticipated take rate and potential price points were interesting.

What is clear is that there is a need to address the safety of people outside of the vehicle cabin who use roadways to bike, ride a scooter, or walk across streets. Cameras, radar, and lidar do an admirable job at helping drivers navigate an increasingly complex landscape of road users but they have limitations. One area that has proven particularly challenging for the existing technologies is when there is no clear line of sight from the vehicle to the person outside of the vehicle.

Think of the times when you've exited a parking garage in a crowded city block and there are pedestrians just outside of your range of vision who suddenly cross directly in front of you. While this is challenging for a human to evaluate and process, it is impossible for cameras, radar, and lidar systems to identify the objects that they cannot see on the other side of a concrete wall.

Figure 1: Current solutions and challenges identifying VRUs

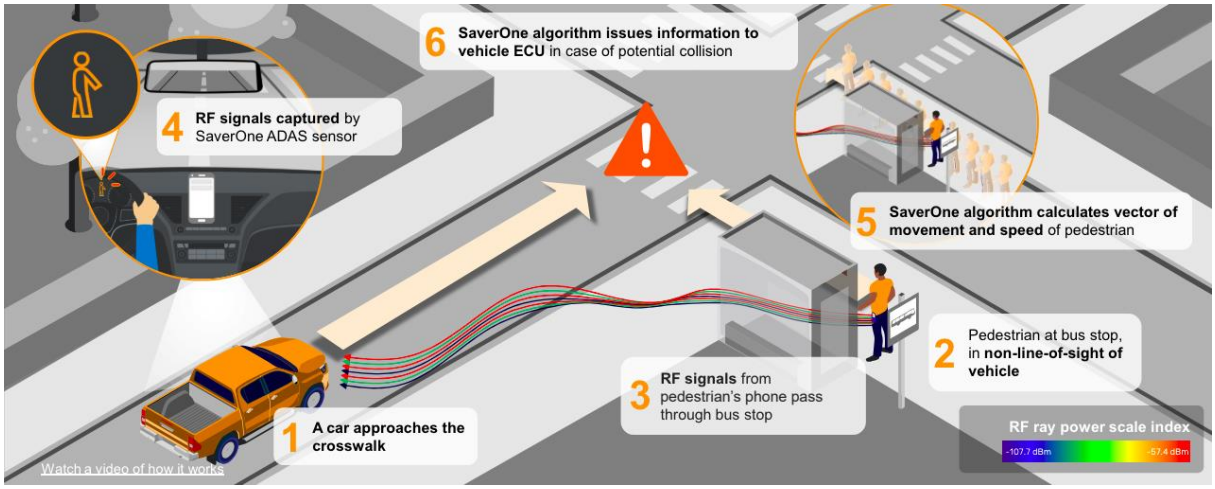


Detection of potential VRU is blocked by bus stop – no information about VRU and potential collision can be provided to driver

Source: Company presentation

As you can see in Figure 1, there are certain cases when the line of sight from an approaching vehicle to a pedestrian is often interrupted by other objects in the environment – parked cars, buildings, structures, etc., – and without a clear line of sight to the pedestrian, the existing tools in a vehicle cannot accurately identify pedestrians that could be at risk.

Figure 2: The SaverOne VRU solution



Source: Company presentation

However, as you can see in Figure 2, the vision for the SaverOne VRU solution is that an installed radio frequency (RF) sensor in the approaching vehicle would be able to pick up the RF signal from a pedestrian's cell phone regardless of the impediment and identify the speed and direction of the signal relative to the approaching vehicle.

Our initial concern with this solution was that it would be challenged in urban environments where hundreds of cell phones are all moving toward a vehicle at different speeds and directions and those concerns remain. The processing power that would be required to calculate and provide useful information to a driver or automated driving system in a dense urban environment would likely be not feasible with today's chipsets. However, we do think there will be applications for commercial vehicles in more suburban or rural settings (like delivery trucks or school buses) that could certainly benefit. It is also difficult to predict what types of chipset advances will be made in the next decade that could help SaverOne realize this vision.

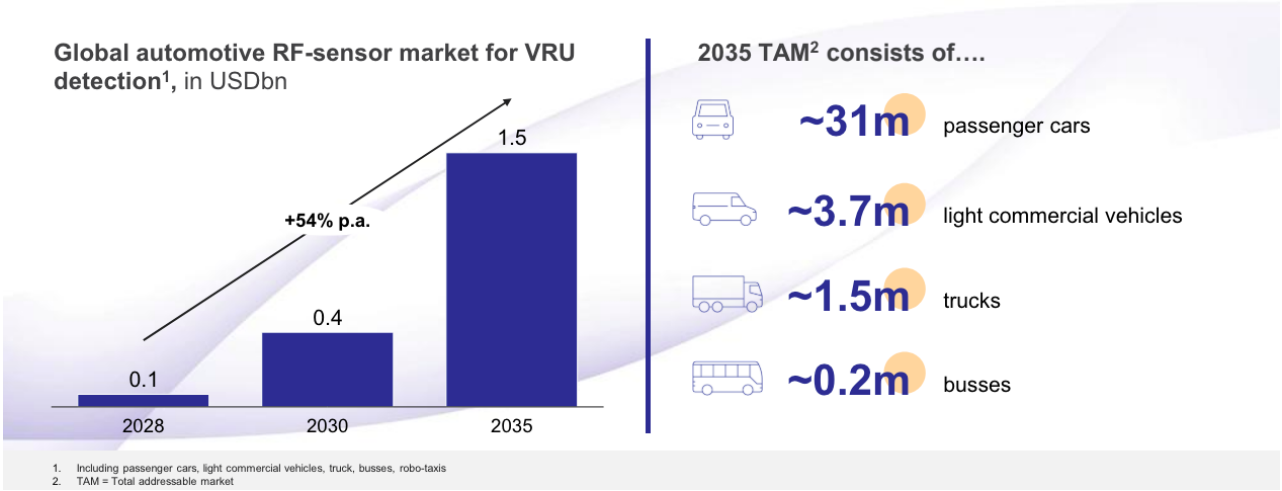
A secondary use case described in the presentation was for vehicles being passed by another vehicle for blind spot detection in low light or poor visibility. As a driver, if you've ever been startled by the vehicle in you blind spot that is overtaking your vehicle in dense fog, you can imagine how valuable an alert like this could be. This application, particularly for large commercial vehicles, seems to address a need in the market and we are excited to hear more about this use in the future. While this is a smaller market than the passenger car market, we think the commercial vehicle market holds more potential for earlier adoption of this technology.

The consulting firm projects a potential market of $1.5 billion for radio frequency-based sensors (RF sensors) to protect VRUs by 2035 which is a very ambitious growth rate for a market that does not exist today. A separate mobility consulting report from McKinsey & Company projects that total passenger vehicle sales globally will dip by the year 2035 to 84 million units which would be below the total production of 2015[1]. A larger share of these vehicles are likely to be autonomous vehicles of some sort (think real robo taxis), so there will likely be significantly greater investments in safety solutions to ensure occupant and VRU safety without a dedicated human behind the wheel.

In Figure 3 below, the consulting group forecasts an addressable market of 31 million passenger cars for RF-based sensors for VRU detection. There is some risk in drawing too many conclusions from consulting forecasts that are looking more than a decade into the future, but we think that capturing roughly 37% of the global passenger market with an RF sensor is very optimistic but it seems that this was based on feedback from industry experts who forecast a broadly roughly 40% uptake of an RF sensor for VRU protection. Without seeing the actual survey questions, it's difficult to know exactly if the survey participants were referring to any VRU protection or specifically the cell phone RF sensor solution to be developed by SaverOne. At this point in vehicle automation, it seems at least possible that some OEMs will test out an RF-based solution like the one to be developed by SaverOne as there is no effective VRU detection solution where the line of sight is impeded.

We have seen some research conducted by companies seeking to integrate AI solutions into driving automation platforms as a way to predict behavior of pedestrians/cyclists, etc., but all of these solutions at require capturing an initial image of the pedestrian or cyclist so they don't completely address the "No Line of Sight" issue in a way that SaverOne's solution could.

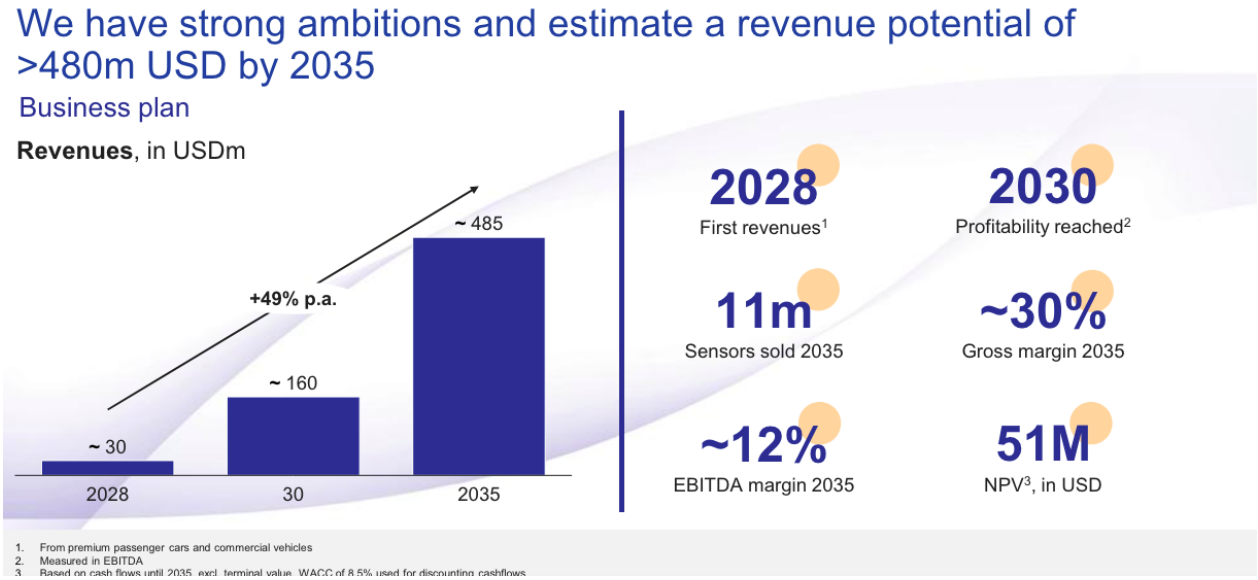
Figure 3: Total Addressable Market for RF-based sensors for VRU detection



Source: Company presentation

It is important to note that this product is at the proof of concept stage with the company's key partner, Iveco. The company and Iveco will likely have to go through many rounds of testing, prototyping and validation over the next 12 months if they are to hit their target and deliver a minimum viable product (MVP) by mid-2025. SaverOne then projects that it could generate its first revenues from this product in 2028, and potentially become a profitable business line by 2030. We are not adjusting our model to reflect these possibilities today because there are simply too many variables that could delay the product's commercial rollout over the next six years. We share the chart below for investor information but we would remind investors that SaverOne still had under $1 million of revenue in 2023 roughly a decade after its founding so projecting that the VRU business will grow from realizing its first revenues in 2028 to over $480 million in annual revenues by 2035 would be a remarkable feat.

Figure 4: SaverOne's VRU Potential



Source: Company presentation

We think investors should think of the VRU subsidiary as a pre-seed, pre-MVP startup pitch. At this stage, it is an idea that has some validity because the RF-based sensor technology has been proven to work in SaverOne's core product. If the company can deliver an MVP to partners and potential customers and we can see a working demo in 2025, we think it will be appropriate to assign some value to this operation. Alternatively, if the company can attract an outside investment into the VRU subsidiary, this would provide instant validation of the business and provide a solid foundation to measure the current and future value of this subsidiary.

Given, SaverOne's current capital structure and cash burn rate, we think financing the rollout of the VRU subsidiary could be the greatest challenge that the company faces when trying to commercialize the VRU solution. The company indicated that it could require up to $35 million to achieve commercialization and generate its first sales of the VRU solution in 2028. This is significantly higher than SaverOne's current market value and the magnitude of any potential dilution as a result of the financing will have to be evaluated at that time. The company indicated recently that it is approaching potential strategic partners and investors about financing the VRU subsidiary.

OPEN QUESTIONS

We completely agree that as the world moves toward more automation in the world of driving there is a pressing need to protect people using roadways that are outside of a vehicle and we think it will take creative approaches to ensure the safety of all road users.

We are not public policymakers or transportation infrastructure experts but we do think that one challenge facing widespread adoption of a tool like the SaverOne VRU solution could be the fact that it requires everyone to have a cell phone to be protected from an approaching vehicle. While it may seem like a strange consideration in a world where 99% of American adults report owning a cell phone, if accident avoidance and fatality reduction are the true goals then it will be important for policymakers to consider that nearly 100 children a week are hit by vehicles and almost none of these children would be carrying a cell phone that would emit an RF signal. We also think that advocates for the unhoused would note that as recently as 2022 70% of all pedestrian deaths in Portland were individuals classified as homeless (who are also unlikely to own a cell phone). In San Francisco, it was noted that the homeless population makes up less than 1% of the total population but represents 22% of the pedestrian deaths.[2]

Additionally, we think there will be some philosophical debates regarding where the responsibility lies to protect vulnerable road users. If a cyclist, has a cell phone but elects to turn it off because it is a distraction while cycling should that eliminate their protection from vehicles because they are not emitting an RF signal? All things being equal we think the policymakers would prefer the vehicle (particularly fully autonomous vehicles like robo taxis) be responsible for protecting the VRU which will be a challenge for the SaverOne solution.

VALUATION

Valuation calculations for SaverOne are proving challenging because the company will not report first-half results for nearly another 3 months and attempting to gauge the number of shares/ADSs outstanding in light of the standby equity purchase agreement that the company has in place is likely just an educated guess.

In March we estimated that the company's total outstanding ADS count had risen to 16.1 million as a result of ADS issuance to fund operations in the first three months of 2024. The question for investors is has the company tapped the equity agreement or used existing cash balances to cover its estimated monthly burn of $750,000. As the company's share price has fallen over the past two months, we would

assume that it has shifted toward funding operations with its existing cash balances to limit the impact on the total ADS count outstanding. However, until the company reports earnings in August we will be in a period where we have to speculate regarding the outstanding share count.

We are currently projecting a range for the ADSs outstanding at 6/30/24 of between 17 million and 18,2 million. We hope to gain some clarity on the company's financing plans for the balance of 2024 when it reports first-half results. At that point, we will revisit our valuation calculations based on a more accurate ADS count and an updated revenue model. Based on our current projections we are maintaining our valuation target of $1.80/ADS but we recognize that the shares have materially underperformed in the last two months and understand that could be a result of a higher ADS count that exceeds our current projection.

We are increasing our share count prediction for the second half of 2024 and 2025, so while our net loss forecast remains the same the loss per ADS goes down as a result of the higher ADS count forecast.

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 x: 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.

[1]https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/The-future-of-mobility-mobility-evolves

[2] https://usa.streetsblog.org/2022/06/13/how-to-save-the-lives-of-unhoused-pedestrians

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)	($0.04)	($0.10)	($0.03)	($0.02)	($0.05)
(Loss)/Earnings per ADS	N/A	($1.95)	($0.86)	($0.65)	($1.49)	($0.29)	($0.21)	($0.50)	($0.15)	($0.12)	($0.26)
Weighted average number of shares outstanding											
Average shares used to calculate EPS	N/A	17,301	27,839	34,921	31,380	74,954	90,829	82,892	92,191	94,035	93,113
Average ADSs used to calculate EPS	N/A	3,460	5,568	6,984	6,276	14,991	18,166	16,578	18,438	18,807	18,623

Source: Zacks SCR, Brian Lantier, Company Filings

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BALANCE SHEET

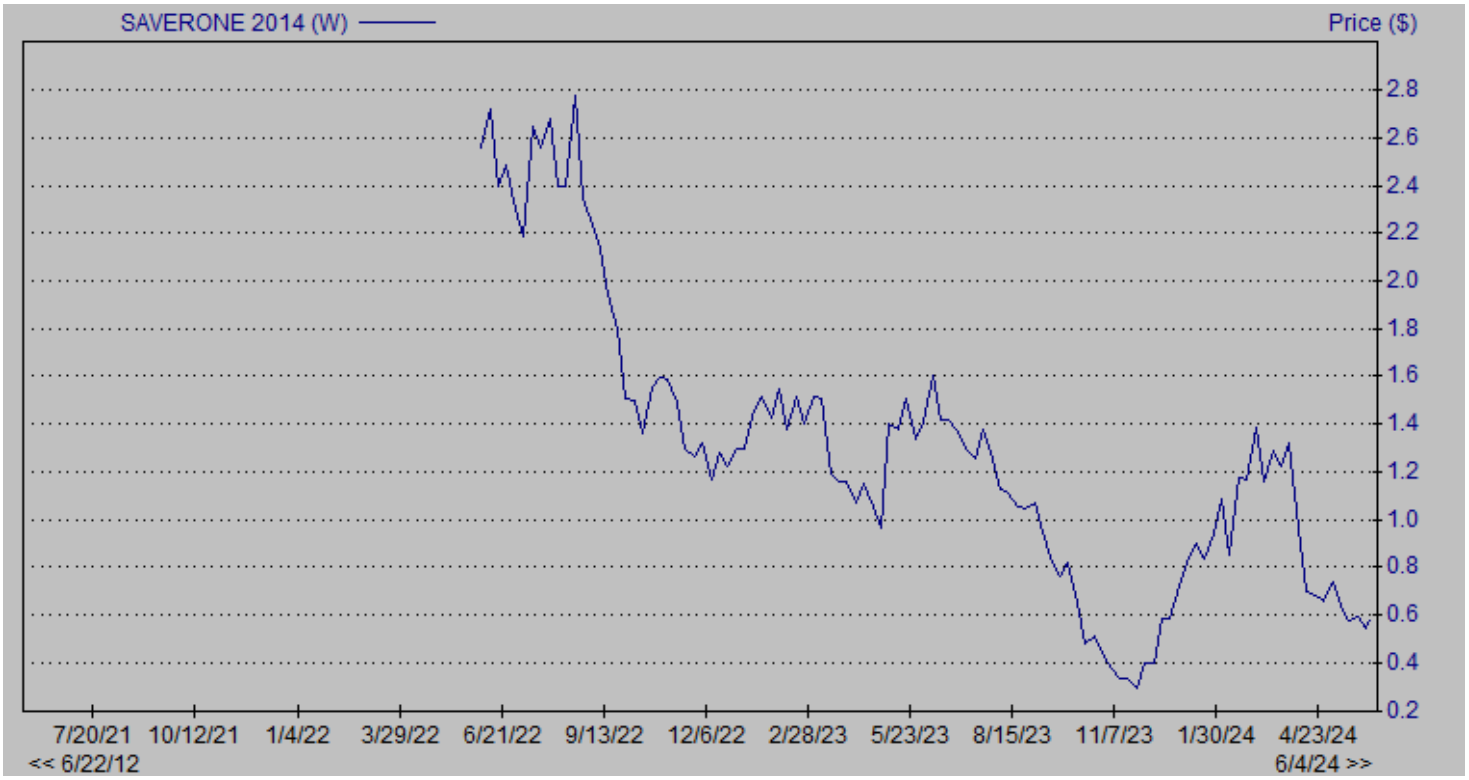
SaverOne 2014 Ltd
Balance Sheet in USD (converted from NIS at $1 = 3.627 NIS)
12/31/23

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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HISTORICAL STOCK PRICE



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