November 25, 2024

Zacks Small-Cap Research

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Saverone 2014 Ltd (SVRE-NASDAQ)

SVRE: Updating our estimates and model to reflect the new ADS ratio.

We are adjusting our valuation target to $4.50/ADS due to the new ADS exchange ratio, the updated share count, and continued challenges in the company's domestic market.

Current Price (11/22/24)	$1.13
Valuation	**$4.50**

OUTLOOK

The company continues to make progress with its international expansion which partially offsets concerns over the challenges in the company's domestic market.

Estimating the total number of shares (and by default ADSs) outstanding has been incredibly challenging as the company has financed operations by issuing stock as the market price of the ADSs has fallen. We now estimate that the company has 164 million common shares outstanding which equates to 1.8 million ADSs given the new ADS to common ratio of 1 to 90.

SUMMARY DATA

52-Week High	**$27.00**
52-Week Low	**$1.00**
One-Year Return (%)	**-79%**
Beta	**2.36**
Average Daily Volume (sh)	**248,307**
ADS Outstanding (mil)	**1.8**
Market Capitalization ($mil)	**$2.0**
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		0.1 A		0.5 E	0.6 E
2025		1.3 E		1.8 E	3.1 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		-0.27 A		-2.70 E	-$4.47 E
2025		-1.26 E		-0.92 E	-$2.16 E

* half year earnings per ADS may not sum due to rounding and share issuance. EPS adjusted to reflect the ADS ratio change from 1 to 5 common shares to 1 to 90 common shares on 10/28/24.

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WHAT'S NEW

- SaverOne 2014 (NASDAQ: SVRE) significantly adjusted its ratio of ADS to common shares from 1 ADS to 5 common shares to 1 ADS to 90 common shares on October 28, 2024, to regain compliance with NASDAQ's minimum $1.00 closing bid requirement. This effectively acts as 1-for-18 reverse split of the ADSs and has had the desired effect as the stock has again traded above $1 for the past 3 weeks and the company regained NASDAQ compliance as of November 12.

- The pace of equity issuance by the company has been relentless over the past year and appears to have accelerated in 2024. As of 12/31/23, the company had 69.6 million shares outstanding but that number had grown to roughly 164 million shares as of November 2024. While it is encouraging that the company has regained NASDAQ compliance for the time being, given the continued losses anticipated in the near future and the current ADS price (just above $1), we think investors need to consider the possibility that further share issuance in 2024/2025 could negatively impact the ADS price raising the prospect of a further ADS ratio adjustment or reverse stock split to maintain the company's NASDAQ listing.

- The company has a very good technological platform addressing the issue of distracted driving in commercial vehicles and it is targeting a market that is poised for very strong growth but concerns about dilution risk remain high. The company is unlikely to reach positive operating cash flow in the next 12 months based on our forecasts so it is probable that additional drawdowns under the company's equity line will occur.

- The market continues to move forward toward greater autonomy of all vehicles (both commercial and personal vehicles) which bodes well for the company's vulnerable road user solution, though we would note that several companies are working on predictive solutions to address the challenge of protecting road users when the line of sight is limited. The company's driver distraction system continues to have success with new client wins and additional installations with existing clients particularly in international markets.

SaverOne Update

SaverOne (NASDAQ: SVRE) continues to make slow progress in adding new clients and increasing the installed base for its driver distraction prevention system but the challenges associated with financing the company's operations continue to weigh on its ADSs which have substantially underperformed the broader indices in 2024.

News updates:
In September, the company announced that Froneri Israel, a manufacturer of ice cream products, that signed an original agreement with the company in 2021, was extending and updating its agreement with SaverOne to cover all distribution vehicles and company-owned vehicles in its fleet. It is difficult to estimate how many vehicles could be covered under this agreement but we believe this is a relatively small contract.

The company also announced the first pilot installations with customers of Volvo Buses of Mexico. This follows the previously announced OEM agreement with Volvo Buses of Mexico back in March 2024. The new pilots cover 20 buses so it will have a fairly limited financial impact but it is encouraging to see this OEM agreement convert to orders.

The company signed an initial pilot agreement with the Malta Public Transportation Company through a regional distributor. While pilot agreements tend to be fairly limited in scope, the company did note that

the Malta Public Transportation Company operates roughly 450 buses, and if the pilot proves successful the entire fleet could be eligible for installing the SaverOne system.

The most significant announcement to date was the late September distribution agreement with Motor Supply of South Carolina which followed a successful pilot between the two companies. The agreement grants Motor Supply the exclusive right to sell and install SaverOne's system in ten US states. SaverOne's management team indicated that this agreement "guarantees us at least 37,600 orders over the next 5 years". **This represents more than 10 times the number of systems that SaverOne has installed as of August 2024 in the company's history**, so it is obviously a very significant step forward for SaverOne. While pricing details have not been revealed it is safe to assume this could be a multi-million dollar contract for SaverOne if all of the orders are confirmed. Motor Supply of South Carolina appears to be a fairly new company founded in 2019 and it does not appear to have 37,600 of its own vehicles in its fleet (the company's business profile indicates that it has less than 50 employees and it has only raised $2 million in capital to date). We assume that the very large number of orders mentioned in this press release relates to anticipated sales by Motor Supply to its customers. It will be important for the company to provide further detail around this agreement – for example what the unit economics are for the company, details around how concrete the "guaranteed" orders are and what is the timeline for the orders to begin showing up in the company's financial statements.

In October the company signed a distribution agreement with Sistemas ADAS that will bring the company's system to Spain and Portugal. While no terms of this agreement were announced it is an encouraging step for the company entering two meaningful markets in the EU. The company also announced an agreement to supply up to 200 systems to a Spanish subsidiary of a multinational company in the construction sector. The company indicated that the first 100 systems have been shipped and are expected to be installed in December 2024.

MODEL UPDATE

We are adjusting our model to reflect the lower number of ADS outstanding as a result of the ratio adjustment from 1 ADS to 5 common shares to 1 ADS to 90 common shares. We are not making any meaningful changes to our revenue model yet but if economic activity remains subdued in Israel into 2025, we may revisit our model before full-year results are reported.

While the company's loss per ADS is increasing meaningfully in our model this is entirely due to the reduction in the number of ADSs outstanding as a result of the ratio change which acts effectively like a reverse stock split.

VALUATION

Valuation calculations for SaverOne remain difficult because the company is financing its operations by regular share issuance under the standby equity agreement. As we've discussed, the company's shares are in the midst of a negative feedback loop where the company's share price falls, so it has to issue more shares, which results in more dilution lowering the price of the stock, which results in more shares being issued. As a result of the adjustment of the ADS ratio from 1 to 5 common shares to 1 to 90 common shares (effectively a 1-for-18 reverse split of the ADS), the number of ADSs outstanding have dropped below 2 million.

We are adjusting our 12-month target valuation adjusted our target valuation for the company to roughly $12 million while adjusting our projected ADS count to 2.7 million at the end of 2025. If the significant Motor Supply agreement results in orders in 2025 this could positively impact our valuation target but for now our new target valuation for the shares is $4.50/ADS but we recognize that many of the factors that go into our calculation of this target are difficult to forecast at this time. We hope to have a clearer picture of the company's prospects both domestically and internationally as we enter 2025.

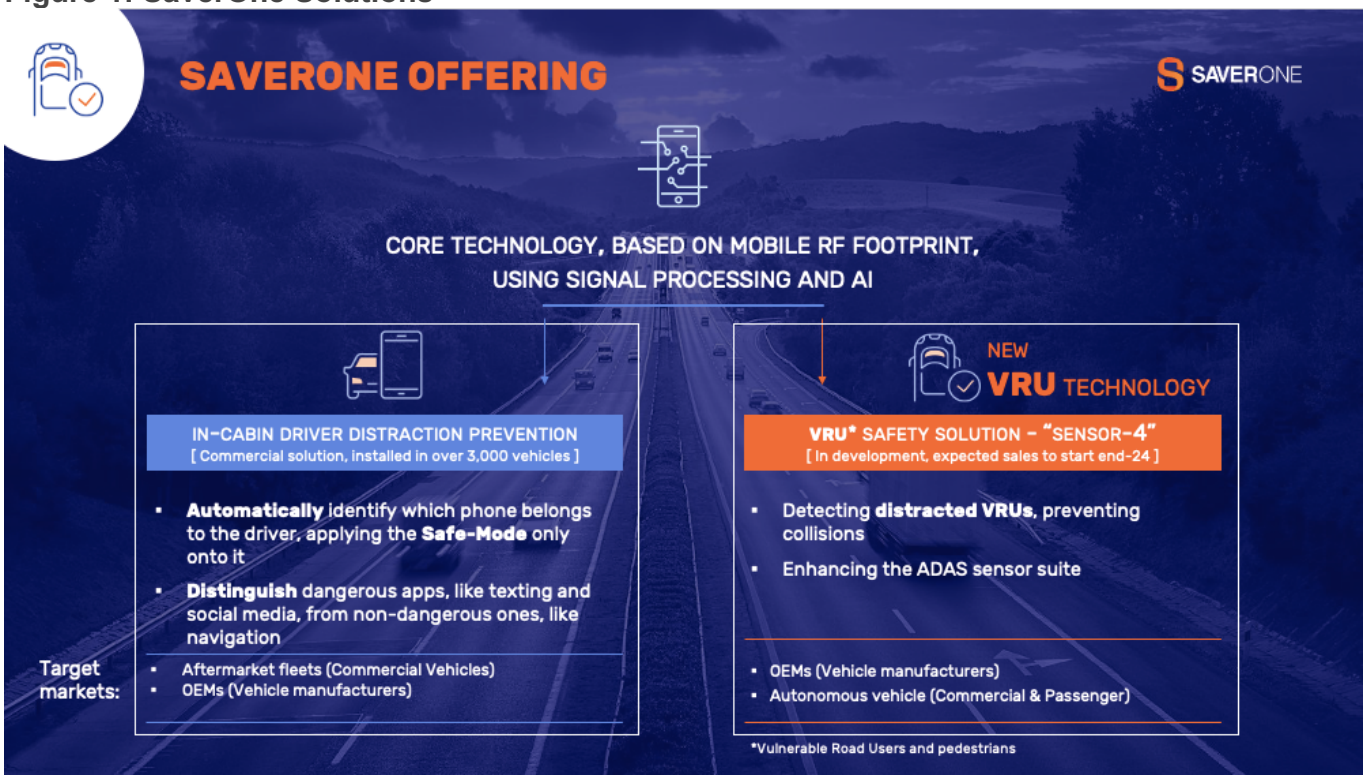
Lastly, we would again note that SaverOne's shares are often grouped with several low-float microcap stocks that trade unusually large volumes. Just last week, SaverOne traded 1.4 million ADSs in a single day when the company only had 1.8 million ADS outstanding. These traders can impact the share price and move it in ways that are not justified by fundamental results but investors should be aware of their interest in the company.

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 August 2024, the company has reported that about 4,800 systems have been ordered and roughly 3,750 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)

	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	$ 395	$ 355	$ 750	$ 129	$ 470	$ 599	$ 1,296	$ 1,835	$ 3,130
Cost of revenues	$ 272	$ 271	$ 543	$ 106	$ 350	$ 456	$ 925	$ 1,315	$ 2,240
Gross profit	$ 123	$ 84	$ 207	$ 23	$ 120	$ 143	$ 371	$ 519	$ 890
	31%	24%	28%	18%	26%	24%	29%	28%	28%
Operating expenses:									
Research and development expenses	3,264	3,039	6,303	2,376	2,186	4,562	1,312	1,049	2,361
Selling and marketing expenses	388	656	1,044	643	669	1,312	682	709	1,391
General and administrative expenses	1,197	1,099	2,296	1,191	1,215	2,406	1,239	1,264	2,503
Total operating expenses	$ 4,848	$ 4,795	$ 9,643	$ 4,210	$ 4,069	$ 8,279	$ 3,233	$ 3,023	$ 6,255
(Loss)/Income from operations	$ (4,725)	$ (4,711)	$ (9,436)	$ (4,187)	$ (3,950)	$ (8,137)	$ (2,862)	$ (2,503)	$ (5,366)
Net Financing Income/(Loss)	(30.80)	$138	$107	($162)	($19)	($48)	($17)	($10)	($27)
Loss for the period	$ (4,756)	$ (4,573)	$ (9,329)	$ (4,349)	$ (3,969)	$ (8,185)	$ (2,880)	$ (2,513)	$ (5,393)
(Loss)/Earnings per ordinary share	($0.17)	($0.13)	($0.30)	($0.05)	($0.03)	($0.05)	($0.01)	($0.01)	($0.02)
(Loss)/Earnings per ADS	($0.85)	($0.65)	($1.49)	($0.27)	($2.70)	($4.47)	($1.26)	($0.92)	($2.16)
Weighted average number of shares outstanding									
Average shares used to calculate EPS	27,839	34,921	31,380	79,171	132,360	164,902	205,000	245,000	225,000
Average ADSs used to calculate EPS	5,568	6,984	6,276	15,834	1,471	1,832	2,278	2,722	2,500

Source: Zacks SCR, Brian Lantier, Company Filings

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BALANCE SHEET

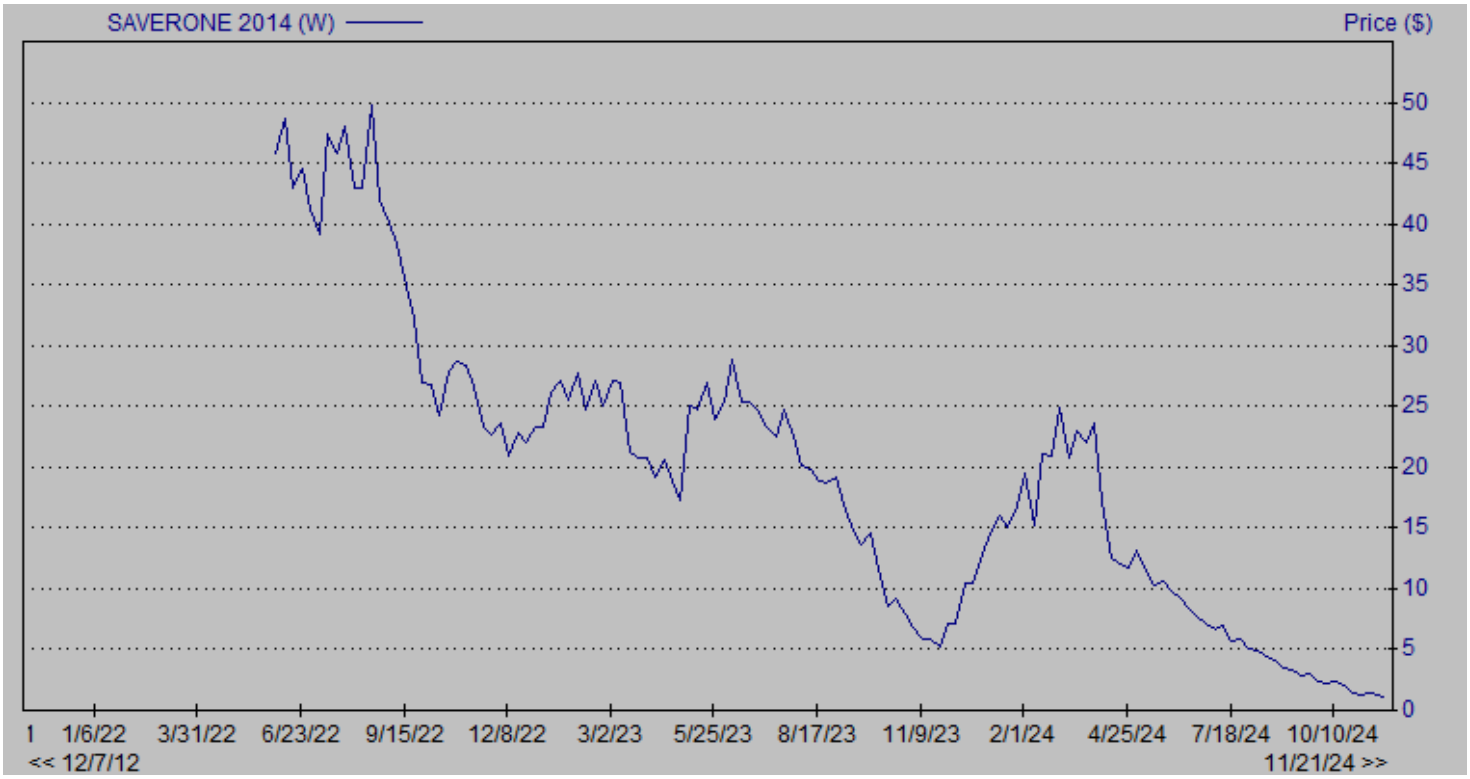
SaverOne 2014 Ltd
Balance Sheet in USD (converted from NIS at $1 = 3.759 NIS)
6/30/24

Assets	
Current Assets	
Cash and cash equivalents	3,007
Short-term bank deposits	0
Trade receivables	343
Inventory	1,532
Other current assets	332
Total current assets	5,214
Non-Current Assets	
Property & Equipment (net)	56
Restricted deposits	57
trade recivables, net	232
Right of use assets	304
Total non-current assets	649
Total Assets	**5,863**
Liabilities	
Current Liabilities	
Promissory note, net	1,041
Trade payable	983
Current maturities of leasing liabilities	125
Other current liabilities	542
Derivative warrants liability	15
Liability in respect of government grants	173
Total current liabilities	2,878
Non-Current Liabilities	
Leasing liability, net current	212
Liability in respect of government grants	213
Total Liabilities	**3,303**
Shareholder's Equity	
Additional Paid-in Capital	39,998
Captial reserve in respect of share-based payment	2,970
Accumulated deficit	(40,408)
Shareholder's Equity (Deficiency)	**2,560**
Total Liabilities & Shareholder's Equity	**5,863**

Source: Company press release

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HISTORICAL STOCK PRICE



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