

Sensorion

France | Pharma & biotech | MCAPEUR 35.8m

19 October 2018

Buy

Target Price	EUR 3.70 (4.00)
Current Price	EUR 2.77
Up/downside	33.3%
Change in TP	-7.5%
Change in EPS	up nm 18E / up nm 19E

Big delays in both programmes

Sensorion gave an update on its clinical development programs at its H1 results. Both SENS-111, developed in acute unilateral vestibulopathy, and SENS-401 developed in sudden hearing loss (SSNHL) suffered from delays. Interim results are no longer expected before H2 2019 while the company has cash visibility until Q2 2019. Thus, financial uncertainty is rising following these delays. Buy, TP cut from EUR4.0 to EUR3.7.

HY results

Sensorion reported an operating income of EUR1.3m versus EUR1.1m last year. These operating results are mainly comprised of grants and tax research credit. R&D expenses amounted to EUR5.9m versus EUR3.9m a year ago. This big increase is due to the start of the SENS-401 trial in SSNHL. As a result, Sensorion reported an operating loss of EUR6m versus EUR4.4m for H1 2017. The cash position amounts to EUR8.8m versus EUR7.7m in December 2017 thanks to the capital raised realised in May 2018 which provided a EUR8.7m in funding. As a result, operating cash burn was EUR6.5m for H1 2018. Given the current burn rate, Sensorion has a cash visibility until Q2 2019.

Disappointing delays

Sensorion announced significant delays in its programmes. Notably, due to defect in the recruitment process of patients of its phase IIb assessing SENS-111 in AUV, the company announced a change in the design. Sensorion will intend to recruit c. 100 patients versus 207 initially. Now, the company expects first read-out in the H2 2019 versus Q4 2018 initially. Moreover, the start of the trial assessing SENS-401 in SSNHL is also taking more time than initially announced. Thus, the company was initially expected to announce interim results by mid-2019. Now, first-in-patient is expected in Q4 2018 and interim results are expected in Q4 2019.

Valuation and TP

Due to the strong delays taken by the programmes and the uncertainty regarding the funding post-H1 2019, we have revised our TP. We fine-tune our model and decrease the related number of patients from 207 to 100 but increase the number of patients in phase III as we believe a stable statistical power will be needed to get regulatory approval. As a result, we cut our TP from EUR4.0 to EUR3.7. We value Sensorion based on the rNPV (WACC: 15%) of the two main projects seliforant and SENS-401 in their clinical studied indications.

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Market data

Bloomberg: ALSEN FP	Reuters: ALSEN.PA
Market cap (EURm)	36
Free float	46%
No. of shares outstanding (m)	13
Avg. daily volume (EURm)	0.1
YTD abs performance	-25.0%
52-week high/low (EUR)	4.72/2.46

FY to 31/12 (EUR)	12/18E	12/19E	12/20E
Sales (m)	0.0	0.0	0.0
EBITDA adj (m)	-10.6	-13.2	-15.1
EBIT adj (m)	-10.9	-13.6	-15.4
Net profit adj (m)	-8.2	-10.2	-11.6
Net fin. debt (m)	-8.0	-17.7	-6.0
FCF (m)	-8.3	-10.3	-11.7
EPS adj. and fully dil.	high	high	high
Consensus EPS	na	na	na
Net dividend	0.00	0.00	0.00

FY to 31/12 (EUR)	12/18E	12/19E	12/20E
P/E adj and ful. dil.	0.0	0.0	0.0
EV/EBITDA	na	na	na
EV/EBIT	na	na	na
FCF yield	-23.3%	-28.8%	-32.7%
Dividend yield	0.0%	0.0%	0.0%
Net fin. debt/EBITDA	0.8	1.3	0.4
Gearing	-103.2%	-101.4%	-104.3%
ROIC	na	na	na
EV/IC	27.8	18.1	29.8



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Key financials

FY to 31/12 (EUR)	12/13	12/14	12/15	12/16	12/17	12/18E	12/19E	12/20E
Income Statement (EURm)								
Sales	0.4	0.3	1.3	1.8	0.1	0.0	0.0	0.0
% Change	66.3%	-29.0%	349.1%	35.8%	-95.5%	-chg	na	na
EBITDA adjusted	-1.5	-2.8	-4.6	-8.1	-9.6	-10.6	-13.2	-15.1
EBITDA margin (%)	-359.6%	-963.0%	-354.9%	-455.9%	-12,230.3%	na	na	na
EBIT adjusted	-1.5	-2.9	-4.8	-8.4	-10.0	-10.9	-13.6	-15.4
EBIT margin (%)	-364.9%	-987.0%	-364.7%	-475.8%	-12,678.3%	na	na	na
Net financial items & associates	-0.2	-0.2	-0.1	-0.4	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	0.0	0.0	0.0	0.0	0.0	2.7	3.4	3.9
Net profit from continuing operations	-1.6	-3.1	-4.8	-8.8	-10.0	-8.2	-10.2	-11.6
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	-1.6	-3.1	-4.8	-8.8	-10.0	-8.2	-10.2	-11.6
Net profit reported	-1.6	-3.1	-4.8	-8.8	-10.0	-8.2	-10.2	-11.6
Net profit adjusted	-1.6	-3.1	-4.8	-8.8	-10.0	-8.2	-10.2	-11.6
Cash Flow Statement (EURm)								
Cash flow from operating activities	-1.4	-2.3	-5.1	-7.2	-10.6	-7.8	-9.8	-11.2
Capex	-0.2	-0.7	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5
Free cash flow	-1.6	-3.0	-5.4	-7.7	-11.1	-8.3	-10.3	-11.7
Acquisitions & Divestments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	1.9	3.2	18.5	2.3	10.3	8.7	20.0	0.0
Change in net financial debt	0.3	0.3	13.2	-5.4	-0.8	0.3	9.7	-11.7
Balance Sheet (EURm)								
Intangible assets	0.1	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Tangible assets	0.1	0.1	0.2	0.3	0.4	0.4	0.4	0.4
Financial & other non-current assets	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Total shareholders' equity	-1.2	-0.3	12.8	8.6	7.4	7.8	17.5	5.7
Pension provisions	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Liabilities and provisions	2.3	2.5	3.6	3.1	3.8	3.8	3.8	3.8
Net financial debt	-0.4	-0.1	-13.3	-8.4	-7.7	-8.0	-17.7	-6.0
Working capital requirement	-1.6	-0.6	-1.0	-0.3	0.6	0.6	0.6	0.6
Invested Capital	-1.5	-0.5	-0.8	0.0	1.0	1.0	1.0	1.0
Per share data								
EPS adjusted	high	high	high	high	high	high	high	high
EPS adj and fully diluted	high	high	high	high	high	high	high	high
% Change	high	high	high	high	high	high	high	high
EPS reported	high	high	high	high	high	high	high	high
Cash flow per share	high	high	high	high	high	high	high	high
Book value per share	high	high	high	high	high	high	high	high
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Number of shares, YE (m)	0.12	0.28	6.13	6.83	8.92	12.91	12.91	12.91
Ratios								
ROE (%)	na	na	-77.5%	-82.4%	-124.6%	-108.5%	-80.7%	-99.8%
ROIC (%)	na	na	na	na	na	na	na	na
Net fin. debt / EBITDA (x)	0.3	0.0	2.9	1.0	0.8	0.8	1.3	0.4
Gearing (%)	na	na	-104.1%	-97.5%	-104.5%	-103.2%	-101.4%	-104.3%
Valuation								
P/E adjusted	na	na	0.0	0.0	0.0	0.0	0.0	0.0
P/E adjusted and fully diluted	na	na	0.0	0.0	0.0	0.0	0.0	0.0
P/BV	na	na	0.0	0.0	0.0	0.0	0.0	0.0
P/CF	na	na	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	na	na	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield preference shares (%)	na	na	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	na	na	-7.4%	-20.1%	-26.0%	-23.3%	-28.8%	-32.7%
EV/Sales	na	na	45.1	16.8	na	na	na	na
EV/EBITDA	na	na	na	na	na	na	na	na
EV/EBIT	na	na	na	na	na	na	na	na

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Companies mentioned

Stock	ISIN	Currency	Price
Sensorion	FR0012596468	EUR	2.78

Source: Factset closing prices of 18/10/2018

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Rating Breakdown	A	B
Buy	49%	47%
Hold	35%	43%
Reduce	13%	8%
Not Rated/Under Review/Accept Offer	3%	2%
Total	100%	100%

Source: KEPLER CHEUVREUX

A: % of all research recommendations

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Company Name	Date	Business Line	Rating	Target Price	Closing Price
Sensorion (EUR)	14/06/2018 08:35	Equity Research	Buy	4.00	3.21

Credit research does not issue target prices. Left intentionally blank.

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