

18th May 2016

Healthcare

Zealand

Price DKK126.00

Q1 numbers have little significance; all eyes on upcoming AdCom

Fair Value DKK176 vs. DKK180 (+40%)

BUY

Bloomberg	ZEAL DC
Reuters	22Z.F
12-month High / Low (DKK)	168.5 / 91.5
Market Cap (DKK)	3,081
Avg. 6m daily volume (000)	96.00

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.3%	9.6%	-14.0%	-16.8%
Healthcare	-2.4%	1.1%	-12.1%	-11.0%
DJ Stoxx 600	-2.4%	1.8%	-11.9%	-8.5%

	2015	2016e	2017e	2018e
P/E	NS	19.9x	NS	8.8x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- There is no surprise in Q1 2016 numbers released earlier today by Zealand and despite the recent announcement of the failure of elsiglutide to achieve its primary endpoint in a phase IIb trial (agreement with Helsinn), there is no change in the annual guidance for revenues and operating loss for the full year. Obviously, this will mainly depend on the US approvals of lixisenatide and lixi-Lantus fixed-dose combination.
- To note simply is that phase II in type I diabetes has been completed with ZP4207 as a rescue therapy in severe hypoglycaemia (56 patients) in May and results are expected in Q3 2016.
- All that said, what really matters for Zealand is what is going to be said next week during the two advisory committees scheduled on May 24 and 25 to review Xultophy and LixiLan. What we will pay maximum attention to is (i) whether there will be any suggestion that these combinations should be reserved for severely ill patients that have previously tried and failed on any other type of diabetes treatment (similar wording to PCSK9's), which would be bad news, limiting the size of the target market; (ii) whether, based on any comment or simply on discussed clinical data, that Xultophy is clearly superior to LixiLan. We know that Sanofi plans a more aggressive pricing strategy, but the two propositions do not have to be too different to make price an acceptable differentiating factor.

VALUATION

- We make no change to our forecasts (yet). Remember that LixiLan is currently about 60% of our FV. The small change to it stems from the new number of shares computed for calculation.

NEXT CATALYSTS

- Today 9am: Conference Call - [Click here to download document](#)

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