

25th August 2016

Healthcare

Zealand

Price DKK110.00

Slight adjustment to our numbers, investment case unchanged

Fair Value DKK172 vs. DKK176 (+56%)

BUY

Bloomberg	ZEAL DC
Reuters	222.F
12-month High / Low (DKK)	168.5 / 92.5
Market Cap (DKKm)	2,699
Avg. 6m daily volume (000)	119.3

ANALYSIS

- Until iGlarLixi gets approved, launched and reflects in milestones and royalties for Zealand, numbers will not matter that much although increasing maturity of the pipeline translates into gradually improving operating costs for the company.
- That said, since our FV takes into account non-restricted cash at the end of each half-year, the situation at the end of June shows a reduction by about DKK130m compared to end of 2015 i.e. DKK5 on the FV. R&D and administrative expenses clearly accelerated in Q2 compared to Q1. Moreover, where we expected the approval of lixisenatide in the US to trigger a payment of USD10m to Zealand from Sanofi, it was only USD5m. Lastly, considering the poor performance of lixisenatide in its existing markets, we have removed the only commercial milestone we had on the drug later in the decade. In the opposite direction, the comments from Sanofi about interactions with the FDA about iGlarLixi suggest likely approval in November and so we have increased our PoS from 85% to 90%.

VALUATION

- All in all, our we have slightly adjusted downwards our FV (considering the above-mentioned elements) but it is fair to say that the investment case is intact. Zealand should be increasingly appreciated for its pipeline whereas iGlarlix is the way to finance it. That said, iGlarLixi alone represents DKK112m i.e. the current share price, hence giving no value to R&D.

NEXT CATALYSTS

- Today 2pm: Conference Call

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