



2nd August 2019

ZEALAND

| Healthcare
| Biotech

BUY

Fair Value DKK192 vs. DKK180 (+26%)
Share price DKK152.20
EPS 3Y Cagr NM

Revisiting our model for dasiglucagon in the dual hormone pump

The new CEO is changing perception a lot

Back in June we provided positive feedback after our visit to Zealand Pharma in Denmark and our first interactions with the new CEO Emmanuel Dulac who has a solid background in commercial operations and rare diseases, especially at Shire and Alnylam. Earlier this week, we were road showing with him for the first time and our good impression was very much confirmed, not only from our own conversation but also from discussions with specialised investors who had good knowledge about the company and its targeted markets. As Zealand Pharma is preparing to transition from a pure R&D-focused company to a biopharma with commercial operations, his profile and clear view about how to create value is highly appreciated.

Most of the upside coming from dasi for the dual hormone pump?

Moving to the content of the investment case now, we were not expecting to hear much new from the CEO because little happened since our visit to the headquarters less than a couple of months ago. And we were wrong because the thinking progressed about how to do with dasiglucagon. All options remain open but first interactions with potential partners suggest an all-or-nothing type of deal that does not fit with Zealand's objectives. In other words, whereas Zealand mainly needed help to cope with the rescue pen because this market has to be reshaped and educated, partners are ready to do the job if they have access to the dual hormone pump opportunity too. But this one is actually transformative enough for Zealand at a limited price not to be shared. Moreover, if all dasiglucagon is partnered, then the company is left with SBS, which is not ambitious enough for a biopharma case.

And so we felt that the CEO was now considering as a central scenario to move forward with dasiglucagon alone in all indications. To some extent, he is ready to accept that he may well not extract the max from the rescue pen by going alone but on the other hand the company will learn a lot and will build a brand and prepare for the dual hormone big opportunity (with the CHI in-between, meaning one indication to launch per annum between 2021 and 2023).

This is a 180° change in strategy, but it is very well articulated and in the end, may not prevent the group finding some kind of a partner for the rescue pen. But our understanding is that Zealand will now move and prepare for a stand-alone route.

Our model for dasi in dual hormone pump is revisited

While we opted for a stand-alone modelling for dasi rescue pen, we so far took an estimated 15% part of the dual hormone pump total value. This is no longer the right way to proceed and we have moved to a different model whereby Zealand will simply make profits on the sale of cartridges. We estimate that 200-250k US T1D patients are dual hormone pump users by the end of the next decade and that the cost of glucagon cartridges might be c. USD1,900 per annum. Even under the assumption that Zealand will only have 50% share with time and that about 100 reps will be needed, we derive an NPV of USD320m i.e. twice higher than the one we had before. We keep our 40% PoS (a meeting with the FDA to discuss phase III trial design should take place in September and tell us more). Our FV is adjusted to DKK192. We keep our BUY rating.

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Market Data

Bloomberg / Reuters	ZEAL DC/22Z.F
Market Cap.	DKK4,842m
E.V.	DKK3,982m
Free Float	81%
Avg. Daily volume (6m)	149.6
12m high / low	DKK156.9 / DKK78.8
Ytd Perf.	84.7%

DKKM	12/18	12/19e	12/20e	12/21e
Sales	38.0	0.0	0.0	184.5
% Change		-100.0%		
EBITDA	-375.6	-528.6	-582.9	-617.6
% Change		-40.7%	-10.3%	-6.0%
EBIT	-382.2	-535.8	-590.7	-626.0
% Change		-40.2%	-10.2%	-6.0%
Net Income	581.3	-549.1	-439.6	-290.3
% Change			19.9%	34.0%
ROE	NM	NM	NM	NM

	12/18	12/19e	12/20e	12/21e
EV/Sales	104.8x	NS	NS	28.8x
EV/EBITDA	NS	NS	NS	NS
EV/EBIT	NS	NS	NS	NS
EPS	-9.17	-12.96	-14.45	-15.50
% change		-41.3%	-11.5%	-7.3%
P/E	NM	NM	NM	NM
Div Yield	NM	NM	NM	NM

Next Catalyst: 15th August 2019 - First-half results

Last FV Change:

[2019-3-21, Technology-validating deal with Alexion](#)

Last Reports:

[2019-6-26, ZEALAND \(BUY, FV DKK180\) | Gets into the clinic with next gen. SBS drug](#)

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