

ZS Pharma

(ZSPH-NASDAQ)

Stock Rating: Outperform
Stock Price: US\$42.00
Target Price: US\$54.00

April 16, 2015
Specialty Pharmaceuticals

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ZS-9 Getting Notable Attention

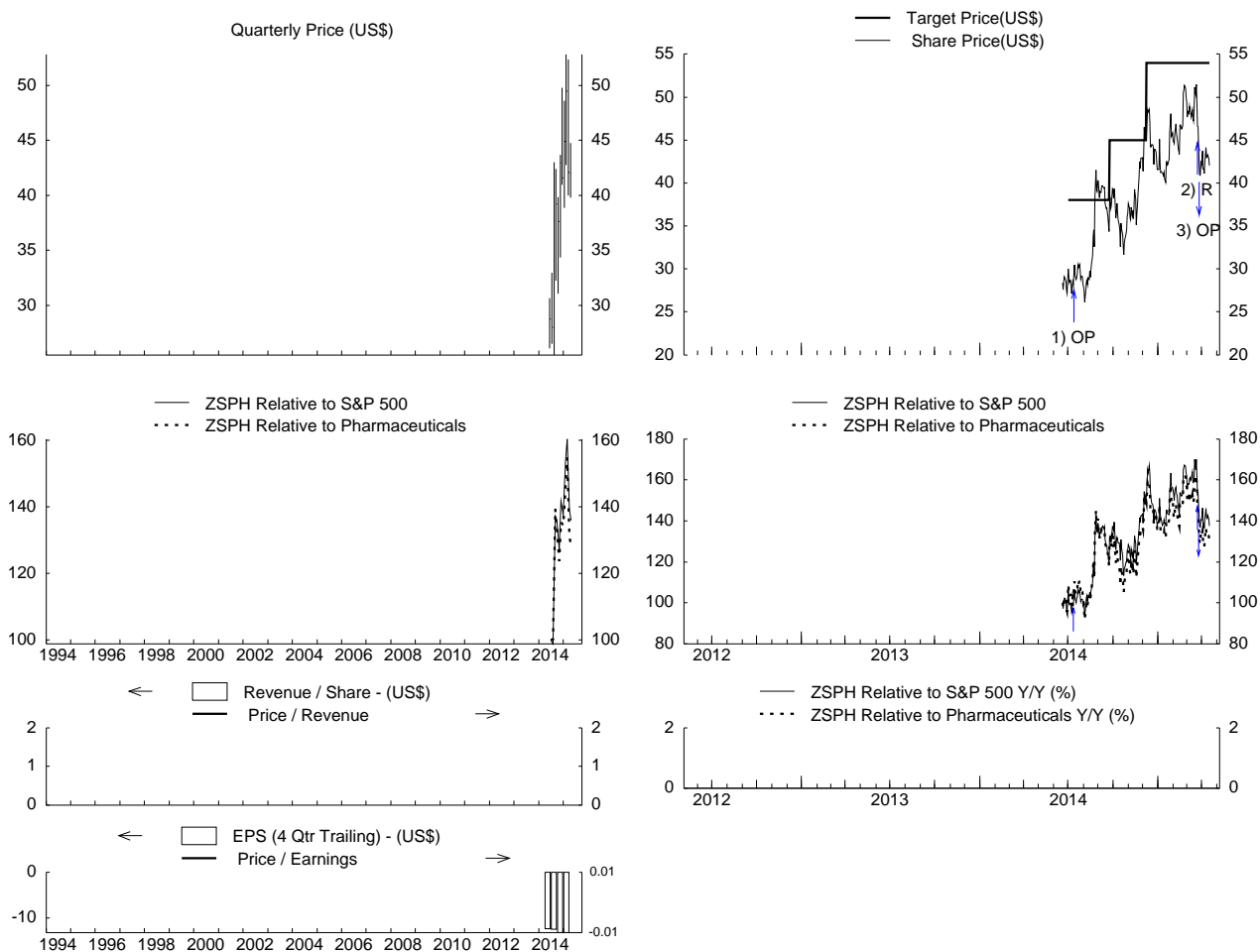
Two medical journals have published articles relating to promising ZS-9 clinical results. A letter to the editor in the current issue of *The New England Journal of Medicine* (NEJM) details previously unreleased data from a combined analysis of two Phase III trials of ZS-9 in patients with severe hyperkalemia, which shows 80% of patients reached normal potassium levels within four hours, with rapid and clinically significant reduction as early as one hour post-dosing. A February 2015 *Kidney International* publication detailed the dose-dependent increase in serum bicarbonate seen in a Phase II study of ZS-9. Bicarbonate is a very important safeguard that prevents blood from becoming too acidic, a problem many patients with chronic kidney disease tend to have.

Our View:

- We believe these publications in respected medical journals indicate the nephrology and cardiology physician bases are becoming more in tune with novel treatments in development for hyperkalemia, and these articles show unique benefits of ZS-9, which further differentiates it from other developmental treatments, such as Relypsa's Patiromer (RLYP, \$36.79, Not Rated).
- The letter to the editor in the NEJM shows the potential for onset of action of ZS-9 within the first hour following administration. Hyperkalemia is a deadly condition in which rapid and significant reduction in potassium levels is important. The *Kidney International* publication shows the potential for ZS-9 to lower the acidity of a patient's blood. This is significant because many patients who suffer from chronic kidney disease also suffer from acidosis, which can increase the rate of progression of renal disease. We believe these publications highlight unique characteristics which will make significant differences in the commercial opportunity for ZS-9.
- **We are hosting a conference call with a panel of doctors on novel treatments in hyperkalemia on Monday, April 27, 2015.** This is a valuable opportunity to hear from physicians who are familiar with standard of care in hyperkalemia as well as ZS-9 and Patiromer. Our discussion will include the currently available efficacy and safety data for both developmental treatments, as well as the potential commercial market opportunity. Dial in: 517-308-9449 / 888-324-6921 Passcode: 7699860.

Please refer to pages 2 to 5 for Important Disclosures, including the Analyst's Certification.

ZS Pharma (ZSPH)



FYE (Dec.)	EPS US\$	P/E Hi - Lo	DPS US\$	Yield% Hi - Lo	Payout %	BV US\$	P/B Hi - Lo	ROE %
2014	-5.50	na na	0.00	0.0 0.0	0	ND	>15 >15	
Range*		na na		0.0 0.0			>15 >15	
Current*	-13.11	na	0.00	0.0	0	1.2	36.3	na

ZSPH - Rating as of 17-Jun-14 = NR

Date	Rating Change	Share Price
1 11-Jul-14	NR to OP	\$29.49
2 23-Mar-15	OP to R	\$46.65
3 25-Mar-15	R to OP	\$42.00

* Current EPS is the 4 Quarter Trailing to Q4/2014.
 * Valuation metrics are based on high and low for the fiscal year.
 * Range indicates the valuation range for the period presented above.

Last Price (April 15, 2015): \$42.00
 Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

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Risks: In addition to the normal risks inherent in pharmaceutical companies, such as regulatory, reimbursement, and competitive risks, our valuation of ZSPH carries several other risks. Among the risks to our valuation is ZSPH's dependence on approval of their lead product and anticipated sales and profitability to drive the value of ZSPH. Unseen side effects, safety issues, and competitive threats have not been taken into account in our valuation and if any of these were to emerge, it is likely ZSPH shares would be significantly and negatively impacted. ZSPH is currently running at a substantial loss, and with this fact comes several other risks, including the potential need for financing. One cannot be certain that ZSPH would be able to secure additional financing and at what cost. Our valuation does not include any value for ZSPH's additional product in the pipeline.

Distribution of Ratings (March 31, 2015)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	43.7%	18.6%	58.2%	42.7%	55.5%	54.1%
Hold	Market Perform	51.4%	10.4%	38.5%	52.1%	41.9%	40.5%
Sell	Underperform	4.9%	9.4%	3.3%	5.2%	2.6%	5.5%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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(S) = speculative investment;

NR = No rating at this time;

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