

ZS Pharma, Inc. (ZSPH)

SMALL & MID CAP RESEARCH

High-Class Spec Pharma Company with Attractive Proprietary Ion-Trap Technology

- Initiating coverage of ZS Pharma with an Outperform rating and \$51 target price.
- For details, please see our slide deck entitled [“High-Class Spec Pharma Company with Attractive Proprietary Ion-Trap Technology”](#).



Rating	OUTPERFORM* [V]
Price (10 Jul 14, US\$)	28.21
Target price (US\$)	51.00 ¹
52-week price range	30.04 - 27.15
Market cap. (US\$ m)	581.38
Enterprise value (US\$ m)	475.62

*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

¹Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

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Financial and valuation metrics

Year	12/13A	12/14E	12/15E	12/16E
EPS (CS adj.) (US\$)	-3.17	-1.82	-2.82	-0.36
Prev. EPS (US\$)	—	—	—	—
P/E (x)	-8.9	-15.5	-10.0	-78.3
P/E rel. (%)	-49.4	-93.6	-67.2	-583.3
Revenue (US\$ m)	—	—	—	117.9
EBITDA (US\$ m)	-31.5	-31.2	-60.1	-4.4
OCFPS (US\$)	-2.56	-1.60	-2.48	0.01
P/OCF (x)	—	-17.6	-11.4	NM
EV/EBITDA (current)	-17.7	-17.9	-9.3	-127.3
Net debt (US\$ m)	-9	-106	-140	-130
ROIC (%)	1,217.16	-285.29	-357.31	-34.16
Number of shares (m)	20.61	IC (current, US\$ m)		-2.64
BV/share (Next Qtr., US\$)	6.2	EV/IC (x)		81.8
Net debt (Next Qtr., US\$ m)	-124.0	Dividend (current, US\$)		—
Net debt/tot eq (Next Qtr., %)	-95.7	Dividend yield (%)		7.1

Source: Company data, Credit Suisse estimates

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Companies Mentioned (Price as of 10-Jul-2014)

Relypsa (RLYP.OQ, \$23.3)

ZS Pharma, Inc. (ZSPH.OQ, \$28.21, OUTPERFORM[V], TP \$51.0)

Disclosure Appendix**Important Global Disclosures**

I, Vamil Divan, MD, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for ZS Pharma, Inc. (ZSPH.OQ)

ZSPH.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
18-Jun-14	28.38		R

* Asterisk signifies initiation or assumption of coverage.



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Underperform/Sell*	13%	(48% banking clients)
Restricted	3%	

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Price Target: (12 months) for ZS Pharma, Inc. (ZSPH.OQ)

Method: Our \$51 target price for ZSPH is based on discounted cash flow valuation. We use a 11.5% weighted average cost of capital and forecast discounted cash flows through 2033, with no terminal value thereafter.

Risk: Risks to our \$51 target price for ZSPH are (1) clinical setbacks (2) poor execution and (3) earlier-than-expected generic competition for ZS-9.

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See the Companies Mentioned section for full company names

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