

Reallocation: Zoetis (ZTS)



Sector Head: Katie Bennorth | Senior Analyst: Brandon Chang

The Binghamton Investment Fund (“the Fund”) is requesting approval to purchase 17 units in Zoetis (NYSE: ZTS), a global leader in the animal health industry focused on development and commercialization of medicines, vaccines, diagnostics, technology, and more. The company is currently trading at \$175.63 (as of 10/11/23), but through extensive analysis the Fund believes the value of the units are \$209.00, implying an upside of 20%. The Fund utilized both a discounted cash flow analysis and public comparables to arrive at an implied valuation.

Investment Thesis

We rate ZTS as a BUY and worthy of reallocation ahead of November full-launch of Librela, a blockbuster OA injectable. ZTS is on track to launch the product in the US later this year, with peak sales anticipated to exceed \$1bn+ in less than the typical 3-5 year timeline given high market awareness and success in Europe. ZTS is heavily investing R&D into expanding into high growth markets, such as renal, cardiology, and oncology, which are all expected to grow +HDD% with likely product launches by 2025 to gain 50% market penetration by 2032. Finally, Simparica Trio is extremely well positioned in the parasiticide market, and the product will grow through BI's Nexgard, which is an overestimated threat, given its premium pricing strategy relative to dominant Simparica Trio. ZTS will pioneer the animal health space for years to come, and we want in.

Risks

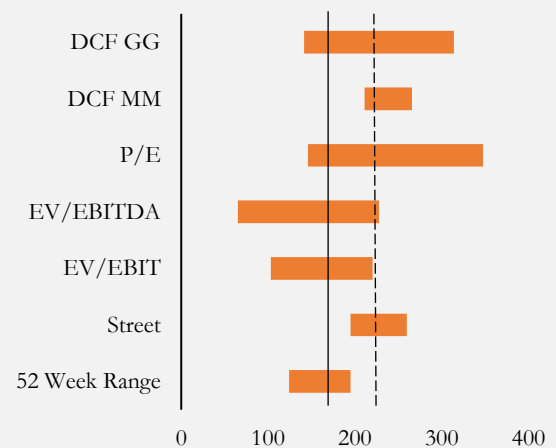
- Sales of Librela fall below expectations
- Greater than anticipated competition
- Delay of pipeline launches for Simparica Trio

Funding

The funding for this reallocation will come from the sale of Pacira Biosciences (NASDAQ: PCRX). Since reallocation, Pacira has faltered on expectations, leading to a loss of +60%. The company faces continued supply headwinds, litigation issues surrounding its core product, and underwhelming sales. Given its primary catalyst, the passing of the NOPAIN act, will not occur until 2025 with even later reflection in sales, we do not see any worthy shorter-term catalysts that outweigh risk of further downside. As such, we want to cut losses on this holding and eliminate it from the portfolio.

Date: 10/11/2023
Sector: Healthcare
Company: Zoetis Inc.
Ticker: NASDAQ: ZTS
Current Price: \$175.63
Price Target: \$209
Upside: 20%
52 week high: \$195
Transaction: 17 units
Exposure: \$3.1k

Football Field



Valuation Methodology

| | |
|-----------|-----|
| EV/EBIT | 5% |
| EV/EBITDA | 5% |
| P/E | 10% |
| DCF GG | 40% |
| DCF MM | 40% |

Stock Performance Since Purchase

