Q&A ZEALAND PHARMA

3RD OF DECEMBER 2019
WITH EMMANUEL DULAC

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Transcript Live Q and A Zealand Pharma with Emmanuel Dulac, the 3rd of December 2019

Helge Larsen/PI-redaktør	Q&A starter i dag kl. 16.
Helge Larsen/PI-redaktør	Emmanuel Dulac, are you online?
Emmanuel Dulac	Hello
Helge Larsen/PI-redaktør	Great.
Emmanuel Dulac	I am finally online now
Helge Larsen/PI-redaktør	Good afternoon, Emmanuel Dulac and welcome to Q&A with us here on ProInvestor.com. We are very happy to have you with us today - ready to answer a wide variety of questions from our investors.
Helge Larsen/PI-redaktør	Can you please give us a short-term update on key figures and important events for Q3.
Emmanuel Dulac	Zealand Pharma has made impressive progress so far this year! We were thrilled with the results from the pediatric study in the Phase 3 clinical program for dasiglucagon HypoPal, which concluded the clinical program and we have full focus on preparing the NDA to submit early next year...
Emmanuel Dulac	We are exploring a fourth potential treatment use with dasiglucagon in a Phase 2 proof of concept trial to treat patients with post bariatric hypoglycemia. It is also an opportunity to examine the potential of mini doses of dasiglucagon…
Emmanuel Dulac	Zealand completed our first-ever acquisition with Encycle to strategically expand our pipeline with an alpha-4-beta-7 integrin inhibitor with potential for oral delivery...
Emmanuel Dulac	Our financial position strengthened with a significant 560 million DKK private placement from Dutch investor Van Herk Group...
Emmanuel Dulac	Our new CFO Matt Dallas onboarded in October. Matt is a seasoned biotech CFO and will stay based in the Boston area, where we are establishing our US operations…
Emmanuel Dulac	All of these accomplishments were made while relocating to new headquarters in Soborg! The past months have been quite productive.
Helge Larsen/PI-redaktør	What is the guidance for 2019?
Emmanuel Dulac	Our full year net operating expense guidance remains 580 to 600 million, as

Q&A ZEALAND PHARMA

3RD OF DECEMBER 2019 WITH EMMANUEL DULAC

	communicated at H1, and we remain on track to meet this.
Helge Larsen/PI-redaktør	What is cashburn in 2020?
Emmanuel Dulac	We have not given guidance for 2020. As of Q3, our net operating expenses were DKK 431.5 million. This represents the high activity of running three Phase 3 programs. We expect clinical expenses to reduce gradually in 2020 as these late stage clinical programs conclude, while we ramp up our US commercial readiness. That said, we also have a very solid cash position of DKK 1.54 billion as of Sep 30, which excludes any potential development milestones coming in from partnered programs.
Helge Larsen/PI-redaktør	Can you please give us an overview of the present Zealand Pharma pipeline?
Emmanuel Dulac	For our dasiglucagon franchise: we are preparing to submit our NDA for the HypoPal rescue pen in early 2020. The first Phase 3 trial is ongoing for congenital hyperinsulinism, and we expect the initiation the second Phase 3 trial (children as young as 7 days) before year end…
Emmanuel Dulac	We are working wit h Beta Bionics to prepare the pivotal Phase 3 trial for the dual hormone artificial pancreas, which is expected to begin late 2020. Dasiglucagon is also being tested in a recently initiated Ph 2 trial for post bariatric hyperinsulinism, which makes the fourth indication for this product…
Emmanuel Dulac	We have two products in development to treat short bowel syndrome. Glepaglutide is in Phase 3 and we expect patient enrollment to complete end of 2020. We started ZP7570, a GLP-1/GLP-2 dual agonist, in Phase 1 earlier this year, and we look forward to advancing into Phase 1b in early 2020…
Emmanuel Dulac	For our partnered programs, Phase 2 for the GLP-1/glu dual agonist for treatment of obesity/type 2 diabetes is expected to initiate yet this year by Boehringer Ingelheim. We anticipate BI's decision on the Amylin analog, also for obesity/T2D, early next year. There is no detailed update on the Alexion complement C3 pre-clinical work, other than the teams continue to have strong collaboration.
Helge Larsen/PI-redaktør	What major events are expected in 2020?
Emmanuel Dulac	We covered a lot with the pipeline summary, but to recap: Submitting the NDA for HypoPal rescue pen in early 2020 will be a big accomplishment for our team. For trial initiations, we expect Ph 1b for ZP7570 in short bowel syndrome, Ph 3 for dasiglucagon in the artificial pancreas with Beta Bionics, and a decision from BI on Ph 1 for Amylin. Ph 3 patient enrollment should be completed for glepaglutide to treat SBS...

Q&A ZEALAND PHARMA

3RD OF DECEMBER 2019 WITH EMMANUEL DULAC

Emmanuel Dulac	And for trial results, we expect to see those for dasiglucagon from the first Ph 3 trial for CHI, the Ph 2 trial in post-bariatric hyperinsulinsim, and Ph 1 for ZP7570.
collersteen	The Rescue pen: Can you elaborate on any changes in the market dynamics and/or potential peak sales after the recent approval of a competing rescue pen?
Emmanuel Dulac	Xeris just launched their pre-filled syringe in mid Nov, so we have not seen financial results yet. Their autoinjector is expected to launch next year. Lilly has been doing what we hoped they would, which is growing a market that has not received innovation or promotion for many years. As of their Q3 filing, Lilly reported USD 6 million in revenue after about two months of having Baqsimi approved and on the market.
collersteen	Can you give an estimate of the targeted size of the commercial organisation? Any indication of the cost level going forward? And how is the build-out progressing?
Emmanuel Dulac	It is fair to estimate an initial commercial organization of 50-100 in the U.S. This represents a variety of competencies to enable market access, analytics, as well as marketing and sales, and some back office support functions. We have met with some impressive talents during recruitment! We anticipate have the US leadership team and select roles onboarded by early next year.
B.Andersen	Do you expect Van Herk Investments to further acquire Zealand Pharma?
Emmanuel Dulac	Van Herk is a sophisticated investor with a strong track record. They were the largest investors in Galapagos and Ablynx, and we are happy to have them on our side. So far, they follow our developments very closely but are not involved in strategic decisions or management.
B.Andersen	Have there been major acquisitions from US investors in Q3?
Emmanuel Dulac	There are continuous news events around mergers and acquisitions in the biotech space. For Zealand, we have seen increased interest from investors who specialize in biotech, particularly following our relationships with Alexion and Beta Bionics. In 2019 our market cap went above 1 billion USD, which also puts Zealand on the radar for new potential specialty US investors.
B.Andersen	How does the evaluation work on scenarios for how to best commercialize dasiglucagon cartridge?
Emmanuel Dulac	The partnership with Beta Bionics is not exclusive, which means that we have ability to discuss commercial partnerships with any device manufacturer producing a dual hormone pump. Dasiglucagon is the farthest in development for this particular use, so we enjoy a good position for negotiating. We expect interest to grow as more about the pivotal Phase 3 study design is communicated.
collersteen	When do you expect the first (milestone) payment from the Alexion partnership and

Q&A ZEALAND PHARMA

3RD OF DECEMBER 2019 WITH EMMANUEL DULAC

	what will be the trigger?
Emmanuel Dulac	We cannot guide on details for partnership milestones. Ultimately it is Alexion's decision for how the program progresses.
B.Andersen	Zealand Pharma bought Encycle Therapeutics. What is so attractive about this company and its pipeline?
Emmanuel Dulac	With Encycle we acquired the lead asset, as well as a screening library of 5,000 potential targets, that broaden our opportunities with multiple new therapeutic areas as well as a peptide therapeutics that can be taken orally. These aspects expand our pipeline, while utilizing our competencies in working with peptide therapeutics. The transaction was also financially attractive, with no upfront payment or significant costs from the outset.
HanneP	Can you tell about the mechanism of action in ET 3764 against inflammation.
Emmanuel Dulac	The interaction between alpha 4 beta 7 integrin, expressed on a certain subset of T cells, and its ligand, MAdCAM-1, is a contributor to chronic inflammation. ZP 10000 (our new name for ET3764) inhibits the binding of a4b7 to the MadCAM ligand and thereby inhibits inflammation. The target’s method of action has been clinically validated by vedolizumab, or ENTYVIO by Takeda, an approved, infusion-only a4b7 integ rin.
HanneP	Inflammation occurs in many indications. Which is the ET 3764 specifically aimed at?
Emmanuel Dulac	The lead asset is being developed to target inflammatory bowel diseases. We are still determining the therapeutic indications and potential for the lead asset so we are not prepared to give any guidance ye t.
Stroka	How far is ET 3764 from the market? What is the economic potential?
Emmanuel Dulac	ZP 10000 is in pre-clinical development where are evaluating all available data and determining the pre-clinical plan. I cannot guide on economic potential at this point, since the indication/s have not yet been determined. However, it is worth noting that the only approved and marketed a4b7 antagonist is Takeda’s vedolizumab, an infusion-only, humanized monoclonal antibody with reported revenues of approximately 2.5 billion USD, in their last fiscal year ended March 31, 2019.
Stroka	How does your program with peptide Ion channel blockers perform?
Emmanuel Dulac	We do not disclose many details about our pre-clinical programs. Our team is moving this program forward, and we hope to be able to share more about it next year.
Stroka	What possible partnership agreements can be expected in the coming years. Are there any areas that you have special focus on?

Q&A ZEALAND PHARMA

3RD OF DECEMBER 2019 WITH EMMANUEL DULAC

Emmanuel Dulac	We have ongoing discussions with potential partners and are continuously evaluating whether an agreement fits our strategy and ambitions. We have an extremely productive early pipeline, which represents opportunities for potential license agreements. In the coming years, we might also secure partnerships to grow commercial activities for our products especially outside of the US...
Emmanuel Dulac	Any decisions we make must support our ambitious strategy, ensure continued growth, and create value for our shareholders.
collersteen	What has surprised you the most (positively and negatively) compared to your expectations before you took over as CEO?
Emmanuel Dulac	I am most positively surprised by the quality of Zealand's leadership team, and the highly collaborative culture of the employees. The more I work with the research team, the more I am impressed by their expertise...
Emmanuel Dulac	As for negatives (if it can be called that), there remains a lot of education around what the artificial pancreas can mean for people with insulin-dependent diabetes.
Stroka	Do you expect Zealand Pharma to be an independent company in 2025?
Emmanuel Dulac	Zealand is undergoing transformation to support sales of its own products, and we are planning to launch four products in four years starting in 2021. We have ambitious plans, industry leading competencies, and a strong financial position to realize our strategy.
Helge Larsen/PI-redaktør	Emmanuel Dulac..Thank You for joining us and thank you for the many fullfillinganswers to our questions. We look forward to to seeing you back here onProInvestor.com after Q4.
Emmanuel Dulac	Thank you! Thank you for the thoughtful questions. Always a pleasure to discuss with all of you.
Helge Larsen/PI-redaktør	This session has ended.