Stash This Growth Stock in Your TFSA Forever

Description

Zymeworks (TSX:ZYME)(NYSE:ZYME) is a Vancouver-based clinical-stage biopharmaceutical company. Shares of Zymeworks fell 5.4% on January 3. The stock is up 87% year over year.

In previous articles, I have discussed why Zymeworks will remain on my radar heading into the next decade. The company has shown early promise with its ZW25 flagship product, currently in clinical trials, and just filed an Investigational New Drug (IND) Application for ZW49. The development of the former has shown how effective the company has been in combining its therapeutic platforms. Zymeworks projects that it will be able to launch clinical trails for ZW49 this year.

The broad potential of the breast cancer therapeutics market is one of several reasons to keep Zymeworks in your portfolio. The North American breast cancer therapeutics market accounts for over 35% of the total global market, according to a report from Transparency Market Research. Demand for therapeutics is rising primarily due to the increased prevalence of breast cancer among women worldwide. The risk of developing cancers rises with age, so demographics in the developed world are also playing into the growth of this market.

Zymeworks's lead drug ZW25 has produced promising phase one data and aims to compete with drugs like Herceptin and Perjeta if it is able to move to market. **Roche Holding AG's** blockbuster breast cancer treatment drug Herceptin generated sales of $7.18 billion in 2017. This has been the main contributor to Roche's profits — a company boasting an over $200 billion market cap. Perjeta, also sold by Roche, had reported $2 billion in sales in the first nine months of 2018 — up 24% from the prior year.

Zymeworks has already entered partnership and collaboration deals with eight pharmaceutical companies. Its most consequential recent partnership was with **BeiGene**. Zymeworks gave BeiGene exclusive development and commercial rights to ZW25 and ZW49 in Asia, excluding Japan, and Oceania. This includes $40 million up front, and Zymeworks is eligible to receive development and commercial milestone payments plus royalties on product sales.

Shares of Zymeworks have dropped 2.9% over the past three months. The stock reached an all-time high of $30.36 in early June before sharply correcting. Its performance has ranged in the $15-20 range since then. Zymeworks stock last boasted an RSI of 56 as of close on January 3. This indicates that the stock is neither oversold nor overbought in early January.

In the third quarter, Zymeworks reported revenue of $2.1 million compared to $0.1 million in the prior year. Research and development expenditures rose to $14.1 million compared to $11.5 million in Q3 2017. Investors should expect its Q4 results in early March.

Zymeworks's product development holds huge promise, but the company is still working through clinical trials on ZW25 and ZW49. As we have discussed, if it moves into market, these products have the potential to rival peers that have charted billions in annual sales. This is reason enough to monitor Zymeworks and consider a speculative buy today.

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