This 2017 IPO Still Boasts Massive Growth Potential

Description

The health care sector has received more attention over the past decade, and with good reason. New technology and breakthroughs are revolutionizing the sector, and aging demographics in the western world have put intense pressure on the public and private sphere. Biopharmaceuticals, which are pharmaceutical products with biological components, are the fastest-growing subsector in the industry.

The U.S. healthcare sector dwarfs our domestic industry, and this is reflected by the breadth of equities available south of the border. However, the **TSX** still offers some great options for investors hunting for growth. Today we will focus on a Vancouver-based biotechnology company that launched its initial public offering in May 2017.

Zymeworks

Zymeworks (TSX:ZYME)(NYSE:ZYME) stock had climbed 64% in 2019 as of close on July 9. At the beginning of this year, I'd recommended Zymeworks as one of my top growth stocks for a TFSA to kick off 2019.

Shares have gained considerable momentum in the spring and early summer on the back of some promising news. The stock has nearly doubled from its initial IPO price.

The promising news broke in the month of May. Zymeworks announced that it had opened Phase 2 trials for its lead product candidate, ZW25. Its other proprietary drug candidate, ZW49, has been pushed forward into Phase 1 clinical trials.

ZW25 has proven effective in treating patients with a variety of HER2-positive cancers. In the Phase 2 trial Zymeworks will evaluate ZW25 for the first-line treatment of HER2-positive gastroesophageal cancers. There is a long road ahead, but the drug holds massive market potential if it can continue to demonstrate positive results going forward.

Investors should keep this long-time horizon in mind when considering Zymeworks as an addition in 2019. Still, Zymeworks has built a deep pipeline that's boosted its price point in the near term. In the first quarter, the company reported revenues of $11.9 million compared to $0.04 million in the prior year.

Predictably, research and development payments increased to $17.5 million compared to $13.1 million for the same period in 2018.

Zymeworks saw its net loss decrease to $13.6 million compared to $21.2 million in Q1 2018. It received a boost from increased revenue and interest income.

Broad expansion in key markets

ZW25 has demonstrated anti-tumour activity in pre-clinical models of breast and gastric cancers. The World Health Organization reported that approximately 627,000 women succumbed to breast cancer in 2018. The rising incidence of breast cancer, which represented 15% of all cancer deaths worldwide in 2018, is driving investment and research.

Recent research has shown the growth of the breast cancer therapeutics market as we move into the next decade. A 2019 report from *Fortune Business Insights* forecasts the market to exhibit 10.2% CAGR between 2018 and 2026. Zion Market Research published a report in March that examined the global breast cancer drugs market. It projected the market to post a CAGR of 10.55% between 2019 and 2025.

At the time of this writing, Zymeworks boasted an RSI of 70, putting the stock in technically overbought territory. I'm very bullish on Zymeworks going forward, but value investors may want to exercise patience in order to pick out a more attractive entry point.

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