Zacks Small-Cap Research
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David Bautz, PhD
(312) 265-9471
dbautz@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Viking Therapeutics, Inc. (VKTX-NASDAQ)

VKTX: Continued Liver Fat Reductions Four Weeks Following Final Dose of VK2809 in Phase 2 Trial…

Based on our probability adjusted DCF model that takes into account potential future revenues of VK5211, VK2809, and VK0214, VKTX is valued at $22/share. This model is highly dependent upon continued clinical success of those compounds and will be adjusted accordingly based upon future clinical results.

Current Price (08/31/20)	$6.83
Valuation	**$22.00**

OUTLOOK

On August 28, 2020 Viking Therapeutics, Inc. (VKTX) presented new data from the Phase 2 study of VK2809 in patients with non-alcoholic fatty liver disease (NAFLD) and elevated LDL cholesterol at EASL 2020. The new results showed that patients treated for 12 weeks with VK2809 continued to show statistically significant reductions in liver fat at Week 16, four weeks following the final dose. In addition, patients treated with VK2809 showed similar liver fat reductions regardless of baseline characteristics or risk factors for non-alcoholic steatohepatitis (NASH). The company is continuing to enroll NASH patients in the Phase 2b VOYAGE trial, with enrollment expected to be completed in the first half of 2021.

SUMMARY DATA

52-Week High	**$8.73**
52-Week Low	**$3.45**
One-Year Return (%)	**-1.73**
Beta	**2.03**
Average Daily Volume (sh)	**1,143,626**
Shares Outstanding (mil)	**73**
Market Capitalization ($mil)	**$497**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**55**
Insider Ownership (%)	**4**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2018 Estimate	**-11.5**
P/E using 2019 Estimate	**-8.6**

Risk Level	**Average**
Type of Stock	**Small-Blend**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(In millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	0 A	0 A	0 A	0 A	0 A
2020	0 A	0 A	0 E	0 E	0 E
2021					0 E
2022					0 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	-$0.07 A	- $0.11 A	-$0.08 A	-$0.10 A	-$0.36 A
2020	-$0.13 A	-$0.13 A	-$0.15 E	-$0.16 E	-$0.57 E
2021					-$0.75 E
2022					-$0.89 E

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WHAT'S NEW

Business Update

New Data Presented at EASL 2020

On August 28, 2020, Viking Therapeutics, Inc. (VKTX) announced new data from the Phase 2 clinical trial of VK2809 in patients with non-alcoholic fatty liver disease (NAFLD) and elevated low density lipoprotein (LDL) cholesterol were presented at EASL 2020. The new results showed that patients treated for 12 weeks with VK2809 continued to show a statistically significant decrease in liver fat at Week 16, which was four weeks after the last dose was administered. In addition, consistent liver fat reductions were seen in patients regardless of baseline characteristics or the presence of various NASH risk factors.

The following table shows the results for median relative percent change in liver fat, mean absolute percent change in liver fat, and the percentage of patients who experienced a ≥30% reduction in liver fat at Week 12 and at Week 16. Dosing for this study concluded at the end of Week 12 and patients then came in to get another MRI scan at Week 16 to determine the durability of effect after dosing was concluded. Some of the patients were not able to come back for the scan at Week 16, which is why the number of patients for the placebo and VK2809-treated groups is lower for Week 16. The results show that at Week 16 there continues to be a statistically significant decrease in liver fat in patients treated with VK2809 compared to placebo. The increases seen in the placebo group at Week 16 are due to 3 'non-responders' unable to get an MRI scan. For example, at Week 12, 2/12 (16.7%) placebo patients had a ≥30% reduction in liver fat while at Week 16 it was 2/9 (22.2%). Not included in this table but disclosed by the company is that 100% of the patients receiving 5 mg VK2809 daily were still responders at Week 16.

	Placebo Wk 12 (n=12)	VK2809 combined Wk 12 (n=33)	Placebo Wk 16 (n=9)	VK2809 combined Wk 16 (n=27)
Median relative % change in liver fat by MRI-PDFF	-9.4%	-56.5% (*P*<0.0001)	-18.7%	-45.4% (*P*=0.0053)
Mean absolute % change in liver fat by MRI-PDFF	-1.1%	-9.4% (*P*=0.0007)	-2.0%	-7.5% (*P*=0.0027)
% of pts ≥ 30% reduction in liver fat	16.7%	87.9% (*P*<0.0001)	22.2%	70.4% (*P*=0.0083)

Source: Viking Therapeutics, Inc. / Zacks SCR

In addition to examining results at Week 16, the company also presented data on liver fat reductions in patients stratified by various baseline characteristics and the presence of common risk factors for NASH. Regardless of increased alanine aminotransferase (ALT), a high body mass index (BMI), hypertension, and Hispanic ethnicity, the decrease in liver fat was consistent and statistically significant compared to placebo.

Mean Relative % Change in Liver Fat at Week 12

	Placebo	VK2809 Combined
Baseline ALT>xULN	-2.1%	-57.4% (*P*=0.0001)
BMI ≥ 30	-7.8%	-51.3% (*P*=0.0151)
Hypertension (BP≥140 mmHg)	6.2%	-54.9%. (*P*=0.017)
Hispanic Ethnicity	-7.2%	-49.0% (*P*=0.0054)

Source: Viking Therapeutics, Inc. / Zacks SCR

Conclusion

The results presented by Viking at EASL 2020 are highly encouraging and show the durability of effect for liver fat reduction in patients treated with VK2809, including the fact that 70% of patients remain responders (≥30% reduction in liver fat) four weeks following the completion of dosing. It is also very encouraging that similar levels of liver fat reduction were seen in patients regardless of baseline characteristics or NASH risk factors. While we didn't expect these data to move the stock appreciably, we view it as one more piece of evidence showing VK2809's potential as a best-in-class treatment for NASH. The company is continuing to enroll patients in the ongoing Phase 2b VOYAGE trial, which is examining the efficacy, safety, and tolerability of VK2809 in patients with biopsy-confirmed NASH, and we currently expect enrollment to conclude in the first half of 2021. With no changes to our model, our valuation remains at $22.

PROJECTED FINANCIALS

Viking Therapeutics, Inc.
Income Statement

Viking Therapeutics, Inc.	2019 A	Q1 A	Q2 A	Q3 E	Q4 E	2020 E	2021 E	2022 E
VK2809	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-	-	-	-
VK0214	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-	-	-	-
Grants & Collaborative Revenue	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-	-	-	-
Total Revenues	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth	-	-	-	-	-	-	-	-
Cost of Sales	$0	$0	$0	$0	$0	$0	$0	$0
Product Gross Margin	-	-	-	-	-	-	-	-
Research & Development	$23.6	$8.0	$7.8	$9.5	$10.4	$35.7	$50.0	$60.0
General & Administrative	$9.1	$3.0	$2.8	$2.5	$2.5	$10.8	$10.5	$11.0
Other Expenses	$0	$0	$0	$0	$0	$0	$0	$0
Operating Income	($32.7)	($10.9)	($10.6)	($12.0)	($12.9)	($46.5)	($60.5)	($71.0)
Operating Margin	-	-	-	-	-	-	-	-
Non-Operating Expenses (Net)	$6.9	$1.3	$1.0	$1.3	$1.3	$4.9	$5.0	$5.0
Pre-Tax Income	($25.8)	($9.7)	($9.6)	($10.7)	($11.6)	($41.6)	($55.5)	($66.0)
Income Taxes Paid	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	**($25.8)**	**($9.7)**	**($9.6)**	**($10.7)**	**($11.6)**	**($41.6)**	**($55.5)**	**($66.0)**
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	**($0.36)**	**($0.13)**	**($0.13)**	**($0.15)**	**($0.16)**	**($0.57)**	**($0.75)**	**($0.89)**
YOY Growth	-	-	-	-	-	-	-	-
Basic Shares Outstanding	72.0	72.4	72.5	72.9	73.0	72.7	74.0	74.0

Source: Zacks Investment Research, Inc. *David Bautz, PhD*

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Source: Zacks SCR

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