
Arena/Eisai 1Q17 - Belviq revenue rises 2% YOY to \$8 million; Pooled revenue for obesity market rises 74% YOY to \$122 million, grows 31% YOY to \$45 million excluding Saxenda - May 22, 2017

Executive Highlights

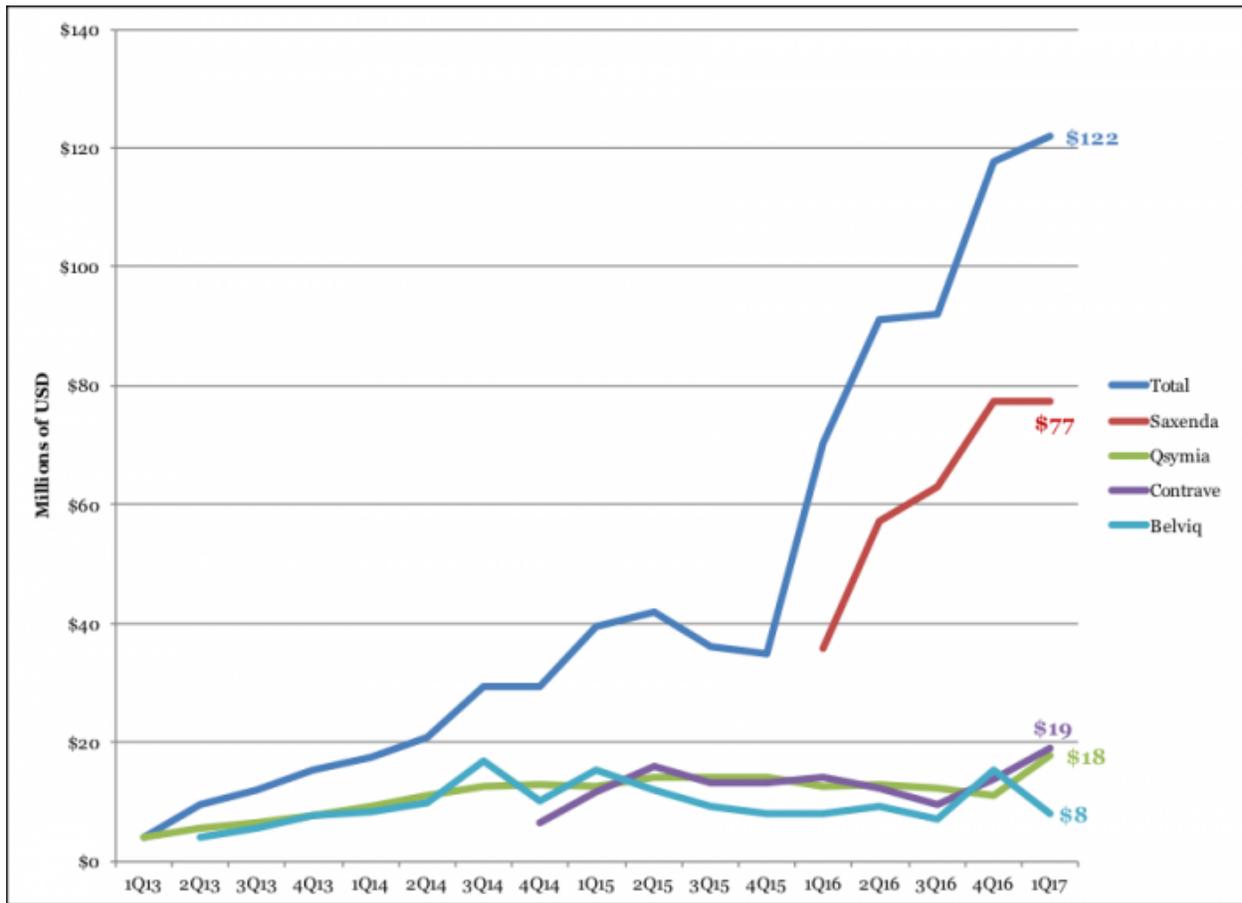
- Total Belviq sales, as reported by Eisai, grew 2% YOY to \$8 million (900 million JPY). Arena's portion of revenue from the obesity product totaled \$2.7 million, down 23% YOY and marking Arena's lowest quarterly revenue from Belviq since 4Q13 (\$2.4 million).
- Pooled sales of all major obesity drugs grew 74% YOY and 4% sequentially to \$122 million in 1Q17. Novo Nordisk's Saxenda continues to dominate with 63% of the market by value, but the class excluding Saxenda (including Vivus' Qsymia, Orexigen's Contrave, and Belviq) still experienced 31% YOY and 12% sequential growth to \$45 million.

Total sales of obesity drug Belviq (lorcaserin) grew 2% year-over-year (YOY) as reported to 900 million JPY (\$8 million) in 1Q17, according to Eisai's recent [1Q17 update](#). Arena also recently provided its [1Q17 financial update](#) in a call led by CEO Mr. Amit Munshi, and the company reported \$2.7 million in net product sales and \$1.5 million in manufacturing support payments from Eisai for the partnered obesity drug. This represents Arena's lowest quarterly revenue for Belviq since 4Q13 (\$2.4 million), which may reflect a recent agreement on the part of the two companies that Eisai will hold all global development and commercialization rights for the product. Both Arena and Eisai have shifted their focus away from obesity in light of steep commercial challenges, including societal stigma, patient reluctance to consider pharmacotherapy for weight loss, and provider concerns regarding the safety of these agents. The de-emphasis was reinforced during Arena's [2Q16 update](#) with the company's [statement](#) announcing a strategic shift to streamline its operating costs and allocate greater resources to its non-obesity pipeline. That said, the fact that Arena hired [Dr. Preston Klassen recently as head of R&D](#) (previously head of Orexigen R&D) strongly implies the obesity focus could return.

- **Pooled sales of all major obesity drugs grew 74% YOY and 4% sequentially to \$122 million in 1Q17**, from a base of \$70 million in 1Q16 (the first quarter for which Novo Nordisk broke out Saxenda sales) and \$118 million in 4Q16. [Saxenda](#) (liraglutide 3.0 mg) remains the clear frontrunner, capturing 63% of the market by value (down slightly from 66% market share by value in 4Q16). While it's true that this marks the first quarter since launch with no sequential growth in Saxenda sales, we note that this was a very tough comparison - revenue grew 55% sequentially in 2Q16, 11% in 3Q16, and 29% in 4Q16. On the other hand, we might expect more sustained growth from a product that so recently hit the market, and we expect that poor reimbursement is a substantial hurdle creating a (hopefully temporary) upper cap on Saxenda uptake. Excluding Novo Nordisk's obesity therapy, whole class revenue was only \$45 million, but still experienced positive growth, increasing 31% YOY and 12% sequentially. A welcome change of pace, all major obesity drugs experienced YOY growth in 1Q17, with Belviq's 2% YOY increase as the most modest (this product lags with only 7% of market share by value). Orexigen's Contrave (naltrexone/bupropion extended-release) grew an impressive 36% YOY and captured 16% of the market in 1Q17, while Vivus' Qsymia grew 42% YOY and captured 15%. This uptick could reflect seasonality in the cycling of the obesity market, which tends to spike at the beginning of the year when people are particularly motivated to take measures to lose weight. [Vivus management suggested](#) that the strong quarter for the class overall could be due to an increase in promotional spending from obesity drug manufacturers beginning in 4Q16. To be sure, challenges in the obesity market remain, namely stigmatization of the medical treatment of obesity, poor reimbursement, and provider reluctance to

prescribe weight management medication - not to mention the pervasive under-diagnosis and under-treatment of obesity. The graph below displays obesity market trends since 1Q13.

Figure 1: Total Obesity Market Sales (1Q13-1Q17)



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