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**Arena 2Q16 - Belviq (lorcaserin) revenues total \$9.1 million, down 24% YOY and up 16% sequentially; Strategic shifts de-emphasize company's obesity focus; Regulatory approvals for Venespri (Belviq in Mexico) and Belviq XR - August 9, 2016**

**Executive Highlights**

- Arena/Eisai reported full Belviq (lorcaserin) revenues totaling \$9.1 million (of which Arena receives \$4.3 million), representing a 24% YOY decline and 16% sequential increase (against an easy comparison), as reported.
- Notably, Arena recently announced a strategic shift to streamline its operating costs and allocate greater resources toward developing its non-obesity pipeline products. On the bright side, management highlighted Arena's regulatory approvals of Belviq (under the name Venespri) in Mexico and once-daily formulation Belviq XR.

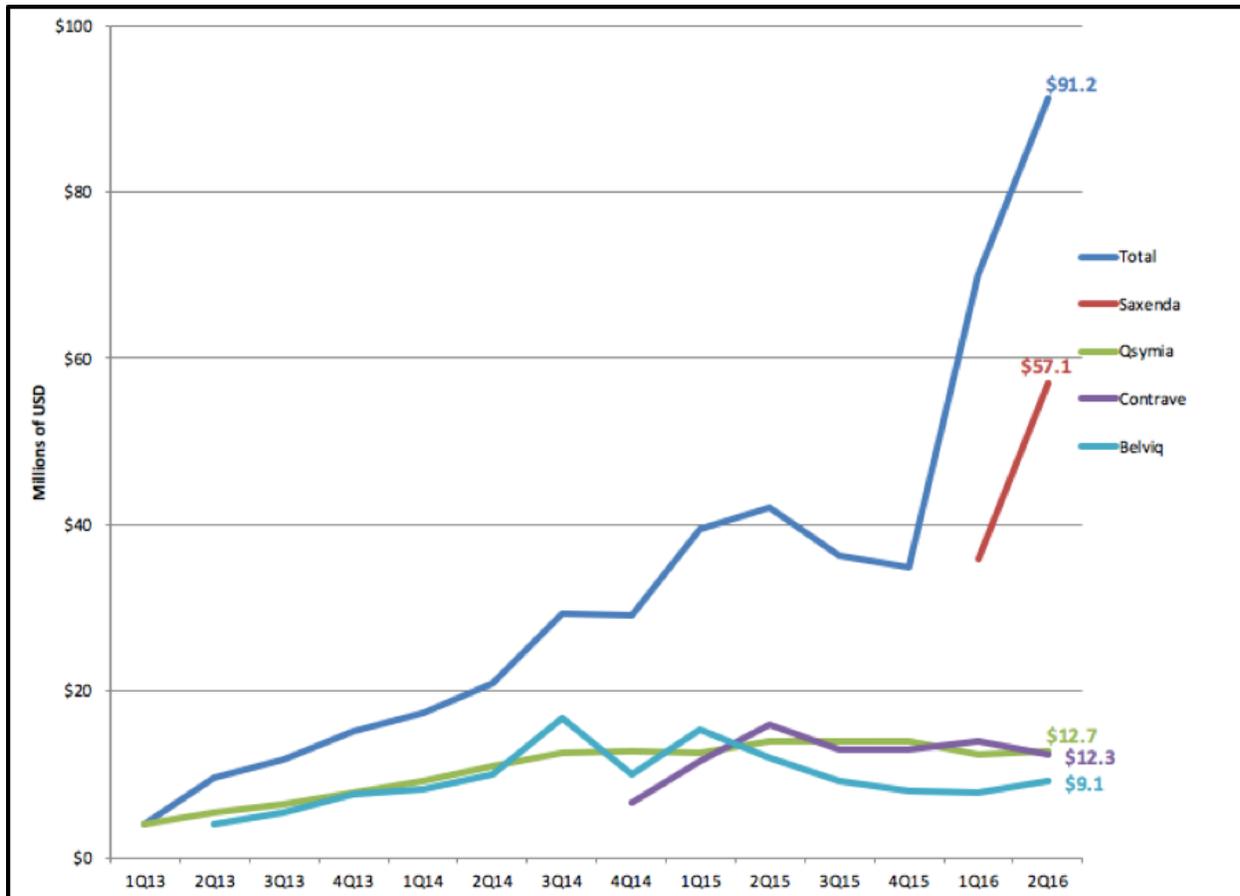
Yesterday, Arena provided its [2Q16 update](#) in a call led by brand new (as of [May 2016](#)) President and CEO Mr. Amit Munshi. Arena reported \$4.3 million in net product sales of obesity drug Belviq (lorcaserin). As a reminder, Arena receives a portion of Eisai's full Belviq revenues, which were [recorded](#) at \$9.1 million (974 million JPY) - this represents a 24% year-over-year (YOY) decline as reported (34% in constant currencies) and 16% sequential growth. Arena's portion of the Belviq revenues was flat YOY and rose 23% sequentially, as reported. This comes against an easy comparison: in [1Q16](#), Arena reported its lowest quarterly revenue (\$3.5 million) since 4Q14 and the largest YOY decline (47%) since Belviq's launch. While we are glad to see this uptick, the recent performance trends of Belviq and other obesity drugs are not reassuring. Belviq's weak performance in recent quarters appear to have shifted Arena's attention away from obesity, which was clearly reinforced by the company's recent [statement](#) announcing a strategic shift to streamline its operating costs and allocate greater resources toward developing its pipeline products.

On a more positive note, management highlighted two recent regulatory approvals that occurred this past July (just after the end of 2Q16): First, Belviq was approved for chronic weight management in Mexico, to be launched in coming quarters under the brand name Venespri - an exciting development, given the high obesity rates in Mexico. Second, the FDA [approved](#) a New Drug Application (NDA) for Belviq XR, a once-daily formulation of Belviq, in the US - while this is a win on the patient adherence front, we are hesitant to predict any significant revenue growth from this new product, given the pre-existing challenges for obesity drug uptake (i.e. patient/provider education, high costs, reimbursement challenges, etc.). On the financial front, Arena will receive \$11 million in milestone payments from Eisai in connection with these two regulatory approvals.

- **Arena shifts focus from obesity to its pipeline candidates in ulcerative colitis, pain treatment, and pulmonary arterial hypertension.** Arena plans to reduce its workforce by nearly 75% (by ~100 employees) in the areas of research and manufacturing (including cuts at the Swiss facility where Belviq is produced) by August 31, with plans to use the ensuing ~\$25 million in reduced cash expenditures to fund its pipeline candidates. This shift follows Arena's cost reduction plan that was [announced](#) in late 2015, reducing its US workforce by ~80 employees and discontinuing Belviq's lifecycle management programs. It is certainly disappointing to see this trend away from obesity, indicating a continuing decline of resources and incentives.
- **Pooled worldwide obesity sales totaled ~\$91.2 million in 2Q16, up 30% sequentially as reported.** The market grew 117% YOY, though this was primarily driven by the revenues of Novo

Nordisk's Saxenda (liraglutide 3.0 mg). Excluding Saxenda (as its revenues were only broken starting 1Q16), the market declined ~20% YOY. The market is clearly being dominated by Saxenda at the moment, which at \$57 million, accounts for 63% of all obesity revenues - Vivus' Qsymia (phentermine/topiramate extended-release), Orexigen's Contrave (naltrexone/bupropion extended-release), and Belviq account for comparable shares of the obesity market: 14%, 13%, and 10%, respectively. Please see below for the overall market's trend since 1Q13.

**Figure 1. Total Obesity Market Sales (1Q13-2Q16)**



-- by Abigail Dove, Melissa An, Sarah Odeh, and Kelly Close