



## MEMORANDUM

### Orexigen 2Q15 - Contrave (naltrexone/bupropion extended-release) revenues grow 40% sequentially to \$16 million, with obesity market's largest share of 34%; Orexigen settles dispute with Takeda with "win-win resolution" and executes distributorship agreement with Kwang Dong in South Korea - August 6, 2015

#### Executive Highlights

- Orexigen reported that Contrave's (naltrexone/bupropion extended-release) revenues, as recorded by Takeda, totaled \$16 million, a 40% sequential growth from [1Q15's](#) \$11.5 million; the drug became the branded obesity market leader with 34% of the market share in June.
- Management announced that the company has settled the dispute with Takeda, as Orexigen has agreed to pay for the new CVOT up to \$210 million and Takeda will pay for the closing down of the Light Study; Orexigen has also entered a distributorship agreement with Kwang Dong Pharmaceuticals in South Korea.

*This morning, Orexigen provided its [2Q15 financial update](#) in a call led by CEO Mr. Michael Narachi. Management expressed enthusiasm about Contrave's (naltrexone/bupropion) performance, as revenues recorded by Takeda totaled \$16 million, a 40% sequential growth from [1Q15's](#) \$11.5 million (the drug's first full quarter on the market). According to IMS Health data, prescription volume grew 47% sequentially to ~172,000 prescriptions in 2Q15, as the product became the branded obesity market leader with 34% of the market share in June.*

*Notably, management [announced](#) that Orexigen has settled the dispute with Takeda, with what management termed a "win-win resolution." In this amended and restated collaboration agreement, Orexigen has agreed to pay for the new CVOT up to the estimated \$210 million total cost of the study; if costs exceed this, then Orexigen and Takeda will share the costs equally. Regarding the Light Study, Takeda will pay the remaining cost of closing it down; Takeda will also pay 75% of the costs of Contrave's other development activities in the US (i.e. other post-marketing requirements or lifecycle management programs). In addition, Orexigen has the right to use any of this data for regulatory submissions outside of the US and the company has rights to Mexico and Canada, as the partnership with Takeda will be exclusively for the US. During the call, management also announced the establishment of Orexigen Therapeutics Ireland Limited (a wholly owned subsidiary with economic rights to Contrave/Mysimba outside the US), which just [executed](#) a distributorship agreement for South Korea with Kwang Dong Pharmaceutical Company; if Contrave is approved, Kwang Dong expects to begin marketing the drug in 2H16. In this agreement, Kwang Dong will take on all responsibilities for seeking regulatory approval and commercialization activity and expenses, as Orexigen will supply Contrave tablets for a \$7 million upfront payment, ~35%-40% of net sales, potential sales-based milestone payments, and other fees.*

- **Overall, it appears that Orexigen may have picked its feet back up after a particularly tumultuous period surrounding the [termination](#) of the Light Study**, becoming the branded obesity market leader and continuing to expand into additional international markets. Amidst all of the recent drama, Contrave seems to be keeping up its strong performance and we are glad to see the Orexigen/Takeda partnership peacefully continue as Takeda's resources and expertise are likely key for the drug's success (in contrast to solo Vivus' [efforts](#) with Qsymia [phentermine/topiramate extended-release]).

- **As Vivus, Arena, and Orexigen have all reported for 2Q15, the obesity market has grown 101% YOY and 12% sequentially to \$42.1 million in 2Q15.** With the exception of Novo Nordisk (which did not report individual Saxenda [liraglutide 3.0 mg] revenues), the obesity market's revenues doubled from 2Q14's \$20.9 million, although this growth includes the new addition of Contrave. Sequentially, the market grew 12% from 1Q15's \$36.9 million, of which Contrave was on the market for both 1Q15 and 2Q15. With the launch of both Contrave and Saxenda, the obesity market will likely see some significant growth; however, as sequential growth has been relatively slow, we hope that this market expansion will generate critically needed noise with regards to reimbursement and the need for more treatment options within obesity. For more on the market's trends and Orexigen's Q&A, stay tuned for our expanded coverage.

*-- by Melissa An, Sarah Odeh, and Kelly Close*