

Novo fattens up again



[Madeleine Armstrong](#)



But competition in obesity is looming.

Novo Nordisk has long contended that obesity is a disease that can and should be treated by drugs in addition to lifestyle changes. The group's thinking here is starting to pay off, with the strong launch of its new obesity product, Wegovy.

Novo did not release actual Wegovy sales numbers during its earnings today, but overall third-quarter obesity revenues, which also include the older drug Saxenda, jumped 79%. However, it is unclear just how big Wegovy could become, given question marks over broad obesity reimbursement. And competition is looming in the shape of Lilly's tirzepatide.

For now, though, investors seemed unconcerned, pushing Novo's stock to another record high today.

Not meeting demand

The group beat expectations in the third quarter, helped by Wegovy's US launch, which began in June. Demand is continuing to outstrip supply, but Novo believes that it can resolve this issue in early 2022 by accelerating the manufacturing ramp-up that it already had planned.

The fact that initial interest in Wegovy has been much stronger than Novo had anticipated suggests that the Danish group has dropped the ball – but, as noted by analysts at Third Bridge, this is “not the worst problem to have”.

It is hard to ascertain just how good the launch has been. Novo's chief financial officer, Karsten Munk Knudsen, told a media call today that the group had combined its obesity sales because of volatility in Wegovy prescriptions, but that it hoped to start breaking out revenues for the new drug next year.

It is possible to come up with a rough estimate, based on analyst expectations. Jefferies had forecast total obesity sales of DKK2.35bn (\$366m) in the third quarter, with DKK625m of this coming from Wegovy.

In the event, obesity revenues exceeded this, at DKK2.4bn – suggesting Wegovy sales of around DKK647m.

For full-year 2021, Jefferies forecasts Wegovy revenues of DKK2.1bn, meaning that the drug would still have a long way to go to become one of the [biggest launches of all time](#).

Payer buy-in

To keep momentum going, and reach analysts' sales target of nearly \$9bn by 2028, Novo will need to get payers onside. This might not be an easy task: under current US legislation obesity drugs are not reimbursable under Medicare Part D, which covers prescription medications.

This is something Novo hopes could be reversed, but the likelihood of this scenario is up for debate. The group's chief executive, Lars Fruergaard Jørgensen, noted that bariatric surgery was currently covered, and added that lacklustre efficacy with older obesity drugs might have contributed to payers' reluctance to reimburse the latter – implying that with better drugs this could change.

In the meantime, there are other patients for Novo to go after. Of the 110 million people in the US with obesity, roughly half are covered by the commercial market, on which the Danish group is currently focusing its efforts. Three big pharmacy benefit managers now cover Wegovy, representing 60% of that segment.

There are also other countries to consider. A decision in Europe is expected by the end of the year, and Wegovy is also under review in Japan.

Notably, Novo's international obesity sales grew 51% in the first nine months of the year, driven entirely by Saxenda. Mr Jørgensen speculated that the role of obesity in Covid-19 complications could be a factor.

Tirzepatide is coming

Growing awareness of obesity as an important health issue could be a reason why, on the surface at least, Novo is unconcerned about the threat of competition.

Lilly's dual GIP/GLP-1 agonist tirzepatide is now with regulators for type 2 diabetes, where it [has already shown impressive weight loss](#). And the project's first pivotal obesity trial, [Surmount-1](#), is set to complete next April.

Altimmune's GLP-1/glucagon dual receptor agonist pemvidutide also recently demonstrated a [dramatic effect in its phase 1 obesity trial](#), but liver enzyme elevations have caused concerns. Still, there are a [host of other players also taking a combo approach](#).

Another possible rival could come in the shape of Pfizer's small-molecule oral GLP1 agonist danuglipron (PF-06882961), which is due to yield proof-of-concept data this year in diabetes, and next year in obesity.

Mr Jørgensen said he welcomed competition, saying this could help expand the obesity market further. It is true that there are plenty of patients to go around, but [obesity is a huge part of Novo's future plans](#), and it will need to make the most of its head start over Lilly. Sorting out the supply issues with Wegovy would be a start.

[More from Evaluate Vantage](#)

Evaluate HQ
[44-\(0\)20-7377-0800](#)

Evaluate Americas
[+1-617-573-9450](#)

Evaluate APAC
[+81-\(0\)80-1164-4754](#)

© Copyright 2022 Evaluate Ltd.