

H. Lundbeck A/S
Q1 2024 Results Call
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Transcript

Speakers:

Charl van Zyl

Joerg Hornstein

Johan Lutman

Thomas Gibbs

Michala Fischer-Hansen

Charl van Zyl

So thank you for joining the call today. It's, of course, my pleasure to be able to report the Quarter One 2024 Results. It's been a quarter that has been very active, in a sense, positive in its dynamic towards the progress to become a focused innovator in neuroscience. So if we can go to the next slide, please. Just, again, the company disclaimer. The forward-looking statements here are that, of course, what we present today is also subject to change. So if we can go to the next slide.

Today, I'll be joined by Tom Gibbs and Michala Fischer-Hansen, who is our new heads of our geographic business. And, of course, you know, Johan and Joerg, who will join me today to present to you the first quarter results. If we can go to the next slide, please.

So let's get straight into it and start talking specifically about where we see the first quarter heading and how we see the full year. But before we do that, I want to again mention to you in the context of where we stand at Lundbeck today, I see clearly our progress very much around performing and transforming as we go forward. So I would like to share with you again where we stand in terms of our strategic path. And if we can go to the next slide.

This is something we have shared with you, of course, before, and it's consistent with our previous interactions. But I'm really pleased with the progress we're making towards transforming to become a focused innovator. There are three elements that I would highlight for you today in this path.

The first is securing that stable, long term growth for the company, leading with focused innovation in neuroscience, but at the same time, being very disciplined around our capital allocation to stay within our sustainable profitability margins that we have communicated to you in the past.

And I have to say, from where we stand today, and with the first quarter that we see here, we are well on our way to build that focused, innovative strategy going forward, with a very strong growth in our strategic brands of Vyepti and Rexulti. And we'll talk more about that in a short moment.

We are also seeing a really nice evolution of our innovation strategy in the pipeline with anti-PACAP, as well as our alpha-synuclein in MSA. And, of course, we continue to exercise opportunities in the business development area, where we think about a programmatic approach to further build on the innovation strategy going forward.

All of this, I would again emphasise to you, is underpinned

by a very disciplined approach to our capital allocation, to reallocate towards either additional growth opportunities or to where we could see additional innovation opportunities in the company.

So then, if we really go to the more specific points, which is the next slide, please, around our quarterly results, again, I'm really pleased to see the progress we are making in the first quarter. You see our growth here at 7% and adjusted EBITDA at 33%.

But most importantly, I think what we want to highlight here is the assets where we are focusing our investment and effort, the strategic brands, are growing at 17%. And I have to call out here Vyepti at 79%, and you'll also hear later from the team on Rexulti, where we see also double-digit growth on a total prescription basis.

We've also seen in the first quarter, as well as the continuation of last year, really nice progress on the pipeline, with the approval, of course, Abilify two-monthly injection also in Europe. So it gives an alternative there to our Abilify long-acting franchise. But secondly, also, we see nice advancement with our anti-PACAP into the next phase, phase IIb, which is the PROCEED trial, and, of course, the really nice result we saw in the first quarter on our study, AMULET, which is alpha-synuclein in MSA, where we also have the confidence now to advance to phase III.

And you would have seen also in the first quarter that we've made a few changes to our leadership team. This is the team that will continue to perform and transform the company. And we feel very confident, with these changes, that we are in a strong position now to execute our strategy going forward.

So I just want to again highlight to you the main management changes before we continue. So if we can go to the next slide, please. It is, of course, my pleasure to have this team and work with this team, and you know many of the people here, but there are some new people you will see today.

Of course, you know Tom, who's heading up the US, but I would also welcome Michala Fischer-Hansen, who is heading up our Europe and International markets. We have also yesterday announced, Maria Alfaiate, who is heading up our Commercial and Corporate Strategy and who will bring additional elements to the capabilities we need for the long-term future of the company.

And, of course, we have Johan, who you know well, Joerg

and Lars, who heads up our Product Development and Supply. And as I've always said in the past, strong companies are built on the foundation of strong people. And it's, of course, great to have Dianne with us, who will lead our People and Organisation going forward.

So with this team in place, with the strong momentum in the first quarter and the path we've set to become a focused innovator in the future, I'm really confident around where we are heading for the remainder of the year, with, of course, a commitment to the full guidance that we have set out for the full year.

So, with that, to go to the next slide, I would like to therefore introduce and hand over to Tom and Michala to take you further through the performance on the asset level, at a geographic level as well. So, over to you, Tom.

Thomas Gibbs

Great. Thank you, Charl. As Charl mentioned, we delivered strong global commercial performance during first quarter of 2024. And this was headlined by 17% growth of strategic brands, which now account for almost 71% of overall net revenues. And this growth was led by Vyepti. Next slide, please.

We are very pleased with the performance of Vyepti. Vyepti's performance has been fuelled by accelerating growth in the US and supported by a continued stream of launches and robust brand adoption in our prioritised ex-US markets. Vyepti global net revenue for the quarter was DKK 617 million. And this represents, as Charl said, 79% growth year over year.

Net revenue for Vyepti in the US was DKK 544 million, representing 69% growth over 2023. Importantly, we are beginning to see meaningful contribution to global sales by ex-US markets, with Vyepti now available in some 25 markets. These markets are exhibiting strong anti-CGRP market growth, and importantly, Vyepti continues to gain meaningful market share across all of these markets.

I do want to take a moment to focus on the US. Over the past year, we have worked very hard to refine our speciality commercial model to support Vyepti, focusing on four key levers, HCP engagement, and this is both on the sales side as well as the medical side, patient activation, patient experience and market access.

It's these four levers which have made material contributions to accelerating demand by driving depth and breadth of prescribing and increasing our momentum in new patient starts, as well as patient adherence.

Importantly, we continue to hear very positive clinical experiences from physicians and patients regarding Vyepti, which are reported in the review, real-world evidence clinical trial, which was published in the Journal of Headache and Pain this past April. Next slide, please.

Rexulti continues to perform well, propelled by the continued strong progress of the AADAD launch in the US. US TRx growth during the first quarter of 2024 was a 15.8% increase over the prior year. Global reported revenue increased 7% versus prior year. The difference between the demand growth and revenue growth is attributable to variance that we saw in channel inventories and, to a lesser degree, gross to net in first quarter 2024 versus first quarter 2023.

We are pleased with the strong demand growth observed across all of our prioritised markets. The majority of that volume growth is driven in the US, particularly in AADAD, with 205% monthly volume growth when we compare January 2024 claims to the pre-launch baseline. The long-term care channel is disproportionately contributing to Rexulti AADAD growth, with 598% monthly volume growth since baseline, and the market share in the long-term care channel has increased more than sixfold. Next slide, please.

Rexulti AADAD volume is becoming increasingly important to the overall Rexulti growth, and we expect this to continue through 2024 and beyond. AADAD contribution has grown to 12.5%, based upon our most recently available data, and we expect AADAD overall contribution to the brand to exceed 20% by year end.

The AADAD launch has also had a positive halo effect on the overall brand performance, with non-AADAD monthly claims volume growing at 15.9% versus from April 2023 to January 2024. Now, in analysing some of the most recent TRx data, non-AADAD TRx growth has moderated over the past quarter.

We attribute this to our MDD direct-to-consumer campaign being off the air from November through the end of February. MDD direct-to-consumer promotion has resumed on February 26, 2024, and we're beginning to see the lift in TRxes towards the end of April, as we fully deploy the Rexulti marketing mix. And I think of note, the latest NBRx, or new-to-business prescription data point of 2,690 is an all-time high. I'll now turn the presentation over to Michala to discuss performance for other strategic brands. Michala?

Michala Fischer-Hansen

Thank you, Tom, and good afternoon, everyone. I'm Michala Fischer-Hansen, and I'm very happy to be here now in my second month with Lundbeck. If I can have... I've already

got the slide. Thank you.

If we look at Brintellix or Trintellix performance in Q1, you can here see the revenue performance worldwide, very impressively growing at a double-digit, at DKK 1.17 billion in Q1 24. Very impressive, I think, considering that the brand has been on the market for more than ten years.

If you zoom in on the numbers, you can see that rest of world is driving the majority of the growth, a growth of 13% to DKK 810 million in Q1, where Europe is growing at 16%. And that's primarily driven by Spain, with 26% growth. We see international markets growing at 10%, and that's driven by Japan growing at 23% and China at 12%. We also see a very nice growth in the US of 7%, really indications of stabilisation.

If you look to the graph in the middle, you can see this is MAT volume growth versus the market. And here, you can see how we, in many of our key markets, actually outgrow the market significantly. And I specifically want to highlight Japan, Spain, Canada and France, where we see a very strong development in our overall growth versus the market. If I could get the next slide, please.

Here we see the Abilify LAI franchise, and also here, we see double-digit growth in revenue in the first quarter versus the same period last year. We have US delivering 9% of that growth and rest of world delivering 12%, and we're at DKK 859 million in revenue. This is also a very strong performance for a brand that has also been on the market for over ten years. And the performance is spread across many markets. Want to highlight here the US, Canada, France and the UK.

I want to emphasise that the franchise here has two brands. We have Abilify Maintena, that's the one that's been on the market for over ten years, and then we have Abilify Asimtufii, that's the US brand name, and Abilify Maintena 960 mg, which is the European brand name, and that's the two-month injection in the franchise. Please note that Abilify Asimtufii was launched in the US in June of last year, and we recently got approval for the Abilify Maintena 960 mg in Europe in March.

If you look to the graph in the middle of the slide, you again see MAT volume growth of the franchise versus the market. And again, you can see the very strong growth that we're seeing in many of the countries where we're outgrowing the market. And it's also important to note that we hold market leadership position in a good handful of our key markets.

For the US, if we look at Q1, and that's, of course, also noting the recent launch of Abilify Asimtufii, if you look at Q1 23 versus Q1 24, we actually see the market growth at 1.8%, whereas the Abilify franchise for us is growing at 5% in the US. So that's basically driven by Abilify Asimtufii.

When we look to the year for the Abilify franchise, it's really about preparing for the launch of the two-month injection. We're bringing a new option to the market, and Johan will come back to that, which allows patients to have fewer dosages, since it's a two-month injection, and allows continued symptom control of their schizophrenia. And as mentioned, the US launched the product a little over a year ago, and it's driving roughly 10% of sales and continues to grow. With that, I will hand over to Johan to tell us a bit about the R&D highlights from Q1.

Johan Lutman

Thank you, Michala. It's great to have you at Lundbeck. Our R&D. Actually, let's move a slide. The next slide, please. So our R&D activity started 2024 on a strong note, with important regulatory activities and critical progression in the mid-stage innovation pipeline. Charl already touched upon some of them earlier, and I will also come back to provide some more details in coming slides. However, let me just highlight some of what we see, the major events.

As Michala already covered, we obtained another approval in Europe for our Abilify long-acting injectable franchise that we have together with Otsuka. So on March 27, the European Commission granted centralised marketing authorisation for Abilify Maintena 960 mg as a once-every-two-month long-acting injectable in a ready-to-use formulation. The decision naturally includes all EU member states as well as associated countries in the European Economic Area.

This product is for maintenance treatment of schizophrenia in adult patients stabilised with aripiprazole, a clinically very important offering for sustainable care of hard-to-treat patients. We are looking forward to gradually roll out the product in Europe as a complement to the already very successful monthly Abilify Maintena long-acting injectable.

Also, together with Otsuka, on April 9, we submitted a supplemental new drug application for brexpiprazole to the FDA for the treatment of post-traumatic stress disorder. Moreover, the data from the programme will be presented at scientific conferences. More on that also later.

In the new molecular pipeline, we have also had a couple of very important activities that signify steps into the late development stage. To start with, our first-in-class anti-

PACAP antibody 222 for migraine prevention has initiated its sub-Q development phase, with a larger phase IIb trial. This is called PROCEED trial.

The progression of that programme is based on a robust, positive proof-of-concept trial that we announced and presented at key conferences last year, gaining significant recognition by leading academic clinicians in the headache disorder field.

On January 31 this year, it was indeed very nice to be able to announce yet another readout from a proof-of-concept trial with another first-in-class programme. This time, it was for our alpha-synuclein antibody 422, which showed very encouraging results in the AMULET trial. This view was substantiated in the reception following presentation of the data at the AD/PD conference. As a further validation of the promising data, FDA has granted orphan drug designation for the programme. We also started a process with FDA on pursuing breakthrough destination. So more on those programmes in the coming slides. So, next slide, please.

So we have now initiated a widening of the anti-PACAP 222 programme, and based on the foundation of the positive HOPE trial, which utilised IV administration. Using the HOPE data and data from a prior IV-to-sub-Q comparability PK study, we have been able to build a very strong PK/PD model. This model has enabled the design of a comprehensive trial to evaluate safety and efficacy of 222 in migraine patients across a range of subcutaneous doses.

Our initiated phase IIb PROCEED trial will have a primary readout at 12 weeks, using every-four-week dosing intervals. The design includes a planned interim analysis in H1 25. Depending on the outcome of the interim analysis, the trial design allows for triggering an integrated option of also testing further IV dosing. Thus, the path forward in development of this novel mechanism of action molecule has inbuilt flexibility, and maintaining the momentum for determined progression towards further pivotal trials. Furthermore, the design of PROCEED trial maximises the likelihood of adding a very interesting expansion of treatment opportunities in migraine prevention. So, next slide, please.

Now over to 422. So let me first remind you that 422 is an IgG1 antibody that is designed to bind to all major forms of alpha-synuclein, but with a particular high affinity for oligomers. It has an active Fc region, which increases the clearance of alpha-synuclein.

We decided to take this mechanism into multiple system

atrophy, a fatal neurodegenerative disease, characterised by pathological aggregation of alpha-synuclein, a disease that currently has no treatment options. The proof-of-concept AMULET 422 in MSA was initiated at the end of 2011. We enrolled very well throughout the trial, and we were therefore able to obtain the readout in end of January of this year.

As we reported previously, the AMULET trial demonstrated very encouraging results of efficacy across variants of the UMSARS clinical outcome measure and also on secondary clinical outcome measures as well as biomarker readouts. In the trial, we pioneered a Bayesian progression statistical approach to identify effects on longitudinal change.

As I mentioned before, very soon after readout on March 8, we were able to secure a late-breaking presentation of the headline results of the trial at the AD/PD 24 conference in Lisbon. The presentation was very well attended, and it was very good to hear the very positive reception of the data by the scientific community and leading KOLs in the MSA field.

The programme has therefore received orphan drug designation in Europe and Sakigake assignment in Japan. But we were pleased to receive orphan drug designation by FDA in end of April, something that requires sufficient evidence of clinical effects. We have also progressed on the path to obtain breakthrough designation, as well as applied for the so-called FDA START pilot programme.

We have now analysed the data extensively to be able to outline a design for a phase III programme. So the next steps now constitute seeking input on the proposed programme from main regulatory agencies in the coming months, with the hope of being able to initiate a phase III programme no later than very early next year. Next slide, please.

Now, in September last year, we concluded the pivotal programme on brexpiprazole in PTSD. Based on the outcome of that programme, we decided to progress seeking sNDA review by FDA. During pre-submission discussions with the agency, we were encouraged to do some further data analytics, and subsequently, we managed to submit the application on April 9. We are now awaiting FDA validation of the submission dossier and formal filing, which is expected to take 60 or 74 days after submission, depending on whether FDA assigns priority or standard review.

The programme is based on the combination treatment of brexpiprazole and sertraline. Initially, an exploratory trial

was positive for the combination, and based on this, a set of pivotal trials were initiated. The 071 flexible-dose trial met its primary endpoint by demonstrating improvements from baseline on the CAPS-5 for patients receiving brexpiprazole 2 mg to 3 mg per day plus sertraline versus for those patients receiving sertraline plus placebo. However, the 072 fixed-dose trial missed its primary endpoint.

The brex combination with sertraline was well-tolerated in the programme, with safety results consistent with the known safety profile of brexpiprazole from other trials and its general use. The brexpiprazole PTSD programme will also be presented to the academic community for the first time at the American Society of Clinical Psychopharmacology, with an oral presentation very soon, on May 28, and a couple of poster presentations during the meeting. Slide, please.

So we have already made good progress during the first part of 24 in the R&D pipeline. This is building further on last year's strong deliverables, such as the positive readout in the ant-PACAP programme. But as you have seen, we're also soon adding a highly innovative programme to late development through the breakthrough results of the AMULET trial.

Important is, however, to see regulatory approvals, such as the European approval of the bimonthly antipsychotic long-acting injectable. And we also received approval in the first quarter in Canada of our pioneering treatment of agitation in Alzheimer's disease with Rexulti.

Our innovation programme, 996, to provide an oral active D1/D2 dual agonist as an add-on treatment in Parkinson's disease started a tailored small patient population study earlier this year. However, that programme is challenged in its enrolment of patients, and our before-predicted phase II proof-of-concept start will most certainly be delayed.

Nevertheless, the coming period will continue to be quite news-rich. For example, we have expectations to be able to finish the Vypti SUNRISE trial, the trial that's aimed to pave the way for further expansion in Asia, mainly in Japan and China, for the product.

Finally, I'd like to highlight that we're now progressing with two small, exploratory proof-of-concept trials for our anti-ACTH programme, 909, with the ongoing congenital adrenal hyperplasia evaluation and a phase Ib study, and now within, shortly, also Cushing's disease, a phase Ib study. With that, I'd like to hand over to Joerg.

Joerg Hornstein

Thank you, Johan. Very good progress in R&D and an important quarter for our pipeline. Before we go into the financials, please let me summarise the following. We're very pleased with our first quarter performance of 24, which puts us in the position to also reiterate our full year guidance for 2024.

Looking at the underlying growth of our adjusted EBITDA, it clearly demonstrates that the targeted investments for Vyepti and Rexulti in the US continue to pay off, while also taking key projects in our R&D pipeline forward, driving mid- and long-term innovation for Lundbeck. Next slide, please.

Our revenue for the first quarter of 2024 grew 7% at constant exchange rates, driven by the strong performance of our strategic brands, which are up by plus 17%. The adjusted gross margin, which is removing amortisation, depreciation and other adjustments linked to sales, decreased 1.7% when comparing to the first quarter of 23. The decrease reflects mainly higher sales and the favourable effect from quarterly fluctuations in stock valuation.

Sales and distribution costs increased 9% at constant exchange rates, reflecting the continued investments in sales and promotional activities in strategic brands, predominantly, as I said earlier, around Rexulti and Vyepti in the US. Our expenditures in sales and distribution reached 33.8% of total revenue, increasing 0.6 percentage points versus 2023. Administrative expenses increased 2% at constant exchange rate and reached DKK 259 million, corresponding to 4.9% of total revenues.

R&D costs increased by 40% at constant exchange rates. The most relevant development in R&D cost comes from the progression of the phase II pipeline, with initiation of a phase IIb dose-finding trial for anti-PACAP and a phase III preparation for our anti-alpha-synuclein antibody. Our expenditures in R&D reached 18% of total revenue, increasing 1.4 percentage points versus 2023, which is in line with our financial guidance.

Adjusted EBITDA decreased by 2% at constant exchange rates as a result of a lower adjusted gross margin, following a favourable effect from quarterly fluctuations in stock valuation. In addition, the first quarter of 2024 reflects higher R&D cost to support the pipeline in progress and targeted investments in sales and promotion.

Adjusted EBITDA margin reached 33%, equivalent to a decrease of 3.6 percentage points. If we exclude the effect from the quarterly fluctuations in stock valuation, the underlying growth in adjusted EBITDA was 6% at constant

exchange rates, constituting an adjusted EBITDA margin decrease of 0.6 percentage points. Next slide, please.

Our EBIT grew by 9% at constant exchange rates, reflecting the operating leverage effect of higher revenue and lower product rights amortisation, offset by higher operating expenses regarding investments in sales and distribution and R&D costs. Furthermore, EBIT for the first quarter of 23 was negatively affected by the recognition of a provision for Vyepti inventory obsolescence and the aforementioned quarterly fluctuations in stock valuation.

Net financial expenses reached an income of DKK 29 million, equivalent to an increase of 135%. The positive development is mainly driven by the favourable developments in interest income due to lower debt and higher interest income on cash and favourable currency impact.

The effective tax rate of 23% is in line with full year expectations. Net profit increased by plus 14% to DKK 1 billion, and adjusted net profit and EPS increased by 1% to DKK 1.4 billion and DKK 1.38, respectively, and also aligns with underlying performance. Next slide, please.

The cash flows from operating activities in Q1 24 represents an inflow of plus DKK 961 million, compared to an inflow of DKK 378 million in the first quarter of 23. The operating cash flow is obviously a reflection of the continued solid EBIT performance, further impacted by slightly higher adjustments for non-cash items amounting to DKK 645 million.

Changes in working capital amounted to DKK 886 million in the first quarter of 24, mainly driven by a lower inventory build-up in Q1 24, mainly due to the completion of the Vyepti fixed supply quantity agreement in 23, higher trade receivables and lower short-term debt in Q1 24, mainly due to a sales milestone paid out in the first quarter of 23.

The cash flows from investing activities were an outflow of DKK 94 million, driven by CapEx investments in the first quarter of 24, compared to an outflow of DKK 77 million in the first quarter of 23. The cash flows from financing activities were an outflow of DKK 760 million in the first quarter of 24, compared to an outflow of DKK 945 million in the first quarter of 23, primarily driven by lower debt due to the revolving credit facility being fully repaid in 23, and offset by a higher dividend payment in 24.

The first quarter of 24 closed with a net cash position of DKK 0.8 billion, compared to a net debt of DKK 2.5 billion in the

first quarter of 23, effectively deleveraging the company and bringing us into a very strong financial position for the future. Next slide, please.

On February 7, 24, Lundbeck communicated the financial guidance for 24, focusing on revenue performance and adjusted EBITDA at constant exchange rates. The first quarter results of 24 are in line with our expectations and lead us to confirm our full year guidance for 24 at the same time.

Changes in the soft guidance are related to a projected reduced effect in reported rates, benefiting revenue and bottom line performance. This positive effect is further supported by lower expected financial expenses, but partially offset by higher effects from hedging. With that, I hand over to Charl.

Charl van Zyl

Thank you. So if we could go to the final slide, please. And, again, I want to thank the team for supporting the discussion today with you. Of course, it's great to have these results, strong momentum that we see in the first quarter that leads us to the path that we set out, to become a focused innovator and continue to advance innovation in neuroscience and build that long-term future for Lundbeck, specifically addressing the long-term growth and innovation in the company going forward. So with that, I think it's a moment for us to take some questions.

Operator

We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchstone telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use only headsets while asking your question. Anyone who has a question may press star and one at this time. Our first question comes from Marc Goodman with Leerink. Please go ahead.

Marc Goodman

Yes, hi. Can you talk about the inventory change that you were mentioning on Rexulti and then the other inventory changes? Usually, we see a lot in the first quarter with products in the US. And then second, can you give us a little more detail just on Vyepti and the number of patients, the persistence of patients who are staying on therapy? How much are new patients versus existing patients in the US, since that's probably the longest you've got data on? Thank you.

Charl van Zyl

Yes, thank you, Marc, for that question. I think for the question on inventory, shall I hand that to Tom? And then also, Tom, please comment on the Vyepti underlying patient

numbers.

Thomas Gibbs

Yes. So thank you for the question. As you rightfully stated, as we looked through 2022 to 2023 end-of-year variance from a channel inventory standpoint, we did see some additional stocking in January 2023 that we did not see in 2024. We estimate that was about \$6.1 million.

As it relates to Vyepti, I really want to talk a lot about persistency, because one of the things that we're seeing is increasing momentum, certainly on new patient starts. But our persistency, I think, is reflective of the value of this product to patients and physicians.

If we look at our persistency, the most recent data we have, 47% of all patients are on Vyepti within a 12-month period. This compares to 39% for Botox, 34% for sub-Qs and 27% for Qulipta.

Marc Goodman

Thanks.

Operator

Our next question comes from James Gordon with JP Morgan. Please go ahead.

James Gordon

James Gordon, JP Morgan. Thanks for taking the questions. The first question was on Rexulti and US performance. So I heard the comment about a slight year-on-year destock. Are there any other one-off headwinds? Because if I look at it, it looks like sales only grew about 6%, local currency, with the AAD boost that you describe.

And the charts are very useful, breaking out the prescription trends, the initial AAD approval. But just year to date, what have non-AAD prescriptions done? Has there been any significant growth in non-AAD prescriptions in Q1 year on year, or has that actually slowed, maybe because of this ban on marketing, to not really been growing? That's the first question, please.

The second question is on business development. I saw a comment on Bloomberg from a media interview, I believe, which suggests that Lundbeck has a \$5 billion to \$6 billion war chest. That seems quite high, given the leverage ratio I calculated that would imply. Is that right? Was that a misquote? And is the plan still a string of pearls or...? When you've been quoted as saying a deal this year, could you be doing something quite big in that sort of range?

Charl van Zyl

Yes, thank you, James, for that question. Let's first go to Tom to answer your question on Rexulti.

Thomas Gibbs

Thank you for the question, James. Unfortunately, I can't give full transparency in terms of what the non-AADAD prescriptions look like through the quarter, because

unfortunately, claims data, as you know, are delayed versus TRx data. But I will provide a hypothesis of what I think the claims data look like, based upon TRx data.

Based upon the momentum that we continue to see with AADAD, and we did see a little bit of a flattening of TRx demand, particularly in the month of March, we do hypothesise that MDD prescriptions had flattened a little bit during the first quarter. Just for reference, MDD represents about 38% of the total brand prescriptions.

We attribute that, as we talked about, through to the MDD direct-to-consumer campaign being dark for a little over four months. We know that MDD, I'm sorry, DTC is an incredibly important part of the element of our marketing mix, driving over a 2.8 ROI on a year-over-year basis. So that is where we think we had seen a flattening.

But what we're very pleased about is that we turned DTC back on on February 26, and you normally see about a six-to eight-week delay in terms of the impact, and we're actually already starting to see the impact in late April, where we saw the TRx demand continue to start moving up again. And the most sensitive measurement, NBRx, is we saw an all-time high with our most recent data point for April 26.

Charl van Zyl

Thank you, Tom. And James, let me address your question on the business development strategy and the question on firepower. So, first of all, I think you would've seen also our strong cash position that has, in a sense, converted from a negative DKK 2.5 billion last year to now DKK 800 million in the first quarter. So we see the cash generation really strong in the underlying business.

The number you quoted of €5 billion to €6 billion is based on how we see this in a mid-term view rather than in the actual amount today. But with that view, going forward, our strategy remains intact, as we've communicated to you in the past, that we see rather a string of pearls, a series of deals that make sense to complement what we're already doing today, where we play on our strengths, either in the space of neuropsychiatry, neuro specialty or neuro rare and those that we can essentially easily afford and deleverage also in a reasonable way going forward.

So wanted to again just confirm our BD strategy being a string of pearls. But thank you for that question.

Operator

Our next question comes from Lucy Codrington with Jefferies. Please go ahead.

Lucy Codrington

Hi there. Thanks for taking my questions. Just following up

on the Rexulti DTC ban. Just, do you expect...? You mentioned the scripts have started to recover already. Do you think you're going to be able to compensate for that shortfall in the first quarter, or will this just be made up by agitation in Alzheimer's rather than MDD itself? And, I guess, what's your confidence that you won't get another ban? Is it fairly easy to know what caused the ban in the first place?

Secondly, the guidance talks about slight growth for Abilify Maintena in the US. What's your expectation ex-US for that product? And then finally, just on anti-PACAP as being one of the key pipeline programmes, and forgive me if this has been covered previously, but do you have any idea why a previous competitive molecule was discontinued in phase II? And do you have any understanding of how your molecule may differ from that competitor programme? Thank you.

Charl van Zyl

Yes, thank you, Lucy, for those questions. I think, Tom, if you wouldn't mind addressing our view on the impact of DTC and Rexulti as a starting point. Thank you.

Thomas Gibbs

Sure. Thank you, Charl. As I stated earlier, I think it is important to note that we did see 15.8% TRx demand growth in the first quarter 2024 versus first quarter 2023, so strong double-digit growth. And we do believe that that was mostly accounted for based upon our success with our AADAD launch.

We do know that there was an impact for DTC being dark by about four months, but based upon what we're seeing and the sensitivity that we're seeing to turning the DTC back on, we're very confident that we're going to be able to continue to grow MDD throughout the rest of the year and really continue to accelerate AADAD for the rest of the year.

As it relates to our confidence that the DTC campaign, we will not receive another letter, I would say our confidence is incredibly high, because what we have rolled out in February 26 and all subsequent campaigns, we have engaged what we call OPDP, or the FDA regulations, and they have approved these campaigns.

Charl van Zyl

Thank you, Tom. Michala, could I ask you to address the question on Abilify ex-US growth?

Michala Fischer-Hansen

Yes. Thank you, Lucy, for the question. So we don't really provide growth forecasts per product, but I can say that we certainly see growth for the year. Thank you for the question.

Charl van Zyl

Thank you, Michala. Johan, let's talk about anti-PACAP and

our differentiation.

Johan Lutman

Yes, thanks for that question, Lucy. We have got it before, but I'm happy to cover. There are basically two molecules that one should keep in mind from past programmes. One is some years back. It's the Amgen AMG-301. That was an anti-PAC1, a receptor blocker.

And I'd like to remind you that PACAP, to our knowledge, has three active receptors, PAC1, PAC2 and VIP. And actually, it was Messoud Ashina who was the PI on that one and had a very robust trial, and it was robustly negative. And our read was that it is not good enough to basically block the receptor. You have to go to the ligand. And that's what we're doing with our antibody.

The other one you may have in mind is the Lilly 3451838, which was running a phase II trial. And that is a ligand blocker, like our molecule, so presumably something quite similar. They stopped early. They stopped early enrolment after quite some time. They tried to run this partially during the pandemic, and it was only a US trial.

And I should probably refrain from commenting too much on what we have speculated, what might have gone on, but they stopped early. And what we saw in our trial was that it might be a little harder to enrol subjects in the US than ex-US, because people generally go and like the CGRP drugs. So they were self-competing a little bit with the CGRP class take-up.

Are we concerned about that? No. We learned quite a bit from our trial with both US and ex-US sites, and we think we can engineer a trial that can progress. But, quite frankly, what we understand is that they just stopped because patients were not coming in, operational reasons. Now, of course, more on the speculative end, Lilly is busy with other things and maybe this is less for them to be engaged in.

Lucy Codrington

Great. Thanks very much.

Operator

Our next question comes from Xian Deng with UBS. Please go ahead.

Xian Deng

Hi. It's Xian from UBS. Thank you for taking my questions. Two, please. The first one is for Charl, if I may. So you have quite some changes in management recently. I'm just wondering if you could maybe elaborate a little bit of your thinking about strategies going forward behind those changes. You have already reiterated your BD strategy, still doing a string of pearls, etc. So just wondering, where do you hope to make the most change going forward, with all the changes in management? So that's the first question.

And the second one is for Johan, please. So I have a question on 422, alpha-synuclein. So just wondering, what are your thoughts on translating the phase II data into a positive phase III trial? And specifically, I was just wondering about your thoughts on the primary endpoint, given that this indication, and probably similar for alpha-syn in other indications, is that there might be a difference, depending on how you actually measure the primary endpoint.

In other words, if you start your primary endpoint with something similar to your phase II design, you probably have a much higher chance of success versus if you set the primary endpoint to, I don't know, UMSARS score change at week 72. Yes, any comments there would be great. Thank you.

Charl van Zyl

Thank you, Xian, for your question. Let me address also from a management team change. So, of course, I'm really pleased with what, the new members also bring, and compliment some of our members in the team that are building a strong foundation. And it's really about essentially bringing in some fresh thinking, continuing to revitalise how we might think about the future of our innovation strategy.

But there's also a very clear view behind that, which is one where we essentially create very clear pillars of accountability, of course, with Johan in R&D, but also with Michala and Tom having very clear geographic accountability for executing on our growth strategy of our assets.

But then, bringing in Maria really helps us to further elevate our thinking around where is neuroscience going, what is the neuroscience space from a strategic opportunity perspective, but also building for us, in a sense, a view of what other capabilities might we need, how do we think about AI, how do we think about future needs for also our pipeline as we are, in a sense, seeing that pipeline evolve, with more global assets to be launched on a global stage.

So this is how we think about this team, in a sense, working in a very joined-up way, but being very agile to build our innovation strategy for the future. But very happy with this team and where we stand today. So with that, I think, Johan, you want to comment on the question on AsimAb?

Johan Lutman

Yes, thanks, and thanks, Xian, for the question. The usual dogma in R&D is that you don't change something you have in phase II that worked to phase III. But there are two elements here to consider, and you have maybe seen some of the data.

We had, as a primary, the total UMSARS, and there's also the modified UMSARS. We had that as the key secondary. They are different flavours of the same scale and how you use it. FDA has their view on this, EMA, their own view, so sometimes the regulators are not fully aligned, what they favour.

We used the total as the primary this time. We could opt to do something else for the phase III, because we did look at both, and both looked good for our trial. We can design a trial on either. So that's flexibility that, I would say, is in the realm of not changing too much between phase II and phase III.

I think hidden also in your question is more a question about the statistical approach. We used a Bayesian progression model here. And are we going to try to use that also for phase III? Yes, we think that is a very, very suitable approach for these kind of trials. So obviously, that will be part of the conversation with the regulators moving forward.

But at the end of the day, it's our conversation with regulators and how we balance all that input that will judge how the final design will look like. So we'll come back later on when we're really finished. It will take some months, quite frankly, until mid of the fall, until we've got the feedback we need.

Xian Deng

Thank you very much.

Operator

As a reminder, if you wish to register for a question, you may press star and one. Our next question comes from Manos Mastorakis with Deutsche Bank. Please go ahead.

Manos Mastorakis

Hello. Thank you very much. So the first one is for Michala or Maria, or both perhaps. If you could give a little bit of colour on SUNRISE in Asia, peak potential as well as what do you know about the Asian markets in terms of how an IV product will be taken up.

Second question for Johan. You're meeting with the FDA on the MSA. How do you expect to announce the outcome of that meeting and any further details on the design of the phase III?

Finally, a quick one for Joerg. What types of activities have you already started doing for the phase IIb and the phase III of PACAP and MSA, respectively, that have already started being accounted for in your financials, and given that the MSA study has not even started? And sorry to Charl, I don't have a question for you today.

Charl van Zyl

Thank you, Manos. So, Johan, if you could comment on

SUNRISE first in Asia.

Johan Lutman

Yes, SUNRISE in Asia. As you know, we had a package of SUN studies. SUNRISE is the bigger one. We had a [00:51:35 inaudible ?].

Manos Mastorakis

I can't hear.

Johan Lutman

Oh, sorry. I'm on now. So, as you know, we have a package of studies called SUN. We had the SUNLIGHT study some years back. That was a small, pioneering study. And then we have the SUNRISE study now that is the bigger, more pivotal trial.

We learnt a lot from SUNLIGHT. Populations do differ, and different patients come in to different doctors in different countries. And China, in particular, was a learning for us. The companies have now concluded activities in both China and Japan.

So we are more encouraged that there is a way to find a drug working there. But obviously, there's obvious development risk with any programme. IV has not been a problem, quite frankly. Most patients come into hospitals, and they can do IV. And I think we probably will see quite a bit of that also in the marketplace, because that's how you see care in China.

You had also MSA FDA. Should I take that also? Yes. Yes, so that's simple. We will not chat too much what we're discussing with the FDA, because this is going to be back and forth. You will probably see mostly how this ends up with the announcement of our trial design and the posting at clinicaltrials.gov. There is no point really I go back and forth with information when we have fragments of the information moving forward. If we get breakthrough designation, that's probably something you will hear about.

Charl van Zyl

Thank you, Johan. And Joerg, do you want to comment on how we see the R&D evolution, I think, is the question around MSA, the investment behind it?

Joerg Hornstein

Well, we are currently, as Johan said, basically discussing the design of the phase III. And we're fully aware about the full investment. And I think you've also seen that we feel confident enough, not only full year, reiterating our guidance for 24, but also reiterating our mid-term guidance. And I think that implies that even accounting for the additional investment of AsimAb, we feel confident reiterating these targets. Of course, the, let's say, plan for 24 does not entail a significant part of it, except certain CMC investments already that we have launched.

Charl van Zyl

And then I think the final question was really on the expectations we see for Asia. So, Michala, if you could answer that, please.

Michala Fischer-Hansen

Yes. Manos, thank you very much for that question. Unfortunately, I'm once again going to disappoint, because we don't provide guidance on product on regional level, and certainly not when we don't have an approval yet. But I can tell you, we are waiting in anticipation. And also, as Johan was saying, in the trial, at least, we haven't seen great barriers with the infusion set-up. So more to come on that, I promise.

Manos Mastorakis

Thank you very much.

Operator

Ladies and gentlemen, this was our last question.

Charl van Zyl

Good. Well, thank you for joining us for the call today. Really appreciate your questions, and look forward to seeing you soon. Thank you, again.