H. Lundbeck

Financial statements for the first nine months of 2021

Date & time: 10 November 2021 at 13.00 CET

Operator: [00:00:01] Ladies and gentlemen, welcome to the Lundbeck Q3 conference call for the first part of this call. All participants will be in a listen only mode and afterwards there will be a question and answer session. Today, I'm pleased to present Deborah Dunsire, President and CEO, Anders Götzsche, Executive Vice President, CFO, and Johan Luthmann, Executive Vice President of Research and Development. Speakers, please begin your meeting.

Deborah Dunsire, CEO: [00:00:28] Hello, everyone, welcome to the nine month results for Lundbeck, we're pleased to have you with us today. I'm joined, as you heard by Anders Götzsche, our CFO, Johan Luthmann, our Head of R&D, and also Peter Anastasiou, Head of North America, and Jacob Tolstrup, Head of our markets outside of North America. So a great team to answer your questions. You've seen our forward looking statements before, so we won't belabor those. Let's go on to talking about the robust financial results for the first nine months of 2021. We're very, very pleased with the growth of our strategic brands, which are up 17 percent in total for the nine months. We've had an improvement in Core EBIT to 3 billion Danish kroner and core EBIT margin, reaching 24.3 percent and reduction of our net debt to 3.2 billion from 4.2 billion in the second quarter. A lot because we haven't yet been able to return to normal promotion. And so some of the savings come through SG&A. In R&D we've had some great results with Vyepti: DELIVER trial, meeting the primary endpoint of reduction in monthly migraine days with three zeros to the right of the decimal point in the significance value. And I always love to see that. Significance was also achieved on all secondary endpoints, and Johan is going to give you a lot more detail on that a bit later.

Deborah Dunsire, CEO: [00:01:59] We're also very pleased to have our 82422 compound the alpha synuclein and monoclonal antibody having initiated the phase two proof of concept trial in multiple system atrophy, a very severe orphan disease in the neurological space. And Johan will talk a bit more about that. But let me just say how proud we are of this homegrown molecule that is now achieving phase two start. We are reconfirming our guidance for 2021 and Anders will go through that in more detail and looking forward for the rest of the year for double digit

growth on all the strategic brands and putting a second program 09222 PACAP inhibitor into phase two during the fourth quarter. Next slide, please. When we look at our major strategic brands, as I said, they grew 17 percent overall for the nine months. But in Q3, all brands grew at double digits in local currency and were up 26 percent as an aggregate of the four brands in local currency. There's been strong growth. We've seen excellent growth with Vyepti, but also Brintellix/Trintellix coming to growth, Rexulti and Abilify Maintena are being very resilient. The year to date growth has been impacted a bit by COVID dynamics, but we are seeing those ease up. And as we've told you before, we did see some financial exchange rate headwind, but that impact abated a bit in the third quarter.

Deborah Dunsire, CEO: [00:03:30] Next slide, please. Vyepti, we're very delighted with how this is performing for patients in the market. The percentages are rather eye-popping, growing 731 percent in local currencies over the nine months and 450 percent in local currencies in the third quarter. While demand is up 43 percent Q/Q. We're seeing the expansion not only in office, where physicians have the capability to infuse but expanding the use in these alternative sites of care. Where Vyepti is now, about 25 percent of the volume is administered and we're seeing continued penetration of the high volume prescribing health care practitioners in migraine, which has been our focus since day one. We're seeing patients being able to return to offices. So as the pandemic eases, we're able to grow the brand and we're seeing an increase both in new prescribers as well as people who are getting repeat prescriptions either their second, third or even fourth dose, now that by Vyepti has been on the market for a while. Next slide, please. The global rollout of this product, which is Lundbeck first independent global launch. We have a very exciting time ahead, with 15 launches in the balance of 2021 and 2022, including bringing Canada to launch in the early part of 2022 that has already been approved in the EU.

Deborah Dunsire, CEO: [00:04:59] We look forward to an EMA approval in the first quarter and Australia, which is already approved and going through market access, will be launching probably early in 2022. DELIVER just confirms the powerful effect of Vyepti in people with migraine who have failed at least two older preventive therapies. Now we had some of those patients in our promised one and promised two trials. But DELIVER exclusively has people who have failed on preventive treatment, and that's going to be important to us as we bring Vyepti forward in Europe for getting US market access. Vyepti's power in that it's an infusion and it acts extremely quickly delivers that powerful effect, and we saw the effect in Promise one and Promise two, and

we saw it reiterated in DELIVER. We also saw the speed of action in the relief trial, and it is the only anti-CGRP with medication overuse in the label. We also see around the world a roughly 10 percent of the population is confronted with migraine, and it's the most common neurological disease for people less than 50 years of age. And that, of course, spans all migraine from the acute all the way to the very chronic. About 15 to 20 per cent of those patients are eligible for migraine prevention, but certainly not all of them get that right now.

Deborah Dunsire, CEO: [00:06:27] So we do see the possibility for this migraine market to grow significantly as these new and powerful agents enter. Next slide, please. Our three largest and very established strategic brands are continuing strong growth. Brintellix/Trintellix, the sales growth a lot driven by China, Japan doing extremely well together with our partner Takeda with a market share of about 4.61 Percent in its second year on the market and also Iberia, particularly in Spain, we're seeing strong growth. As well as North America returning to robust growth in Q3. Rexulti, as you know, the markets where we have both schizophrenia and MDD are the US and Canada, and so the growth is driven a lot out of the US, but we're seeing very nice growth in Brazil and resulting grew 13 percent in local currency in the first nine months. Abilify Maintena been very resilient throughout the pandemic. It grew 7 percent in local currency over the nine months and 11 percent in Q3. And growth is being driven a lot in Europe, but also in Australia, and certainly our largest markets in North America have returned solid growth. Next slide, please. I'm now handing over to Johan to take you through a very exciting quarter in R&D.

Johan Luthmann, Head of R&D: [00:07:54] Thanks a lot, Deborah. Let us turn to the next slide and our R&D update for Q3. Let me start by commenting a bit further on Vyepti. As Deborah already mentioned, the global rollout of Vyepti is progressing extremely well thanks to a very aggressive regulatory submission plan that we have. Vyepti it is now under regulatory review in 13 markets as well as in the EU. For EU, as you heard EU-CHMP opinion is expected imminently. The labels we obtained so far in the seven regulatory approvals granted validates the very strong data we have on the drug, including its effect in medication overuse headache. The ALLEVIATE trial, which is an indication expansion study in cluster headache, was launched in the height of the pandemic and after some initial start up challenges, the trial is now progressing very well. Also like to add that the Asia focused trials, such as sunlight and sunrise, are progressing well so far. Keeping is keeping us on the expected timelines for the regulatory submissions in China and Japan. I will come back in a minute with some more details on the delivery trial that we are very

excited about that Deborah also mentioned. For Rexulti, we are now on track to conclude enrollment of patients in the agitation and Alzheimer's trial by the turn of the year. The enrollment in this US centric study was, as you may recall, extremely affected by the COVID 19 pandemic.

Johan Luthmann, Head of R&D: [00:09:23] But through very strong efforts across the Otsuka and Lundbeck joint team, we have managed to regain the momentum in that study. However, the phase three program on brexpiprazol in PTSD is still severely affected and the continue challenges in that program in enrolling patients has forced us to reconsider redesign of the two ongoing trials. On a more positive note, I like to mention the sNDA for Rexulti for treatment of schizophrenia in adolescents. This has been submitted now to the FDA. The submission was actually completed a year earlier than original plan based on clinical data and an extrapolation and modeling of PK data. FDA expected to complete this review by the end of the year. As we had described earlier, all clinical breeding studies on aripiprazole two month long acting formulation have been successfully completed some time back and we are now progressing according to plan, when generating the required CMC data, such as the ability and scale up and documentation on manufacturing before submission mid next year. So while we are fully exploring and documenting expanding our late development market and product portfolio, we are working in a very determined manner and steadily building a strong and long term sustainable pipeline. Thus, I am happy to report a number of progressions in the early and mid-stage development pipeline since last quarter. As just announced, the mentioned by Deborah, Lundbeck and the alpha synuclein antibody AF82422 has entered into phase two proof of concept study for multiple system atrophy.

Johan Luthmann, Head of R&D: [00:11:08] I will comment further on this program in the latest slide. Also, our anti PACAP antibody, as you heard, is progressing very well, and it's gone through a very rigorous phase one evaluation of not only its PK, safety and tolerability, but also verifying its target engagement and mechanism of action in a very elegant experimental medicine study. The molecule is now ready to enter into phase 2 proof of concept testing. Also, our MAGLi program is progressing, the 466 molecule is now systematically being evaluated in a set of phase 1B studies in various patient populations, and we are now looking forward to see the exciting mechanism also being investigated in multiple sclerosis spasticity, as well as focal epilepsy that in studies that have recently been started up in the US. Next slide, please. Yeah, DELIVERY study,

we commented on this already. The headline results from this study were announced a couple of weeks ago, and I'm excited to share some further details with you on this today. The delivery study assessed the efficacy and safety of Vyepti in a total of 892 two patients. We actually enrolled very fast. We got some more work than we expected from the beginning and those for patients living with chronic and episodic migraine who experienced 2 to 4 previous preventive treatment failures due to lack of efficacy or intolerable side effects.

Johan Luthmann, Head of R&D: [00:12:39] I think it's important to remind you that when comparing data with particularly with prior competitors variables given IV, we had 100 and 300 mg doses or placebo. I'll come back to that point. The delivery study met all its clinical endpoints and shows excellent results across all subpopulations, including patients with the dual diagnosis of chronic migraine and medication overuse headache. Confirming the previous data we generated treatment were by up to 100 and 300 mg reduced monthly migraine days by 4.8 And 5.3 days. And Deborah already mentioned the number of zeros these studies field of .0001 results throughout, and this is compared with the reduction of 2.1 days with placebo, which is actually a very low placebo response rate. The delivery study also reached a robust statistical significance on all the secondary endpoints, as I mentioned, which confirms the consistent efficacy profile seen in previous studies with the drug. Specifically, more patients treated with Vyepti than placebo achieved response at 50 percent and 75 percent of greater reduction in migraine days during the first 12 weeks after infusion. So the outcome of the delivery study really confirms the powerful effects of Vyepti in migraine. In addition, the safety profile observed in the delivery study was very much consistent with what we observed previously, with rates of side effects being close to what we see actually with placebo infusions.

Johan Luthmann, Head of R&D: [00:14:18] So the DELIVER results really confirmed that Vyepti is a powerful preventive therapy. Even the people that previously have been treated with other therapies, it's an effective tool for migraine experts to help their patients better manage the disease. Next slide, please. So I promise some more words about 82422 our monoclonal antibody against alpha synuclein for potential treatment of MSA. Lundbeck has now initiated its phase two study for a treatment of MSA. This molecule represents the novel approach for potential treatment of MSA, and it's a disease with very high and unmet medical need. It's a rapidly progressing disease, rather rare condition, luckily, but it's caused severe damage to nerve cells in the brain, and it's severely debilitating and major disease burden to patients. And a

person with MSA, you have an abnormal buildup of the protein alpha synuclein, and that's thought to be responsible for damaging areas of the brain that control functions like balance, movement and body's normal functions. We have high expectations for this project and are pleased to advance the program into further clinical development. The program is actually progressing into a very innovative set of clinical trials through the amyloid study that will aim to obtain a robust, biomarker supported clinical evaluation of its clinical effects. We expect a follow up that study with a novel base and trial designed to confirm its effects in phase three.

Johan Luthmann, Head of R&D: [00:15:55] We are also delighted that the European Medicines Agency gave us a orphan drug designation for this drug. Next slide, please. So I like to speak a little bit about what we call our biological clusters. We have focused our R&D strategy on four clusters that have strong potential to deliver innovative therapies for diseases of the nervous system. These biological clusters allow us to go into indication areas where the largest medical need is and where we can identify impactful and innovative therapies. Within two other clusters the circuitry and neuronal biology and the protein aggregation folding and clearance cluster. We are already strong heritage and background with multiple programs moving forward in the pipeline. Why have these, of course, are a cornerstone in the hormonal neuropeptide signaling cluster. It acts as a magnet, but we also have pickup for migraine prevention and several other programs that are progressing now, and you will hear more from us in the coming period of clinical introductions in this cluster. Finally, the neuroinflammation/neuroimmunology cluster, is a cluster that we picked because it plays a key role in many neurological diseases. Working in this cluster gives us a rich repertoire, indication opportunities for high medical need. This cluster is now being being accelerated by the recent partnership with AprilBio, which brings in the phase one ready asset. So next slide, please.

Johan Luthmann, Head of R&D: [00:17:31] And so I'm excited, ascribe a bit more on our partnership with AprilBio around an interesting novel and the CD40 ligan antibody which is ready to enter into phase one, as I said early next year. We have named the antibody LuAG22515. Five on five targets, the clinically validated CD40 biology, which is a central mechanism to range a very attractive in your immune indications. The concept is addressing this immune pathway, and it's built on a biology that's proven its ability to therapeutically target these diseases. The antibodies novel and differentiated and comes with a very strong preclinical supportive data sets. Based on this, the project has the potential of new therapies for different types of diseases

driven by immune pathophysiology. What is also important that this program will accelerate our internal experience and expertize in the neuroimmunology, enabling us to build a broader pipeline for Lundbeck in this area? Next slide, please. And so I'm pleased to say that we have a broad portfolio, very interesting molecules of programs across the R&D value chain now with several advancements or promising molecules and drugs such as variety that already shown a great medical potential. We are looking forward to the end of the year and into 2022, when we'll see further critical data on many of these programs. I will now turn over the presentation to Anders to comment on our financial performance.

Anders Götzsche, EVP & CFO: [00:19:10] Thank you. Please turn to the next slide. So a step already alluded to we had a strong Q3 with 26 percent growth for the strategic brands and in local currency that led to 3 percent growth overall. If we are excluding the decline of Northera and the margin outcome of that or the earnings outcome was EBIT a bit above 2 billion, which is a very strong performance for the first nine months. And as you can see from this slide, SG&A and R&D are lower than last year, and of course, the R&D line is lower. Due to that, we had the write off. But if you adjust for that, then we actually have a lower spending level and that is, of course, cost avoidance for due to the pandemic has been out there. But at the same time, we have also been investing more in Vyepti. Please go to the next slide. When we started the year, net debt was expected to be around 3.5. But due to the better operational performance and also in general, good strong cash flow, we now expect a net debt level to be between 3 to 3.5 Billion. Danish and also net debt to EBITDA is expected to stay unchanged from 2020 at around 1.

Anders Götzsche, EVP & CFO: [00:20:34] Next slide, please. Uh, during. We had a solid start on the year and therefore we have also today confirmed our guidance. And you can see the ranges in the slide for revenue and the earnings numbers. It goes without saying that Nothera is, as we also said, when we started, the year will be declining. We have seen in the most recent quarter that we had an 85 percent decline for Nothera and we are still, we still expect that we'll see a 75 percent erosion for the full year. But it also means that the strategic brands and the rest of the revenue portfolio is increasing. And if you then add in that we have a depreciation of our currency, then we will end up, revenue wise, between 16.3 to 16.6, we will in the fourth quarter book a restructuring provision of between 100 to 200 million. And as we have also stated in our stock release, is due to that. We have made some fine tuning due to the learnings we have taken from the pandemic. We have due to profitability issues in India, closed our affiliate there. We

have restructured the organization, so it's following more the global nature of the business, our global R&D organization, but also the the fact that Vyepti is a global brand and therefore we have adjusted some, cost structures.

Anders Götzsche, EVP & CFO: [00:22:04] We have taken out some 300 people or will take out 300 people and some of those savings we will redirect into investing behind Vyepti. We will invest in R&D. So that is simply to free up money, to invest in the growth that we're seeing in the next six to eight years. Financial expenses, you should expect that net of around four hundred million and for the full year, and that is also what you have seen in the first nine months. Ballpark number is half of that is, cash flow related. The other ones are actually currency adjustments and fair value adjustments of investments and CVR. From that, we have to pay for the order transaction next year. From a tax perspective, you should expect the tax rate to be in a range. In the quarter, it was 22 percent. For the full year, it might end a bit lower than 22 percent of revenue for the full year. Please go to the next slide. And this was a concluding my presentation of the financial and then I will hand off for Deborah for the closing remarks.

Deborah Dunsire, CEO: [00:23:13] Thanks, Anders. Quick summary We're focused at Lundbeck on delivering our growth today and building that growth into the future. The source of the growth is going to continue to be those strategic brands, building on those and then continuing to add new innovative brands. Vyepti, the global rollout is offering us substantial growth opportunities into the future. And those are simply underlined by the strong profile that we saw from Vyepti again in the delivered trial. Result is also a substantial future growth driver as we look for the top line results for the pivotal phase three trial in Alzheimer's agitation, which could come around the middle of 2022. So we have good growth visibility based on the strategic brands that are in our hands over the next six to eight years with mid-single digit growth. The current portfolio will continue to grow strongly and of course. Lundbeck has a pretty resilient, mature based business, in fact, the resilience of a brand like Lexapro, which has actually grown in the first nine months. We've seen great progress in our transformation of R&D. It's been a lot of work for Johan and his team, but we can see the results in us beginning to replenish the mid stage pipeline and cultivating an interesting early stage pipeline in our R&D. We're a financially strong company and retain a strong focus on efficiency. So we have a good solid balance sheet and a strong cash generation ability to help us continue to invest behind the current brands, but

also build our business through external innovation into the future. So thanks for your attention and we'll take any questions. Operator.

Operator: [00:25:12] Thank you, and ladies and gentlemen, if you have a question for the speakers, please press zero one on your telephone keypad now. Our first question comes from the line of Michael Leuchten from UBS. Please go ahead.

Micheal Leuchten, UBS: [00:25:28] Thank you very much. Michael, from UBS. Two questions, please. One for Anders. Just help me understand the moving parts with your guidance. You now have a restructuring charge that you broke in the fourth quarter as you outlined, but your reported EBIT guidance hasn't changed, so there must be an offset there. But then your core EBITDA guidance hasn't changed either. So whatever the offset in efficiency is, is not reflected there. Could you just help me understand how that hangs together? And then a question for Johan on the CD40. You're calling it a differentiated antibody. I know it's early days. Just wondering where you see the differentiation for the molecule at this point in time. Thank you.

Anders Götzsche, EVP & CFO: [00:26:19] Thank you, Michael, for your question, so what you should expect is, of course, that or you can see from the numbers, the underlying performance is actually super good, and that also means that from a core EBIT perspective, you should expect us to be in the high end of the range of the guidance. And you are fully right from both the EBIT and EBITDA perspective. We are offsetting the 100 to 200 million, and that means that we are probably in the lower end of the guidance, but it's also in the guidance. We have also anticipated that we are able to spend we have more activities on Vyepti in the fourth quarter. And therefore, when you look at the SG&A level that has been pretty, stable during the year that we will have some more SG&A spending in the last quarter. So you should all expect for the full year that R&D spending will ballpark number be at par with the 2020 if you exclude the write off and you should expect that SG&A, including the provision, should more or less be on par with the 2020.

Johan Luthmann, Head of R&D: [00:27:33] Yeah, thanks for the question. The CD40 biology has been explored by others, and the reason I mentioned that this is differentiated is because we have in this molecule without going into details that I don't like to reveal now some different binding activities. It's primarily on the so-called FCN, where it binds and how it's activating the immune systems, and we learned a lot from actually previous programs that have been in this

biology. So this is clearly a different molecule than you're seeing from other companies. And unfortunately, I cannot go into exactly what it changed in the molecule. But we have a molecule that is working a very different way in activating the immune system in terms of clearing the CD40 ligan.

Micheal Leuchten, UBS: [00:28:20] Thank you very much.

Operator: [00:28:23] And the next question comes from the line of Wimal Kapadia from Bernstein. Please go ahead.

Wimal Kapadia, Bernstein: [00:28:29] Oh, great, thank you very much for taking my questions. So first, maybe one to Anders, could I could I just ask about costs in 2022? So 2021, clearly you've had some savings COVID related, but Vyepti spend is increasing. As you just mentioned, you're also moving forward with a few new trials in the earlier pipeline. So how should we think about the level of growth in SG&A and R&D in 2022? Just factoring in the savings and reinvestment from the restructuring that you just mentioned as well, should we be expecting double digit growth for opex line next year or is it more modest acceleration in cost expected? And my second question just on that pipeline. Could you provide a bit more color on the phase one data for 9222 and maybe a bit more context on the potential trial design for phase two, which you plan to start later this year? Will a combination with biodata be part of the trial? And then just on 82422. You know, you're not the only company that's looking at alpha synuclein. So just curious how you think about the differentiation versus Roche's President and if that was a driver for you to focus on MSA? Thank you.

Anders Götzsche, EVP & CFO: [00:29:42] So I can start with your cost question. So you should assume that SG&A will be increasing next year and it goes to the two components we really hope to that we will be able to spend more behind the Vyepti launch in the U.S., so we'll invest more there and then we have some 15 additional launches in the rest of the world. So in Europe and international market also for why so you should expect that SG&A will be going up. We are not finalized what should be the spending limit, but you should expect it to go up. R&D, it will be ballpark the same level next year. I assume just based on what we know now, but it's it's not giving a specific guidance, but because we haven't finalized the numbers yet.

Johan Luthmann, Head of R&D: [00:30:38] Yeah, thanks for the interest in those two programs, so let me start to comment on the 9222 the PACAP molecule. The study we've done is a quite frankly study done in healthy volunteers is not even done in migrant patients, but it's a very solid mechanism of action study where we challenge subjects with the way the ligan and we see that we can counteract that in vivo in humans, meaning that we have a very relevant readout on vascular changes and that is our way to de-risk the asset going forward. In terms of that, we can see that it's working and doing its job in humans in vivo, which may seem trivial, but it's very, very important when we progress that we've demonstrated that the molecule is actually working as it should. The other one, the other comment I'd like to have is this is a ligan binding antibody, which is very important to remember. Other people have looked at receptor binding antibodies, and this biology has three receptors. And if you take out the ligan, you basically affect all three. So it's a broader mechanism that other people have explored previously.

Johan Luthmann, Head of R&D: [00:31:49] We have competitors in this space. We are not tremendously different in terms of profile when it comes to ligan binding, but we are looking forward to get the data now and we really know that it's working in vivo. In terms of the alpha synuclein program. That's a really good question. First of all, what's different is that we bring it now aggressively forward in multiple system atrophy and that differentiate us indication wise. Because, this is a very aggressive, rapidly progressing disease, which we think is really worth looking into with this mechanism, which is spot on the mechanism that is central to the pathophysiology and disease progression. In terms of its characteristics, our antibody is quite different from some of the competitors. They're actually preclinical data where you can compare this published very recently from different other companies and our company. In terms of clinical effect, is way too early to comment, of course. And it's not head to head sort of because it's a different indications, primarily if you think about the the the Roche Program, Athena program, that is still considering Parkinson's disease.

Deborah Dunsire, CEO: [00:33:02] I think the one other question we've not had was, are we doing a combination for Vyepti pick up and the answer in phase two is no.

Johan Luthmann, Head of R&D: [00:33:09] No, that's a good question, too. At this moment, we're not doing that.

Wimal Kapadia, Bernstein: [00:33:14] Thank you.

Operator: [00:33:17] And the next question comes from the line of Sachin Jain from Bank of America. Please go ahead.

Sachin Jain, Bank of America: [00:33:24] I had a couple of questions, if I may. Thanks for the update. I just wanted to know, if you could clarify what news flow we should expect in 2022 outside of the resulting agitation you mentioned, there are a number of important markers next year, so if you can just highlight what those would be. The second question is just to go back on margins to Anders, which I understand the commentary for 2022 is the roughly flat R&D accepting the budget not finalized the main driver of group margin expansion next year, which consensus has at around 100 basis points at the group level. And then the final question was on their mid-term growth. For Deborah, you sort of highlighted the mid-single digit growth for the next six to eight years. Again, looking at the consensus that is modeled at 25, but consensus is flattish thereafter, I guess reflecting to Intelex Abilify percent pressure as we just try to understand them that mid-term period sort of 24, 25 and beyond what you think we are misunderstanding about the mid-term growth. Thank you.

Deborah Dunsire, CEO: [00:34:26] Great, thanks a lot, so talking about the news flow in 20222. First and foremost, I think the EMA approval is expected in the first quarter. We'll hope to start the PACAP phase two before the end of the year, so you'll see both 82422 and PACAP phase two trials running throughout 2022. We would look to submit the file for the Abilify Maintaina a two month formulation somewhere towards the middle of 2022. And of course, we have the Rexulti outcome that you've already alluded to, also in the mid-term. Is there anything else?

Johan Luthmann, Head of R&D: [00:35:07] No. I mean, a minor thing that I mentioned, of course, that we had the phase one start, hopefully with the CD40 molecule, and we're looking forward to our Asia programs starting to get readouts which are very fundamental to progress. At least one of the studies we expect readout next year. So this is critical for China and Japan registration all via.

Anders Götzsche, EVP & CFO: [00:35:27] So I think it's it's it's too early to give any kind of very specific guidance, but what is our ambition is definitely to grow the top line and also make

margin expansion until we come to our ambitious target of our ambition to deliver 25 percent margin in a reported EBIT margin in 2024. So of course, we we need to expand the margin over the years to come. But at the same time, we would not shy away from investing in Vyepti to be able to to secure that it will be a global blockbuster. So, so that is our key priorities. But what I think we have shown in doing even during the pandemic, it has been difficult out there with the lockdowns, but we have been able to manage cost and also deliver double digit growth. We promise you guys that in the second half we would regain momentum and deliver double digit growth. We definitely did that in the third quarter. So, it is a combination of delivering substantial growth, but at the same time, also be cautious and and secure that we invest wisely in the launches.

Deborah Dunsire, CEO: [00:36:43] And I think with respect to the mid-term growth, when we think about the ability of Vyepti to grow both in the migraine indication through the global rollout in migraine, the ability to expand in cluster headache, we know there's a very strong contribution from Vyepti to the growth. We did have the the. Court case on Trintellix, which validated all our patents, so at a minimum, Trintellix out to 2026 in the US with the composition of matter and other patents that go beyond that. And then we have Rexulti delivering growth as we add both in schizophrenia and MDD, as well as bringing the Alzheimer's agitation. So all of those are going to be contributing growth in the in that six to eight year time frame. Of course, it goes without saying that the strongest growth is in those early years as Vyepti tears is ramping up and then the growth mitigates a little bit beyond that. So hopefully that helps.

Sachin Jain, Bank of America: [00:37:53] Very good, thank you very much.

Operator: [00:37:58] And the next question comes from the line of Michael Novod from Nordea. Please go ahead.

Michael Novod, Nordea: [00:38:04] Yeah, thanks. Thanks a lot. It's Michael from Nordea. Just regarding Japan and Trintellix. Maybe you could give a bit more color on also what we should expect going into 2022. It seems to have a very strong traction in Japan. And then secondly, also on the cost side, so it seems that you want to spend the and build further on the commercialization, but you also now take around 300 people where some of them are in the commercial side. So it just become more difficult to really ramp the spend or just become more

cost efficient. Partly due to sort of a combination of virtual plus physical marketing. So just some considerations on how to sort of look at the cost levels going forward without specific guidance for 2022 and then maybe lastly on Vyepti and DELIVER. So it seems to be very strong data, but should we just expect that it's going to be sort of similarly priced to other CGRPs in the market in Europe?

Deborah Dunsire, CEO: [00:39:07] So I'll ask Jacob to comment on Trintellix in Japan and on the pricing in Europe for Vyepti.

Jacob Tolstrup, Head of Commercial Operations: [00:39:15] Thanks for the question, Michael. We're very happy about with the launch of the Trintellix in Japan. And when I look into 2022, we actually see, I would say, fairly uninterrupted growth. Also next year for Trintellix in Japan, we have now generics of Cymbalta that have entered the market in Japan. We actually do not foresee any impact in any significant way on Trintellix uptake. So also next year, we expect the growth. We have a 4.6 percent volume market share now of the N6A market with Trintellix in Japan. So that's a very strong launch. Regarding Vyepti, the short answer is yes. We expect the pricing level, which is similar to the other anti-CGRPs, and in many places there would actually be sort of a comparator for us when we have the market access discussions. There are places so predominantly outside of Europe where it will be more of a hospital discussion around price, where that you could see differences, but I think in general it's fair to, say, expect a level compared to the other anti-CGRPs.

Anders Götzsche, EVP & CFO: [00:40:27] Micheal, you're totally right that what we have learned during the pandemic, so we are more or less instead of talking pre-pandemic, we are saying, how do we operate in the world that is in front of us? And how do how do we build a model that that is ready for the future? And you have seen other companies, they have taken cuts in their sales force during the pandemic? We have we haven't done that and we have made a well evaluated.

Anders Götzsche, EVP & CFO: [00:40:52] How should actually our cost structure be going forward? How is the most optimal model to drive sales and profitability because we are extremely focused on profitable sales? And that has led to that. We have taken out some 100 people in U.S.. We will take out 50 in Canada. We will ot do anything in Japan that is continuing to grow. And then we have closed our affiliate in India, which was not making any profit, and we

have been struggling with that for a period. So you have a certain limit and then you need to take a decision. And that is what we have done. And you could in principle say, we could run an existing operations with just increasing the salary levels next year. But what we you should add on top of that is that we will launch Vyepti in Europe that will cost. What we have said is that we will have some hundred to two hundred additional reps and that will have a cost. And then we really hope that we have already initiated more initiatives in the U.S. in the fourth quarter, and we definitely hope that the pandemic will also allow us to do more in the U.S. next year. So that is the kind of what the components of the equation for next year and now the next couple of months will actually give us more visibility in how is the pandemic actually impacting the world and what is it we are confronted with in the beginning of 2022?

Michael Novod, Nordea: [00:42:26] Ok, thanks a lot.

Operator: [00:42:30] And the next question comes from the line of Peter Welford from Jefferies. Please go ahead.

Peter Welford, Jefferies: [00:42:36] Hi, thanks for taking my questions. Three, please left. First of all, I'm sorry, I'm going to go back to 2022. I appreciate you're not going to be specific, but if we look at consensus now, it increases by roughly half a billion Danish kroner year on year versus this year. But it looks as though now this year's spend is going to be some 200 million or so lower than consensus had previously assumed. So should we still be thinking about the same magnitude of uptick year-on-year? Or is the more mitigation of costs? Do you think this year than perhaps initially assumed? So we should be thinking now about a greater increase than perhaps we had been assuming in 2022, but still not necessarily more than than it was originally assumed for an absolute number. If we then look at the net debt guidance just a little bit confused by the 3 to 3.5 billion, I think you know you're already around 3.2. The fourth quarter, typically, you know, looking at the profitability it should be to generate reasonable cash flows. So I guess curious why you won't be significant or at least meaningfully below that three billion lower end of the net debt, particularly given presumably now the pay a way, obviously to the CVR is not going to appear until next year. And then finally, just on business development. Just curious there, whether we should look at what you've been doing with the deals you've done so far is a good guide to what we should anticipate. Or is there still appetite to do something bigger if you like, which obviously takes more time to consolidate? There's still the desire from

management to pursue that. Or how should we think about sort of the type of BD perhaps looking forward into 2022? Thank you.

Deborah Dunsire, CEO: [00:44:12] Anders going to start.

Anders Götzsche, EVP & CFO: [00:44:13] Yeah. I think it was a nice try with the cost question. So of course, I don't have a lot more to add, but it goes without saying that we will. Of course you are looking extract. Your question is great in the sense that of course, we are running with a lower SG&A base, but if it's three hundred or five hundred up, I'm not going to speculate on that right now. The component that you need to add to the cost base that is in fact will lower this year is the two components of the Vyepti, European and international loans and then more activities in the U.S. and the net debt. We have never overpromised and underdelivered on the net. That of a fair answer your question. So I really hope that we'll be in the low end. But there might also be swings and you can see the guidance we have provided. The financial guidance is is broader than we normally do. And that is, of course, because there is some uncertainty in the world about the pandemic in the fourth quarter. We also have some taxes to be paid and there are things that we have a higher cash burn in the fourth quarter. And that is the reason for, not going lower than the three, but the time will show. I hope you're right that we are actually delivering better than that, but for the time being, that is our guidance.

Deborah Dunsire, CEO: [00:45:40] Yeah. Thanks, Peter, for your question on the you know, what type of BD can we expect? Well, I think if you look back over the last three years, we've done all different types of BD. We had the Obeid and other acquisitions. We've licensed CD40 from AprilBio. We've done a partnership on four targets with our Rgenta. So we have said before we would operate across all different types of BD deals, from M&A to license to partnerships. And so that's still true. What we have clarified most recently is that after the acquisition of Vyepti building, this global brand is taking a significant investment in R&D. We've completed the DELIVER trial. The trials in Asia, the sunrise and sunlight trial are still ongoing. We're changing the cell line to a CHO cell line to address the cost of goods long term. So there's a there's investment there. So we felt that we would not do an acquisition that required another big bolus of R&D spend on top of what we're already doing right now with Vyepti. So in the immediate term, later stage acquisitions were there to be any would be near-term accretive. But we'll continue to build the pipeline in the those very early stages as and when we see the right technologies or

approaches that will supplement what we're trying to do in the rebuild of the pipeline. So hopefully that helps. Next question.

Operator: [00:47:34] Yep. The next question comes from the line of James Gordon from JP Morgan. Please go ahead.

James Gordon, JP Morgan: [00:47:41] Hello, James Gordon from JP Morgan. Thanks for taking the questions. A couple, please. One soldier in PTSD. There was the comment about looking for advice from the FDA. So how should we read that you're exploring trying to potentially perform an interim analysis with not so many patients because it's taking a long time to it to enroll? And if you did that, so what proportion of patients would you would you consider doing it for like 50 percent of enrollment? And how much lower would the statistical hurdle be for you to have a realistic shot at getting something? The second question was on access to competition. So as an adjunct, an MDD at this rate, I reported the positive results from one trial mixed another. Do you see that product getting approved in the US? And if it does, is that going to be a problem for Rexulti that would be competing when I think about 80 percent of the sales come from Rexulti. And then the final one was just an OpEx. So the restructuring referred to in the release. How big a benefit could that be in terms of savings? And (inaudible) is that the annual savings are so that the one off cost can be about the same as the annual savings. So, is that a rule we could use just to work out how much of a help that is in terms of your OpEx?

Deborah Dunsire, CEO: [00:48:51] Great, so Johan will start out with PTSD and Vraylar, and then Peter might want to amplify on the very law and then Anders will take the restructuring question.

Johan Luthmann, Head of R&D: [00:49:00] So on the PTSD Rexulti trial, so you heard we have not got the patients we need at the speed we need. So obviously it's about the number of patients and what we can do with the reasonable amount of patients. That will be the conversation with primarily FDA now moving forward. And we have an idea how we're going to use these ongoing trials and maybe re-engineer them to a degree. And that's the conversation again, we're going to have. I'm not going to go into whether this entails an interim analysis or what we'll do. We have a fixed plan and that will discuss and we'll see the outcome of those discussions. But obviously, at the end of the day, it means fewer patients because it's been tremendously hard to get them

in. We think this drug works well. We have a prior phase two study that showed effect for the drug. So we hope that that will be part of the conversation we can have with the regulator.

Deborah Dunsire, CEO: [00:49:54] Then do you want to comment on Vraylar are missing the MDD endpoint and...

Johan Luthmann, Head of R&D: [00:49:59] I'd rather not comment on other programs from competitors. I think that they have to speak for missing the point.

Deborah Dunsire, CEO: [00:50:09] Great Anders on the restructuring.

Anders Götzsche, EVP & CFO: [00:50:11] Yeah, so so it goes without saying that when we, fine-tune our organization, we are freeing up, OpEx we had, say, reducing OpEx. But this is actually to free it up for being able to invest it in other areas where we see growth opportunities. So that might be redirected into the launch of Vyepti. So I would be concerned if people start to go, you know, be too optimistic on compared to consensus. Because there will be some investments next year or so in the global Vyepti launch.

Deborah Dunsire, CEO: [00:50:49] Thank you. Next.

Operator: [00:50:54] The next question comes from the line of Rosie Turner from Barclays. Please go ahead.

Rosie Turner, Barclays: [00:50:59] Hi, thank you very much for taking my questions. Three, if I may, just on Vyepti for 2021. Given this momentum. I just wanted to comment on your confidence around that 500 million target and potentially surpassing that then on these alternative sites of care for Vyepti. It's 25 percent the kind of number that you were expecting. Or is this kind of coming in higher? Is this always something that you're expecting kind of a significant penetration in this other area? And then just some clarification on the reps in Europe. Sorry, did you say the 100 to 200 additional reps will be hired next year? Or are they already on the books? Thank you.

Deborah Dunsire, CEO: [00:51:45] Thanks, Rosie. Peter will take the first couple and then Jacob will talk about Vyepti in Europe.

Anders Götzsche, EVP & CFO: [00:51:50] Yeah, thanks, Rosie, for the question. Obviously, we won't comment on what we expect for the fourth quarter, but certainly through the first three quarters of the year, we see that Vyepti is clearly on track in the direction of the stated goal for the year. And so the one thing that I would point out is that we haven't yet fully fully had a normal year during Vyepti. So in the fourth quarter with holidays and you know, what do wholesalers and specialty pharmacies and specialty distributors do with inventory, that sort of thing that still remains unknown. Certainly, we had last year fourth quarter, but I think we can all agree. Last year was anything but a normal year. But we believe that the fundamental dynamics that exist that have helped us have such a strong first three quarters of the year are certainly still there for Vyepti. And it all starts with, I think, something that Deborah mentioned earlier, and that's the efficacy profile. Not only that's been proven time and time again in clinical trials, including with DELIVER, most recently, but in the real world, we hear that Vyepti is delivering. And when you're meeting patient needs, ultimately you achieve your goals. And and that's what we believe we're on track to do. In terms of the 25 percent, I don't know that we have a goal per say in terms of what percentage of the volume needs to come from ASOCs. But I will say that that wasn't our strategy at the beginning. I think those of you who have been following us since we bought Alder.

Anders Götzsche, EVP & CFO: [00:53:22] We were talking mostly about those prescribers that have high volume of migraine patients and the ability to do infusions, but we've expanded that dramatically. And so now we've made it a concerted effort. The team's done a great job getting a number of ASOCs around the country up and running. And what that really does is it enables doctors who have high volume of migraine patients who want to use Vyepti to not have to build that capability in their practice, but just to refer patient out, get the infusion and then they come back for their follow up care. So it's certainly a big enabler and it's something that we will continue to do, and I would expect that number to continue to grow.

Jacob Tolstrup, Head of Commercial Operations: [00:54:08] And for Europe at peak stage, we expect around one to one hundred and fifty people that will be working with Vyepti added to the organization today, in Europe. That also means you have to remember that the launch path in

Europe is over several years for some of these markets. So we will look at 2022. We are adding people, but there will be somewhat below one hundred that will be on board next year for Europe to launch by. We have a few people on board already that has been part of the organization for a while. That has been sort of preparing us and paving the wave of our understanding for Vyepti. And then you'll see the sort of ramp up starting in 2022. But for hundred to a hundred and fifty on board will be a few years from now.

Rosie Turner, Barclays: [00:54:58] Great, great, thank you.

Operator: [00:55:01] And the next question comes from Carsten Lønborg from SEB. Please go ahead.

Carsten Lønborg, SEB: [00:55:08] Thank you very much. Just one or two questions left. I was looking at the Rexulti local currency growth rates and in the U.S. and also Trintellix acutally. It comes in quite a lot about what the prescription data volume data indicate. Is there any the adjustments in the third quarter price inventory channel mix, whatever rebate provisions that impact the number of just that at a higher growth rate now compared to previous quarters of 2021? And then in terms of closing down India, what's the impact in terms of money on the top line from from not being present in India anymore? Thank you.

Deborah Dunsire, CEO: [00:55:52] Peter, do you want to comment on Rexulti, local currency and Trintellix in the US and what the contributors are? And then Jacob will take India.

Peter Anastasiou, Head of North America: [00:55:59] Yeah, thank you, Carson, for the question. It's a combination of things why we had strong performance. First, let me say that in the quarter, we were able to get more than 90 percent of our pre-COVID level of details to customers, and 80 percent of those were face to face. So we've always said that we believe that COVID hasn't permanently changed the product performance when we're able to get in front of the customers, when patients are in the doctor's offices or on telehealth visits, that the fundamental dynamics that have led to good growth for those brands in the past will happen again. And so in that quarter, we saw that we were able to get in front of our customers. Presumably there were more patients that were coming and there's no one time event per say that influences the strong performance. It's equally spread between demand, but also keep in mind within demand. It's not

just pure prescriptions, it's the numbers of pills per prescription. We have seen that continue to climb during the pandemic, so each prescription typically has more pills per script, which is certainly a contributor. But then also we continue to be very prudent with our gross to net management. And so that has added some some benefits in the quarter. There's always quarter to quarter inventory swings, but I think it was a strong quarter because the fundamental dynamics were there for both Rexlitu and with Trintellix.

Jacob Tolstrup, Head of Commercial Operations: [00:57:34] And on India, that's, you know, India is a very difficult market, both when it comes to a competitive situation and also pricing. I think our team did a very good job in trying to come to a level where we could have a profitable business in India without success. Unfortunately, I think from the outside will probably not be numbers that you will notice when you look at consolidated numbers going forward. So without giving you a specific, I would say it's a lower double digit million kroner revenue that we had in India.

Carsten Lønborg, SEB: [00:58:08] All right. Thank you.

Operator: [00:58:11] And the last question comes from the line. Yeah, it comes from Keyur Parekh from Goldman Sachs. Please go ahead.

Keyur Parekh, Goldman Sachs: [00:58:18] Hi, thank you for squeezing me in a few questions, please. First of all, a big picture, one for Deborah, kind of. As we look at the mid-stage pipeline and knowing kind of the historical failure or success rate in CNS conditions. Can you give us a sense for when you might feel comfortable with whether what you have got currently in that pipeline is enough to drive that growth beyond 2025? Or is that kind of a couple of important studies that in your mind kind of drive that growth outlook? When will you start potentially thinking about Plan B? Was this kind of ready studies not to pan out? That's kind of the first question. The second question is, as we think about kind of the growth outlook more near-term, so to kind of 2024-2025. How much of a role does the agitation in Alzheimer's kind of play towards that? So as we think about the importance of that study reading out positively next year, any help on that would be useful. And then lastly, as we look at kind of your your program in MSA, it kind of feels like at least around reading the chart on Slide 13 correctly that the phase three read out could actually be multiple years kind of in the future. We're looking at five or six

years from now, just wondering if there is a way for you to get an early read into the efficacy analysis or should we think of this as a late 2020s kind of phase three read out. Thank you.

Deborah Dunsire, CEO: [01:00:10] Great, thank you for three questions in one last question. The mid stage pipeline you'll never ask a biotech or pharma CEO of the pipeline is good enough and get the answer. Yes, right? We'd always like more. So this mid stage pipeline is interesting PACAP very, very direct connection between the biology and the administration of the ligan inhibitor. In PACAP, we've seen the phase one where, as Johan pointed out, we see a very good pharmacodynamic activity along the biology. So that one, we hope will be a more straightforward. We've always said that the alpha synuclein, any protein folding and protein degradation trials are always tougher. Multiple system atrophy definitely driven by alpha synuclein accumulation. And so we're very hopeful about the mechanism, but also cautious. And I think Johan was very specific in saying this was a high risk, high reward. And then, you know, as we maybe you can comment on the MSA phase three.

Johan Luthmann, Head of R&D: [01:01:25] Yeah, thanks for that question. First, a very, very quick call from the first question. We really re-engineered R&D a lot, so we do a lot of de-risking very early. So we have a different type of programs going forward in terms of the supportive instruments like biomarker and early readouts, and also that we're picking indications where we can go to more robust readouts. So there is a difference what you can do in CNS, and that actually speaks to what you just saw in that Slide 12. I believe it was. That program is really a two step rocket with. The first step is a major de-risking activity, and that will only, only, because we're talking about disease modification here. Take about two to two and a half years, and that will look at the very robust biomarker and clinical readout. So we're not running the entire program blinded. We're going to step into that interim analysis basically in the program between phase two and three, where we're looking for a bus signal to continue into phase three. And the phase three in itself has a Bayesian design, meaning that we can have looks at fertility and efficacy throughout. So if you have very strong effect, you can actually have an option to exit earlier, which is a very good design for these kind of long term disease modifying trials.

Deborah Dunsire, CEO: [01:02:39] So just in summary on the growth outlook, yes, these two programs could add significantly. They will be in later into the 20s, but we will look for ways to accelerate them. We'll also look for ways to supplement the pipeline, as we've said, using

external innovation. And with that, we need to call it a day and thank you for your interest, for some great questions. And we look forward to talking with you in the next quarter or over the next days for those investors and analysts that we're seeing in person. Thanks so much.