

Eisai, Belviq Approval – Implications on Eisai's Bottom Line is Weak!

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Abstracts

We continue with our Underperform rating on Eisai following approval of Belviq (lorcaserin, 5 HT 2C agonist, partnered with Arena) in the US. Despite being the first anti-obesity drug in 13 years and a huge unmet need, it won't be able to generate more than \$400m in the US which translates in merely ~¥25/share (see the market model in Table 1), the factors limiting its potential are –

While safety seems to be good, it comes at milder efficacy (~3.6% placebo adjusted) and the upcoming competitors look strong - Qnexa and Victoza (Qnexa has PDUFA date on 26th July 2012; we are expecting approval).

Belviq administration is to be discontinued if 5% weight loss is not achieved within 12 weeks – under clinical settings ~ 60% subjects failed to achieve this mark – this we think limits Belviq's uptake.

Eisai agreement with Arena is such that it leaves little on bottom line, Eisai is expected to pay hefty amount as purchase price, sales milestone and R&D cost to Arena (Appendix 1).

Health insurance coverage scenario for Belviq is not clear – history suggests anti-obesity drugs are not well covered by various plans including Medicaid. Wellpoint, a large managed health care co, has already said that it will not include the drug in most of its health coverage plans.

Belviq is classified by the US Drug Enforcement Administration as a scheduled drug, and it will not be launched earlier than early 2013.

Contents

COMPANIES MENTIONED

Eisai

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