Lilly and Novo lift profit outlook on jab demand

AANU ADEOYE — LONDON
PATRICK TEMPLE-WEST — NEW YORK

Eli Lilly and Novo Nordisk have raised their full-year forecasts on the back of soaring demand for weight-loss drugs but shares in the Danish drugmaker sold off as investors worried about its heavy reliance on its blockbuster treatment.

Novo Nordisk said yesterday that it expected its sales and adjusted operating profit growth to remain flat or fall by as much as 6 per cent this year.

It had previously forecast a drop of up to 12 per cent but now has higher expectations for sales of its blockbuster GLP-1 obesity and diabetes products.

Novo reported net sales of DKr78.5bn ($12.1bn) in the second quarter of the year, a 3 per cent increase from last year at constant exchange rates. Adjusted operating profit was DKr33.4bn, up 11 per cent at constant currency.

Investors took a dim view of Novo's update, with shares in the Copenhagen-listed group sliding almost 6 per cent yesterday before partly recovering to trade 4.2 per cent lower.

The results carried warning signals of a slowdown in the US, Novo's largest market, where sales at constant exchange rates fell by 4 per cent.

Investors are concerned about Novo's lack of diversification, with 93 per cent of its revenue in the last quarter coming from obesity and diabetes sales. At US-based Lilly, the two product areas represented about 65 per cent of revenues.

Chief executive Mike Doustdar told the FT that he was "surprised" by the negative market reaction, given that the company's forecast had improved markedly since its last update.

Eli Lilly reported that its second-quarter revenue had jumped 48 per cent to $23bn, fuelled by a rise in sales of obesity and diabetes treatments. International revenue increased 80 per cent.

The group said that it expected full-year revenue of $85bn to $87bn, more than its previous estimate of $82bn to $85bn. Lilly's shares rose more than 7 per cent in early trading in New York.

Novo's share price has fallen more than 12 per cent this year, while Lilly's price has climbed about 4 per cent.

Novo, alongside other pharma groups, has reduced prices in the US under pressure from President Donald Trump. It is betting that volume growth will make up for more affordable prices.

Novo's Wegovy pill — currently sold in the US, UK and United Arab Emirates — has more than 5mn prescriptions since January. It is cheaper than its injectables, which has weighed on the sales.

The company has suffered recent setbacks, including with a cardiovascular drug. Doustdar said that the journey to diversify Novo's business was a "marathon, not a sprint" and that Lilly was not its sole competitor.

Instead, Novo "would like to compete with everyone in this field".