

Maker of wonder weight-loss drug loses its lead

Series of missteps reverses fortunes of Novo Nordisk, company behind Ozempic

BY ESHE NELSON

For years, there was no stopping Novo Nordisk, the Danish drugmaker behind Ozempic. Its diabetes drug became a cultural phenomenon for its ability to induce drastic weight loss while also reducing the risk of heart attacks and other serious diseases in people with obesity. Its potential to transform the health care industry made it a darling of the stock market, surging to become the most valuable company in Europe.

Then, suddenly, its fortunes took a turn.

Novo Nordisk's share price has plummeted more than 50 percent this year, pushing it out of the top 10 list of Europe's most valuable companies. The company bewildered analysts in May when it abruptly said it would replace its chief executive, and it has seemed unable to keep ahead of competition from the American drugmaker Eli Lilly and the prevalence of cheap copycat versions.

"The market's got no patience for Novo," said Gareth Powell, the head of health care at Polar Capital, a fund manager. "Sentiment is absolutely dire."

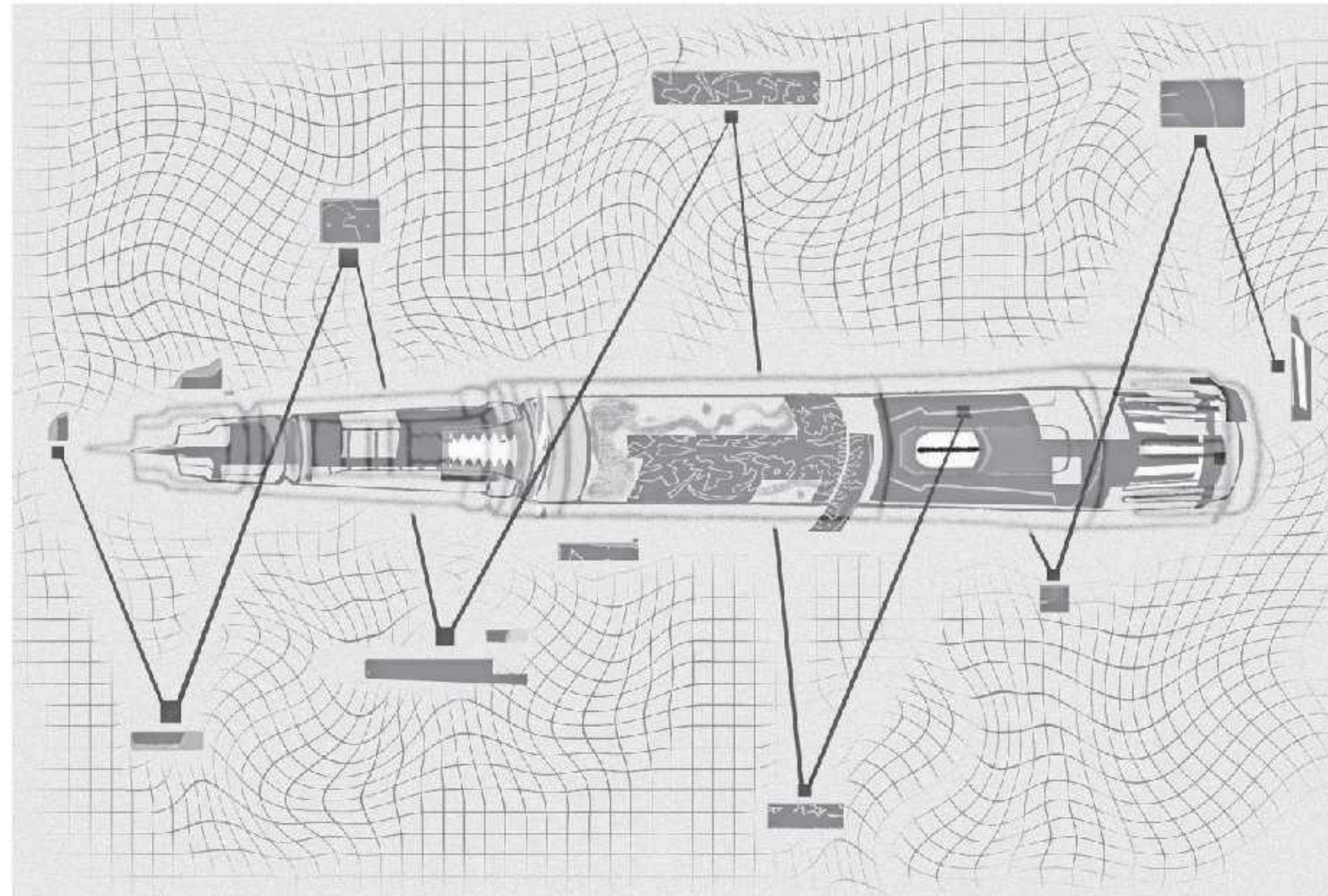
It has been a stunning reversal for the company behind a drug that physicians once called a game changer. On Wednesday, Novo Nordisk reported \$24 billion in global sales in the first six months of the year, but reiterated that it expects growth to slow in the rest of the year, which it first flagged in a profit warning last month. The company's stock tumbled more, as analysts and investors expressed doubts about whether there was much the company could do to revive its prospects in the short term.

Novo Nordisk is "a company with incredible history and capabilities, and they've got a pipeline," Mr. Powell said. "It's just the market's putting zero value on it."

"CAN OF WORMS"

Novo Nordisk spent nearly a century in relative obscurity, known mostly to diabetes patients and physicians as the producer of half the world's insulin. That changed with Ozempic, the brand name for semaglutide, Novo Nordisk's synthetic version of a hormone known as glucagon-like peptide 1, or GLP-1, which helps the body regulate blood sugar levels.

Ozempic, which came onto the market in late 2017, led to substantial weight loss and quickly attracted cultural cachet, not least because of its use among celebrities. TikTok videos documenting



people's journey with Ozempic attracted millions of views. Analysts predicted that it could tap into an enormous market, since one billion people in the world are considered obese. In the first half of the year, Novo Nordisk made \$10 billion in sales from Ozempic, of which 70 percent was in the United States.

For a company that had been focused on the steady business of selling insulin, the popularity of Ozempic took its executives by surprise. In 2021, they started selling Wegovy, semaglutide marketed specifically for weight loss, but demand was so high that the company struggled to meet it.

That shortage "opened a whole can of worms," said Rajesh Kumar, an analyst at HSBC.

OPEN DOOR FOR COPYCATS

In 2022, semaglutide landed on the U.S. Food and Drug Administration's shortage list, which spurred production of cheaper copycat versions of Novo

Nordisk's drugs. To ensure the supply of medicines facing shortages, U.S. federal law allows companies to produce versions of patented drugs via a process of mixing ingredients called compounding.

The FDA said this year that the shortage was over and ordered producers and sellers of the copycat weight-loss drugs to wind down. But Novo Nordisk said that never happened. Compounders have continued to offer what they call "personalized" versions of the drugs, a legally murky practice which they claim is allowed by the law.

Novo Nordisk said recently that more than one million people were still using compounded GLP-1s, eating into the company's market share and forcing it to slash sales and profit forecasts. Its shares promptly dropped more than 20 percent, erasing more than \$70 billion in market value in a day, and some analysts lowered their recommendations on the company.

On Wednesday, Novo Nordisk said it had filed 14 new lawsuits against compounders the day before. "It's important that we get compounding off the market because right now it has equal size of our business," said Lars Fruergaard Jorgensen, the departing chief executive.

Compounders, in particular, have targeted Wegovy because it was the most well-known brand, Mr. Kumar said. That has helped Eli Lilly to get an edge.

ELI LILLY CATCHES UP

Novo Nordisk had a huge head start. After Ozempic went on sale, it was another four and a half years before a serious competitor emerged: Eli Lilly's Mounjaro, the brand name for tirzepatide, a drug used to treat diabetes.

Mounjaro proved to be more effective, leading to greater weight loss in clinical trials. Many patients said they preferred it. At the start of this year, Eli Lilly's Zepbound, which is tirzepatide marketed for weight loss, passed We-

govy in new prescriptions in the United States, according to IQVIA, an analytics company.

Unlike Novo Nordisk, Eli Lilly also found ways to get its product to consumers more cheaply, and compete with telehealth companies offering compounded copycat versions, by selling its drug in vials with syringes instead of the more expensive pens with pre-filled doses.

Novo Nordisk was further hampered by its slowness in introducing a direct-to-consumer sales platform. NovoCare Pharmacy launched in March, 14 months after LillyDirect.

NOVO'S STRUGGLES

More than anything, a company's market value is determined by investors' expectations for earnings in the future. For a pharmaceutical company, that means the drugs in its pipeline. This has helped Eli Lilly's stock outperform Novo Nordisk's this year.

Investors and analysts are particularly interested in the prospects of weight-loss pills, which could reach more patients than injections. Eli Lilly's daily pill, orforglipron, has been showing promising results in late-stage clinical trials, with similar weight loss to Novo Nordisk's injections and fewer restrictions on its use. Novo Nordisk's oral tablet leads to less weight loss than its injections, but the company has other pills in development.

On Thursday, Eli Lilly said that its orforglipron tablets led to 12 percent weight loss, slightly less than analysts expected, which dented Eli Lilly's shares and gave Novo Nordisk a boost. But Eli Lilly also raised its overall earnings forecast for the year, on greater demand for Zepbound.

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In developing its pipeline, Eli Lilly is "deploying capital and running faster than Novo in a market that isn't going to be patient in any way," said Seamus Fernandez, an analyst at Guggenheim Partners.

A NEW LEADER

The Novo Nordisk Foundation, which controls Novo Nordisk through its holding company, has also grown impatient. At the foundation's urging, Mr. Jorgensen, who had been chief executive of the company since Ozempic came onto the market, stepped down.

Maziar Mike Doustdar took over the top role last week, the first non-Dane to run the company. Mr. Doustdar, an Iranian-born Austrian citizen who grew up in the United States, joined the company in 1992 for what he thought would be a summer job making photocopies.

"He has a bias for speed, for pace and for action," Helge Lund, the chair of the board of directors, said when announcing Mr. Doustdar's appointment.

Concerns are mounting that analysts may have overestimated the potential size of the weight-loss market, or at least how easily more people will gain access to these drugs. President Trump is pressuring companies to lower drug prices and threatening tariffs on medicines produced abroad, casting a cloud over pharma firms' business models.

"I still believe there's a big market," said Mr. Powell of Polar Capital, which invests in both Novo Nordisk and Eli Lilly.

There probably isn't anything a new chief executive could do to "dramatically change" the outlook in the next one or two years, Mr. Powell said.

"The reality is what it is," he said. "Lilly's product is seen as better."