



## TELECONFERENCE – Q4 2015

*10 February 2016*



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# 2015: A transformational year

## Restructuring programme well on track

- FTEs reduced to 5,257 compared to a planned expansion to ~6,000

## Key products deliver on their potential

- Key products grew 171% (135% in local currencies) to DKK 3,647m
- Represents 25% of total revenue in 2015
- Rexulti added to the portfolio from August

## Satisfactory revenue development in Q4

- Revenue reached DKK 3,733m – up 15% (7% in local currencies)
- Continued solid growth in the US – up 56% (36% in local currency)

## Profitability still an issue, but it is improving

- EBIT and Core EBIT significantly improved compared to Q4 2014

# 2016 guidance, new strategic objectives and long-term financial targets

## 2016 guidance

- Lundbeck expects revenue of around DKK 13.8-14.2 billion
- EBIT is expected to reach DKK 1.0-1.2 billion

## New strategic objectives

- Sharpened therapeutic focus within CNS
- In-house and organic development
- Invest in growth markets such as the US, China and Japan


## Long-term financial targets

- Long-term financial targets consisting of EBIT-margin, ROIC and a cash-to-earnings ratio

# Lundbeck's corporate strategy



# Strategic objective: *We will grow our business with a strong focus on profitability*



**Cost base  
reduced by  
DKK 3bn in  
2017**

**Improved profitability will enable us to:**

- ★ Continue investing in growth opportunities
- ★ Continue to develop potentially innovative products
- ★ Absorb fluctuations

## Restructuring program announced in August revisited

- ★ Reduce cost base by DKK 3 billion in 2017
- ★ One-off charges of DKK ~6.5 billion before tax in 2015
  - ★ Global workforce to be reduced by ~1,000 employees
  - ★ Reclassification of product rights to R&D costs (Q2.15)
  - ★ Provision for severance and restructuring: DKK ~1.1bn (Q3.15)
  - ★ Impairments and write-downs: DKK ~0.7bn (Q3.15)

### Progress:

- ★ ~80% of planned headcount reductions carried out
- ★ All workers consultations are finalized
- ★ Research activities at Paramus, NJ, closed
- ★ Non-core projects are being divested
- ★ Optimization of partnerships

# Our chosen therapeutic categories all have large potentials

## High unmet medical needs



<50% has satisfactory treatment outcome

## Large market segments



- Antipsychotics: USD 23.9bn
- Depression: USD 15.8bn
- Alzheimer's: USD 6.1bn
- Parkinson's: USD 4.4bn

## Substantial growth opportunities



Lundbeck's revenue represents ~5% value share

1) In 2014, IMS Health Analytics Link 2015.



# Our path to category leadership

## Current products

## Pipeline

### Depression



Research projects

### Schizophrenia



Lu AF35700

Research projects

### Alzheimer's



Rexulti

Idalopirdine

Lu AF20513

Research projects

### Parkinson's

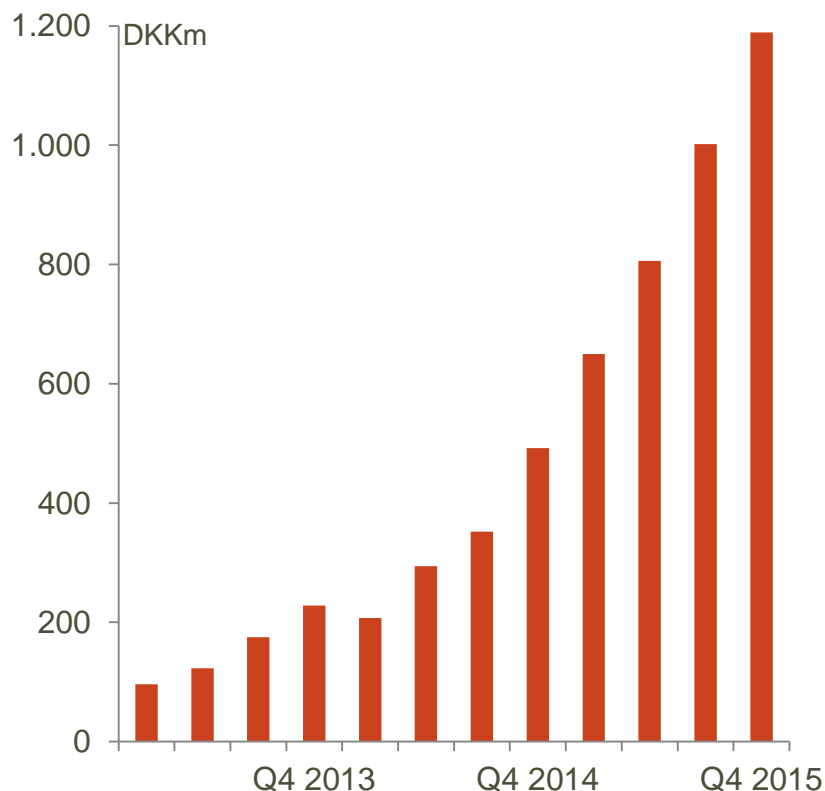


Research projects

Early clinical projects



# Key products\* continue growth momentum



- ★ Key products:\*
- Approx. 32% of Q4 revenue
- 142% growth in Q4
- Accelerated growth

- ★ Rexulti launched on 3 August 2015 in the US

NEW  
Abilify  
400mg ONCE-MONTHLY  
Abilify Maintena

Brintellix  
vortioxetine

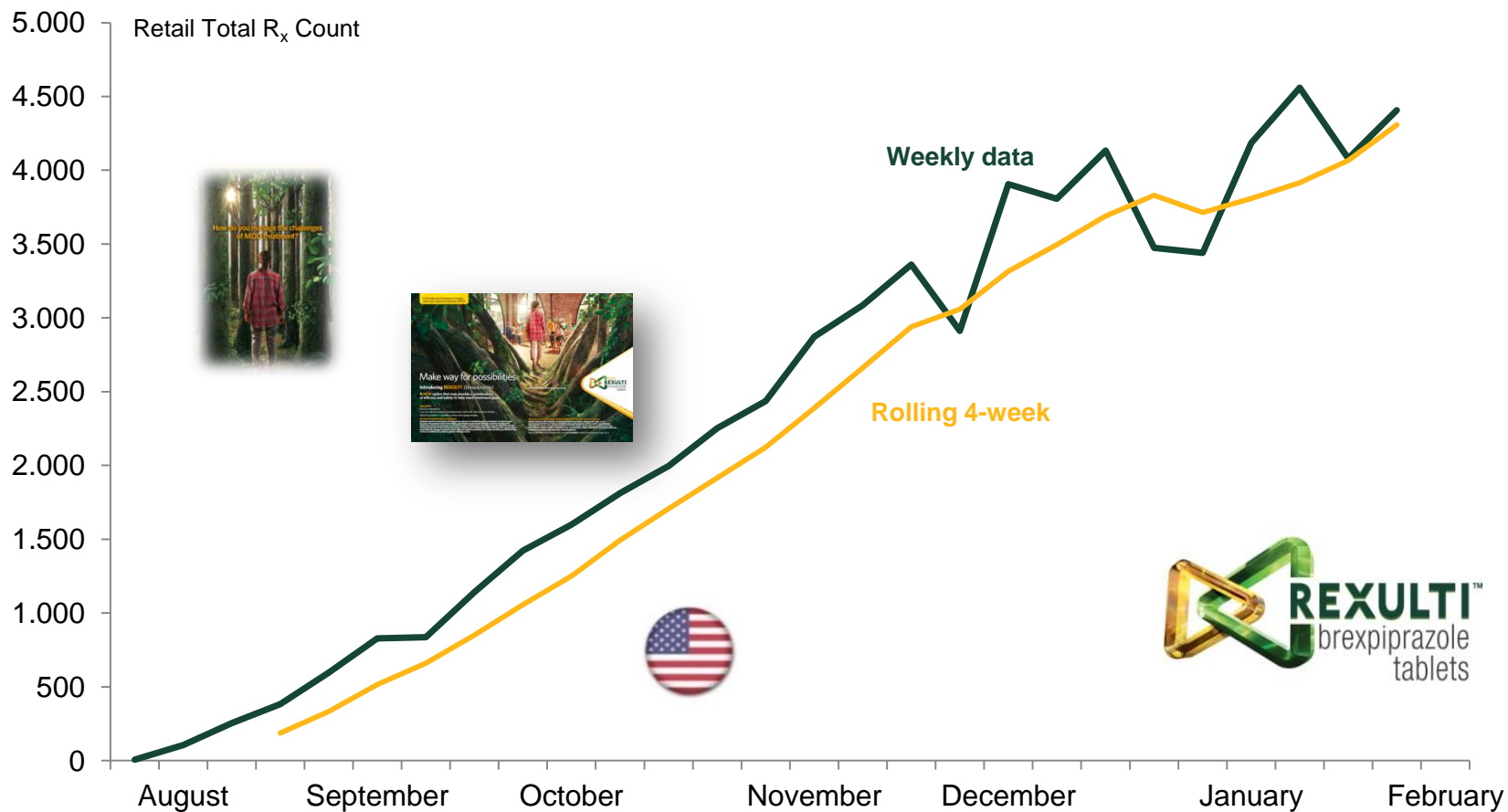
Onfi  
(clobazam)<sup>®</sup>  
5, 10, and 20 mg Tablets

Northera<sup>™</sup>  
(droxidopa) capsules  
100 mg-200 mg-300 mg

REXULTI<sup>™</sup>  
brexpiprazole  
tablets

\*Abilify Maintena, Brintellix, Northera, Onfi, Rexulti included from August 2015

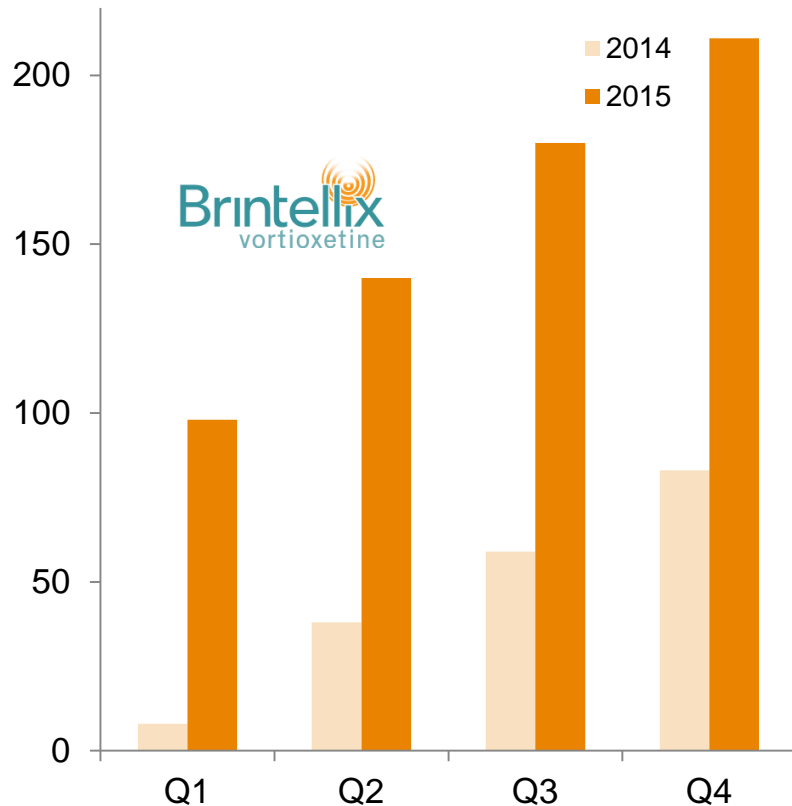
# Rexulti launched in August 2015 and reached DKK 117 million in 2015 for Lundbeck



Source: Bloomberg

# Strong Brintellix growth continues

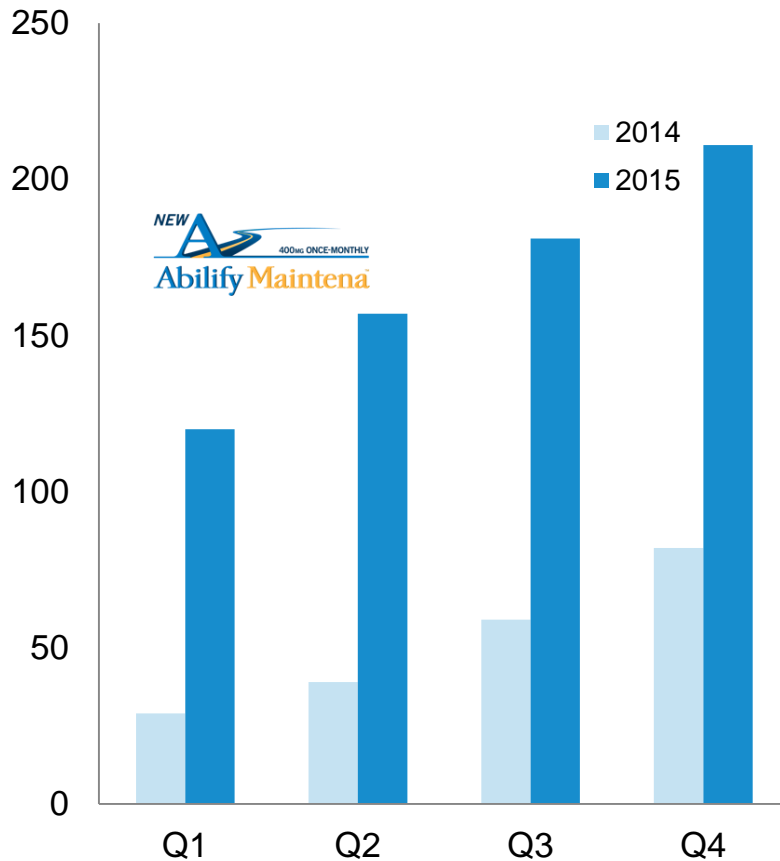
Brintellix total sales (DKKm)



- ★ Sales of DKK 211m – up 157% reported or 136% in local currencies
- ★ US represents close to 59% of sales
- ★ Value market share ranges from 1-8% in countries outside the US
- ★ Best country performance are countries such as Denmark and Slovakia

# Abilify Maintena continues its solid traction

Abilify Maintena total sales (DKKm)



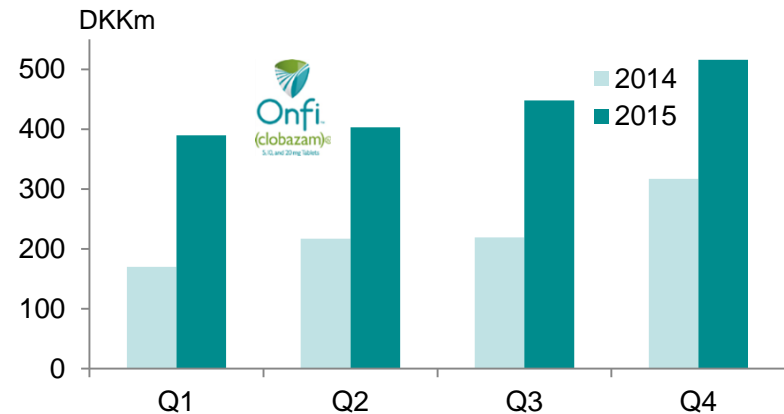
- ★ Sales of DKK 211m – up 155% or 138% in local currencies
- ★ US constitutes close to 44% of sales
- ★ 10-15% value market share in most markets
- ★ Continued solid growth momentum



# Onfi and Northera – two fast-growing US products

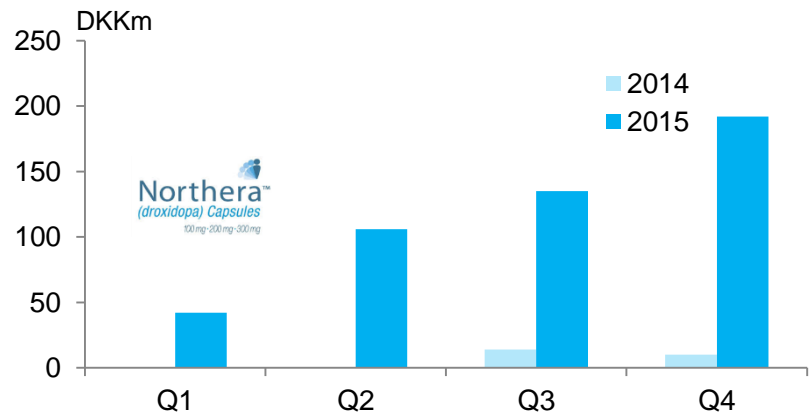
## Onfi:

- ★ Continued increased demand driven by increase in mg/R<sub>x</sub> and higher TR<sub>x</sub> volume
- ★ Launched in January 2012



## Northera:

- ★ Growth driven by favorable demand due to higher enrollees and conversion to standard R<sub>x</sub>
- ★ Launched in September 2014



# FDA Advisory Committee supports the effectiveness of Brintellix

- ★ The committee also discussed that cognitive dysfunction in MDD represents an appropriate drug development target
- ★ The Committee voted 8 - 2 that there are substantial evidence to support the effectiveness of Brintellix for treating certain aspects of cognitive dysfunction
- ★ The FDA is expected to make a decision by 28 March 2016 (PDUFA)
- ★ The FDA is not bound by the committee's guidance
- ★ Additional studies to finalize during 2016<sup>1)</sup>

1) NCT02279953; NCT02272517; NCT02279966

**Depression does not only effect your mood: It may also effect your cognitive functioning**

**ATTENTION, CONCENTRATION**  
Do you...  
 • Lose track of conversations, TV programmes or reading?  
 • Find it difficult to do two things at once?  
 • Require many breaks while doing tasks?  
 • Struggle to talk on a cell phone while there is activity around you?

**EXECUTIVE FUNCTIONING/ INDECISIVENESS**  
Do you...  
 • Have difficulty planning tasks or reaching goals?  
 • Have difficulty in predicting obstacles in a situation?  
 • Find it difficult to motivate yourself to start or complete tasks?  
 • Struggle to make decisions or plans?

**MEMORY**  
Do you...  
 • Forget details after hearing them?  
 • Struggle to remember?  
 • Ask people to repeat what they said?  
 • Struggle to do familiar tasks?

**SPEED OF PROCESSING**  
Do you...  
 • Have to take things slowly and complete each step very carefully?  
 • Panic if you have to rush familiar tasks?  
 • Feel that your speech is slower?  
 • Feel that your responses are slower?

**THIS PART GETS FOLDED OVER**

**Brintellix**  
A New Way of Thinking about Antidepressants

**SIMPLE DOSING**

**EXCELLENT TOLERABILITY**

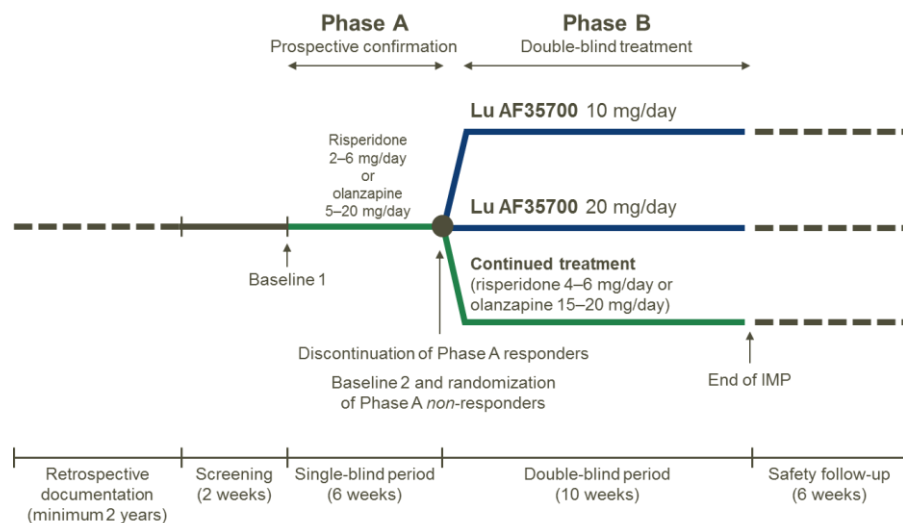
**NEW Brintellix vortioxetine**

**Brintellix: Taking care of more than mood**

**RECOMMENDED NICE<sup>1)</sup>**

**Brintellix vortioxetine**

# Lu AF35700 clinical phase III in Treatment Resistant Schizophrenia (TRS) to commence in Spring 2016



- ★ Oral, once daily
- ★ Approximately 1,000 patients
- ★ Expected completion by 2018

## Primary endpoint


- ★ Change in PANSS total score

## Secondary endpoints

- ★ Clinical Global Impression Severity scale (CGI-S)
- ★ Personal and Social Performance (PSP) total score



# Lundbeck has a long history of conducting R&D programmes in all four therapeutic focus areas

Examples of Lundbeck's R&D core	Lundbeck's capabilities	Selected external research collaborations
<ul style="list-style-type: none"> <li>• MDD / SSRI accomplishments</li> <li>• Monoaminergic / psychiatry</li> <li>• Psychiatry novel target id. (CNVs)</li> <li>• Established and novel CNS pharmacology models (e.g. new schizophrenia mouse)</li> <li>• Kinase targets for neurological disorders</li> <li>• Protein / antibody therapeutics to vaccines for neurological disorders (AD/PD)</li> </ul>	<p>Integrated translational capabilities from biological targets to disease manifestation within CNS</p>	 <p><b>Core capabilities enhanced by strategic collaborations – Lundbeck has ~50 early-stage partnerships</b></p>

# Lundbeck invests to develop late-stage pipeline

## Lundbeck sponsored or co-sponsored open clinical studies

Project	No. of active studies and no. of patients to be recruited	Status
Brintellix* - MDD	4 (678 pts)	Launched
Brintellix - ADHD	1 (225 pts)	Phase II
Abilify Maintena – bipolar I	1 (755 pts)	Launched
Selincro	2 (1,060 pts)	Launched
Rexulti – adjunctive MDD	2 (2,403 pts)	FDA approved
Rexulti – schizophrenia	2 (76 pts)	FDA approved
Rexulti – Alzheimer's	2 (650 pts)	Phase III
Idalopirdine (Alzheimer's)	4 (2,522 pts)	Phase III

*\*) Additionally Takeda has two studies ongoing including approx. 1,500 patients in Japan  
Source: Clinicaltrials.gov. As per 4 February 2016*

## Q4 and FY 2015 financial performance

DKK <b>m</b>	Q4 2015	Q4 2014	Δ%
Revenue	3,733	3,247	15%
EBIT	(432)	(838)	
Net profit	(448)	(633)	
EPS	(2.27)	(3.22)	
Core EBIT	73	(238)	
Free Cash Flow	655	361	81%

★ Continued strong currency tailwind

★ Impact from generics mitigated by growth in key products

★ EBIT (Q4) positively impacted by effects from restructuring...

DKK <b>m</b>	FY 2015	FY 2014	Δ%
Revenue	14,594	13,468	8%
EBIT	(6,816)	99	
Net profit	(5,694)	(153)	
EPS	(28.98)	(0.78)	
Core EBIT	847	1,228	(31%)
Free Cash Flow	(2,645)	(1,786)	

★ ...EBIT (FY) negatively impacted by costs related to the restructuring

★ Free Cash flow (FY) impacted by milestone payments to Otsuka, but...

★ ...strongly improved in Q4

# 2016 financial guidance

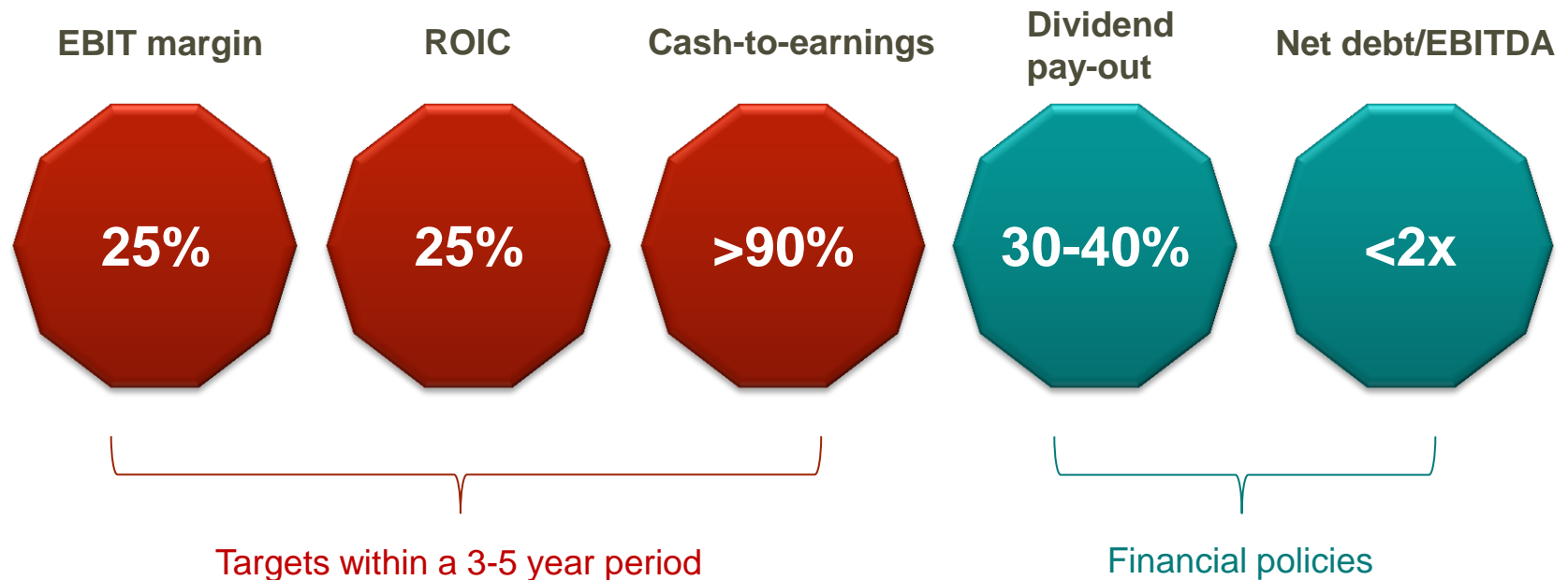
## Financial guidance 2016 – constant exchange rates

	2016 guidance	2015 - Actual
Revenue	DKK 13.8-14.2bn	DKK 14,594m
Reported EBIT	DKK 1.0-1.2bn	DKK (6,816)m

## Revenue and profit drivers

- ★ Accelerated growth in key products
- ★ Substantial investments in sales and promotion
- ★ Cost savings from restructuring initiatives
- ★ No new acquisitions, milestones or up-front payments included in our 2016 targets

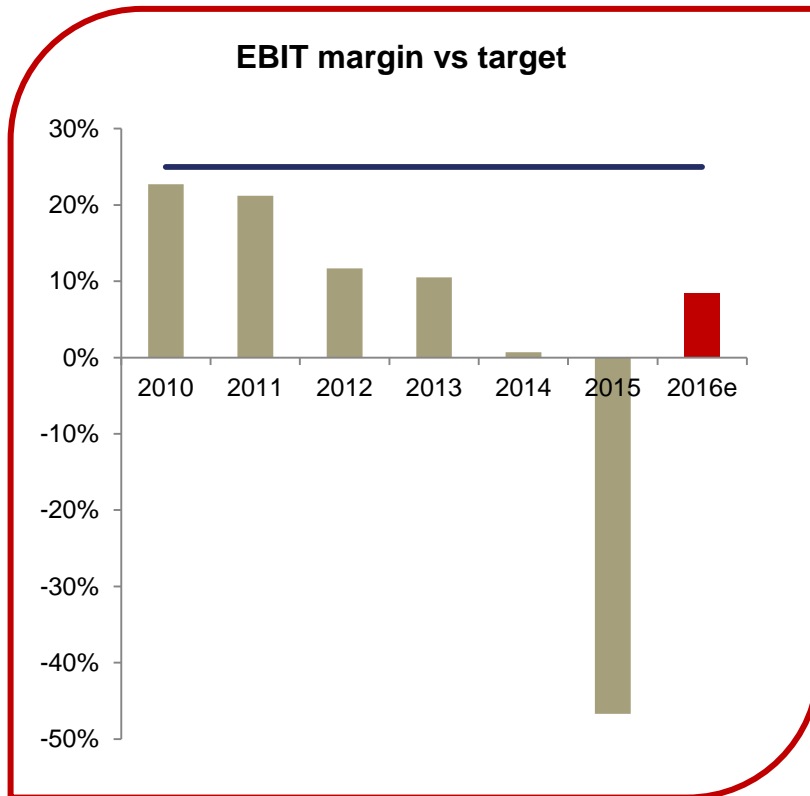
# Long-term financial targets



ROIC: EBIT after tax as a percentage of average invested capital.

Cash-to-earnings: Free cash flow as a percentage of net profits

# Transformation of Lundbeck on the way



- ★ Strong improvement in margins in H2 2015 vs. H1 2015 and H2 2014
- ★ Margin benefits are coming faster than expected
- ★ 2016 financial guidance further improved EBIT margin

Continued margin improvements:

- ★ Effects from restructuring programme
- ★ Growth in key products with higher margins
- ★ Erosion of low-margin products such as Azilect and Xenazine

PATIENTS  
**FOCUSED**  
PASSIONATE  
RESPONSIBLE  
INNOVATION  
LEADERSHIP  
PROFITABILITY ORGANIZATION

DEPRESSION  
ALZHEIMER'S  
SCHIZOPHRENIA  
PARKINSON'S  
GLOBAL