



Teleconference - FY 2018

5 February 2019

Lundbeck



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Lundbeck achieved its best financial year ever in 2018



Outstanding operational performance

- ★ Sales increased 8% in L.C. to DKK 18.1bn vs. initial guidance range DKK 17.2-18.0bn
- ★ Key product sales grew 18% to DKK 10.5bn
- ★ EBIT increased 20% to DKK 5.3 billion vs. initial guidance range DKK 4.8-5.2bn
- ★ EBIT margin improved from 25.6% to 29.3%
- ★ Net cash improved from DKK 3.4 billion to DKK 6.6 billion



Early and maturing pipeline

- ★ New in phase II: Foliglurax, Lu AF11167
- ★ New in phase I: Lu AF76432, LU AF28996, Lu AF82422
- ★ Lu AF35700 failed to show separation vs. active comparator



2018 dividend

- ★ Proposed dividend of DKK 12.00 per share, equal to a payout ratio of 61%

2019 guidance, dividend policy and revised strategic objectives



2019 guidance

- ★ Lundbeck expects 2019 revenue to reach DKK 16.1–16.7 billion
- ★ EBIT expected to reach DKK 4.2–4.6 billion



Revised dividend policy

- ★ Dividend policy revised to 30-60% of net profit from 2019

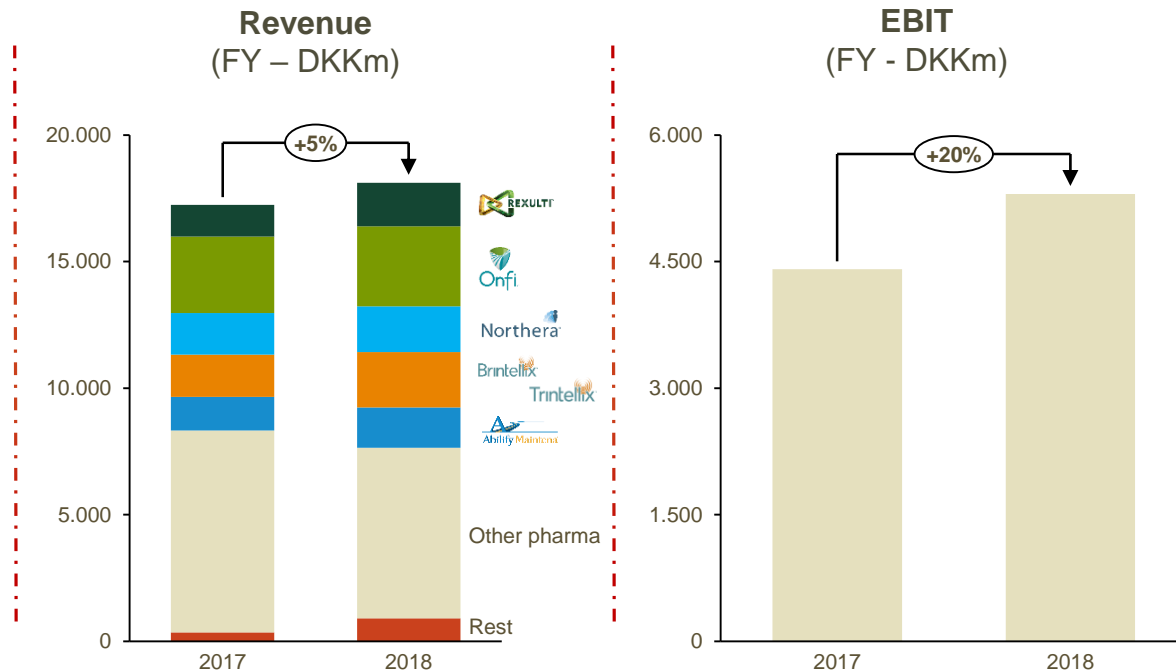


Expand and Invest to Grow

- ★ The *Expand and Invest to Grow* strategy envisions expanded operating space in brain diseases, access external innovation through product license or acquisition as well as through strategic partnership while maintaining focus on profitability

FY 2018: Solid growth in both top and bottom line

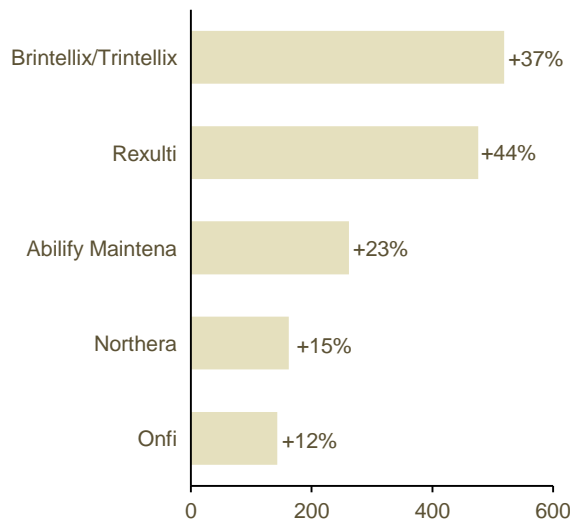
- ★ **Revenue:** Up 8% in L.C. (5% reported) to DKK 18.1 billion
- ★ Growth driven by key products and especially Brintellix/ Trintellix and Rexulti
- ★ **Other revenue:** Up 64% to DKK 662 million
- ★ **Effects from hedging:** Gain of DKK 242 million
- ★ **EBIT margin:** 29.3% vs 25.6% in 2017



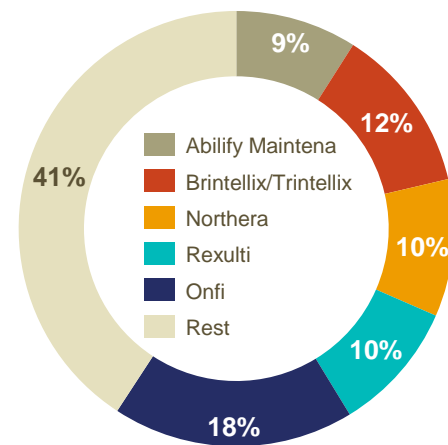
Lundbeck's five key products* added DKK 1.6 billion in sales in 2018

- ★ **Key products*:** Up 23% in L.C. (18% reported) to DKK 10,471 million representing 59% of revenue[#]
- ★ **Brintellix/Trintellix:** Up 31% to DKK 2,182 million
- ★ **Rexulti:** Up 38% to DKK 1,723 million
- ★ **Abilify Maintena:** Up 20% to DKK 1,595 million
- ★ **Northera:** Up 10% to DKK 1,806 million

Key product growth in L.C.
(FY - DKKm)



Sales by product
(FY 2018)



[#]) Excludes effects from hedging

^{*)} Abilify Maintena, Brintellix/Trintellix, Northera, Onfi and Rexulti

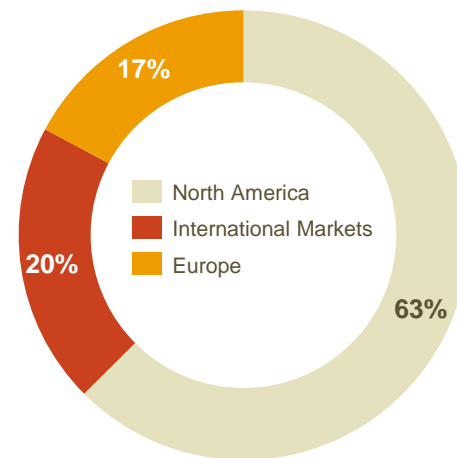
Revenue growth in all regions; Europe has returned to dynamic growth

- ★ Strong improvement in both growth and profitability in **Europe**
- ★ **North America** impacted by generic erosion and divestment of Canadian oncology unit in 2017
- ★ **International Markets** show solid growth driven by China, Australia and South East Asia
- ★ Largest markets are the U.S., Canada, China, France, Italy, Japan and Spain

Reported growth
(FY 2018)

Region	Revenue (DKKm)	Δ%	Δ% (L.C.)
North America	10,743	+1%	+6%
Int. Markets	3,500	+3%	+10%
Europe	2,970	+6%	+6%

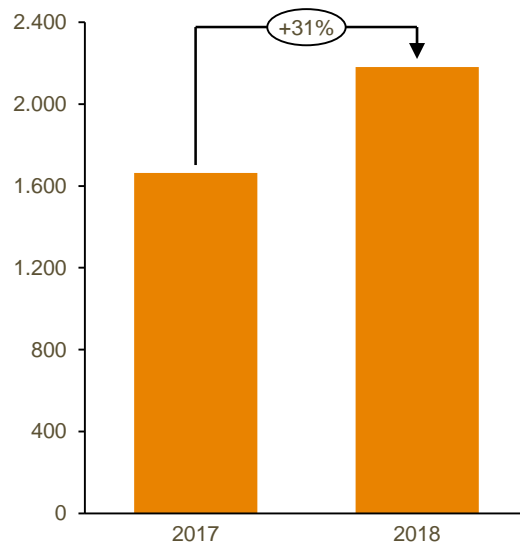
Sales by region
(FY 2018)



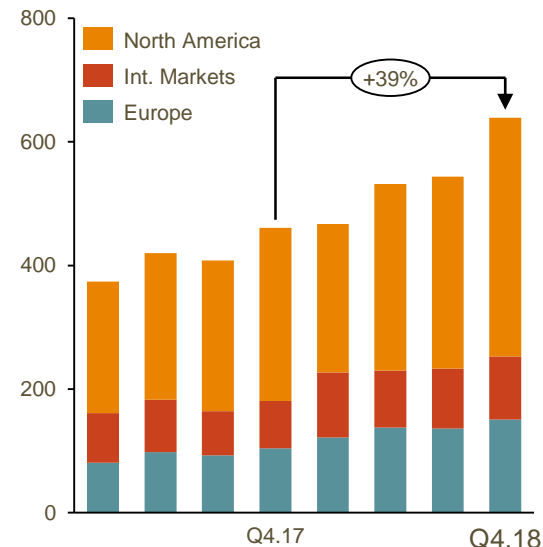
Brintellix/Trintellix continues consistent strong momentum driven by North America and Europe

- ★ Grew 37% in L.C. to DKK 2,182 million in 2018
- ★ Grew 39% in L.C. to DKK 639 million in Q4 2018
- ★ Two first-in-class U.S. FDA label updates:
 - I. Positive effect on processing speed, an aspect of cognitive function
 - II. Improvement over escitalopram in treatment-emergent sexual dysfunction in patients with MDD
- ★ Launched in China and NDA in Japan submitted for the treatment of MDD

Brintellix/Trintellix sales
(FY - DKKm)



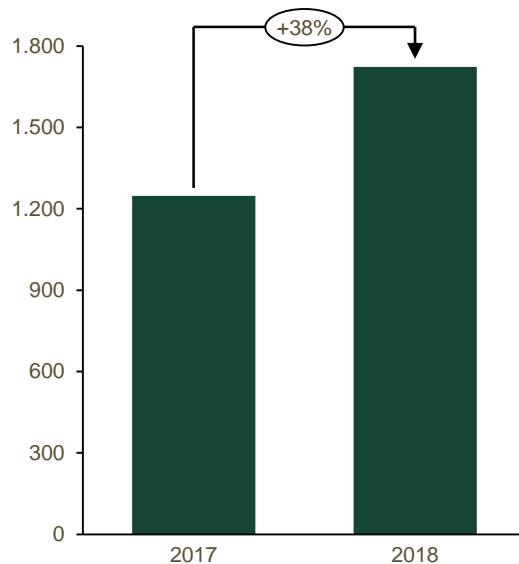
Brintellix/Trintellix sales
(Quarterly - DKKm)



Rexulti shows significant growth driven by demand; roll-out in new markets continues

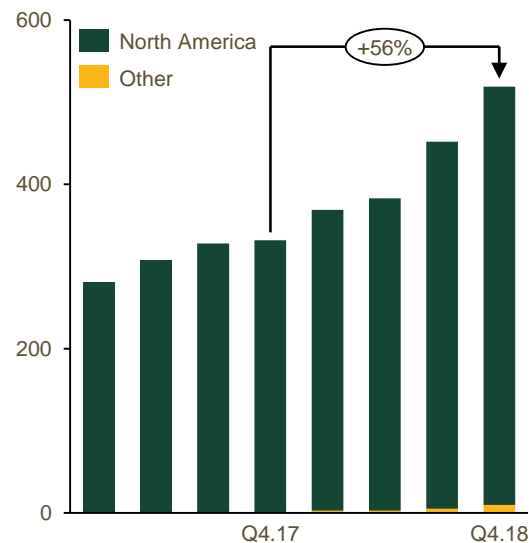
- ★ Grew 44% in L.C. to DKK 1,723 million in 2018
- ★ Grew 52% in L.C. to DKK 519 million in Q4 2018
- ★ Launched in Australia, Canada, Saudi Arabia, Switzerland and the U.S.
- ★ Positive headline results from PoC study in PTSD
- ★ Additional LCM activity progressing

Rexulti sales
(FY - DKKm)



Lundbeck's share of revenue

Rexulti sales
(Quarterly - DKKm)

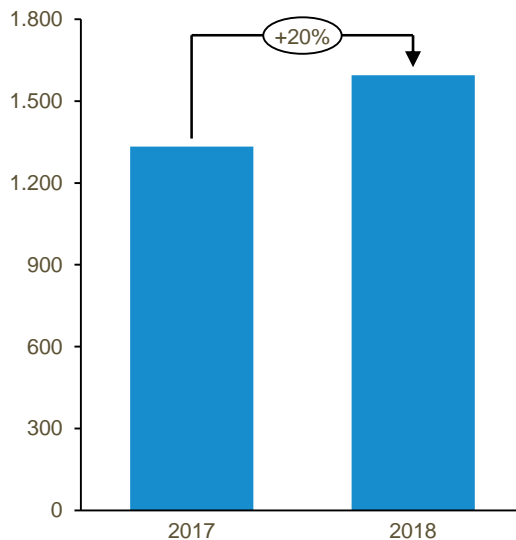


Lundbeck's share of revenue

Abilify Maintena continues its solid growth

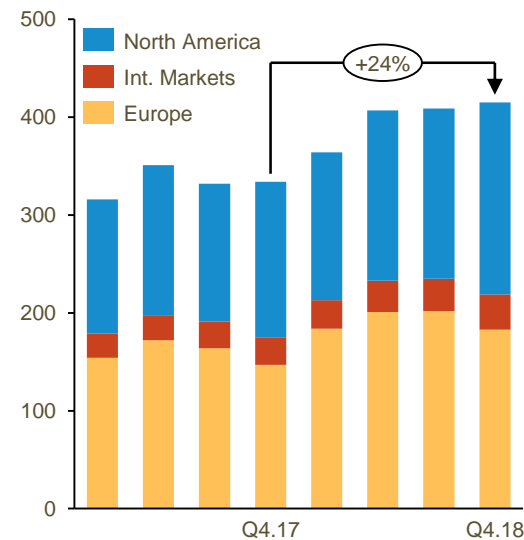
- ★ Grew 23% in L.C. to DKK 1,595 million in 2018
- ★ Grew 23% in L.C. to DKK 415 million in Q4 2018
- ★ Largest markets are the U.S., Australia, Canada, France and Spain which are also the main drivers of growth
- ★ Abilify Maintena is Lundbeck's best selling product in Europe

Abilify Maintena sales
(FY - DKKm)



Lundbeck's share of revenue

Abilify Maintena sales
(Quarterly - DKKm)

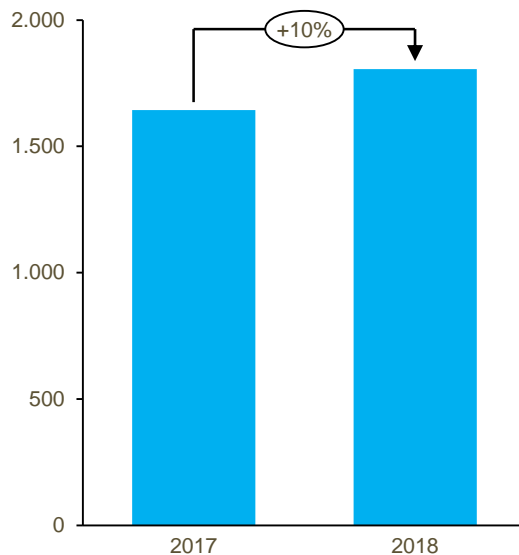


Lundbeck's share of revenue

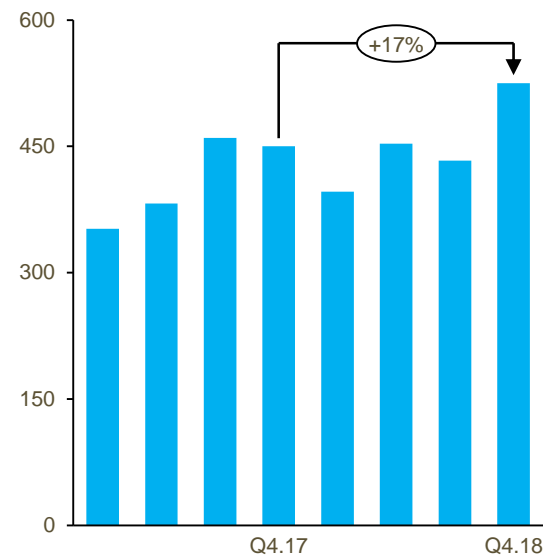
Northera shows solid growth following normalization of patient backlog

- ★ Grew 15% in L.C. to DKK 1,806 million in 2018
- ★ Grew 13% in L.C. to DKK 524 million in Q4 2018
- ★ Northera impacted by temporary backlog of patients in process (in Q3 2018), seasonality and high out of pocket costs for some patients

Northera sales
(FY - DKKm)



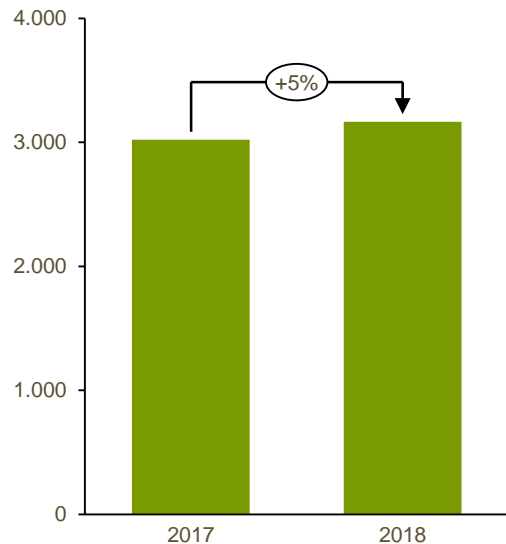
Northera sales
(Quarterly - DKKm)



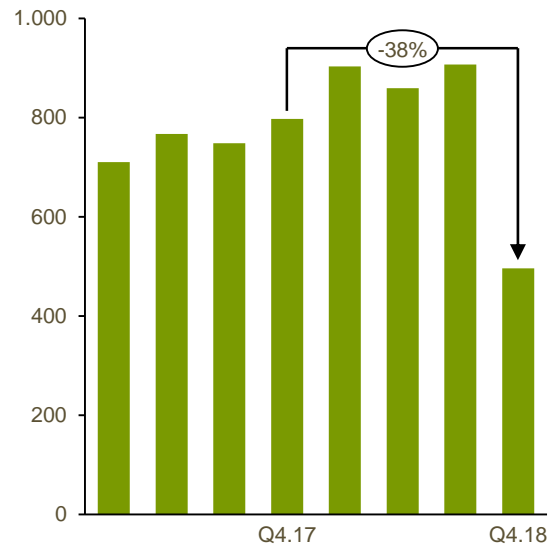
Onfi negatively impacted by introductions of generic clobazam

- ★ Grew 12% in L.C. to DKK 3,165 million in 2018
- ★ Declined 40% in L.C. to DKK 496 million in Q4 2018
- ★ Numerous generic tablets and oral suspensions launched from October 2018
- ★ Aggressive generic pricing







Onfi sales
(FY - DKKm)



Onfi sales
(Quarterly - DKKm)



Promising early-stage pipeline with efforts under way to ensure depth in all phases of development

 Project	 Indication	 Phase I	 Phase II (PoC)	 Phase III (pivotal)	 Exp. filing
Brexiprazole	Bipolar mania			★	2019
Brexiprazole	Agitation in Alzheimer's disease			★	~2021
Brexiprazole	PTSD		★		≥2025
Foliglurax (MGLUR4 PAM)	Parkinson's		★		~2025
Lu AF11167 (PDE 10 inhibitor)	Schizophrenia		★		≥2025
Abilify Maintena 2-mth	Schizophrenia	★			~2020
Lu AF76432 (PDE 1 inhibitor)	Schizophrenia (CIAS)	★			≥2025
Lu AF20513 (active immunotherapy)	Alzheimer's disease	★			≥2025
Lu AF82422 (alpha-synuclein mAb)	Parkinson's disease	★			≥2025
Lu AF28996 (D ₁ /D ₂ agonist)	Parkinson's disease	★			≥2025
Lu AF35700	--		Project under review		--

Positive phase II headline results for the combination treatment of brexpiprazole and sertraline for treatment of PTSD

- ★ Combination of brexpiprazole and sertraline demonstrated improvement in symptoms of PTSD versus placebo ($p < 0.01$) on the primary endpoint (CAPS-5 total score[#])
- ★ The efficacy supported by multiple secondary endpoints
- ★ The overall safety and tolerability of brexpiprazole were good (and comparable to previous data),
- ★ End-of-phase-II meeting with FDA during 2019

Post-Traumatic Stress Disorder (PTSD)

- ★ ~8.6m U.S. adults affected¹⁾
- ★ ~80% undiagnosed
- ★ Growing economic and social burden of care
- ★ Inadequate response with approved SSRIs
- ★ Polypharmacy the norm

1) <http://www.cohenveteransbioscience.org/post-traumatic-stress/>.
US Census Bureau. Annual estimates of the resident population by sex and selected age groups for the United States: April 1, 2010 to July 1, 2011 (NC-EST2011-02). 2012.
<http://www.census.gov/popest/data/national/asrh/2011/index.html>.



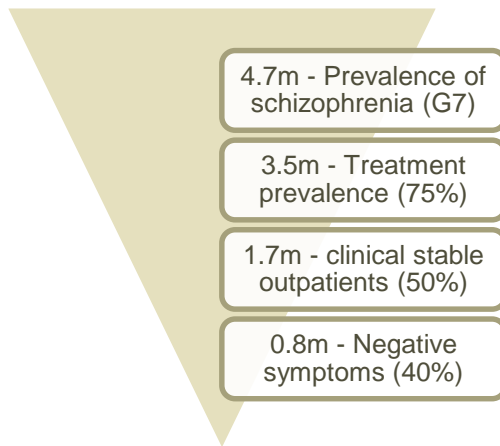
*) NCT03033069

#) Clinician-Administered PTSD Scale for DSM-5 (CAPS-5)

Lu AF11167: Addresses negative symptoms of schizophrenia that trouble patients most

- ★ Negative symptoms most bothersome symptom for patients with schizophrenia
- ★ Primary cause for inability to live independently, hold jobs, establish personal relationships, and manage everyday social situations
- ★ Widely recognized as important features of schizophrenia associated with changes in emotions and behaviours
- ★ Difficult to treat; currently available antipsychotics are not considered effective

Prevalence (major countries)



Source: Decision Resource; Schizophrenia | Landscape & Forecast 2018

- ★ Phosphodiesterase 10A inhibitor (PDE10Ai)
- ★ Potential novel MoA for the treatment of negative symptoms in patients with schizophrenia
- ★ Potentially maintaining control of positive symptoms
- ★ Phase II started in December 2018*
 - ★ **Monotherapy**
 - ★ Two fixed-flexible doses + placebo (BID)
 - ★ ~250 patients
 - ★ Primary endpoint: Change from baseline to Week 12 in BNSS total score

*) NCT03793712
BNSS: Brief Negative Symptoms Scale

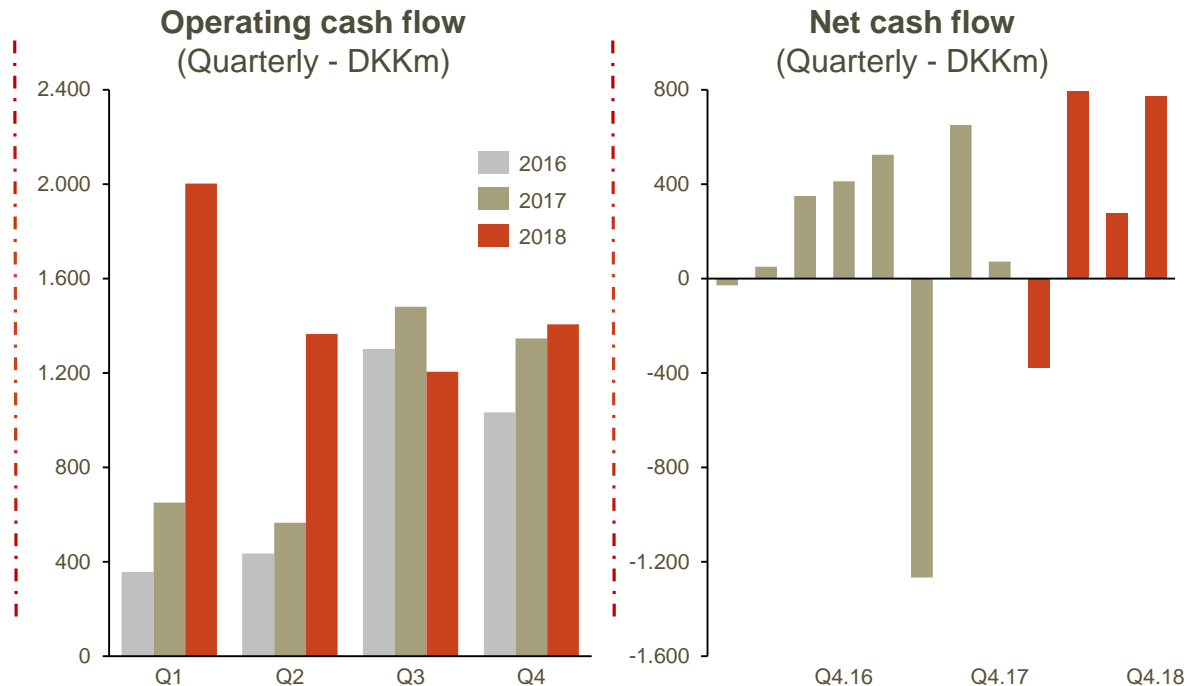
Lundbeck delivered best ever financial results for 2018

- ★ **Gross margin:** Increases from 77.5% to 80.9%
- ★ **SG&A ratio:** Down from 37.6% to 33.3%
- ★ **R&D ratio:** Up from 15.7% to 18.1%
- ★ **Tax rate:** Positively impacted by U.S. tax reform
- ★ **EPS:** Up 48% to DKK 19.66

DKKm	FY 2018	Δ% y/y	Q4 2018	Δ% y/y
Revenue	18,117	5%	4,196	(4%)
<i>Gross margin</i>	80.9%	+3.4pp	79.7%	+1.7pp
Operating expenses	9,316	1%	2,619	5%
SG&A	6,039	(7%)	1,631	(5%)
R&D	3,277	21%	988	27%
Other operating items, net	(44)	-	121	-
EBIT	5,301	20%	848	(9%)
<i>EBIT-margin</i>	29.3%	+3.7pp	20.2%	(1.0pp)
Core EBIT	6,158	20%	931	(20%)
<i>Tax rate</i>	26.1%	-	21.4%	
EPS	19.66	48%	3.29	18%

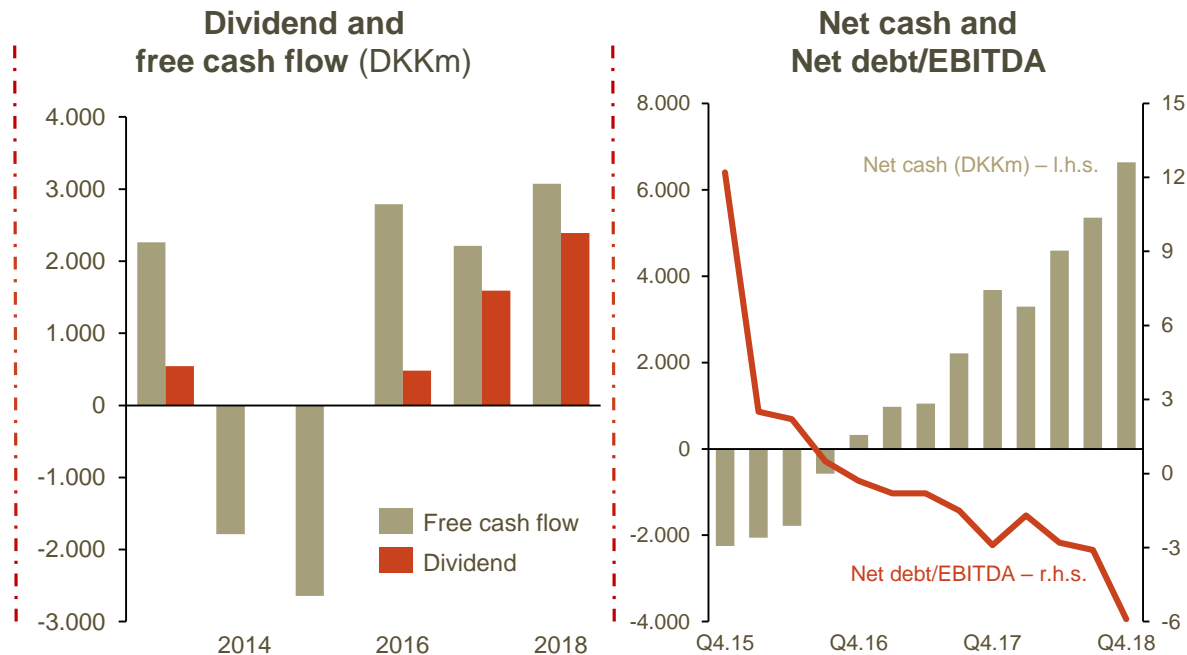
Strong cash flow generation

- ★ **Cash flow from operating activities:** Grew 48% to DKK 5,981 million in 2018
- ★ **Investments:** Include acquisition of Prexton in March 2018 (EUR 100m) and EU approval milestone on Rxulti (USD 50m)
- ★ **Net cash flow:** Improved from DKK (20) million in 2017 to DKK 1,467 million in 2018



Strong financial position provides flexibility to pursue further growth

- ★ **Net cash:** Up DKK 2,958 million (+80%) to DKK 6,635 million in 2018
- ★ **Net debt/EBITDA:** -1.0x in 2018 vs. -0.7x in 2017
- ★ 2019 cash flow will be negatively impacted by
 - ★ Lower EBITDA
 - ★ High dividend payout
 - ★ Payment of DOJ settlement
- ★ Net cash expected to reach DKK ~7.5 billion (USD ~1.2bn) in 2019



*) 2018 dividend subject to approval by the AGM

Lundbeck's financial guidance for 2019

- ★ Continued growth for strategic brands
- ★ Significant negative impact from generic erosion
- ★ Effects from hedging is a loss of DKK 150-200 million
- ★ Net financial items of DKK ±50 million expected in 2019
- ★ Unchanged currencies from end-January 2019

Dividend payout

- ★ Dividend increased to DKK 12.00 from DKK 8.00 per share*
- ★ Revised dividend policy: Pay-out ratio of 30-60% from 2019

2019 financial guidance

	2018 (DKKbn)	2019e (DKKbn)	~Δ% (y/y)
Revenue	18,117	16.1-16.7	-11 – -8%
EBIT	5,301	4.2-4.6	-21 – -13%
<i>Implied EBIT margin</i>	29.3%	~25-29%	-
<i>Tax rate</i>	26.1%	26-28%	-

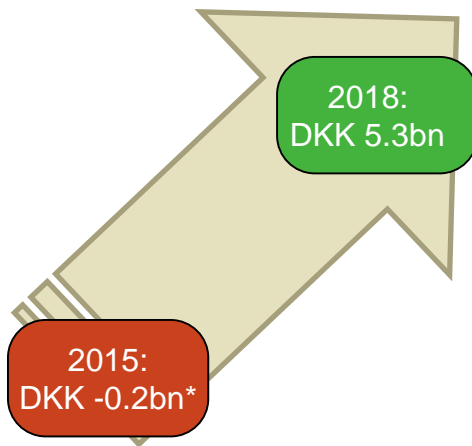
*) Subject to approval by the AGM

Stellar execution on 2016 corporate strategy to restore profitability

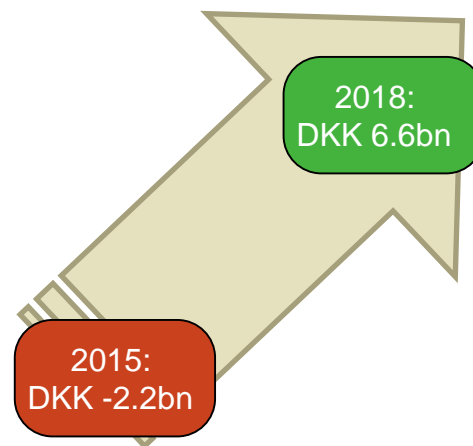
Long-term targets set in February 2016

	2018	Target	
EBIT margin	29.3%	25%	✓
ROIC	48.6%	25%	✓
Cash to earnings	117.6	>90%	✓

Operating profit

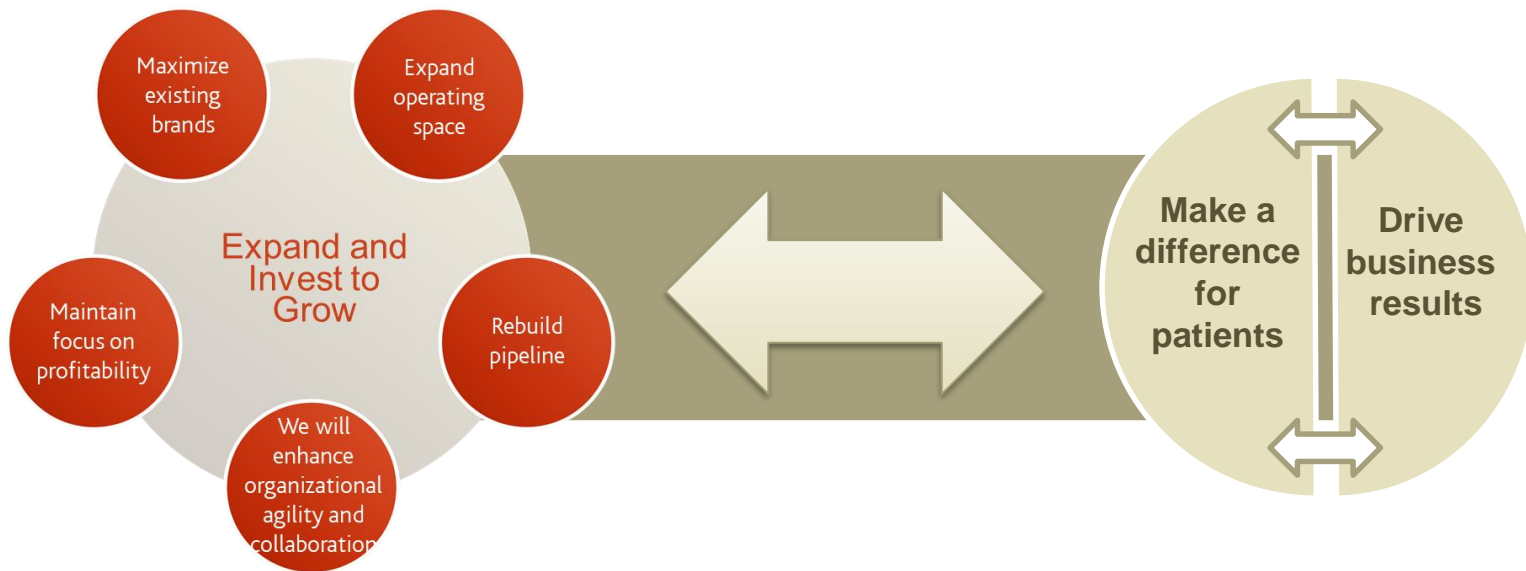


Net cash



*) Adjusted for restructuring charges and reclassifications

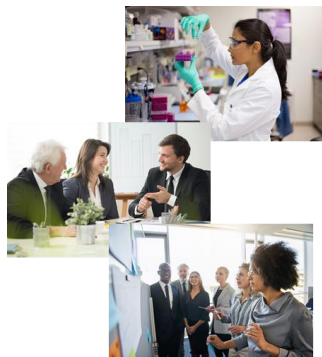
Continued strong growth of strategic brands does not offset LOE headwinds – we introduce *Expand and Invest to Grow*



Purpose: *"Tirelessly dedicated to restoring brain health...so every person can be their best"*

We will maximize growth opportunities in our current business and maintain a disciplined approach to cost

- ★ We will maximize the performance of existing brands
- ★ Expanding our global footprint
- ★ Launching new indications and improved formulations
- ★ We will enhance organizational agility and collaboration
- ★ We will continue to maintain high profitability, but allow flexibility to invest in growing the top-line and profits



EBIT margin ambition

≥25%

We will leverage our deep neuroscience expertise and address brain diseases more broadly

Our strong heritage and extensive neuroscience experience provide us with a competitive advantage and enable us to expand our focus to help people living with a broader range of brain diseases

The redefined operating space focus on diseases with:

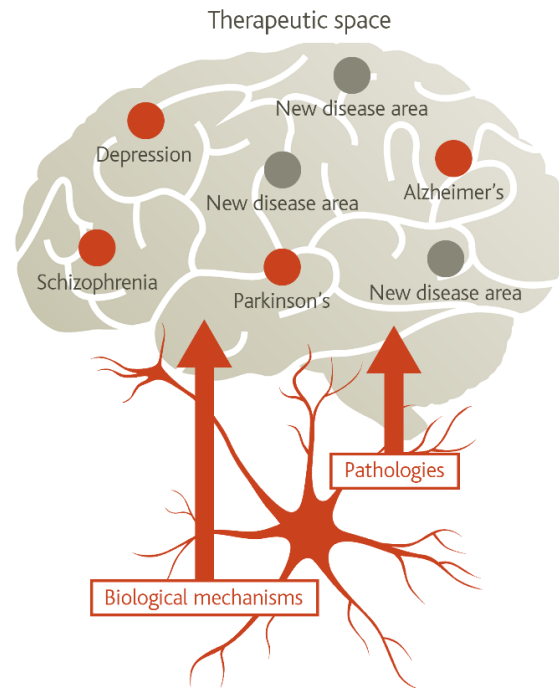
- ★ Clear unmet needs
- ★ Attractive commercial potential
- ★ Strategic fit with our capabilities

PSYCHIATRY
CEREBROVASCULAR BEHAVIOURAL
ANXIETY MOOD STRESS BIOLOGY
PERSONALITY & PSYCHOSIS DEMYELINATING DISORDERS
NEUROLOGY **CNS DEGENERATION/DEMENTIA**
MITOCHONDRIAL DISORDERS HEADACHE/MIGRAINE
DEMYELINATING DISORDERS OTHER NEUROLOGY AND RARE DISORDERS
MOVEMENT DISORDERS ADDICTION **BRAIN**
NEURO-ENDOCRINE/ONCOLOGY NEUROLOGY
PERSONALITY & PSYCHOSIS STRESS BIOLOGY
PAIN **DEVELOPMENTAL** DEMYELINATING DISORDERS
METABOLIC DISORDERS **EPILEPSY**
ANXIETY **NEUROLOGY**
DYSTROPHIES
EPILEPSY

Expanding product portfolio and R&D pipeline across all phases through both internal discovery and access to external innovation

We will rebuild our pipeline across all clinical phases by:

- ★ Accelerating business development efforts to access external innovation
- ★ Selectively refine and progress the most promising internal projects
- ★ Target underlying disease biology
- ★ Leverage technologies to advance innovation



Our strong track record in successful collaborations makes us an attractive partner for third parties

Strategic R&D collaborations	Supportive technologies	Access to assets	Commercial partnerships	Successful acquisitions
       	   	 	      	  

Selected deliverables for 2019

- ★ Start PoC study on Lu AF11167 in schizophrenia ✓
- ★ Commence the launch of Rxulti/Rexulti in Europe ✓
- ★ Pivotal data for Rexulti in bipolar mania
- ★ Headline results (PoC) for foliglurax in Parkinson's
- ★ Obtain approval of Trintellix in Japan
- ★ Achieve FIH in 1-2 R&D projects
- ★ Execute on *Expand and Invest to Grow*



Lundbeck continues its mission to restore brain health, leveraging a strong platform and heritage to grow

- ★ Strong financial foundation
- ★ Highly profitable with strong cash generation, no debt
- ★ Solid growth across key products
- ★ Global footprint with growth in all regions of the world
- ★ Long-standing reputation with patient communities and physicians
- ★ Deep scientific heritage and capabilities in CNS
- ★ Promising early-stage pipeline
- ★ Demonstrated track record of partnering relationships



Thank you!

Lundbeck

