S&P Global
Market Intelligence

Novo Nordisk A/S CPSE:NOVO B

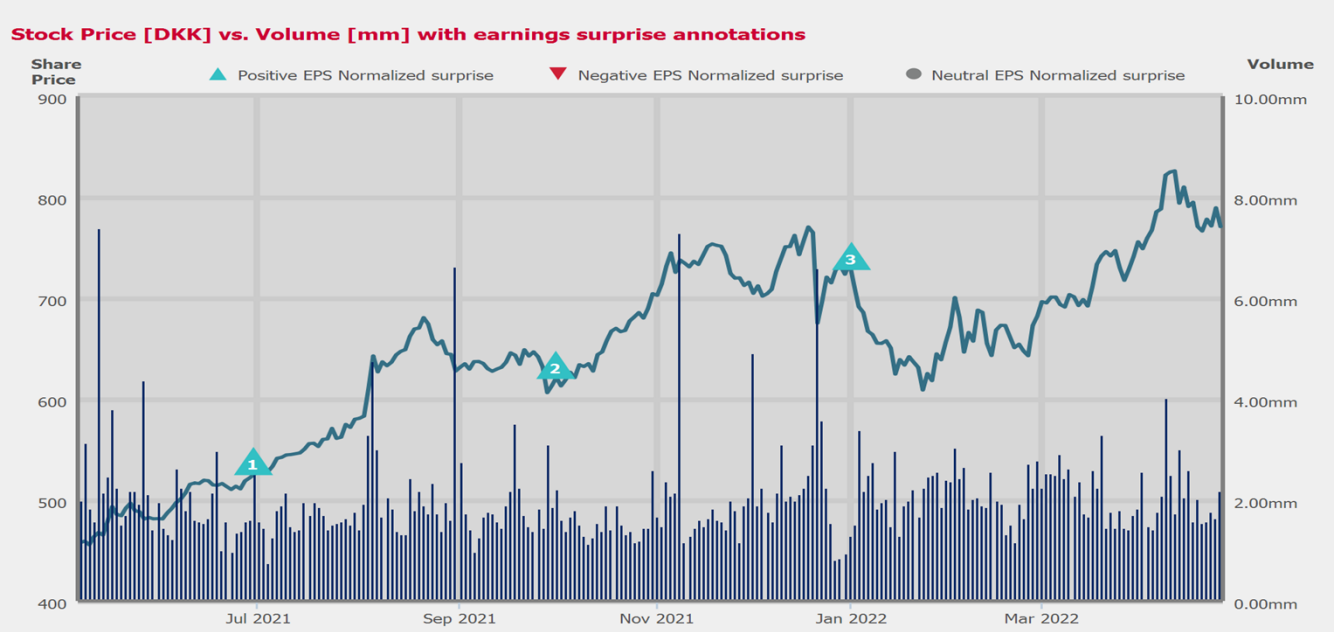
FQ1 2022 Earnings Call Transcripts

Friday, April 29, 2022 11:00 AM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2022-			-FQ2 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	5.68	NA	NA	5.60	22.50	NA
Revenue (mm)	39192.76	42301.00	7.93	38190.23	159966.68	NA

Currency: DKK
Consensus as of Apr-29-2022 10:10 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2021	4.88	5.26	1 7.79 %
FQ3 2021	5.02	5.27	2 4.98 %
FQ4 2021	4.69	4.76	3 1.49 %
FQ1 2022	5.68	NA	NA

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Executive VP, CFO & Member of the Management Board

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Martin Holst Lange
Executive VP, Head of Development & Member of the Management Board

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Crédit Suisse AG, Research Division

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Nordea Markets, Research Division

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Peter Verdult
Citigroup Inc., Research Division

Richard Vosser
JPMorgan Chase & Co, Research Division

Simon Mather
BNP Paribas Exane, Research Division

Wimal Kapadia
Sanford C. Bernstein & Co., LLC., Research Division

Presentation

Operator

Hello, and welcome to the Novo Nordisk Q1 2022 Results Call. [Operator Instructions] Today, I'm pleased to present Lars Fruergaard Jørgensen. Please go ahead with your meeting.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you very much. Welcome to this Novo Nordisk Earnings call for the first 3 months of 2022 and outlook for the year. This call follows the early announcement and raise guidance published earlier today. Due to securities regulations, we had to advance the release that was originally scheduled for Wednesday next week.

My name is Lars Fruergaard Jørgensen, and I'm the CEO of Novo Nordisk. With me today, I have Executive Vice President and Head of Commercial Strategy and Corporate Affairs, Camilla Sylvest; Executive Vice President and Head of North America Operations, Doug Langa; Executive Vice President and Head of Development, Martin Holst Lange; and finally, Chief Financial Officer, Karsten Knudsen. All of us will be available for the Q&A session.

Today's announcement and the slides for this call are available on our website, novonordisk.com. Please note that this call is being webcast live and a recording will be made available on our website as well. The call is scheduled to last for 1 hour.

Please turn to the next slide. The presentation is structured as outlined on Slide 2. Please note that all sales and operating profit growth statements will be at constant exchange rates unless otherwise specified. The Q&A session will begin in about 25 minutes.

Please turn to Slide 3. As always, I need to advise you that this call will contain forward-looking statements. Such are subject to risks and uncertainties that could cause actual results to differ materially from expectations. For further information on the risk factors, please see the company announcement for the first 3 months of 2022 and the slides that prepared for this presentation.

Please turn to the next slide. In the first 3 months of 2022, we delivered double-digit sales and operating profit growth which was -- which has enabled us to raise our outlook for the full year. I would like to start this call by going through the performance highlights across our strategic aspirations before handing over the word to my colleagues.

Within purpose and sustainability, we reached an important milestone with a positive scientific opinion from EMA on human insulin. This will allow for more flexible storage without refrigeration for 3 weeks if kept below 30 degrees sensors. This positive opinion will support obtaining approval from local health authorities in low and middle-income countries. With this, we aim to improve flexibility and convenience for many people living in these countries who have limited access to reliable cold storage and may live far away from a clinic or pharmacy.

Following Russia's invasion of Ukraine, our key priorities have been to safeguard employees and continue the supply of essential medicines. In addition, we have donated 2 months' supply of diabetes and hemophilia medications to the Ukrainian Ministry of Health.

In collaboration with humanitarian organizations, we continue to monitor the situation to be able to provide further support. Within R&D, we are encouraged by the first Phase III trial with once-weekly insulin icodec, showing the potential to improve glycemic control with greater convenience and a reduced treatment burden for people needing insulin treatment.

This is an important step in support of our exploration of further raising the innovation bar, for diabetes treatment and our commitment to insulin innovation. We're also satisfied with the progress made in the first quarter with our late-stage pipeline in rare disease. Martin will come back to this and our overall RD milestones later in this call.

In the first 3 months of 2022, we delivered double-digit growth in sales, reflecting solid commercial execution across geographies and our therapy areas. Specifically, the growth is driven mainly by accelerated demand for our GLP-1 treatments, specifically -- especially -- sorry, Ozempic, which has enabled us to increase the outlook.

Regarding the supply situation for Wegovy in obesity, the CMO has restarted production and we expect to make all Wegovy doses strength available in the U.S. during the second half of 2022. Camilla and Doug will go through the details of the therapy area later. Lastly, Karsten will go through the financial details, but I'm very pleased with the sales and operating profit growth of 18% in the first 3 months of 2022.

With that, I'll give the word to Camilla for an update on commercial execution.

Camilla Sylvest
Executive VP, Head of Commercial Strategy & Corporate Affairs and Member of the Management Board

Thank you, Lars, and please turn to the next slide. In the first 3 months of 2022, our total sales increased by 18%, the sales increase was driven by both operating units with international operations growing 13% and North America Operations growing by 24%. Our GLP-1 sales increased 45%, driven by North America, growing 38%, and international operations growing 60%. Insulin sales decreased by 4%, driven by 1% growth in international operations, offset by a 15% sales decline in North America operations.

The U.S. insulin sales declined by 16%, driven by lower realized prices and a decline in volume. Obesity care sales grew 107% overall. In international operations, Saxenda sales grew 63%, and in North America Operations, obesity care sales grew 146%. In the U.S., Obesity care sales grew 158%, driven by both Saxenda and Wegovy. Total rare disease sales increased by 3%, driven by both operating units growing 3%.

Please turn to Slide 6. Our 16% sales growth within Diabetes care is faster than the overall diabetes market. That means we have improved our market share by 1.2 percentage points to 30.5% and that we continue to be on track to reach 1/3 of the diabetes value market by 2025. The increase reflects a GLP-1 growth of 45% and market share gains in both operating units.

Please turn to the next slide. In international operations, Diabetes care sales increased by 13% in the first 3 months of 2022, driven by all regions and mainly by GLP-1 sales that grew by 60%. Novo Nordisk remains the market leader in international operations with the GLP-1 value market share of 60.1%. This is driven by share gains across geographies and Ozempic remains on track to become the GLP-1 market share leader with a 36.1% market share.

And with that, I will hand over the word to Doug.

Douglas J. Langa
Executive VP, Head of North America Operations & Member of Management Board

Thanks for the update, Camilla. Please turn to the next slide. The U.S. GLP-1 market grew more than 30%, comparing Q1 of 2022 to Q1 of 2021. And with once-weekly injectable GLP-1s and Rybelsus as the main drivers. From an NBRx perspective, we have seen a step up in volume growth in 2021 that has accelerated further since the beginning of 2022, as shown on the left-hand side of this slide. Measured on total scripts, Novo Nordisk remains the market leader of 54.2% market share.

We are also excited with the approval of Ozempic 2-milligram by the FDA in March that will be an option for type 2 diabetes patients who may require both glycemic control. We expect to launch our Ozempic2-milligram in the U.S. in the coming weeks. The global rollout of Rybelsus is progressing well, and it has now been launched in 34 countries.

In the U.S., Rybelsus total prescription trajectory continues to steadily increase, and it remains 1 of the key contributors to growth in Novo Nordisk. Outside the U.S., Rybelsus in Japan has now reached a 4.2% value share in the modern oral antidiabetics market after the 14-day prescription limitation was lifted in December of 2021. This compares to a 2.6% value share when we released our full year's results in February. Please go to the next slide.

Globally, Obesity care sales increased by 107%. The with 146% growth in North America operations and 63% in international operations. In the U.S. alone, Obesity care sales grew 158%. We are also excited to share the obesity care split brand. To be specific, the total Obesity care sales were DKK 3.4 billion, with DKK 2 billion coming from Saxenda and DKK 1.4 billion coming from Wegovy in the U.S. Next slide, please.

As you know, the demand for Wegovy has exceeded expectations. And during the first quarter of 2022, weekly prescriptions in the U.S. have been above the 20,000 level that we communicated we could supply at -- in connection with the full year results in 2021. Our focus remains to ensure continuity of care to the patients that have already initiated treatment.

We have put sales and marketing activities on hold. And to further prevent new patients from initiating treatment, we stopped the supply of the first 2 Wegovy dose strengths, the 0.25 and 0.5 milligram in March. As Lars mentioned earlier, the CMO filling syringes for Wegovy has restarted production, and our expectation remains to make all Wegovy dose strengths available in the U.S. during the second half of 2022.

On Wegovy market access, I'm happy to share that we have added to the Department of Defense as a reimburse channel. In addition, we have also progressed on commercial formulary access, which is now around 80% for Wegovy. And employer negotiations are progressing.

Now back to Camilla for an update on rare disease.

Camilla Sylvest
Executive VP, Head of Commercial Strategy & Corporate Affairs and Member of the Management Board

Thank you, Doug. And next slide, please. Our rare disease sales grew by 3% in the first 3 months of 2022. This was driven by a 3% sales growth in both North America Operations and international operations. Rare blood disorders grew by 9%, driven by NovoSeven as well as the launch product, Esperoct and Refixia. Specifically, hemophilia A products grew by 10%, hemophilia B sales by 18% and NovoSeven by 8%.

Rare endocrine disorder sales declined by 8%. The decline in sales were driven by international operations decreasing by 2% and by North America operations decreasing by 20%.

And now over to you, Martin, for an update on R&D.

Martin Holst Lange
Executive VP, Head of Development & Member of the Management Board

Thank you, Camilla. Please turn to Slide 12. As to follow up on Doug's earlier comments, we are very pleased with the approval of Ozempic 2.0 milligram for the treatment of type 2 diabetes in adults. The U.S. FDA approval is based on the results from the SUSTAIN FORTE trial. Reflected in the approved label is a statistically significant A1c reduction of 2.1 percentage points at week 40 compared to Ozempic 1.0 milligram.

In the trial, Ozempic 2.0 milligram showed a similar number of gastrointestinal side effects as Ozempic 1.0 milligram and overall withdrawal rate from the trial was below 4%. All in all, both doses of Ozempic appeared to have a safe and well-tolerated profile. In addition, Ozempic is indicated to reduce the risk of major cardiovascular events such as heart attack, stroke and cardiovascular death in adults with type 2 diabetes and known heart disease.

The approval of the 2.0 milligram dose allows more people with type 2 diabetes to achieve and maintain individualized glycemic targets and remain on the same medication for longer as the needs to evolve without having to compromise on safety and tolerability. Please move to the next slide.

Our once-weekly insulin to -- sorry, our once-weekly insulin icodec is being developed to improve glycemic control and allow for reducing the number of insulin injections from 365 to a mere 52 injections over the course of the year. Therefore, we are very excited to share the results from the ONWARDS 2 trial today.

Now before sharing the results from the trial, I wanted to briefly touch upon the trial design and the program. ONWARDS 2 is the first of 6 trials in the global Phase III ONWARDS program for once-weekly insulin icodec that will all read out during the course of '22. ONWARDS 2 was a 26-week efficacy and safety trial comparing once-weekly insulin icodec to once-daily insulin icodec. The trial included 526 people with type 2 diabetes, all previously treated with a basal-only insulin.

The primary objective of the trial was to demonstrate noninferiority of icodec versus degludec in reducing A1c at 26 weeks. Superiority was also part of the testing here. Now let's move to the exciting part. Next slide, please.

[Basal] treat-to-target trial, achieved its primary endpoint by demonstrating non-inferiority in reducing A1c at week 26 with insulin icodec compared to insulin degludec. Furthermore, from an overall baseline of -- baseline A1c of 8.13%, once weekly insulin icodec achieved a statistically superior reduction in estimated A1c of 9.3 percentage compared to -- sorry, 0.93 percentage points compared to 0.71 percentage point for insulin degludec with an estimated treatment difference of 0.22 percentage points.

In addition, the rate of severe or clinically significant hypoglycemia was low, and the difference in estimated rates was not statistically significant. In the trial, once weekly insulin icodec appeared to be safe and well-tolerated profile. These results

are very important step in improving insulin treatment for people with diabetes, and we're very excited to share additional results of the ONWARDS program throughout the rest of '22.

Let's move to the next slide, please. During our Capital Markets Day in March, I talked about the exciting completion of the Phase III trial with concizumab. Just to recap, the explorer7 trial investigated subcutaneous concizumab prophylaxis treatment in people with hemophilia A and B with inhibitors.

The trial met its primary endpoint by demonstrating that concizumab was effective in reducing the annual bleeding rate by 86% compared to no prophylaxis treatment in people with hemophilia A and B with inhibitors. The overall median annualized bleeding rate was zero, and this was also the case in each of the hemophilia A and B subgroups.

In addition, the FDA made a mean annual bleed rate was 1.7% for concizumab prophylaxis and 11.8% for people not receiving prophylaxis treatment. Overall, concizumab appeared to have a safe and well-tolerated profile with no trouble embolic events reported after the restart of the Phase III trial in August of 2020. We expect to submit concizumab for regulatory approval in the second half of '22 and to report on the still ongoing explorer8 trial in non-inhibitor patients later this year.

Please turn to the next slide. Turning to the high-level R&D milestones. 2022 is a year with many exciting trial readouts and initiations across all therapy areas. Within diabetes, we will see multiple readouts across all phases throughout 2022, with the most prominent obviously being the ONWARDS Phase III trial program for once-weekly insulin icodec.

In obesity, we could potentially have the interim analysis from the SELECT trial in the third quarter of '22, and we plan to initiate Phase III with Cagrisema by the end of this year. Within rare disease, we look forward to following the progression of our late-stage pipeline with concizumab and Mim8. The latter, we expect to initiate Phase III treatment in fourth quarter of 2022.

With that, over to you, Karsten.

Karsten Munk Knudsen
Executive VP, CFO & Member of the Management Board

Thank you, Martin. Please turn to the next slide. In the first 3 months of 2022, our sales grew by 24% in Danish kroner and 18% at constant exchange rates, driven by both our operating units. This is the strongest quarterly growth for more than 2 decades. The gross margin increased to 83.5% compared to 82.8% in 2021, driven by a positive product mix due to increased GLP-1 sales, a positive currency impact of 0.5 percentage points and productivity improvements. These effects are countered by lower realized prices, mainly in the U.S.

Sales and distribution costs increased by 23% in Danish kroner and 18% at constant exchange rates. The increase is driven by launch activities and promotional spend for Rybelsus and Ozempic as well as market development activities for obesity. This is partially offset by lower promotional spend in North America related to insulin.

Research and development costs increased by 32% in Danish kroner and 29% at constant exchange rates. The increase is driven by a few factors. Firstly, we have a higher number of late-stage clinical trial activities compared to the first 3 months of 2021. Secondly, our ongoing pipeline expansion and diversification efforts, including progression of the pipeline within cardiovascular disease and NASH. And finally, it reflects the operating costs and amortizations related to the acquisition of Dicerna Pharmaceuticals.

Administration costs increased by 4% in Danish kroner and 2% at constant exchange rates. Operating profit increased by 28% in Danish kroner and by 18% at constant exchange rates. Net financial items for 2021 showed a loss -- for 2022 showed a loss of around DKK 1.2 billion compared to a gain of around DKK 1 billion in 2021.

The losses on hedge currencies primarily related to the U.S. dollar. The effective tax rate for the first 3 months of 2020 was 20.7% compared to 20.8% in 2021. Net profit increased by 13% and diluted earnings per share increased by 14% to DKK 6.22. Free cash flow was DKK 21.6 billion compared to DKK 9.5 billion in 2021. The increase is driven by higher net profit higher provisions, more rebates in the U.S. and a positive impact from change in working capital.

Next slide, please. We entered 2022 with a solid growth momentum and now expect sales growth to be between 10% and 14% at constant exchange rates. This is based on a number of assumptions as described in the company announcements. The rate guidance reflects expectations for sales growth in both International Operations and North America operations and across therapy areas, but it's mainly driven by diabetes and obesity care.

The guidance incorporates an accelerated NBRx volume trend within injectable GLP-1 in the U.S. and that we expect to make all Wegovy strengths available in the U.S. during the second half of 2022. Following higher-than-expected volume growth on GLP-1-based products, including Ozempic, the outlook also reflects expected periodic supply constraints.

We now expect operating profit growth will grow between 9% and 13% at constant exchange rates. This primarily reflects the sales growth outlook and continued investments in current and future growth drivers. We are also allocating additional resources to both early and late-stage R&D pipeline activities.

Our acquisition of Dicerna Pharmaceuticals is negatively impacting operating profit growth by around 3 percentage points due to higher operating costs and amortizations of intangible assets. Given the current exchange rates, most notably a strengthening of the U.S. dollar, we expect a positive currency impact for 2022. Our reported sales are now expected to be 7 percentage points higher than at CER, and operating profit growth is now expected to be 11 percentage points higher than at CER.

The positive currency impact on operating profit is partly offset by a net loss on financial items. For 2022, we now expect that financial items will amount to a net loss of around DKK 4.1 billion mainly reflecting losses associated with foreign exchange hedging contracts. Capital expenditure is still expected to be around DKK 12 billion in 2022, which mainly related to investments in additional API production capacity at existing manufacturing sites.

Our free cash flow is now expected to be between DKK 55 billion and DKK 60 billion, reflecting higher sales and net profit expectations. Based on the increased cash flow generation in 2022, the Board of Directors has approved an expansion of the ongoing share repurchase program by DKK 2 billion to DKK 24 billion. That covers the outlook for 2022.

Now back to you, Lars, for final remarks.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Karsten. Please turn to the final slide. We are very pleased with the double-digit sales growth in the first 3 months of 2022. Sales growth was driven by all geographical areas within International Operations as well as North America operations and by all therapy areas. In particular, the sales growth was driven by a continued strong demand for our portfolio of GLP-1 treatments for diabetes and Obesity care, and we continue to reach even more patients.

The strong financial performance in the first 3 months of 2022 has enabled us to raise our outlook for the full year. From an R&D perspective, the readout of the first Phase III trial with a once-weekly insulin icodec on the lines that we are still committed to further raising the innovation bar in diabetes. We look forward to sharing results from the other trials in the onwards program during 2022.
With that, we now open and ready for Q&A. We kindly ask all participants to limit her or himself to one or maximum two questions. Operator, we're now ready to take the first questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Wimal Kapadia from Bernstein.

Wimal Kapadia
Sanford C. Bernstein & Co., LLC., Research Division

Great. Wimal Kapadia from Bernstein. So first, can I just ask on icodec, please. So clearly, a very strong outcome demonstrating the superiority versus placebo. But how do you really think about commercial potential and appetite from payers in particular. That does HbA1c superiority provide Novo with an opportunity to price the drug at a premium in the commoditized market? Or should we really be thinking about volume upside?

And then my second question is on yesterday's Lilly update on Tirzepatide. Now the GI rates in obesity were not what we were expecting and some of the placebo rates behave differently to what we saw with Wegovy step 1. So I'm just curious if you could comment on how baseline characteristics influence GI. So I appreciate -- I'm not asking you to comment on the Lilly trial itself, but it's more of a broader question. What factors influenced GI outcomes in obese patients that allow us to really think about the safety data more accurately?

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Wimal. And so 2 questions. First, Camilla on icodec and the commercial potential volume value strategy. And Martin, you can talk to the general perspectives about what to expect in obesity on GI. So Camilla?

Camilla Sylvest
Executive VP, Head of Commercial Strategy & Corporate Affairs and Member of the Management Board

Yes. Thanks for that, Lars. Yes. Thanks, Wimal. We believe that icodec has the potential to redefine basal insulin therapy and, of course, help a number of people. There are approximately 30 million patients in the basal segment today. You also know that Novo Nordisk has a market share around 35%, a little more in value a little less in volume. So also here, there is a potential for us.

A few of the characteristics of icodec are very important. First of all, it offers greater convenience, but also greater due cost control that Martin was just talking to and a significant one compared to what we have seen before. And that with a once-weekly injection that also is expected to reduce the treatment burden for people living with diabetes requiring basal insulin therapy. And then I also want to mention, at the same time that it does reduce the number of injections from approximately 365 a year to 52 a year. And that, of course, can also have not just a relief treatment burden, but also a very positive environmental impact. So all in all, the total package of icodec is very promising, and we believe it has the potential to redefine how achievement is done in basal incline therapy.

Then when it comes to pricing, of course, all of these assets taken together is something that payers will be looking at. But for us, it's too early to communicate on how exactly that will play out. But the great evidence on the ONWARDS trial is a very great first step for us to see the evidence of icodec.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Camilla. And Martin?

Martin Holst Lange
Executive VP, Head of Development & Member of the Management Board

Yes. And on the collection and reporting on gastrointestinal side effects, I think you bring up a very good point. Obviously, this is exactly why we should be very, very careful comparing across France, the best comparison is obviously within trial because, to your own point, both the population investigated. But certainly also how you collect data, which questions are being asked and how often do you collect data will drive the reporting on not only gastrointestinal but any side effects.

So therefore, all of this should be interpreted a little bit with a caution. One way of trying to objectify it maybe a little bit is obviously to look at either discontinuation or withdrawal rates because there, it's basically a more direct comparison. But still, better to compare within trials than between trials.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Martin. Thank you, Wimal.

Operator

The next question comes from the line of Elizabeth Walton from Credit Suisse.

Elizabeth Walton
Crédit Suisse AG, Research Division

I have two. It's a follow-up on the Tirzepatide data that we had yesterday, Lilly clearly highlight the on-treatment efficacy data that they saw, notably for your data, it's the intent-to-treat population that is messaged and also on the FDA label. So I'm curious if that was a Novo choice or if that's what's mandated by the FDA?

And then just on the GLPs more broadly, you've seen some very strong growth this quarter. I'd be curious to understand that this is really being driven by new patients starting therapy or if you're also seeing an increase of stay time for patients on therapy. You used to be sort of neck and neck with Trulicity. What do you think has changed over the past year that's meant you've persistently gained the extra share.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Elizabeth. So Martin, first, again, on say, trial design and data read out being able to comment much on competitive data.

Martin Holst Lange
Executive VP, Head of Development & Member of the Management Board

So very, very clear. In the U.S., with the U.S. FDA, there's a requirement for reporting and also in labels reporting what they call treatment policy estimate, which is basically taking into account all patients that have participated in the trial and also receiving a little bit of a penalty from a statistical perspective on patients either withdrawing from treatment or from the trial. This is specifically why we've reported on that both in most of our publications, but also in our label. And we expect that the Tirzepatide label will also reflect the treatment policy.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Martin. Camilla, on the clearly very strong GLP-1 growth? How would you characterize that?

Camilla Sylvest
Executive VP, Head of Commercial Strategy & Corporate Affairs and Member of the Management Board

Yes. Thanks a lot. So in general, we have seen an acceleration in GLP-1 growth, both in the U.S. but also outside the U.S. and in particular, also on new patients start a significant increase. And part of that, of course, is related to GLP-1 treatment being more recognized being treatment guidelines, but also, of course, the awareness of the multiple benefits that Ozempic and Rybelsus tab, and Ozempic in particular, we know that 80% of people are in good control. really in a combination of reduction of blood sugar, reduction of weight and also a proven reduction in cardiovascular risk profile. And this triad of benefits is, of course, something that is clearly being recognized. And that's why we see more and more new patients starting on GLP-1. So it is definitely an effect of that.

When it comes to stay time then this is something that we measure more at a sort of a point level. So it's likely that there is a continued increase in stay time. But the main effect that we've seen in the last 4, 5 months has clearly been driven by NBRx.

Then just in terms of recognized in GLP-1 therapy. We've also seen in China that after we've had Ozempic approved and also on the reimbursement list, the NDRL, we have seen that the size of the GLP-1 market has now expanded from a few

years back being just 1% of the market now being around 6.8% of the total diabetes market. So also here, we see the same effect of the expansion of the GLP-1 segment driven by the benefits of this type of treatment.

Operator

The next question comes from the line of Peter Verdult from Citi.

Peter Verdult
Citigroup Inc., Research Division

Peter Verdult, Citi. Two questions. Just with the Clayton plant coming online this year, I thought the GLP-1 API situation would not be a problem. So the periodic supply constraints you're flagging across the portfolio, are they all still and finish related? I suppose what I'm driving at is just when you might hope to be in a supply unconstrained -- when you might be in a supply unconstrained position for your GLP-1 portfolio?

My second question, Martin, can you just remind us what your modeling of the Phase II 20-week category obesity data out to 72 weeks, predix in terms of expected percentage weight loss? I think you said 25% to 29% in the CMD. Just wanted to clarify that.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thanks, Peter. So starting on the supply situation. So going back to the prior question, we're obviously really, really pleased with the unprecedented growth we see in the GLP-1 category. And it's also what leads us to upgrade here after the first quarter already. So really, really, really strong dynamics. We showed at the Capital Markets Day, how we have been expanding capacity over the recent years and how we're ongoing doing that. There are, say, short-term optimizations one can do. You can, for instance, see in our accounts that we have increased our number of employees by 9%. Many of those are actually going into extended shifts in manufacturing.

You allude to investments. We are also guiding that we're investing DKK 12 billion in CapEx. So we have both API capacity coming in line, and we have also a major new fill finish line coming in line in Denmark in the near future. So we are very focused on being able to drive a growth strategy being able to deliver on our strategic aspirations. But we're also in a situation where the basic success of our molecules, the 70% of -- 70% growth of Ozempic doubling obesity, et cetera, creates a significant demand.

So as we build and ramp up that capacity we will short term have to balance this, say, from a position of strength. And I'll not be guiding on a specific date or future business. And when we are unconstrained as we don't know exactly what the demand will look like. But we are quite confident that we can manage this -- but we also just want to underline that the very successful momentum we see right now calls for us to make these short-term prioritizations and we believe we can do that in a way where we can both be there for the patient and sustain growth of Novo Nordisk.

And then there was a second question to you, Martin.

Martin Holst Lange
Executive VP, Head of Development & Member of the Management Board

Yes. Thanks very much. That was [indiscernible] and our modeling. I'll just remind us what we have a 20-year -- sorry, 20-week study on the combination therapy of cagrilintide and semaglutide. And in that study, we saw a 17% weight loss over 20 weeks without compromising on safety and tolerability, so safety profile similar to that of semaglutide in monotherapy. When we model that, we expect in a 68-week model to see a weight loss in the percentage of 25% body weight loss. It could be a little more. It could be a little less, but approximately 25% body weight loss.

Operator

The next question comes from the line of Michael Novod from Nordea.

Michael Novod
Nordea Markets, Research Division

It's Michael from Nordea. Maybe just trying to quantify impact from the tight supply on -- across your products. So could you say how much it actually is included in your guidance in terms of percentage points of top line growth that is not going to be there because of this tight supply.

And then secondly, also to Rybelsus, it seems like now you've had 3 quarters where you are beating expectations. Do you just see that physician perception is changing on both the GLP-1? Or is it just a result of you better being able to come out into the market and explain the advantages of an oral GLP-1 compared to other oral therapies.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thanks, Michael. I'll start out on the supply situation, then Doug can follow on Rybelsus performance and how we see that. So we have made a guidance which is reflecting the trend change that Doug alluded to in terms of number of scripts. So we have baked in significantly stronger GLP-1 performance into our forecast. So I think that's a quite bold outlook for our company. And we feel confident that we can supply that. So you can say we are actually leaning in and taking the latest, say, market dynamics into our forecast and can deliver on that.

So I don't think it's really possible or relevant for us to speculate what else there could have been of opportunity because we're actually taking the latest trend of the market into consideration. And of course, also reflecting how we believe this year will unfold. So in our view, it's a really, really strong momentum we see. And we are also leaning in, in terms of carrying that momentum forward in the year.

And then, Doug, can you talk a bit through Rybelsus performance in the U.S. and how we see the dynamics around that?

Douglas J. Langa
Executive VP, Head of North America Operations & Member of Management Board

Yes. Thank you, Michael, for the question. Certainly, as we talked about last quarter, the trajectory of Rybelsus has been continuing to grow. It's now has reported the third largest contributor to growth. What we're seeing specifically is we are seeing a better recognition or continued recognition of the semaglutide molecule. And specifically for Rybelsus, we are seeing the breadth of new writers, so approximately 1,100 writers per week are being added.

And then when you look at monthly writers, we're over 50,000. So we're continuing to see an increase in HCP awareness of not only the molecule, but specifically the brand in Rybelsus, and we're pleased with the competitive nature of what we're doing in a very crowded space.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thanks, Doug. Thanks, Michael.

Operator

Next question comes from the line of Martin Parkhoi from SEB.

Martin Parkhøi
Danske Bank A/S, Research Division

Martin Parkhoi from SEB. Two questions. Just a question to International Operations and the GLP-1 development. You show this chart on Slide 7 that Ozempic now is up at the same market share and an acceleration as dulaglutide, and it's -- very difficult for me to understand because if you look at the reported numbers, then Ozempic sales in International Operations this quarter was about 50% higher than the number that they reported yesterday on Trulicity outside U.S. So what is the difference? Are these data here useless or -- are you -- are the sell-in higher than what is going out to the patients? Just explain to me what the difference is? Is it pricing or whatever?

And then second question on sales and distribution. You're still guiding this year for slight decline to the margin despite the very strong top line growth, given the supply constraints that you maybe flag a little bit as a potential risk. Are you removing a little bit of the pressure also on SNP and why is that not reflected? Is it the case reflected in the margin?

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Martin. I'm not sure on the IO GLP-1 sales. Karsten, can you -- do you have a perspective on that and perhaps also SNP.

Karsten Munk Knudsen
Executive VP, CFO & Member of the Management Board

So if I start out on SNP, then what we have been pursuing all along is to drive top line growth more so than then the operating margin improvement, given where we are in our operating margin above 40%. And we are creating more value by driving top line growth which is exactly what we're benefiting from now with the attractive growth from our GLP-1 portfolio in diabetes as well as market development.

And then, of course, we are adjusting our commercial investments to whatever constraints there might be on specific products or specific markets. But for now, we continue to drive investments in commercial in order to continue to drive attractive top line growth. And so there's no change to the formula in that respect.

And to the graph, I think it should be taken into consideration that the graph we have on Slide 7 is not all of IO. It's a market where we have market statistics. So that might be the reason margin why there's a difference. But we can look further into that. I'll get back to you.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Martin.

Operator

Next question comes from the line of Mike Nedelcovych from Cowen.

Michael Thomas Nedelcovych
Cowen and Company, LLC, Research Division

I have two. First, on Phase III SELECT, if the trial is positive and depending on what label we do the ultimately garners, is it possible that we go could become eligible for Medicare, Medicaid coverage in the U.S. based on the cardiovascular benefit alone without being for statutory change around coverage of weight loss drugs. That's the first question.

And then the second question is on Cagrisema's Phase III program. Can you remind us of the number and type of Phase III trials that are required for U.S. filing for a weight loss indication. And will the Cagrisema Phase III program essentially be the same as we go or different? If different, in what way?

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Michael. So first, on Phase III SELECT if there's a positive outcome. And the question was whether we could have coverage in Medicare -- sorry Medicare, sorry, based on the CV data.

I don't know, Doug, do you have a perspective on that?

Douglas J. Langa
Executive VP, Head of North America Operations & Member of Management Board

Yes, Lars. Thanks, Mike, for the question. This would still require legislative change. So certainly, it would be helpful, but it would still require a legislative change for Medicare.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Good. And then Martin on the Cagrisema.

Martin Holst Lange
Executive VP, Head of Development & Member of the Management Board

So in general, the U.S. FDA will require at least well powered, randomized and controlled trials for a certain treatment period for the approval of a drug, specifically in an obesity indication. So at least 2 trials. Specifically for Cagrisema, this is

exactly what we do or plan in this space, a focused development program living up to the regulatory requirements, while at the same time, demonstrating the efficacy and safety of the Cagrisema combination.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Martin. Thanks, Mike.

Operator

The next question comes from the line of Richard Vosser from JPMorgan.

Richard Vosser
JPMorgan Chase & Co, Research Division

Two, just going back to the ONWARDS 2 trial, please? And just thinking about the higher rate of hypoglycemia. Just your perspective on that and whether by striving for higher or superiority in HbA1c, this is dragged admittedly a low rate of hypoglycemia a little bit higher. And whether KOLs would try and think about maybe reducing the dose to try and reduce the hyperglycemia. So just your perspectives on how physicians will see that part of the data.

And then secondly, just back to Cagrisema. I mean there's been some suggestion by Lilly that they might try and file early. Is there any chance of starting the Cagrisema Phase III trials a little bit earlier? Or is that still bound up with getting the capacity online for the [indiscernible]? Any thoughts there?

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thanks, Richard. I think two questions to you, Martin.

Martin Holst Lange
Executive VP, Head of Development & Member of the Management Board

Yes. So on the onwards hypoglycemia, I think it's important to recall that in this situation by regulatory requirement, we do what we call treat-to-target. So basically, both insulins are titrated to the same level of fasting plasma glucose and that also took place in the ONWARDS 2 trial.

Now in that setting, actually, and we did that successfully. We did see the superiority of A1c, but we also saw the numerical difference. But as you point out, with a very low rate. And I think it's important to point out that there is that very low rate, and this is specifically why we don't see a difference between the 2 treatments, neither from a statistical or a clinical perspective. Patients with those numbers on icodec would be on treatment for 1.5 years before having a not severe hypoglycemia episode.

I think it's important, even in this fairly large Phase III trial, we saw no events of severe hypoglycemia [indiscernible]. So from a safety perspective, we don't think that there will be any restrictions neither in the clinic or from a regulatory perspective, at least if we can repeat these data in the following 5 trials.

I think it's also important to point out maybe that when we do sort of sensitivity analysis, the impact of hypoglycemia is basically not registerable basically, again, reflecting very, very low rates of hypoglycemia, which are actually the lowest that we've seen in the development program so far.

On the time lines on Cagrisema, obviously, we are looking at those closely -- we intend to initiate the trial as planned in the second half of this year. And then obviously, we believe that we have a track record for not only fast recruitment but also fast finalization and regulatory submission of our programs. And therefore, we are fairly confident that we will not be late with the Cagrisema trial conduct and regulatory approval subsequently.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Martin. Maybe allow me to add a commercial perspective to Cagrisema and our opportunity already based on Wegovy. In the first quarter, we sold DKK 1.4 billion worth of Wegovy without promotion and with very limited supply capacity. So I think there's a bit too much focus on, say, comparing 2 trials. And what I think is a relatively modest difference in weight loss -- and if you look at the population of people living with obesity and what we can provide them

of weight loss in a safe manner, in an easy treatment setting for a physician to start and a patient to take, there's a tremendous opportunity.

And if you just consider about the market size, we all considered a few years back compared to what it is now. This is an amazing opportunity. And we are not worried about competition here at all because the number of patients in need of treatment is really, really significant, potentially one of the biggest opportunities around -- so this is not a market share game. This is about getting patients on treatment, and we are really confident that we'll get a significant part of those based on what we have and what we have seen so far.

We are just getting going with the products we have, and we're really exciting that we have, say, a third-generation option that has potential to be even better than anything seen out there today. So for me, this is really, really exciting. Thank you, Richard.

Operator

[Operator Instructions] The next question comes from the line of Colin White from UBS.

Colin White

Colin here. Two for me, please. First of all, why just Wegovy volume of volume changed so much in the first quarter? Is that an inventory effect? And can you quantify that?

And secondly, it's been talked about in the past about when GLP-1 market might slow down, but that doesn't appear to be happening. So I just was wondering if you could discuss your latest assumptions on when we might start to see the GLP-1 market growth start to slow?

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you. Karsten, could you give a perspective on perhaps both questions here. Value, volume Q1 and when GLP-1, it will slow down.

Karsten Munk Knudsen
Executive VP, CFO & Member of the Management Board

Yes. So first of all, on Wegovy sales in the first quarter and -- and which now is the first time we're disclosing the quarterly recovery sales. And you can find on the IR site also the preceding quarters of last year. So we have the full trend available. And as with any launch product, there will be some volatility in the volume value numbers when you do implied value prescripts.

And there are basically 2 key elements to it. So first of all, when you have a launch product, there will be a spread between the recorded, call it IQVIA or SYMPHONY script numbers and then our ex-factory sales because ramping up a product means also building inventories at both the retail and wholesale part of the supply chain. So there will normally be 10%, 20%, 30%, even 40% gap depending on the quarter on -- in the so-called fact ratio as one part of the explanation.

And the other part is linked to the fact that when we launched Wegovy last year, we were doing an early experience program called a bridge program, where we are basically providing co-pay insurance. So we are buying down the scripts to a normal co-pay regardless of whether patients had full insurance, while we are negotiating to establish insurance. And as a consequence, then there are a number of the scripts over the quarters will be tapping into this bridge program, which was discontinued for new initiations as of end of last year.

So as this bridge program runs out, the value per script will also be changing. So some very classic launch impacts on products that we see across most product launches in the U.S.

In terms of GLP-1 and growth momentum and whether it slows down, then I'll say the GLP-1 class has a number of characteristics which are very attractive. So first of all, the product characteristics cater extremely well for the patient audience and the prescriber audience that we are basically selling the product into both in terms of efficacy on weight -- blood glucose. It's a type 2 product, right? So on blood glucose, on weight and cardiovascular safety parameters, and it's easy and safe to prescribe.

So when you then look at the growth trajectory and as we presented at our Capital Markets Day, then as of today, only to the tune of 3% of global diabetes scripts, GLP-1. So the runway in terms of GLP-1 penetrating the diabetes class has a very, very long runway most notably in emerging markets. So for instance, when we look at Q1 this year and the ramp-up of Ozempic in China, after reimbursement just drives additional growth.

And then come on top of that, that the GLP-1 class in type 2 diabetes is really being recognized for the characteristics. So as we see in the first quarter in the U.S. Clearly, there's a big demand and an acceleration of new patient initiations linked to those product characteristics. And part of enabling that is also that the product is being prescribed earlier and earlier.

So previously being an injectable GLP-1 was prescribed only after patients have failed on all therapies. And more, we see Ozempic and GLP-1 therapy being moved early on into the treatment cascade towards, say, metformin failures and thereby being positioned much earlier on.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Karsten. Thank you, Colin, for those questions.

Operator

Next question comes from the line of Kerry Holford from Berenberg.

Kerry Ann Holford
Joh. Berenberg, Gossler & Co. KG, Research Division

A couple of questions, please. Firstly, on Ozempic, clearly impressive growth first quarter. I wonder if you can talk about the components of that, particularly in the U.S. Does this reflect only demand in diabetes? Or perhaps is there some element of off-label use in best given those Wegovy supply constraints just interested in your perspective there.

And then secondly, on GLP-1 capacity in obesity. Previously, you spoke of delivering around 20,000 Wegovy -- supply through Wegovy scripts for a week while you've been constrained in supply. I wonder if you might talk about approximately what your capacity is in the second half of the year between you -- with you and your CMO back online and how many scripts per week you might be able to provide in the second half of the year.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Kerry. So Doug, could you start giving a perspective on, as was mentioned, the impressive growth in the U.S. and how we can categorize that. And then Karsten, you can talk to the capacity for Wegovy now that we are back and having our CMO producing. First you, Doug.

Douglas J. Langa
Executive VP, Head of North America Operations & Member of Management Board

Yes. Thank you, Kerry, for the question. Certainly, we're pleased with the performance of Ozempic. It's really been something we're very proud of. It's become the #1 branded product when you look at NBRx. Semaglutide also, as I said earlier, has become a well-known molecule and its ability to improve both HbA1c, CV as well as weight. And very, very importantly, Novo Nordisk, we promote Ozempic and Wegovy in accordance with their indications and label period.

Now in the U.S., there is individual doctor experience and then they prescribe medications based on their discretion. But for us, we still implement robust policies and procedures to make sure that we're monitoring the situation and that our promotion, again, is in line with in accordance with indications and labels. We're pleased with the performance. It's become the #1 requested brand in NBRx. And certainly, we think that momentum is strong.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thanks, Doug. Over to you, Karsten, on capacity.

Karsten Munk Knudsen
Executive VP, CFO & Member of the Management Board

Yes. So capacity on Wegovy is clearly a focus at Novo Nordisk. And as we said at our last call, then we had a certain capacity around the 20,000 TRx and to the tune of 3,000 NBRx. And as you've seen, despite the fact that we've not been promoting Wegovy in the U.S. marketplace, demand has been building and exceeding those numbers.

So as a consequence, the 3 lowest dose strengths of Wegovy are currently not available in the U.S. marketplace. So that means that you should expect for the coming quarters that the number of TRx will be gradually going down since the 3 low strengths account for to the tune of 50% of total scripts if we look at it in Q1.

And then, of course, we're very focused on before we make the product available during the second half that we built sufficient inventories in order to ensure that there's a good experience for both patients and prescribers when the product is available in the market again. And there, we're not defining the exact capacity but hopefully, that should not be a concern. Of course, that's also a question of demand. But for sure, we will not make it available until we have sufficient inventories in place.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Karsten. Thank you, Kerry. And we have time for one final question and a quick answer.

Operator

The final question comes from the line of Simon Mather from BNP Paribas.

Simon Mather
BNP Paribas Exane, Research Division

I'll be as quick as I can. And just casting quickly, I mean, could you maybe help us understand after a phenomenal first quarter and increase in guidance, why there's still a margin decline factors into your 2 guidance ranges, I do expect a lot of operating leverage to drive no margin contraction.

And then just secondly, just on pricing. I don't know if it's been disclosed, but in terms of Ozempic 2.0, how is the pricing stacking up? I'm just thinking on this as a potential way to defend against Tirzepatide if indeed they do decide to price the same across all doses and there's clearly going to be off-label use in obesity.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Simon. And Karsten, first on margin. And then, Doug, what you can say on pricing for 2.0.

Karsten Munk Knudsen
Executive VP, CFO & Member of the Management Board

Thanks for that question, Simon. That's of course something which is very, very close to my heart to look after the margin of the company being at an already very attractive level north of 40. The key driver behind the margin dropping this year is the fact that we bought Dicerna Therapeutics late last year, which has an impact of 3% on operating profits.

And as you know, we are not adjusting our numbers into various types of core earnings. So this is kind of the clean set of numbers. And as you see, -- when we started out the year, we had a 2 percentage point gap between sales growth and OP growth ranges. And now we're tightening that to only 1 percentage point linked to the margin benefits of the higher growth rates.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

Thank you, Karsten. And Doug, on pricing for 2.0.

Douglas J. Langa
Executive VP, Head of North America Operations & Member of Management Board

Yes. Simply put, it's in alignment with Ozempic or flat pricing across all doses.

Lars Fruergaard Jorgensen
President, CEO & Member of Management Board

With that, I'd just like to conclude the Q&A session and again say how pleased we are with our performance. We are out to -- off to a really, really strong start, and we look forward to have a continued strong growth for this year, as we have guided based on the strong momentum we see. So thank you all for participating in this call and feel free to reach out to our Investor Relations officers, should you have more questions. Thank you, and have a good day.

Operator
This concludes our conference call. Thank you all for attending. You may now disconnect your lines.