

Incivek: Biggest Drug Launch in History. Is it Sustainable? Third Quarter Sales Strong but Scripts are Leveling

Companies

Vertex Pharmaceuticals (VRTX)

Merck (MRK)

Roche (OTC: RHHBY)

Johnson & Johnson (JNJ)

Products

Incivek (telaprevir; Vertex)

Victrelis (boceprevir; Merck)

Pegasys (Roche)

PegIntron (Merck)

- Incivek sales from launch in May through the end of the September have been \$495 million, according to Vertex's (VRTX) quarterly report. *inThought* believes Incivek is the fastest revenue generating drug launch ever, **likely to reach \$1 billion in under 9 months** compared to 18 months for Avastin and approximately 2 years for Humira and for Januvia.
- By contrast, **Merck (MRK) reported sales through September for Victrelis of only \$53 million.**
- The question now for both drugs is **the size of the remaining pool of untreated hepatitis C patients.**
- Weekly prescription counts show consistent but not growing number of new scripts for both Incivek and Victrelis over the past several weeks, **suggesting that sales will level off in 2012 for both drugs.**
- We queried Wolters Kluwer Source Healthcare Analytics data to determine the number of doctors prescribing Incivek and Victrelis compared to Pegasys and PegIntron. **The number of unique writers of Incivek in September was half the number of unique writers of Pegasys, indicating some room for sales growth from doctors who have not yet prescribed Incivek.**
- Also supporting some room for growth is the fact that, on average, doctors wrote 3.7 scripts of Incivek and 2.7 scripts of Victrelis compared to 5.1 scripts of Pegasys in September.
- Based on these factors, ***inThought* is increasing its 2011 and 2012 U.S. revenue estimates for Incivek to \$1.0 billion and \$1.4 billion, respectively. Our Victrelis estimates decrease to \$100 million for 2011 and \$256 million for 2012.**

Prescription Trends

Wolters Kluwer data show a consistent average of 1,000 new scripts of Incivek and 300 new scripts of Victrelis per week, indicating an over 3:1 average ratio with new scripts (NRx), which do not include refills. NRx's can be either new patients starting on therapy or cases where a physician has written a prescription that does not allow refills, necessitating a new prescription for the subsequent month of therapy.

Figure 1 shows both the total number of scripts since launch and the new scripts since launch for these two drugs. Total scripts since launch equal 24,753 for Vertex's Incivek and 7,517 for Merck's Victrelis.

Hepatitis C Drug Prescribers

Both Merck and Vertex have stated that a relatively small number of doctors who could prescribe a protease inhibitor have in fact done so since the launch of Incivek and Victrelis. To validate this, we queried Wolters Kluwer PHAST on the number of unique prescribers per month of Incivek and Victrelis, comparing those to the more established drugs Pegasys and PegIntron. Pegasys, the market leader, is likely to represent a ceiling for the realistic number of prescribers and the volume of scripts written per doctor.

In September, 7,595 Incivek scripts tracked by Wolters Kluwer were prescribed by 2,061 physicians, implying 3.7 scripts on average for each of those doctors. Victrelis was prescribed by 805, with 2.7 scripts per prescriber. Pegasys was prescribed by 4,130 doctors, with 5.1 scripts per doctor. Data since launch for these drugs plus PegIntron (including Redipen) are shown in Figure 2.

Both the number of scripts per doctor and the number of prescribing doctors suggest that Incivek is being prescribed by half of the doctors that are

likely to prescribe it, and that those doctors are already using it for nearly as many of their patients as they are prescribing Pegasys. As additional doctors adopt Incivek, presumably those already prescribing it will do so less frequently as their backlog of patients are treated.

Victrelis shows similar penetration patterns, although a slower adoption curve as might be expected from the lower prescription numbers.

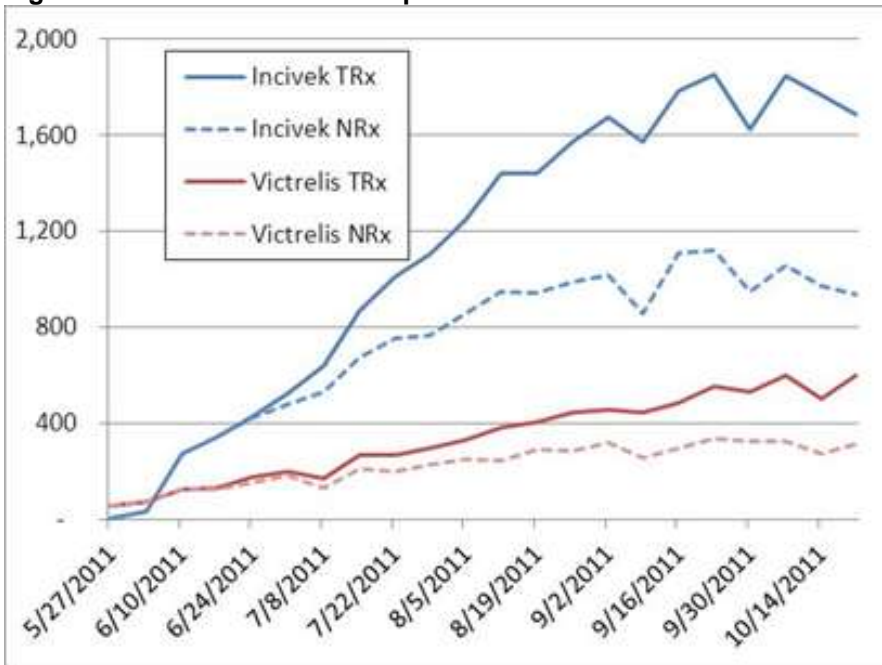
We also looked at the specialty of prescribing doctors, but did not see a significant difference between Incivek, Victrelis, Pegasys, and PegIntron. 55%-60% of scripts for all of these agents are written by gastroenterologists. The number of prescriptions per month for each specialist type is about the same, although hepatologists have larger volume of use for each of the four drugs than other specialties.

Revenue Forecast

Our revenue projections for Incivek (telaprevir), Victrelis (boceprevir), Merck's PegIntron, and Roche's Pegasys are depicted in Figures 3 and 4. Based on the quarterly numbers reported by Vertex and Merck and the data discussed above, we are increasing our estimates for Incivek and decreasing our Victrelis estimates. Our Pegasys and PegIntron numbers adjust similarly, with Pegasys being used commonly with Incivek.

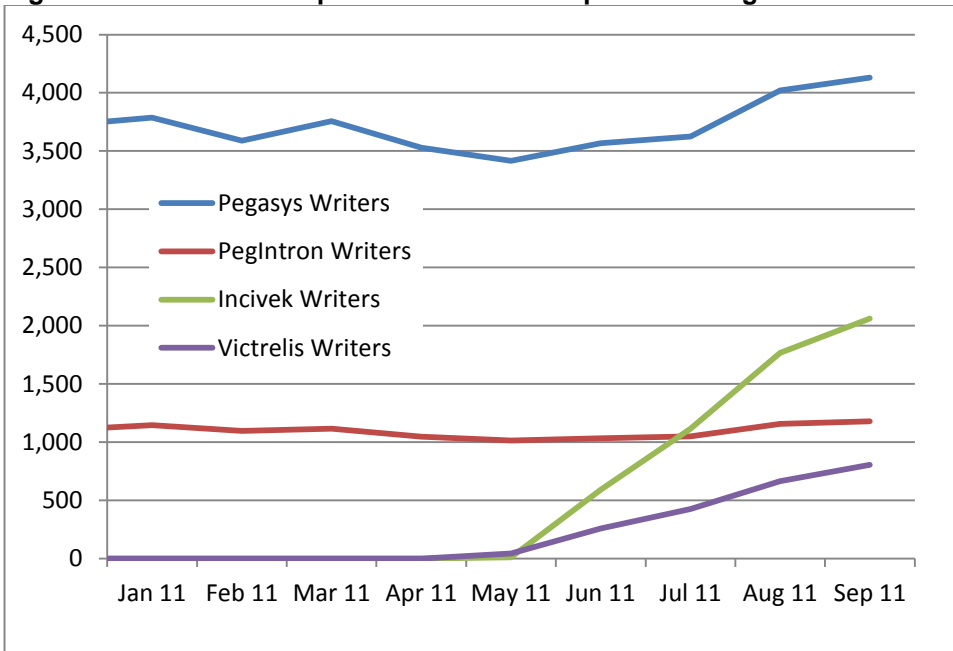
In 2014, our model anticipates other direct acting antivirals entering the U.S. market. Despite Pharmasset's press release this week indicating the potential for its all-oral regimen to be launched the U.S. in 2014, our model expects the first all-oral regimen in late 2015. Once all oral regimens are introduced, we expect them to become standard of care.

Figure 1: Total and New Prescriptions



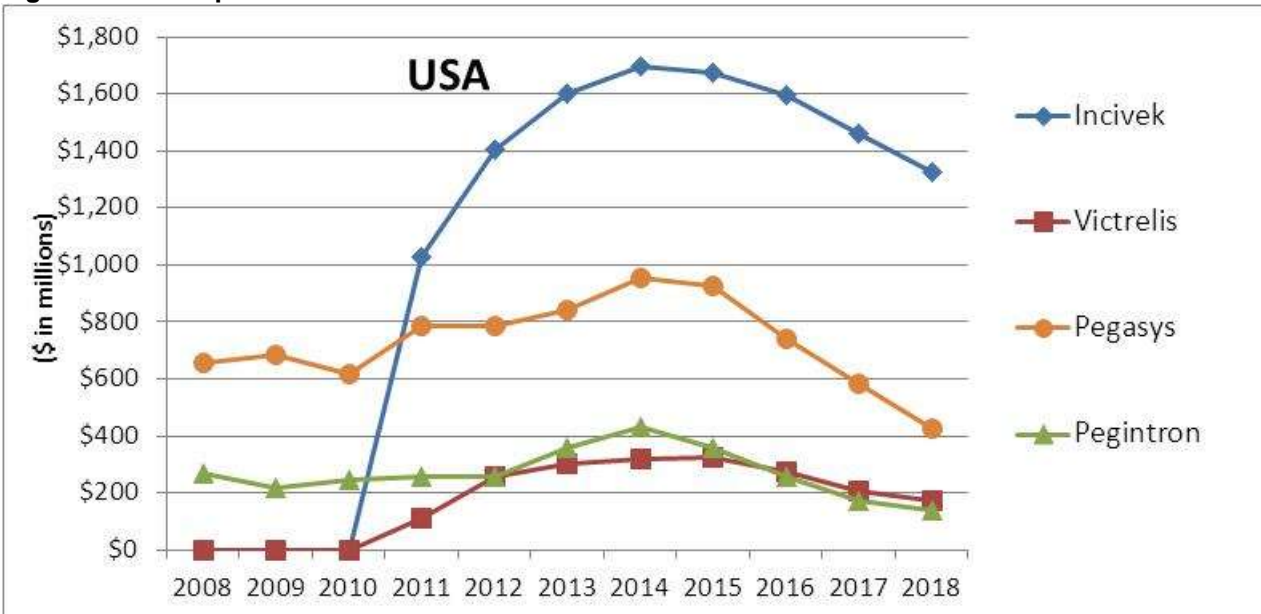
Source: Wolters Kluwer PHAST

Figure 2: Number of Unique Prescribers of Hepatitis C Drugs Per Month



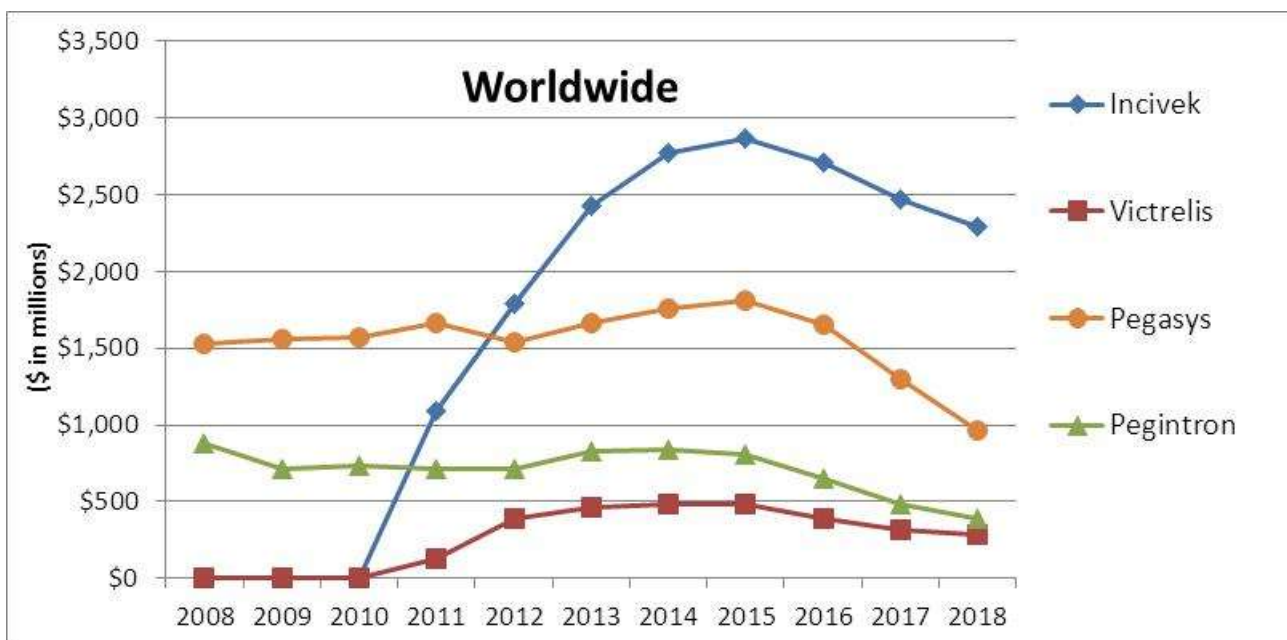
Source: Wolters Kluwer PHAST

Figure 3: U.S. Hepatitis C Revenue Forecasts



Source: inThought estimates, company reports

Figure 4: Worldwide Hepatitis C Revenue



Source: inThought estimates, company reports.

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