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## One Company That Benefits The Most From The Soaring Diabetes Epidemic

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The CDC is out with [new numbers](#) on the diabetes epidemic showing that it is continuing to surge out of control. Now 26 million Americans have diabetes and another 70 million—a third of the adult population have pre-diabetes. That is up from 23.6 million and 57 million just two years ago.

What's bad news for Americans is good news for companies that make diabetes treatments. One company that has ridden the obesity and diabetes epidemic like no other is Danish company Novo Nordisk. It is concentrated in the area of insulin and other diabetes therapies and has been one of the drug hottest stocks of the last decade. It reports earnings on February 2nd and investors will be looking to see if there is any update on a new diabetes drug in testing that would compete with Sanofi-Aventis's big selling insulin drug Lantus.

Other companies helped by the bad health news include Merck (it makes the popular diabetes pill Januvia), Allergan (it sells obesity surgery gear), Orexigen Therapeutics (it could have the first new obesity drug in years and is awaiting a final FDA verdict), and Amylin Pharmaceuticals, maker of the popular injected drug Byetta. Amylin stock was hammered last when the FDA refused to approve a long acting version of Byetta, without another safety study. Analyst Mark Schoenebaum of ISI wrote today in an email note that the study design is positive for Amylin. It could allow them to get back to the FDA by the second half of this year. If you think the long-acting version Bydureon will be approved, the stock could be a good buy. Partner Eli Lilly is lurking as a potential acquirer eventually.

The Bydureon delay has greatly helped Novo Nordisk, which makes a rival injectable drug Victoza. Here is what we said about Novo earlier this year:

Big pharma has been in a funk for almost a decade. It can't invent enough drugs to keep up with looming patent expirations on aging blockbusters.

But one once-obscure company is surging. Its shares have more than tripled in the last five years. Its sales are growing at a double-digit pace with no end in sight. Its \$55 billion market cap tops that of Eli Lilly, Bristol-Myers and (by a hair) Amgen.

Amazingly, the Danish company Novo Nordisk has done this largely with one 90-year-old product—insulin. Even as diabetes pills like Avandia from GlaxoSmithkline face new restrictions over safety, insulin remains the most powerful treatment for a disease that is surging around the world thanks to the growing obesity epidemic. No pill the drug industry has come up with can beat it.

Novo Nordisk is led by tall, athletic chief executive Lars Sorensen, who has a degree in forestry studies and bikes 15 kilometers to work in the Copenhagen suburbs every day. In addition to devising making new and improved dosage forms of insulin, his company does stem cell research that Sorensen hopes will someday lead to a cure. “If we were to cure diabetes, it would be the greatest thing,” he says. “Even if we have to go out and find another job at least we would be damn proud we made a difference.”

One reason for Novo’s success is that it has focused squarely on one of the hottest drug markets—diabetes—and not gotten distracted by passing pharmaceutical fads. It was formed in 1989 by the merger of two Danish insulin makers, and has an unusual corporate structure. It is controlled by a foundation that owns 26% of its shares and controls 70% the vote. This keeps the focus squarely on the long term. “We live and die with diabetes patients. It gives us the edge that we are better at selecting the scientifically right products than others who get into this field,” Sorensen says.

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