

CIO Office Viewpoint

Can GLP-1 weight loss drugs live up to the hype?

Investment Solutions

20 November 2023

The buzz over artificial intelligence (AI) has captivated investors this year, but a war on fat has not been far behind. GLP-1 weight loss drugs have big implications for public health, pharmaceutical and medical technology companies, as well as knock-on impacts on the consumer sector.

There is little doubt that GLP-1 drugs – including brand names Wegovy, Ozempic, Mounjaro and Zepbound – are game-changing treatments. Designed initially to stimulate insulin production for type 2 diabetics, the drugs mimic the action of the GLP-1 gut hormone released after eating. Studies then found they cause 15-20% weight loss by reducing appetite and slowing digestion (see table). Their use by celebrities took off, and their potential to tackle the fast-rising obesity epidemic became clear.

More than one in four US adults and 1 in 10 globally is already obese, leading to a higher risk of many conditions: diabetes, heart disease, stroke, some cancers, poor mobility and mental health. Until recently, obesity was seen more as a lifestyle than a medical condition. But this is changing, in part due to its heavy toll on the public purse: 2.5% of global GDP by 2035 estimates the World Obesity Federation, equivalent to the impact of Covid-19 in 2020.

The hype is real

Investors are right to be enthusiastic: GLP-1 drugs could be some of the biggest pharmaceutical products ever. In previous decades, statins, cancer immunotherapies, then Covid vaccines have all boosted sales. But the market for GLP-1's could be larger, faster: USD 70-100bn in annual sales by 2030 we estimate. Previously, there were no really effective weight loss drugs, with bariatric surgery the main option.

GLP-1s combine two important elements for pharmaceutical companies: a vast potential market and unmet need, with lifetime use (and hence recurring revenues) needed to be effective. Currently, only two firms have approved GLP-1 weight loss treatments. We expect this duopoly to continue until around 2027, allowing them to keep prices high: an estimated USD 10 000-16 000 per patient per year in the US, although competition between the two companies could see some modest downward pressure.

Key takeaways

- GLP-1 drugs could be the biggest pharmaceutical products in modern history. For drugs companies, they combine a huge potential market with long-term use and hence recurring revenues
- The high cost of these drugs looks likely to continue until competition arrives around 2027; we expect this to limit their uptake to under 10% of obese US adults by 2030
- Currently only two pharmaceutical companies have approved GLP-1 weight loss drugs; rivals only have candidate drugs in mid-stage testing
- The sell-off in medical device and big food and drinks companies on GLP-1 concerns may have gone too far in our view.

Important information: Please read the important information at the end of the document.

Weekly publication of Lombard Odier – Contacts: Investment Solutions, investment-solutions@lombardodier.com

Data as of 20 November 2023 unless otherwise stated.

Lombard Odier · CIO Office Viewpoint · 20 November 2023

Page 1/6

Recent trial results for leading obesity drug Wegovy also found it cuts the risk of heart attack, stroke, and heart-related deaths by 20% in obese or overweight people with heart disease. This should boost prescriptions and health insurer coverage of the drugs and suggests GLP-1s may become a mainstay in cardiovascular treatment, another huge market. Trials are looking to see if they can help other conditions, from polycystic ovary syndrome to alcohol misuse and dementia. Their use in obesity is being extended to new markets and younger populations. The first oral GLP-1 drugs may hit the market in 2025, increasing their appeal for those put off by weekly injections.

Stomach-reducing potential, eye-watering cost

The big discussion today is not GLP-1s' efficacy, but their cost – and hence barriers to their uptake. Covering the drugs for obesity – which it does not currently do – at today's prices would put a huge strain on US federal health insurer Medicare's finances, [note health economists](#), even with a limited uptake. Doctors in the UK can prescribe them for obesity but only for a year. Our market modelling assumes a comparatively small rise in the drugs' penetration by 2030, to just 8% of obese US adults.

Other factors may temper market optimism. The drugs' long-term side effects are unknown. Previous weight loss drugs have hit problems, from amphetamines and 'fen-phen' to Sanofi's Acomplia, which was abandoned in 2008 after concerns over increased suicide risk. The European Medicines Agency is also reviewing data on the risk of suicidal thoughts for patients on GLP-1s, which should conclude this month. Yet after several years of use for diabetes, few serious issues have arisen with GLP-1s, with most limited to nausea, vomiting and diarrhoea – although the dosage is slightly higher for Wegovy (the version prescribed for obesity) than for Ozempic (for diabetes). For rival GLP-1 drugs Mounjaro (diabetes) and Zepbound (obesity) there is essentially no difference.

Supply constraints are a bigger issue. Ramping up production of injectable drugs is hard, and limited supply of Wegovy is being prioritised for existing patients rather than new ones.

Priced for perfection

For investors, the biggest reality check is likely the price of the companies that sell them. The only two firms with approved GLP-1 obesity drugs trade at 40- and 100-times earnings, versus mid-teens for their peers. Unused to modelling such stellar growth, pharmaceutical analysts have shifted to valuing these companies on price/earnings to growth ratios, on which they do not look so misaligned. The multi-year opportunity perhaps lends itself better to a valuation based on the sum of future cashflows, rather than a single year's earnings.

Longer-term, the promise of GLP-1s could boost the whole pharmaceutical sector. But for now, it is hard to judge the potential at rival firms. Their drug candidates are only in early clinical trials, where on average, they have just a 15% chance of reaching the market.

The sky's the limit

Speculation over the potential impact of GLP-1s has spread quickly across equity sectors: will thinner passengers cut airlines' fuel bills? Will diet apps be consigned to history? Two events in October 2023 sparked a sell-off in the shares of consumer goods and medical device companies. The first was a comment from Walmart's US chief executive's that GLP-1 users were buying less food. Bosses of large food and drink companies rushed to say they had seen no impact. The second was a maker of bariatric surgery robots saying that growth rates for US procedures had slowed.

The sell-off in medical devices may have gone too far in our view. Specialist makers of sleep apnoea devices and fatty liver drugs closely linked with obesity may suffer. But more diversified firms, including makers of glucose-monitoring systems and replacement joints, still face a large and growing market, especially given the small proportion of obese patients projected to be on such drugs by 2030. Many insurers only cover them short-term and many patients stop taking them after a year, in which case, most of the weight tends to pile back on.

We also think a 'worst case' scenario for GLP-1s may now be priced into some consumer staples firms. Any change in consumption patterns is difficult to predict at this stage, and companies may have ample time to reshape product portfolios. Many, especially in Europe, have already pivoted towards healthier snacking and sports nutrition.

Of course, defensive sectors like healthcare and consumer goods have been hurt in 2023 by a surprisingly resilient US economy and by the competitive yields available on many bonds. Of the two equity sectors, we favour consumer goods, where we see scope for a volume and margin recovery in 2024.



Alexandra Ralli

Senior Equity Research Analyst, Healthcare Sector

1. Weight loss and weight management drugs

Drug	Mechanism of action	US (FDA) approval date	Average change in body weight (range)	Annual US wholesale cost (discounts often applied)
Zepbound (tirzepatide) <i>Eli Lilly</i>	GLP-1 and GIP receptor agonist – Weekly subcutaneous injection	November 2023	15.7-22.5%	USD 12 200-17 600
Wegovy (semaglutide) <i>Novo Nordisk</i>	GLP-1 receptor agonist – Weekly subcutaneous injection	June 2021	9.6-16%	
Saxenda (liraglutide) <i>Novo Nordisk</i>	GLP-1 receptor agonist – Daily subcutaneous injection	December 2014	6.7-9.2%	
Non GLP-1 drugs				
Contrave (bupropion and naltrexone) <i>Orexigen Therapeutics</i>	Aminoketone antidepressant and opioid receptor antagonist combination	September 2014	36-57% of patients achieved at least 5% (17-43% with placebo)	USD 2 300-9 200
Qsymia (phentermine and topiramate) <i>Vivus</i>	Daily oral amphetamine analogue with anorectic activity	July 2012	5-10% (1-2% with placebo)	
Xenical/Alli (orlistat) <i>Haleon</i>	Lipase inhibitor	1990 Over the counter since 2007	36-55% of patients achieved at least 5% 16-25% of patients achieved at least 10%	

Source: Lombard Odier calculations

Important information

This is a marketing communication issued by Bank Lombard Odier & Co Ltd (hereinafter "Lombard Odier"). It is not intended for distribution, publication, or use in any jurisdiction where such distribution, publication, or use would be unlawful, nor is it aimed at any person or entity to whom it would be unlawful to address such a marketing communication.

This marketing communication is provided for information purposes only. The contents of this marketing communication have not been reviewed by any regulatory authority in any jurisdiction. It does not constitute an offer or a recommendation to subscribe, purchase, sell, or hold any security or financial instrument. It contains the opinions of Lombard Odier, as at the date of issue. **These opinions and the information contained herein do not take into account an individual's specific circumstances, objectives, or needs. No representation is made that any investment or strategy is suitable or appropriate for individual circumstances, or that any investment or strategy constitutes personalised investment advice to any investor.** Each investor must make his/her own independent decisions regarding any securities or financial instruments mentioned herein. Tax treatment depends on the individual circumstances of each person and may be subject to change in the future. Lombard Odier does not provide tax advice. Therefore, you must verify the above and all other information provided in the marketing communication or otherwise review it with your external tax advisors. Some investment products and services, including custody, may be subject to legal restrictions or may not be available worldwide on an unrestricted basis.

The information and analysis contained herein are based on sources considered reliable. Lombard Odier uses its best effort to ensure the timeliness, accuracy, and comprehensiveness of the information contained in this marketing communication. Nevertheless, all information and opinions as well as the prices, market valuations, and calculations indicated herein may change without notice.

Investments are subject to a variety of risks. Before entering into any transaction, an investor should consult his/her investment advisor and, where necessary, obtain independent professional advice in respect of risks, as well as any legal, regulatory, credit, tax, and accounting consequences. The investments mentioned in this marketing communication may carry risks that are difficult to quantify and integrate into an investment assessment. In general, products such as equities, bonds, securities lending, forex, or money market instruments bear risks, which are higher in the case of derivative, structured, and private equity products; these are aimed solely at investors who are able to understand their nature and characteristics and to bear their associated risks. On request, Lombard Odier will be pleased to provide investors with more detailed information concerning risks associated with given instruments. **Past performance is no guarantee of current or future returns, and the investor may receive back less than he/she invested.** The value of any investment in a currency other than the base currency of a portfolio is subject to the foreign exchange rates. Exchange rates may fluctuate and adversely affect the value of the investment when it is realised and converted back into the investor's base currency. The liquidity of an investment is subject to supply and demand. Some products may not have a well-established secondary market or in extreme market conditions may be difficult to value, resulting in price volatility and making it difficult to obtain a price to dispose of the asset.

This marketing communication is not issued by the organisational unit of Bank Lombard Odier & Co Ltd responsible for the production of financial research, as defined under the Swiss Bankers Association Directives on the Independence of Financial Research. Consequently, it is not prepared in accordance with the provisions of said Directives or any other legal requirements designed to promote the independence of the production of financial research. Opinions expressed in this marketing communication may differ from the opinions expressed by other divisions of Lombard Odier, including Bank Lombard Odier & Co Ltd's Research Department. Nevertheless, if opinions from financial analysts belonging to the Research Department are contained herein, such analysts attest that all of the opinions expressed accurately reflect their personal views about any given instruments. In order to ensure their independence, financial analysts are expressly prohibited from owning any securities that belong to the research universe they cover. Lombard Odier may hold positions in securities as referred to in this marketing communication for and on behalf of its clients, and/or such securities may be included in the portfolios of investment funds as managed by Lombard Odier or affiliated Group companies. Lombard Odier recognises that conflicts of interest may exist as a consequence of the distribution of financial instruments or products issued and/or managed by entities belonging to the Lombard Odier Group. Lombard Odier has a Conflict of Interests policy to identify and manage such conflicts of interest.

European Union Members: This marketing communication has been approved for use by Lombard Odier (Europe) S.A. in Luxembourg and by each of its branches operating in the following territories: **Belgium:** Lombard Odier (Europe) S.A. • Belgium branch; **France:** Lombard Odier (Europe) S.A. • Succursale en France; **Italy:** Lombard Odier (Europe) S.A. • Italian Branch; **Spain:** Lombard Odier (Europe) S.A. • Sucursal en España. Lombard Odier (Europe) S.A. is a credit institution authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg. In addition, this marketing communication has also been approved for use by the following entity domiciled within the European Union: **Spain:** Lombard Odier Gestión (España) S.G.I.I.C., S.A.U., an investment management company authorised and regulated by the Comisión Nacional del Mercado de Valores (CNMV), Spain.

Hong Kong: This marketing communication is distributed in Hong Kong by Lombard Odier (Hong Kong) Limited, a licensed corporation registered by the Securities and Futures Commission of Hong Kong (“SFC”) to carry on Type 1, Type 4 and Type 9 regulated activities under the Securities and Futures Ordinance (“SFO”) in Hong Kong.

Singapore: This marketing communication is distributed in Singapore by Lombard Odier (Singapore) Ltd for the general information of accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the Securities and Futures Act (Chapter 289). Recipients in Singapore should contact Lombard Odier (Singapore) Ltd, an exempt financial adviser under the Financial Advisers Act (Chapter 110) and a merchant bank regulated and supervised by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with this marketing communication. The recipients of this marketing communication represent and warrant that they are accredited investors and other persons as defined in the Securities and Futures Act (Chapter 289). **This advertisement has not been reviewed by the Monetary Authority of Singapore.**

Israel: This marketing communication has been approved for use in Israel by the Israel Representative Office of Bank Lombard Odier & Co Ltd, an entity not supervised by the Bank of Israel, but by the Swiss Financial Market Supervisory Authority, which supervises the activities of Bank Lombard Odier & Co Ltd.

South Africa: This marketing communication has been approved for use in South Africa by the South Africa Representative Office of Bank Lombard Odier & Co Ltd, an authorised financial services provider, Registration number 48505.

Switzerland: This marketing communication has been approved for use in Switzerland by Bank Lombard Odier & Co Ltd Geneva, a bank and securities firm authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

United Kingdom: This marketing communication has been approved for use in the United Kingdom by Lombard Odier (Europe) S.A. – UK Branch, a bank authorised and regulated by the Commission de Surveillance du Secteur Financier (“CSSF”) in Luxembourg and authorised in the UK by the Prudential Regulation Authority (“PRA”). Subject to regulation by the Financial Conduct Authority (“FCA”) and limited regulation by the Prudential Regulation Authority. Financial Services Firm Reference Number 597896. **Details about the extent of our authorisation and regulation by the Prudential Regulation Authority and regulation by the Financial Conduct Authority are available from us on request.**

United States: Neither this document nor any copy thereof may be sent to, taken into, or distributed in the United States of America, any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a United States Person. For this purpose, the term “United States Person” shall mean any citizen, national, or resident of the United States of America; any partnership organised or existing in any state, territory, or possession of the United States of America; any corporation organised under the laws of the United States or of any state, territory, or possession thereof; or any estate or trust that is subject to United States Federal income tax regardless of the source of its income.

This marketing communication may not be reproduced (in whole or in part), transmitted, modified, or used for any public or commercial purpose without the prior written permission of Lombard Odier.

Data protection: You may be receiving this communication because you have provided us with your contact details. If this is the case, note that we may process your personal data for direct marketing purposes. If you wish to object to this processing, please address your objection to the Group’s Data Protection Officer: Bank Lombard Odier & Co Ltd, Group Data Protection Officer, 11, Rue de la Corraterie, 1204 Geneva, Switzerland. E-Mail: group-dataprotection@lombardodier.com. For more information on Lombard Odier’s data protection policy, please refer to www.lombardodier.com/privacy-policy.

© 2023 Bank Lombard Odier & Co Ltd – all rights reserved. Ref. LOCH/LOESA/LOASIA-MWNP-*en-032023*.

SWITZERLAND

GENEVA

Bank Lombard Odier & Co Ltd¹

Rue de la Corraiterie 11 · 1204 Genève · Suisse
geneva@lombardodier.com

Lombard Odier Asset Management (Switzerland) SA

Avenue des Morgines 6 · 1213 Petit-Lancy · Suisse
Support-Client-LOIM@lombardodier.com
Management Company regulated by the FINMA.

FRIBOURG

Banque Lombard Odier & Cie SA · Bureau de Fribourg¹

Rue de la Banque 3 · 1700 Fribourg · Suisse
fribourg@lombardodier.com

LAUSANNE

Bank Lombard Odier & Co Ltd¹

Place St-François 11 · 1003 Lausanne · Suisse
lausanne@lombardodier.com

VERBIER

Banque Lombard Odier & Cie SA · Bureau de Verbier¹

Route de Verbier 53 · 1936 Verbier · Suisse
verbier@lombardodier.com

VEVEY

Banque Lombard Odier & Cie SA · Agence de Vevey¹

Rue Jean-Jacques Rousseau 5 · 1800 Vevey · Suisse
vevey@lombardodier.com

ZUG

Bank Lombard Odier & Co Ltd¹

Baarerstrasse 52 · 6300 Zug · Schweiz
zug@lombardodier.com

ZURICH

Bank Lombard Odier & Co Ltd¹

Utoschloss · Utoquai 29-31 · 8008 Zürich · Schweiz
zurich@lombardodier.com

EUROPE

BRUSSELS

Lombard Odier (Europe) S.A. · Belgium branch²

Avenue Louise 81 · Box 12 · 1050 Brussels · Belgium
brussels@lombardodier.com

Credit institution supervised in Belgium by the National Bank of Belgium (NBB) and the Financial Services and Markets Authority (FSMA). RPM Bruxelles 0500.864.745.

LONDON

Lombard Odier (Europe) S.A. · UK Branch²

Queensberry House · 3 Old Burlington Street · London
W1S 3AB · United Kingdom ·
london@lombardodier.com

The Bank is authorised in the UK by the Prudential Regulation Authority ('PRA'). Subject to regulation by the Financial Conduct Authority ('FCA') and limited regulation by the Prudential Regulation Authority. Financial Services Firm Reference Number 597896. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority and regulation by the Financial Conduct Authority are available from us on request.

Lombard Odier Asset Management (Europe) Limited

Queensberry House · 3 Old Burlington Street · London
W1S 3AB · United Kingdom ·
london@lombardodier.com

Investment firm authorised and regulated by the Financial Conduct Authority (FCA register No.515393).

LUXEMBOURG

Lombard Odier (Europe) S.A.

291, route d'Arlon · 1150 · Luxembourg · Luxembourg
luxembourg@lombardodier.com
Credit institution authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.

Lombard Odier Funds (Europe) S.A.

291, route d'Arlon · 1150 · Luxembourg · Luxembourg
luxembourg@lombardodier.com

MADRID

Lombard Odier (Europe) S.A. · Sucursal en España²

Paseo de la Castellana 66 · 4ª Pl. · 28046 Madrid · España · madrid@lombardodier.com
Credit institution supervised in Spain, by the Banco de España and the Comisión Nacional del Mercado de Valores (CNMV).

Lombard Odier Gestión (España) S.G.I.I.C, S.A.U.

Paseo de la Castellana 66, 4ª Pl. · 28046 Madrid · España · madrid@lombardodier.com
Management Company supervised by the Comisión Nacional del Mercado de Valores (CNMV).

MILAN

Lombard Odier (Europe) S.A. · Succursale in Italia²

Via della Spiga 30 · 20121 Milano · Italia
milano-cp@lombardodier.com
Credit institution supervised in Italy by the Commissione Nazionale per le Società e la Borsa (CONSOB) and la Banca d'Italia.

PARIS

Lombard Odier (Europe) S.A. · Succursale en France²

8, rue Royale · 75008 Paris · France. RCS PARIS B 803
905 157 · paris@lombardodier.com
Credit institution supervised in France by the Autorité de contrôle prudentiel et de résolution (ACPR) and by the Autorité des Marchés Financiers (AMF) in respect of its investment services activities. Business permit No.23/12. Registered in Luxembourg - No.B169 907. Insurance intermediary authorised by the Commissariat aux Assurances (CAA) No.2014 CMO02. The registration with the CAA can be verified at www.orias.fr.

AFRICA | AMERICAS | MIDDLE EAST

ABU-DHABI

Bank Lombard Odier & Co Ltd · Abu Dhabi Global Market Branch

Al Maryah Island · Abu Dhabi Global Market Square · Al Khatem Tower · 8th floor · P.O. Box 764646 · Abu Dhabi · United Arab Emirates ·
abudhabi@lombardodier.com
Arranging Deals in Investments · Advising on Investment or Credit · Arranging Credit. Regulated by the ADGM Financial Services Regulatory Authority.

BERMUDA

Lombard Odier Trust (Bermuda) Limited

3rd Floor, Victoria Place · 31 Victoria Street · Hamilton
HM 10 · Bermuda · bermuda@lombardodier.com
Licensed to conduct Trust, Investment and Corporate Service Provider Business by the Bermuda Monetary Authority.

BRAZIL

Lombard Odier (Brasil) Consultoria de Valores Mobiliários Ltda.

Avenida 9 de Julho No. 3624, 6º andar Jardim Paulista · CEP 01406-000 · São Paulo · Brazil
sao.paulo.office@lombardodier.com
Authorised and regulated by the Central Bank of Brazil (BACEN) as Representative office of Bank Lombard Odier & Co Ltd & Supervised by the Brazilian Securities Commission as Investment Advisor.

DUBAI

Lombard Odier (Middle East) Ltd

Dubai International Financial Center · The Gate Building, Level 13 · Office 1301 & 1304 · P.O. Box 507035 · Dubai · United Arab Emirates · dubai@lombardodier.com
Regulated by the Dubai Financial Services Authority.

ISRAEL

Israel Representative Office ·

Bank Lombard Odier & Co Ltd

Alrov Tower 11th floor · 46 Rothschild Blvd. · Tel Aviv
6688312 · Israel · telaviv@lombardodier.com
Not supervised by the Bank of Israel, but by Swiss Financial Market Supervisory Authority which supervises the activities of Bank Lombard Odier & Co Ltd.

NASSAU

Lombard Odier & Cie (Bahamas) Limited

Lyford Cay House · Western Road · P.O. Box N-4938 · Nassau · Bahamas · nassau@lombardodier.com
Supervised by the Central Bank of the Bahamas and the Securities Commission of the Bahamas.

PRETORIA

South Africa Representative Office ·

Bank Lombard Odier & Co Ltd

1st floor · Block B · The Village Office Park · 309 Glenwood Road · Faerie Glen · Pretoria 0081
South Africa · pretoria@lombardodier.com
Authorised financial services provider Registration number 48505.

ASIA - PACIFIC

HONG KONG

Lombard Odier (Hong Kong) Limited

1601, Three Exchange Square · 8 Connaught Place · Central · Hong Kong · hongkong@lombardodier.com
A licensed entity regulated and supervised by the Securities and Futures Commission in Hong Kong.

SINGAPORE

Lombard Odier (Singapore) Ltd.

9 Raffles Place · Republic Plaza #46-02 · Singapore
048619 · singapore@lombardodier.com
A merchant bank regulated and supervised by the Monetary Authority of Singapore.

TOKYO

Lombard Odier Trust (Japan) Limited

Izumi Garden Tower 41F · 1-6-1 Roppongi, Minato-ku · Tokyo 106-6041 · Japan · tokyo@lombardodier.com
Regulated and supervised by the Financial Services Agency (FSA) in Japan. It holds a trust business license (FSA No.208) and is registered with Kanto Local Finance Bureau for Financial Instruments Business Operator (No.470).

¹ Private bank and securities firm authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

² Branch of Lombard Odier (Europe) S.A., a credit institution based in Luxembourg, authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.