

Trending Forward

Investing Insights from the Sustainable Equity Team

THE GROWING MARKET FOR GLP-1 DRUGS



Hua Cheng, CFA, PhD
Portfolio Manager,
Sustainable Equity



John Boyle, CFA
Equity Analyst,
Sustainable Equity

As obesity rates swell worldwide, popular GLP-1 (Glucagon-like peptide-1) drugs such as Ozempic and Wegovy have generated investor interest. Demand for these drugs has outstripped supply and companies such as Novo Nordisk and Eli Lilly have a strong hold on the market share. Investors should also consider the broader market opportunities and cross-sector implications of GLP-1 drugs.

In Brief

- **The business opportunities related to diabetes and obesity** are much larger than even the most bullish expectation from several years ago.
- **Incremental business opportunities in other treatment areas**, look to be meaningful with preliminary trial results positive in cardiovascular and kidney disease.
- **Winners and losers:** We believe Novo Nordisk and Eli Lilly are clearly well positioned to benefit from GLP-1 business opportunities, though competition may increase as more players enter the market. Other industries, such as medical devices, are expected to experience positive effects, while the broader impact on sectors like medtech, food and beverage, is likely to be somewhat negative.

A Growing Market

As diabetes and obesity rates continue to rise globally, the demand for GLP-1 drugs is expected to surge. GLP-1 drugs work by mimicking hormones released in the gastrointestinal tract in response to eating and stimulate insulin production (reducing blood glucose) and interact with the brain to reduce appetite and to more quickly signal a feeling of satiety.

While GLP-1 drugs date back to 2005 as targeted treatments for Type 2 diabetes, interest in GLP-1 has skyrocketed having shown clear efficacy in weight management and FDA approval for obesity. The strong preliminary evidence of cardiovascular benefits (including a ~20% reduction in heart attack and stroke) and other possible use cases has further boosted perceptions of the enormous addressable market opportunity.¹

**~40% of US adults
now have obesity.²**

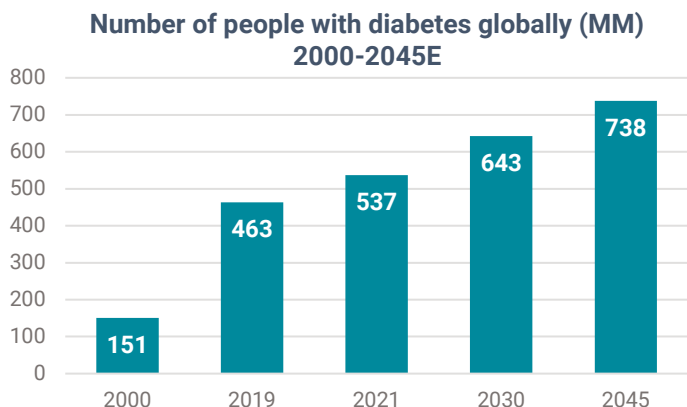
**Of the ~764mn people
living with obesity
globally, only 2% are
medically treated
today.²**

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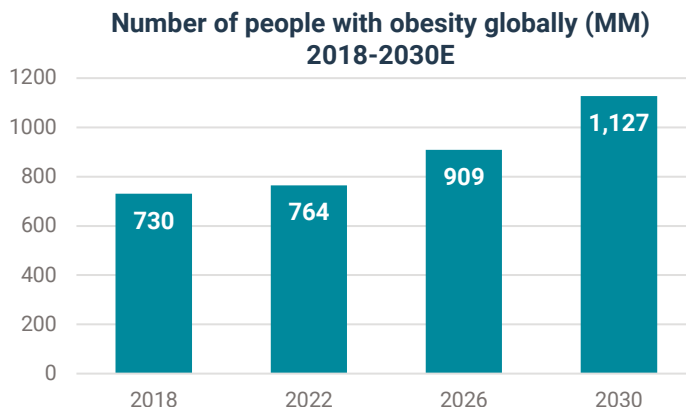
¹Company announcement, Novo Nordisk

²Novo Nordisk Capital Market Day

Rising rates of diabetes and obesity globally



Source: Redburn Atlantic, IDF Diabetes Atlas 2021



Source: Company reports, Berenberg estimates

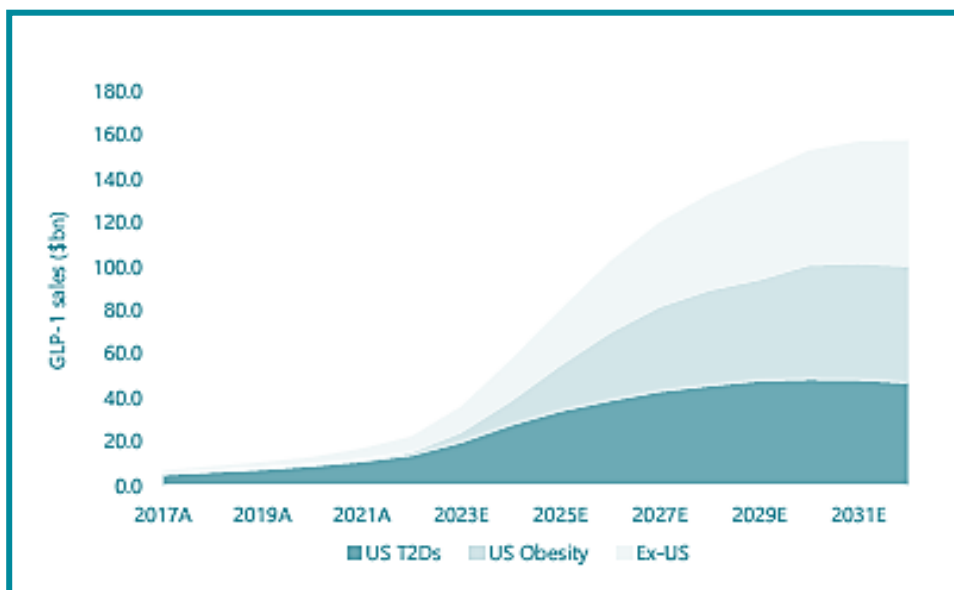
Clear Winners³

Global GLP-1 sales, around \$40bn in 2023, could approach \$150bn by 2032 (15.8% CAGR), with Novo Nordisk and Eli Lilly together comprising close to 100% of the market for now (competitive entrants are assumed to take up to 15% share by 2032). We believe that Novo and Lilly will see tremendous long-term GLP-1 opportunities that include newer pipeline drugs now in Phase 3 testing, with supply-constrained double-digit revenue growth likely through 2028 at least.

The healthcare wild card is the extent to which this drug class has the potential to affect other

therapeutic areas, including cardiovascular and kidney disease, of which some are in late-stage clinical trials. Cardiovascular disease is the leading cause of death globally and the drug market is projected to reach \$64bn by 2026 (3.8% CAGR). The global chronic kidney disease drug market is expected to expand to \$19.8bn by 2030 (5.2% CAGR). If GLP-1 clinical results are highly positive on these diseases, market volumes could be much larger than the data above. Additionally, several medical device companies, such as Thermo Fisher, that supply analytical instruments, diagnostics, and drug delivery systems should benefit as well.

Global GLP-1 Market Expectations



Novo Nordisk and Eli Lilly together comprise close to 100% of the market. We believe that Novo and Lilly will see tremendous long-term GLP-1 opportunities.

Source: Jefferies Research; IQVIA IMS, All Rights Reserved

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³Source: Mirova

Implications for other industries

Treating obesity has far-reaching implications for various industries, particularly healthcare and food and beverage. Obesity is linked to numerous chronic illnesses causing impacts to the healthcare sector beyond obesity. GLP-1 drugs encourage healthier diets and decrease appetites which will likely shift consumer trends.

Medtech: In the medtech industry, insulin pump makers may face higher risk, while companies producing continuous glucose monitors may be less affected. In the realm of heart valve disease, GLP-1's impact is likely minimal, but its potential to extend lifespans could lead to a growing patient cohort for heart valve replacement/repair products. Similarly, for kidney dialysis equipment providers, GLP-1 may initially reduce the patient funnel but could contribute to longer-term growth. In orthopedics, weight reductions from GLP-1 therapy could reduce joint damage and the need for replacements.

Food & Beverage: GLP-1's effects on the food and beverage industry are concentrated in categories like sugary sodas, candy, and greasy foods, as it reduces the desire for these items. Additionally, GLP-1 may lead to a reduction in restaurant traffic, but adaptation and menu changes should lessen this impact. Fast food outlets may be more exposed, while healthier alternatives could benefit with an increased focus on healthier eating habits.

Managing Risks and Engagement

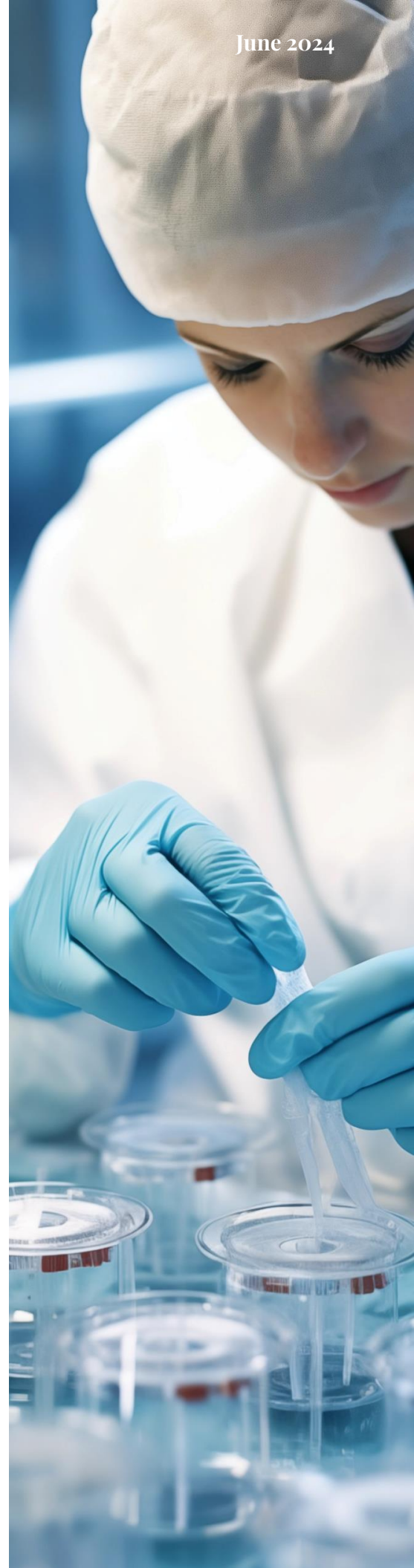
While the growth prospects for companies like Novo Nordisk and Eli Lilly are strong, as the use of GLP-1s for weight loss becomes more common, there are risks to consider which include:

- **Off-label marketing/promotion of obesity and diabetes drugs**
- **Social media promotion**
- **Drug pricing**
- **Patient safety**

Mirova continues to engage with companies like Novo Nordisk and Eli Lilly to discuss these risks and share best practices. Both companies are actively monitoring online activities and addressing emerging risks associated with social media, including the sale of counterfeit medicines, and have communicated sales and marketing practices in line with Mirova's ethical standards. Additionally, they are working with authorities to improve the serialization process and are emphasizing the importance of prescribing drugs based on FDA approval to the physicians they collaborate with.

While investors should consider the risks and medical treatment should go along with prevention and healthier lifestyle choices, in many cases medical treatment is necessary and can help reduce comorbidities. Mirova also continues to advocate for healthy products and better nutrition policies. As we are in the very early stages in the global fight against obesity, these drugs are likely to play an important role, offering long-term business opportunities for the companies involved in the space.

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Portfolio Management Company - Anonymous Company RCS Paris No.394 648 216
AMF accreditation no. GP 02-014
59, Avenue Pierre Mendès France 75013 Paris
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NATIXIS INVESTMENT MANAGERS

French Public Limited liability company
RCS Paris n°453 952 681
Registered Office: 59, avenue Pierre Mendès-France 75013 Paris
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Wood Avenue Plaza
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