Special Report

New Entrants in the Weight Loss Drugs Market

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Contents

Rise of GLP-1 Agonists in Weight Loss Market

Increasing prevalence of obesity worldwide unlocks significant market potential

Introduction to GLP-1 agonist

- Glucagon-like peptide 1 (GLP-1) agonists are a class of medications that aid in blood sugar regulation for individuals with Type 2 diabetes. Certain GLP-1 medications also help with long-term weight control.
- An agonist is a synthetic drug that binds to a cell receptor and performs the same function as the naturally occurring chemical. GLP-1 drugs bind to GLP receptors to activate the effects of the GLP-1 hormone.
- It helps reduce food intake and appetite, which aids in weight loss. Initially approved for diabetes treatment in 2005, these drugs gained approval for obesity treatment recently. The popularity of these drugs surged with FDA approval of Wegovy for weight-loss management in 2021.
- Clinical trials have demonstrated that GLP-1 drugs can achieve weight reduction of 15-24%, driving growth and investment in the weight-loss market.

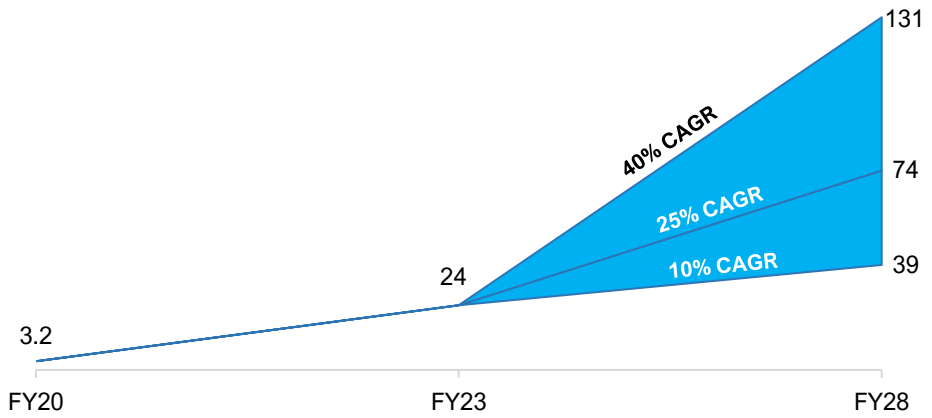
24% of global population may be obese by 2035

Year	Adults with Obesity (BMI ≥ 30 kg/m²)	Proportion of the global population with obesity
2020	0.99bn	14%
2025	1.25bn	17%
2030	1.56bn	20%
2035	1.91bn	24%

Significant growth opportunity

- IQVIA projects the global GLP-1 market to reach $74 billion by 2028 at a 25% CAGR from 2023 to 2028. In an optimistic scenario, it could hit $131 billion due to geographic expansion, while a bearish estimate of $39 billion highlights risks to coverage expansion.
- Market growth is driven by the rising prevalence of diabetes and the expanded use of GLP-1 drugs for obesity, significantly increasing the total addressable market (TAM). Currently, new GLP-1 drug penetration in developed countries is low, but growing awareness of obesity treatment is expected to boost these levels significantly.
- The list prices for these medications range from $900 to $1,300 per month, and insurance coverage is still limited. However, insurance coverage for these drugs is expected to increase, going forward.

Estimated GLP-1 market size (in US$ billion)



Source: *World Obesity Federation, IQVIA*

How Existing Players Benefited

Stock prices of Novo Nordisk and Eli Lilly have skyrocketed

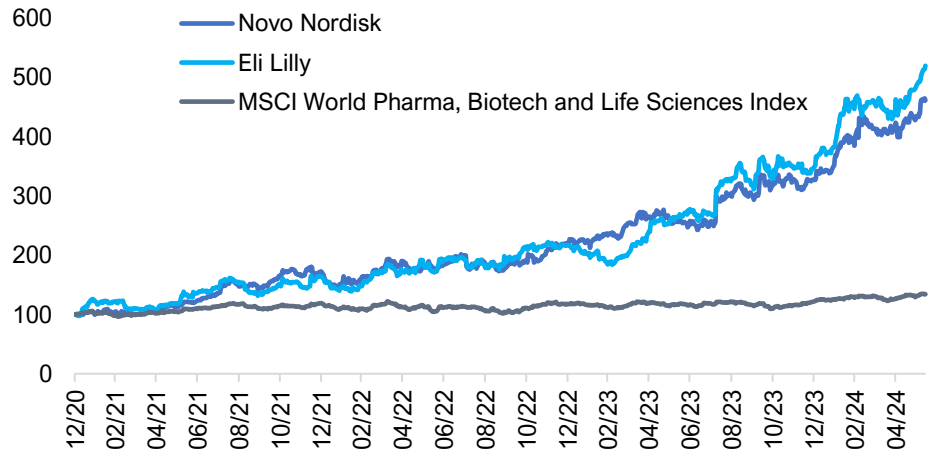
Novo Nordisk

- Novo Nordisk, a Danish pharmaceutical company, has been a significant player in the field of diabetes with a GLP-1 TRx market share of 56%.
- Novo Nordisk's weight loss drug revolves around semaglutide, a GLP-1 agonist compound initially developed for the treatment of type 2 diabetes. The drug was named Ozempic. However, the company recognized the drug's potential for weight management due to its ability to regulate appetite and reduce food intake.
- Semaglutide, under the brand name Wegovy, has been approved by regulatory authorities in various countries, including the FDA in the US, for chronic weight management in adults with obesity or diagnosed overweight with at least one weight-related comorbidity.

Eli Lilly

- Eli Lilly is a US pharmaceutical company, specializing in a range of therapeutic areas such as diabetes, neuroscience, oncology, and immunology. It has a TRx market share of 43% contributed by Mounjaro.
- The company developed Tirzepatide, a promising candidate for addressing obesity and its associated metabolic complications comprehensively. Tirzepatide is a weekly injectable that works by mimicking the action of two hormones, GLP-1 and GIP, which regulate appetite and metabolism.
- Mounjaro (for type 2 diabetes) and Zepbound (for chronic weight management) are two medications developed by Eli Lilly that contain the active ingredient Tirzepatide.

Comparison with industry



Continued innovation

Investing in Innovation
Despite being a duopoly, these companies are trying to maintain and improve their competitive edge by investing in additional drugs and are testing new and improved versions of these drugs.

Oral Drug Testing
Both companies are testing oral drugs, allowing easier administration and storage, potentially making them cheaper. However, oral formulations require several times the amount of drug required for injectables.

Better Efficacy
Novo Nordisk is developing Cagrisema, a dual agonist using GLP-1 and amylin RA, while Eli Lilly is developing Retatrutide, a triple agonist using GLP-1, GIP and glucagon RA, which are expected to be more effective in terms of weight loss.

Source: *Bloomberg, Company Filings*

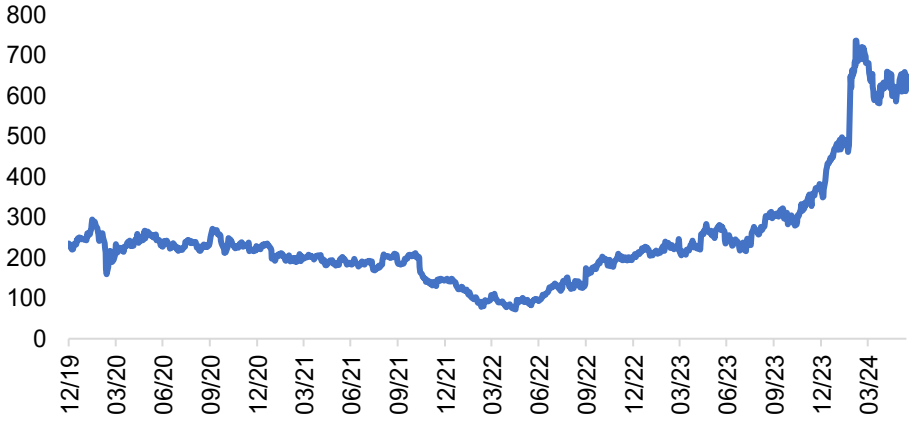
Potential Entrants – Boehringer Ingelheim and Zealand Pharma

Survodutide could be the first competitor to existing players

Company description

- Boehringer is a German multinational pharmaceutical focusing on research and development, bringing innovative drugs to market across human and animal health areas.
- Zealand is a Danish biotechnology company, discovering and developing peptide-based medicines, focusing on metabolic and gastrointestinal diseases.
- Boehringer likely takes the lead on manufacturing, clinical trials, regulatory approval, and marketing for Survodutide. Zealand likely contributes its scientific expertise in GLP-1 receptor agonists to Survodutide's development.
- Zealand expects to receive royalty in the high-single-digit to low-double-digit percentage on global sales.

Zealand Pharma's stock performance



Survodutide

- The drug has completed phase II clinical trials. It is a GLP-1 / Glucagon agonist, unlike the existing drugs, which only target GLP-1. Phase II trials indicated up to 40% of participants lost at least 20% weight in 46 weeks of treatment on highest dosage.
- Phase II trials data showed that the drug might help with weight loss, improve blood sugar control, and potentially slow the progression of fat accumulation in the liver, slowing liver damage caused by inflammation. The drug could also increase energy expenditure through the liver.
- The drug could become commercially available in 2027 and could be the first competitor to the existing players. Similar to its peers, the drug will likely be taken in the form of a weekly injection.

Features	
Stage	Phase II completed
Advantage	Dual agonist Slow fat accumulation in the liver

Source: *Bloomberg, Company Filings*

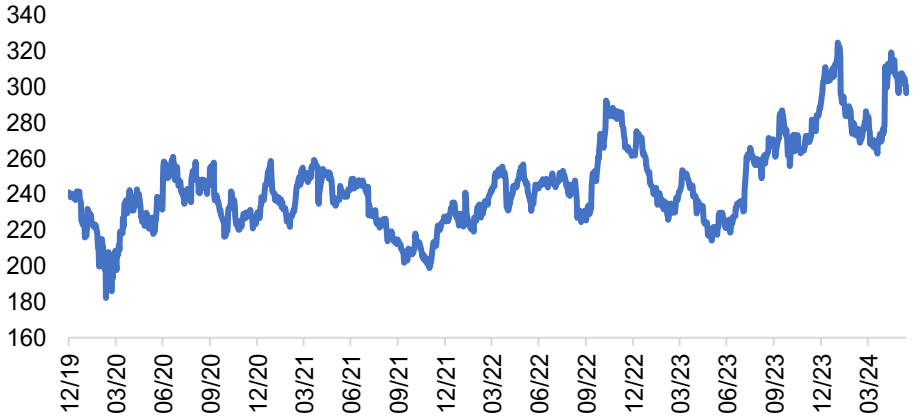
Potential Entrants – Amgen

Amgen's drug is expected to be long-lasting with larger dosing intervals

Company description

- Amgen is a US biotechnology company known for developing and manufacturing innovative biopharmaceutical products and has a strong focus on research and development. Its portfolio of drugs treats heart disease, oncology, inflammatory diseases, osteoporosis, and rare diseases.
- The company was founded in 1980 and is one of the largest biotech companies in the world. It is based in California, US and has a presence in over 100 countries and regions.
- Some of Amgen's well-known brands include EPOGEN (erythropoietin) for anemia, ENBREL (etanercept) for autoimmune diseases, and PROLIA (denosumab) for osteoporosis.

Stock performance



MariTide (formerly AMG133)

- The drug is currently in phase II clinical trials. It is a GLP-1 and a GIPR antagonist. The drug was developed when genetic population data from Amgen's deCode genetics section linked reduced GIP receptor activity to lower body weight and fat mass.
- A short phase I trial showed a 14.5% weight loss after 12 weeks on the highest dose. Readouts from phase II trials are expected this year. The drug is expected to be longer lasting compared with those of peers. The phase II program is testing monthly or less frequent doses. Additionally, the weight loss may be sustained for longer periods.
- MariTide could become commercially available in 2027 as an injectable drug. While the company was developing a pill, it scrapped the drug to focus entirely on the injectable MariTide.

Features

Stage	Phase II
Advantage	GLP-1 agonist, GIP antagonist Long lasting with fewer doses required

Source: *Bloomberg, Company Filings*

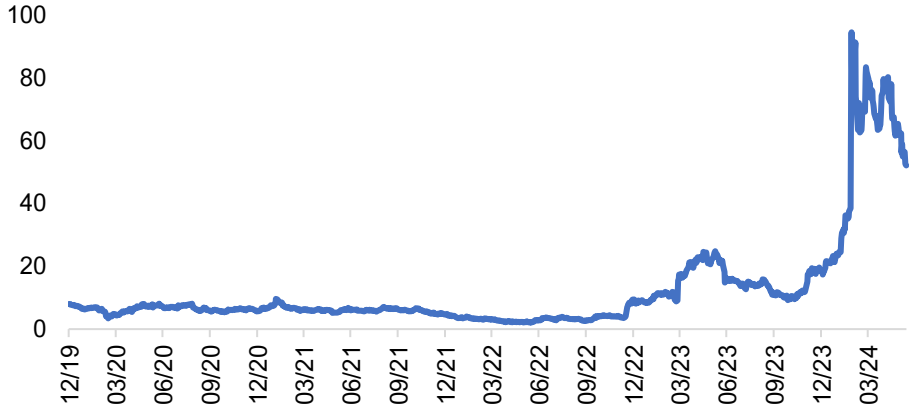
Potential Entrants – Viking Therapeutics

Viking's dual agonist drug shows higher efficacy than that of existing players

Company description

- Viking is a US biotech company. It focuses on developing innovative treatments for metabolic and endocrine disorders. The company has three compounds in various stages of clinical trials.
- The company was founded in 2012 and is based in California, US. It was listed on the NASDAQ in 2019.
- For metabolic diseases, Viking is developing injectables and oral weight loss drugs. It is also developing a drug for nonalcoholic steatohepatitis (NASH).

Stock Performance



VK2735

- The VK2735 is currently in phase II study, while the VK2735 Oral is currently in phase I study. The drug is a dual agonist targeting GLP-1 and GIP receptors.
- Phase II data showed that body weight declined by 14.7% at the highest dose after 13 weeks and 88% of patients reported over 10% weight loss. The follow-up data is expected to be released during the year.
- The drug is yet to go through phase III trial to confirm its efficacy and accuracy of the data. Thus, it is unlikely to launch in the next few years.
- The oral drug showed a weight loss of 5.3% in 28 days at the highest dose. Body weight declined by 7.8% for the same period using the injectable, demonstrating less efficacy for the oral drug.

Features

Stage	Phase II
Advantage	Dual agonist Better efficacy Oral drug under development

Source: *Bloomberg, Company Filings*

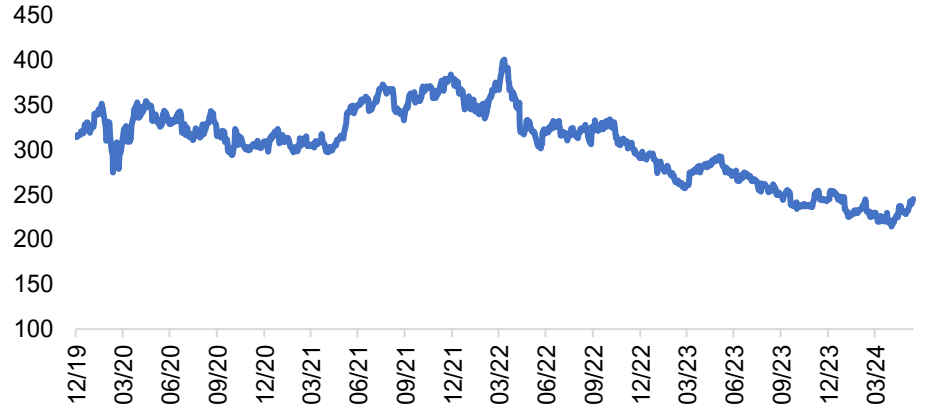
Potential Entrants – Roche

Roche entered the space by acquiring Carmot Therapeutics

Company description

- Roche is a prominent Swiss multinational healthcare company with a global presence. It operates under two main divisions: pharmaceuticals and diagnostics. Founded in 1986, Roche was the first company to mass-produce synthetic vitamin C in 1934 under the brand name Redoxon.
- Carmot Therapeutics, Inc. is a clinical-stage biotechnology company that has made significant strides in the development of therapeutics for metabolic diseases, including obesity and diabetes type 1. Founded in 2008, Carmot Therapeutics has focused on innovative research and drug development.
- In early 2024, Roche acquired Carmot Therapeutics. The acquisition allowed Roche access to Carmot's R&D assets and strengthen Roche's portfolio across cardiovascular and metabolic diseases.

Stock performance



CT-388

- CT-388 is a dual GLP-1/GIP receptor agonist under development for treating type 2 diabetes and obesity. Phase Ib results showed that a weekly injection for 24 weeks led to an average 18.8% placebo-adjusted weight loss. Of participants, 45% lost more than 20.0% weight.
- The drug targets to reduce blood sugar and appetite. It also normalized glycemia, demonstrating its significant impact on glucose homeostasis. The treatment suggested favorable tolerability. Roche expects to release additional data this year.
- The drug is currently under phase II trial and thus is not expected to be launched in the next few years. The company's oral drug CT-996 is a GLP-1 agonist and is currently in phase I .

Features

Stage	Phase II
Advantage	Dual agonist Oral drug under development

Source: *Bloomberg, Company Filings*

Potential Entrants – Summary

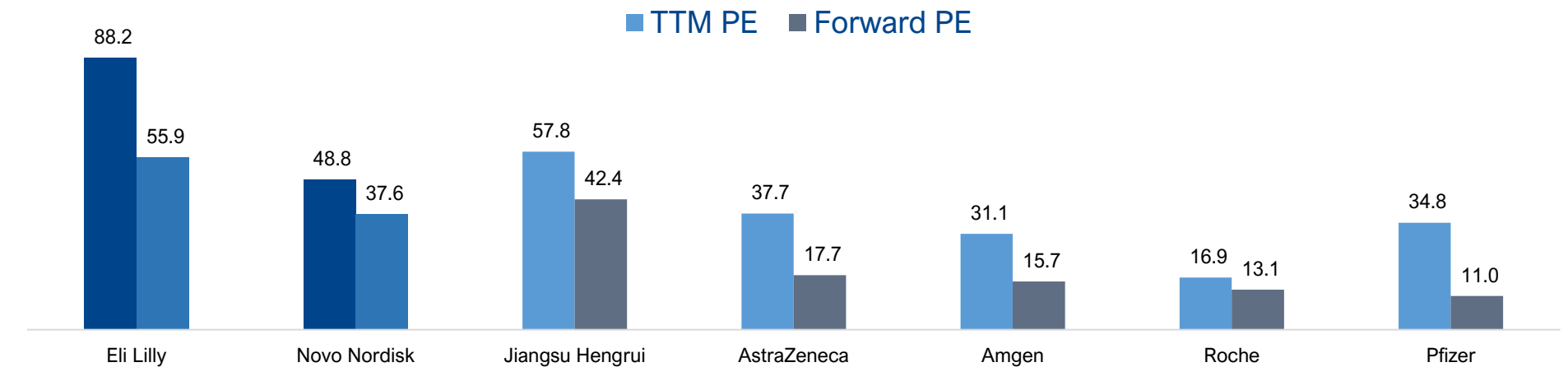
Large pharmaceuticals to small biotech companies – all are trying to enter the market

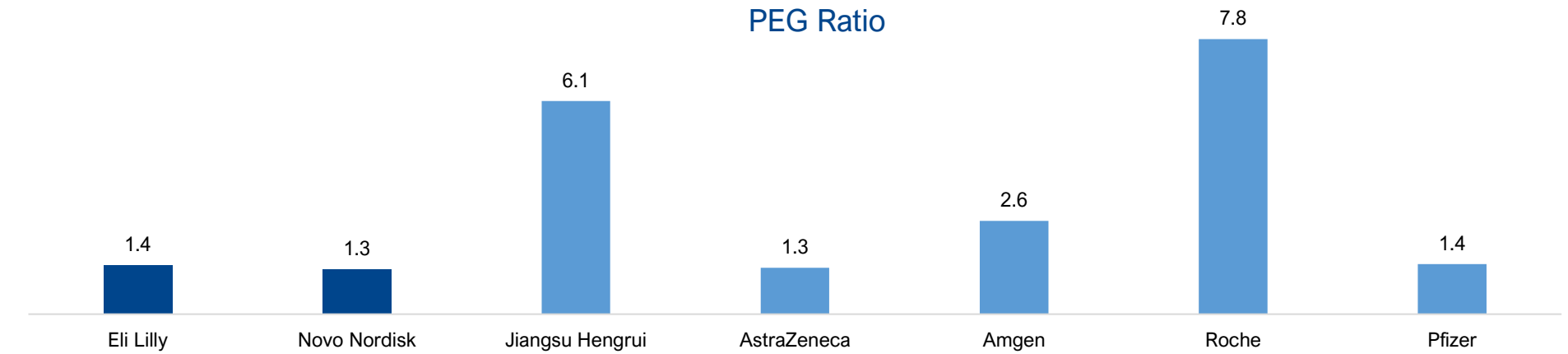
Company	Drug	Stage	Market Capitalization (US$ mn)	Company Established in
AstraZeneca	ECC5004	Phase 1	240,765	1999
Pfizer[1]	Danuglipron	Phase 2b competed. Discontinued due to high rates of adverse side effects	159,911	1849
Altimmune	Pemvidutide	Phase 2 completed In Phase 2b	510	1997
Structure Therapeutics	GSBR-1290	Phase 2a completed	4,509	2016
Rivus Pharmaceuticals	HU6	Phase 2a completed	Unlisted	2019
Jiangsu Hengrui Pharmaceuticals	HRS-9531 and HRS-7535	Phase 1 completed	32,885	1997

Note: *[1]Pfizer will continue testing a modified formulation of danuglipron with a once-daily dosage.* ***Source:*** *Company Websites and Press Releases, Refinitiv Eikon*

Valuation Comparison

Existing players' expensive valuations may be justified given the high growth potential



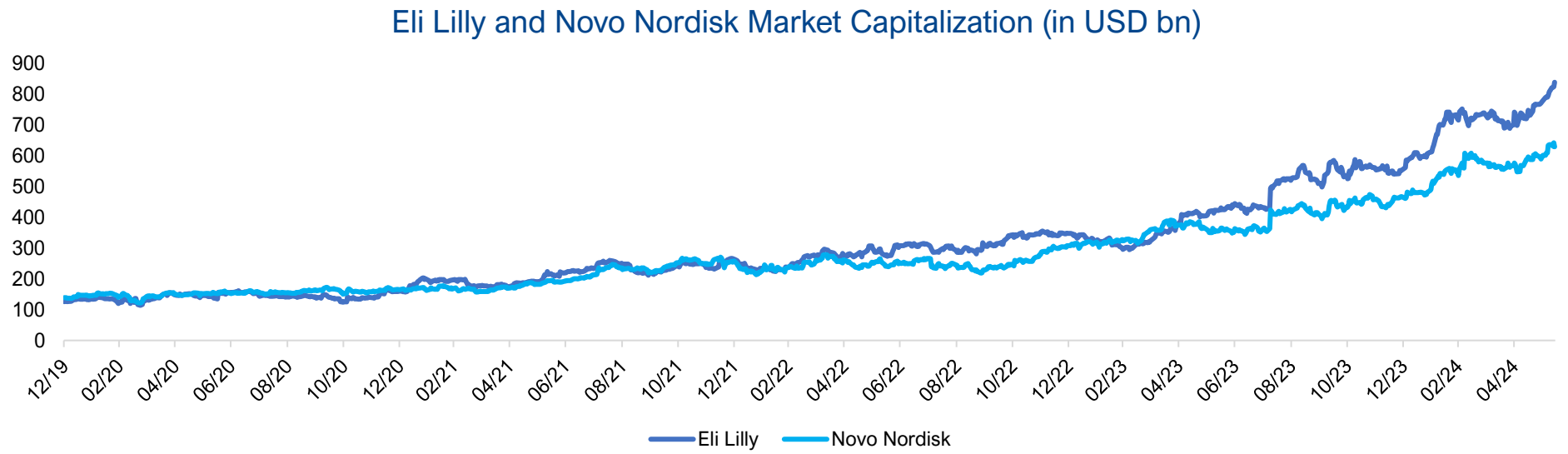


Novo Nordisk and Eli Lilly are trading at elevated valuations. However, these valuations may be justified because of factors such as increased supply of existing obesity drugs, investment in new drugs to remain competitive and high revenue and EPS growth prospects relative to peers. This fact is evidenced by their PEG ratios, which are among the lowest among peers.

Source: *Bloomberg, Forward PE and PEG ratio are based on NTM basis compiled as of 10th July 2024*

Outlook

While market incumbents dominate, new entrants may carve niches or disrupt



- The global GLP-1 market is projected to reach USD74 billion by 2028. This growth is primarily driven by the increasing prevalence of obesity. Penetration levels are also likely to increase significantly due to rising awareness. However, challenges remain – including the high list prices for these medications, limited insurance coverage, and supply shortages.
- Eli Lilly and Novo Nordisk, the first movers, have seen their stock prices rally multifold. These may become the first pharmaceutical companies to have a market capitalization above USD1 trillion. These players are rapidly expanding capacity and trying to remain competitive by testing new and better drugs with better efficacy and an oral method of administration. However, valuations may have priced in these prospects.
- Established giants and smaller biotech companies are also trying to enter the market. Some promising entrants are Boehringer Ingelheim, Zealand Pharma, Amgen, Viking Therapeutics, Roche, Pfizer and AstraZeneca. These firms are trying to develop competitive drugs in forms supporting better efficacy, treatment of other related diseases, less frequent dosage with longer-lasting effects or oral administration method.
- However, the earliest of these new drugs are expected to launch in 2027. Additionally, due to innovation from the incumbents, new entrants may find it difficult to acquire a large market share. Yet, better efficacy, tolerability, pricing or distribution may help the entrants carve niches in the market.

Source: *Bloomberg, Company Filings*

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