

The lucrative anti-obesity business



Introduction

The obesity drugs market offers substantial investment opportunities. Find out more in the FOCUS note attached.

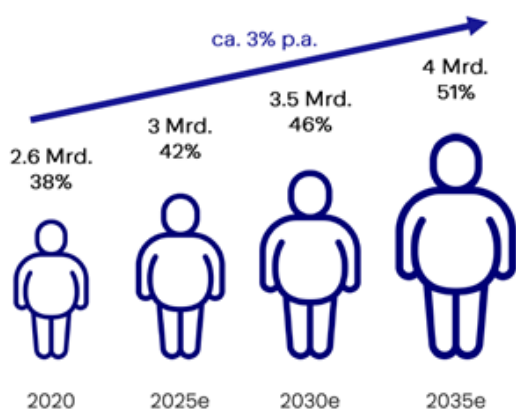
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Over the last century, immense progress has been made in eradicating undernourishment. While this is cause for celebration, we are now faced with another challenge: the growing prevalence of obesity. This is not just a health crisis, but a complex socio-economic problem that affects various aspects of society. The struggle to lose weight is often wrongly attributed to a lack of discipline. However, recent research highlights a more nuanced reality: obesity is an addictive disorder, influenced by cravings for fatty or sugary foods and underpinned by neurological factors. The hypothalamus, which plays a key role in our body's reward system, functions differently in people suffering from obesity, as it does in addictive disorders. This disruption affects communication between the hypothalamus and adipose tissue, resulting in poor appetite regulation.

According to certain projections, around 51% of the world's population will be obese or overweight by 2035. It should also be remembered that obesity worldwide has tripled since 1975. This veritable epidemic is not just a health problem; it also has major economic repercussions. Obesity is associated with over 200 diseases and is expected to cost society a staggering \$4,000 billion a year by 2035, a figure comparable to the financial impact of the worst year of the COVID-19 pandemic.

Number of people affected worldwide, 5 years and older



Currently, a body mass index (BMI) greater than 30 is considered obese. While wealthy countries have a higher prevalence of obesity, low-income countries are rapidly catching up. Alarming, over the past 50 years, obesity and overweight rates among children and adolescents have risen from 2% to 20%. The comorbidities associated with obesity are diverse and serious, including type 2 metabolic diabetes, musculo-skeletal problems, certain cancers, cardiovascular disease and sometimes mental health problems, earning obesity its nickname of "the new tobacco". The complexity of obesity treatment requires a holistic approach that includes not only pharmacotherapy, but also surgical procedures and lifestyle changes.



One of the breakthroughs in the pharmacological approach that has come to light is the use of GLP-1, a natural hormone that regulates blood sugar levels and reduces appetite. Novo-Nordisk's SELECT study demonstrated that GLP-1, originally developed for the treatment of diabetes, also facilitates weight loss and improves not only various blood levels but also blood pressure, resulting in less diabetes, fewer kidney problems, fewer heart attacks and less mortality. These health improvements translated into a 20% reduction in the risk of cardiovascular disease in overweight people without diabetes.

Current market context

The obesity drugs market is at a turning point in its evolution, responding to the growing obesity epidemic with both promise and challenge. In terms of market size and growth, the sector is poised for significant expansion, with an estimated annual growth rate of 30-40% for potential sales of obesity drugs between 2022 and 2030. This growth should be driven in particular by the introduction of effective new treatments, a better understanding of the complexities of obesity and increasing demand for effective weight management solutions. By the end of 2023, the GLP-1 market was worth around \$36 billion.

What's more, growing public and healthcare provider awareness of the risks associated with obesity is encouraging a proactive approach to obesity treatment. This is important, as currently only 2% of obese patients in the US receive medical treatment.

However, the obesity drug market faces several challenges that could impede its progress. Navigating the regulatory landscape remains a major challenge, as obesity drugs undergo rigorous scrutiny to ensure their safety and efficacy, in response to side-effects encountered in the past. The cost of research and development in this field is another major obstacle, as the high expenses involved can discourage investment and slow down innovation. Market access and reimbursement issues also pose considerable challenges. Obesity drugs are sometimes perceived as lifestyle drugs rather than medically necessary treatments, which has an impact on insurance coverage and market penetration. In addition, the social stigma associated with obesity extends to the use of obesity drugs, requiring a shift in public perception to recognise pharmacotherapy as a legitimate and necessary treatment option.

The main players in the obesity treatment market

The market for anti-obesity drugs is dominated by a few well-established pharmaceutical companies, known for their extensive research capabilities and strong drug portfolios. Companies such as Novo Nordisk and Eli Lilly are notable examples, having developed breakthrough drugs that have set new standards in the treatment of obesity. Both companies have also seen significant increases in their share prices in recent years. Their valuation multiples show substantial premiums over other pharmaceutical stocks.



Source: Bloomberg

In addition to these titans, new players are emerging. These include Zealand and Ionis, both of which offer innovative approaches and unique propositions. Their emergence is indicative of the expansion of the market and the growing variety of therapeutic options available. For example, smaller biotech companies are exploring avenues such as amylin analogues and other hormonal approaches that differ from traditional therapies. These newcomers, although they have smaller market shares, play an essential role in stimulating innovation and competition.

The impact of technological advances

Technological advances, particularly in artificial intelligence (AI) and machine learning, are poised to revolutionise the obesity drug development process. AI has the potential to streamline drug discovery, making it faster and more cost-effective. By analysing large datasets, AI can identify new drug targets, predict drug efficacy and safety profiles, and optimise clinical trial design. In addition, the integration of digital health tools into treatment regimens should improve patient outcomes. Wearable devices, mobile health apps and telehealth platforms can help track patient progress, ensure treatment adherence and provide personalised lifestyle recommendations, all of which are crucial to the comprehensive management of obesity.

Investment opportunities and risks

The obesity drugs market offers substantial investment opportunities, mainly due to the demand for more effective, safer and patient-friendly weight management solutions, which should fuel continued innovation and expansion in this sector. In addition, the diversity of the market, ranging from drugs targeting metabolic pathways to those focusing on appetite suppression, offers investors a wide range of investment options.

Opportunities in this field are not without risk. These include the high costs and uncertainties associated with drug development. The road from research to marketable product is long, costly and fraught with pitfalls. Clinical trials can produce unexpected results, and regulatory approval is never guaranteed. Market acceptance is another major risk. The efficacy and safety profile of a new drug strongly influences its commercial success.

What's more, the competitive nature of the pharmaceutical industry means that new, more effective treatments can rapidly eclipse existing products. This rapid evolution, while beneficial for patients and the healthcare system, can represent a challenge for investors, as initial investments in treatments that are now outdated may not yield the expected returns. In addition, the success of current and future drugs on the market is likely to attract more investment and encourage other pharmaceutical and biotech companies to enter the sector, thus intensifying competition and fostering innovation.

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