

## Obesity treatments: hunger-suppressing drugs whet investors' appetite

On paper the obesity drug market is huge but mass adoption of the treatments would strain health budgets



Eli Lilly's new obesity treatment Tirzepatide underpins its impressive record on innovation © Reuters

APRIL 29 2022

---

Tackling obesity is big business, in more ways than one.

Worldwide, more than one in eight adults is overweight. [Working](#) from home makes matters worse, researchers say. But new drugs could finally slow the relentless rise of obesity rates. US pharma group Eli Lilly this week hailed its new [obesity treatment](#) Tirzepatide as a potential breakthrough.

It is one of a new generation of injectable drugs that mimic gut hormones to regulate appetite. Tirzepatide helped patients lose up to a fifth of their weight in tests, a result similar to that of weight loss surgery. It will compete with Novo Nordisk's Wegovy, which last year won US regulatory approval and was officially [recommended](#) for severe cases in Britain in February.

Tirzepatide has the biggest commercial potential of any drug approaching the market this year, with 2026 obesity and diabetes sales expected to top \$5bn, according to research group Evaluate Vantage. It underpins Eli Lilly's impressive record on innovation. It generated returns on R&D investment of nearly 14 per cent over the five years to 2021, according to Berenberg. That justifies an enterprise value-to-ebitda ratio of 27, more than double the US sector average, and a fifth pricier than Novo.

Yet, Novo's labs have been far more productive than the industry average. It has a reasonable chance of maintaining its lead in the obesity market. Though Lilly's drug appears more powerful, Wegovy has a head start. Novo is also working on a combination therapy, still in trials, which may deliver even better weight loss.

Whichever comes out on top, the two companies need to work hard at creating the obesity drug market. On paper, it is huge. The US market alone could be worth \$80bn a year if patients were treated for two years, says Bernstein.

But mass adoption of the drugs would strain health budgets. Also many doctors do not believe that obesity is a medical condition. The rivals must now prove that obesity treatments can save money and lives.

*Our popular newsletter for premium subscribers is published twice weekly. On Wednesday we analyse a hot topic from a world financial centre. On Friday we dissect the week's big themes. Please sign up [here](#).*