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“SELECT study, a pivotal moment for the fight against obesity”

*By Roberto Magnatantini, CFA, Senior Portfolio Manager
and Iana Perova, Equity Analyst*

CONTENT

- Novo Nordisk’s “SELECT” study released ground-breaking results last week.
- The study demonstrated that Wegovy, a GLP-1 anti-obesity drug, reduces severe cardiovascular risk by 20% for non-diabetic obese patients.
- This was seen as a best-case scenario, boosting confidence in Novo and Eli Lilly in particular as it paves the way for public and private payer coverage, unlocking a potential \$100bn+ market.

SELECT study, a pivotal moment for the fight against obesity

It is key to understand that pharmaceuticals differ from conventional consumer products since they are predominantly covered by insurance, whether private or public.

The pivotal factor is the cost-benefit analysis, as the GLP-1 drug family must demonstrate that its substantial cost (currently around \$10,000 per patient annually) would be offset by even greater savings.

This is precisely why the impact of the SELECT trial outcomes reverberated so strongly. Hence, our optimistic standpoint is based not solely on the technology per se, but also on the firm belief that it will become politically infeasible to withhold extensive reimbursement options, as around 42% of Americans are medically classified as obese.

In the present the story is still very US centric, but the issue being a global one, the market opportunity is significant worldwide.

In terms of market implications, we can see clear winners to such things happening. Firstly GLP-1 leaders, like Novo Nordisk or Eli Lilly but also a few challengers like Zealand Pharma, a small Danish biotechnology company. The most likely losers would be bariatric surgery names, cardiology names and orthopaedics, however the silver lining for these companies is that the new medication would also open new markets as some of procedures cannot be performed on severely obese patients. Lastly potential losers would be food and beverages companies, as GLP-1 substantially decrease the patients' calorie intake.

Finally, a significant risk for GLP-1 drug developers revolves around the ability to swiftly scale up the supply chain, as the demand for these drugs surpasses the initial projections. This underscores the need for both internal capacity expansion, but also external partnerships.

As a result, Contract Development and Manufacturing Organizations (CDMOs) that engage in the production of the active ingredient and its filling in primary packaging (including auto and pen-injectors) stand to benefit due to GLP-1 drug developers' limited internal capacity. Likewise, bioprocessing vendors, such as Danaher and Thermo Fischer, that sell equipment used in drug manufacturing, are also set to gain from this drug class pent-up demand.

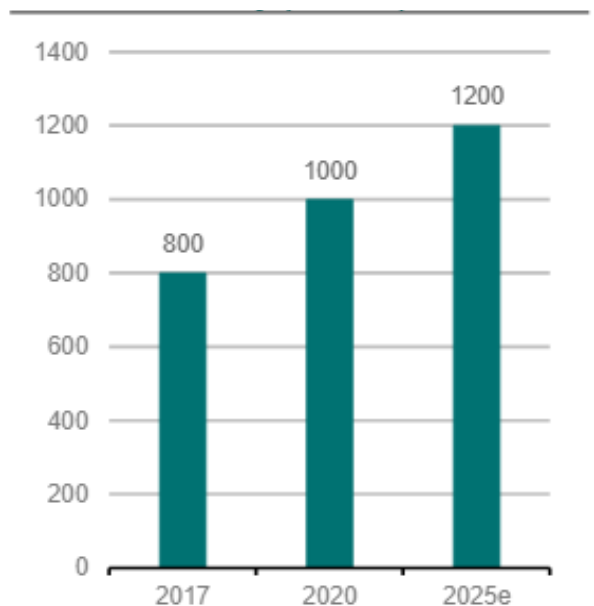
To conclude, we remain convinced that the pharmaceutical industry will play a pivotal role in combatting the obesity epidemic. The market potential, as projected by industry analysts, still stands within the \$50-75 billion range by 2030.

This figure has already risen substantially since our initial discussions, yet it still falls short of the true potential which, in our perspective, will substantially surpass \$100 billion.

We remain committed to our long term holdings in both Eli Lilly and Novo Nordisk, (that also holds shares in Zealand Pharma).

While the valuation of these stocks may look stretched in the short term, our steadfast long-term conviction remains unshaken.

Global healthcare cost related to obesity (USDbn)



Source: NovoNordisk

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Roberto Magnatantini, CFA
Senior Portfolio Manager

About DECALIA's strategies :

- *DECALIA Silver Generation* is a thematic strategy investing into companies that will structurally benefit from the longevity trend. The strategy intends to capture opportunities across the full spectrum of the longevity value chain: Consumption plays, Healthspan plays and Transformational companies.



Iana Perova,
Equity Analyst

- *DECALIA Sustainable SOCIETY* is a multi-thematic strategy investing in the 7 themes (**S**ecurity, **O**2 & Ecology, **C**loud & **D**igitalisation, **I**ndustrial 5.0, **E**lder & Well-being, **T**ech Med, **Y**oung Generation) that will shape tomorrow's SOCIETY. The Elder & Well-being & Tech Med themes currently represent 22% of the fund.

- Both strategies are managed by an **experienced investment team.**

About DECALIA SA

Established in 2014, DECALIA SA is a Swiss investment management company. With more than 70 employees and assets under management that stand at €4.9 billion, DECALIA has expanded rapidly, in particular thanks to its active-management experience built up over the last 30 years by its founders. The strategies developed by DECALIA focus on four investment themes deemed promising in the long term: the disintermediation of the banking sector, the search for yield, long-term trends and market inefficiencies. DECALIA is regulated by FINMA through a collective assets manager's license. In addition to its Geneva headquarter, the group has offices in Zurich, Milan & distributors of the DECALIA Sicav in Spain & Germany.

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