



OZEMPIC[®]

THE MAGIC INJECTION

GLP-1

GREENWICH CAPITAL GROUP

The arrival and explosion of Ozempic in early 2023 as a Diabetes drug turned weight loss treatment, is no longer a novelty but more of a juggernaut in a growth industry, primarily supplied by Novo Nordisk and Eli Lilly. The only issues remaining are how much capital can be invested and how quickly it can be deployed to build the infrastructure/supply chain needed to reach a wider audience, potentially at a more affordable price. Directly competitive industries such as Weight Management have been devastated while related industries like Food Companies and QSR will eventually have to plan for major product line modifications.

Beyond weight loss, we are learning a lot more about the effect of GLP-1 on curbing a broader line of addictions - beyond food, including alcohol, social media, salt, sugar, and fat. As these initial anti-addiction results are further researched and investigated, we could see an expanded line of Ozempic products treating a wide variety of nuanced addictive habits. The economic impact of that treatment expansion could be massive and have a major ripple effect throughout many tangential but related industries (food, alcohol).

JUNE 2024

Brief History

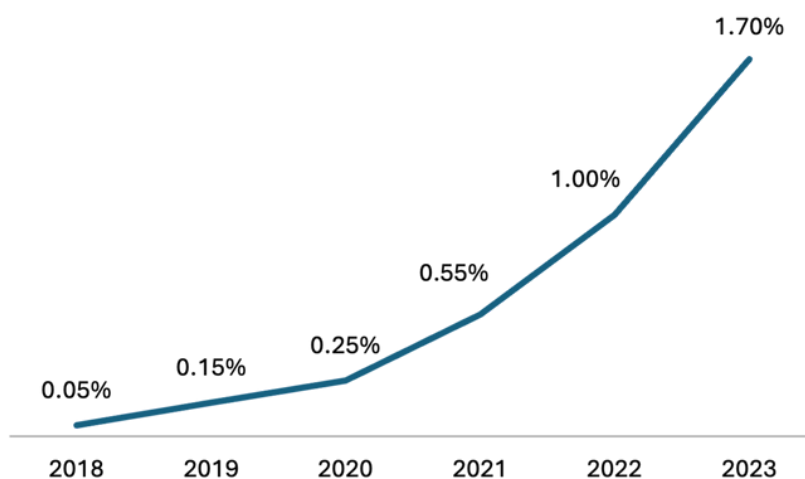
In 2017 the FDA approved Ozempic (owned by Novo Nordisk) to treat Type 2 Diabetes. Today the Ozempic® (semaglutide) injection is a once-weekly, GLP-1 RA injectable prescription medicine (0.25/0.50 mg) that can:

- Improve blood sugar (glucose) in adults with Type 2 Diabetes with healthy diet and exercise
- Reduce risk of major cardiovascular events such as heart attack, stroke, or death in adults with Type 2 Diabetes and known heart disease

Ozempic can cause serious side effects, including:

- Possible thyroid tumors, including cancer
- Inflammation of your pancreas (pancreatitis)
- Changes in vision
- Low blood sugar (hypoglycemia)
- Kidney problems (failure)
- Serious allergic reactions
- Gallbladder problems

Percentage of Patients with Visit Prescribed Semaglutide



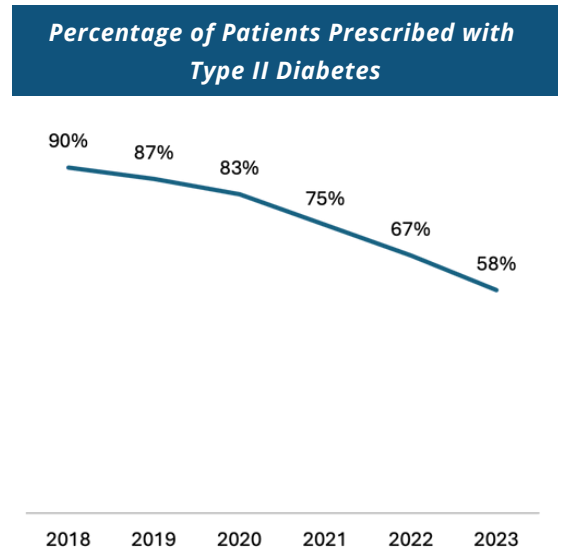
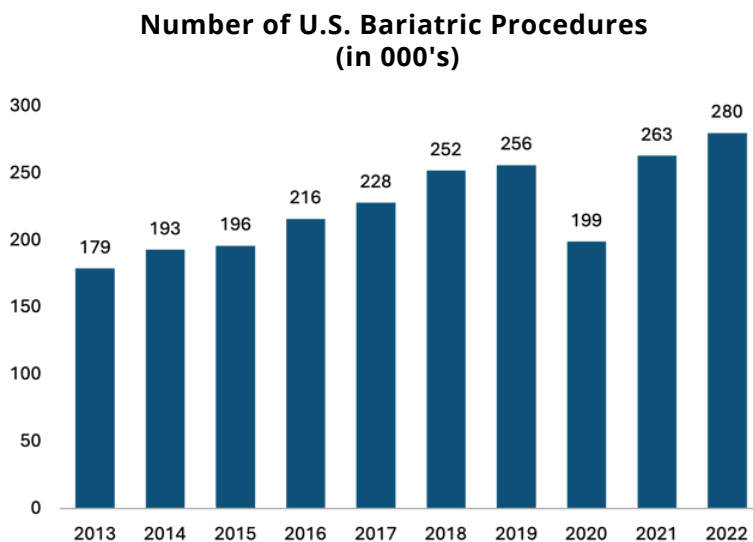
Sources: CNBC, CNN

Ozempic was developed by Novo Nordisk (NYSE: NVO), a leading global healthcare company founded in 1923 and based in Denmark. Semaglutide binds to specific receptors in the body to trigger the release of the hormone glucagonlike peptide-1 (GLP-1). This promotes insulin production and reduces blood sugar, which originally made semaglutide appealing to diabetes drug developers like NVO and Eli Lilly. Scientists later found that the drug also influences appetite; when you eat, GLP-1 levels increase, making you feel “full,” thereby suppressing hunger. A 2021 study found that people taking semaglutide lost an average of 14.9 percent of their initial body weight over 68 weeks, compared with 2.4 percent in those receiving placebo injections.

In 2021, the FDA approved a new Novo Nordisk drug, Wegovy, for treatment of obesity. Wegovy contains higher doses (2.4 mg) of the active ingredient semaglutide and is designed for weight loss. Demand for both Ozempic and Wegovy began to build in the second half of 2021 as Novo Nordisk ramped up production and invested in infrastructure support. Once these drugs became readily available by prescription in early 2022, demand skyrocketed, growing 400% from Q1 2022 to Q1 2024 as consumers became focused on buying these drugs as a clear weight loss solution.

U.S. healthcare providers wrote more than 9 million prescriptions for Ozempic, Wegovy, and similar obesity drugs during the last three months of 2022. As a direct result of the market share Ozempic and Wegovy were taking, other formats within the \$90 billion weight management industry were seeing an immediate impact:

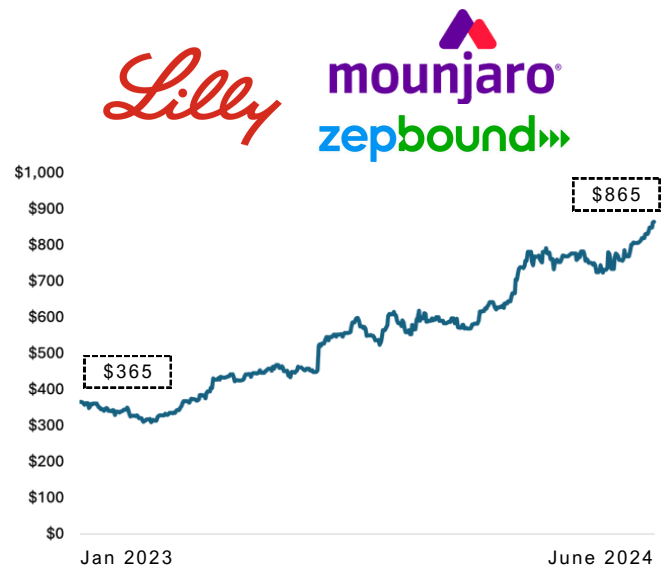
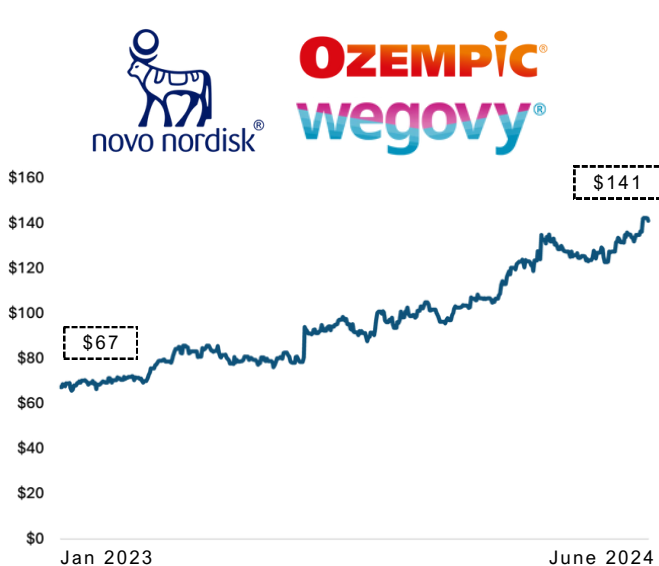
- Surgical medical companies saw a slowdown in demand for bariatric procedures
- The percentage of patients prescribed with Type II diabetes fell by 50%
- Traditional weight loss management programs (Weight Watchers, Nutrisystem, Jenny Craig) saw declining enrollment numbers



Sources: American Society for Metabolic and Bariatric Surgery, CNBC, CNN

Ozempic Winners

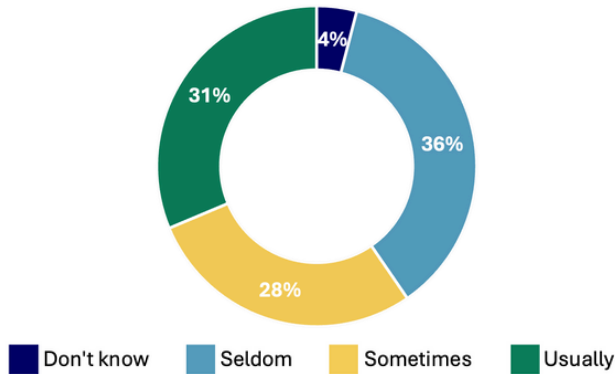
The two major drug companies that committed early to the Ozempic movement were Novo Nordisk (NYSE: NVO) and later, Eli Lilly (NYSE: LLY). These two global companies had the benefit of pioneering early science to tackle Type II Diabetes as well as the balance sheet depth to fund a multi-billion Ozempic infrastructure buildout. Both were rewarded handsomely: Novo Nordisk's stock price has doubled in the past 18 months and added \$300 billion in market cap. Eli Lilly has also doubled its stock price in the same time period and added \$400 billion in market cap.



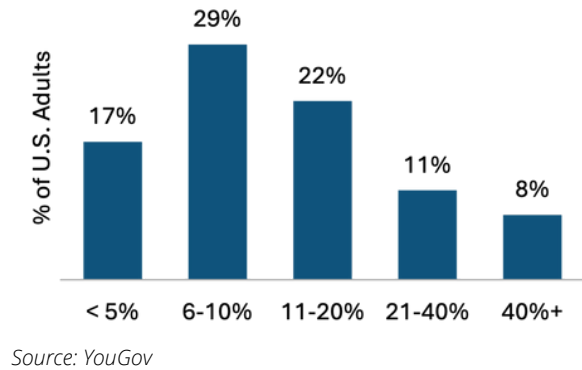
The Obesity Battle

With 42 million Americans suffering from Obesity, it's no surprise that treatments for this epidemic are a big industry. Obesity is defined as abnormal or excessive fat accumulation that presents a risk to health. A body mass index (BMI) over 25 is considered overweight and over 30 is considered obese. 60% of adults in the US at least sometimes are trying to lose weight. More than 50% would like to reduce their body weight by 6%-20%.

"How often, if at all, do you try to lose weight?"

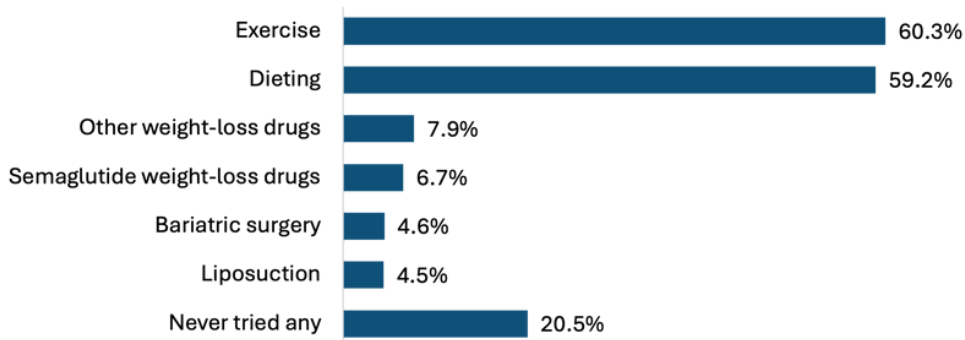


"How much (%) would you like to reduce your bodyweight by?"

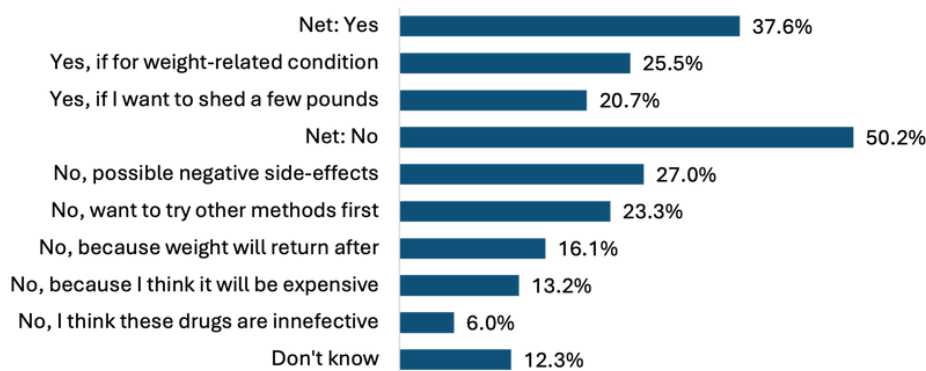


More than 50% of Americans have tried to lose weight both by exercising and by dieting. Typically the results are not long-lasting, and more drastic steps are taken: weight loss drugs (8%), bariatric surgery (5%), and liposuction (5%). New forms of weight-loss medications have historically been treated skeptically: 50% saying NO, 38% saying YES, and 12% saying MAYBE, they would accept.

"Which, if any, of the following weight-loss methods have you ever tried? Select all that apply"

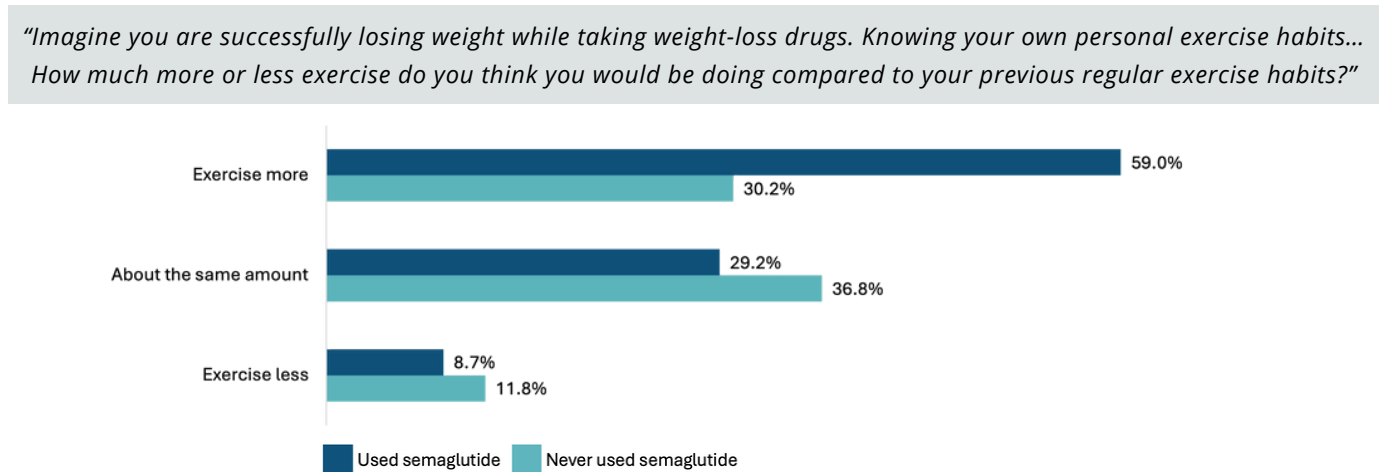
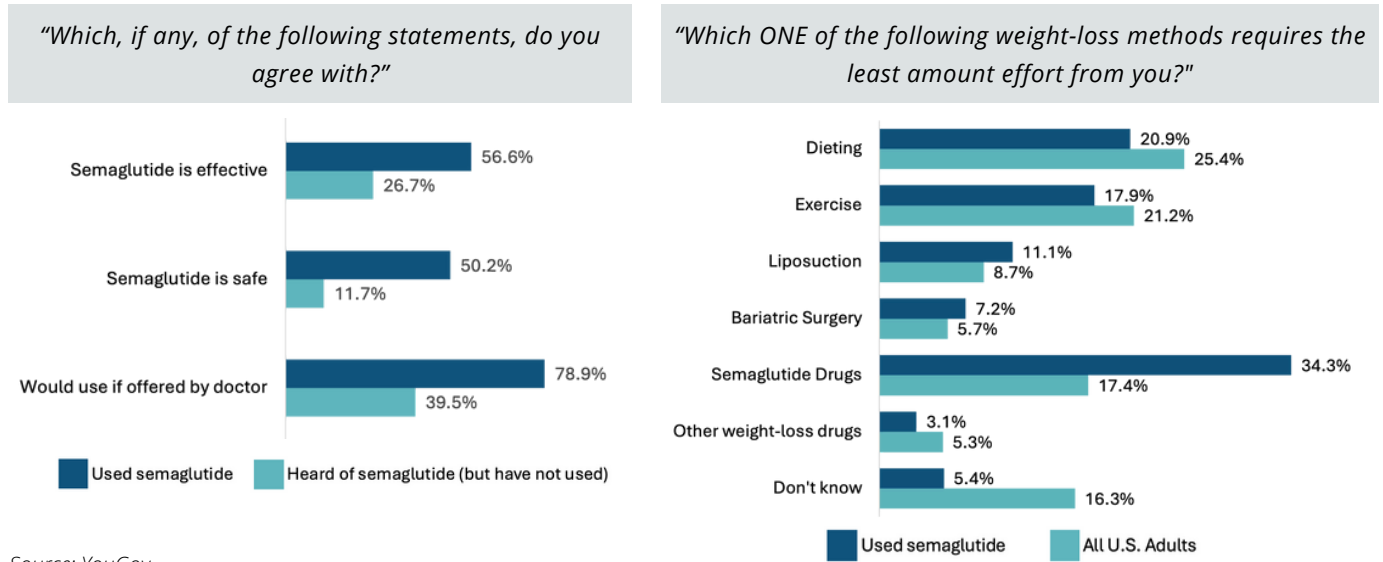


"If you were offered this new class of weight-loss medication by your doctor today, would you accept?"



Source: YouGov

Opinions of efficacy, safety, the effort required to lose weight, and the effect on exercise habits from US adults who have used semaglutide differ dramatically from those who have not used semaglutide. Study results indicate that individuals who have used semaglutide believe it is more effective, believe it to be a method that requires the least effort, and exercise more, relative to their previous regular habits.

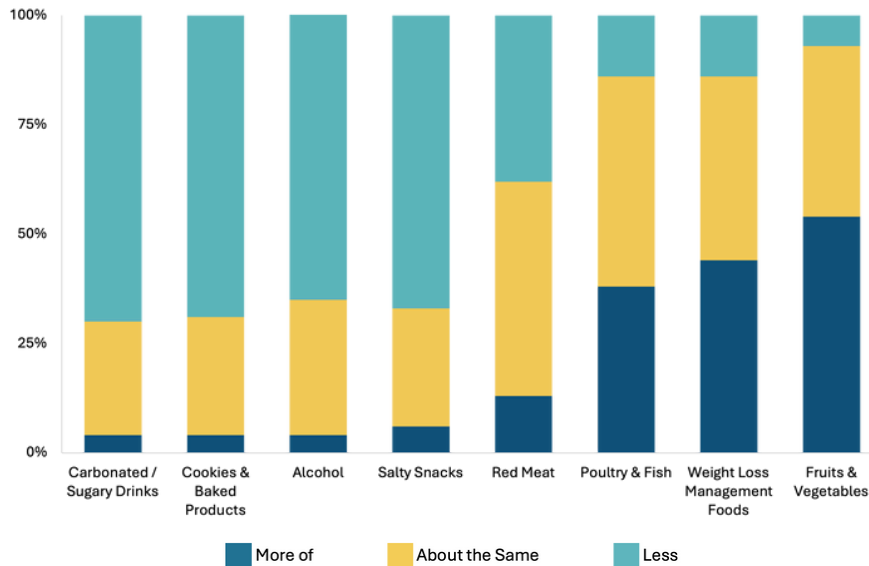


Curbing Addictions

Scientists have explored how GLP-1 agonists may have other beneficial side effects that could address additional health conditions beyond obesity and diabetes. Some Ozempic users found that while taking the medication to control their food cravings, other cravings also seemed to subside. These included addictions to nicotine, alcohol, gambling, and even skin picking and other compulsive behaviors. Various research groups are looking into how GLP-1 might impact addiction pathways and whether its mechanism can be tapped to treat addictions to substances such as alcohol, nicotine, and opioids. This connection has also revitalized broader discussions about food as an addiction. A functional magnetic resonance imaging study published this year found that consuming certain drugs or processed foods can induce cravings in the same reward areas of the brain. This suggests that overeating and substance dependency may have overlapping neurological processes.

Scott Galloway, Professor of Marketing at NYU’s Stern School of Business, believes for these curbing addiction reasons, that GLP-1 is going to have a larger impact on future world economies than GPT (AI). He believes Ozempic will alter the healthcare landscape, processed food companies, QSR, alcohol (sugar, fat, salt), and even dependency on social media. Professor Galloway believes GLP-1 can ultimately help consumers in making better decisions and updating instincts with calibrated GLP doses to improve upon bad habits/ decision making.

Change in Food Consumption since Starting GLP-1 Drug



Source: NYU, Morgan Stanley

Impact on Food Companies

The likely most direct impact of GLP-1 will be on large food companies, which could face reduced demand from consumers - less gorging on processed products. This could result in higher inventory positions in the near term and, in the long term, altering product offerings and sizing formats. To date, many of the US's largest food companies are ignoring the warning signs and not making any alterations to their current growth plans / new product launches.



CEO Robert Gamgort said the company was not seeing any impact from the use of the drugs on coffee consumption - **11/13/23**



CEO Michele Buck said the use of the drugs was not materially impacting the chocolate maker's business **11/13/23**



Expects revenues from its health and wellness products to increase in the second half of the year, mainly due to the popularity of weight-loss drugs - **11/11/23**



CEO James Quincey said the company was monitoring what impact, if any, weight-loss drugs will have - **10/25/23**



CFO Hugh Johnston has said the company is "not seeing any impact" yet from the popularity of weight-loss drugs - **10/20/23**



Might consider changing portion sizes of its snacks if the rising use of weight-loss drugs leads to a change in food consumption patterns - **10/5/23**

Source: Reuters

Impact on Medical Devices

Medical device companies have begun altering their growth plans to accommodate the growth in Ozempic-related products. The supply chain for the levels of demand in the obesity treatment industry will have to be reconfigured and managed around traditional/legacy healthcare treatment product lines.

Insulet

Expects that the use of Ozempic and Mounjaro could delay the time for patients to become dependent on insulin, but does not expect the long-term market for insulin pumps to be impacted – **10/19/23**

Johnson & Johnson

Third-quarter sales (2023) for devices used in abdomen surgeries was hit by a slowdown in demand for weight-loss and other procedures, as many obese patients turned to Wegovy and Ozempic – **10/19/23**

Abbott

(Maker of glucose monitoring products) has said that the market was overestimating the impact on its sales from the growing popularity of the drugs – **10/18/23**

INTUITIVE SURGICAL®

(Maker of surgical robots) said the U.S. growth rate for weight-loss surgery was slowing as patients consider using the new drugs instead – **7/21/23**

Impact on the Weight Management Industry

The most clear and direct impact of the rise of Ozempic-related products is on the traditional weight management sector led by companies such as Weight Watchers, Nutrisystem, Slimfast, Atkins, Jenny Craig, and Medifast. Most of these brands based their weight loss programs on education, portion control, calorie counting, or healthy shakes & bars. Their current collective outlook appears to be cautious and hopeful, but clearly, their growth trajectory has changed.

Morgan Stanley

1. Over the next 10 years, 7% of the U.S. population — 24 million people — could be taking these drugs
2. Folks on the Ozempic drug will likely consume 20% fewer calories
3. In 2035 that would represent 1.3% of overall calories consumed. Analysts also modeled out a bullish scenario where calorie consumption falls by 1.7% and a bearish one at 0.9% - **9/5/23**

Simply Good FOODS

Joseph Scalzo, CEO: “We dealt with Keto as a trend, right? We’re now dealing with weight loss drugs as a trend. The brand has always been able to adjust to the business situation that we’re facing and continue to recruit buyers to the brand. That’s not the issue. The issue is keeping buy rate growth similar: so that your growth in buyers is growth in consumption, and we can get that back on track” – **5/16/23**

wellful

(Kainos-backed: Nutrisystem, Adaptive Health, Jenny Craig) Brian Adcock, CEO: “the need states for many of our customers overlap. The weight loss category over indexes in all of the categories we play in; many people who are trying to lose weight also use supplements to help with sleeping, joint health and digestion.” – **9/7/22**

Source: Reuters

Weight Management Brands



In April 2006, GSK announced the first clinically proven over-the-counter weight loss aid: alli. The pill debuted in Europe before coming to the US. In 2007, with large marketing campaigns, the magic pill's lifetime revenue was less than \$500 mm, and it never really built a loyal consumer following. Alli was discontinued by GSK in 2014.



WW International (Weight Watchers) – current market cap of \$131 mm (NASD: WW). Debt of \$1.5B. Bonds trading below 50 cents on the dollar. Rumored to be organizing for restructuring/bankruptcy. Oprah Winfrey, after 10 years on the Board and a 10% position in the stock, recently left WW to “be able to talk about whatever I want to talk about.”



Kainos Capital portfolio company Wellful added Nutrisystem (purchased for \$575 mm in Dec. 2020) and Jenny Craig (IP purchased for \$15.5mm in July 2023). Using a portfolio approach, the hope is that while parts of the Wellful group would be affected by Ozempic, other parts might succeed.

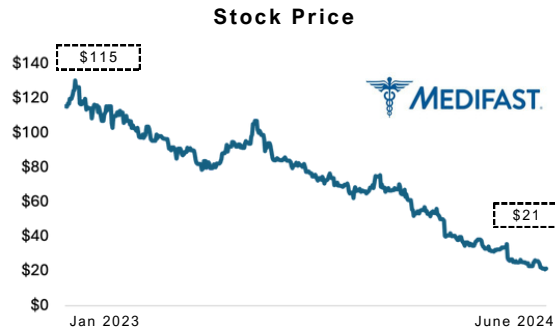


Simply Good Foods (NASD:SMP) recent financial results: reported growth with its Quest bar brand. Atkin's performance was off vs estimates. Increasing competitive activity impacted merchandising effectiveness at Atkins. Atkins Revitalization Plan should be in the marketplace by 2025. Some elements of the Plan, specifically innovation, have been accelerated to the end of Fiscal 2024. In September 2023, Ryan Thomas was brought in from Post Holdings to be the new SVP and GM of Atkins.

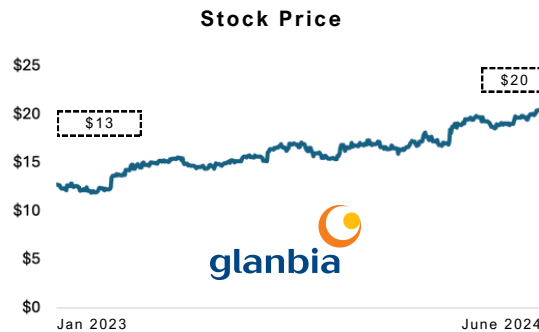




Medifast (NYSE: MED): In the most recent quarter, Income from Operations decreased by 85.2%. The Company recently suspended its dividend and invested \$20 mm in a virtual primary care service (LifeMD) so that its clients could be prescribed GLP-1 drugs in addition to its traditional nutritional and diet products.



In October 2018, Glanbia (OTC: GLAPF) purchased SlimFast from private equity firm Kairos Capital for \$350mm. In 2017, SlimFast delivered \$212 million net sales and adjusted EBITDA of \$24mm. Gross Assets at the end of 2017 were \$136 million. SlimFast had a strong position in formats like ready-to-drink (RTD) and ready-to-mix (RTM). A recent class action lawsuit alleges SlimFast product labels misled consumers regarding the number of calories. 2023 revenue fell 33% from 2022, and 2022 revenue fell 17.9% from 2021.



For more information, please contact GCG's Consumer Co-Lead, Alex Chefetz



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