

## Obesity Drug Craze Approaching Critical Milestone

Total reading time = 2 minutes

In recent years, a class of drugs known as GLP-1 agonists have experienced an unprecedented rise in popularity and captured the attention of doctors, patients, and investors alike. GLP-1 is short for glucagon-like peptide 1, a natural hormone produced by the human body which the drugs are designed to mimic. For the general population, these GLP-1 drugs are more likely identifiable as the “miracle weight loss drugs” which have been the subject of discussion among friends and colleagues, touted by celebrities, and extensively promoted through TV commercials and other advertisements.

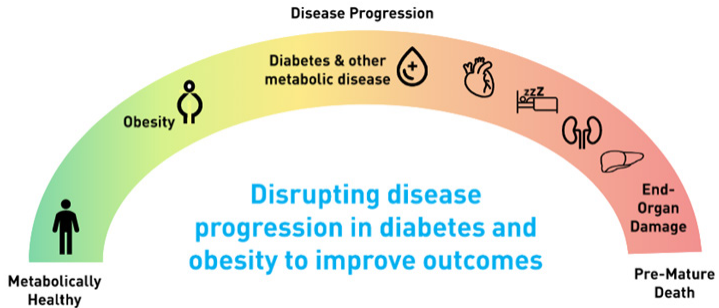
Despite some notoriety, there is good reason why GLP-1 drugs have garnered so much attention. Recently approved GLP-1 medicines, including Novo Nordisk’s Ozempic and Wegovy and Eli Lilly’s Mounjaro, have been proven to deliver game-changing benefits for patients.

The first chronic condition in which these drugs’ potential started to appear is type 2 diabetes (T2D). According to the latest estimates from the CDC, T2D is a disease which impacts roughly 37M Americans (~1 out of every 10 people) and the US health care system pays over \$320B annually to care for these patients. While diet and exercise have long been recognized for playing an important role in managing type 2 diabetes, lifestyle changes alone are often not enough to prevent the disease from progressing. This has opened the door for drug companies to develop medicines that help patients better manage their blood sugar and avoid diabetic complications.

Today the field of diabetes research is arguably experiencing its most transformative period of innovation since the discovery of insulin over 100 years ago. Several large clinical studies comparing GLP-1 drugs against standard of care therapies in type 2 diabetes have demonstrated a step change improvement across key metrics measuring the health of T2D patients. These same studies also delivered another important insight into the effects GLP-1 drugs have on the human body. Participants in the clinical trials not only saw major improvements in their ability to manage blood sugar levels, but they also began to lose weight at an astounding pace!

As researchers have gained a better understanding of the relationship between GLP-1 drugs and weight loss, a new wave of questions and potential opportunities began to arise. First and foremost, can GLP-1’s be used to effectively treat obesity and other related cardiovascular diseases?

Figure 1: Disease Progression



Source: Eli Lilly Investor Relations Deck from 2022 ADA Annual Meeting

For comparison, the latest CDC estimates suggest the prevalence of obesity (BMI >30) among American adults is roughly 40%. This implies the number of obese American adults is roughly 4x that of type 2 diabetics. Obesity and diabetes are also linked in many ways. Extensive evidence suggests that patients suffering from one or both conditions have a much higher likelihood of also being diagnosed with other cardiometabolic co-morbidities including hypertension, heart failure, and chronic kidney disease.

Despite the parallels between the two conditions and the significantly larger population of obese patients, the amount of money directly spent on diabetes treatments has historically dwarfed that spent on obesity. Prior to the past couple of years, the lack of effective treatments, stigmas surrounding obesity, and inadequate insurance coverage have all played a role in obesity being widely undertreated relative to other health conditions.

More recently, this paradigm has begun to shift as the unprecedented outcomes demonstrated by GLP-1 drugs and other factors have begun to change the way the medical community and society at large thinks about obesity. So far only one GLP-1 drug — **Novo Nordisk’s Wegovy** — has been approved by the FDA as a treatment for obesity. **Eli Lilly’s Mounjaro** is currently only approved for type 2 diabetes, but is under review by the FDA for obesity and is expected to be approved later this year. Politicians have also joined the fight through a bipartisan bill dubbed the “Treat and Reduce Obesity Act” which seeks to eliminate a clause that prevents Medicare from covering FDA approved medicines for treating obesity. On a recent podcast, FDA Commissioner Robert Califf shared his thoughts on the ongoing transformation occurring in the way the medical community thinks about obesity. In response to a question inquiring about the FDA’s decision to classify obesity as a medical indication, Califf stated, “In the long run I am quite

sure that the drugs that are going to be most used are going to be the ones that not only lower body weight but also lead to better composite clinical outcomes.”

This brings us to an important event which is expected to occur in the second half of this year. For the past five years, Novo Nordisk has been running a study referred to as “SELECT.” The study seeks to measure the effect that Novo’s anti-obesity GLP-1 medicine (Wegovy) has on reducing cardiovascular events such as heart attacks, strokes, or CV-related deaths in patients. The study is significant both in terms of the long length of time being analyzed and the large number of patients (17.5k) which have been enrolled. If the results of SELECT can demonstrate that taking a GLP-1 drug meaningfully reduces a patient’s risk of experiencing a cardiovascular event, the trial will likely serve as a watershed moment for the GLP-1 class and the companies who have spent years developing the drugs. A positive outcome would also serve as a catalyst to further pressure commercial and government payers to provide broader coverage of GLP-1 drugs beyond just type 2 diabetes.

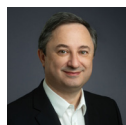
**JAG’s research team has been closely watching the ongoing developments surrounding GLP-1 medicines. We strive to both uncover opportunities for our clients to invest in attractive opportunities that arise from accelerated periods of innovation like this while also recognizing corollary risks that may arise from the disruptions that are created. If you have questions about how JAG’s strategies are positioned to capitalize on the GLP-1 opportunity, please do not hesitate to contact us.**

**–Tucker O’Neil, JAG Equity Investment Team**

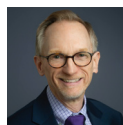
## Equity Investment Team



**Norm Conley**  
CEO & Chief Investment Officer



**Mike Kimbarovsky**  
Managing Director &  
Portfolio Manager



**Mike Buck, CFA®**  
AVP, Quantitative Analyst



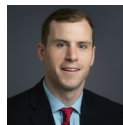
**Roberta Maue**  
SVP, Director of Equity Trading &  
Portfolio Operations



**Nico Falkinhoff**  
Associate Portfolio Manager &  
Equity Research Analyst



**George Margvelashvili, CFA®**  
Equity Research Analyst



**Tucker O'Neil**  
Equity Research Analyst



**John Krueger, CFA®**  
Junior Equity Research Analyst

## Disclosures

This report was prepared by the staff of JAG Capital Management, LLC, an SEC-registered investment adviser. The information herein was obtained from various sources including but not limited to FactSet, Bloomberg, Reuters, Standard & Poor's, ChatGPT, and the United States Bureau of Labor Statistics, and believed to be reliable; however, we do not guarantee its accuracy or completeness. The information in this report is given as of the date indicated. We assume no obligation to update this information, or to advise on further developments relating to securities discussed in this report. The opinions expressed are those of the adviser listed above as of the date of this report and are subject to change without notice. The opinions of individual representatives may not be those of the Firm. Additional information is available upon request.

The information contained in this document is prepared and circulated for general information only. It does not address specific investment objectives, or the financial situation and the particular needs of any recipient. Investors should not attempt to make investment decisions solely based on the information contained in this communication as it does not offer enough information to make such decisions and may not be suitable for your personal financial circumstances. You should consult with your financial professional prior to making such decisions. For institutional investors: JAG Capital Management, LLC, has a reasonable basis to believe that you are capable of evaluating investment risks independently, both in general and with regard to particular transactions or strategies. For institutions who disagree with this statement, please contact us immediately. **Past performance should not be considered indicative of future performance. Any investment contains risk including the risk of total loss.**

This document does not constitute an offer, or an invitation to make an offer, to buy or sell any securities discussed herein. J.A. Glynn & Co., JAG Capital Management, LLC, and its affiliates, directors, officers, employees, employee benefit programs and discretionary client accounts may have a position in any securities listed herein.

A Veteran Owned Business (VOB) is a business owned, (51% ownership or greater) by a Veteran who has met the definition of a veteran. The following represents the criteria that the National Veteran Business Development Council (NVBDC) uses in determining ownership:

**Ownership:** Fifty-one percent ownership by a Veteran or Veterans. The applicant must share in all risk and profits commensurate with their ownership interest.

**Control and Management:** Proof of active management of the business. Veteran must possess the power to direct or cause to direct the management and policies of the business.

**Contribution of Expertise and Capital:** Contribution of capital and/or expertise by Veteran owner(s) to acquire their ownership interest shall be real and substantial and be in proportion of the interest acquired.

**Independence:** The Veteran owner(s) shall have the ability to perform in their area of specialty/expertise without substantial reliance on non-Veteran-owned businesses.

## About JAG

JAG Capital Management (JAG) actively invests for institutions and individuals in highly selective, customizable, and nimble equity and fixed income strategies. JAG is a boutique, independent, employee-owned investment management firm with offices in St. Louis and Chicago.



9841 Clayton Rd  
St. Louis, MO 63124

The Wrigley Building  
400 North Michigan Ave

Suite 1680  
Chicago, IL 60611

