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Drugmakers have been eyeing the weight-loss category with envy.

Pharma's Weight-Loss Gold Rush Intensifies

BY PETER LOFTUS

Weight-loss drugs are propelling a new gold rush for the pharmaceutical industry.

On Thursday, Eli Lilly delivered a surge in quarterly revenue thanks to its medicines, while Novo Nordisk, the other big player in the market, took the unusual step of lobbing an unsolicited multibillion-dollar bid for a weightloss drug startup that had agreed to sell to Pfizer.

Altogether, the moves showed the strength—and allure—of one of the biggest and fastest-growing categories in pharmaceuticals.

The prescription medicines, which are helping millions of people lose dozens of pounds, are on track to ring up \$72 billion in worldwide sales this year and grow to about \$139 billion in 2030, TD Cowen analysts estimated, making the category one of the industry's hottest.

"I'm not surprised that other players in this space are trying to double down on this," Lilly Chief Financial Officer Lucas Montarce said in an interview. "There is a large opportunity, a large unmet need globally."

For years, weight loss was a graveyard for drug development and shunned by large drugmakers. Much-anticipated medicines failed to deliver on their promise or came with debilitating side effects.

Then Novo Nordisk and Eli Lilly cracked the code, introducing injectable drugs like Ozempic and Zepbound.

The injections largely mimic natural gut hormones called incretins, including GLP-1, which suppress appetite. Almost overnight, the medicines became wildly popular because they can deliver much greater weight loss than older diet drugs, up to nearly a quarter of a person's body weight.

Adding to their appeal: a growing number of uses beyond weight loss, as well as

the potential for pill versions, now in development, to entice patients who won't take an injection.

Indianapolis-based Lilly, an industry laggard a decade ago, has become the world's most valuable pharmaceutical company, worth \$800 billion, thanks to blockbuster sales of its drugs Mounjaro and Zepbound.

Owing to their sales, Lilly reported a 54% increase in company sales for the third quarter, to \$17.6 billion. The performance beat analyst expectations.

"We are literally just scratching the surface of global treatment here, and there's really a tremendous opportunity to reach tens or even hundreds of millions more people in the coming years, and that's our goal," Lilly Chief Executive David Ricks said on a conference call with analysts.

Given the potential, every large drugmaker has been eyeing the weight-loss category with envy—including industry powerhouse Pfizer. But finding new drugs that can surpass the weight loss of existing medicines or offer a more convenient pill alternative has proven difficult.

After its own research setbacks, Pfizer agreed, in September, to pay up to \$7.3 billion for a startup called Metsera that is developing a monthly injectable and pills.

The New York-based Metsera, founded in 2022, has just over 100 employees and no product revenue.

It enjoyed an unusually meteoric rise for a drug startup because its experimental weight-loss drugs sparked during testing.

Metsera's once-a-month injection could generate more than \$5 billion in peak annual sales if approved for sale, Leerink Partners analysts estimated. The company is also developing pills.

Analysts gushed that Metsera's experimental drugs may have advantages over existing drugs, such as less frequent dosing and fewer gut side effects, though more studies are needed to prove safety and effectiveness before they can garner regulatory approval. - Note

The promise proved so enticing to Novo Nordisk that it dangled a total of \$9 billion, including milestone payments, in its unsolicited bid for Metsera.

Pfizer's agreement was worth up to \$7.3 billion.

"It shows the enthusiasm around the obesity space," said BMO Capital Markets analyst Evan David Seigerman.

Metsera called Novo Nordisk's bid superior to Pfizer's, but Pfizer said the Novo Nordisk bid was "reckless and unprecedented" and vowed to enforce the terms of its deal with Metsera.

It is unusual for drugmakers to seek to undo agreed-upon deals. Novo Nordisk had lost out to Pfizer in the original round of bidding, according to people familiar with the matter.

But Novo Nordisk has been seeking to regain the advantage in weight-loss that it had once commanded.

Denmark-based Novo Nordisk rocketed to Europe's most valuable company in 2023 on the backs of Ozempic and Wegovy sales, before manufacturing challenges and marketing missteps allowed Lilly to pace the market. - Note

Novo Nordisk also had setbacks in efforts to come out with newer weight-loss drugs, and investors viewed Eli Lilly as better positioned to dominate the future market.

To recover its edge, Novo Nordisk has shaken up its leadership, recently replacing its chief executive and a plan to replace several members of its board. Novo announced a plan in September to cut 9,000 jobs, or about 11% of its workforce.

The breadth of the leadership overhaul is rare for a company the size of Novo Nordisk, and its restructuring was unusual for a firm that had prided itself on its care for employees.

Metsera and its experimental weight-loss drugs would help Novo Nordisk restock its own research pipeline.

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