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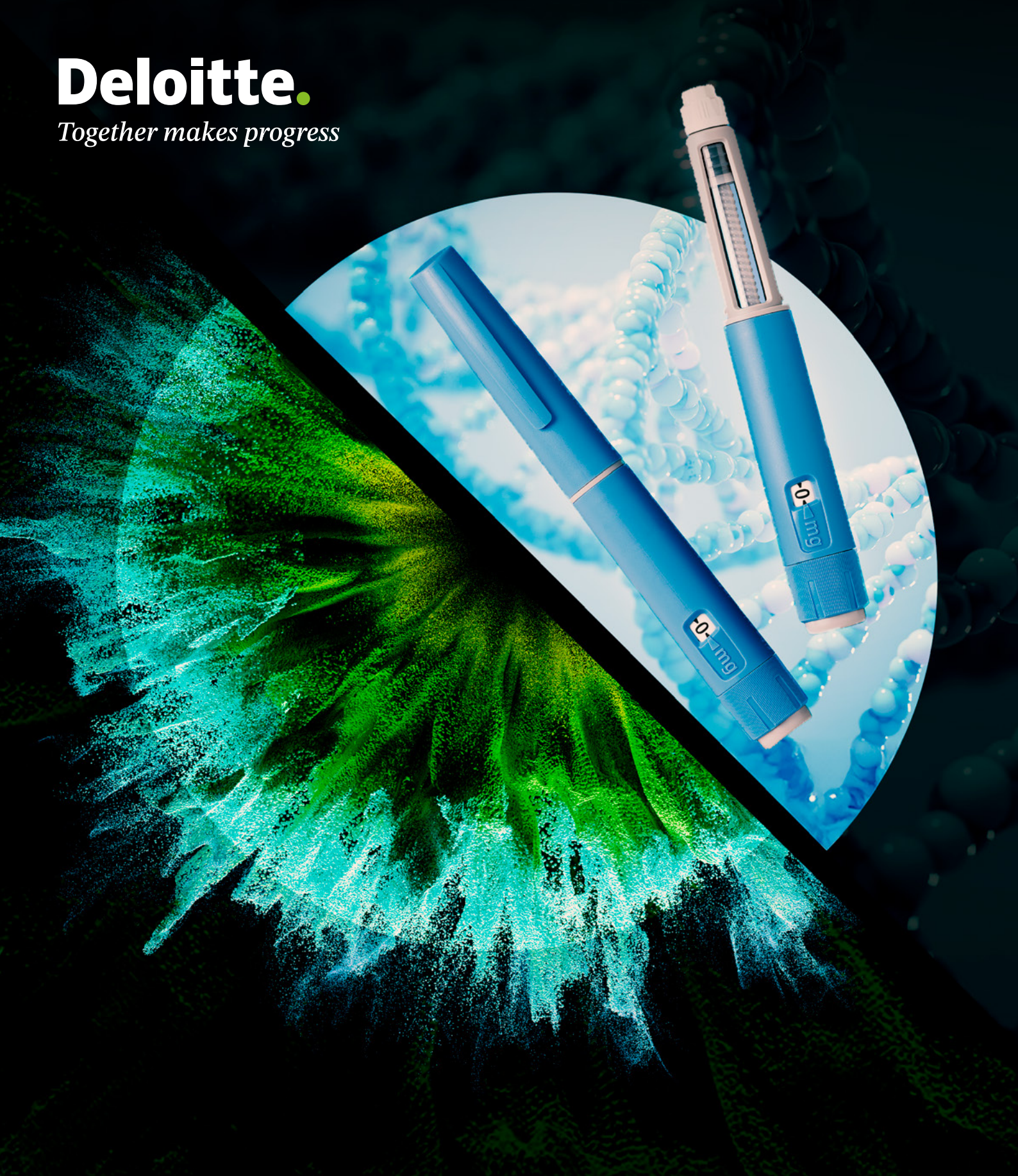


Navigating the GLP-1 boom

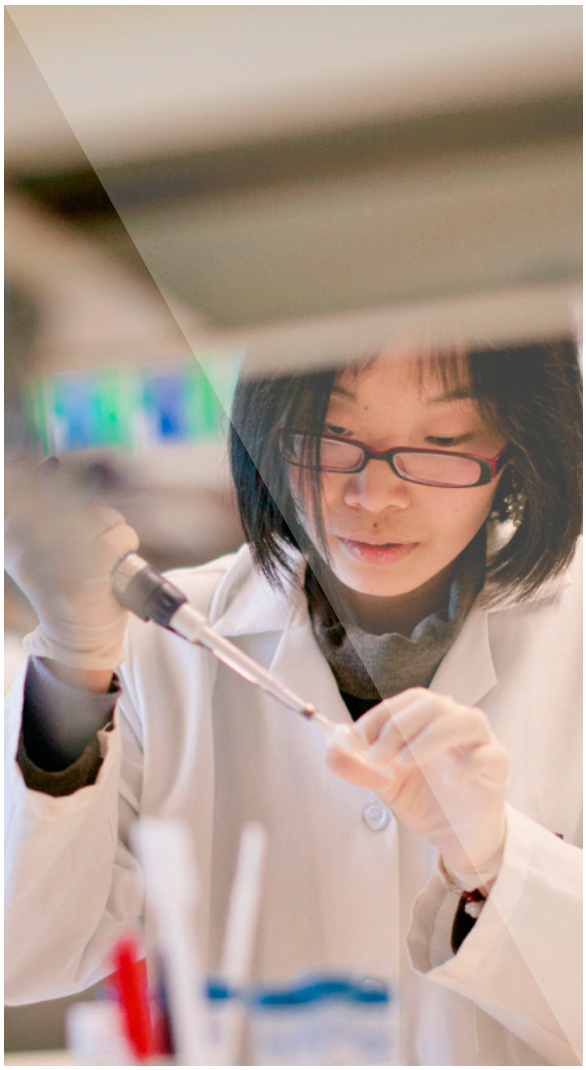
Measuring the return from pharmaceutical innovation

16th edition

Welcome to the 16th edition of *Measuring the return from pharmaceutical innovation*. This year, the analysis shows an industry at an inflection point. While headline pharmaceutical research and development (R&D) returns have improved for the third consecutive year, reaching a 7.0 per cent internal rate of return (IRR) in 2025, this recovery is largely driven by a few mega-blockbuster programmes, notably glucagon-like peptide receptor agonists (GLP-1s) and GLP-1 combinations with gastric inhibitory polypeptide-based drugs (GIPs) in obesity, masking broader R&D pressures.

With portfolio value consolidating into these fewer, larger assets and the cost to develop them continuing to climb there is a precarious balance of high potential returns and the risk of significant value destruction from a single programme failure.

For the first time in the 16 years of analysis, obesity has displaced oncology as the largest contributor to late-stage pipeline value, increasing exposure to therapeutic-area-specific shocks. For leaders, the agenda is clear: build a more resilient innovation engine by integrating strategy with dynamic capital allocation, embedding competitive reality into progression and deal decisions, and demanding measurable, end-to-end productivity returns from AI investments.

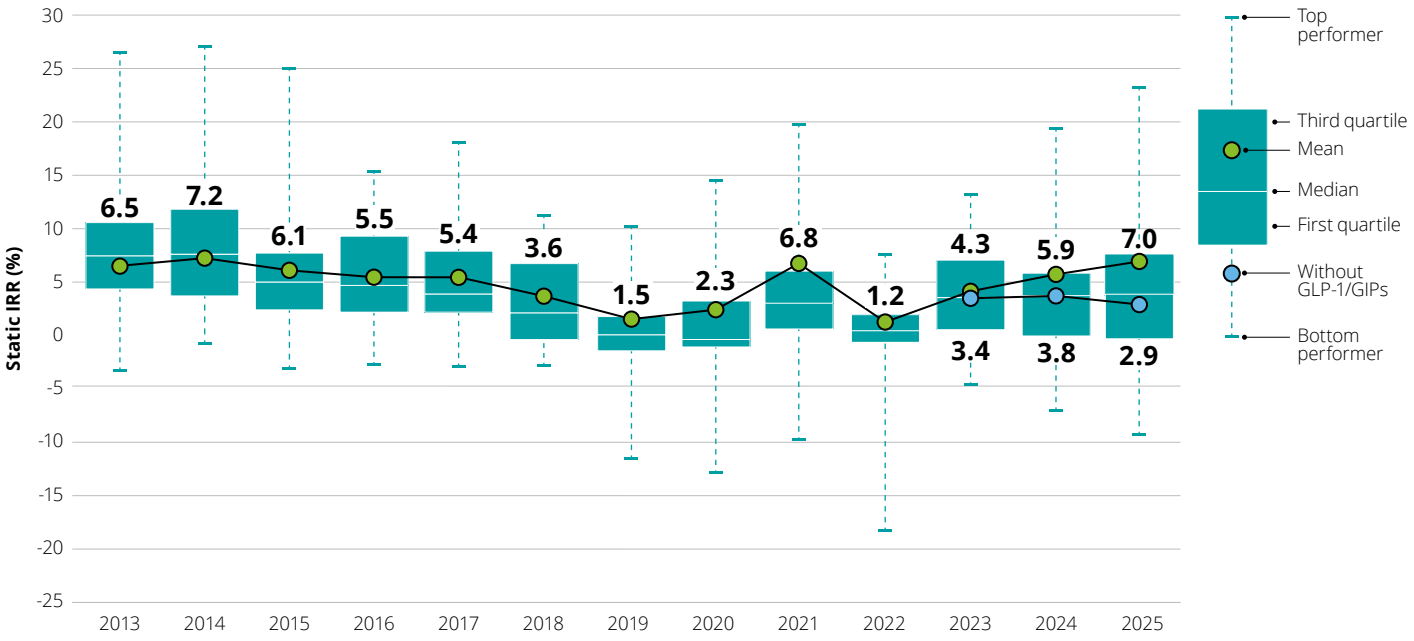


Key Findings

Returns are improving, but underlying productivity is strained

The analysis reveals that the projected internal rate of return (IRR) on late-stage pipeline assets rose for the third consecutive year in 2025 to 7.0 per cent, a 1.1 percentage point improvement from 2024 (see Figure 1). Twelve of the 20 companies in our cohort increased their IRR in this period of analysis, with the greatest increase in IRR for those companies who have progressed new GLP-1/GIP assets to their late-stage pipeline. The impact of these few companies driving up the cohort IRR is further demonstrated by the median IRR value staying relatively static at 3.8 per cent in 2024 and 4.0 per cent in 2025. Whereas, for the second year in a row, the mean IRR is eclipsing the value of the third quartile.

Figure 1. Internal rate of return distribution for the top 20 cohort, 2013-25

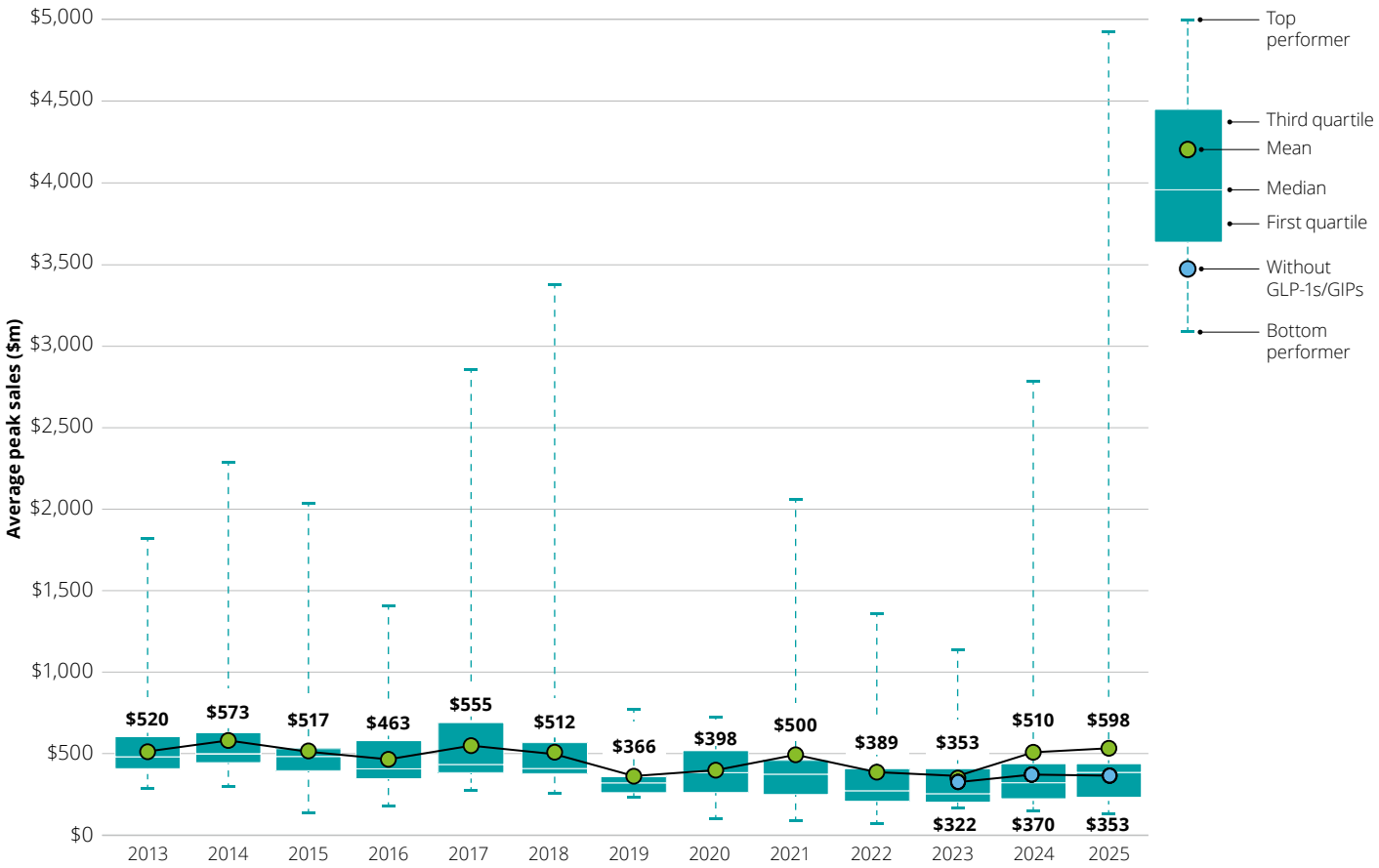


Source: Deloitte UK analysis, 2026

This improvement is driven by an increase in average forecast peak sales per asset, which climbed to USD$598million in 2025, a notable jump from $510million in 2024 (see Figure 2). This surge in expected value, however, is not distributed evenly across the pipeline; it is, again, overwhelmingly attributable to a few very high-forecast GLP-1/GIP assets. Eleven of the 20 companies in our cohort increased their average peak sale in this period of analysis, with, again, the most notable increases coming from those companies who have progressed new GLP-1/GIP assets to their late-stage pipeline.

GLP-1/GIP assets primarily target obesity and diabetes indications, but are additionally in the late-stage pipeline for a broad scope of indications including chronic heart failure, osteoarthritis and liver fibrosis. These assets now account for an estimated 38 per cent of all projected commercial inflows from the 2025 late-stage pipeline. When the GLP-1/GIP mechanisms of action (MoA) are excluded from the analysis, the underlying health of industry R&D productivity is significantly weaker with a rate of return of just 2.9 per cent (down from 3.8 per cent in 2024) and average forecast peaks sales of $353million (down from $370million in 2024).

Figure 2. Average forecast peak sales per pipeline asset, at a company level, for the top 20 cohort, 2013-25



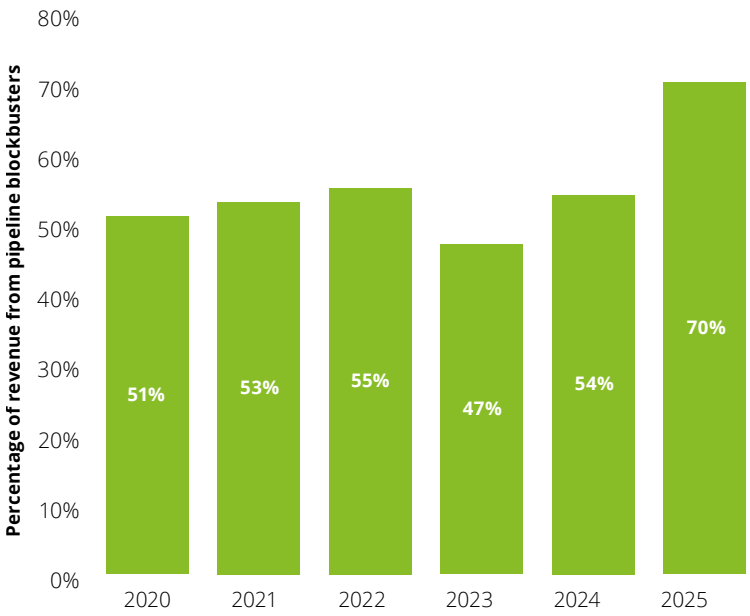
Source: Deloitte UK analysis, 2026

There is a higher concentration of value into mega-blockbusters

This leads to a critical strategic challenge: portfolio value is being increasingly concentrated into a small number of mechanisms resulting in a high degree of competition at the indication level. While the number of blockbusters (asset-indications forecast to achieve peak sales greater than $1 billion) has decreased to 108 in 2025, down from 111 in 2024, the number of mega-blockbusters (asset-indications forecasts to achieve peak sales greater than $10 billion) has increased from six in 2024 to eight in 2025. Additionally, the average value of those mega-blockbusters has increased by 14.7 per cent. In 2025, just 54 blockbuster asset-indications, representing approximately 9 per cent of the late-stage cohort, are projected to generate around 70 per cent of total risk-adjusted peak sales (see Figure 3)

While reliance on blockbusters is not new, the degree of concentration is. This can create a high-stakes environment where a small number of asset-indications can lift ROI, but with greater competition and sensitivity to clinical, regulatory, or market access shocks affecting those specific programmes. Meanwhile, a long tail of asset-indications persists. Our 2025 data shows that approximately 53 per cent of pipeline asset-indications have a forecast peak sales potential below $250million. This large cohort of lower financial return programmes demands scrutiny to confirm that each serves a high unmet need and is differentiated or first in class, justifying its place in an increasingly resource-constrained portfolio.

Figure 3. Proportion of revenue from blockbusters in the late-stage pipeline of the top 20 companies, 2020-25

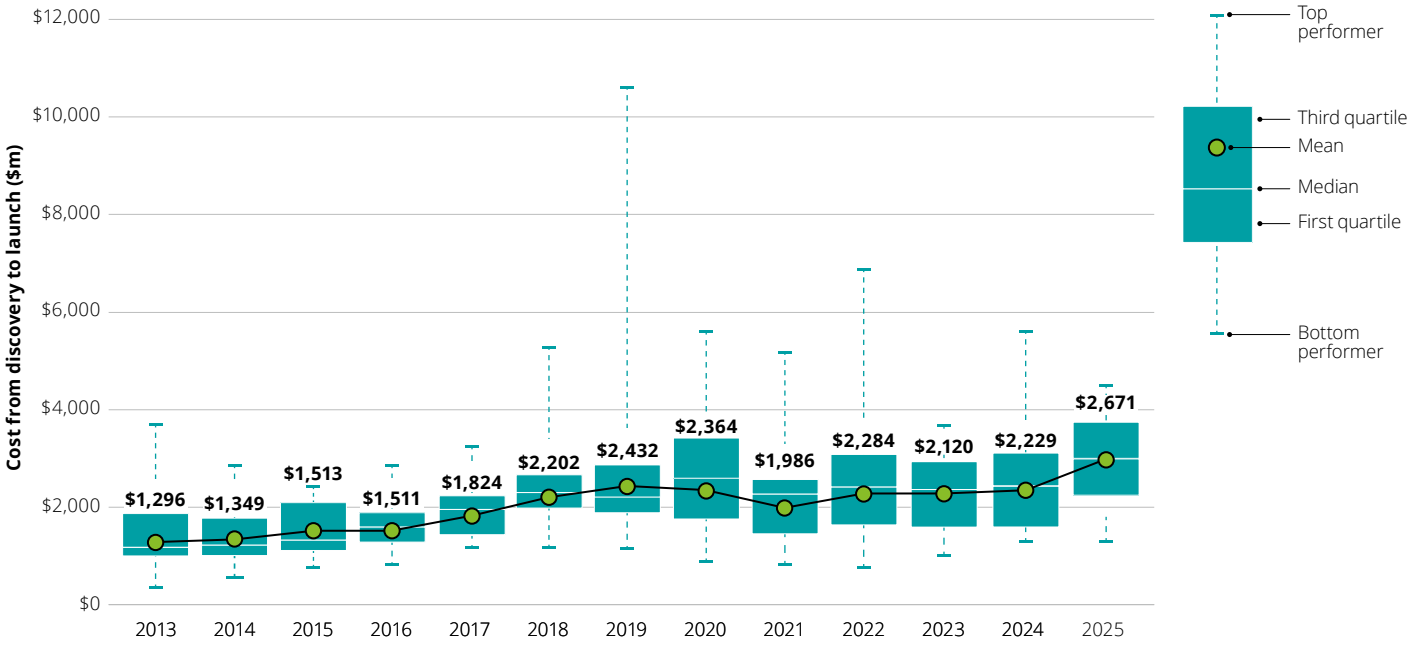


Costs to develop an asset from discovery to launch continues to increase

Increasingly stretched resource is demonstrated by the average cost to develop a drug from discovery to launch growing to $2,671million in 2025 (from $2,229million in 2024), see Figure 4. Our cost analysis includes the total R&D expenditure incurred by a company in bringing its assets to launch, including the cost of failure due to the inherent risks in undertaking R&D.

The increase in costs per asset observed is driven by both sides of the cost per asset equation; 17 of the 20 analysed companies have increased their R&D spend year-on-year, while the number of assets in the late-stage pipeline has decreased by 4.6 per cent. This raises the minimum risk-adjusted value each programme needs to generate to counteract their cost to develop, meaning portfolios with many lower forecast value assets face disproportionate pressure unless they are clearly differentiated or strategically essential.

Figure 4. Average R&D cost, at a company level, to develop a drug from discovery to launch, 2013-25



Source: Deloitte UK analysis, 2026

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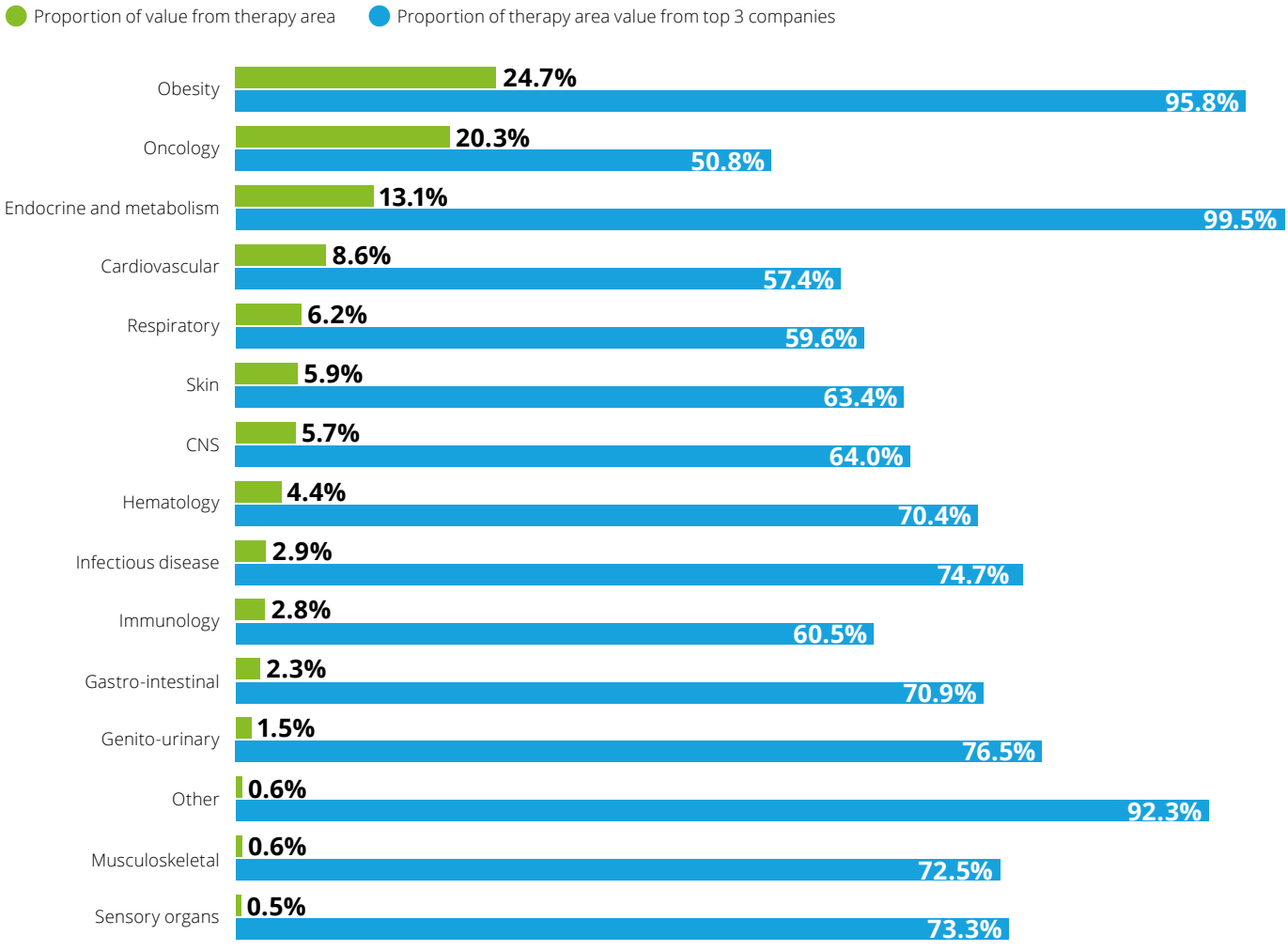
R&D value is increasingly concentrated

For the first time in our 16 years of analysis, oncology has been displaced as the largest contributor to pipeline value. Obesity assets, driven almost exclusively by GLP-1/GIP assets, are now the dominant value driver, accounting for approximately 25 per cent of total forecast sales of the late-stage pipeline. This is a seismic shift from 2022, when obesity assets contributed just 1 per cent of projected value.

This rapid consolidation of value means that the portfolios of the highest-performing companies in the analysis are now more sensitive to therapy area-specific shocks. Tightening of pricing and market access, an increase in competitive intensity, unexpected safety signals, or manufacturing supply constraints within the GLP-1/GIP space could have a significant impact on their overall R&D returns.

This concentration of value extends beyond specific MoAs. The analysis shows that within every therapeutic area, a small number of companies dominate the value landscape. Across the pipeline, the assets of the top three companies in any given therapy area account for over 50 per cent of its projected value, even in oncology where 17 of the 20 companies compete, see Figure 5. Despite the average total number of therapy areas per company remaining stable and therefore companies maintaining a broad portfolio, there appears to be an increasing concentration of resources and investment in one or two core therapy areas, given the focused commitment required for leadership within a specific therapy area.

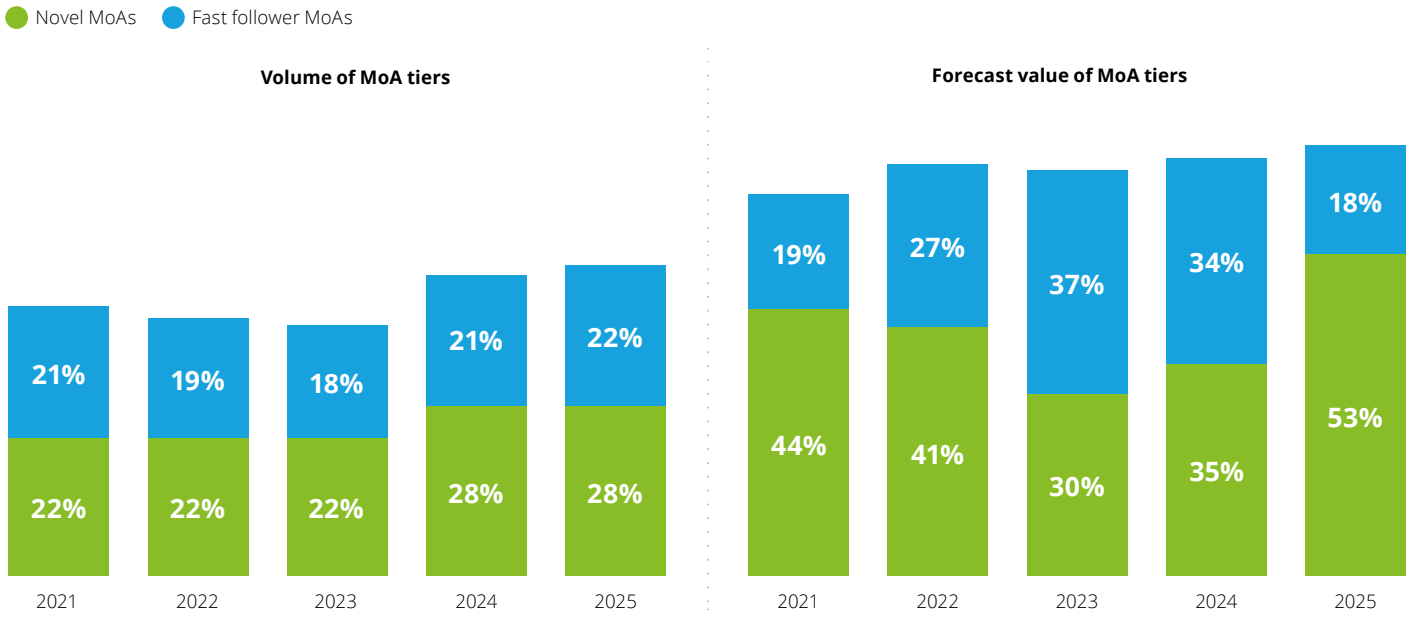
Figure 5. Concentration of value between and within therapy areas, 2025



Source: Deloitte analysis, 2026

The value share of assets with a novel MoA has risen sharply to 53 per cent in 2025, up from 35 per cent in 2024 (see Figure 6). In this 'novel' category, value is highly concentrated. The top ten novel MoAs, primarily GLP-1 combinations, capture approximately 60 per cent of the value in this tier. These novel GLP-1 combinations are being viewed favourably by analysts compared to other totally net-new MoAs, highlighting the disproportionate commercial attractiveness of the obesity market. Strategically, this points to a much more competitive and dynamic commercial environment in obesity. Organisations who succeed at bringing obesity assets to market will need to be highly sophisticated in terms of patient segmentation and targeting across reimbursed and direct-to-consumer markets.

Figure 6. Volume and value proportion of mechanism of action tiers, 2021-25



Source: Deloitte UK analysis, 2026
Note: We define a novel MoA as a MoA in the late-stage pipeline that has not been launched previously by any company and fast followers are those using MoAs approved for the first time in the previous three years.

Organisations who succeed at bringing obesity assets to market will need to be highly sophisticated in terms of patient segmentation and targeting across reimbursed and direct-to-consumer markets.

How can Pharma leaders sustain R&D productivity for the long term?

To secure future market success, here are three critical actions Pharma leaders can take right now.

1 Improve integration of strategy and capital allocation

Foster a culture of shared accountability between R&D and Commercial, where emerging science informs long-term strategy, and market insights shape early R&D choices. This improved alignment should allow for greater agility to prioritise the most promising assets, cut losses on others earlier, and ensure sufficient capital is deployed to the novel science needed to secure future market leadership.

2 Embed competitive reality into asset decisions

In a market demanding first-in-class assets, shift from simply advancing a pipeline to making deliberate choices about where your organisation can truly lead, both scientifically and commercially. Implement rigorous, market-oriented assessments into every progression and M&A decision and focus resources on programmes with the highest probability of achieving clear market leadership.

3 Drive tangible returns from AI investment

Despite years of technological investment, R&D costs continue to rise. The promise that AI would significantly reduce time and costs to develop assets, has not yet been realised at scale, largely due to a pilot-driven, function-by-function approach. Generating a meaningful return will require a move from isolated AI projects to end-to-end operational integration.

Successfully delivering on these priorities requires a culture of strategic discipline, enabled by technology. This involves using data and AI to conduct a rigorous assessment of whether the organisation possesses the necessary people, assets and capabilities to secure a leading market position for a given programme.

It necessitates divesting assets, even those with potential, where the competitive landscape presents significant barriers to success and pursuing those most aligned with the organisation's core strengths. This commitment to strategic focus is what will give companies the competitive edge to lead the next wave of breakthrough, high-value assets that improve lives.

Key pipeline trends

Obesity assets are now the dominant value driver

The most significant shift in the pipeline has been the rise of obesity assets, which have displaced oncology as the largest therapeutic area by value, 25 per cent, for the first time in our 16 years of analysis. Oncology assets contribute 20 per cent of the late-stage forecast value in 2025 (down from 26 per cent in 2024).

The trend towards large molecules continues to accelerate.

Modalities such as monoclonal antibodies and protein therapeutics are increasing their share of both pipeline volume and value. In 2025, large molecules account for 55 per cent of the assets in the late-stage pipeline (up from 51 per cent in 2024) and are projected to generate 64 per cent of its total value (45 per cent in 2024), largely at the expense of traditional small molecules which represent 38 per cent of assets and 29 per cent of projected value (down from 41 per cent of assets and 46 per cent of value in 2024).

Sources of innovation remain relatively stable.

The balance between internally developed and externally sourced assets remains relatively stable in terms of overall contribution. In 2025, externally sourced assets make up 61 per cent of the pipeline by volume and contribute 43 per cent of the total projected value (unchanged from 61 per cent by volume and down from 44 per cent of value in 2024).

Rare diseases are still a key focus area

The focus on rare and orphan diseases remains a consistent strategic priority for the industry. The proportion of rare disease assets in the late-stage pipeline has held steady, accounting for 36 per cent of the total volume of assets in 2025 and is projected to contribute 18 per cent of the late-stage pipeline's total value (from 37 per cent of volume and 20 per cent of value in 2024).

Methodology

Our *Measuring the return from pharmaceutical innovation* series has tracked biopharma R&D productivity since 2010. The cohort has evolved from 12 large-cap companies to the top 20 by 2020 R&D spend.

We continue to use the same objective methodology, which focuses on each company's late-stage pipeline, using multiple inputs to calculate the IRR, which is our measure of R&D productivity. The inputs to our calculation include:

- the total R&D expenditure incurred by a company in bringing its assets to launch (based on publicly available information from audited annual reports and readily available data from third party data providers).
- the impact of in-licensing and mergers and acquisitions (M&A) on R&D costs.
- forecast estimates of the future revenue that will be generated from the launch of the late-stage assets (revenue forecasts provided by Evaluate Pharma).
- success rates in late-stage development to risk-adjust forecasts.
- the cost of failure due to the inherent risks in undertaking R&D.
- the impact of clinical cycle times.

We consider the late-stage pipeline to be assets in phase II with pivotal or breakthrough designation, in phase III, or filed for regulatory approval.

Contacts

Authors

David Chapman
R&D Strategy Director
UK Life Sciences & Healthcare
+44 (0) 20 7303 7550
davichapman@deloitte.co.uk

Kevin Dondarski
Principal, Life Sciences Strategy
Deloitte Consulting LLP
+1 (215) 997 7559
kdondarski@deloitte.com

Wendell Miranda
Deputy Manager, US Center for Health Solutions
+16152096896
wmiranda@deloitte.com

Emily May
Manager, UK Centre for Health Solutions
+44 (0) 20 7007 5694
elmay@deloitte.co.uk

Deloitte EMEA contacts

Hanno Ronte
Life Sciences & Healthcare Strategy Leader, UK
+44 (0) 20 7007 2540
hronte@deloitte.co.uk

Nico Kleyn
Managing Partner for Life Sciences & Healthcare, North & South Europe
+41 58 279 8166
nikleyn@deloitte.ch

Colin Terry
UK Life Sciences & Healthcare Consulting Leader
+44 (0) 20 7007 0658
colterry@deloitte.co.uk

Alexander Mirow
Partner, Switzerland Life Sciences Industry Consulting Lead
+41 5 279 6708
alexmirow@deloitte.ch

Deloitte US contacts

Jay Bhatt
Managing Director, US Center for Health Solutions
+1 (215) 446 4364
jaybhatt@deloitte.com

Deloitte Global contacts

Vicky Levy
Deloitte Global Life Sciences & Healthcare Industry Leader
+1 (617) 437 3325
vlevy@deloitte.com

Todd Konersmann
Deloitte Global Life Sciences Sector Leader
+1 (214) 840 1993
tkonersmann@deloitte.com

James Gregson
Deloitte Global Life Sciences & Healthcare Industry Consulting Services Leader
+44 (0) 20 7007 8866
jgregson@deloitte.co.uk

Deloitte project team

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Evaluate contributors

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Contact information

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