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Press Release

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Pharma study: Weight-loss injections boost sales, with R&D returns also up significantly

Obesity and diabetes drugs are turbocharging sales forecasts in the pharmaceutical industry. The yearly Deloitte analysis of the world's 20 largest pharma companies reveals that the industry managed to increase its return on innovation for the second year running in 2024, from 4.3 per cent to 5.9 per cent. The competition is getting tougher, however, and investment in new technologies capable of processing large amounts of data is needed to speed up the development of new drugs and curb rising costs.

Research and development (R&D) in the pharmaceutical industry is more profitable than ever before. The return on innovation secured by the 20 biggest companies in the sector, which include the Swiss groups Roche and Novartis, rose to 5.9 per cent in 2024. Following a persistent fall in returns that was only interrupted by the development of the COVID-19 vaccines during the pandemic, the latest study by the audit and consulting company Deloitte, entitled 'Measuring the return from pharmaceutical innovation', has reaffirmed the trend shift that began back in 2023, when returns rose from a meagre 1.2 per cent to 4.1 per cent (see Figure 1).

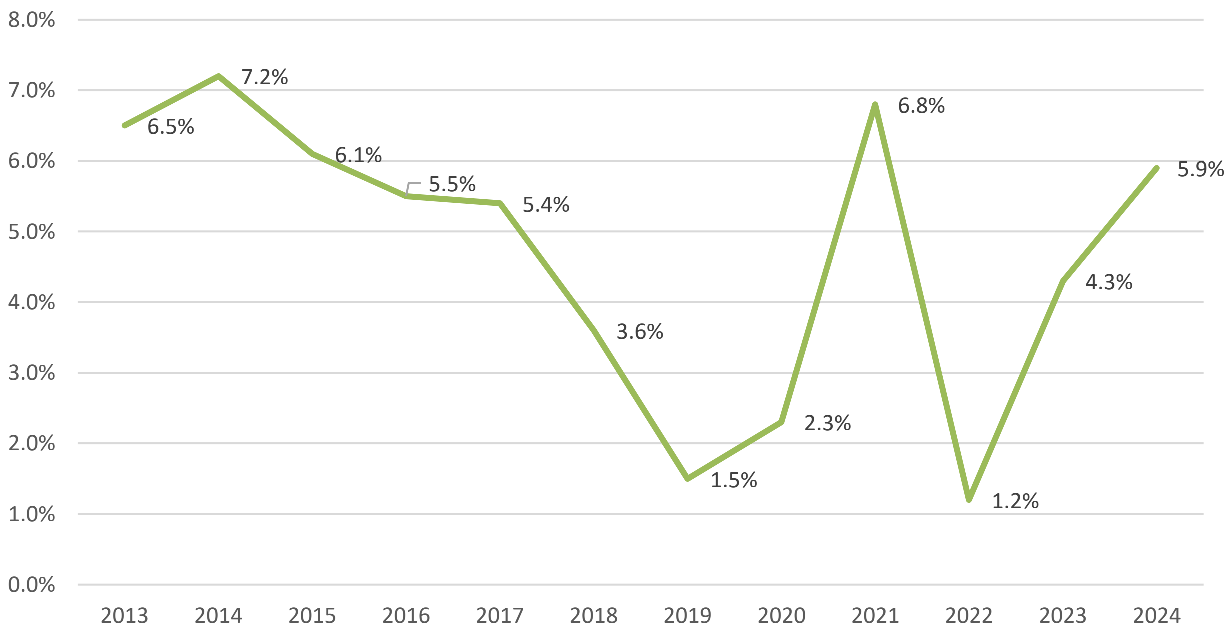

Figure 1: Returns (in per cent) on investment in research and development (R&D) since 2013.

"The increased returns are being driven primarily by 'blockbuster drugs' – i.e. those that generate strong sales by delivering major benefits to patients – such as weight-loss medications and cancer treatments," explains Alexander Mirow, Life Sciences Industry Lead at Deloitte Switzerland. The study makes it clear that innovative new applications have the potential to increase sales significantly. For example, the average forecast peak sales for a recently launched drug climbed from $353 million in 2023 to $510 million in 2024. This marked rise is due in particular to the class of medications known as GLP-1 receptor agonists, which are used to treat obesity and diabetes.

Without the drugs in the GLP-1 pipeline, the return achieved would have been much lower at just 3.8 per cent.

Cost increases are slowing

Similarly high sales levels are also likely to be achievable in other fields of research in which the options for treatment have been very limited up to now, such as Alzheimer's, multiple sclerosis, lung cancer, arthritis and cirrhosis of the liver. There is correspondingly high potential in these areas for strong returns and sales if breakthroughs are made in research. The study reveals that the number of particularly lucrative innovations has jumped considerably within the space of a year, with 29 drugs capable of generating over $1 billion in sales entering late-stage development in 2024, compared to just 19 a year earlier.

Higher profitability is key, because R&D costs are constantly rising. The average investment per drug – from discovery to market launch – has increased from $2.1 billion to $2.2 billion year on year. Accordingly, the total financial investment on R&D by the 20 leading pharma companies also rose in the 2024 financial year: from $145 billion to $171 billion.

"More complex requirements for drug trials and tougher regulatory requirements are making development cycles longer and longer, which is driving up costs," says Alexander Mirow. "This is a trend we've been seeing for some time now, and it is not likely to change much in the future. However, the cost increases have slowed in recent years, including due to quicker and more efficient R&D processes, which aren't quite as expensive. The decision to focus on this aspect is now paying off," he adds.

Eighty new drugs licensed

Much of the investment is being ploughed into cancer research, with oncology accounting for 37 per cent of R&D spending. Eighteen out of the twenty companies surveyed are active in this field, and this high concentration is fuelling fierce competition for suitable test centres and subjects for clinical trials. There is also a significant degree of overlap in R&D activities for drugs to fight infections (11 per cent), heart conditions (7 per cent) and neurological disorders (7 per cent). By contrast, medications for combating muscular disorders or skin conditions (both 3 per cent) are attracting hardly any investment.

The companies surveyed brought numerous new products to market last year, with 80 drugs that were still under development in 2023 being licensed in 2024. They include treatments for menopause symptoms, eczema, stomach cancer and infections. The companies are expecting 24 per cent of the newly licensed products to bring in billions of dollars in sales, because many of these drugs use completely novel mechanisms of action and thus have the potential to gain market share.

The 'patent cliff' and other investments

Identifying therapeutic areas with unmet needs is all the more important because the pharmaceutical sector will find itself needing to offset falling sales in the coming years as its patents expire. The loss of this reliable income stream is right at the top of the agenda for the global pharma industry executives who responded to the study, with 81 per cent saying that the 'patent cliff' had a major impact on their company's strategy.

"Big pharma companies need to make major investments, especially in artificial intelligence to process large amounts of data," concludes Alexander Mirow. "Recruiting and retaining subjects for multiple series of clinical trials and complex clinical studies is a fundamental cost driver for them. Although AI-driven efficiency savings will get drugs to market faster and make them cheaper to develop, it will be a few years yet before this innovation begins to bear fruit," he adds.

About the pharma study

Deloitte's ['Pharma Innovation RoI on R&D' study] is the 15th edition in the report series published by the [Deloitte Centre for Health Solutions], the research arm of Deloitte Life Sciences and Health Care. The study explores the performance of the biopharmaceutical industry and its ability to generate returns from its investment in new, innovative products. Since 2010, Deloitte has analysed the projected return on investment that leading global pharmaceutical companies expect from drugs in late-stage development. From 2010 to 2024, the cohort of the study has been expanded from the original twelve to the current 20 leading global pharmaceutical companies, and the same comprehensive methodology is still used.

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