

Market Update

November 16th, 2023

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The Finance Society

HEADLINES

Actor's Guild Reaches Tentative Deal With TV And Film Studios

- The SAG AFTRA union scored a 40% increase in minimum wages for background actors, a raise in pension caps, and protections for artists against the misuse of artificial intelligence
- Studios are expected to resume production imminently after a hiatus of nearly four months
- A string of successful strikes this year has inspired economists to reevaluate labor dynamics

Labor Department Report Reflects Cooling Domestic Job Market

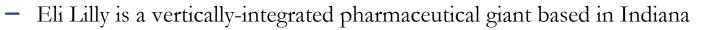
- The October unemployment rate of 3.9% is the highest it has been since January 2022, aligning with the Fed's contractionary inflation policies and suggesting rate hikes may cease
- Nonfarm payrolls increased by 150,000 for the month, a sharp decline from the gain of 297,000 in September and below the consensus forecast from analysts for a rise of 170,000
- From a sector standpoint, the industries with the largest increases in jobs were healthcare, government, and construction while manufacturing posted a decline due to the auto strikes

WTI Crude Oil Prices Drop to The Lowest Level Since Last July

- Crude prices dropped under \$78 per barrel after new Chinese economic data was reported,
 raising fears of weaker consumer demand as exports fall for the sixth consecutive month
- Record U.S. oil production at 13.2mm barrels per day has further lowered crude oil prices
- Lower oil prices indicate lessening concerns regarding an escalation of the conflict in Gaza

COMPANY OF THE WEEK: ELI LILLY & CO. (NYSE: LLY)

Eli Lilly Receives FDA Approval For Zepbound Drug





- The FDA approved a request by Eli Lilly to begin marketing for its tirzepatide medication, which is branded as Mounjaro for diabetes, under a new brand specifically for weight loss
- Reports caused Eli Lilly's stock to rise 6%, reflecting the drug's potential to boost revenues

The Race to Claim the Booming Obesity Drug Market Has Begun

- Analysts predict that Zepbound may become the best-selling drug of all time, as 40% of the U.S. population struggles with obesity and average weight loss on Zepbound is 52 pounds
- Eli Lilly is already the largest pharmaceutical company in the world by market capitalization
- Zepbound is expected to compete against rival Novo Nordisk's Ozempic and Wegovy, two
 drugs so profitable that Denmark's central bank altered its interest rate policy in response

Zepbound May Transform Other Industries and Consumer Habits

- Eli Lilly estimates that the weight-loss drug business can grow up to \$100bn by 2030
- Snack companies such as Conagra Brands and Mondelez are weighing adjustments to their portion sizing and product lineup strategies to adapt to changing patterns of consumption
- Even though there remain significant unknowns related to the long term affects of GLP-1 drugs like Zepbound, the FDA's support is likely to encourage additional GLP-1 offerings

Deal of the Week: Healthpeak Acquires Physicians

Healthpeak and Physicians Announce \$21bn All-Stock Merger

- Healthpeak Properties and Physicians Realty Trust are real estate investment trusts (REITs) that invest in laboratory, life science, and medical office properties in the United States
- Shareholders in Physicians will receive 0.674 newly issued Healthpeak stock per share held
- The all-stock merger of equals transaction values Physicians at a 10.65x P/FFO multiple

The Merger Creates the Leading REIT in Healthcare Discovery

- The combined entity will hold a 52mm square foot portfolio of healthcare discovery and delivery assets, with 753 properties primarily in the Bay Area, Boston, and Houston areas
- Consolidation of an overlapping presence in 30+ markets seeks to increase pricing power
- Management hopes to deepen relationships with top health systems through increased scale

Both REITs Look To Reduce Costs and Bolster Balance Sheet

- The combined company intends to internalize property management and cut admin costs
- REITs aim to share best-practices and best-in-class teams to integrate capabilities and talent
- The deal augments Healthpeak's debt profile with a projected 5x net debt to Adj. EBITDA





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UP NEXT: INVESTMENT BANKING CASE STUDY