



Market Update

November 16th, 2023

Andrew Cheng, Jonah Schachter
Executive Committee Members



- **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**
 - Eli Lilly is a vertically-integrated pharmaceutical giant based in Indiana
 - 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 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

The Lilly logo is written in a red, cursive script font.

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



THE FINANCE SOCIETY

UP NEXT: INVESTMENT BANKING CASE STUDY