

Research @ Citi Episode 68: The New GLP1-s. A Tough Pill to Swallow for Consumer

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Transcript:

Anne Malone (00:01)

Hi everyone. Welcome to the Research @ Citi podcast. I'm Anne Malone, the North America Head of Equity Research at Citi. Happily, with me on the podcast today is Filippo Falorni, our U.S. Beverages, Household Products, and Personal Care analyst at Citi.

Today we're going to talk with Filippo about the impact the GLP-1 drug has had on the consumer sector, the potential ramifications of the newly introduced oral format where the drug can now be taken in the pill form. Filippo, thanks for joining us.

Filippo Falorni (00:27)

Thanks for having me on.

Anne Malone (00:30)

So you're the Consumer guru here, but first let's talk a little bit of Healthcare. Let's set the scene on GLP-1s just so we can understand the impact. So what's new and what's the sort of numbers we're talking about in the U.S. population?

Filippo Falorni (00:45)

Yeah, that's a great starting point, Anne. So look, we believe we are really at a tipping point in terms of increase in adoption of GLP-1 drugs for weight loss in the U.S. We have two things that are happening that we think are going to significantly increase the potential number of users.

Number one, we have the commercialization of the pill format. And then number two, there's going to be lower costs of the drugs with increased Medicare and Medicaid coverage. And increasingly new action from the current Trump administration that were taken in late 2025 that could really lower the cost for consumers from over \$1,000 a month to something between \$200 and \$300 a month.

What does it mean in terms of population? Our Pharmaceutical and Biotech analyst Geoff Meacham forecasts that GLP-1 users could increase by more than 30 million in the U.S. over the next 10 years: from the current about 5 million user base, that are taking [GLP-1s] on a recurring basis, to over 35 million, 37.5 million by 2035.

So it is a significant change. And remember, what happened in 2023 is that the market started to focus on these weight-loss drugs. But back then the number of users was very small — we're talking about 1 million or so users. Now, with the significant increase projected over the next 10 years, we believe the implications could be far more pronounced.

Anne Malone (02:14)

So my joke had always been, *We'd never have a heavy celebrity again*. It's moved past that population to the general population. So, one, this is very much a U.S. phenomenon. That's true?

Filippo Falorni (02:24)

Correct. Right now, the big increase in adoption is going to be mainly focused on the U.S. But one thing to remember is that there's significant pent-up demand around the world as well. A lot of the pharmaceutical companies are really focused on the U.S. throughout 2026, but 2027 and beyond, you will start to see pharmaceutical companies really target also some of the international markets. But for now, the big potential impact is in the U.S.

Anne Malone (02:51)

And we're talking about kind of ready, set, go for spring. But is that really a surprise? Wasn't all of this known? That there was a pill format coming, and that perhaps this was going to bring down costs, and then we all talk about people staying on it, right?

Wasn't all this known, or is there a surprise that's in here?

Filippo Falorni (03:09)

We knew about it, right? We knew about the timeline on the oral format. I think what investors generally — especially on the consumer side — are underestimating is the potential game-changing impact of the pill format and the lower cost.

Because I think there's a bit of an anchoring bias toward what happened in 2023, which was a lot of headline noise but pretty limited impact on fundamentals. And again, we

were talking about like a million or so users back then. So clearly, it didn't really move the needle materially. But if we are really starting to see the increase of adoption that our Pharma/Biotech analyst projects over the next couple of years, we are really going to start to see much more impact on changing consumer behaviors here.

Anne Malone (03:55)

So back then in '23, it was, *Don't panic, there aren't enough*. I think the message now is *Maybe a little bit of panic is worthwhile*.

Filippo Falorni (04:02)

Correct, correct.

Anne Malone (04:04)

And to make sure we cover healthcare before we get into your area of specialty: What happens with people staying on this? What's the dropout rate? That would be another blow, right — people might sample a shot and get off it? Do they think people stay on it longer when it's a pill?

Filippo Falorni (04:22)

Yeah, correct. So that was part of our survey work that we did. We surveyed over 1,000 U.S. consumers, 1,200 U.S. consumers in the winter. And really what happened is when you ask about durability of taking the drug and duration, you're seeing that 82% of respondents in our survey are saying that they would be willing to take the drug for a longer period of time if it was available in an oral format. And 50% of respondents said they would take it indefinitely.

So clearly this is a game changer: You could become a daily pill for many consumers, like a statin that people take on a daily basis. And also, on the flip side of the equation, you can actually see people also going on/off a lot easier, right? It could become more like a wedding drug, or a vacation drug: You start a pill, you take it, and then you come off very easily. But the fact that 50% of respondents in our survey said that they would be willing to take it indefinitely, it's a pretty big change compared to the injection.

Anne Malone (05:23)

I don't know if you've coined a new phrase, a *wedding drug* or a *vacation drug*. We'll have to think about that for a bit.

OK, so we take all this, it's time to perhaps panic. Let's start with your areas of expertise. So what does it mean to some of these consumer sectors? How does a company respond? Do you think the companies are ready for it? Let's talk about that.

Filippo Falorni (05:46)

I think in terms of the consumer sectors, the biggest potential risk here is really the packaged-food group. These are companies that play in categories that are seeing significant reduction in consumption for consumers on GLP-1 drugs. That's confirmed with our survey, particularly in the snacking area. Because these drugs really remove the impulse snacking, that impulse eating occasion.

And so, in our survey, the categories most impacted were sweet and salty snacks, ice cream, candy, and generally a lot of other of these different packaged-food offerings. So the problem for these companies is that their portfolios are not prepared for the shift in consumption habits for a lot of consumers. Because what we're seeing in our survey is that where we see an increase on the food side is really on the fresh fruit and vegetables, it's on the protein options like poultry, fish, eggs. And those are areas where most of the packaged-food companies really don't play. So that's a significant potential negative impact.

In the beverage side, which is the other part of staples that can get impacted, we are also seeing a pretty significant reduction in alcoholic beverages, including beer, wine, spirits, including ready-to-drink spirits. On the non-alcoholic beverage side, the picture is a little bit brighter in the sense that you're seeing some negative impact in carbonated soft drinks, especially the full-sugar carbonated soft drinks, but the diet-sugar offerings are definitely doing better. And you're seeing an impact in terms of increased adoption for hydration categories like water, sport drinks, even energy drinks. It has a functional state of providing energy to consumers.

And then protein shakes. So that's an area where a lot of beverage companies have been investing to offer protein in the forms of protein shakes. So overall, we think the beverage companies have definitely more ways that they can try to rearrange their portfolios to play in the categories that are seeing a benefit, especially the non-alcoholic beverage company.

Alcohol is definitely more challenging to change the portfolios of those companies. But in terms of packaged food, we really see a pretty significant negative impact and not an easy way to transform the portfolio to address a change in consumer behaviors.

Anne Malone (08:06)

So I'll go with two questions. One is, if you were a consultant to these companies, what would you recommend they do? And two, you said the portfolios are not prepared for the shift. That's not a great statement, I guess, if you're a management team. Do you think stocks already reflect that? Or is that on the come?

Filippo Falorni (08:29)

In terms of questions or advice for the companies, I would definitely advise them to really take a deeper look at the way they are offering the products to consumers. Because one thing that a lot of companies — and we just came back from the CAGNY conference two weeks ago — are doing is really trying to add protein to a lot of their offerings. But the problem is, if you're adding protein in a format that consumers don't want to take — for example, like chips or cereal — it's going to be hard to really convince those consumers to stay within your portfolio.

So it's really more coming up with innovation that stretches the portfolio, or focus more on M&A. We're definitely expecting an increase in M&A activity across the space. We've already seen it to a certain extent. Some companies have definitely made more investment into the “better for you” side, into the protein — like protein shakes, for example, as I mentioned before. But really, you're trying to change the product format that you're giving to consumers. And just innovating within your current categories, just adding a few ingredients, I really don't think it's the right approach here.

To your second question, is that in the stock and what should we expect from here? Look, we definitely saw the big multiple re-rating lower after 2023 and the first wave. But then stocks have come back up, especially year to date in 2026, with the just general defensive bid. I think if you are going to start to see another lag down in terms of headlines — and this time, as we talked before, you can actually see much more in the consumption data — there's definitely more risk for those companies that are more exposed to this change in consumer behavior. I mentioned packaged-food again; in beverages, more alcoholic-beverage companies, and even in the non-alcohol, the more U.S.-centric non-alcoholic beverage companies.

So I definitely think there's more risk to come because so far here today, we knew about this spring timeline, but there hasn't really been a lot of impact on the stocks given staples has been more in favor with the rotation away from tech. So definitely more to come.

Anne Malone (10:41)

I would assume with M&A, the challenge is perhaps not too late, but too little. The math must be very hard. You own a big salty or sweet franchise, hard to find something,

and it's not like you can exactly add protein to a bunch of crystals. Although someone's trying, I know.

Filippo Falorni (10:57)

It will take some time, right? Like the potential targets are definitely on the smaller scale. So it's not an easy shift in the perception.

Anne Malone (11:05)

I know it's not exactly your area of specialty, but what about cannabis? Does that use go down too? Drugs have, to some extent, been seen as a substitute for alcohol, right? So did you ask any of that, or are there any studies on that?

Filippo Falorni (11:23)

So on cannabis, we didn't ask specifically in our survey, but we have seen in a lot of states that have legalized cannabis for recreational use, that there's been a proliferation of cannabis offerings — in the sense of smoking products, but also in the sense of beverage alternatives, cannabis-infused beverages, hemp-infused beverages.

And in a lot of those states, the issue for alcohol is that — even though they're very fragmented because no national company is willing to take a big bet on this space until there's federal legislation around it — they are taking some shelf space and cooler space from the traditional beer, wine, spirits companies.

So it's definitely been a drag, but it's more the legalization. So that part of the business, I think, goes up much more tied with legalization and you see the proliferation of offerings around it.

Anne Malone (12:27)

You did this survey and report in conjunction with several Citi analysts, I believe. So giving a little airtime to Jon Tower, Restaurants, right? What's the thought there?

Filippo Falorni (12:38)

This is a global collaborative survey across all U.S. and international consumer analysts here at Citi. So the restaurant space clearly was the other big focus. And our restaurant analyst, Jon Tower, sees the greatest risk to demand, according to his views and the survey results, at fast-food brands — especially those fast-food companies that have menus centered on carbohydrates and fats. Think about pizza, sweet treats, burgers.

Those are clearly the companies that could see the biggest impact in terms of changing consumer behaviors.

The other interesting thing is for the survey, GLP-1 users are reporting a reduction in restaurant weekly visits. It's a net 18% reduction and spend as well. It's about \$63 less per month in spending, which is about \$5 greater than other consumers that are on other weight-loss methods or other diets. So clearly a pretty significant impact, both in terms of visit and spending. And again, that's more concentrated in those restaurants that have more focus on carbohydrates, fats. So clearly you're seeing a pretty big impact.

On the flip side, the areas that are a little bit more defensive is that the coffee shops and the coffee houses are really seeing a lot less impact in terms of both spend and visits. So Starbucks and some of the other big chains in terms of coffee shops are definitely seeing less impact.

And then the other interesting thing we're seeing from our surveys is that GLP -1 users who are still going to the restaurants, including the chains, are seeing higher consumption of protein. And this is even higher relative to prior surveys. So that's a general net positive for those restaurant players that are focusing more on the protein, like the steak players.

Anne Malone (14:34)

Steak and chicken, I guess.

Filippo Falorni (14:36)

Correct. Steak and chicken across even the fast-food side. So you're seeing also within the restaurant space, one way companies are trying to respond to this changing behavior is focus more on the protein in their menus. And you're seeing that across the board, across different areas.

Anne Malone (14:51)

It's amazing how this will cross so many places.

Retail? If I drop the weight, do I end up needing a whole new wardrobe? Is that on the positive side, or . . . ?

Filippo Falorni (14:59)

That's one area that we flagged in our note as a potential beneficiary of this change in consumer behaviors and change in weights across the U.S., right? So, our softlines analyst, Paul Lejuez, he believes that the specialty-apparel retail spaces are clearly benefiting from GLP-1 and will continue to do so, from the greater adoption.

So clearly, as people lose weight, they need new clothing, creating this beneficial replacement cycle in the industry. And look, in many cases, the change in apparel becomes more of a need than a want, right? Like if you're changing your behaviors and if your weight clearly changes, you have the need to replace your wardrobe.

So he thinks that in the current environment, the change in trends, in fashion trends, which are happening on an annual basis, are working in tandem with the weight loss. And so you're seeing this kind of double tailwind for apparel. And this is clearly benefiting the softlines-apparel space.

Anne Malone (16:06)

And who doesn't like to shop, right?

I'm going to use this opportunity: Our Global Consumer and Retail Conference is March 8th through the 10th down in Florida. So you can escape the snow, see a bunch of consumer companies, and there will be a GLP-1 panel with Geoff Meacham. So I think all of that makes sense from this, including the survey write-up.

This podcast was recorded on March 2, 2026. Be sure to join me for our next Research @ Citi podcast, which will feature our REITs analyst, Nick Joseph, who will have just returned from the Citi Global Property Conference and provide us with an update on what's new and trending in the real-estate sector.

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Thanks so much, everyone, for listening. And, Filippo, thanks so much for spending time on this interesting topic.

Filippo Falorni (16:58)

Great. Thanks for having me.

Disclaimer (17:00)

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