

Novo Nordisk

Beat and raise; +ve amycretin; Wegovy supply back

Maintain Rating: BUY | PO: 875.00 DKK | Price: 748.20 DKK

FY24 guide imply 3-5% upgrade; Amycretin +ve, Supply

Key takes from FY23 results and first FY24 guide include: 1) FY23 reported EPS DKK18.62 +52%, 1% ahead of consensus, on total sales 1% beat, with strong Ozempic/Rybelsus offsetting small misses Wegovy/Saxenda; 2) FY24 guide is very strong, implying 3-5% upside to cons EPS, in our view, with top-end of guide at 29% EBIT growth less 2% Fx, c4% upside to cons, with better net financials (DKK1.3bn vs cons DKK100m) partially offset by lower buyback (DKK20bn, on higher capex); 3) Amycretin PI data is in house, with Novo evaluating further plans, though “expects to advance”. We expect weight loss data and plans for (probable) PIII at the CMD in March. Amycretin important for Novo to have an oral agent with a CagriSema-like profile (important given LLY’s orforglipron); 4) Wegovy starter dose supply resuming, though magnitude not quantified; 5) Other R&D updates include positive STEP-OA and Step-HFPEF in diabetes.

FY23 EPS 1% ahead on big Ozempic/Rybelsus beats

1) FY23 reported EPS DKK18.62 +52%, 1% ahead consensus, on total sales 1% beat, with key beats and misses: Ozempic and Rybelsus 4% beats (on DKK95.7bn and DKK18.8bn, both 14% ahead for the Q), with Ozempic +vely affected by rebates and supply chain with this a c10% benefit; obesity misses for Wegovy 2% miss on DKK31.3bn (6% miss for the Q) though note supply returning for smaller doses in Jan-24 (above) and Saxenda 8% miss on DKK10.3bn, c34% miss for the Q.

Strong FY24 guide implying 3-5% upgrades

Novo guides to CER sales growth of 18-26% (vs cons 24%) and EBIT growth of 21-29% (cons 26%). Fx headwind is c1% at sales and c2% at EBIT (cons 1/2% respectively), with reported EBIT guide of 19-27% implying EBIT of DKK130bn at the top-end, c4% ahead of company cons DKK125bn. Net-financial (hedging) guide is for gain of DKK1.3bn (vs cons cDKK100m), pointing to pre-tax income is c5% ahead of cons for the year. Share buyback of DKK20bn below us and cons (vs us DKK50bn, cons DKK34bn), due to higher capex guided at cDKK45bn. Remind Novo usually conservative at the start of the year.

Buy. EPS upgrade cycle; Cagrisema PIII 2H24. Amycretin

Novo share price outperformance in the last 18m has been driven by a Ozempic/Wegovy EPS upgrade cycle. We expect the earnings upgrades cycle to continue, with us c12% ahead of VA cons in 2024 (Ozempic, Wegovy, margins and buyback).

31 January 2024

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Stock Data

Price (Common / ADR)	748.20 DKK / 109.02 USD
Price Objective	875.00 DKK / 125.20 USD
Date Established	6-Nov-2023 / 6-Nov-2023
Investment Opinion	B-1-7 / B-1-7
52-Week Range	450.80 DKK-756.50 DKK
Market Value (mn)	3,326,703 DKK
Shares Outstanding (mn)	4,446.3 / 4,446.3
Average Daily Value (mn)	247.77 USD
Free Float	73.3%
BofA Ticker / Exchange	NONOF / CPH
BofA Ticker / Exchange	NVO / NYS
Bloomberg / Reuters	NOVOB DC / NOVOb.CO
ROE (2023E)	85.3%
Net Dbt to Eqty (Dec-2022A)	-0.6%
ESGMeter™	High

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+ve: positive

LLY: Eli Lilly

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Timestamp: 31 January 2024 02:44AM EST

Price objective basis & risk

Novo Nordisk (NONOF / NVO)

Our PO of DKK875/US\$125.2 assumes shares trade at c30x 2025E PE, above its prior absolute trading range given solid sales 25-28E CAGR (c11% versus sector c6%), increased confidence in growth from very positive outcomes data, and potential mid-term upside from strong obesity and continued strong GLP1 trends in diabetes

Our target sector multiple of c16x 25E PE is based on: 1) A 40% premium to the market average multiple which implies c15x 25E PE, a premium which is in line with the long-term historical trend for periods of growth for the sector during times of broader market uncertainty, 2) Regression analysis of historical sector forward PEs and three-year-forward EPS CAGR implies a target PE of c16x 25E PE based on sector growth of c7%, 3) Our DCF valuations imply c17x 25E PE

Upside risks to our PO are pipeline success, better-than-expected pipeline data/approvals, and better-than-expected launches of key products.

Downside risks to our PO are Wegovy & Rybelsus trajectory, China VBP insulin, risk of litigation, adverse currency moves, tirzepatide (Mounjaro) competition, and product concentration.

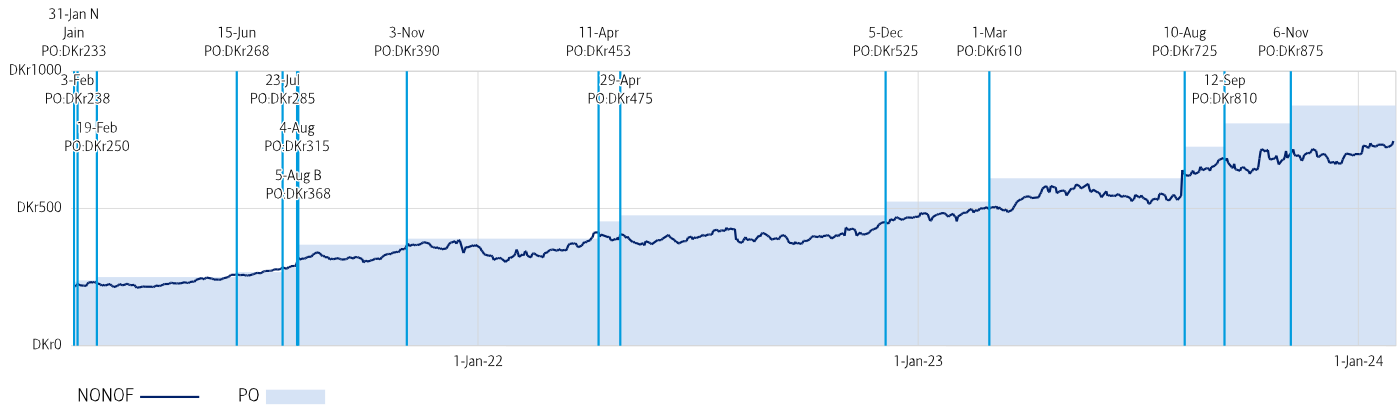
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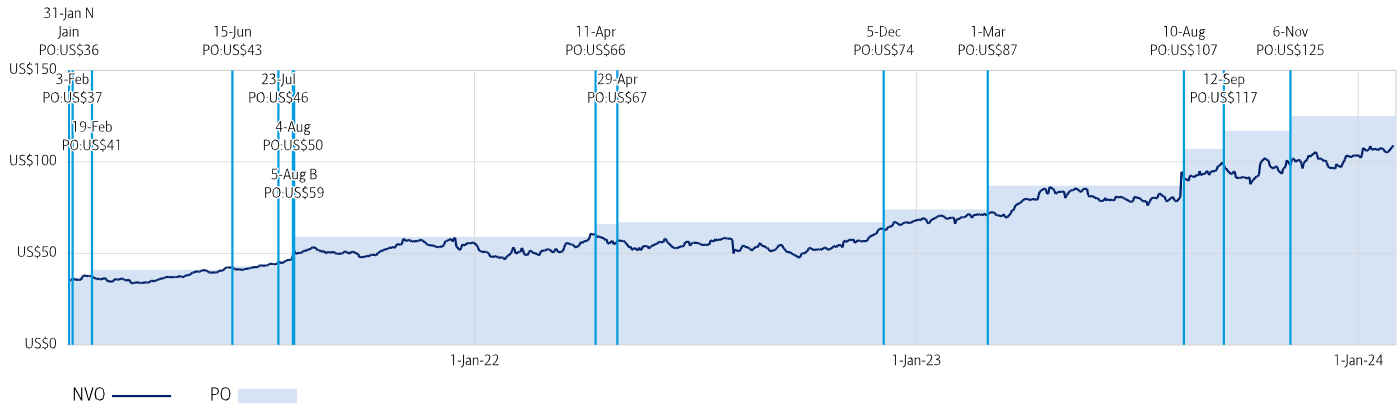
Novo Nordisk (NONOF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Novo Nordisk (NVO) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Underperform	N/A	≥ 20%

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