

Novo Nordisk

Feedback from Novo CEO/CFO meetings

Maintain Rating: BUY | PO: 875.00 DKK | Price: 809.80 DKK

Feedback from CEO/CFO meetings

We provide feedback from investor meetings we attended with Novo CEO and CFO. Key topics discussed included 1) Capex and supply increases (notable discussion given CTLT acquisition); 2) Oral strategy for diabetes / obesity and how Novo thinks about market segmentation; 3) Broader pipeline and highlights for the March CMD.

CTLT quicker, less risky + better value vs. starting scratch

Novo provided perspective on the acquisition of 3 CTLT facilities noting a number of interesting points: 1) CTLT brings substantial single-use injection and vial fill and finish capacity to supplement Novo's own API build out; 2) Novo has collaborations existing on all 3 facilities, but in house allows more lines to be added at each facility; 3) Deal is expected to close year-end with tech transfer through FY25 explaining why supply ramp comes from FY26. Capacity ramp is quicker than starting from scratch; 3) Novo also cited expansion as less risky as has good working knowledge of facilities and retains key personnel; 4) Novo cited opportunity to improve utilisation rates across all facilities

Big picture oral strategy: Market segmentation

Post much investor debate on Amycretin oral status (see [post FY note](#)), Novo provided high level perspectives: 1) We believe PI data will be forthcoming at the CMD; 2) Novo continues to suggest efficacy data for oral amycretin is best in class; 3) Our sense of positioning is Novo potentially sees a two tier oral market. It cited room for Amycretin as a high efficacy oral, but tougher scalability will restrict this to a segment of the market. It sees its Inversago asset (CB1 antagonist) as a true small molecule, that is much more scaleable, but with lower efficacy than Amycretin as serving a separate segment of the market. Inversago PII data is due end-24 and rarely comes up in our investor debate. Our sense of weight loss profile is Amycretin in the 20-25pc range (best in class of orals) and Inversago in the low to mid teens % weight loss. Novo continues to highlight barriers to other competing oral strategies.

CMD big picture preview

Novo noted key topics for the March CMD in-line with our expectations and focussed on 1) Capex and supply expansion. We continue to believe the magnitude of Novo's capex (alongside LLY) is an under-appreciated barrier to mid term competition, and potential biosimilars; 2) Pipeline focus, with Amycretin, Inversago and Cagrisema obvious areas of focus. Broad early pipeline also in focus (e.g. Dicerna); 3) Wegovy global roll out; 4) We believe Novo may provide some view of obesity market segmentation similar to our approach of Venn diagram of overlapping co-morbidities increasing impetus for payor coverage and GLP1 penetration. Notably, statistics on what addressable population is of diabetes/obese patients with multiple co-morbidities where Novo has LCM data (heart failure, CKD, PAD, MASH).

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Stock Data

Price (Common / ADR)	809.80 DKK / 118.26 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	465.45 DKK-821.80 DKK
Market Value (mn)	3,589,656 DKK
Shares Outstanding (mn)	4,432.8 / 4,432.8
Average Daily Value (mn)	281.84 USD
Free Float	73.3%
BofA Ticker / Exchange	NONOF / CPH
BofA Ticker / Exchange	NVO / NYS
Bloomberg / Reuters	NOVOB DC / NOVOb.CO
ROE (2024E)	84.8%
Net Dbt to Eqty (Dec-2023A)	-5.2%
ESGMeter™	High

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CTLT- Catalent

CKD- Chronic Kidney disease

PAD- Peripheral arterial disease

MASH - metabolic dysfunction-associated steatohepatitis

Busy pipeline year coming

We also believe FY24 remains a busy pipeline year: 1) CagriSema first PIII with obesity data late 24E and diabetes 1H25. Across the programme Novo frames target HbA1c of c2-2.3% (directionally better vs tirzepatide), with weight loss in obesity of c25%, c20% in obese diabetics, and slightly slower in non-obese diabetics at high teens to low 20's percent (directionally better vs tirzepatide with greatest delta in diabetic population); 2) Further SELECT sub-analyses and FLOW CKD detailed data; 3) Semaglutide further indications with PIII STRIDE PAD mid-24E and NASH end-24

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 c8% ahead of cons. We also believe FY24 remains a busy pipeline year: 1) CagriSema first PIII with obesity data late 24E and diabetes 1H25. Across the programme Novo frames target HbA1c of c2-2.3% (directionally better vs tirzepatide), with weight loss in obesity of c25%, c20% in obese diabetics, and slightly slower in non-obese diabetics at high teens to low 20's percent (directionally better vs tirzepatide with greatest delta in diabetic population); 2) Further SELECT sub-analyses and FLOW CKD detailed data; 3) Semaglutide further indications with PIII STRIDE PAD mid-24E and NASH end-24.

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.

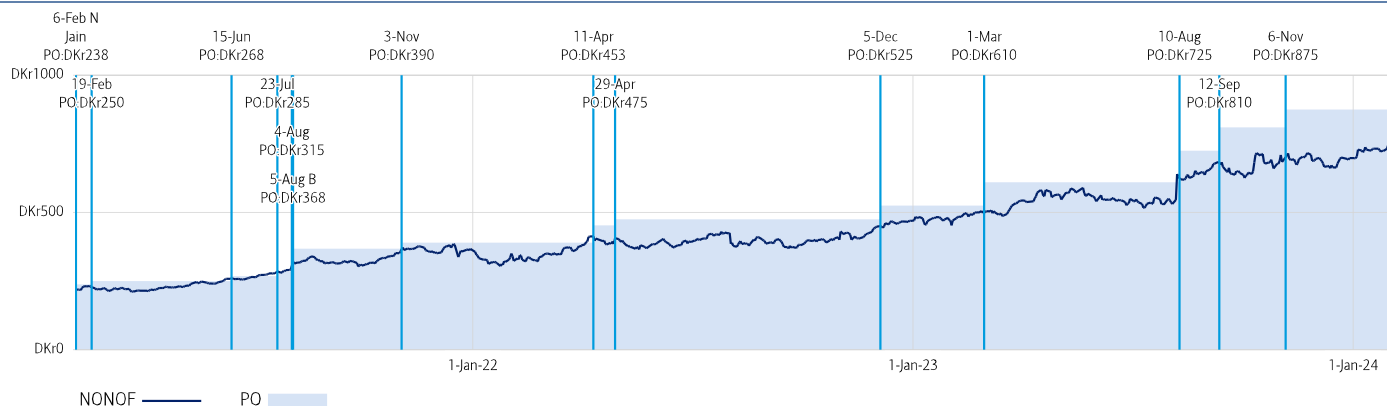
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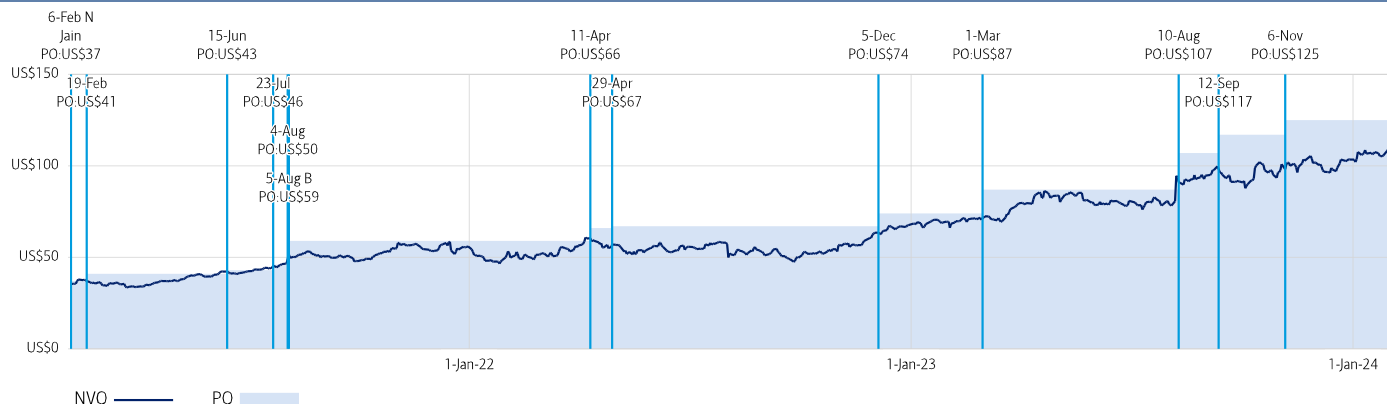
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Novo Nordisk (NONOF) Price Chart



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Novo Nordisk (NVO) Price Chart



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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%

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

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