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Paragon Global Investments Pod 2

Summary

As demand for GLP-1-based therapies accelerates globally, Novo Nordisk is uniquely positioned at the center of one of the most transformative shifts in healthcare. While investor attention remains concentrated on the U.S. weight loss market, we believe the Street is materially underestimating Novo's upside potential in emerging markets, oral obesity treatment, and non-weight-loss indications. We recommend a long position in Novo Nordisk, with a potential for **~25%** upside using the exit multiple method in a 5 year time horizon.

Company/Industry Overview

Company History: Founded in 1923 and headquartered in Denmark, Novo Nordisk A/S (NYSE: NVO) is a global leader in diabetes care, obesity treatment, and rare endocrine disorders. The company's growth has accelerated rapidly in recent years, driven by blockbuster GLP-1 therapies—Ozempic, Rybelsus, and Wegovy—which now anchor modern treatment protocols for both Type 2 diabetes and weight loss. In 2024, Novo reported $37.3 billion in revenue, reflecting 26.3% YoY growth and a 46.5% EBITDA margin, positioning it as one of the most profitable and fastest-growing pharmaceutical companies globally.

Product and Market Positioning: Novo Nordisk's mission is to drive therapeutic innovation across metabolic and endocrine disorders. Its portfolio includes: **Ozempic** (semaglutide injection) - Weekly GLP-1 for diabetes; **Rybelsus** – First-ever oral GLP-1 for diabetes; **Wegovy** – Semaglutide for chronic weight management; **Awiqli** – First weekly basal insulin, targeting adherence in insulin-dependent patients.
Awiqli launched in 2024 and is expected to reach $10–12 billion in peak sales by 2035, driven by strong interest in emerging markets like China and India. Ozempic and Wegovy are category leaders, with Ozempic holding ~40% global GLP-1 market share and Wegovy expanding into cardiovascular risk reduction indications.

Industry Overview: Novo Nordisk competes in the $40 billion Type 2 diabetes market (expected to reach $75B by 2032) and the $50 billion GLP-1 market, forecasted to grow to $150–200 billion by 2032 (11.1% CAGR). GLP-1s are increasingly used for obesity, cardiovascular disease, and even conditions like Alzheimer's and addiction. Obesity prevalence has quadrupled globally over 30 years, with 8–10% of Americans already using GLP-1s and 30–35% showing interest.

Key competitors include Eli Lilly (Mounjaro, Zepbound), Pfizer, Amgen, Viking, and Zealand Pharma. While Lilly's tirzepatide demonstrates superior efficacy in weight loss due to its dual agonist mechanism, Novo's first-mover advantage, entrenched physician preference, and strong payer adoption remain formidable barriers to switching. Emerging therapies like triple agonists (e.g., Novo's UTB-251 and Lilly's Retatutride) and oral GLP-1s (Novo's Rybelsus vs. Lilly's orforglipron) highlight intense R&D momentum. Novo has committed $10B to manufacturing expansion to meet global demand and avoid supply bottlenecks that have recently impacted competitors.

Paragon Differentiation

The market has recently turned increasingly bearish on Novo Nordisk, driven by three factors: (1) Eli Lilly’s tirzepatide (Mounjaro and Zepbound) demonstrating greater efficacy in clinical trials, (2) Lilly’s outsized R&D budget, and (3) the recent ousting of Novo’s CEO, which has added perceived instability. As a result, consensus sentiment has shifted pessimistically, with concerns about competitive erosion and management direction weighing on investor outlook.

However, we believe this represents a mispricing opportunity. While Lilly's therapies may show marginally superior clinical outcomes, we believe the Street is overreacting to short-term data without fully accounting for Novo’s global franchise strength. In most international markets, physician prescribing habits change slowly, and marginal efficacy improvements do not always justify switching, especially when patients are stable and well-managed. Novo Nordisk's entrenched physician relationships, strong formulary coverage (e.g., CVS favoring Ozempic), and broad safety data profile give it substantial inertia.

What differentiates Paragon’s view is our global perspective. Sell-side coverage tends to be U.S.-centric, overlooking Novo’s accelerating momentum in emerging markets—particularly China and India, which together represent over half the global diabetes population. These markets are driving significant upside in our model through high-volume, low-cost product adoption (e.g., Awiqli, oral semaglutide). The Street also underappreciates Novo’s manufacturing resilience and scale-up strategy, including its Catalent acquisition to resolve GLP-1 supply constraints.

Thesis 1: Awiqli’s Emerging Market Opportunity is Underappreciated

Market expectations around Awiqli remain muted, largely due to regulatory delays in the U.S. and the perception that the product offers little clinical advantage over existing once-daily basal insulins. (our revenue vs their revenue). As a result, many investors model only modest commercial uptake, primarily concentrated in developed markets like Europe and the United States. However, we believe this view significantly underestimates Awiqli’s potential in emerging markets, particularly China and India, which together account for more than half of the global diabetes population. Our model projects Awiqli revenue reaching $8.7 billion by 2035, with China and India contributing over $4.35 billion, supported by a $200 annual net price assumption tailored to local affordability levels. We forecast penetration among insulin users ramping from 1% to 8% over the period, a trajectory consistent with adoption curves seen in other once-weekly treatment categories such as GLP-1s.

In contrast to the Street’s narrow focus on U.S. regulatory hurdles, we believe Awiqli’s once-weekly dosing offers a meaningful real-world advantage in emerging markets, where treatment adherence remains a critical unmet need. Studies show that up to 38% of basal insulin patients miss doses monthly, and reducing the burden from 365 to 52 injections per year could meaningfully expand the insulin-using population. Novo Nordisk’s proven commercial execution in markets like China with its GLP-1 franchise further supports our confidence in Awiqli's emerging market trajectory. Importantly, our base case assumes no price increases and conservatively caps peak penetration at 8%, leaving room for additional upside if adherence improvements prove even stronger.

Key Bet: We believe Awiqli's peak revenue opportunity is materially underestimated by the market, with emerging market adoption and strong patient preference for convenience driving upside relative to current consensus expectations.

Thesis 2: Underappreciated Upside from High-Dose Oral Semaglutide

While market focus remains on the explosive U.S. injectables market, Novo Nordisk's high-dose oral semaglutide (25 mg and 50 mg) represents a mispriced opportunity. Submitted to the FDA for obesity, this once-daily pill has shown up to 15% weight loss in Phase 3 trials, rivaling injectable GLP-1s. It offers a compelling alternative for patients who prefer pills, particularly those progressing from metformin or unwilling to inject.

Despite strong efficacy and patient appeal, Street models remain conservative, overlooking the differentiated potential of oral GLP-1s in primary care and global settings where injection use is limited. If approved by late 2025, this would be the first oral GLP-1 for chronic weight management, significantly expanding access and convenience in both diabetes and obesity care.

Emerging markets amplify this thesis. In China, oral semaglutide is expected to grow from 0.5% to 8% penetration by 2035, while India scales from 1% (2027) to 6%. These projections reflect Novo's commercial track record and the need for scalable, non-injectable treatments in cost-sensitive, high-prevalence regions.

With an estimated price of ~$11,000 annually in the U.S., even modest 5% U.S. and 5–10% global penetration by 2035 unlocks significant upside. Risks around approval and manufacturing exist, but Novo's first-mover advantage, strong physician relationships, and Catalent acquisition help de-risk execution.

Key Bet: The market is overlooking Novo Nordisk's potential to lead the oral GLP-1 category. If execution aligns, high-dose oral semaglutide could be a game-changer in expanding the obesity and diabetes addressable market beyond what's priced in today.

Thesis 3: Ozempic's Position Is Stronger Than the Market Thinks

Ozempic remains the single largest value driver for Novo Nordisk, contributing ~40% of annual revenue. While concerns over Eli Lilly's tirzepatide (Mounjaro) have led to bearish sentiment on Ozempic's longevity, we believe the Street is overreacting. Since Mounjaro's approval in 2022, Ozempic has maintained or even grown its global GLP-1 market share, which now sits at ~40%.

Novo's five-year head start, entrenched physician prescribing habits, and broad insurance coverage have built a durable moat. CVS recently named semaglutide the preferred GLP-1 over tirzepatide, reinforcing this view. While tirzepatide shows marginally higher efficacy, in the short to medium term, switching costs, brand familiarity, and supply chain advantages (strengthened by Novo's Catalent acquisition) will help Ozempic retain its edge.

Additionally, Ozempic's label expansion into kidney disease and potential future approvals (Alzheimer's, cardiovascular, addiction) create upside not priced into consensus models.

Key Bet: The market has overstated the threat from tirzepatide. In reality, Ozempic's market share is more resilient than expected, and new indications offer material near-term catalysts.

<u>**Risks and Mitigants**</u>

Potential U.S. tariffs on EU pharmaceuticals: Currently, pharmaceuticals, including Novo Nordisk's weight loss drugs, are exempt from tariffs in the area. However, industry organizations do not yet know whether this exemption only applies to finished drugs or pharmaceutical ingredients, which is a risk to Novo Nordisk, as a large majority of active drug ingredients are produced in Kalundborg, Denmark. Further, if the tariffs do apply to all pharmaceuticals, this would have a significant adverse effect on Novo's sales. Novo Nordisk receives 58% of its sales from the US market, but only produces 20% of its production in the US.

Mitigant: Novo Nordisk can offset some of the impacts of tariffs through selective pricing adjustments in inelastic markets, given the high demand for its GLP-1 drugs. The company is also expanding U.S. manufacturing partnerships, with an existing presence in North Carolina and other states, which helps localize production and reduce exposure. While all pharmaceutical companies will be affected, Novo's category-defining products and commercial agility position it well to manage near-term disruption. Moreover, our long-term thesis is less reliant on U.S. margin expansion and more driven by growth in emerging markets—particularly China and India, which together account for over half of the global diabetes population and are key revenue drivers in our model.

Supply chain disruptions from geopolitical instability: Tensions between the US and many countries are at a high right now, with tariffs and trade wars, so there is a threat to supply chains if this increases. Historically, Novo Nordisk has had supply shortages, which have led to the usage of generic weight loss drugs as a replacement for Ozempic and Wegovy. So, a supply chain shortage/ disruption would lead to a large decrease in projected sales for the company.

Mitigant: The company uses a combination of both internal production and diverse contract manufacturing organizations (CMOs), which they have increasingly been adding to their supply chain. This dual-sourcing strategy reduces reliance on any one supplier, providing improved buffer room in the event of a disruption from geopolitical instability. Novo also incorporates risk management systems and safety stock to delay immediate impacts of supply chain disruptions.

<u>**Financials, Model, and Price Targets**</u>

Revenue Build

Novo Nordisk's revenue is segmented by product class: Ozempic, Rybelsus, Wegovy, and Awiqli. Forecasts are grounded in individual disease-state penetration models across geographies (U.S., EU, China, India, etc.) with pricing assumptions that account for payer pressure, affordability, and market access. For example, Wegovy and Rybelsus pricing in emerging markets (e.g. China, India) is significantly discounted relative to U.S. pricing, aligning with volume-driven strategies.

GLP-1-based therapies (Ozempic, Rybelsus, Wegovy) drive the majority of projected growth, with revenue growing from DKK 353B in 2025 to DKK 506B in 2030, reflecting penetration expansion, label extensions (e.g. kidney disease, obesity), and continued global demand. Awiqli, Novo's once-weekly basal insulin, contributes upside through emerging market uptake, forecasted to reach DKK ~4B revenue by 2030.

Price Targets and Sensitivity Analysis

While our model presents both Perpetuity Growth and Exit Multiple approaches, we base our valuation exclusively on the Exit Multiple method. This decision reflects the high-growth trajectory of the GLP-1 and currently hyped obesity therapeutics market, where using a long-term perpetuity growth rate (typically capped at 2.5–3.5%) fails to capture Novo Nordisk's intrinsic value.

We apply terminal EBITDA exit multiples of 11.5x, 12.5x, and 13.5x, in line with peer group benchmarks. Our midpoint implied share price is DKK 550/ USD 83.69, versus a current price of DKK 442 on the CPH and USD 63.75 on the NYSE, representing ~24.3% upside when considering a 5 year time horizon.

Importantly, this upside translates directly to Novo Nordisk's U.S. listing (NYSE: NVO), as both the CPH and NYSE shares are currently equivalent. The model-adjusted price target on the NYSE also implies a similar USD upside of ~24%, making the equity attractive on either exchange when considering a 5 year time horizon.

	2025E	2026E	2027E	2028E	2029E	2030E	Terminal
Revenue	DKK 353,428.99	DKK 407,454.09	DKK 435,853.89	DKK 451,420.02	DKK 471,429.59	DKK 506,111.19	DKK 506,111.19
% Growth		15.3%	7.0%	3.6%	4.4%	7.4%	
GAAP EBITDA	DKK 169,218.81	DKK 184,580.74	DKK 197,789.93	DKK 229,439.83	DKK 255,262.59	DKK 274,420.61	DKK 274,420.61
% Margin	47.9%	45.3%	45.4%	50.8%	54.1%	54.2%	54.2%
Operating Income	DKK 151,907.57	DKK 164,229.61	DKK 175,642.24	DKK 204,496.40	DKK 227,708.90	DKK 244,429.92	DKK 244,429.92
%Margin	43.0%	40.3%	40.3%	45.3%	48.3%	48.3%	48.3%
Less: Taxes	(30,382)	(32,846)	(35,128)	(40,899)	(45,542)	(48,886)	(48,886)
Memo: Effective Tax Rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Tax-Effected EBIT	DKK 121,526.05	DKK 131,383.69	DKK 140,513.79	DKK 163,597.12	DKK 182,167.12	DKK 195,543.93	DKK 195,543.93
Plus: Depreciation & Amortization	17,311	20,351	22,148	24,943	27,554	29,991	29,991
Less: Change in NWC	7,947	13,496	4,569	4,572	5,917	6,323	6,323
Less: Capital Expenditures	(64,000)	(64,000)	(64,000)	(64,000)	(64,000)	(64,000)	(64,000)
Unlevered Free Cash Flow	DKK 82,784.48	DKK 74,238.55	DKK 94,092.56	DKK 119,968.47	DKK 139,803.31	DKK 155,211.94	DKK 155,211.94

Discount Rate	*Perp. Growth*	*Exit Multiple*
10.69%	2.50%	11.5x
11.19%	**3.00%**	**12.5x**
11.69%	3.50%	13.5x

Discounted Cash Flows

	0.5	1.5	2.5	3.5	4.5	5.5	6
10.69%	78687	63752	73001	84090	88533	88802	
11.2%	78510	63322	72183	82774	86755	86627	
11.7%	78334	62897	71377	81485	85021	84516	

Net Working Capital	2024A	2025E	2026E	2027E	2028E	2029E	2030E
Inventories	40,849	55,623	63,491	66,077	68,691	72,123	75,801
Trade receivables	71,949	86,194	98,884	103,187	107,491	113,057	119,002
Tax receivables	2,853	2,853	2,853	2,853	2,853	2,853	2,853
Other receivables	12,612	12,612	12,612	12,612	12,612	12,612	12,612
Derivative assets	6,326	6,326	6,326	6,326	6,326	6,326	6,326
Current Assets	134,589	163,608	184,166	191,056	197,973	206,970	216,594
Trade payables	28846	49917.99534	56979.41314	59300.30112	61646.03504	64725.33896	68026.62778
Tax payables	9716	9716	9716	9716	9716	9716	9716
Other liabilities	37993	37993	37993	37993	37993	37993	37993
Derivative Liabilities	7531	7531	7531	7531	7531	7531	7531
Provisions	120329	120329	120329	120329	120329	120329	120329
Current Liabilities	204415	225486.9953	232548.4131	234869.3011	237215.035	240294.339	243595.6278
Net Working Capital	DKK (69,826.00)	DKK (61,878.81)	DKK (48,382.55)	DKK (43,813.63)	DKK (39,241.55)	DKK (33,324.05)	DKK (27,001.37)
Change in Net Working Capital		DKK 7,947.19	DKK 13,496.27	DKK 4,568.92	DKK 4,572.08	DKK 5,917.50	DKK 6,322.69

Perpetuity Growth Method

Discount Rate	PV of 25E - '30E Cash Flows		PV of Terminal Value at Perpetuity Growth Rate of 2.50%	3.00%	3.50%		Enterprise Value at Perpetuity Growth Rate of 2.50%	3.00%	3.50%
10.69%	476,864		1,230,776	1,317,239	1,415,735		1,707,641	1,794,104	1,892,600
11.19%	470,172	+	1,136,637	1,211,948	1,297,058	=	1,606,809	1,682,120	1,767,230
11.69%	463,630		1,053,284	1,119,351	1,193,489		1,516,915	1,582,981	1,657,119

Discount Rate	Net Debt		Equity Value at Perpetuity Growth Rate of 2.50%	3.00%	3.50%		Implied Share Price at Perpetuity Growth Rate of 2.50%	3.00%	3.50%
10.69%	64,233.00		1,771,874	1,858,337	1,956,833		DKK 397.95	DKK 417.37	DKK 439.49
11.19%	64,233.00	=	1,671,042	1,746,353	1,831,463		DKK 375.30	DKK 392.22	DKK 411.33
11.69%	64,233.00		1,581,148	1,647,214	1,721,352		DKK 355.11	DKK 369.95	DKK 386.60

Terminal Multiple Method

Discount Rate	PV of 25E - '30E Cash Flows		PV of Terminal Value at EBITDA Exit Multiple of 11.5x	12.5x	13.5x		Enterprise Value at EBITDA Exit Multiple of 11.5x	12.5x	13.5x
10.69%	476864		1,805,554	1,962,559	2,119,564		2,282,419	2,439,423	2,596,428
11.19%	470172	+	1,761,346	1,914,507	2,067,667	=	2,231,518	2,384,679	2,537,839
11.69%	463630		1,718,412	1,867,839	2,017,266		2,182,042	2,331,469	2,480,896

Discount Rate	Net Debt		Equity Value at EBITDA Exit Multiple of 11.5x	12.5x	13.5x		Implied Share Price at EBITDA Exit Multiple of 11.5x	12.5x	13.5x
10.69%	64,233		2,346,652	2,503,656	2,660,661		DKK 527.04	DKK 562.30	DKK 597.57
11.19%	64,233	=	2,295,751	2,448,912	2,602,072		DKK 515.61	DKK 550.01	DKK 584.41
11.69%	64,233		2,246,275	2,395,702	2,545,129		DKK 504.50	DKK 538.06	DKK 571.62

Discount Rate		Implied Share Price at Perpetuity Growth Rate of 2.00%	2.50%	3.00%		Implied Share Price at EBITDA Exit Multiple of 11.5x	12.5x	13.5x
10.65%		DKK 397.95	DKK 417.37	DKK 439.49		DKK 527.04	DKK 562.30	DKK 597.57
11.15%	=	DKK 375.30	DKK 392.22	DKK 411.33	=	DKK 515.61	DKK 550.01	DKK 584.41
11.65%		DKK 355.11	DKK 369.95	DKK 386.60		DKK 504.50	DKK 538.06	DKK 571.62

WACC Calculation	
Tax Rate	21%
Cost of Debt	2.50%
Cost of Debt	1.98%
Risk-free	4.41%
MRP	6.00%
Beta	1.2
Cost of Equit	11.61%
Cash/eq	25,441
LT debt	89,674
Net debt	64,233
% debt	4%
Sh. Out	4,452.5
Sh. Price	**DKK 442.95**
Mkt cap	1972237
% equity	96%
WACC	**11.19%**