EUROPE EQUITY RESEARCH

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Novo Nordisk A/S

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Outlook cut despite weight-loss surge offsetting margin drag

Company Overview

Novo Nordisk A/S is a Denmark-based pharmaceutical company engaged in diabetes care. The company operates through two business segments: diabetes and obesity care, and biopharmaceuticals. The diabetes and obesity care segment (94% of FY24 sales) covers insulin, GLP-1, oral anti-diabetic drugs. The biopharmaceuticals segment (6% of FY24 sales) covers hemophilia care, growth hormone therapy and hormone replacement therapy. The company focuses on the US (58% of FY24 sales) and European (21% of FY24 sales) market.

Investment Overview

Obesity care drug growth and cost control drove EPS beat and double-digit revenue gains. In 1H25, diluted EPS grew 23% y/y to DKK12.49, while revenue rose 18% y/y at constant exchange rates to DKK154.9bn. Operating profit advanced 29% y/y to DKK72.2bn, aided by efficiency gains, favourable product mix and international scaling. Obesity care drug sales surged 58% globally, with sales from the US up 17% and international markets expanding 19% as supply constraints eased and launches broadened. GLP-1 diabetes products also delivered strong growth of 10%, helping offset US pricing headwinds.

Outlook reflects strong global momentum but acknowledges US demand risks and intensifying competition. Management narrowed FY25 guidance to sales growth of 8% to 14% and operating profit growth of 10% to 16% (both at CER), down from prior 13% to 21% and 16% to 24% ranges. The revision reflects softer-than-anticipated Wegovy uptake in the US and pressure from compounded, unapproved GLP-1 alternatives now used by c.1mn patients, alongside mounting competition from Eli Lilly's GLP-1 portfolio. Management pointed to opportunities from the planned 2026 US launch of oral semaglutide for obesity and ongoing capacity investments, while also emphasising efficiency measures and pipeline reprioritisation to defend margins.

Catalysts coming to an end. Riding on its first-in-class advantage, Novo's strategy has been to be the best in the market. However, in June 2025, Novo released phase 3 data for its next-generation obesity drug CagriSema, revealing average weight loss of 22.7% over 68 weeks – falling short of the anticipated 25% target. This caused its stock price to fall c.10%. With the disappointing trial results, as well as headwinds from growing competition from compounded drugs, and a new CEO effective 7 August, concerns over the company's strategic direction have heightened, with its share price faling c.45% YTD.

We have a HOLD rating on Novo Nordisk, with TP of DKK340. Our TP is based on 11.6x 25F PE, which is slightly lower than the industry median of 14.3x. We believe its share price would be stagnant due to competitors catching up to its clinical potential and catalysts coming to an end, likely leading to loss in market share and an end of its meteoric rise.

Risks

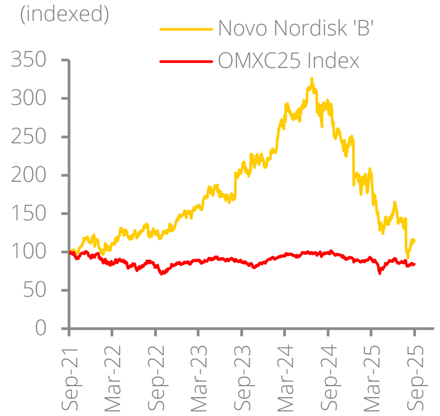
A large influx of rivals may threaten market share. Many pharma companies are competing for their slice of GLP-1 pie, which is currently controlled by Novo Nordisk with more than half of the market share. Novo is at risk of being knocked off the throne as rivals from around the world demonstrate superior clinical effectiveness with more convenient administration routes at comparable prices.

Key Financial Data

Bloomberg Ticker	NOVOB DC
Sector	Health Care
Share Price (EUR)	358.45
DBS Rating	HOLD
12-mth Target Price (EUR)	340.0
Market Cap (USDb)	249.4
Volume (m shares)	4,706.0
Free float (%)	99.2
Dividend yield (%)	3.2
Net Debt to Equity (%)	53.3
Fwd. P/E (x)	14.3
P/Book (x)	9.5
ROE (%)	79.2

Closing Price as of 2 Sep 2025
Source: Bloomberg, DBS

Indexed Share Price vs Composite Index Performance



Source: Bloomberg

Financial Summary (DKKmn)

FY Dec	FY2022A	FY2023A	FY2024A	FY2025F	FY2026F
Sales	176,954	232,261	290,403	314,734	337,115
% y/y	*25.7*	*31.3*	*25.0*	*8.4*	*6.7*
Gross Profit	148,506	196,496	245,881	261,904	280,017
% y/y	*26.8*	*32.3*	*25.1*	*6.5*	*6.9*
EBITDA	82,171	111,987	147,446	155,399	167,628
% y/y	*27.1*	*36.3*	*31.7*	*5.4*	*7.9*
Net Profit (Loss)	56,102	84,492	110,557	110,165	115,875
% y/y	*16.5*	*50.6*	*25.4*	*5.1*	*5.4*
FCF	66,741	83,102	73,804	51,506	80,185
% y/y	*37.1*	*24.5*	*(11.2)*	*10.6*	*60.2*
CAPEX	12,146	25,806	47,164	64,272	51,077
% y/y	*91.7*	*112.5*	*82.8*	*29.7*	*(20.6)*
EBITDA Margin (%)	46.4	48.2	50.8	49.3	49.7
Net Margin (%)	31.7	36.4	38.1	35.0	34.4
ROA (%)	25.7	30.4	28.3	22.4	21.4
ROE (%)	72.8	88.9	88.4	63.8	52.5
Tax Rate (%)	19.6	20.1	20.6	21.6	21.5

Source: Visible Alpha

Valuation Metrics

FY Dec	FY2022A	FY2023A	FY2024A	FY2025F	FY2026F
P/E	38.4	37.5	27.6	14.8	14.0
P/B	25.5	29.4	19.4	8.0	6.6
Dividend Yield	1.3	1.3	1.8	3.4	3.6
EV/EBITDA (x)	25.6	27.6	18.7	10.9	10.1
FCF Yield %	3.1	2.6	2.6	3.2	5.0

Source: Visible Alpha

Credit & Cashflow Metrics

FY Dec	FY2022A	FY2023A	FY2024A	FY2025F	FY2026F
Debt / Equity	30.9	25.3	71.6	49.8	40.8
Net Debt / Equity	(0.0)	(0.1)	0.5	0.3	0.3
Debt / Assets	10.7	8.6	22.1	18.7	16.9
Net Debt / Assets	(0.0)	(0.0)	0.2	0.1	0.1
EBITDA / Int Exp	13.7	132.5	20.1	32.7	48.5
Debt / EBITDA	0.1	0.2	0.1	0.2	0.2
ST Debt / Total Debt (%)	0.3	0.2	0.7	0.6	0.6
[Cash + CFO] / ST Debt	71.8	21.8	11.7	7.0	9.5
Receivables Days	118.6	118.3	109.9	108.0	108.1
Days Payable	46.8	51.4	48.5	41.0	40.5
Inventory Days	50.3	50.0	51.3	51.6	50.9

Source: Visible Alpha

Target Price & Ratings History

S.No.	Date	Closing Price	Target Price	Rating
1	18-Feb-25	DKK569.40	DKK455.00	SELL
2	24-Apr-25	DKK390.00	DKK330.00	SELL
3	30-May-25	DKK464.85	DKK360.00	SELL
4	20-Aug-25	DKK356.10	DKK340.00	HOLD

Note: Share price and Target price are adjusted for corporate actions

Source: DBS

Analyst: Nico Chen

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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