

24th February 2016

Healthcare

Novo Nordisk

Price DKK354.50

SWITCH-1 also positive for Tresiba vs Lantus

Fair Value DKK416 (+17%)

NEUTRAL

Bloomberg	NOVOB DC
Reuters	NOVOB.CO
12-month High / Low (DKK)	410.7 / 306.4
Market Cap (DKKm)	731,179
Avg. 6m daily volume (000)	2,854

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.6%	-7.2%	-3.9%	-11.4%
Healthcare	-5.8%	-12.4%	-9.5%	-11.3%
DJ Stoxx 600	-3.1%	-13.8%	-9.3%	-10.4%

	2014	2015e	2016e	2017e
P/E	35.2x	26.1x	22.9x	20.9x
Div yield (%)	1.3%	1.7%	2.0%	2.2%

ANALYSIS

- Novo-Nordisk yesterday reported that SWITCH-1 had reached the secondary endpoint of superiority of Tresiba over Lantus in reducing the incidence of severe hypoglycaemia. After a run-in titration period of 16 weeks in each group, patients are treated for another 16-week maintenance period before a cross-over of the two groups and the same 2x16-week titration and maintenance periods with the other basal insulin so that same patients are treated with the two insulins.
- Tresiba achieved statistically significant reductions in the proportion of patients experiencing severe hypo events as well as in the number of events (10% vs 17% and 69 events/100pt-y. vs 92, respectively). Of course this is above and beyond a non-inferior HbA1c reduction between the two products, which was a pre-requisite.
- After similar results were obtained in SWITCH-2 with type II diabetics, Novo-Nordisk is now in a position to call for filing of data from the combined trials with the regulatory authorities in Q3 2016 "with the aim of updating the label for Tresiba". Obviously, we all remember that the absence of any mention of superiority of new-generation basal insulins (Toujeo and Tresiba) over Lantus was a clear disappointment and one argument less favouring a switch from the previous generation to the new generation of products. With positive data from the SWITCH trials that have been designed with the support of the FDA for this goal, an updated label is likely. That said, with a filing in Q3 2016, the label is unlikely to be updated before mid-2017 i.e. after biosimilar glargines are in. Moreover, while the reduction in hypo rates in percentage terms looks great, both numbers remain low. As such, the extent to which this can drive massive adoption of Tresiba is unclear although it will help.

VALUATION

- We have USD2bn in peak sales for Tresiba in our sales model for 2021, while Levemir still exceeds USD1.5bn and Xultophy is also at USD2bn. This is double the size of Levemir in 2015, hence supporting the thesis of a massive expansion of Novo-Nordisk's basal insulin-based business. Can Novo do more? Yes. Is it reasonable to factor in higher numbers as of now? No.
- As such, we are making no changes to our estimates.

NEXT CATALYSTS

- Today 8.30am: Conference Call - [Click here to download document](#)

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Distribution of stock ratings

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SELL ratings 8.2%

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