

Novo Nordisk

Price DKK307.50

SUSTAIN-6 vs. LEADER: a different picture

Fair Value DKK360 (+17%)

NEUTRAL

Bloomberg	NOVOB DC
Reuters	NOVOB.CO
12-month High / Low (DKK)	404.2 / 296.1
Market Cap (DKKm)	618,863
Avg. 6m daily volume (000)	2 790

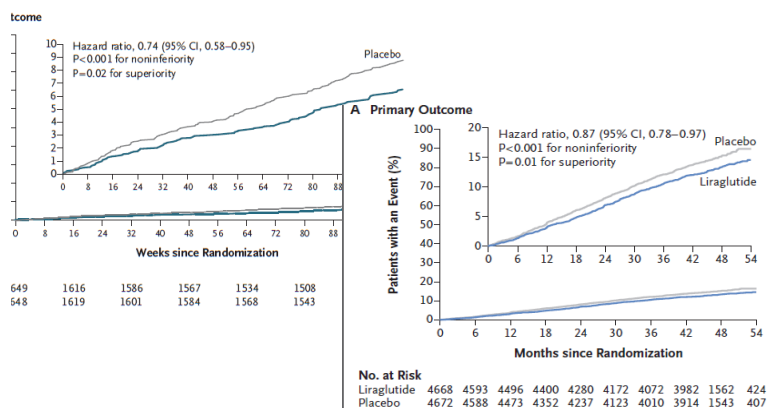
	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.7%	-9.1%	-18.2%	-23.1%
Healthcare	-1.6%	5.2%	3.6%	-8.0%
DJ Stoxx 600	-1.6%	5.1%	-0.9%	-7.7%

	2015	2016e	2017e	2018e
P/E	22.7x	19.8x	18.3x	17.4x
Div yield (%)	2.1%	2.3%	2.5%	2.6%

ANALYSIS

- After liraglutide at the ADA 2016 in June, Novo-Nordisk presented positive data for semaglutide in another cv outcome study called SUSTAIN-6. Although the two studies had positive primary endpoints, the results are not fully identical: on one hand, overall benefit looks greater with sema since the composite endpoint of non-fatal MI or stroke and cv death was reduced by 26% in SUSTAIN-6 compared to only 13% in LEADER, which appeared modest at the time and at the low-end of the expected range. A 26% reduction this time appears very robust for sema. Now, sema has failed to show any benefit on the specific and highly regarded component of death from cv cause (HR=0.98, p=0.92 at 2 years) whereas liraglutide showed its greatest benefit on this criteria. However the length of observation was higher in LEADER and so longer-term data in SUSTAIN-6 might result in a benefit as well. Because non-fatal MI and non-fatal stroke were very significantly reduced, by 26% and an outstanding 39% (while liraglutide had no meaningful impact on stroke in LEADER) respectively.

Primary endpoint measures in SUSTAIN-6 (left) and LEADER (right)



- A word about safety, at least to report side effects very much in line with what is commonly reported with GLP1 analogues. Semaglutide was associated with a higher incidence of discontinuations and more unexpectedly, with a higher incidence of retinopathy complications, which may require a warning.

VALUATION

- As expected, with semaglutide Novo-Nordisk will have a terrific once-weekly GLP1 analogue that is likely to compete neck and neck with Lilly's Trulicity. The key question is how much it will enlarge the GLP1 market segment, not even mentioning the influence of Xultophy. If we put the three in the same category their cumulative sales could jump from DKK21bn in 2016 to DKK42bn in 2021 (BGe), with a major positive mix effect on margins (+260bp over the period).

NEXT CATALYSTS

- 28th October 2016: Third-quarter results

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BRYAN, GARNIER & CO

London	Paris	New York	Munich	New Delhi
Beaufort House 15 St. Botolph Street London EC3A 7BB Tel: +44 (0) 207 332 2500 Fax: +44 (0) 207 332 2559 Authorised and regulated by the Financial Conduct Authority (FCA)	26 Avenue des Champs Elysées 75008 Paris Tel: +33 (0) 1 56 68 75 00 Fax: +33 (0) 1 56 68 75 01 Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudentiel et de resolution (ACPR)	750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member	Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11	The Imperial Hotel Janpath New Delhi 110 001 Tel +91 11 4132 6062 +91 98 1111 5119 Fax +91 11 2621 9062 Geneva rue de Grenus 7 CP 2113 Genève 1, CH 1211 Tel +4122 731 3263 Fax+4122731 3243 Regulated by the FINMA

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