

28th October 2016

Healthcare

Novo Nordisk

Price DKK279.30

Tough Q3 sales number and revised guidances

Fair Value Under Review

NEUTRAL

Bloomberg	NOVOB DC
Reuters	NOVOB.CO
12-month High / Low (DKK)	404.2 / 265.7
Market Cap (DKKm)	562,109
Avg. 6m daily volume (000)	3 168

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.3%	-26.1%	-23.0%	-30.2%
Healthcare	-5.7%	-10.6%	-5.3%	-13.3%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

	2015	2016e	2017e	2018e
P/E	20.6x	18.0x	16.7x	15.9x
Div yield (%)	2.3%	2.5%	2.7%	2.8%

ANALYSIS

- What really matters today in Novo Nordisk's report is everything about guidances. Several ones are changed starting with sales and operating profit for 2016, whose ranges once again are revised on the downside by 1%, which should not be surprising to anybody. Looking into 2017 now, first guidance is to expect low single-digit growth in revenues and flat to low-single digit growth for operating profit i.e. no leverage to a slight decline in margins. Although the second part of the equation is not surprising, we think the market was expected mid-single rather than low-single digit growth (BG: +6%). Looking at how modern insulins behaved in Q3 2016 (down for the first time, mainly because Levemir came down from double-digit growth to single-digit decline), we would expect some downward revisions here. We will do with our own numbers.
- Last but not least, Novo Nordisk is also revising the long-term financial targets in terms of operating profit growth from 10% to 5%. Obviously this is the worst piece of news in today's press release but it suggests that Novo Nordisk might become a company like any other in the healthcare space, losing its specificity. Although it might have been expected, not sure that the magnitude of the correction was anticipated.
- We would also note that Novo Nordisk is not committing itself to any timing about Fiasp, simply saying that it would work closely with the FDA. The company is also discontinuing oral insulin NN1953 in phase II.

VALUATION

- Novo Nordisk's status is changing. We would wait a bit longer before assessing how the company could do over the coming few years. NEUTRAL is maintained.

NEXT CATALYSTS

- Today 1pm: Conference Call - [Click here to download document](#)

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