

22nd November 2016

Healthcare

**Novo Nordisk**

Price DKK227.30

**Xultophy approved in the US**

**Fair Value DKK270 (+19%)**

**NEUTRAL**

Bloomberg	NOVOB DC
Reuters	NOVOB.CO
12-month High / Low (DKK)	404.2 / 225.3
Market Cap (DKKm)	457,456
Avg. 6m daily volume (000)	3 611

	1 M	3 M	6 M	31/12/15
Absolute perf.	-19.9%	-26.4%	-36.7%	-43.2%
Healthcare	-3.5%	-6.8%	-4.7%	-13.9%
DJ Stoxx 600	-1.2%	0.0%	0.7%	-7.0%

	2015	2016e	2017e	2018e
P/E	16.8x	15.0x	14.7x	14.1x
Div yield (%)	2.8%	3.0%	3.1%	3.2%

#### ANALYSIS

- Together with Sanofi's Soliqua, Novo's Xultophy was approved yesterday by the US FDA as a treatment for type II diabetics whose disease remains uncontrolled despite use of either basal insulin or GL1 analogue. The label is very much as expected. It is good surprise for Novo to be approved one month ahead of schedule and simultaneously to Sanofi's Soliqua. However, it will not change much in terms of commercial capabilities and it looks like Sanofi will be first to launch, mentioning January 2017 when Novo-Nordisk talks about H1 2017.
- It's good to see that the agency did not require any further work before approving the two products but now another tough part of the job is starting with the discussions with payers to have Soliqua and Xultophy on the lists. Of course, an estimated 2 million of basal insulin takers are uncontrolled in the US and probably half of them are candidates to take a fixed-dose combination. But payers are in a good shape to ask for deep discounts and from that perspective, although Xultophy might be seen as a superior product to Soliqua, Sanofi has a significantly greater latitude to offer attractive pricing than Novo-Nordisk which has to protect the profitability of its GLP1 franchise. It will be interesting to see how Sanofi prices Soliqua in January compared to Victoza alone.

#### VALUATION

- Because Xultophy had already been approved in the EU, we had a 100% PoS for the drug and our PS is USD2.5bn in 2022. There is no reason at this stage to make any change to the numbers.

#### NEXT CATALYSTS

- January 2017: US launch of Soliqua (including pricing elements)

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[Eric Le Berrigaud, eleberrigaud@bryangarnier.com](mailto:Eric.LeBerrigaud@bryangarnier.com)



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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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<b>London</b>	<b>Paris</b>	<b>New York</b>	<b>Munich</b>	<b>New Delhi</b>
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 résolution (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 <b>Geneva</b> 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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