



23rd September 2019

NOVO NORDISK

| Healthcare
| Pharmaceuticals

NEUTRAL

Fair Value DKK365 vs. DKK358 (+2%)
Share price DKK358.50
EPS 3Y Cagr 6.5%

Oral semaglutide approved as Rybelsus in the US and to be priced as an injectable

Rybelsus carries the same label as injectable GLP1s

Late in the afternoon at European time, Novo-Nordisk announced that the FDA approved oral semaglutide (to carry the brand name Rybelsus) as a new treatment for type II diabetes, with the mention that it is not recommended as a first-line therapy when patients are inadequately controlled by diet and exercise.

Actually, the prescribing information is a copy-paste of the ones used for injectable GLP-1 analogues like Ozempic or Victoza, including the boxed warning to report the risk of thyroid C-cell tumours seen in rodents and the caution required in humans, leading to a contraindication in patients with a personal or familial history of MTC. We do not see it as a major hurdle for the company from a marketing perspective, although competitors in the oral space (in particular those selling SGLT-2 inhibitors) might use it. The increasing popularity of the GLP-1 class is here to show that the box warning has little impact, especially since exposure to the various members of the class increases with limited reports of serious toxicity.

Instructions for administration to be more cumbersome

From a marketing standpoint, what is likely to be more inconvenient for the patient and therefore used by competition as an argument is the obligation to take Rybelsus under specific conditions. Here is how the label phrases it: "take Rybelsus at least 30 minutes before the first food, beverage or other oral medications of the day with no more than 4 ounces of plain water only". Waiting less than 30 minutes would lessen the effect of the drug while waiting more would increase the absorption. The poor compliance of type II diabetic patients is well documented in the literature and therefore physicians might see this strict context of administration as a drawback. Indeed, it might make oral semaglutide an option for third or later lines of treatment despite unparalleled efficacy data, again presented at EASD last week (it led to greater HbA1c reductions than Januvia, Jardiance or Victoza). But the later its use, the closer to the positioning of Ozempic in the treatment paradigm, hence the intend to go for metformin-failers i.e. 2L.

Novo-Nordisk has to position it right into the portfolio

The company announced that it would launch Rybelsus in the US during Q4 2019 to specialists and in Q1 2020 to PCs. The positioning will be interesting because it obviously shares the same active ingredient as Ozempic, which is just starting to ramp up, requires strong attention still to capture the most of the GLP-1 injectable segment share vs Lilly and Trucility, and is also more profitable.

During the conference call this morning, Novo-Nordisk said it would price the drug similarly to Ozempic and injectables. Previously it said it would price it competitively against orals. The strategy has changed a bit, likely on the base of the full data package showing equal to superior efficacy to injectables. Nevertheless, discussions might be tough with payers depending on whether they look at the drug as an oral or irrespectively of its route of administration.

For the time being, the only change we make is to move the PoS from 90% to 100%, which impacts the FV by DKK7 per share. New FV is DKK365. NEUTRAL maintained.

Eric Le Berrigaud

33(0) 1 56 68 75 33
eleberrigaud@bryangarnier.com

[Click here to download](#)

Market Data

Bloomberg / Reuters	NOVOB DC/NOVOB.CO
Market Cap.	DKK667,729m
E.V.	DKK652,402m
Free Float	69.7%
Avg. Daily volume (6m)	2,482
12m high / low	DKK362.2 / DKK267.3
Ytd Perf.	20.3%

dkkM	12/18	12/19e	12/20e	12/21e
Sales	111,831	120,470	125,279	128,090
% Change		7.7%	4.0%	2.2%
EBITDA	51,173	56,303	58,913	60,507
% Change		10.0%	4.6%	2.7%
EBIT	47,248	52,503	55,113	56,707
% Change		11.1%	5.0%	2.9%
Net Income	38,628	38,712	43,824	45,415
% Change		0.2%	13.2%	3.6%
ROE	0.75	0.70	0.56	0.45

	12/18	12/19e	12/20e	12/21e
EV/Sales	5.8x	5.4x	5.1x	4.8x
EV/EBITDA	12.7x	11.6x	10.7x	10.1x
EV/EBIT	13.8x	12.4x	11.5x	10.8x
EPS	15.93	16.42	18.58	19.26
% change		3.0%	13.2%	3.6%
P/E	22.5x	21.8x	19.3x	18.6x
Div Yield	2.2%	2.3%	2.5%	2.5%

Next Catalyst: 1/11/2019 - Third-quarter results

Last rating Change:

[2017-11-22, Semaglutide more than central for the investment case](#)

Last FV Change:

[2019-6-11, Without any new data, Novo-Nordisk leaves ADA 2019 stronger](#)

Last Reports:

[2019-8-9, Solid Q2 2019 figures - China and AAMEO key growth drivers](#)

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 49.4%

NEUTRAL ratings 42.9%

SELL ratings 7.6%

Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the “Bryan Garnier Group”) has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the “Issuer”).	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person’s household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No



BRYAN, GARNIER & CO

London Bryan, Garnier & Co Ltd Beaufort House 15 St. Botolph Street London EC3A 7BB United Kingdom +44 207 332 2500	Paris Bryan, Garnier & Co Ltd 26 Avenue des Champs- Elysées 75008 Paris France +33 1 56 68 75 20	Munich Bryan, Garnier & Co. GmbH Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11	Zurich Bryan, Garnier & Co Theaterstrasse 4 8001 Zurich Switzerland +41 44 991 3300	New York Bryan Garnier Securities 750 Lexington Avenue 16th floor New York, NY 10022 United States +1 212 337 7000
---	--	---	--	--

IMPORTANT INFORMATION

This document is classified under the FCA Handbook as being investment research (independent research). Bryan, Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

This report is prepared by Bryan, Garnier & Co Limited, registered in England Number 03034095 and its MIFID branch registered in France Number 452 605 512. Bryan, Garnier & Co Limited is authorized and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange. Registered address: Beaufort House 15 St. Botolph Street, London EC3A 7BB, United Kingdom.

This Report is provided for information purposes only and does not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. This Report is for general circulation to clients of the Firm and as such is not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

The information and opinions contained in this Report have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in this Report are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of this Report. Information may be available to the Firm and/or associated companies which are not reflected in this Report. The Firm or an associated company may have a consulting relationship with a company which is the subject of this Report.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firm's prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Disclosures specific to clients in the United Kingdom This Report has not been approved by Bryan, Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan, Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

This Report is based on information obtained from sources that Bryan, Garnier & Co Limited believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan, Garnier & Co Limited and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its

accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan, Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available.

Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.