



Novo Nordisk A/S ADR (NVO)

Updated August 23rd, 2024 by Prakash Kolli

Key Metrics

Current Price:	\$137	5 Year CAGR Estimate:	2.5%	Market Cap:	\$608.27B
Fair Value Price:	\$88	5 Year Growth Estimate:	10.0 %	Ex-Dividend Date:	08/18/24
% Fair Value:	156%	5 Year Valuation Multiple Estimate:	-8.5%	Dividend Payment Date:	08/29/24
Dividend Yield:	1.6%	5 Year Price Target	\$141	Years Of Dividend Growth:	4
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Sell

Overview & Current Events

Novo Nordisk A/S ADR is a large global pharmaceutical company headquartered in Denmark. The company focuses on two core business segments: Diabetes & Obesity Care and Rare Diseases. The Diabetes & Obesity Care segment manufactures insulin, related delivery systems, oral anti-diabetic products, and products to treat obesity. The Rare Diseases segment manufactures products for hemophilia and other chronic diseases. Novo Nordisk derives ~92% of revenue from diabetes and obesity. The company's products are marketed in 170 countries but approximately 48% of net sales are from North America and the rest is international sales.¹ Total revenue was nearly \$33.5B in 2023.

Novo Nordisk reported excellent Q2 2024 results on August 7th, 2024. Companywide sales were up 24% in Danish kroner to 133,409M (\$19,832M) from 107,667 (\$16,048M) and diluted earnings per share rose 17% to 10.17 DKK (\$1.52) from 8.71 DKK (\$1.30) on a year-over-year basis. Diabetes & Obesity sales increased 26% to 125,049M DKK (\$18,639M) driven by increases in Ozempic and Rybelsus (GLP-1), Wegovy (obesity), long-acting insulin, fast-acting insulin, premix insulin, offset by lower sales for Saxenda (obesity), Victoza (GLP-1), and human insulin. The Rare Disease segment sales fell 4% to 8,360M DKK (\$1,246M) caused by declines in rare blood and endocrine disorders drugs.

The firm's Novo Holdings is acquiring Catalent, a contract manufacturing firm in the U.S. to address lack of capacity. The firm is also expanding its blockbuster GLP-1 and obesity drugs to other indications. Novo Nordisk is acquiring Cardior Pharmaceuticals to establish a presence in cardiovascular therapies. Wegovy was approved in China.

The company lowered its outlook to 22% - 28% sales growth and 20%- 28% operating profit growth in 2024.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.64	\$1.98	\$2.12	\$2.48	\$2.44	\$2.47	\$2.97	\$3.04	\$3.51	\$2.69	\$3.37	\$5.43
DPS	\$0.83	\$0.73	\$1.41	\$1.14	\$1.27	\$1.23	\$1.30	\$1.47	\$1.60	\$2.06	\$2.20	\$3.09
Shares²	2,593	2,548	2,504	2,444	2,394	2,352	2,316	2,303	2,280	4,450	4,405	4,232

Novo Nordisk should generate sales growth from its portfolio of approved insulin products, Saxenda and Wegovy (obesity), Ozempic and Rybelsus (GLP-1), multiple hemophilia drugs, and Norditropin (growth disorder). According to Novo Nordisk, more than 460 million people around the world have diabetes and the numbers are expected to rise because of an increasingly overweight and aging population. The strategy seems to be working as the firm is quickly growing revenue, earnings, and market share. The company is the market leader in diabetes and obesity care and No. 3 in hemophilia. The two blockbuster GLP-1 drugs have high demand and are being expanded to other indications. We are now forecasting 10% growth in earnings per share out to 2029 due to new therapy launches, higher volumes, and pricing. Novo Nordisk has been paying a growing dividend in DKK. However, currency effects can influence this consistency when translated to USD. But on average we are forecasting 7% annual growth in the dividend out to 2029.

¹ Novo Nordisk trades as an American Depositary Receipt or 'ADR' on the NYSE. The company reports quarterly earnings in Danish kroner (DKK). This report will use USD at the prevailing exchange rates.

² Share count is in millions. The ADRs had a 2-for-1 stock split on 20 September 2023.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	27.1	27.1	23.0	17.2	19.8	20.8	21.8	27.9	39.5	38.5	40.6	26.0
Avg. Yld.	1.9%	1.4%	2.9%	2.7%	2.8%	2.5%	2.0%	1.7%	1.2%	2.0%	1.6%	2.2%

Novo Nordisk's stock price increased since our last report on a strong outlook. We lowered our 2024 earnings estimate to consensus. We increased our fair valuer multiple to 26X, near the ten-year average. However, the stock is still very overvalued on optimism. Our current fair value is now \$88. Our 5-year price target is now \$141.

Safety, Quality, Competitive Advantage, & Recession Resiliency

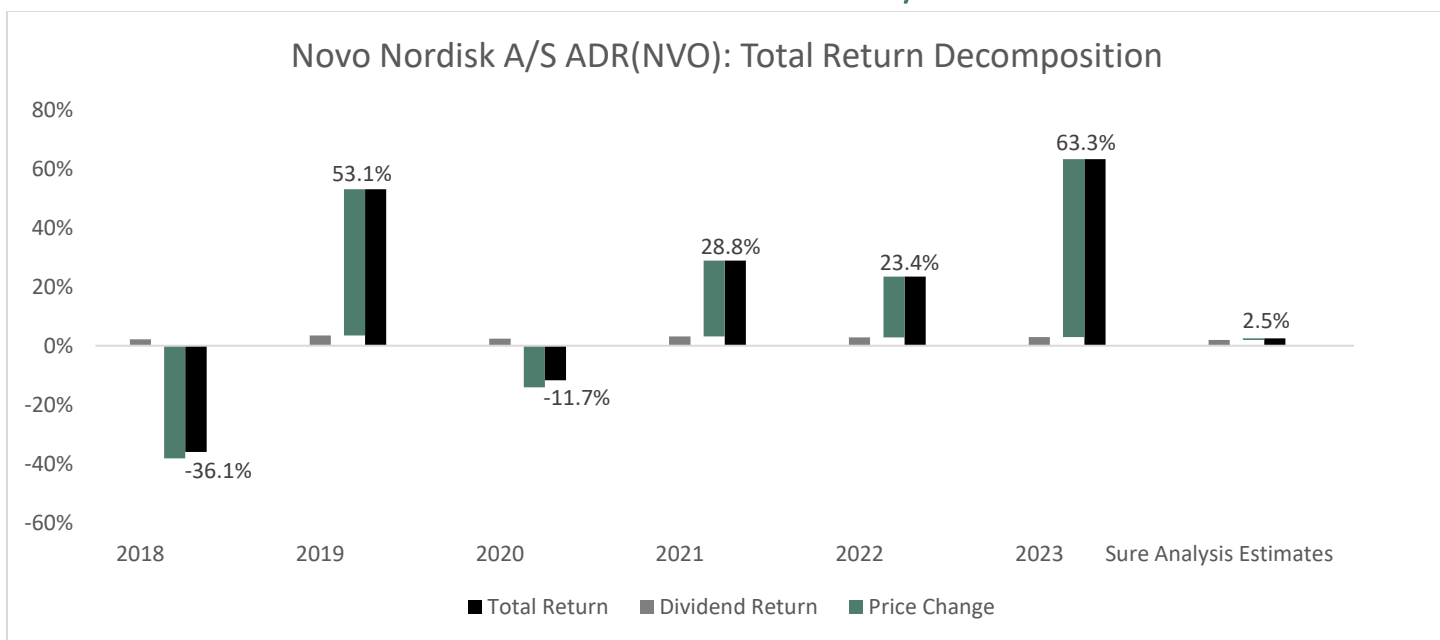
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	51%	37%	67%	46%	52%	50%	44%	48%	46%	77%	65%	57%

Novo Nordisk has a solid competitive advantage with ~43.5% market share of the global insulin market, about 34.1% of the global diabetes market, roughly 86% of the global obesity care market, about 56.0% of the GLP-1 market, and over 10% of the hemophilia market. The company has global manufacturing, distribution, and marketing scale to maintain this market share. Novo Nordisk spends on R&D to develop new drugs and expand to other indications. The company is also active in M&A to expand its pipeline in cardiovascular and renal diseases. Branded competitors exist with Sanofi and Eli Lilly for insulin. In addition, off patent insulin is available as a generic. But complex manufacturing requirements, high upfront costs, and low insulin pricing will keep most generics at bay. Novo Nordisk has recession resistant characteristics, as patients require insulin and diabetes drugs in good times or bad. The company does face patent expiration risk and pricing risk as insulin and diabetes drugs are subject to price cuts from US Medicare and Medicaid.

Final Thoughts & Recommendation

At present we are forecasting a 2.5% annualized total return through 2029 from a dividend yield of 1.6%, 10% EPS growth, and -8.5% P/E multiple contraction. Novo Nordisk is executing well, and its product portfolio is in high demand, especially the obesity drugs, driving the top and bottom lines. The company is leveraging its strengths, but stock price is elevated and ahead of itself. At the current share price, we rate this stock a sell.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	15839	16057	16615	17002	17715	18296	19451	22404	25085	33721
Gross Profit	13242	13648	14061	14318	14924	15284	16244	18640	21052	28529
Gross Margin	83.6%	85.0%	84.6%	84.2%	84.2%	83.5%	83.5%	83.2%	83.9%	84.6%
SG&A Exp.	4773	4786	4807	4890	5277	5372	5652	6533	7185	8943
D&A Exp.	613	440	475	484	622	849	881	959	1044	1367
Operating Profit	6152	7356	7199	7454	7484	7869	8293	9331	10605	14892
Operating Margin	38.8%	45.8%	43.3%	43.8%	42.2%	43.0%	42.6%	41.6%	42.3%	44.2%
Net Profit	4723	5186	5637	5804	6119	5840	6456	7599	7871	12150
Net Margin	29.8%	32.3%	33.9%	34.1%	34.5%	31.9%	33.2%	33.9%	31.4%	36.0%
Free Cash Flow	4884	4743	5952	4950	5102	5331	4577	7577	9092	10165
Income Tax	1358	1283	1467	1606	1424	1440	1684	1802	1919	3048

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	12582	13447	13871	16495	16969	18832	23953	29611	34724	46692
Cash & Equivalents	2350	2479	2658	3038	2396	2320	2109	1632	1821	2137
Acc. Receivable	2129	2268	2877	3250	3491	3735	4584	6187	7277	9617
Inventories	1854	1869	2039	2477	2503	2645	3064	2987	3510	4723
Goodwill & Int.	225	316	386	536	788	875	3414	6572	7400	8969
Total Liabilities	6003	6567	7433	8467	9027	10198	13487	18841	22708	30871
Accounts Payable	808	722	855	904	1035	953	945	1350	2243	3802
Long-Term Debt	118	157	33	273	79	99	1105	3428	3059	3159
Total Equity	6579	6880	6438	8028	7941	8634	10467	10770	12016	15821
LTD/E Ratio	0.02	0.02	0.01	0.03	0.01	0.01	0.11	0.32	0.25	0.20

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	36.9%	39.9%	41.3%	38.2%	36.6%	32.6%	30.2%	28.4%	24.5%	29.8%
Return on Equity	65.3%	77.1%	84.7%	80.2%	76.6%	70.5%	67.6%	71.6%	69.1%	87.3%
ROIC	64.6%	75.5%	83.5%	78.6%	75.0%	69.7%	63.6%	60.0%	53.8%	71.4%
Shares Out.	2,593	2,548	2,504	2,444	2,406	2,346	2,339	2,303	2,272	4,495
Revenue/Share	6.02	6.23	6.55	6.86	7.31	7.69	8.31	9.73	11.04	7.50
FCF/Share	1.86	1.84	2.35	2.00	2.10	2.24	1.96	3.29	4.00	2.26

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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