EQUITY RESEARCH · PHARMACEUTICALS — GLP-1 / OBESITY

NOVO NORDISK A/S

$48.88

close 09 Jul 2026 · –64% vs Jun-2024 high

NYSE: NVO (ADR) · ALL FIGURES IN USD

12 JULY 2026

THE BUSINESS Danish pharmaceutical company and the global leader in diabetes care. Its GLP-1 medicines — Ozempic for diabetes and Wegovy for obesity, both the molecule semaglutide — now drive the business; diabetes and obesity together are 93.6% of sales.

RATING	PRICE TARGET	RISK-ADJ. VALUE	DOWNSIDE TO BASE	STREET AVG PT
REDUCE	**$39.00**	**$38.99**	**–22.0%**	**$48.83**

MARKET CAP	ENTERPRISE VALUE	FWD P/E	DIVIDEND YIELD	NET DEBT	NEXT EVENT
$217bn	**$189bn**	**15.9×**	**3.7%**	**$19.3bn**	**05 Aug**

The bull case is coherent. It is also fully priced.

Sixty-eight per cent of Novo's enterprise value sits beyond 2032, the year US semaglutide loses exclusivity. A seven-year DCF to that date values the ADR at $38.13 against $48.88. The market is treating the cliff not as costless but as survivable, which is a defensible view. It is also a view that requires two things to go right at once, and pays nothing for the possibility that neither does.

Exhibit 1. **The debate, stated fairly**

	Bull case	Bear case	This report
Post-2032 franchise	Peptides erode slowly — complex synthesis, API-supply barriers, device and formulation IP, authorised generics	One molecule, ~70% of revenue, 13+ generic filers queued at the FDA	70% cash-flow retention. Real erosion, but not a Lipitor cliff
Obesity market	$150–180bn by the mid-2030s; Novo can lose share and still grow	MFN and IRA price cuts offset the volume expansion	The market grows. Whether Novo's revenue does is the open question
Competitive position	First to market in orals; unmatched peptide manufacturing scale	Lilly leads on efficacy and holds ~5 more years of exclusivity	Lilly's lead is structural and dates to Dec-2024, not to 2026
Pipeline	CagriSema and amycretin carry patent life into the 2040s	CagriSema lost its head-to-head; amycretin is ~2030 at best	Optionality is real but unproven. Not a base case
Cost of capital	Defensive pharma; peer betas run 0.50–0.70	Revenue concentration is extreme for a large-cap	Beta 0.75. Concentration risk belongs in scenarios, not the discount rate

Novo has lost US GLP-1 share in every quarter since Zepbound launched. The 2026 guidance cut repriced that trend; it did not create it.

1 The cliff is scheduled, not a risk. US semaglutide exclusivity runs to roughly 2032 and EU/Japan to 2031; Canada, China and Brazil are expiring now. At least 13 companies have notified the FDA of intent to file generics. Roughly 70% of revenue sits in that single molecule, and 68% of enterprise value sits behind it.

2 Novo has been losing to Lilly for three years. US GLP-1 share has fallen from ~62% in late 2023 to 39.4% today. The inflection was SURMOUNT-5 in December 2024, when tirzepatide beat semaglutide head-to-head on weight loss. Lilly's molecule is protected roughly five years longer.

3 FY2026 is the first revenue decline of the modern era — and it is a price event, not a volume event. Adjusted sales and operating profit are guided down 4–12% at constant currency. November's Most-Favoured-Nation deal cut US Ozempic and Wegovy from roughly $1,000 and $1,350 list to $350 on TrumpRx, trending to $245. Volumes continue to grow.

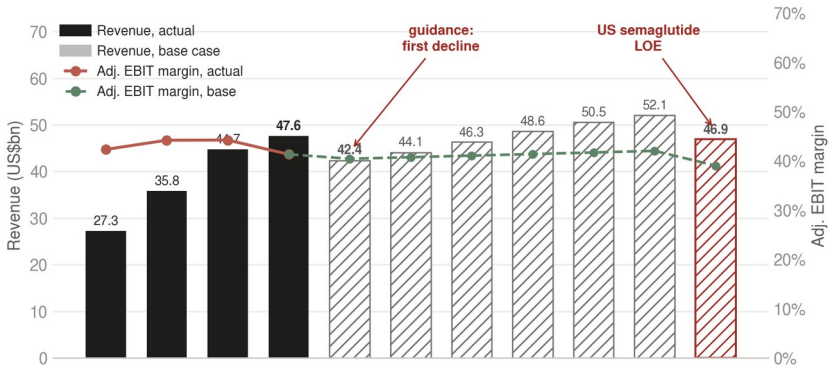
4 Reported 2026 numbers will flatter the business. Guidance is stated “adjusted” because it excludes a ~$4.2bn reversal of 340B rebate provisions. Unadjusted, the mid-point reads –1% sales and +11% operating profit. Q1 showed the split precisely: reported sales +32% at CER against adjusted sales –4%. This report models the adjusted line throughout.

Exhibit 2. **A two-year de-rating, not a 2026 event**

Markers are sourced or dated closes; the connecting path between them is interpolated. Hollow marker = approximate level.

The shares had already fallen 57% from their June-2024 high before February's guidance. The P/E has compressed from ~35× to ~12× while volumes kept growing: the market has spent two years repricing the terminal value, not the next two quarters.

Exhibit 3. **Revenue and adjusted EBIT margin, FY2022–FY2032E**



Translated at a constant USD/DKK 6.49. FY26E is the guidance mid-point on an adjusted basis.

The forecast trough is FY2026 and the cliff is FY2032. Everything to the right of the final bar — 68% of enterprise value — is a judgement about what survives generic entry.

Exhibit 4. **Financial summary (US$bn unless stated)**

	FY23	FY24	FY25	FY26E	FY31E	FY32E
Revenue	35.8	44.7	47.6	42.4	52.1	46.9
Revenue growth	+31%	+25%	+6%	–11%	+3%	–10%
Adj. EBIT	15.8	19.8	19.7	17.1	21.9	18.3
Adj. EBIT margin	44.2%	44.2%	41.3%	40.4%	42.0%	39.0%
Diluted EPS ($)	2.90	3.50	3.55	3.07	—	—
Capex	—	7.3	9.3	8.5	5.2	4.6
Capex, % of sales	—	16.3%	19.4%	20.0%	10.0%	9.9%
Unlevered free cash flow	—	—	4.4	5.9	15.1	12.9

Translated at a constant USD/DKK 6.49 so growth reflects the business rather than the currency. FY25 EBIT margin carries ~$1.4bn of Q3 restructuring; underlying was ~44%. Capex peaked at 19.4% of sales — roughly three times normal pharma levels — and its roll-off is what lifts free cash flow 2.5× by FY2031 on 23% revenue growth.

VALUATION METHOD

A five-year DCF closed with a Gordon perpetuity would assume that cash flows from a molecule with a known expiry date compound forever. The model instead runs an explicit seven-year forecast to FY2032 — the loss-of-exclusivity year — and then applies a post-LOE **retention rate** to FY2032 free cash flow before growing it in perpetuity. Retention is the single judgement that decides this stock.

It is built from the FY2032 revenue mix rather than assumed. US semaglutide (30% of sales) erodes ~70%; ex-US semaglutide (35%) is already part-eroded by then; insulin and rare disease (20%) hold; next-generation products grow. That yields ~76% revenue retention — and because the sales force behind a genericised drug is harvested rather than retained, cash flow holds up better than revenue. Base case 70%.

Exhibit 5. **DCF bridge and key valuation metrics**

DCF BRIDGE (US$bn)		KEY METRICS	
PV of forecast FCF, FY26–32E	**59.9**	WACC	**6.18%**
PV of terminal value	**128.8**	Beta (peers 0.50–0.70)	**0.75**
Enterprise value	**188.7**	Terminal growth	**1.5%**
Less: net debt	**(19.3)**	Post-LOE retention	**70%**
Equity value	**169.4**	Terminal value, % of EV	**68.3%**
Shares outstanding (m)	**4,443.6**	Implied exit EV/EBITDA	**9.0×**
Value per ADR	**$38.13**	**Market price / downside**	**$48.88 / –22.0%**

Monte Carlo over 10,000 trials — randomising beta, retention, terminal growth, the revenue path and margins — puts the median at $38.07 and the probability that NVO is overvalued at 79%.

Exhibit 6. **Sensitivity — value per ADR by WACC and post-LOE retention**

WACC \ retention	50%	60%	70%	80%	90%
5.00%	$40	$46	$52	$58	$64
5.50%	$35	$40	$45	**$50**	$55
6.18%	$30	$34	$38	$42	**$46**
7.00%	$25	$29	$32	$35	$39
8.00%	$21	$24	$27	$29	$32

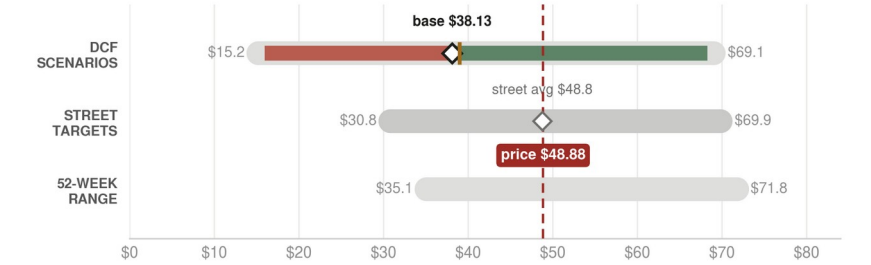
Bold cells sit within $2.50 of the market price. Terminal value is 68% of enterprise value, so faster growth in FY2027–31 moves only the other 32% — and it partly self-cancels, because every dollar of semaglutide revenue added by 2031 is a dollar standing on the cliff edge in 2032. The bull case is an argument about retention, not growth.

Exhibit 7. **What has to be true to justify $48.88**

Route to the market price	Retention	Revenue FY27–31	WACC	Value	What that requires
Model base case	70%	+4.2%	6.18%	$38.13	Bottom-up retention; guidance-anchored growth
Retention alone	96%	+4.2%	6.18%	$48.88	Near-total cliff immunity
Revenue growth alone	70%	+8.2%	6.18%	$48.88	Re-accelerate to +8% from a guided decline
Discount rate alone	70%	+4.2%	5.19%	$48.88	Beta 0.53 — below every large-cap pharma peer
Blend	80%	+6.3%	6.18%	$48.24	The most defensible bull construction

Each route holds the other two variables at base. None of them is absurd — which is the point. The market is not making an error; it is making a forecast.

Exhibit 8. **Valuation summary (US$ per ADR)**



Street = 24-analyst Copenhagen consensus (DKK 200–454) at USD/DKK 6.49; its 2.3× spread is itself the point. Orange tick = probability-v

Bear $15.20, base $38.13, bull $69.08. The bull case now exceeds the market price, so this is not a high-conviction short — it is a position without a margin of safety.

WHERE THIS REPORT DIFFERS FROM THE STREET

Not on 2026, and not on the obesity market. The disagreement is narrow and nameable: Novo has guided the current year down, has lost US share in every quarter for three years, and its designated successor lost its head-to-head against Zepbound. Re-accelerating to +8% revenue growth while all three remain true is a forecast, not a base case. The street's own targets span $30.8 to $69.9 — a 2.3× spread on a $49 stock. That dispersion is the honest signal: nobody knows what this company is worth after 2032, and the price embeds one of the more optimistic answers.

Exhibit 9. **Catalysts and what each one settles**

When	Event	Bearing on the call
05 Aug 2026	Q2 2026 results	Second data point on the Wegovy pill, and whether adjusted sales inflect
H2 2026	CagriSema FDA decision	The designated successor. Approval is not the same as commercial success against Zepbound
From mid-2026	Medicare obesity volumes	First read on whether the MFN price-for-volume trade actually pays
2027	IRA maximum fair price	A second structural cut to US net price
2029–30	Amycretin Phase III	The only asset that can plausibly replace semaglutide before the cliff
2031 / 2032	EU-Japan, then US LOE	The event behind 68% of enterprise value

RECOMMENDATION

REDUCE, price target $39.00. The base case sits 22% below the market and the probability-weighted value 20% below. A 3.7% gross dividend — 3.1% net of Danish withholding — does not bridge that. The rating is not a claim that the market has mispriced the science; it is a claim that at $48.88 an investor is paid nothing for the possibility that either retention or growth disappoints, and the model says both must land for the price to be fair.

Conviction is deliberately moderate. The distribution is wide — bear $15, bull $69 — and a beta of 0.60, which several large-cap peers genuinely carry, lifts the value to $45. The position to hold is that Novo is a first-class franchise at a price that already assumes it stays one.

Sources: Novo Nordisk FY2025 results and Form 20-F (3–4 Feb 2026); Q1 2026 results (6 May 2026); SEC EDGAR 6-K filings; White House MFN fact sheet (6 Nov 2025); SURMOUNT-5 and REDEFINE-1 disclosures (Dec 2024); TradingEconomics (Denmark 10Y); stockanalysis.com; Investing.com; Macrotrends; CNBC; Reuters; Maher et al. on oral peptide bioavailability (PMC). All valuation figures generated from NVO_Analysis.xlsx. Personal research project — not investment advice.

APPENDIX — MODEL, SCENARIOS AND COMPETITIVE POSITION

Every figure in this report is generated from NVO_Analysis.xlsx. The model is built in Danish kroner — Novo's reporting currency, so the forecast ties directly to the filings — and translated to USD at 6.49 for presentation. A constant rate is used throughout so that growth rates reflect the business rather than the currency.

Exhibit 10. **Base-case assumptions and WACC build**

BASE-CASE DCF ASSUMPTIONS		COST OF CAPITAL (CAPM, DKK BASIS)	
Revenue growth FY2026E	**–11.0%**	Risk-free rate (Denmark 10Y)	**2.78%**
Revenue growth FY2027–31E	**+3% to +5%**	Equity risk premium	**5.00%**
Revenue growth FY2032E (LOE)	**–10.0%**	Beta — large-cap pharma peers	**0.50–0.70**
Adj. EBIT margin FY26E → FY31E	**40.4% → 42.0%**	Beta — selected	**0.75**
Adj. EBIT margin FY2032E	**39.0%**	Beta — published 5Y regression	**0.35 (R^2 0.13)**
Effective tax rate	**22%**	Cost of equity	**6.53%**
D&A, % of sales	**7.5%**	After-tax cost of debt	**2.81%**
Capex FY26E → FY32E	**$8.5bn → $4.6bn**	Equity / debt weights	**90.6% / 9.4%**
ΔNWC + gross-to-net, % of sales	**5.0% → 0.5%**	WACC	**6.18%**
Post-LOE retention	**70%**	Net debt deducted	**$19.3bn**
Terminal growth	**1.5%**	USD/DKK (1 ADR = 1 B share)	**6.49**

Beta is set at the top of the peer range rather than the 0.35 regression. CAPM prices systematic risk only, and Novo's risk is overwhelmingly idiosyncratic (R^2 of 0.13 against the market); that risk is carried in the scenarios below rather than double-counted in the discount rate. Retention is built bottom-up from the FY2032E revenue mix, not assumed.

Exhibit 11. **Free cash flow forecast, FY2026E–FY2032E (US$bn)**

	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
Revenue	42.4	44.1	46.3	48.6	50.5	52.1	46.9
Revenue growth	-11.0%	+4.0%	+5.0%	+5.0%	+4.0%	+3.0%	-10.0%
Adj. EBIT	17.1	17.9	19.0	20.1	21.1	21.9	18.3
Adj. EBIT margin	40.4%	40.7%	41.0%	41.4%	41.7%	42.0%	39.0%
Less: tax on EBIT	-3.8	-3.9	-4.2	-4.4	-4.6	-4.8	-4.0
Plus: D&A	3.2	3.3	3.5	3.6	3.8	3.9	3.5
Less: capex	-8.5	-7.4	-6.5	-5.9	-5.5	-5.2	-4.6
Less: ΔNWC + gross-to-net	-2.1	-1.9	-1.6	-1.3	-1.0	-0.7	-0.2
****Unlevered free cash flow**	5.9	8.0	10.2	12.1	13.7	15.1	12.9
Discount factor @ 6.18%	0.942	0.887	0.835	0.787	0.741	0.698	0.657
****PV of free cash flow**	5.6	7.1	8.5	9.5	10.1	10.5	8.5

Sum of discounted cash flow $59.9bn, which is the first line of the DCF bridge shown in the body (Exhibit 5, page 2). The capex roll-off from $8.5bn to $4.6bn is what lifts free cash flow 2.5× on 23% revenue growth — the FY2026 trough is the last year of the manufacturing build, not a run-rate.

Exhibit 12. **Scenario framework**

Scenario	Post-LOE retention	Revenue FY27–31	EBIT margin by FY31	Value / ADR	Weight
Bear	50%	–2% p.a.	38.0%	$15.20	30%
Base	70%	+3% to +5%	42.0%	$38.13	45%
Bull	88%	+7% to +9%	45.0%	$69.08	25%

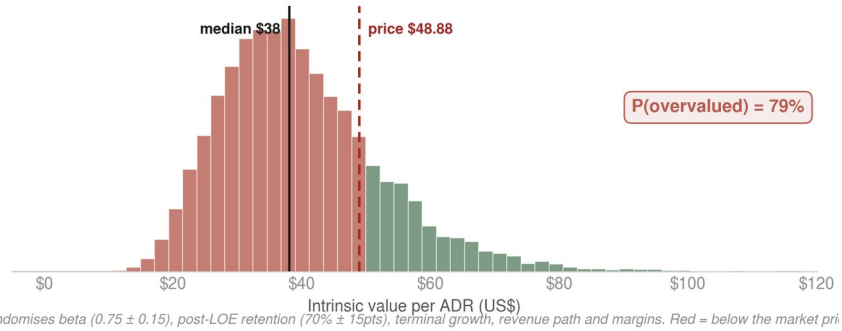
Weights lean bearish: the cliff is a scheduled event, Novo has lost share in every quarter for three years, and CagriSema lost its head-to-head. Probability-weighted value $38.99. A 25/50/25 weighting gives $40.14 — the rating does not turn on the weights.

Exhibit 13. **What would break the Reduce rating**

If this is wrong	Change from base	Value / ADR	vs price	Verdict
Peers carry lower betas	Beta 0.60 (Novartis, AZ level)	$44.98	-8.0%	Downside narrows to 8%
Peptide erosion is mild	Retention 90%	$46.41	-5.1%	Downside narrows to 5%
Medicare volume offsets MFN price	Revenue +4pp p.a. FY27–31	$48.74	-0.3%	Downside narrows to 0%
Lower beta AND mild erosion	Beta 0.60 + retention 90%	$55.12	+12.8%	Rating breaks

Each of the first three is survivable on its own; none of them alone turns the call. Two of them together do. Note that $55.12 requires no revenue re-acceleration at all, which makes it a sharper challenge to the rating than the $69.08 bull case in Exhibit 8 — that one needs retention, growth and margin to move together. Read alongside Exhibit 7, which isolates the same levers against the market price. This is the strongest honest argument against the rating, and it is why conviction is moderate rather than high.

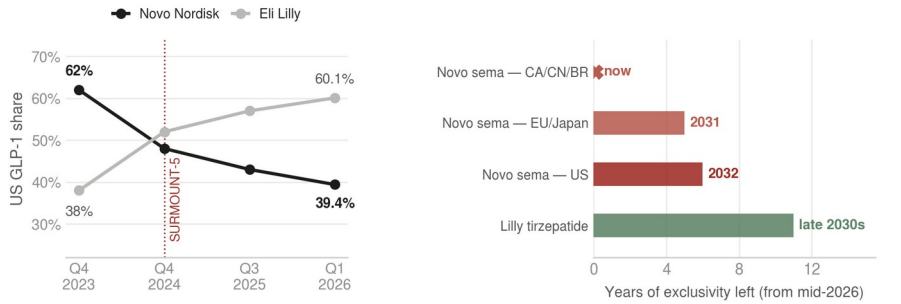
Exhibit 14. **Monte Carlo, 10,000 trials**



Randomises beta (0.75 ± 0.15), post-LOE retention (70% ± 15pts), terminal growth, revenue path and margins. Red = below the market pri

Median $38.07 against a $48.88 price, with a 79% probability the ADR is overvalued. The left tail is fat because retention and beta compound — the same two levers as the stress test above.

Exhibit 15. **A three-year share trend, and the patent gap**



Sources: company reports, CNBC (US GLP-1 share, obesity + diabetes). Share loss dates to Zepbound's launch and the Dec-2024 SURM

Share loss began with Zepbound's launch and accelerated after SURMOUNT-5 (Dec-2024), where tirzepatide beat semaglutide head-to-head. Lilly's molecule is protected roughly five years longer — the structural asymmetry behind the valuation gap, detailed against Lilly below.

Exhibit 16. **Novo Nordisk versus Eli Lilly**

	Novo Nordisk (NVO)	Eli Lilly (LLY)
US GLP-1 share	39.4% (from ~62% in late 2023)	60.1% (from ~38%)
Q1 2026 revenue	$10.8bn; adjusted sales –4% CER	$19.8bn, +56%
FY2026 guidance	Adjusted sales –4% to –12% CER	Raised to $82–85bn
Lead molecule	Semaglutide	Tirzepatide
US exclusivity to	~2032	Back half of the 2030s
Oral obesity drug	Wegovy pill — first to market, Jan-26	Foundayo — approved Apr-26
Next generation	CagriSema (filed; lost head-to-head)	Orforglipron, retatrutide
Revenue concentration	Diabetes + obesity = 93.6% of sales	Cardiometabolic = 78% of sales

Sources: company Q1 2026 reports; CNBC (US GLP-1 share, obesity and diabetes combined); company annual reports (patent expiry); Zacks (segment concentration). Lilly states tirzepatide is protected into the back half of the 2030s.

Exhibit 17. **Interrogating the model**

Judgement	Where it lives	Base	What it does
Post-LOE retention	Assumptions!C46	70%	Sets the terminal value. The single largest driver of the answer
Beta	Assumptions!B9	0.75	Sets the WACC. 0.60 lifts the ADR to $45; 0.53 clears the price
Revenue path FY27–31	Assumptions!C37:C41	+3–5%	+4pp clears the price on its own
Scenario weights	Assumptions!B48:D48	30/45/25	25/50/25 gives $40.14 — the rating does not turn on this

The workbook uses a standard convention: blue = hard input, black = formula, green = cross-sheet link, yellow fill = judgement. Every figure in this report traces to a live formula; none is hard-coded into the text. Recalculate with any spreadsheet engine and the outputs regenerate.