



# Novo Nordisk A/S

NVO

EQUITY RESEARCH REPORT

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May 25, 2026

# NVO — Novo Nordisk A/S

**Report Date:** 2026-05-25

**Analyst:** Moschovakis Capital Research

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## EXECUTIVE SUMMARY

Metric	Value
Recommendation	**HOLD / WATCHLIST**
Current Price (ADR)	~\$48 (estimated post-46% drawdown)
Fair Value (Base Case)	~\$55
Margin of Safety	~14%
Target Entry (Conviction Buy)	\$40 or below

Return Profile	Value
Dividend Yield	~2.8%
Expected Dividend Growth	4-6% CAGR
Expected Price Appreciation	4-5% CAGR
Total Expected Return (Base)	7.5% CAGR
Bear Case Total Return	-2% CAGR
Bull Case Total Return	13% CAGR
Probability-Weighted Return	6.5% CAGR

Risk Assessment	Value
Wealth Preservation Score	**62 / 100**
Downside Protection Score	58 / 100
Quality Score	71 / 100
Risk Level	MODERATE-ELEVATED
Probability of >50% Loss	~8%
Recession Profile	RESILIENT

### One-Line Thesis:

Novo Nordisk is a high-quality, foundation-controlled metabolic disease franchise trading at a reasonable post-correction price, but GLP-1 concentration risk, Lilly competition, and US pricing pressure cap conviction until

a clearer entry at \$40 or below emerges.

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## INVESTMENT THESIS

Novo Nordisk earns a 33% net margin on \$44 billion in annual revenue from a focused metabolic disease franchise. The Novo Nordisk Foundation controls 77% of voting rights, which removes activist pressure and short-term earnings management. The company generated DKK 28.3 billion in free cash flow in 2025 after a negative print in 2024 driven by acquisitions and capacity capex. You are buying one of the two dominant GLP-1 franchises in a category that addresses chronic conditions affecting hundreds of millions of patients globally.

The thesis has weakened materially over the past 18 months. Market share in obesity has fallen from ~90% to ~50-53% as Eli Lilly's Zepbound demonstrated superior weight loss outcomes and won prescribing momentum. CagriSema phase 3 data disappointed, eliminating the assumed next-generation lead. Revenue growth decelerated from 31% in 2023 to single digits by Q1 2026. The stock has corrected ~58% from its June 2024 peak, which is the reason this report exists at all — at the prior valuation, Novo Nordisk failed every preservation gate on margin of safety.

The current setup offers fair value with limited but not asymmetric upside. Bear case modeling shows -2% CAGR if US Medicare negotiations (Ozempic enters in 2027) come in harsh, Lilly continues taking share, and capacity capex compresses margins through 2028. Base case delivers 7.5% which clears the 7% hurdle but with no margin. The downside is bounded by genuine business quality, foundation ownership, a 2.8% dividend yield, and a fortress balance sheet — not by current valuation generosity. You want to own this business; the question is at what price.

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## 1. BUSINESS QUALITY ASSESSMENT

**Sector:** Pharmaceuticals — Metabolic Disease Specialty (Defensive)

**Moat Type:** Manufacturing scale + switching costs + scientific platform

**Moat Durability:** HIGH but actively contested

Novo Nordisk operates a vertically integrated peptide therapeutics business: in-house R&D on the semaglutide platform, large-scale biologics manufacturing across Denmark/US/France/China/Brazil, proprietary delivery devices (insulin pens, GLP-1 pens), and commercial infrastructure in 160+ countries. The franchise spans diabetes care (DKK 152 billion in GLP-1 diabetes), obesity (DKK 82 billion, Wegovy + Saxenda), and rare disease (DKK 19.6 billion in hemophilia, growth disorders).

The moat is real but narrower than it appeared in 2023. Peptide manufacturing complexity creates barriers — Lilly has struggled with capacity, compounders fill gaps when supply tightens, and the FDA shortage list dynamics work against new entrants. The switching costs for chronic patients on a specific pen platform are meaningful. But the moat is no longer a monopoly on GLP-1 outcomes. Tirzepatide demonstrated that a competitor can leapfrog semaglutide on efficacy, and the Akeru acquisition (\$4.7 billion + \$0.5 billion CVR for efruxofermin in MASH) signals management recognizes the need to extend the platform into adjacent metabolic indications.

**Recession Profile:** RESILIENT. Diabetes and obesity are chronic conditions with non-discretionary therapy. Insulin demand is inelastic. GLP-1s for diabetes are reimbursed. Obesity GLP-1 demand may face more discretionary pressure in severe recessions if cash-pay segments contract.

**Moat Verdict:** Wide but eroding at the margin. Preservation confidence: MEDIUM-HIGH.

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## 2. FINANCIAL FORTRESS ANALYSIS

Metric	Value	Threshold	Assessment
Debt/Equity	~0.35x	<0.5x	PASS
Interest Coverage	>25x	>5x	FORTRESS
Current Ratio	~1.0x	>1.5x	MARGINAL
FCF (5Y)	Positive in 4 of 5	4/5 minimum	PASS
Net Income Margin	33.2%	>15%	EXCELLENT
ROIC (estimated)	>40%	>15%	EXCELLENT
2024 FCF	DKK -14.7B	Positive	One-off (capex + Catalent)
2025 FCF	DKK +28.3B	Positive	Recovered

The balance sheet is strong but not a true fortress at the working capital level. Current ratio near 1.0x reflects efficient capital deployment rather than weakness given the magnitude of operating cash generation. The 2024 negative free cash flow was driven by the \$16.5 billion Catalent transaction and accelerated manufacturing capex — these are growth investments, not distress signals. 2025 FCF recovered to DKK 28.3 billion.

Interest coverage is overwhelming. Total debt is modest relative to operating cash flow. The company can fund the entire Akero acquisition (~\$5.2 billion total potential) from approximately two quarters of operating cash flow.

**Stress Test:** If revenue dropped 30% for two years, Novo would remain solidly solvent, maintain the dividend, and have no need for equity issuance. Cash generation would still exceed \$15-20 billion annually.

**Solvency Assessment: FORTRESS**

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## 3. DIVIDEND ANALYSIS

Metric	Value	Assessment
Dividend Yield	~2.8%	Solid
Payout Ratio (EPS)	~50%	Sustainable
FCF Payout Ratio	~70% (2025)	Adequate
5Y Dividend CAGR	~15%	Excellent

Metric	Value	Assessment
Consecutive Years Paying	20+	Strong commitment
Dividend Coverage (FCF/Div)	~1.4x	Sustainable

The dividend yield expanded materially as the share price fell. Novo runs a progressive dividend policy with two payments per year (interim + final), and the 5-year growth rate of ~15% reflects the GLP-1 expansion phase. Going forward, expect dividend growth to moderate to 4-6% as earnings growth normalizes.

**Stress Test:** If earnings dropped 40%, the dividend would still be covered by FCF at the current payout level. The foundation structure favors dividend continuity — Novo Holdings funds its philanthropic mission partially from these distributions.

**Dividend Sustainability: SUSTAINABLE** (downgraded from "rock solid" only because of margin pressure trajectory)

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## 4. VALUATION ANALYSIS

Metric	Current (Est.)	5Y Avg	10Y Avg	vs. History
P/E (forward)	~14x	~28x	~24x	Significant discount
EV/EBITDA	~10x	~22x	~18x	Significant discount
P/FCF	~16x	~26x	~22x	Discount
Dividend Yield	2.8%	1.5%	1.7%	Above range

The valuation reset is substantial. From a peak forward P/E above 35x in mid-2024, the multiple has compressed to roughly 14x — below the 10-year average of 24x. This is the first time in five years that Novo Nordisk trades at a meaningful discount to its own historical range.

**The valuation discount is justified by deteriorating fundamentals**, not market irrationality:

- Growth deceleration from 31% to single digits is real
- Market share loss to Lilly is documented
- Medicare negotiation in 2027 for Ozempic/Rybelsus will compress US economics
- CagriSema disappointment removed the next-generation premium

### Fair Value Estimation:

Normalized 2027 EPS at ~\$3.80 ADR × fair multiple of 14.5x (reflecting lower growth + higher policy risk) = **\$55 fair value**.

Margin of safety: ~14% at current price. Below the 25%+ threshold for high conviction.

**Valuation: FAIR** (was EXPENSIVE; not yet ATTRACTIVE)

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## 5. SCENARIO ANALYSIS (10-Year Horizon)

### BEAR CASE (30% weight)

- Lilly extends share gains; Novo obesity share falls to 35%
- Medicare negotiation cuts US semaglutide net pricing 25%+
- CagriSema launches in 2027 but fails to differentiate
- Capacity capex underutilized; margins compress to 38% net
- Dividend held but flat for 3 years
- **10-Year Total Return CAGR: -2%**

### BASE CASE (50% weight)

- Novo stabilizes obesity share at ~45-50%
- US pricing pressure offset by international volume growth
- Oral GLP-1 (Rybelsus expansion) and CagriSema launch successfully
- Akero/MASH adds modest revenue by 2029
- EPS grows 5% CAGR; multiple holds at 14-16x
- Dividend grows 5% CAGR
- **10-Year Total Return CAGR: 7.5%**

### BULL CASE (20% weight)

- Capacity expansions catch up; supply normalizes
- Oral semaglutide gains broad obesity reimbursement
- MASH franchise becomes material by 2030
- Multiple re-rates to 20x as growth restabilizes
- EPS CAGR 9%; dividend CAGR 8%
- **10-Year Total Return CAGR: 13%**

### Probability-Weighted Expected Return: 6.5% CAGR

This sits just below the 7% hurdle (Inflation + 4%). The bear case shows negative total return, which violates the preservation requirement that bear case  $\geq 0\%$ .

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## 6. RISK ASSESSMENT

### Top Risks (Ranked by Impact x Probability):

1. **US Pricing/Medicare Negotiation (2027)** — High probability, moderate-high impact. Ozempic enters Medicare negotiation 2027. Outcome is bounded but real.
2. **Lilly Competitive Pressure** — High probability, ongoing. Tirzepatide entrenched; next-gen Lilly assets (retatrutide, orforglipron) in development. Market share floor unclear.
3. **GLP-1 Concentration** — Structural. Semaglutide-class products represent ~75% of revenue. Any class-wide safety signal would be catastrophic.

4. **Capacity Execution** — Tens of billions DKK in manufacturing capex must convert to utilized capacity. Catalent integration ongoing.

5. **MASH Acquisition Integration** — Akeru deal closed December 2025. Efruxofermin clinical/regulatory risk. Impairment risk if MASH commercial uptake disappoints.

6. **Compounding/IP Litigation** — 130+ lawsuits filed against compounders. Reputational and legal cost overhang.

**Probability of >50% Permanent Loss: ~8%** — Within acceptable threshold but elevated relative to typical preservation candidates. The foundation structure, balance sheet, and chronic-disease demand floor prevent catastrophic outcomes absent a class-wide GLP-1 safety event.

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## 7. MANAGEMENT & GOVERNANCE

**CEO Transition (August 2025):** Maziar Doustdar (internal, formerly EVP International Operations) replaced Lars Fruergaard Jørgensen. Internal continuity is positive; commercial execution focus aligns with current strategic needs.

**Foundation Control:** Novo Holdings owns 28% economic / 77% voting. This is a major preservation positive — no activist pressure, long-term capital allocation, but also limited governance leverage for minority holders.

### Capital Allocation Track Record:

- R&D reinvestment: Disciplined, focused on metabolic platform
- M&A: Catalent (\$16.5B for capacity) — execution mixed; Akeru (\$4.7B + CVR) — strategic logic sound, outcome unproven
- Buybacks: DKK 15B authorization for 2026; historically executed at high multiples (some destruction at 2023-2024 peak prices)
- Dividends: Progressive, well-covered

**Insider Activity:** Mixed — board member Christina Law bought ADRs in August 2025; multiple EVPs sold (mostly LTI-related). Net signal is neutral.

**Management Quality: GOOD**

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## 8. PEER COMPARISON

Dimension	Novo Nordisk	Eli Lilly	Sanofi	Roche
Debt/Equity	0.35x	1.8x	0.6x	0.7x
Forward P/E	14x	32x	13x	14x
ROIC	>40%	~25%	~12%	~15%
Dividend Yield	2.8%	0.7%	4.0%	3.5%
Growth Trajectory	Decelerating	Accelerating	Stable	Stable

Dimension	Novo Nordisk	Eli Lilly	Sanofi	Roche
GLP-1 Exposure	~75% rev	~30% rev	None	None

Novo trades at half Lilly's multiple, reflecting Lilly's competitive momentum. Versus diversified European pharma peers (Sanofi, Roche), Novo trades at a similar multiple but with higher quality metrics offset by higher concentration risk. The pair trade — buying Novo, selling Lilly — is interesting but speculative for a preservation mandate.

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## 9. KEY METRICS SUMMARY

Category	Score
Balance Sheet Fortress	32 / 40
Income Reliability	22 / 30
Capital Efficiency	14 / 15
Valuation	8 / 15
<b>**Quality Score**</b>	<b>**76 / 100**</b>

WP Sub-Score	Value
Downside Protection (45%)	58
Return Adequacy (30%)	55
Quality (25%)	76
<b>**Composite WP Score**</b>	<b>**62 / 100**</b>

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## 10. MONITORING CHECKLIST & EXIT TRIGGERS

**Upgrade to BUY at \$40 or below** (margin of safety expands to 25%+, bear case return turns positive).

### Re-review triggers:

- Q2/Q3 2026 obesity market share data — if stabilizes above 45%, base case strengthens
- CMS Medicare negotiation outcome for Ozempic (expected late 2026) — define magnitude of US pricing reset
- CagriSema final phase 3 readouts and 2027 launch trajectory
- Akero efruxofermin clinical and regulatory progress
- Lilly retatrutide/orforglipron data — if disappointing, competitive overhang lifts

### Exit triggers (if position established):

- Class-wide GLP-1 safety signal (immediate full exit)

- Obesity market share below 30% (reassess thesis)
- Dividend cut (preservation thesis broken)
- ROIC declines below 20% on sustained basis (capital efficiency thesis broken)
- Price recovers above \$70 without earnings catching up (trim — multiple expansion ahead of fundamentals)

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## FINAL RECOMMENDATION

### RECOMMENDATION: HOLD / WATCHLIST

The business clears every quality gate. The balance sheet is fortress-level. The foundation structure protects long-term orientation. The recession profile is resilient. The dividend is sustainable.

The valuation is fair but not compelling. The bear case shows negative total return, which violates the absolute preservation requirement. Probability-weighted return at 6.5% sits below the 7% hurdle. Wealth Preservation Score of 62 places this in "acceptable but not compelling" territory.

You want to own Novo Nordisk. You do not want to own it at \$48 when bear case downside is real and base case clears the hurdle by nothing. Wait for \$40 or below, or wait for Q3 2026 evidence that obesity market share has stabilized. If both conditions arrive, this becomes a high-conviction position. Until then, the 4% HYS A + a smaller existing position (if held) compares favorably to incremental commitment here.

**Position Size if Initiated at Current Price: EUR 0** (does not meet absolute requirements)

**Position Size if \$40 reached: EUR 75** (standard position)

**Position Size if \$35 reached with stable share data: EUR 100** (high conviction)

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## ANALYST NOTES

### Key Assumptions:

- US Medicare negotiation reduces net Ozempic pricing 15-25% in 2027
- Novo stabilizes obesity share at 45-50% (vs. 90% peak, 50% current)
- CagriSema launches in 2027 with parity (not superiority) to Zepbound
- DKK/USD exchange rate broadly stable
- Foundation ownership structure unchanged

### Limitations:

- ADR pricing estimated from available context; live market data not provided in research package
- 2024 EBITDA and operating income figures relied on annual report references; not directly verified line-by-line
- Bear case Medicare outcome is policy-dependent and inherently uncertain
- Competitive dynamics with Lilly evolving quarterly; analysis reflects May 2026 snapshot

**Confidence Level: MEDIUM** — The fundamentals and balance sheet are well-documented. Forward path depends on three contested variables (Medicare, market share, CagriSema) that the next 12-18 months will

clarify substantially. Re-review by Q4 2026 is warranted regardless of price action.

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*Report prepared for Moschovakis Capital. This analysis is for informational purposes only.*

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## IMPORTANT DISCLOSURES

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