

December 31, 2023

Name: Novo Nordisk A/S Sponsored ADR Class B

Ticker: NVO-US

Market Cap (\$mm): \$438,681

Country: Denmark

Sector: Health Care

Industry: Pharmaceuticals

Sector Outlook

Health Care is a traditionally defensive sector that tends to underperform in economic rebounds and bull-market bounces—the environment we expect moving forward. However, the sector’s strong fundamentals and pricing power make it attractive among the defensive sectors. Despite the possibility of campaign-driven regulatory fears weighing on the sector, Health Care should benefit from US political gridlock, which should help mitigate potential legislative changes. Within the sector, larger Pharmaceutical firms are offsetting key patent expirations through pipeline development, M&A, licensing and rapid Emerging Markets growth.

Company Description

Novo Nordisk A/S is a global healthcare company, which engages in the the discovery, development, manufacturing and marketing of pharmaceutical products. It operates through the Diabetes and Obesity Care, and Biopharm segments. The Diabetes and Obesity Care segment includes insulin, GLP-1 and related delivery systems, oral antidiabetic products (OAD), obesity, and other serious chronic diseases. The Biopharm segment focuses on rare blood disorders, rare endocrine disorders, and hormone replacement therapy. The company was founded by Harald Pedersen and Thorvald Pedersen in 1925 is headquartered in Bagsværd, Denmark.

Financial Snapshot

Revenue by Product Segment	%	Revenue by Geographic Segment	%
Diabetes & Obesity Care	88%	EMEA	25%
Rare Disease	12%	United States	48%
		China	9%
		Canada	4%
		Rest of the World	14%

Source: FactSet Fundamentals

Company & Sustainability Analysis

Novo Nordisk, Denmark's largest healthcare firm, is well positioned to benefit from its position as the global leader in diabetes treatments amid investor preference for growth and quality. Novo’s above-industry growth profile should continue to outpace big Pharma peers, driven by secular demand growth in diabetes and obesity treatment as a result of an aging Western population and increasingly wealthy Emerging Market population. Further, significant opportunities exist in Novo’s recently-launched obesity medication Wegovy, and next-generation diabetes treatment currently in late stage development, with ongoing trials aiming to expand into treatment of cardiovascular disease, NASH liver disease, Alzheimer’s among others. Widespread optimism around the drug class’ emerging opportunities in large market chronic diseases outside of its core diabetes and obesity indications underpin a growing portion of analysts’ expectations for the class, currently dominated by Novo and its US peer Eli Lilly, to potentially grow by tens of billions of dollars in the coming decade.

Sustainability Analysis

Novo Nordisk is one of the world's largest pharmaceutical companies, and deriving 90% of its 2022 revenue from products treating or diagnosing major diseases and another \$1.8 billion from orphan drugs – which treat rare diseases and conditions. With two main business segments, diabetes and obesity care and biopharmaceuticals, Novo Nordisk is committed to lowering the ceiling price of insulin in low-and-middle income countries. Additionally, Novo has one of the most effective drugs (Ozempic) and one of the most convenient drugs (Rybelsus) for reducing blood sugar and promoting weight loss in Type 2 diabetics. Despite an ongoing lawsuit involving the high price of insulin in the US, the company remains a peer leader in overall healthcare initiatives, reflected in its 'AAA' ESG rating by MSCI ESG Research.

According to the UN's 2022 progress report on the SDGs *"Globally, 74 per cent of all deaths in 2019 were caused by non-communicable diseases. The probability of dying from any of the four main non-communicable diseases (cardiovascular disease, cancer, diabetes or chronic respiratory disease) between 30 and 70 years of age declined from 19.9 per cent in 2010 to 17.8 per cent in 2019."* Novo Nordisk's suite of diabetes drugs helps directly support SDG 3 (Good Health & Well-Being) meant to *"Ensure healthy lives and promote well-being for all at all ages"*.

Novo Nordisk is categorized as a Sustainable Investment aligned with the social objectives of the EU's Sustainable Finance Disclosure Regulation (SFDR) as defined by Fisher Investments. In order for a company to be considered a sustainable investment, it must be assessed by Fisher Investments as meeting the following criteria: (i) it must contribute to an environmental or social objective; (ii) it must do no significant harm (DNSH) to any other environmental or social objective; and (iii) it must follow good governance practices.

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****Sources: Fisher Investments Research, FactSet Research Systems, Company Investor Relations**

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