sasfin Wealth

Staying the course with Novo Nordisk

Still Early in a Long-Term Growth Story

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Who They Are and Why They Matter

Novo Nordisk is a global healthcare company headquartered in Denmark, with a legacy dating back to 1923. Their mission? Tackling some of the world's most pressing chronic diseases — most notably diabetes and obesity. Over the years, they have grown into a heavyweight in two key areas:

- **Diabetes & Obesity Care** – This includes insulin, oral diabetes meds like Rybelsus, and most notably their blockbuster GLP-1 drugs Ozempic and Wegovy.
- **Rare Disease Treatments** – Covering conditions like haemophilia, growth hormone disorders, and hormone deficiencies.

From their early insulin days to the 2010s, Novo steadily evolved. But things really took off when they shifted focus towards obesity, with Ozempic (2017) and Wegovy (2021) kicking off a new era of growth. These drugs did not just catch attention. They changed the game. Add a few smart acquisitions and an impressive pipeline, and you get the Novo we know today: a global leader in GLP-1 innovation.

What Are GLP-1s?

GLP-1 stands for glucagon-like peptide-1, a hormone your gut releases when you eat. Scientists figured out how to mimic it in drug form but make it last longer in the body. The result? GLP-1 receptor agonists, which help people:

- Control blood sugar (especially in type 2 diabetes)
- Lose weight by curbing appetite and slowing digestion

They are typically taken once a week, either by injection (like Ozempic and Wegovy) or orally (like Rybelsus). Compared to insulin, they are less likely to cause low blood sugar — and come with the bonus of weight loss for many patients. Like any medication, GLP-1s are not side-effect free. Common issues include nausea, vomiting, diarrhoea, and constipation. There's also the infamous "Ozempic face" — rapid weight loss that can cause facial skin to sag. Rarely, there are more serious risks like pancreatitis or gallstones. But overall, the safety profile has been well accepted, especially given the health risks of untreated obesity and diabetes.

Why has Novo Nordisk's share price pulled back?

After a strong run, Novo Nordisk's share price is down over 25% year-to-date. While the long-term thesis remains intact, the near-term pullback reflects a mix of supply chain complications, regulatory dynamics, disappointing trial results, and political noise. Let's unpack what's behind the recent volatility, and why we're still backing the bigger picture.

1. Semaglutide shortage & compounding loophole

The meteoric rise of Ozempic and Wegovy caught Novo (and much of the market) off guard. Driven by both diabetes and weight-loss demand, the active ingredient found in Ozempic, Wegovy and Rybelsus (semaglutide) landed on the US Food and Drug Administration (FDA) drug shortage list in March 2022. This meant that supply was not meeting the FDA's projected demand, allowing the US to temporarily relax regulations.

Here's where things got messy:

- **Supply constraints forced tough choices**: To manage limited production capacity, Novo Nordisk prioritised Ozempic (for type 2 diabetes) and scaled back availability of Wegovy starter doses (for obesity treatment). This left a gap in supply just as demand was exploding.
- **A regulatory loophole opened the floodgates**: The Wegovy shortage triggered a US FDA designation that allowed pharmacies to legally compound semaglutide-based drugs (essentially custom-mixed versions) without full regulatory approval. These compounded versions were significantly cheaper (around $200–$500 versus ~$1,000+ for branded alternatives) and quickly spread through med spas and online telehealth platforms.

- **Patient safety and brand confusion took a hit**: Because compounded semaglutide was not FDA-approved, quality and dosing varied. This led to increasing reports of adverse effects and consumer confusion, some patients didn't realise they weren't getting the real thing.
- **Novo Nordisk took legal action (but hit resistance)**: In response, Novo filed multiple lawsuits through 2023 and 2024 against compounding pharmacies, citing intellectual property (IP) infringement. However, the FDA's shortage designation gave those pharmacies legal cover to keep compounding —until February 2025.

As of 21 February 2025, the FDA officially declared the shortage over. That closed the compounding loophole, at least in theory. Enforcement remains a grey area, but Novo is stepping up legal action while regulators increase inspections.

2. CagriSema trials underwhelm

The biggest hit to sentiment came on 20 December 2024, when Novo released results from REDEFINE 1 — the first of four pivotal trials for its new obesity combo drug, CagriSema (a fixed-dose combo of cagrilintide and semaglutide). Despite meeting the primary endpoint (superior weight loss vs placebo), the results didn't blow the market away. Shares dropped 20% in a single day.

CagriSema is positioned as a next-gen obesity therapy. The issue? Expectations were sky-high. While patients on CagriSema lost ~20% of their body weight over 68 weeks, the flexibility in dosing led to variability in patient outcomes, and the topline results didn't outshine semaglutide by a wide enough margin to justify the hype.

REDEFINE 2 (released 10 March 2025) also met its primary endpoint in patients with both obesity and type 2 diabetes — but again, no fireworks. The market was hoping for clinical superiority, but what it got was incremental. With two more trial readouts still to come (REDEFINE 3 and 4), the jury's still out on whether CagriSema will meaningfully expand Novo's obesity dominance.

3. Legal risks & class action lawsuits

After its broadly positive Q1 results in April, a class action lawsuit was filed relating to earlier guidance tied to REDEFINE 1. While this is not expected to have major financial implications, it added to the negative sentiment.

4. US political risk

With Trump back in the White House, policy clarity is scarce, but the tone? Loud and unmistakably forceful. Until his administration finalises its healthcare agenda, uncertainty is the name of the game. For big pharma, and especially global players like Novo Nordisk, that means heightened volatility and headline risk.

Trump has reignited his "America First" stance on trade, applying a blanket 10% tariff on all imports, including pharmaceuticals, and explicitly calling out drugmakers for what he frames as global price freeloading. There's also been talk of pharma-specific tariffs, but these seem more like pressure tactics than concrete policy. Trump's real target is drug pricing. His Most Favoured Nation (MFN) proposal pushes for US drug prices to be no higher than those in peer countries like Germany, Japan or Canada — where government-led price negotiations drastically lower costs. Ozempic, for instance, costs around ~$59 in Germany vs over ~$900 in the US.

Novo is not standing still. The company has been heavily investing in US-based manufacturing. This is a strategic play not just to meet surging demand for GLP-1s, but also to hedge against tariff risk and show commitment to US jobs and supply chain resilience. In short, they are pre-emptively localising production, a smart move in this policy climate.

Meanwhile, the Inflation Reduction Act (IRA) has already kicked in. Novo's insulin products (Fiasp and NovoLog) were selected for 2026 price negotiations, and its semaglutide franchise (Ozempic, Wegovy, Rybelsus) is up next in 2027. The IRA mandates steep price discounts with Centre for Medicare and Medicaid Services (CMS) grouping all semaglutide formulations as one drug

to maximise savings. Novo has legally challenged this approach, citing threats to innovation and access, but has complied with the negotiation process to remain eligible for Medicare and Medicaid.

Bottom line: With both domestic pricing policy (IRA) and foreign policy friction (Trump 2.0) converging on drug costs, the stakes are high for Novo. But its proactive US investment and continued leadership in GLP-1s provide a solid strategic buffer. That said, pricing pressure in the US, which accounts for more than half of Novo's revenue, is no longer a hypothetical. It's a real and rising margin risk. The company's ability to offset this with increased volume, expanded indications, and Medicare access will be crucial to watch.

Why We are Still Invested in Novo Nordisk

Despite the recent weakness in Novo Nordisk's share price, our investment case remains intact — and arguably stronger. The obesity drug market is transforming global healthcare, and Novo Nordisk is one of the few companies driving that change. We see the current volatility as growing pains in a generational growth story.

1. Obesity Represents a Market Opportunity Exceeding $100 Billion — and Still Growing

Let's start with the broader context. Obesity is no longer a niche issue. Globally, over 1 billion people are now considered obese, and the World Health Organization estimates it drags down global GDP by about 2.4%. More than 200 comorbidities, from diabetes to heart disease and even Alzheimer's, are linked to it. This is no longer about weight loss. It is about systemic health.

The global obesity drug market is estimated to be worth more than $100 billion by 2035, with the US alone expected to account for over half of that. Insurance coverage for obesity treatments in the US remains patchy for now, only around 55 million Americans currently have access to GLP-1 drugs, according to Novo Nordisk. Of those, just 1.8 million are using Novo's treatments today. The long-term growth runway is enormous. Based on current trends and expert analysis, it is estimated that by 2030, around 15 million Americans could be using GLP-1s for obesity management. We are still early.

2. Novo Remains the GLP-1 Volume Leader Globally

As of Q1, Novo Nordisk holds 62% of the global GLP-1 market by volume, with Eli Lilly at 35%. That's despite temporary supply issues which saw Lilly overtake Novo in new US prescriptions. But context is key: this is not a zero-sum game. Demand is exploding, and both companies are ramping up production. Novo recently finalised its acquisition of Catalent through its parent company, Novo Holdings, adding three production sites (one in the US, two in Europe). Semaglutide is now officially off the FDA shortage list. In short: Novo is not ceding market share. It is growing alongside the market.

3. Strategic Distribution Moves

One of the smartest moves Novo has made this year is partnering with direct-to-consumer telehealth platforms Hims & Hers and Ro through its NovoCare Pharmacy. These partnerships bypass traditional pharmacy delays and help reach the uninsured and underinsured — a huge, under-served segment in the US healthcare system.

The Hims deal, in particular, is interesting. Just last year, Hims was compounding semaglutide (essentially manufacturing and selling knock-off versions of Wegovy). Most expected lawsuits. Instead, Novo partnered with them, flipping a liability into an opportunity. It sent Hims stock up 23% in a day and removed a key legal bear case. Ro is also on board, offering the lowest out-of-pocket price point for Wegovy at $499/month. Hims & Hers, meanwhile, is leaning into premium packaging and a sleek consumer wellness approach, bundling care at $599/month. This gives Novo powerful direct-to-patient access. An important moat in a market where brand equity, ease of access, and delivery logistics matter almost as much as the science. CVS also announced it would prioritise Wegovy in its pharmacies — a notable retail tailwind for Novo.

4. Strong Fundamentals, Aggressive Investment

Over the last three years, Novo has grown sales by 27%, earnings by 28%, and free cash flow (FCF) by 15%. Yes, FCF dipped recently, but that's no red flag. It's because they have gone all-in on Research & Development (R&D) and capacity expansion. Instead of hoarding cash or juicing buybacks, Novo is reinvesting aggressively into future growth. They have also been busy teaming up with smaller players that bring promising innovation to the table. On 24 March 2025, Novo Nordisk licensed an experimental "triple agonist" weight loss drug called UBT251 from United Laboratories International, paying $200 million upfront — with milestone payments that could reach $1.8 billion. Then on the 13th of May 2025, they signed another $2.2 billion global licensing deal with Septerna to develop oral therapies for obesity, type 2 diabetes, and cardiometabolic diseases. The deal includes over $200 million in upfront and near-term payments, and Novo is covering all R&D costs. Share buybacks have been paused to funnel cash into building out the pipeline. In a fast-moving market like this, we think that's exactly the right play.

5. Next-Gen Pipeline: CagriSema and Amycretin

Novo is not standing still. Their next-generation pipeline, particularly CagriSema and amycretin, is designed to build on semaglutide's foundation. CagriSema combines semaglutide with cagrilintide, an amylin analogue. In recent clinical trial results, it delivered 20.4% mean weight loss (22.7% on-treatment), outperforming Wegovy and coming close to Zepbound. Yes, results fell slightly short of the hype, but they still mark meaningful progress in dual-pathway therapies. Amycretin, a triple agonist, is being positioned as the next big leap, with early data showing even deeper efficacy potential. This is about deepening the moat, making sure they stay ahead of the inevitable competition.

6. Oral Medications and Expanded Indications

GLP-1s are not just injectable anymore. Novo has Rybelsus (oral semaglutide), and while orals currently lag in efficacy and adherence, they unlock new patient segments — especially those afraid of needles. For scalability and accessibility, oral GLP-1s are a long-term growth lever. Beyond obesity and diabetes, GLP-1s are being explored for sleep apnea, cardiovascular risk, kidney disease, and even neurodegenerative conditions like Alzheimer's. FDA's 2024 approval of Wegovy for cardiovascular risk reduction is just the beginning and it could drive further coverage expansion under Medicare.

7. US Politics, Payers and Policy

On the US policy front, coverage remains a tug-of-war. Medicare and Medicaid are inconsistent. Medicare, for example, only reimburses obesity drugs when comorbidities like diabetes are present. Commercial payers are currently the largest source of access (40 million covered lives), but pressure is growing for broader public payer inclusion. Trump's second-term administration has not moved decisively either way, but we are watching it closely.

In a country where obesity impacts over 110 million people and only 55 million have drug coverage, the addressable market remains significantly underpenetrated.

Leadership change at Novo Nordisk

On the 16th of May, it was announced that Lars Fruergaard Jørgensen will be stepping down as CEO, a surprise to many given how rare leadership changes are at Novo. Over its 100-year history, the company has had only 4 (if not 5) CEOs. Lars has been with Novo since 1991 and served as CEO since 2017, clocking just under 34 years at the company and eight years leading the business. Novo's official statement said the decision was mutual and driven by market challenges. Lars noted the volatile economic environment, geopolitical uncertainty, and tough global business conditions — factors that have contributed to recent share price weakness.

Despite recent bumps, under Lars' guidance Novo delivered roughly 300% total returns, about 17% annualised, and remains in excellent financial shape. The company boasts a rock-solid balance sheet with net debt to EBITDA at just 0.12x and an interest cover ratio of 118x. Capital allocation has been disciplined, leadership steady, and execution consistent. Operationally, Lars led

a major transformation, expanding Novo beyond diabetes into obesity and other chronic diseases, scaling production, and forging key partnerships. He leaves behind a company with strong strategic momentum and culture.

Novo Holdings, the parent company, owns ~5.3% of shares but controls a majority of voting rights. They are pushing for more influence on the board, signaling a desire to sharpen execution amid growing GLP-1 competition, regulatory complexity, and US political risks. Lars Rebien Sørensen, former Novo CEO and current chair of the Novo Nordisk Foundation, is now attending board meetings as an observer with plans to become a full member by 2026. This is not just a CEO swap, it is about steering Novo through its next chapter. The board insists the company's strategy will not change, hinting at an internal successor in line with Novo's tradition. But an external appointment cannot be ruled out. Whoever steps in faces massive shoes. The next leader will need to balance continuity with agility as Novo navigates a fast-evolving landscape.

Bottom Line

Yes, Eli Lilly has momentum right now. Yes, new players are circling the space. But the barriers to entry here are massive — these are complex, high-cost biological drugs with demanding trials, not easy-to-copy pills. Pfizer recently scrapped its own GLP-1 programme and may be on the hunt for an acquisition. Most smaller biotech players are still years away from market. Novo Nordisk remains a category-defining leader in one of the most important healthcare themes of our time. It has scale, R&D firepower, a strong pipeline, strategic partnerships, and most importantly, time. Patents for Ozempic and Wegovy only expire in 2031/2032 in major markets. This is not the end of the story — it is the messy middle of a long-term, high-conviction theme. Based on the above reasons, **we are staying the course.**

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