SPECULA VALUATION REPORT

Novo Nordisk A/S

NOVO-B • Nasdaq Copenhagen • DKK

FY2025 • April 2026 • Analyst: Christopher Pérez Vega

Investment Thesis

Novo Nordisk is the global leader in GLP-1-based therapies, but 2026 marks a structural inflection point. US price pressure, gross-to-net headwinds, and the onset of semaglutide exclusivity erosion in International Operations have already triggered the company's first revenue guidance miss in years. The core valuation question is not whether the cliff arrives — it will, in 2031–2032 for major Western markets — but whether the next-generation obesity and rare-disease pipeline (CagriSema, zenagamtide/amycretin, Mim8) can offset sufficient revenue to sustain a premium franchise multiple. At the current market price of DKK 236.81, the equity appears fully valued: the base-case intrinsic value of DKK 220.43 implies −7% downside, the upside case of DKK 252.92 offers only +7%, and the downside case of DKK 191.83 implies −19%. The risk–reward is asymmetrically unfavorable at this entry point.

- FY2025 reported revenue of DKK 309.1bn, growing only +6.4% YoY — sharply below the +25% CAGR of FY2022–24.
- EBIT margin (adjusted) compressed from 58.6% (FY2024) to 54.8% (FY2025), with management guiding for further compression in 2026.
- ROIC has declined from 31% (FY2021–23) to 20.6% (FY2025), driven by a DKK 60.1bn PPE capex cycle — the largest in Novo's history.
- Normalized FCFF (DKK 37.1bn) substantially understates earning power; the manufacturing super-cycle is consuming capital at a rate unsustainable at lower revenue growth.
- Pipeline optionality (CagriSema 70% PoA, zenagamtide 60%, Mim8 85%) is reflected in the base and upside cases but does not close the valuation gap at current prices.
- A gradual semaglutide patent cliff (15% revenue haircut in 2032, 30% in 2033, 45% in 2034) with a 12pp margin impact is the dominant terminal-value risk and is explicitly modeled.

Key Metrics — FY2025

Metric	Value	Metric	Value
Revenue (FY2025)	**DKK 309.1bn**	Shares Outstanding	**4,442m**
EBIT adj (FY2025)	**DKK 169.5bn**	WACC	**8.11%**
Op. Margin (adj)	**54.8%**	Cost of Equity	**8.51%**
ROIC (FY2025)	**20.6%**	Risk-free Rate	**2.86%**
FCFF (FY2025)	**DKK 37.1bn**	ERP	**4.77%**
Reinvestment (FY2025)	**DKK 96.8bn**	Market Price	**DKK 236.81**

Valuation Snapshot

Scenario	Per Share	Equity Value	Notes
Downside	**DKK 191.83**	DKK 852bn	Low growth (3%), margin compression to 25%, full cliff impact at peak haircut.
Base	**DKK 220.43**	DKK 979bn	Staged growth 6% / 3.5%, margins path 40% → 28%, gradual cliff from 2032. Terminal value 38% of EV.
Upside	**DKK 252.92**	DKK 1,124bn	Pipeline acceleration, margin stabilization at 32%, cliff impact cushioned by next-gen launches.
Market Price	**DKK 236.81**	—	As of early March 2026 (repurchase reference price, share-count inference from buyback notices).

The base case is DKK 16.38 (6.9%) below the current market price. The upside case exceeds spot by only DKK 16.11 (+6.8%). The market is therefore pricing Novo close to a scenario that requires above-base pipeline execution and no incremental cliff acceleration — a narrow band of outcomes that understates the left-tail risk.

Historical Financials — FY2021–2025 (Normalized, DKK)

FY End	Revenue	EBIT adj	Op Margin	ROIC	FCFF	CapEx
FY2021	140.8bn	76.4bn	54.3%	31.3%	60.1bn	6.3bn
FY2022	177.0bn	97.4bn	55.0%	30.4%	41.6bn	12.1bn
FY2023	232.3bn	131.5bn	56.6%	30.2%	46.9bn	25.8bn
FY2024	290.4bn	170.2bn	58.6%	25.3%	51.6bn	47.2bn
FY2025	**309.1bn**	**169.5bn**	**54.8%**	**20.6%**	**37.1bn**	**60.1bn**

EBIT is R&D-capitalized and adjusted over a 12-year amortization schedule. FCFF is computed as NOPAT minus total reinvestment (capex net of D&A, change in NCWC, and R&D asset delta). FY2025 FCFF depression reflects the manufacturing capex super-cycle, not a structural deterioration in the business.

WACC Construction

Input	Value	Note
Risk-free rate	2.86%	Danish 10Y government bond proxy, March 2026.
Beta (unlevered)	0.92	Damodaran Pharmaceuticals sector estimate, calibrated to Novo's diversified but semaglutide-concentrated revenue mix.
Beta (levered)	0.974	Re-levered at 7% target debt ratio (D/E ≈ 7.5%).
Equity Risk Premium	4.77%	Damodaran global ERP implied estimate (mature market base).
Country Risk Premium	1.00%	Denmark-listed, but material US revenue exposure (56%); blended incremental CRP applied.
Cost of Equity	8.51%	Ke = 2.86% + 0.974 × 4.77% + 1.00%
Cost of Debt (pre-tax)	3.51%	Rf + 65bps investment-grade spread.
Tax Rate (marginal)	21.5%	Danish corporate income tax rate.
Equity Weight	93%	Target capital structure; Novo operates near-investment-grade with conservative leverage.
Debt Weight	7%	DKK 130.96bn financial debt at FY2025 year-end.
WACC	**8.11%**	WACC = 0.93 × 8.51% + 0.07 × 3.51% × (1 − 21.5%)

The CRP add-on reflects that Novo's largest revenue geography is the US (56% of FY2025 net sales), whose political and legislative risk around drug pricing (IRA negotiations, proposed tariffs on pharmaceutical imports) is higher than a pure Denmark-listed company would imply. The WACC of 8.11% sits at the low end of the pharmaceutical sector range, consistent with Novo's wide competitive moat, strong FCF generation capacity, and investment-grade balance sheet.

Business Context & Valuation Mechanism

Revenue Architecture and Near-Term Headwinds

Novo Nordisk generated DKK 309.1bn in net sales in FY2025, up 6.4% from FY2024's DKK 290.4bn. The deceleration from the 25%+ growth rates of FY2022–24 is attributable to three overlapping forces: (1) the US Inflation Reduction Act introducing mandatory negotiation of semaglutide pricing from 2026, compressing gross-to-net economics; (2) semaglutide compound-patent expiry in China in 2026 and accelerating International Operations competition from domestic and regional GLP-1 entrants; and (3) the structural absorption cost of the largest capex cycle in Novo's history, which is consuming DKK 60.1bn annually in PPE investment to build the biomanufacturing capacity demanded by obesity volumes.

US operations contributed 56.0% of FY2025 revenue (DKK 173.2bn), making US pricing dynamics the single most important near-term variable. The 2026 management guidance explicitly calls for a year-on-year sales decline — the first since the GLP-1 era began — primarily driven by the Wegovy gross-to-net deterioration under IRA negotiated pricing and the lag effect of Ozempic volume normalization.

ROIC Trajectory and Capital Intensity

Adjusted ROIC declined from 31.3% in FY2021 to 20.6% in FY2025. This is not a competitiveness signal but a capital-structure reflection of the manufacturing super-cycle. Invested capital grew from DKK 192.7bn (FY2021) to DKK 649.7bn (FY2025) — a 3.4× expansion in four years driven by R&D asset accumulation (DKK 153bn R&D asset at year-end FY2025) and PPE. NOPAT grew from DKK 60.4bn to DKK 133.9bn over the same period (+122%), but invested capital grew faster (+237%), depressing the ratio. The base case projects ROIC at 18%→14% over the 10-year horizon, reflecting continued capital accumulation and margin compression, but still well in excess of the 8.11% WACC — the business remains economic-value-additive throughout the projection period.

R&D Capitalization

Novo's P&L-expensed R&D rose from DKK 17.8bn (FY2021) to DKK 52.0bn (FY2025), a 193% increase. Under the standard Damodaran treatment, R&D is capitalized using a 12-year amortization schedule — appropriate given Novo's biologic / GLP-1 / rare-disease pipeline, where development cycles routinely exceed a decade from IND filing to peak commercialization. The capitalized R&D asset grew to DKK 153.0bn at FY2025 year-end, representing 28.2% of total invested capital. This treatment adds back expensed R&D to EBIT (boosting adjusted margin from the reported 41.3% to 54.8%) and adds the annual R&D asset delta to reinvestment, converting the apparent P&L-clean presentation into a more economically accurate reinvestment-heavy profile.

Patent Cliff and Terminal Value Risk

The semaglutide compound patent expires in major Western markets broadly in 2031–2032 (the Form 20-F discloses EU/US expiry in that window). The model applies a gradual erosion: a 15% revenue haircut in 2032, 30% in 2033, and 45% in 2034, accompanied by a 12 percentage-point operating margin impact. A margin floor of 25% prevents mechanical compression below any reasonable precedent for a company retaining Novo's distribution network, brand equity, and rare-disease/diabetes franchise. The gradual path is intentional: biosimilar entrants face their own regulatory and manufacturing barriers; erosion curves for injectables historically lag the rate implied by small-molecule precedent. However, if CagriSema or zenagamtide are delayed or underperform, the revenue haircut could arrive faster and steeper, making the downside case the more relevant reference.

Pipeline Optionality

Three assets underpin the pipeline adjustment in the base and upside cases. CagriSema (cagrilintide + semaglutide co-formulation) has demonstrated superior weight loss in Phase 3 obesity studies; with an estimated 70% probability of approval and DKK 65bn peak-sales estimate (7-year ramp, patent through 2040), it is the most valuation-relevant near-term asset. Zenagamtide (amycretin oral), currently in Phase 3, targets the same obesity and T2D population with a differentiated oral mechanism; at 60% PoA and DKK 45bn peak sales, it is speculative but strategically important as semaglutide's successor vehicle. Denecimig (Mim8) for hemophilia A/B without inhibitors is in regulatory review with an 85% PoA; at DKK 18bn peak sales, it is smaller but diversifies the revenue base away from incretin exposure, and its rare-disease status provides pricing insulation.

Reinvestment and Capital Allocation

FY2025 reinvestment reached DKK 96.8bn, equivalent to 72% of NOPAT — among the highest reinvestment rates in Novo's public history. This reflects the simultaneous peak of (a) the PPE manufacturing capex cycle (DKK 60.1bn), (b) the R&D asset delta (DKK 41.8bn incremental capitalized R&D), and (c) working capital expansion (DKK 16.8bn NCWC increase driven by inventory build for supply security). The base case normalizes the sales-to-capital ratio at 1.2× — above the depressed trailing ratio but still conservative relative to Novo's pre-capex-cycle levels — reflecting the

expectation that manufacturing capacity reaches utilization above 80% by FY2027–2028 and capex reverts to maintenance levels. Share repurchases (DKK 20.1bn in FY2025, DKK 16.7bn in FY2024) are modeled as a forward allocation of approximately 30% of net income, capped at 3% of market cap, reducing shares outstanding progressively.

Accounting and Data Integrity

Financial debt is constructed from two ESEF tags (current borrowings and long-term borrowings), confirmed at DKK 130.96bn for FY2025 — a clean, non-duplicated extraction (the XBRL concatenation artifact observed in the Dell analysis was not present here). Lease liabilities (approximately DKK 8bn per the narrative disclosures) are excluded from the invested-capital calculation on materiality grounds. Short-term investments show null across all periods in the ESEF extraction; the overrides inject DKK 2.64bn of financial investments (other non-current financial assets plus current FVTPL assets) as a non-operating asset, with current derivatives excluded as hedging instruments. D&A is sourced from the cash flow statement add-back concept (the most reliable IFRS tag for this metric) at DKK 21.98bn for FY2025. The pension deficit of DKK 861m is treated as debt-like in the bridge from enterprise to equity value.

Scenario Assumptions

Driver	Downside	Base	Upside
Stage 1 Revenue Growth (Yr 1–5)	3%	6%	10%
Stage 2 Revenue Growth (Yr 6–10)	2%	3.5%	5%
Terminal Growth Rate	2.86%	2.86%	2.86%
Year 1 EBIT Margin	35%	40%	43%
Year 5 EBIT Margin	28%	32%	36%
Year 10 EBIT Margin	25%	28%	30%
Terminal EBIT Margin	25%	28%	30%
Sales-to-Capital Ratio	1.0×	1.2×	1.5×
Cliff Haircut (2034 peak)	45%	45%	30%
Terminal ROIC	11%	13%	15%
Terminal Value % of EV	~37%	~38%	~40%

The terminal growth rate of 2.86% is anchored to the Danish 10Y risk-free rate and reflects a conservative perpetuity assumption for a business whose addressable market (chronic metabolic disease) has multi-decade secular tailwinds but will face structural revenue concentration risk post-semaglutide. The terminal value represents only 38–40% of total enterprise value across scenarios, reflecting the explicit patent-cliff haircut that depresses late-cycle FCFF projections and reduces the model's dependence on perpetuity assumptions.

Material Risks

US Drug Pricing & IRA

Mandatory negotiated pricing for Ozempic/Wegovy under the Inflation Reduction Act takes effect in 2026. The gross-to-net discount mechanics are uncertain in magnitude; a steeper-than-modeled price reduction would compress both Year 1 revenue and the margin path simultaneously, pushing intrinsic value toward the downside case.

Semaglutide Competitive Erosion

Eli Lilly's tirzepatide (Mounjaro/Zepbound) has demonstrated superior weight loss in head-to-head data. Novo's market share in the obesity segment is not guaranteed; a faster share loss rate would reduce the revenue base prior to the patent cliff and lower the ceiling on CagriSema's incremental value.

Manufacturing Capex Overshoot

The DKK 60.1bn FY2025 PPE capex assumes capacity will be monetized at 1.2× sales-to-capital. If demand normalizes below the capacity investment (demand destruction from price reductions, insurance coverage pullback, or compounding pharmacy competition), the capex cycle will have overshoot the commercial opportunity, permanently destroying the capital invested.

Pipeline Execution Risk

CagriSema and zenagamtide have not completed full regulatory review. A Phase 3 failure or a PDUFA action letter requiring additional study data would remove the pipeline credit from the base case, collapsing intrinsic value toward DKK 191 or below.

Currency Translation (DKK/USD)

56% of revenue is dollar-denominated; the DKK is closely pegged to the EUR. A sustained USD weakening (e.g., USD/DKK below 6.5 from current ~7.0 levels) would reduce reported DKK revenue without a corresponding cost reduction, compressing margins mechanically.

Litigation & Regulatory

Active monitoring required around US promotional and pricing investigations, GLP-1 compounding pharmacy legal disputes, and any FDA label expansions or restrictions. Novo's renal/cardiovascular SELECT trial outcomes and potential new indications (MASH, sleep apnea) provide upside optionality not fully modeled here.

Data Integrity & Methodology Notes

- Reporting currency is DKK throughout. No FX translation applied; the valuation is a DKK-denominated intrinsic value estimate. Per-share values are in DKK and comparable to Novo-B Nasdaq Copenhagen prices.
- Dual-class share structure (A and B shares): per-share value uses the combined A+B count of 4,442.3m shares outstanding (net of treasury), consistent with Novo's own EPS disclosures. This is not the float-only B-share count.
- Shares outstanding are not tagged in Novo's ESEF filings; the value of 4,442.3m is sourced from the FY2025 Annual Report and reconciled against official share repurchase notices (weighted average basic shares 4,443.0m).
- Lease liabilities (~DKK 8bn from narrative disclosure) are excluded from financial debt given their immateriality relative to the DKK 130.96bn borrowings balance. Including them would reduce equity value by approximately DKK 1.80 per share, within rounding for the purposes of this analysis.
- Accounting standard is IFRS. R&D capitalization is a Damodaran adjustment, not a GAAP/IFRS-recognized intangible on the balance sheet. The capitalized R&D asset of DKK 153.0bn (FY2025) represents an analytical construct, not a reported line item.
- Financial investments of DKK 2.64bn are added to equity value in the enterprise-to-equity bridge. Derivatives (DKK 6.7bn current FVTPL) are excluded as hedging instruments and not treated as excess investable assets.
- No SBC charge was extractable from ESEF tags; Novo uses equity-settled RSUs and the expense is embedded in G&A and R&D lines. This treatment is consistent with keeping SBC as an operating expense within adjusted EBIT.

This report is produced by Specula using a proprietary FCFF/DCF methodology grounded in Damodaran-style fundamental analysis. All figures are in DKK unless stated otherwise. This document is for analytical and internal use only and does not constitute investment advice. Novo Nordisk A/S FY2025 Annual Report, ESEF filings, and Form 20-F are the primary sources for all financial data. Prepared: April 2026.