

NOVO NORDISK: RETHINKING THE PLAYBOOK

November 2025

KEY TAKEAWAYS

- Demand for anti-obesity drugs continues to soar, but supply, pricing, and regulation are reshaping the market
- Direct-to-consumer models and compounded treatments are changing the playbook for pharmaceutical companies
- Novo Nordisk's new CEO commits to a sharper strategy and better communication

Direct-to-client (DTC) health platforms and personalized compounded treatments may become standard practice in the rapidly evolving obesity treatment market.

We believe that Novo Nordisk's (Novo) recent changes will help position them to effectively compete in this exciting and vast market.

A new operating manual

A glance at Novo's share price over the past year reveals the dramatic impact of shifts in the anti-obesity treatment landscape – an area that has attracted immense expectation.

Throughout much of 2024, investor sentiment surged as excitement around Novo's treatments – Ozempic and Wegovy – drove the stock higher. But momentum stalled when supply constraints emerged. Novo, following traditional pharmaceutical company practice, opted for a controlled rollout while investing in new manufacturing capacity. Sensible, perhaps, but arguably outdated, especially in the fast-evolving U.S. market.

Social media buzz, fueled by images of increasingly slender celebrities, amplified demand for weight management treatments. Supply couldn't keep pace. The FDA's 503B shortage rule was triggered, allowing generic compounded versions to enter the market. Platforms like Hims & Hers seized the opportunity and succeeded.

The race to exit the FDA's shortage list began. But the next chapter in this new playbook was also a rewrite. Compounded drugs, significantly cheaper than branded ones, gained traction. With branded treatments often unaffordable or excluded from insurance coverage, demand for compounded alternatives remained strong. Companies like Hims & Hers pivoted to the FDA's 503A rule, which permits compounded drugs when medical personalization is justified – be it dosage or side-effect management. As a result, compounded sales continue.

Though compounded drugs lack FDA approval, their appeal is clear to many consumers. A compounded GLP-1 starts around \$199/month, while branded Wegovy begins at \$1,999. Novo has taken steps to narrow, but not eliminate, that stark gap. Pricing for Wegovy through Novo's own DTC Novo Care site now starts at \$349/month. This dynamic challenges the traditional pharmaceutical model – one built on years of R&D and patent protection.

Still, the market opportunity remains vast. It is estimated that half the world's population will be classed as obese or overweight by 2035.¹ The scale of the obesity market ensures room for multiple players. Whether compounded treatments persist or not, we believe Novo is well positioned to benefit.

Progress and the next chapter

Novo has made notable steps forward this year. In addressing supply constraints, its 2021 investment in manufacturing has paid off with those facilities now producing two-thirds of the global supply of GLP-1s. Additional capacity will come online next year. Pricing has also been addressed: volume growth has enabled reductions in key markets without notable margin erosion. Pricing pressure is familiar territory for pharma companies, and the company has reaffirmed its willingness to address pricing where necessary.

DTC is another strategic focus for Novo. In the U.S., where affordability is a growing concern, the DTC model – cutting out intermediaries – is attractive to consumers. Online health platforms empower individuals and offer personalized care. While some argue that distrust in “big pharma” may hinder DTC adoption by pharma companies as opposed to health platforms, others see the scientific credibility of a company like Novo as a trust-building asset. Country-specific dynamics will shape this evolution, but Novo is monitoring this field closely and intends to continue investing in its own platform.

Innovation also remains central. We believe Novo's pipeline is strong, it has an edge in an oral anti-obesity treatment which they will offer alongside its injectable treatments. Approval of the oral treatment is expected by year-end, with a launch slated for early 2026.



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A leadership rewrite

In May, Novo unexpectedly replaced the CEO. Market reaction was mixed. We had met the new CEO, Mike Doustdar, previously and respected his leadership of Novo's international operations.

A recent call with him reinforced our confidence and long-term view on the company. Early on in the role, he was in listening mode – open to shareholder concerns and candid about past missteps. Communication, long a weak spot, is now a priority.

Novo must adapt. It has the R&D engine, the culture, and the financial strength. Many of Novo's challenges stem from the runaway success of Wegovy and Ozempic. Now, the task is to meet those challenges head-on and seize the opportunity in what remains one of the most exciting healthcare markets we've ever seen.



Endnotes

1. BBC, World Obesity Federation, March 2023

Glossary

FDA 503A regulates compounding pharmacies that prepare medications based on individual patient prescriptions, ensuring they meet specific safety and quality standards.

FDA 503B allows compounding pharmacies to register as outsourcing facilities, enabling them to compound sterile drugs in larger quantities without needing a patient-specific prescription.

Glucagon-like peptide-1 (GLP-1) agonists are a class of medications that can help manage Type 2 diabetes and obesity.

Research and Development (R&D) is the systematic activities that companies undertake to innovate and create new or improve existing products or services.

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