



Novartis Investor Relations

Novartis announces intention to separate Sandoz business to create a standalone company by way of a 100% spin-off

August 25, 2022 – Investor Relations

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Implementation of the proposals set out in this presentation is subject to certain conditions, including Novartis shareholder approval and applicable Novartis Euroforum and local employee information and/or consultation.



Vas Narasimhan
Chief Executive Officer



Harry Kirsch
Chief Financial Officer



Richard Saynor
Chief Executive Officer
Sandoz



Samir Shah
Global Head of
Investor Relations



Novartis concludes that **separation of Sandoz**, via **100% spin-off**, is in the best interests of shareholders

Expected **completion H2 2023**

Strategic review conclusion

Separation would create two standalone companies which can focus on their respective strategies and succeed in their business segments

Expected benefits



Clear investment thesis as an Innovative Medicines business

- **Exclusive focus and investment** in Innovative Medicines
- Strong position in **5 core TAs**, **leadership** in technology **platforms**
- **Enhanced execution** of the **pipeline** and **commercialization**
- **Improved financial profile** and **return on capital**
- Organizational and operational **simplification**
- **Capital allocation** based on its business needs



Clear investment thesis as a Generics and Biosimilars business

- **#1 European Generics company¹** and a **global leader in Biosimilars**
- **More effective business strategy** for the Gx market
- **Greater freedom to operate**
- **Capital allocation** based on its business needs
- **Culture fit for the Gx industry**, with focus on faster/leaner decision-making and more efficient use of cost base

Limited synergies between Innovative Medicines and Generics; at **opposite ends of the biopharma value chain** with **significant differences in business dynamics**

1. Based on IQVIA MAT 03/2022, gross sales for combined Generics and Biosimilars market

100% spin-off is the preferred separation path, offers transaction certainty, clean exit and is expected to be generally tax neutral

Value drivers

Novartis shareholders to benefit from **potential future upside**, for both businesses

Provides **clarity and focus** to Sandoz and Novartis.
Supports both transformations

Successful Novartis precedents, e.g., Alcon spin-off

**100%
spin-off
benefits**

vs. other options

Other benefits


High certainty of achieving a clean exit

Expected to be generally **tax neutral** for Novartis and the majority of our institutional shareholders

Immediate full separation and deconsolidation of Sandoz from spin-off

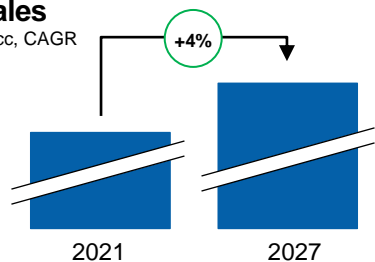
For New-Novartis, Sandoz separation would further support a focused Innovative Medicines strategy with improved financials

New-Novartis expectations (illustrative only)

 Incremental benefit from spin-off

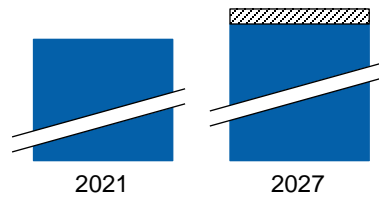
Sales

% cc, CAGR

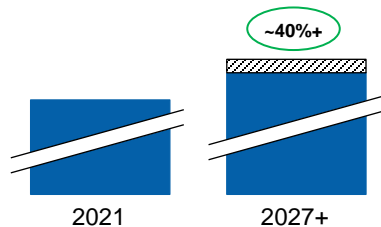


Free Cash Flow

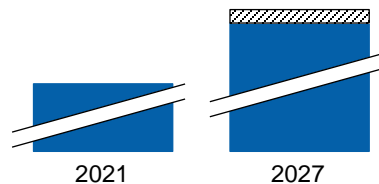
% of sales



Core Operating Income Margin



Return on Invested Capital



- > Irrespective of separation, IM expected to grow sales, margin and FCF (% of sales)
- > Sandoz **spin-off will result in incremental growth** for:
 - Core operating income margin
 - FCF (% of sales)
 - Return on invested capital
- > New-Novartis **remains committed to capital allocation priorities**, with growing (CHF) annual dividend



Sandoz would become a **unique**,
“pure-play”, **market leader** across
the Generics and Biosimilars market

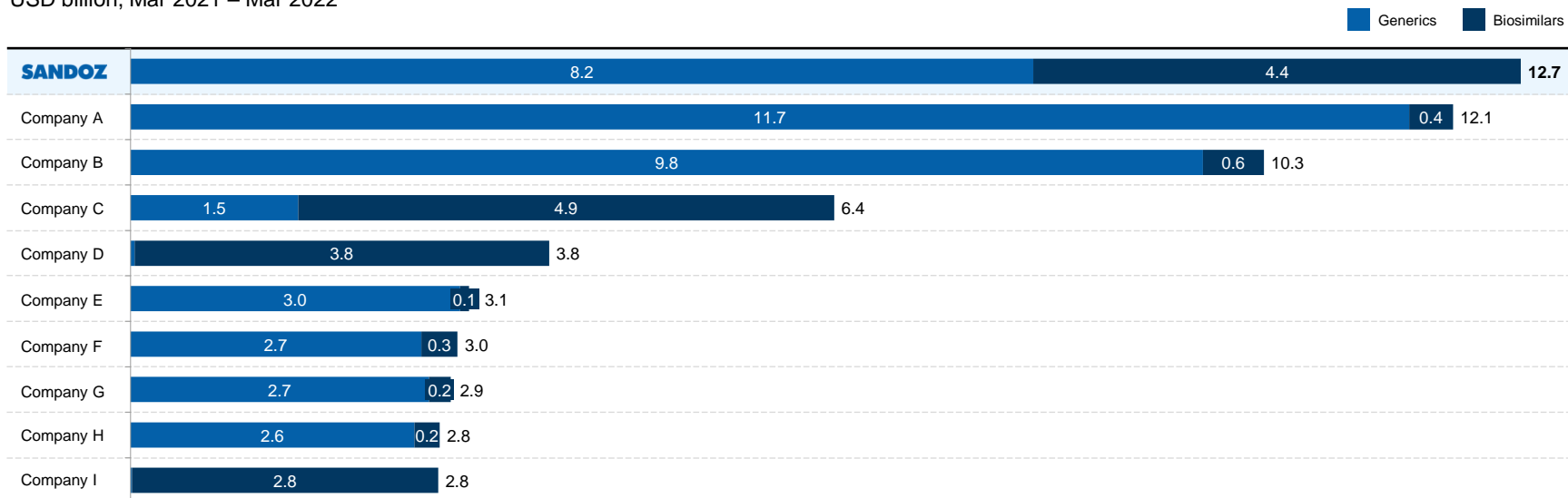
Positioned to seize the **attractive**
off-patent market opportunity

Sandoz profile

Sandoz is a global leader across the Generics and Biosimilars market

Generics and Biosimilars gross sales¹

USD billion, Mar 2021 – Mar 2022

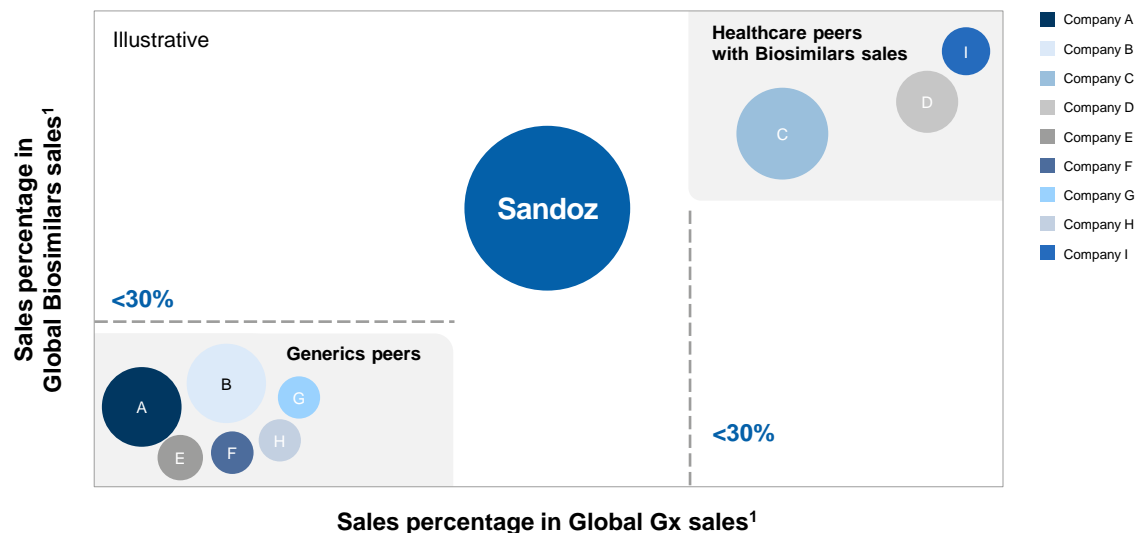


1. Based on IQVIA MAT 03/2022. Notes: Gross sales - Analysis excludes certain sizeable markets with no SDZ Gx operations such as China and India. Market definition consists of Generics and Biosimilars, excl. off-patent originator brands

Sandoz is uniquely positioned with a strong and balanced presence in both Generics and Biosimilars (65% Gx, 35% Biosimilars)...

Gross sales in global Biosimilars and Generics¹

% vs. key competitors



Benefits of unique positioning

- 1 Balanced risk profile
- 2 Organization wide expertise and Generics mindset
- 3 Leverage scale and deep understanding of customers
- 4 Biosimilars leadership offers margin upside, to grow significantly
- 5 **Substantial synergies between Generics and Biosimilars:** commercial execution, channels, people and culture

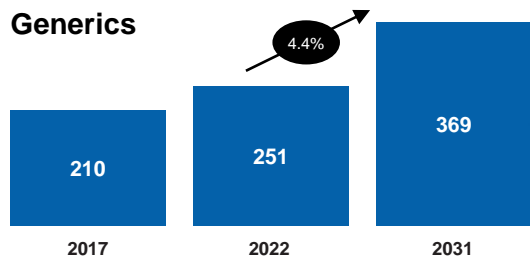
1. Based on IQVIA MAT 03/2022, gross sales for combined Generics and Biosimilars market

...to seize the attractive off-patent market opportunity

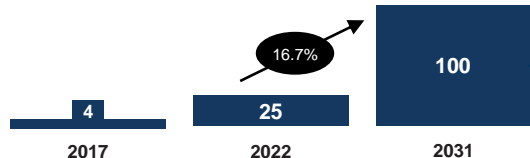
Off-patent market size (Gross)

USD billion, forecast¹

Generics



Biosimilars



Key drivers

- > Healthcare policies encouraging **Generics/Biosimilars adoption**, increasing access, and promoting competition
- > **LoE for high value Biologics**
- > **Positive shifts in physician attitudes** towards Biosimilars

1. Based on IQVIA data for 73 markets covering majority of the market size

Sandoz is well established in the industry, with the portfolio and capabilities to support sustained, strong performance...

Portfolio

Biosimilars



Small molecules



Oral solids



Steriles



Anti-infectives



Respiratory

Fit for purpose

Strong commercial engine

First-to-market launches

Cost competitiveness

Reliable & flexible supply

People & culture



Strong management



Gx setup & mindset



Engaged organization

Growth

Biosimilars

A leading market position

Broad and expanding pipeline of 15+ assets driving the next wave of growth

Small molecules

High LoE coverage with 350+ Small molecules in development

Organic growth supported by bolt-on M&A

Competitiveness

Footprint

Market “intimacy” at scale. Unique customer, channel and payer understanding across markets

Gross margin

Gx Technical Operations network optimization
Positive mix from higher Biosimilars share

Operational costs

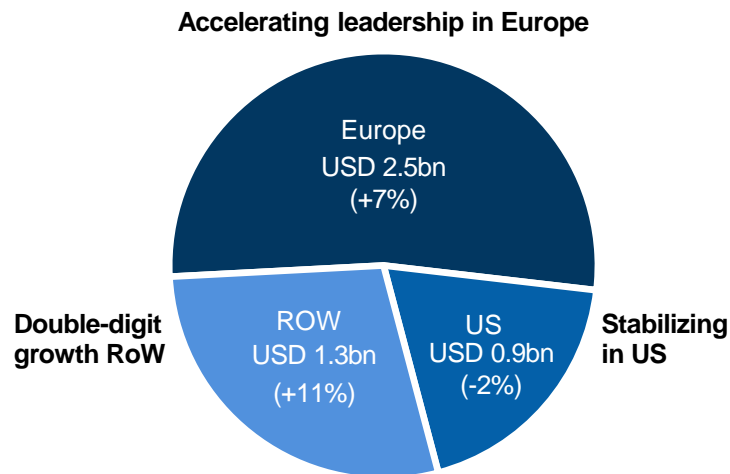
Setting up a lean standalone organization

...as demonstrated in H1'22, allowing for FY guidance upgrade

benefitting from return towards normal business dynamics

H1 sales – total USD 4.7bn (+6%)¹

% cc



Sandoz is a market leader – EU #1; US #4²

2022 FY guidance increased to

- Sales to grow low single digit
- Core OpInc to be broadly in line with PY

Solid pipeline to drive growth

- 15+ Biosimilar assets, targeting USD 80bn originator sales (2030)
- FDA/EMA file acceptance for adalimumab HCF and natalizumab
- Broad LoE coverage in Small molecules

HCF – High concentration formulation. LoE – Loss of Exclusivity 1. Reported H1'22 Earnings. 2. Based on IQVIA MAT 03/2022, gross sales for combined Generics and Biosimilars market



H1 2023

- IR Roadshows / Capital Markets Day
- Sandoz future financial targets

H2 2023

Planned spin-off completion

Transaction details

Targeting an investment grade credit rating for Sandoz, with any future dividends incremental to New-Novartis dividend

Transaction summary

Transaction details

- **100% spin-off** of new Sandoz shares to existing Novartis shareholders
- **SIX Swiss Exchange listing** and **US ADR** program
- **Generally tax neutral** transaction expected for Novartis
- Incorporated and headquartered in **Switzerland**

Financial profile

- **Investment grade credit rating** to be established to deliver on plans for growth and attractive dividends
- **Dividend policy details** to be provided in due course (incremental to Novartis dividend, which will not be rebased)

Timing

- Spin-off completion **planned for H2 2023**
- **Further details to be announced in due time**, e.g. proposed distribution ratio of spin-off, BoD

Transaction conditions

- General **market conditions**
- **Consultation with works councils** and **employee representatives** (as required)
- Receipt of **favorable tax rulings** and opinions
- Final Novartis AG **BoD and shareholder approval (EGM)**
- **No assurance** regarding ultimate timing/completion of the transaction

Proposed primary listing on the SIX Swiss Exchange; with ADR program



Swiss Exchange

Natural listing location given Sandoz headquarters in Switzerland and legacy of the brand

Enables **maximum** number of Novartis **shareholders to remain invested**

Access to a large pool of Swiss and international investors with **ample liquidity and market depth**



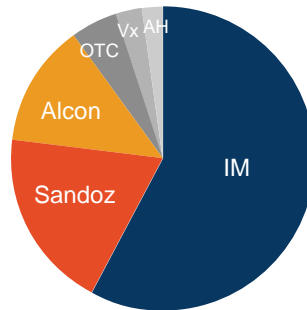
ADR program offers flexibility to our US investor base and employee share participation



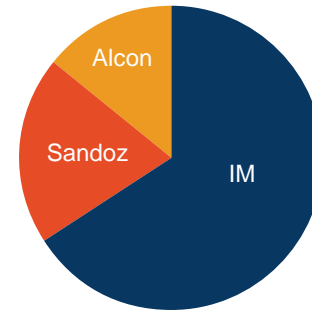
Sandoz spin-off is the final step in the Novartis journey from a conglomerate to a company...

...fully focused on Innovative Medicines (IM)...

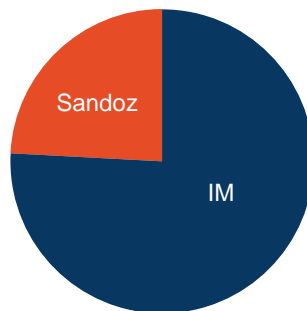
2014
Pre-portfolio transformation



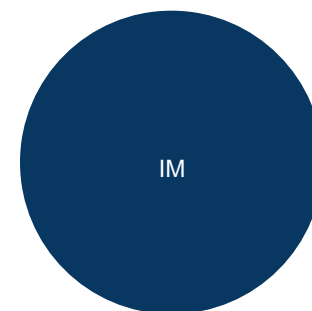
2017
Pre-Alcon spin-off



2019
Post-Alcon spin-off



2023
Post-Sandoz spin-off





...which (New-Novartis)
offers an **attractive value proposition** to investors

Scale & growth

Strong position in five core therapeutic areas, leadership in technology platforms
6 key in-market brands

Innovation

Up to 20 potential USD billion+ assets with approval by 2027
Increased focus on high-value assets

Commercial engine

EU #1¹, US aiming top 5
Focused on driving synergies and leveraging global scale

Financials

Strong financial profile with improved core margin, FCF (% of sales) and ROIC
Shareholder friendly capital allocation

Management team

Experienced management team focused on future growth, supported by a new organizational model

1. Based on 2021 IQVIA sales data for EU5

SANDOZ

Sandoz offers a **unique value proposition** to investors...

...as a **“pure-play”**, **market leader** across the Generics and Biosimilars market

Scale & growth	<p>A global leader in Generics & Biosimilars, with global capabilities, presence and scale</p> <p>Off-patent market to grow to USD 470bn, driven by USD 500bn+ total originator sales LoE by 2031</p>
Pipeline	<p>Small molecules and Biosimilars expertise</p> <p>15+ Biosimilar molecules</p> <p>350+ Small molecules</p>
Commercial engine	<p>Proven commercial organization; EU #1, US #4¹</p> <p>Intimate understanding of customers</p>
Financials	<p>Robust financial outlook and solid capital structure to support capital allocation flexibility</p> <p>Committed to lean and efficient operations</p>
Management team	<p>Strong management team supported by an experienced and engaged organization</p>

1. Based on IQVIA MAT 03/2022, gross sales for combined Generics and Biosimilars market

Opportunity to meet Novartis management, including Sandoz, at MNM

Meet Novartis Management

September 21 - 22, 2022

Group

IM International

IM US

R&D

Sandoz

