



Novartis AG

# Q4 and FY 2020 Results

Press Conference  
January 26, 2021

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This presentation contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, that can generally be identified by words such as “potential,” “expected,” “will,” “planned,” “pipeline,” “outlook,” or similar expressions, or by express or implied discussions regarding potential new products, potential new indications for existing products, potential product launches, or regarding potential future revenues from any such products; or regarding the impact of the COVID-19 pandemic on certain therapeutic areas including dermatology, ophthalmology and the Sandoz retail business, and on drug development operations; or regarding potential future, pending or announced transactions; regarding potential future sales or earnings of the Group or any of its divisions; or by discussions of strategy, plans, expectations or intentions; or regarding the Group’s liquidity or cash flow positions and its ability to meet its ongoing financial obligations and operational needs; or regarding our not-for-profit portfolio of 15 medicines from the Sandoz division for symptomatic treatment of COVID-19 and our collaboration with Molecular Partners to develop, manufacture and commercialize potential medicines for the prevention and treatment of COVID-19. Such forward-looking statements are based on the current beliefs and expectations of management regarding future events, and are subject to significant known and unknown risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those set forth in the forward-looking statements. You should not place undue reliance on these statements. In particular, our expectations could be affected by, among other things: liquidity or cash flow disruptions affecting our ability to meet our ongoing financial obligations and to support our ongoing business activities; the impact of the COVID-19 pandemic on enrollment in, initiation and completion of our clinical trials in the future, and research and development timelines; the impact of a partial or complete failure of the return to normal global healthcare systems including prescription dynamics by mid 2021; global trends toward healthcare cost containment, including ongoing government, payer and general public pricing and reimbursement pressures and requirements for increased pricing transparency; uncertainties regarding potential significant breaches of data security or data privacy, or disruptions of our information technology systems; regulatory actions or delays or government regulation generally, including potential regulatory actions or delays with respect to the development of the products described in this presentation; the potential that the strategic benefits, synergies or opportunities expected from the transactions described, including BeiGene, may not be realized or may be more difficult or take longer to realize than expected; the uncertainties in the research and development of new healthcare products, including clinical trial results and additional analysis of existing clinical data; our ability to obtain or maintain proprietary intellectual property protection, including the ultimate extent of the impact on Novartis of the loss of patent protection and exclusivity on key products; safety, quality, data integrity, or manufacturing issues; uncertainties involved in the development or adoption of potentially transformational technologies and business models; uncertainties regarding actual or potential legal proceedings, investigations or disputes; our performance on environmental, social and governance measures; general political, economic and business conditions, including the effects of and efforts to mitigate pandemic diseases such as COVID-19; uncertainties regarding future global exchange rates; uncertainties regarding future demand for our products; and other risks and factors referred to in Novartis AG’s current Form 20-F on file with the US Securities and Exchange Commission. Novartis is providing the information in this presentation as of this date and does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

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# Participants



**Vas Narasimhan**  
Chief Executive Officer



**Harry Kirsch**  
Chief Financial Officer



**Marie-France Tschudin**  
President, Novartis Pharmaceuticals



**Susanne Schaffert**  
President, Novartis Oncology



**Richard Saynor**  
CEO, Sandoz



**Shannon Thyme Klinger**  
Chief Legal Officer

# Vas Narasimhan

Chief Executive Officer

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# We are transforming Novartis...

## Strategy set out in 2018...

### Our focus



Focus our company and capital



Accelerate certain geographies



Strengthen our core

### Our five priorities



Unleash the power of our people



Deliver transformative innovation



Embrace operational excellence



Go big on data and digital



Build trust with society



## ...is transforming Novartis

100% focused as a medicines company

Leading pipeline, with 4 advanced therapy platforms

Achieved USD 2bn cost savings over 2017-2020

Establishing a leading digital and data science platform

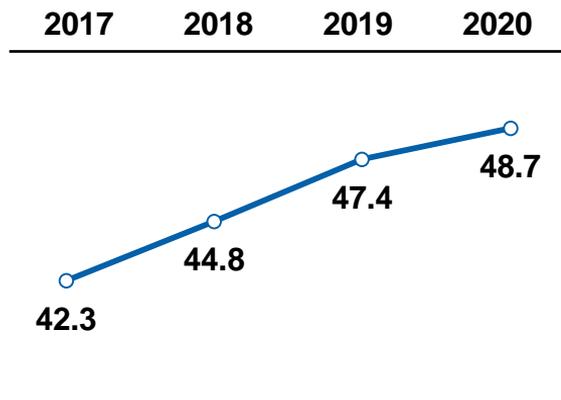
Improving ESG scores, sector-leading across 4 key indices

Record-high engagement score

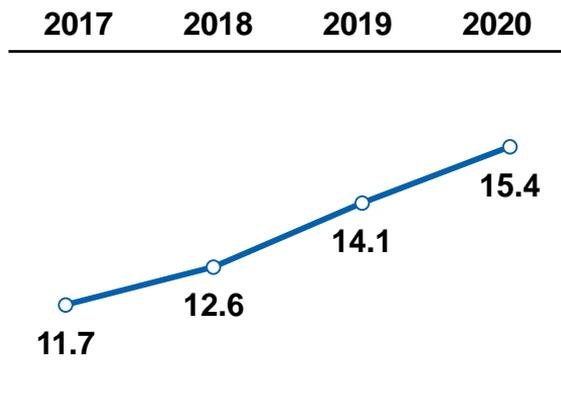
# ...while delivering strong operational performance

## Net sales **+5% CAGR**<sup>1</sup>

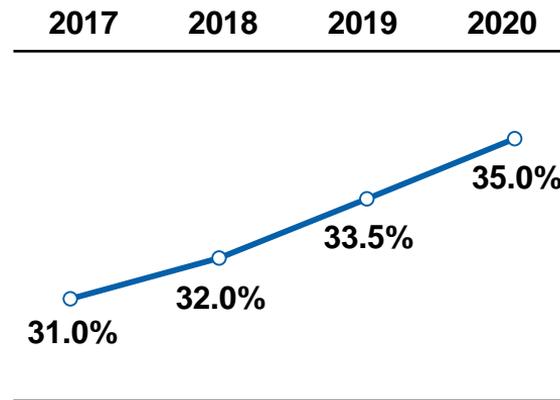
Continuing operations<sup>2</sup>, USD bn



## Core<sup>3</sup> Oplnc **+10% CAGR**<sup>1</sup>



## Innovative Medicines core<sup>3</sup> margin up to **35%**

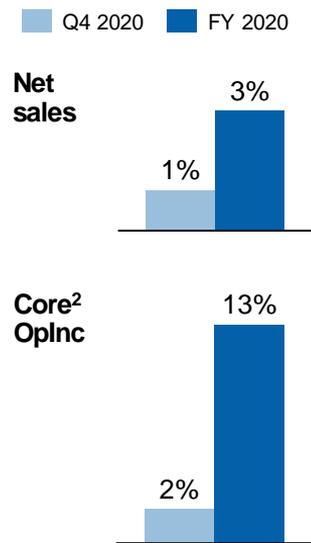


1. CAGR % 2017-20 in USD 2. Refers to continuing operations as defined on page 43 of the Condensed Financial Report, excludes Alcon, includes the businesses of Innovative Medicines and Sandoz, as well as the continuing corporate functions 3. Constant currencies (cc) and core results are non-IFRS measures. An explanation of non-IFRS measures can be found on page 55 of the Condensed Financial Report

# Q4 sales growth and margin expansion driven by strong performance from key growth drivers

## Operational performance

Continuing operations<sup>1</sup>, % cc vs. PY

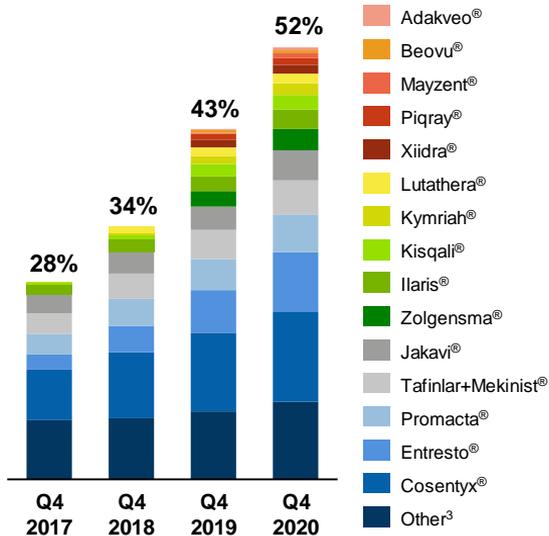


## Key growth driver sales Q4 2020

	Sales USD mn	Growth vs. PY USD mn	Growth vs. PY cc
Entresto <sup>®</sup> <small>saquinil-valisartan</small>	716	198	35%
Cosentyx <sup>®</sup> <small>(secukinumab)</small>	1,109	144	13%
PROMACTA <sup>®</sup> <small>(eltrombopag)</small>	471	91	23%
JAKAVI <sup>®</sup> <small>ruxolitinib</small>	376	83	24%
zolgensma <sup>®</sup>	254	68	33%
ILARIS <sup>®</sup> <small>(capravirumab)</small>	240	62	32%
Tafinlar + Mekinist <sup>®</sup>	408	52	13%
KYMRIAH <sup>®</sup> <small>(tisagenlecleucel)</small>	141	45	42%
MAYZENT <sup>®</sup> <small>(siponimod) tablets</small>	57	40	nm
ADAKVEO <sup>®</sup> <small>(clotrimazole) tablets</small>	34	33	nm
Xolair <sup>®</sup> <small>(omalizumab)</small>	335	32	8%
KISQALI <sup>®</sup> <small>(ribociclib)</small>	184	29	18%

nm – not meaningful

## Key growth drivers and launches, as % of Innovative Medicines sales



3. Includes Tasigna<sup>®</sup>, Xolair<sup>®</sup>, Aimovig<sup>®</sup>, Tabrecta<sup>®</sup>, Kesimpta<sup>®</sup>, Luxturna<sup>®</sup>, Enezair<sup>®</sup> and Alectura<sup>®</sup>

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# Sandoz sales met guidance with significant margin growth, despite pandemic impact

## Sales stable, core margin increased by +3.3%pts in 2020

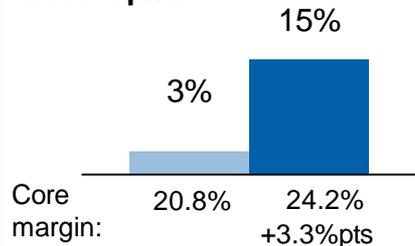
(vs. PY, in cc)

■ Q4 2020 ■ FY 2020

### Net sales



### Core OpInc



## Key 2020 performance drivers

### Biopharmaceuticals<sup>1</sup> growth

+19%, increasing share in maturing European markets

### Retail decline

driven by COVID-19 and US oral solids

**Margin increase** from product mix, productivity, favorable price effects; reduced spend

## Driving growth

### Biosimilars

- 15+ pipeline assets, many entering clinical phase soon
- Sales of up to USD 3.5bn expected by 2025

### Small molecules

- High LoE coverage (EU: >80%, US: >50%) with approximately 40 US first-to-files until 2024

## Driving margin

(mid-to-high 20s in mid-to long term)

- Manufacturing optimization
- Product mix from higher biosimilar share
- Operational excellence including use of digital

1. Biopharmaceuticals include biosimilars, biopharmaceutical contract manufacturing and Glatopa®

# Novartis focused on overcoming COVID-19 challenges

Select examples

## Dermatology market declines with COVID-19

PsO market weekly patient visits Jan-Aug 2020



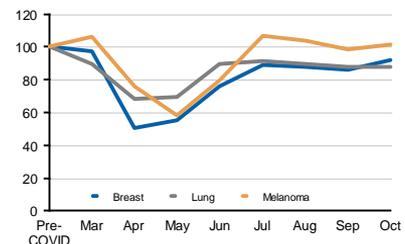
PsO market weekly NBRx Jan-Aug 2020



Sources: IQVIA Visits Data, IQVIA National Prescription Audit for Dermatology

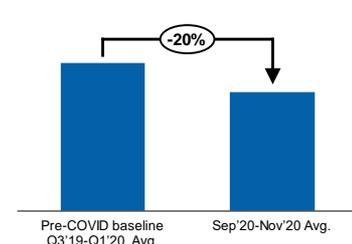
## Oncology market declines with COVID-19

Biopsy and surgery rates



Source: IQVIA APLD, Novartis Analysis

CDK4/6 market NBRx



Source: IQVIA projection

## Key areas impacted in 2020 expected to continue through H1 2021

Dynamic segment of market (new/switch patients): less patient traffic, less F2F physician access

- Several therapeutic areas, particularly dermatology and ophthalmology
- New launches (e.g. Kesimpta<sup>®</sup>, Mayzent<sup>®</sup>)
- Advanced breast cancer (CDK4/6 market and Piqray<sup>®</sup>)

Hospital initiation (lab work, diagnostics); immuno-suppression concerns

- Kymriah<sup>®</sup>
- LutATHERA<sup>®</sup>
- Zolgensma<sup>®</sup>

Lower demand

- Sandoz Retail and anti-infectives

# Made significant strides in building trust with society and in integrating ESG across every aspect of our company

## Key ESG developments over the past 12 months and selected aspirations

Ethical Standards	Pricing & Access	Global Health Challenges	Corporate Citizenship	Governance & Transparency
				
<p><b>Resolved material legacy compliance issues</b> Launched Code of Ethics</p>	<p>Introduced 100+ Emerging Market Brands <b>Issued sustainability-linked bond</b></p>	<p>Expanded our Africa sickle cell disease program Advancing pipeline of novel malaria treatments</p>	<p>Strong COVID-19 response Integrating D&amp;I efforts across our operations</p>	<p><b>ESG index</b> launched Reporting in line with TCFD Working towards integrated reporting</p>
<p><b>Select commitments</b></p>	<p>200% increase in SITs patient reach by 2025<sup>1</sup></p>	<p>50% increase in our Flagship Programs' reach by 2025<sup>1</sup></p>	<p><b>Full carbon, plastic and water neutrality</b> by 2030</p>	<p>ESG targets embedded into executive remuneration</p>

Significant improvements recognized by third party ESG rating agencies

SIT – Strategic innovative therapies 1. As defined in ESG bond prospectus More details in Novartis in Society Report: [www.novartis.com/nisreport2020](http://www.novartis.com/nisreport2020)

# Harry Kirsch

Chief Financial Officer

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# 2020 financial results in line with guidance

As revised in Q3 investor call

## Group full year guidance

In cc

## FY 2020 vs. PY

in cc

“**Sales** expected to grow mid single digit assuming return to normal prescription dynamics.

3 to 4% range in case of resurgence of COVID-19”



3%



“**Core operating income** to grow low double digit to mid teens”



13%



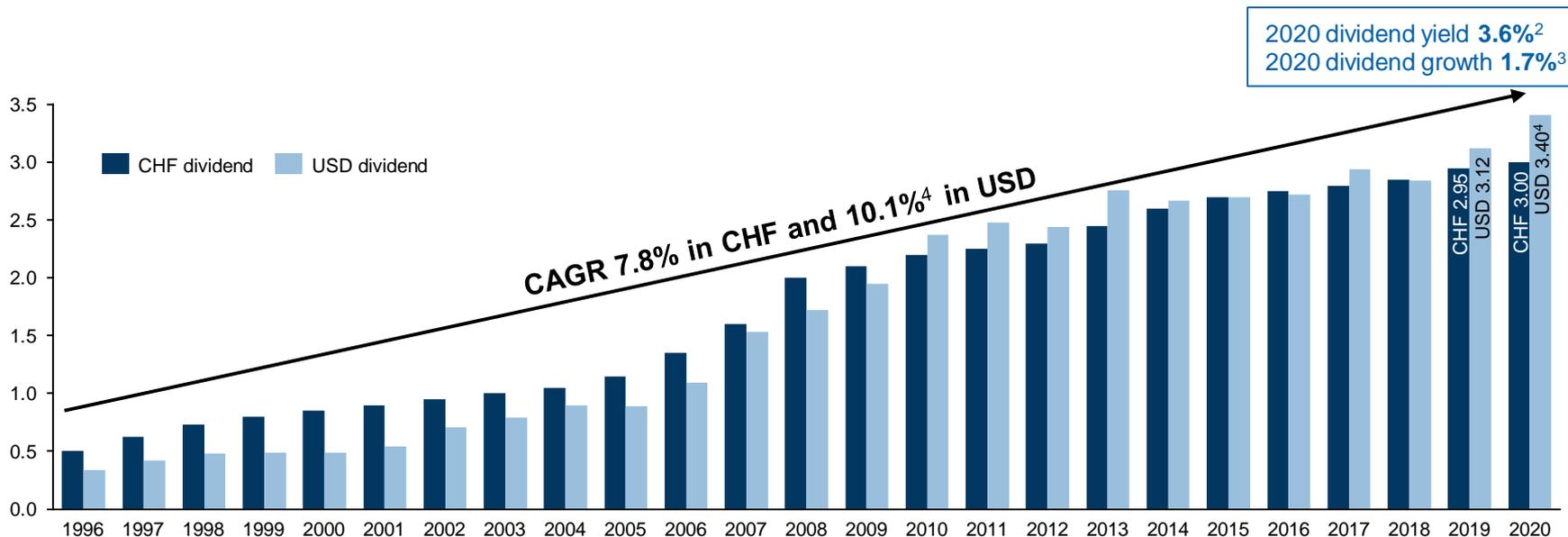
# Solid FY performance on top and bottom line

Continuing operations <sup>1</sup> USD million	Q4 2020	Change vs. PY		FY 2020	Change vs. PY	
		% USD	% cc <sup>2</sup>		% USD	% cc <sup>2</sup>
Net Sales	12,770	3	1	48,659	3	3
Core Operating income <sup>2</sup>	3,501	1	2	15,416	9	13
Operating income	2,644	45	51	10,152	12	19
Net Income	2,099	86	93	8,071	13	20
Core EPS (USD) <sup>2</sup>	1.34	2	3	5.78	9	13
EPS (USD)	0.92	84	93	3.55	14	21
Free Cash Flow <sup>2</sup>	3,342	-4		11,691	-10	

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2. Constant currencies (cc), core results and free cash flow are non-IFRS measures. An explanation of non-IFRS measures can be found on page 55 of the Condensed Financial Report

# Novartis proposes 24th consecutive dividend increase to the AGM: 3.00 CHF / share<sup>1</sup>



1. Proposal to shareholders at the 2021 Annual General Meeting, taking place on March 2, 2021 2. Based on closing share price of CHF 83.65 at end of business year 2020 (December 30, 2020) 3. In CHF  
4. Converted at historic exchange rates at the dividend payment dates as per Bloomberg for 2020, assumes an exchange rate of USD/CHF of 0.88106 as of December 31, 2020

# 2021 Novartis full year guidance

Barring unforeseen events; growth vs. PY in cc

## Continuing operations | full year guidance<sup>1</sup>

vs. PY (cc)

### Sales expected to grow low to mid single digit

- IM Division expected to grow **mid single digit**
- Sandoz expected to be **broadly in line with prior year**

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### Core operating income expected to grow mid single digit, ahead of sales

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#### 1. Key assumptions:

- Our guidance assumes that we see a **return to normal global healthcare systems** including prescription **dynamics by mid 2021**
- In addition, we assume that **no Gilenya** and **no Sandostatin LAR generics enter in 2021** in the US

# Vas Narasimhan

Chief Executive Officer

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# 2021 catalysts maintaining long-term momentum

Potential catalysts	Selected examples		
Major approvals	<b>Kesimpta® (EU/JP)</b> RMS	<b>Entresto® (US)</b> HFpEF	<b>Cosentyx® (US/JP/CN)</b> Pediatric psoriasis
Major submissions <sup>1</sup>	<b>Alpelisib (BYL719)</b> PROS	<b>Asciminib (ABL001)</b> CML	<b>Jakavi®</b> Acute and chronic GvHD
	<b>Beovu®</b> DME	<b>Leqvio® (US)<sup>2</sup></b> Hyperlipidemia	<b>Kymriah®</b> FL
Major readouts Enabling submission 2021	<b><sup>177</sup>Lu-PSMA-617</b> mCRPC	<b>Sabatolimab (MBG453)</b> MDS	<b>Canakinumab (ACZ885)<sup>3</sup></b> NSCLC 1L + 2L
	<b>Kymriah®</b> r/r DLBCL 1 <sup>st</sup> relapse	<b>Entresto®</b> Post-AMI	
Enabling submission 2022	<b>Ligelizumab (QGE031)<sup>4</sup></b> CSU	<b>Cosentyx®</b> HS	
Others	<b>Iptacopan (LNP023)</b> IgAN, C3G (Ph2)	<b>Kisqali®</b> Breast cancer (MONALEESA-2 OS)	
Pivotal study starts	<b>Iptacopan (LNP023)</b> IgAN, C3G, aHUS	<b>Ligelizumab (QGE031)</b> Food allergy, CINDU	<b><sup>177</sup>Lu-PSMA-617</b> pre-taxane

1. First submission in any market. 2. Novartis received a CRL from the FDA due to unresolved facility inspection-related conditions at a third-party manufacturing facility in Europe. FDA has not raised any concerns related to the efficacy or safety of inclisiran. Response to CRL planned to be submitted Q2 - Q3 2021. 3. Depending on timing of final read-out submission may move to early 2022. 4. Q4/2021-Q1/2022 potential COVID impact

# Moving forward a breadth of assets to drive long-term growth

Selected opportunities: selection of **expected 2021 milestones** and additional indications

## Lifecycle management

Entresto®	Post-AMI: PARADISE <b>Ph3 readout H1 2021</b>
	HFpEF: <b>FDA action date Q1 2021</b>
Cosentyx®	HS: SUNRISE, SUNSHINE <b>Ph3 readout H2 2021</b>
	L. Planus, Peds PsO, jPsA/ER, GCA, lupus nephritis
Kisqali®	aBC: MONALEESA-2 OS <b>readout H2 2021</b>
BYL719	PROS: <b>submission H2 2021</b>
	TNBC, ovarian cancer, HER2+ aBC, HNSCC 2/3L
Beovu®	DME: <b>submission H1 2021</b>
	RVO, diabetic retinopathy

## Pharmaceuticals

Iptacopan (LNP023)	IgAN, C3G: <b>Ph2 readout H1 2021</b>
	aHUS: <b>Ph3 start.</b> PNH, iMN
Iscalizumab (CFZ533)	Sjögren's, kidney Tx, liver Tx
Ligelizumab (QGE031)	CSU: PEARL 1, 2 <b>Ph3 readout H2 2021</b>
	CINDU, food allergy <b>Ph3 start H2 2021</b>
Pelacarsen (TQJ230)	CVRR-Lp(a)
Branaplam (LMI070)	HD: <b>Ph2b start H2 2021</b>
	SMA

## Oncology

Canakinumab (ACZ885)	NSCLC 1L/2L: CANOPY-1/2 <b>Ph3 readout H1/2 2021</b>
	NSCLC adjuvant
<sup>177</sup> Lu-PSMA-617	mCRPC 3L: VISION <b>Ph3 readout H1 2021</b>
	mCRPC pre-taxane: <b>Ph3 start H1 2021</b>
Sabatolimab (MBG453)	HR-MDS: STIMULUS <b>Ph2 readout H2 2021</b>
	AML
TNO155	Solid tumors, multiple combinations being explored in on-going trials
LXH254	BRAF/NRAS <sup>m</sup> melanoma, mRAS/RAF NSCLC

## 'Wild Cards'

ECF843 (Dry eye: **Ph2 readout H2 2021**), LNA043 (Osteoarthritis: **Ph2b start H1 2021**),  
CSJ117 (Asthma), QBW251 (COPD), NIS793 (Solid tumors)

# Conclusion

Delivered on our strategic and operational commitment in 2020

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Third successive year of increases in sales, core operating income and margin

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Progressing the pipeline and key approvals in 2020: Kesimpta<sup>®</sup> in US, Leqvio<sup>®</sup>, Zolgensma<sup>®</sup> in EU, Tabrecta<sup>®</sup> in US, new indications for Cosentyx<sup>®</sup>

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Expecting top and bottom line growth every year through 2025

# Q&A session



**Vas Narasimhan**  
Chief Executive Officer



**Harry Kirsch**  
Chief Financial Officer



**Marie-France Tschudin**  
President, Novartis Pharmaceuticals



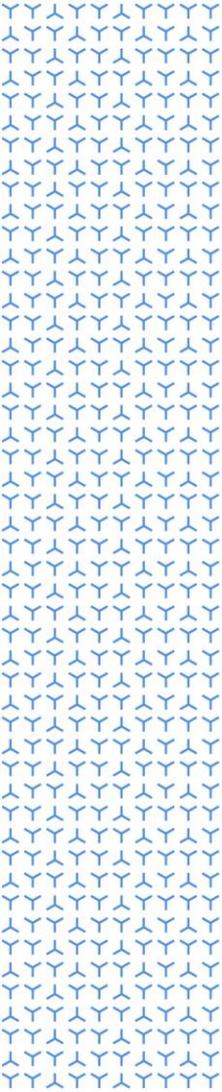
**Susanne Schaffert**  
President, Novartis Oncology



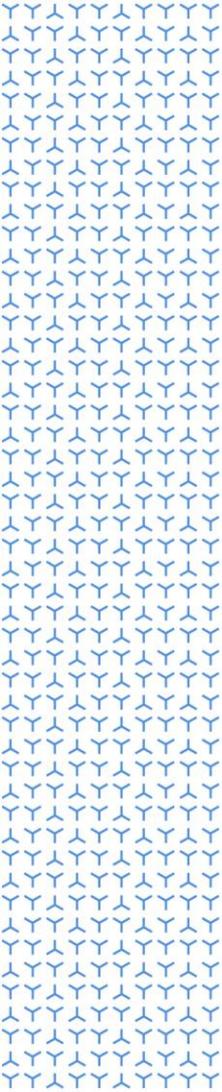
**Richard Saynor**  
CEO, Sandoz



**Shannon Thyme Klinger**  
Chief Legal Officer



# Q&A



**Thank you**