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Generics Bulletin Explains: Sandoz's Spinoff From Novartis

Ahead Of Capital Markets Day On 8 June, The Story So Far For The Spinoff Of Sandoz

by **David Wallace**

Ahead of a Sandoz capital markets day on 8 June, *Generics Bulletin* explains what we know so far about the firm's spinoff from parent company Novartis – as well as the questions that the companies are yet to answer.

[Sandoz](#) management is preparing to set out detailed plans for the soon-to-be standalone company at a capital markets day on 8 June, as the firm gets closer to being spun off from parent company Novartis.

With industry onlookers eager to learn more about the generics and biosimilars specialist's future plans, *Generics Bulletin* traces the path that has brought Sandoz to this point – as well as highlighting some questions about the spinoff that are yet to be answered.

Spinoff History And Rationale

The decision by Novartis to spin off Sandoz into a standalone company was long in the making.

Since 2003, when Novartis united all of its generics businesses under the single global brand name of Sandoz, the business has grown into an off-patent industry leader that commands annual sales of around \$10bn and has topped the *Generics Bulletin* annual Top 50 for several years in a row. (Also see "[Generics Bulletin's Top 50 Ranking For 2022](#)" - *Generics Bulletin*, 17 Aug, 2022.)

But soon after Vas Narasimhan became CEO of Novartis in 2018, he began dropping hints that the firm would be rethinking its strategy for the Sandoz business.

This started with indications in early 2019 that the company's management planned to make Sandoz "an autonomous unit within Novartis" to enable the firm to compete in "an increasingly dynamic and challenging global generics environment" – albeit with Narasimhan insisting at the time that "we consider Sandoz an integral part of Novartis." (Also see "[Novartis Sees Space For Sandoz But In A Slimmer Streamlined Form](#)" - Generics Bulletin, 13 Jun, 2019.) (Also see "[Autonomous Sandoz Set To Be Tighter And Leaner](#)" - Generics Bulletin, 6 Feb, 2019.)

Shortly afterwards, then-Sandoz CEO Richard Francis stepped down from the position, acknowledging that the "significant transformation" on the horizon for the company was "a multi-year journey which I cannot commit to." (Also see "[Sandoz Head Francis To Leave Amid Move Towards Autonomy](#)" - Generics Bulletin, 14 Mar, 2019.)

Francis – who more recently took over management of another leading industry player, Teva (Also see "[Teva Names Former Sandoz CEO Francis To Replace Schultz Within Weeks](#)" - Generics Bulletin, 22 Nov, 2022.) – was replaced as Sandoz CEO by Richard Saynor. (Also see "[Saynor Seeks To Take Sandoz Back To Basics](#)" - Generics Bulletin, 4 Nov, 2019.)

Rumors were swirling at this stage that Novartis could be eyeing a separation from Sandoz, even as Narasimhan maintained in late 2020 that there had been "no change on our perspective on Sandoz as part of Novartis." (Also see "[Novartis Emphasizes Message On Spinning Off Sandoz](#)" - Generics Bulletin, 1 Dec, 2020.)

Then around a year later, towards the end of 2021, Novartis confirmed that it was kicking off a strategic review of the ownership of Sandoz, with the firm aiming to "explore all options, ranging from retaining the business to separation, in order to determine how to best maximize value for our shareholders." (Also see "[\\$10bn Sandoz Business May Be Sold Or Spun As Novartis Weighs Options](#)" - Generics Bulletin, 26 Oct, 2021.)

Saynor told *Generics Bulletin* at the time that he would not be distracted from the day-to-day business of Sandoz by the strategic review, insisting that his priority would be "continuing to focus on doing what we do: investing in our business, investing in our people and growing Sandoz and continuing pretty much business as usual." (Also see "[Sandoz CEO Saynor Signals No](#)"

Sandoz Set To Become Public Company In 2023 As Novartis Confirms Spin-Off

By [Dean Rudge](#)

25 Aug 2022

Following years of dedicated moves towards greater autonomy for Sandoz, the generics and biosimilars giant is to become a publicly traded, standalone firm via a 100% spin-off from parent Novartis. However, a substantial offer could still derail plans.

[Read the full article here](#)

[*Change To Focus Amid Strategic Review*](#)" - Generics Bulletin, 5 Nov, 2021.)

Moving into 2022, Novartis insisted it was keeping all options open for Sandoz, as rumors gained traction that a spinoff was on the cards. (Also see "[*Sandoz Says All Options Still Open After Spinoff Rumors*](#)" - Generics Bulletin, 1 Jul, 2022.)

And then in August that year, the company confirmed that this was indeed its preferred option, citing a spinoff as the best path forward for shareholders – in the absence of a sufficiently attractive offer from interested buyers – as well as offering Novartis a clear timeline to separation (*see sidebar*).

Structure, Management And Location

Talking to *Generics Bulletin* about the upcoming spinoff earlier this year, Sandoz CEO Saynor underlined that a priority for the company would be to continue to run the business in a way that would build on the firm's recent momentum, in terms of its "five straight quarters of growth, across pretty much all the business segments and geographies."

But at the same time, Saynor said, "you can't really avoid [that we'll be] setting up the company to become an independent business at some point, all being well, in the second half of this year."

Acknowledging that there was "a lot going on in terms of building Sandoz to run as an independent company ex Novartis," he said "it's a bit of a cliché, but it's building the plane and flying the plane at the same time" (*see sidebar*).

A number of recent management appointments have helped to bolster the Sandoz leadership team as it prepares to become an independent company. (Also see "[*Who's Hired? Firms Ring In 2023 With Fresh Faces*](#)" - Generics Bulletin, 13 Jan, 2023.)

Meanwhile, the firm also announced early this year that Gilbert Ghostine, CEO of Swiss multinational fragrances business Firmenich, would become chairman of the firm's board after its separation from Novartis. (Also see "[*Who's Hired? Sandoz Names Post-Spinoff Chair*](#)" - Generics Bulletin, 20 Feb, 2023.)

Sandoz CEO Saynor Talks Spinoff, Leadership And Place Among Peers

By [David Wallace](#)

01 Mar 2023

In the first part of an exclusive three-part interview, Sandoz CEO Richard Saynor talks to *Generics Bulletin* about the firm's upcoming separation from parent company Novartis, as well as outlining its unique position as a pure generics and biosimilars company among an evolving peer group of off-patent industry leaders.

[Read the full article here](#)

More recently, Sandoz also named its full 10-member board ahead of an expected listing on the Swiss Stock Exchange. (Also see "[Sandoz Names Board Ahead Of Novartis Spinoff](#)" - Generics Bulletin, 19 May, 2023.)

And just last week, Sandoz announced plans to move its headquarters to a new permanent base in Basel, Switzerland, midway through next year. (Also see "[Sandoz Reveals New Headquarters Post Spin, Mid-2024 Date Outlined](#)" - Generics Bulletin, 2 Jun, 2023.)

Making Deals To Bolster Business Ahead Of Spinoff

Despite the inevitable upheaval of preparing for the imminent spinoff, Sandoz has not only maintained its existing operations but has also showed no signs of slowing down on the deal-making front.

A landmark deal worth up to \$500m saw the firm acquire GlaxoSmithKline's cephalosporin antibiotics business in 2021 (Also see "[Sandoz Strikes \\$500m Deal For GSK Cephalosporins](#)" - Generics Bulletin, 11 Feb, 2021.), while the following year saw Sandoz make a move to capture growth opportunities in respiratory and complex generics by acquiring UK-based drug delivery device development firm Coalesce. (Also see "[Sandoz Bolsters Respiratory Aspirations With Coalesce Acquisition](#)" - Generics Bulletin, 14 Mar, 2022.)

And while Saynor had said 2023 would see Sandoz focus on consolidation and integrating those businesses (*see sidebar*), the company has by no means been quiet on the deal-making front this year.

In March, the firm unveiled plans to invest at least \$400m to build a new biologics production plant in Lendava, Slovenia, to underpin its biosimilars business. (Also see "[Sandoz Unveils \\$400m+ Investment In Slovenian Biosimilars Plant](#)" - Generics Bulletin, 9 Mar, 2023.)

Novartis had previously indicated that manufacturing and technical development of Sandoz's biosimilars would remain with Novartis in the short term, under a transitional service agreement that is expected to run for five years – with an option to extend – to give Sandoz time to build up its own capabilities in biologics.

Another part of the firm's biosimilars strategy as a standalone company fell into place in May,

Sandoz Chief Looks To Build On Recent Deals

By [David Wallace](#)

02 Mar 2023

With a number of recent deals under the firm's belt in both generics and biosimilars, Sandoz CEO Richard Saynor talks to *Generics Bulletin* about how the firm is integrating new assets and building towards some key launches this year.

[Read the full article here](#)

with Sandoz announcing a development and manufacturing deal with Evotec that will make use of the firm's development and manufacturing platform based on artificial intelligence, machine learning and continuous bioprocesses.

The alliance is set to expand the Sandoz biosimilars pipeline "from 15+ to 24 biosimilar assets" while also offering Sandoz the option to make use of Evotec's technology to eventually build a separate production facility of its own. (Also see "[*Sandoz Makes Major Moves To Bolster Biosimilars Ahead Of Spinoff*](#)" - Generics Bulletin, 10 May, 2023.)

And biosimilars are not the only focus for Sandoz when it comes to deals. Last month the company also reached an agreement with Adalvo for rights to six US small-molecule products – four of which are potential first-to-market opportunities – targeting markets that are collectively worth around \$3bn. (Also see "[*Sandoz Eyes First-To-Market US Opportunities With Adalvo Deal*](#)" - Generics Bulletin, 4 May, 2023.)

The commitment to the small-molecule generics market comes after Sandoz in 2020 abandoned a once-planned deal to divest its US generic oral solids and dermatology units to Aurobindo for around \$1bn. (Also see "[*Sandoz Sees Aurobindo Deal Collapse As 'Opportunity'*](#)" - Generics Bulletin, 29 Apr, 2020.)

Meanwhile, in terms of the financial impact on Sandoz of the separation from Novartis, the parent company at the top of this year set an expectation that 2023 would be a "trough year" for Sandoz in terms of its core margin, in part due to the costs associated with the spinoff, as well as current inflationary pressures.

However, the firm also said that "looking ahead, with respect to Sandoz's mid-term potential, sales are expected to grow [at a] low- to mid-single digit compound annual growth rate, and the core margin is expected to expand to the mid-20s, driven by continued sales growth and operational efficiencies, especially at a stand-alone lean generic company." (Also see "[*Sandoz Expects 'Trough Year' In 2023 As It Counts Cost Of Spinoff*](#)" - Generics Bulletin, 3 Feb, 2023.)

Further positive signals came at the end of April, when Novartis revised up its full-year guidance for the firm following a first-quarter sales boost. Having previously laid out a forecast for Sandoz's top line to show low- to mid-single digit growth in constant currencies in 2023, Novartis now expects mid-single digit growth for the Sandoz division this year, "barring unforeseen events." (Also see "[*Novartis Hikes Sandoz Sales Guide As Separation Edges Closer*](#)" - Generics Bulletin, 26 Apr, 2023.)

Questions Remain Over Exact Timing

While many details are already clear regarding the Sandoz spinoff, industry stakeholders will still be keen to see what additional information is revealed at the 8 June capital markets day.

Novartis and Sandoz have consistently pointed to the second half of 2023 as the timeframe for the spinoff as they wait for the final necessary approvals. However, with the end of the first half rapidly approaching, onlookers may be eager to hear a more precise estimate of exactly when the move can be expected to occur and when Sandoz is likely to be listed in its own right on the Swiss Stock Exchange.

Details of exactly how Sandoz will extricate itself from the wider Novartis framework – including details of any transitional agreements – may also be welcomed. And any strategic updates from the company may help to shed additional light on exactly how Sandoz expects to fare once it is operating on its own, and the long journey from Novartis subsidiary to standalone generics and biosimilars giant comes to an end.

Generics Bulletin will cover key updates from the Sandoz capital markets day in future articles.