



Novartis AG



Q4 and FY 2019 Results

Press Conference
January 29, 2020

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Participants



Vas Narasimhan
Chief Executive Officer



Susanne Schaffert
President, Novartis Oncology



Harry Kirsch
Chief Financial Officer



Richard Saynor
CEO, Sandoz



Marie-France Tschudin
President, Novartis Pharmaceuticals

Vas Narasimhan

Chief Executive Officer



In 2019, we kept executing on our strategy

Focus Novartis as a leading medicines company powered by advanced therapy platforms and data science

Our focus



**Focus our company
and capital**



Strengthen our core



**Accelerate
key geographies**

Our priorities



**Deliver transformative
innovation**



**Embrace operational
excellence every day**



**Go big on data and
digital**



**Unleash the power of
our people**



Build trust with society

We have focused Novartis as a medicines company

Medicinal chemistry
and industrials

Diversified
healthcare group

Portfolio
transformation

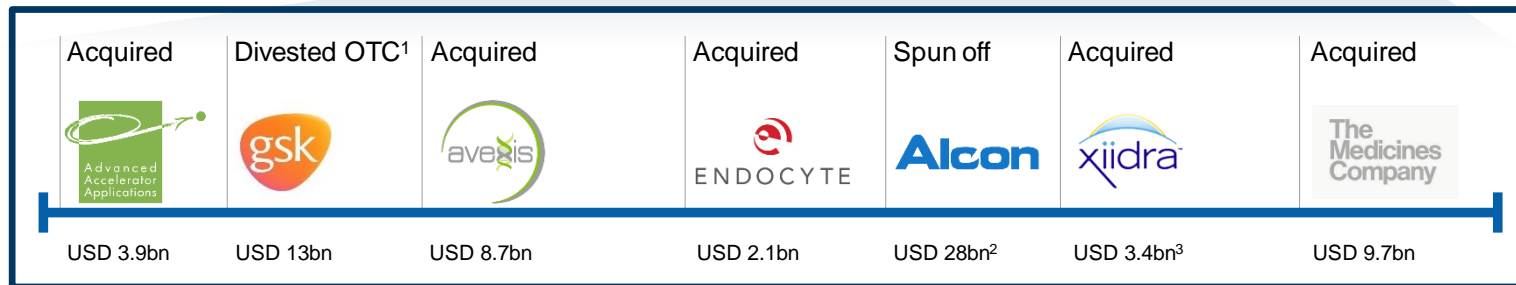
Focused medicines company powered by
advanced therapy platforms and data science

1920 - 1996

1996 - 2009

2009 - 2017

2018 - 2019



1. OTC – Consumer Healthcare 2. Alcon market capitalization on close of 1st day of trading 3. USD 3.4bn upfront + potential milestone payments of up to USD 1.9bn

Leading pipeline with strong replacement power

Scale

of projects¹

114 PHASE 1 / 2

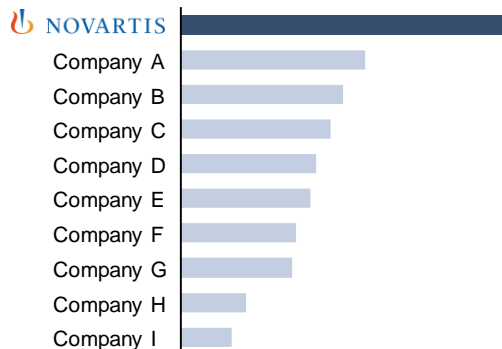
37 PHASE 3

13 REGISTRATION

Value

Estimated 2024 sales from products launched between 2019-24²

#1 Replacement power



Innovation

16 Advanced platform therapies in clinical development

~90% Pipeline potentially first-in-class / first-in-indication

~80% Target areas of high unmet need

1. Including Global Health, excluding Sandoz. 2. Innovative medicine product sales excl. Vaccines and LCM products (e.g. new formulations, combinations with off patent molecules); compound-based analysis (Phase 2 and 3) with additional indications allocated to 1st launch. Inclisiran included. Source: Novartis peer group analysis based on data from Evaluate Pharma (download from November 27, 2019)

2019 was a breakthrough year for innovation

5 NME approvals of potential blockbusters



aSPMS



SMA



Breast cancer



Wet AMD



Sickle cell disease

30+ major submissions

Select examples

- Entresto® (JP)
- Cosentyx® nr-AxSpA (US/EU)
- Ofatumumab (US)
- Adakveo® (US/EU)
- Beovu® (US/EU/JP)
- INC280 (US)
- QVM149 / QMF149 (EU/JP)
- Inclisiran (US)¹

30+ clinical data readouts

Select examples

- Zolgensma®
- Cosentyx®
- Ofatumumab
- Entresto®
- Fevipiprant
- Kisqali®
- INC280
- Inclisiran¹

aSPMS – Active secondary progressive multiple sclerosis SMA – Spinal muscular atrophy AMD – age-related macular degeneration 1. Readout / submission by The Medicines Company

Delivered strong performance in 2019

Continuing operations¹, FY 2019, TSR as of YE 2019

47.4 bn

NET SALES (USD)

+9%

vs. 2018 (cc²)

33.5%

IM CORE MARGIN² (%)

+1.8% pts

vs. 2018 (cc²)

14.1 bn

CORE OPERATING INCOME² (USD)

+17%

vs. 2018 (cc²)

5.28

CORE EPS² (USD)

+17%

vs. 2018 (cc²)

12.9 bn

FREE CASH FLOW² (USD)

+15%

vs. 2018 (USD)

22.3%

1-YEAR TSR³ (%)

Top tier

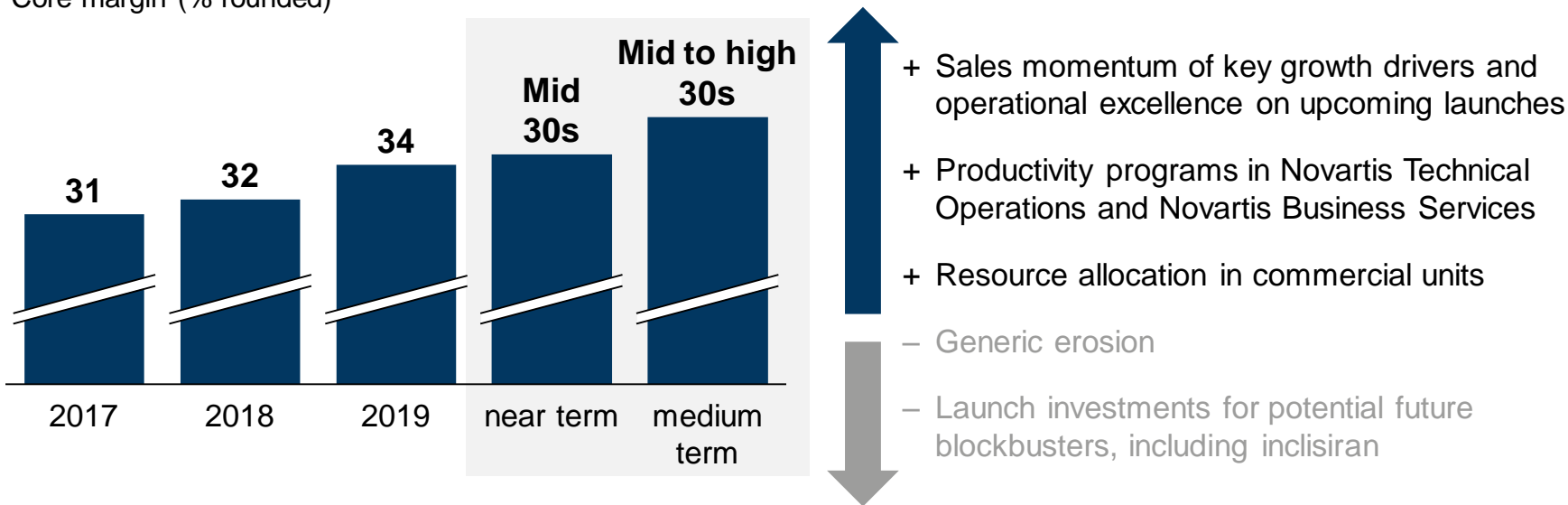
RANKING³

1. Continuing operations as defined on page 45 of the Condensed Financial Report, excludes Alcon, includes the businesses of Innovative Medicines and Sandoz (including the US generic oral solids and dermatology portfolio), as well as the continuing corporate functions. 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 58 of the Condensed Financial Report. 3. TSR in USD from Jan 1st 2019, using 1 day average price at start and 3 month average price at end; ranking when compared to the global HC peer group as defined in the Novartis 2019 Annual Report

Committed to driving consistent margin expansion

Innovative Medicines

Core margin (% rounded)



Sandoz delivered accretive growth in 2019 by implementing refined strategy

Sales growth (vs. PY, cc)

+2% GLOBAL

+7% EX-US

+16% BIOPHARMACEUTICALS

Core operating income growth (vs. PY, cc)

+10%

Refined strategy

Geographic priorities

- EU: Solidifying #1 position
- JP: Closing Aspen acquisition and investing
- US: Stabilizing the business
In the process of concluding oral solids business divestment
Launching pegfilgrastim

Increasing autonomy

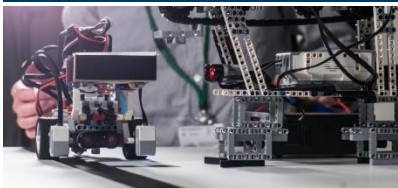
- Creating Sandoz TechOps organization

Portfolio update

- Building biosimilar pipeline further - trastuzumab / natalizumab deals
- Appealing US Erelzi[®] decision
- Gx Advair[®] discontinued further development

Four core elements to our digital transformation

Scale 12 digital lighthouses



Spanning the entire **value chain**, from development to commercial operations

In full flight with **2-3 year** implementation horizon

Investing in **technology platforms**, including CRM, MDM, API

Make Novartis digital



>1,500 associates mobilized

Rapidly build **Data Science and AI** capabilities

Move to **One Digital** global collaboration platform

Dedicated **leadership capability program**

Become the #1 partner in tech ecosystem



Scale novel partnership accelerator: the Novartis **Biome**

Complement internal skills and capabilities

Closely linked to **business priorities**

Pursue bolder moves



Getting ready for disruptive healthcare scenarios through large-scale alliances, e.g.:

- **Microsoft:** AI Innovation Lab
- **AWS¹:** TechOps optimization
- **Tencent:** Heart Failure patient solution in China

1. AWS: Amazon Web Services

Unleash the power of our people

Broad set of initiatives to drive culture change

Inspired

Connect to our purpose and provide an inspiring working environment

Spark Energized for Life
Global Recognition

1 Business Performance Factor Reimagine Performance Management
Parental Leave

- Spark live to 83,000 associates, 230,000 recognitions given in 2019
- Minimum 14 weeks paid leave for all parents, regardless of gender

1. As of YE 2019

Curious

Go big on learning

LinkedIn LEARNING
WITH Lynda.com CONTENT

Xchange

COURSERA

Learning Month

Team Booster

- Coursera: ~3,500 courses completed by 7,000+ users (~85,000 hours)¹
- LinkedIn Learning: ~14,000 courses available, 12,500+ users¹

Unbossed

Build leadership self-awareness and capabilities

ULE

GLINT

Team Perspectives

Leadership Perspectives 360°

- 18 countries visited by CEO in 2019
- Unbossed Leadership Experience (ULE) to be completed in 2020 for the top 300 leaders in the company

Introducing ambitious 2020 ESG targets which are deeply embedded in our operating model

Holistic set of ESG targets for 2020...

Pillar	Target
Ethical Standards	Transparency on clinical trials
	Strengthen Third Party Risk Management
	Fully integrate Human Rights into TPRM
Pricing & Access	Increase patient reach
	Enhance access
	Implement pricing principles
Global Health	Malaria: Advance development of new drugs
	Sickle cell disease: Expand coverage
	Chagas: Progress on clinical trial
Corporate Citizenship	Reduce energy & carbon
	Reduce waste
	Reduce water

... deeply embedded in our operating model

Systematically reviewed

Tracked bi-monthly at the Trust & Reputation Committee, a sub-committee of the Executive Committee of Novartis (ECN) chaired by the CEO

Linked to compensation

Cascaded into ECN personal objectives, and directly impacting compensation

Transparently disclosed

To be included in 2020 Annual Report, providing disclosure on our goals and progress

Build trust with society

Bold long-term aspirations across the ESG spectrum

Select examples



Reduce **launch time lag** to **3 months** in LMICs



Achieve **carbon neutrality** in own operations by **2025**



Implement **access strategy** for **advanced therapies** in LMICs



Deliver on **UN EPIC** and **LGBTI equity pledges**



Transform treatment of **malaria** with **USD 100m** committed in R&D¹



Holistically address **sickle cell disease** in **Ghana**



1. Commonwealth Heads of Government Meeting April 2018, commitment over the next 5 years LMICs – low and middle income countries

www.novartis.com/nisreport2019

Harry Kirsch

Chief Financial Officer



2019 financial results in line with upgraded guidance

Group full year guidance (as revised in October 2019)
in cc

FY 2019 vs. PY
in cc

“**Sales** expected to grow high single digit”



9% ✓

“**Core operating income** expected to grow mid to high teens”



17% ✓

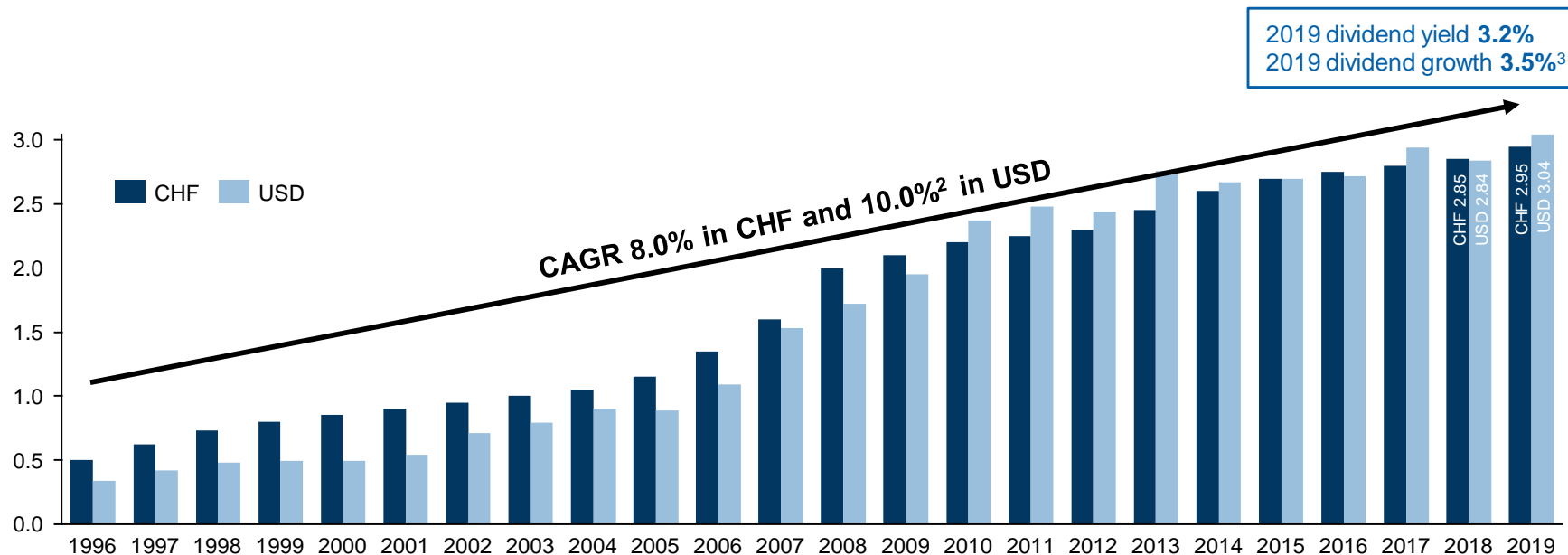
Strong sales growth drove double digit increases in core operating income and free cash flow

Continuing operations ¹ USD million	Q4 2019	Change vs. PY		FY 2019	Change vs. PY	
		% USD	% cc ²		% USD	% cc ²
Net Sales	12,403	8	9	47,445	6	9
Core Operating income ²	3,462	11	13	14,112	12	17
Operating income	1,823	34	37	9,086	8	14
Net Income	1,129	-7	-6	7,147	-44	-41
Core EPS (USD) ²	1.32	14	15	5.28	12	17
EPS (USD)	0.50	-6	-4	3.12	-43	-40
Free Cash Flow ²	3,488	20		12,937	15	

1. Continuing operations excludes Alcon and includes the Sandoz US dermatology and oral solids portfolio business

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 58 of the Condensed Financial Report

Novartis proposes 23rd consecutive dividend increase to the AGM: 2.95 CHF / share¹



1. Proposal to shareholders at the 2020 Annual General Meeting, taking place on February 28, 2020 2. Converted at historic exchange rates at the dividend payment dates as per Bloomberg; assumes an exchange rate of USD/CHF of 0.9690 as of December 31, 2019 for 2019 3. growth in CHF

2020 Novartis full year guidance

Barring unforeseen events; growth vs. PY in cc

Focused medicines company | full year guidance

Excl. Sandoz US oral solids & dermatology businesses¹

Sales expected to grow mid to high single digit

- IM Division expected to grow **mid to high single digit**
 - Sandoz expected to grow **low single digit**
-

Core operating income expected to grow high single to low double digit

Key assumption: Guidance above includes the forecast assumption that no Gilenya® or Sandostatin® LAR generics enter in 2020 in US

1. The announced sale of Sandoz US dermatology and oral solids portfolio to Aurobindo, expected to close during Q1 2020. 2019 FY sales and core operating of the Sandoz US oral solids and dermatology businesses were approximately USD 1.1bn and 0.3bn, respectively.

Vas Narasimhan

Chief Executive Officer



2020 catalysts maintaining long-term momentum

Potential catalysts Select examples

Major approvals ¹	Ofatumumab (OMB157) Relapsing MS	Capmatinib (INC280) NSCLC	Cosentyx® nr-axSpA
	QVM / QMF 149 Asthma	Entresto® HFpEF (US)	Inclisiran (KJX839) Hyperlipidemia (US)
Major submissions ²	Inclisiran (KJX839) <input checked="" type="checkbox"/> Hyperlipidemia (EU)	AVXS-101 IT⁴ SMA	Alpelisib (BYL719) PROS
	¹⁷⁷Lu-PSMA-617 mCRPC	Spartalizumab (PDR001) combo Metastatic melanoma	Entresto® HFpEF (US)
Major readouts ³ (Phase 3)	¹⁷⁷Lu-PSMA-617 mCRPC	Beovu® DME	Entresto® Post-acute MI (IA ⁵)
	Asciminib (ABL001) Chronic Myeloid Leukemia	Kisqali® Breast cancer (<i>MONALEESA-2 OS</i>)	Jakavi® Chronic GvHD
Phase 3 starts	TQJ230 CVRR	LNP023 PNH	MBG453 MDS
	Tropifexor (LJN452) NASH	Alpelisib (BYL719) Multiple indications ⁶	Beovu® PDR

1. First approval in any market. 2. First submission in any market. 3. Readouts enabling submission, label change or pivotal trial initiation. 4. FDA placed a partial clinical hold based on findings in a small preclinical animal study. 5. Planned interim analysis expected Q1 2020 (full readout 2021). 6. HER2+ aBC, TNBC, ovarian cancer, head and neck cancer, PROS

In-market growth drivers, major launches and a rich pipeline expected to sustain our long-term growth

- 15 ongoing / upcoming major launches
- 80+ major submissions planned to 2022
- 50+ late stage programs¹

In-market growth drivers



Major launches



Novel assets

Inclisiran	MBG453
TQJ230	Asciminib
LNP023	Canakinumab
Iscalimab	Capmatinib
Ligelizumab	Spartalizumab
AD portfolio ²	¹⁷⁷ Lu-PSMA-617
LNA043	
Tropifexor	
Ofatumumab	
UNR844	
QVM / QMF149	

New indications

Cosentyx [®] HS	Alpelisib PROS
Cosentyx [®] GCA	Piqray [®] TNBC
Cosentyx [®] LP	Piqray [®] HER2+ aBC
Cosentyx [®] JIA	Piqray [®] ovarian cancer
Cosentyx [®] LN	Piqray [®] HNSCC
Entresto [®] post-AMI	Kisqali [®] HR+/HER2- BC (adj)
Beovu [®] DME	Kymriah [®] FL
Beovu [®] RVO	
Beovu [®] DR	
Beovu [®] PDR	
Ofatumumab pediatric	
AVXS-101 IT	

SELECT EXAMPLES

1. Ph3 / in registration 2. AD portfolio – atopic dermatitis portfolio incl. ZPL389, CEE321

Q&A session



Vas Narasimhan
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President, Novartis Oncology



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Chief Financial Officer



Richard Saynor
CEO, Sandoz



Marie-France Tschudin
President, Novartis Pharmaceuticals



Q&A



Thank you