

Novartis

Likely to beat low-balled FY24E guide. BofA still c20% above cons 28E

Reiterate Rating: BUY | PO: 109.00 CHF | Price: 89.40 CHF

Lowering 24/25E EPS but still above conservative guide

Following FY23 results and FY24E guide c4-5% below cons we lower 24E/25E EPS 4% to reflect Novartis conservative guidance assumptions on 24E generic launches but leave 26E-31E unchanged with our 28E core opinc still c20% above cons (driven by 23-28E sales CAGR 6.5% vs NOVN guide 5% and cons 2-3%. Novartis flagged its guidance for high-SD CER 24E opinc growth assumes “prudent” assumptions around generic erosion of Promacta and Sandostatin LAR. Adjusting for this and delayed ramp in Pluvicto lowers our 24/25E EPS 4%. However, we maintain our Buy rating with our 14% 24E CER opinc growth (11% reported) still above conservative guidance. Our 26-31E EPS estimates remain unchanged with forecast 25-28E EPS CAGR 9%, above sector ave 7.5% (6% ex Novo) driven by above cons Kisqali, Kesimpta, Pluvicto, Fabhalta and Scemblix estimates (see below). Our CHF109 PO remains unchanged but now assumes 16x 25E EPS (was 15x) given faster EPS CAGR (9% vs 7.5% previously) from lower 25E.

Key takes from the call. Prudent guide. Bullish Pluvicto

1) Novn flagged 4x on the call that its FY24E guidance is “prudent”, with conservative generic (Gx) competition assumptions for Sandostatin LAR, Tasigna and Promacta. Noted potential upside from: a) Any supply issues for Gx Sandostatin LAR (seen with historical EU launch, only Teva approved US in Dec-23, we assume -25% YoY); b) Any further delay to Promacta generics (compound patent expired May-23A. No generics launched, Novartis has a salt patent expiring Jan-26E, noted it would defend IP and didn’t rule out that launch could be beyond 24E). We assume -25% for US Sandostatin LAR and mid-24E generic Promacta but see c2-3% EPS side from only 10% erosion/no 24E generic respectively; 2) Pluvicto weak 4Q was driven by supply issue overhang into August, and Dec holiday season lull. Novn is adding patients and expects QoQ growth through 24E, with >\$2bn peak in approved indication; 3) PSMAfore filing 2H24E, with no change in regulatory expectation. Needs to “tighten the radius” around the all-comers OS (1.16 HR), which we interpret as more events rather than closer to/less than 1 necessarily being needed; 4) [Scemblix 1L data](#) (see report) is practice changing and a multi-bn \$ asset. We see \$3.3bn peak potential vs cons \$1.9bn; 4) BDL still focus on <\$5bn (majority <\$1bn) in core therapeutic areas and its core technology platforms.

Estimates (Dec) (USD)	2022A	2023A	2024E	2025E	2026E
EPS (Adjusted)	5.48	6.37	7.28	8.18	8.65
EPS Change (YoY)	-12.8%	16.4%	14.3%	12.4%	5.8%
Dividend / Share	3.35	3.67	4.04	4.16	4.28
ADR EPS (Adjusted - US\$)	5.48	6.37	7.28	8.18	8.65
ADR Dividend / Share (US\$)	3.35	3.67	4.04	4.16	4.28
Valuation (Dec)					
P/E	17.6x	16.7x	14.2x	12.7x	12.0x
Dividend Yield	3.24%	3.55%	3.90%	4.02%	4.14%
EV / EBITDA*	14.2x	12.4x	11.5x	10.6x	10.2x
Free Cash Flow Yield*	5.37%	6.23%	7.54%	8.42%	8.85%

* For full definitions of *IQmethod*SM measures, see page 14.

01 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E EPS	7.58	7.28
2025E EPS	8.52	8.18
2024E DPS	4.03	4.04

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Stock Data

Price (Common / ADR)	89.40 CHF / 107.75 USD
Price Objective	109.00 CHF / 125.00 USD
Date Established	4-Oct-2023 / 6-Dec-2023
Investment Opinion	A-1-7 / A-1-7
52-Week Range	69.89 CHF-94.52 CHF
Market Value (mn)	182,737 CHF
Shares Outstanding (mn)	2,044.0 / 2,044.0
Average Daily Value (mn)	294.71 USD
Free Float	100.0%
BofA Ticker / Exchange	NVSEF / VIR
BofA Ticker / Exchange	NVS / NYS
Bloomberg / Reuters	NOVN SW / NOVNS
ROE (2024E)	33.5%
Net Dbt to Eqty (Dec-2023A)	21.8%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

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Refer to important disclosures on page 15 to 18. Analyst Certification on page 13. Price Objective Basis/Risk on page 13.

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Timestamp: 01 February 2024 12:30AM EST

iQprofileSM Novartis

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(US\$ Millions)					
Sales	42,206	45,440	48,542	51,463	53,335
EBITDA Adjusted	15,638	17,961	19,305	21,078	21,881
Depreciation & Amortization	(4,442)	(5,335)	(4,860)	(4,938)	(5,016)
EBIT Adjusted	11,196	12,626	14,445	16,140	16,865
Net Interest & Other Income	(758)	(633)	(804)	(773)	(644)
Tax Expense / Benefit	(1,128)	(759)	(1,870)	(2,150)	(2,289)
Net Income (Adjusted)	11,946	13,238	14,716	16,161	16,877
Average Fully Diluted Shares Outstanding	2,197	2,077	2,021	1,975	1,950

Key Cash Flow Statement Data					
Net Income (Reported)	6,049	8,364	9,034	10,479	11,195
Depreciation & Amortization	4,442	5,335	4,860	4,938	5,016
Change in Working Capital	(1,003)	(369)	284	268	171
Deferred Taxation Charge	0	0	0	0	0
Other CFO	3,842	1,128	2,768	2,768	2,768
Cash Flow from Operations	13,330	14,458	16,946	18,453	19,151
Capital Expenditure	(1,198)	(1,060)	(1,165)	(1,235)	(1,280)
(Acquisition) / Disposal of Investments	(879)	(3,569)	0	0	0
Other CFI	3,545	10,225	(1,906)	(2,021)	(2,094)
Cash Flow from Investing	1,468	5,596	(3,071)	(3,256)	(3,374)
Share Issue / (Repurchase)	(10,552)	(8,566)	(6,100)	(6,100)	(1,800)
Cost of Dividends Paid	(7,506)	(7,255)	(8,160)	(8,216)	(8,356)
Increase (decrease) debt	(3,022)	(1,564)	0	0	0
Other CFF	518	3,107	0	0	0
Cash Flow from Financing	(20,562)	(14,278)	(14,260)	(14,316)	(10,156)
Total Cash Flow (CFO + CFI + CFF)	(5,764)	5,776	(385)	882	5,621
FX and other changes to cash	(3,635)	(10,278)	0	0	0
Change in Cash	(9,399)	(4,502)	(385)	882	5,621
Change in Net Debt	6,377	2,938	385	(882)	(5,621)
Net Debt	7,245	10,183	10,568	9,686	4,066

Key Balance Sheet Data					
Property, Plant & Equipment	10,764	9,514	9,809	10,126	10,439
Goodwill	29,301	23,341	23,341	23,341	23,341
Other Intangibles	31,644	26,879	21,868	16,945	12,078
Other Non-Current Assets	8,834	9,730	9,889	10,044	10,188
Trade Receivables	8,066	7,107	7,592	8,049	8,342
Cash & Equivalents	18,930	14,428	14,043	14,925	20,545
Other Current Assets	9,914	8,946	9,557	10,132	10,500
Total Assets	117,453	99,945	96,099	93,562	95,434
Long-Term Debt	20,244	18,436	18,436	18,436	18,436
Other Non-Current Liabilities	9,130	8,369	8,369	8,369	8,369
Short-Term Debt	5,931	6,175	6,175	6,175	6,175
Other Current Liabilities	22,725	20,215	21,595	22,894	23,727
Total Liabilities	58,030	53,195	54,575	55,874	56,707
Total Equity	59,423	46,750	41,524	37,688	38,727
Total Equity & Liabilities	117,453	99,945	96,099	93,562	95,434

Business Performance*					
Return On Capital Employed	9.50%	13.7%	16.0%	18.8%	20.1%
Return On Equity	18.8%	25.0%	33.5%	41.0%	44.4%
Operating Margin	18.8%	21.5%	24.1%	26.0%	26.5%
Free Cash Flow (MM)	12,132	13,398	15,781	17,218	17,871

Quality of Earnings*					
Cash Realization Ratio	1.12x	1.09x	1.15x	1.14x	1.13x
Asset Replacement Ratio	7.63x	0.84x	1.03x	1.02x	1.00x
Tax Rate	15.7%	8.32%	17.1%	17.0%	17.0%
Net Debt/Equity	12.2%	21.8%	25.4%	25.7%	10.5%
Interest Cover	10.5x	9.88x	11.7x	15.0x	16.7x

* For full definitions of iQmethodSM measures, see page 14.

Company Sector

Pharmaceuticals

Company Description

Novartis is a Swiss-based pharmaceuticals company. Key products include Cosentyx (psoriasis, PSA and AS), Entresto (heart failure), Kisqali (breast cancer), Pluvicto (prostate cancer), Kesimpta (multiple sclerosis) and Scemblix (chronic myeloid leukemia)

Investment Rationale

Our Buy rating on Novartis is based on: 1) Strong near-term execution from key drivers, 2) Positive risk reward around near-term pipeline catalysts, 3) Improving mid-late stage pipeline

Stock Data

Shares / ADR	1.00
Price to Book Value	5.0x

Quarterly Earnings Estimates

	2023	2024
Q1	1.70A	1.70E
Q2	1.86A	1.84E
Q3	1.83A	1.88E
Q4	1.53A	1.86E

Key Changes

(US\$)	Previous	Current
2024E EPS	7.58	7.28
2025E EPS	8.52	8.18
2024E DPS	4.03	4.04

Maintain Buy. Positive earnings momentum to continue

Maintain Buy: 1) Our 28E core opinc c20% above cons (driven by 23-28E sales CAGR 6.5% vs NOVN guide 5% and cons 2-3%); 2) Novartis's 27-32E mid-SD sales target through major LOEs implies confidence in mid-stage pipe and 30E core opinc c20% above cons. 3) Our above-cons ests are mainly driven by our estimates of higher peak for several key drivers: a) Kisqali \$11.9bn peak (\$13bn un-risk-adj) vs cons \$6.5bn; b) Pluvicto \$4.9bn vs cons \$3.6bn; c) Kesimpta \$5.7bn vs cons \$5.1bn; d) Iptacopan \$4.1bn vs cons \$3.0bn; e) Scemblix \$3.3bn vs cons \$1.9bn; 4) 13x 25E PE undervalues 25-28E EPS CAGR 9%. See our [Novartis deep dive report](#).

Variance sheet

Exhibit 1: Novartis 4Q23 and FY23 Variance analysis

Variance analysis

	Previous	BofAe		Cons.	Reported		Diff v BofAe		Diff v Cons.		Previous	BofAe		Cons.	Reported		Diff v BofAe		Diff v Cons.	
	4Q22A	4Q23	% Chg	4Q23	4Q23A	% Chg	USDm	% Chg	USDm	% Chg	2022A	2023E	% Chg	2023E	2023A	% Chg	USDm	% Chg	USDm	% Chg
Cosentyx	1,080	1,268	17	1,282	1,303	21	35	3	21	2	4,788	4,945	3	4,951	4,980	4	35	1	29	1
Entresto	1,291	1,697	31	1,601	1,635	27	-62	-4	34	2	4,644	6,097	31	6,001	6,035	30	-62	-1	34	1
Gilenya (FTY720)	346	199	-42	221	154	-55	-45	-23	-67	-30	2,013	970	-52	997	925	-54	-45	-5	-72	-7
Lucentis	398	329	-17	318	301	-24	-28	-8	-17	-5	1,874	1,503	-20	1,503	1,475	-21	-28	-2	-28	-2
Tasigna (AMN107)	475	434	-9	445	446	-6	12	3	1	0	1,923	1,836	-5	1,847	1,848	-4	12	1	1	0
Promacta	540	592	10		563	4	-29	-5			2,088	2,298	10	2,284	2,269	9	-29	-1	-15	-1
Mekinist/Tafinlar	465	514	10		486	5	-28	-5			1,770	1,950	10	1,939	1,922	9	-28	-1	-17	-1
Jakavi	388	441	14		444	14	3	1			1,561	1,717	10	1,698	1,720	10	3	0	22	1
Sandostatin	305	333	9		316	4	-17	-5			1,238	1,331	8	1,313	1,314	6	-17	-1	1	0
Xolair	323	372	15		378	17	6	2			1,365	1,460	7	1,441	1,463	7	3	0	22	2
Zolgensma intravenous	309	311	1	310	286	-7	-25	-8	-24	-8	1,370	1,239	-10	1,238	1,214	-11	-25	-2	-24	-2
Galvus	209	185	-11		153	-27	-32	-17			859	724	-16	714	692	-19	-32	-4	-22	-3
Glivec	175	143	-18	141	128	-27	-15	-11	-13	-9	745	576	-23	574	561	-25	-15	-3	-13	-2
Afinitor	106	73	-31	80	97	-8	24	33	17	21	512	384	-25	391	408	-20	24	6	17	4
Exforge	159	169	6		156	-2	-13	-8			743	726	-2		713	-4	-13	-2	nm	nm
Kisqali (LEE011)	357	606	70	603	610	71	4	1	7	1	1,231	2,076	69	2,068	2,080	69	4	0	12	1
Diovan	142	139	-2		147	4	8	6			652	605	-7		613	-6	8	1	nm	nm
Votrient	103	90	-13		77	-25	-13	-14			474	403	-15	403	390	-18	-13	-3	-13	-3
Kymriah	139	127	-9		120	-14	-7	-5			536	515	-4	516	508	-5	-7	-1	-8	-2
Lutathera	128	164	28	162	147	15	-17	-10	-15	-9	471	622	32	620	605	28	-17	-3	-15	-2
Kesimpta	369	632	71	589	641	74	9	1	52	9	1,092	2,162	98	2,119	2,171	99	9	0	52	2
Piqray	112	130	16	134	131	17	1	1	-3	-2	373	504	35	507	505	35	1	0	-2	0
Mayzent/BAF312	99	110	11	108	106	7	-4	-4	-2	-2	357	396	11	394	392	10	-4	-1	-2	-1
Scemblix	43	110	155	119	125	191	15	14	6	5	149	398	167	407	413	177	15	4	6	1
Leqvio	42	108	157	107	123	193	15	14	16	15	112	340	204	338	355	217	15	4	17	5
Pluvicto	179	373	108	315	273	53	-100	-27	-42	-13	271	1,080	299	1,022	980	262	-100	-9	-42	-4
Others	2,294	2,176	-5		2,077	-9	-99	-5			8,995	8,985	-0		8,889	-1	-96	-1	nm	nm
Total sales (Core)	10,576	11,825	12	11,526	11,423	8	-402	-3	-103	-1	42,206	45,842	9	45,470	45,440	8	-402	-1	-30	0
Other revenues (CORE)	304	304	0		353	16	49	16			1,169	1,171	0		1,220	4	49	4		
COGS (CORE)	-1,972	-2,343	19		-2,197	11	146	-6			-7,784	-8,847	14		-8,701	12	146	-2		
% Sales	18.6	19.8			19.2						18.4	19.3			19.1					
S,G & A (CORE)	-3,140	-3,332	6		-3,444	10	-112	3			-12,143	-12,377	2		-12,489	3	-112	1		
% Sales	29.7	28.2			30.1						28.8	27.0			27.5					
R&D (CORE)	-2,094	-2,249	7		-2,231	7	18	-1			-8,267	-8,618	4		-8,600	4	18	0		
% Sales	19.8	19.0			19.5						19.6	18.8			18.9					
Other operating inc/ (exp) Core	-29	-100	245		-83	186	17	-17			-387	-515	33		-498	29	17	-3		
Operating profit core	3,645	4,104	13	4,014	3,821	5	-283	-7	-193	-5	14,794	16,655	13	16,581	16,372	11	-283	-2	-209	-1
Margin %	34.5	34.7	24	34.8	33.5						35.1	36.3	128	36.5	36.0					
Core Income from associated	-3	7	-333	0	-6	100	-13	-186	-6	nm	-11	0	-100		-13	18	-13	nm	nm	nm
Financial net income	-157	-116	-26	-163	-80	-49	36	-31	83	-51	-660	-499	-24	-503	-425	-36	74	-15	78	-16
Pretax income CORE	3,485	3,995	15		3,735	7	-260	-7			14,123	16,156	14		15,934	13	-222	-1		
Core tax rate (%)	15.0	14.6			16.3						15.4	15.5			15.6%					
Net income Core	2,963	3,411	15		3,126	6	-285	-8			11,946	13,652	14		13,446	13	-206	-2	13,446	nm
Margin %	28.0	28.8			27.4						28.3	29.8			29.6					
Core EPS (ex. Discon ops)	1.39	1.66	20	1.60	1.53	10	-0.13	-8	-0.07	-4	5.48	6.58	20	6.54	6.47	18	-0	-2	-0	-1

Source: BofA Global Research Estimates, company reports, company consensus

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EPS changes

Exhibit 2: Changes to core EPS (pre-exceptionals and intangible amortisation)

New vs old core EPS pre forecasts

Year to December	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
New EPS (\$)	6.47	7.28	8.18	8.65	9.63	10.66	10.66	10.32	9.59
Old EPS (\$)	6.58	7.58	8.52	8.65	9.65	10.64	10.65	10.35	9.54
% Change	-1.6%	-4.0%	-4.0%	0.0%	-0.1%	0.2%	0.1%	-0.4%	0.5%

Source: BofA Global Research Estimates

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Exhibit 3: Changes to core EPS forecast (CHF)

New vs old core EPS forecasts

Year to December	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
New EPS (CHF)	5.82	6.13	6.89	7.28	8.11	8.97	8.97	8.68	8.07
Old EPS (CHF)	5.91	6.38	7.17	7.28	8.12	8.95	8.96	8.71	8.03
% Change	-1.6%	-4.0%	-4.0%	0.0%	-0.1%	0.2%	0.1%	-0.4%	0.5%

Source: BofA Global Research Estimates

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Exhibit 4: Changes to group sales forecast

Changes to group sales forecast

Year to December	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
New sales	45,440	48,542	51,463	53,335	56,882	60,681	61,727	61,909	59,926
Old sales	45,842	49,435	52,682	53,617	57,155	60,927	61,992	62,183	60,206
Change %	-0.9%	-1.8%	-2.3%	-0.5%	-0.5%	-0.4%	-0.4%	-0.4%	-0.5%

Source: BofA Global Research Estimates

BofA GLOBAL RESEARCH

Glossary

OS = Overall Survival

BD = Business Development

CV = Cardiovascular

GLP1 = Glucagon like peptide 1

IP = Intellectual Property

1L = First Line

Models

Exhibit 5: Novartis pharma sales model

Sales forecasts

Year to December (\$m)	2022A	2023A	1Q-24E	2Q-24E	3Q-24E	4Q-24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Change YoY %				CAGR
															2022A	2023A	2024E	25-28E	
Entresto (HF-REF/HF-PEF)	4,644	6,035	1,739	1,871	1,835	2,026	7,471	6,561	4,648	3,622	2,898	2,330	1,883	1,524	31	30	24	-23.8	
Cosentyx (Psoriasis, PSA, AS)	4,788	4,980	1,192	1,395	1,454	1,429	5,471	5,854	6,176	6,361	6,552	5,801	5,021	4,402	1	4	10	3.8	
Promacta (ITP/Hep C)	2,088	2,269	586	620	337	324	1,867	1,120	840	697	599	515	463	417	4	9	-18	-18.8	
Tasigna (AMN107) (CML)	1,923	1,848	291	233	231	210	965	772	617	494	395	316	253	202	-7	-4	-48	-20.0	
Mekinist/Tafinlar (Met Melanoma)	1,770	1,922	492	528	514	522	2,056	2,143	2,216	2,292	2,360	2,168	2,007	1,353	5	9	7	3.3	
Lucentis (Ophthalmology)	1,874	1,475	343	321	295	247	1,206	964	772	656	590	543	500	460	-13	-21	-18	-15.1	
Kisqali (LEE011) HR+,HER2- metastatic breast cancer	1,231	2,080	598	708	819	897	3,022	3,723	4,171	4,453	4,640	4,779	4,923	4,684	31	69	45	7.6	
Jakavi (Myelofibrosis)	1,561	1,720	452	468	460	483	1,863	1,918	1,976	1,778	1,334	1,000	750	563	-2	10	8	-11.4	
Kesimpta (MS)	1,092	2,171	648	755	841	905	3,149	4,002	4,607	5,047	5,318	5,530	5,696	5,019	194	99	45	9.9	
Xolair (Asthma)	1,365	1,463	365	370	375	385	1,495	1,270	1,016	813	691	622	560	504	-4	7	2	-18.4	
Sandostatin (Acromegaly)	1,238	1,314	312	265	262	228	1,068	845	682	576	514	469	436	407	-12	6	-19	-15.3	
Zolgensma intravenous (SMA)	1,370	1,214	310	313	309	289	1,221	1,247	1,275	1,303	1,332	1,362	1,393	1,424	1	-11	1	2.2	
Gilenya (FTY720) (MS)	2,013	925	153	170	164	101	588	487	419	365	320	281	248	220	-28	-54	-36	-13.1	
Pluvicto (mCRPC post-taxane)	271	980	334	389	492	605	1,820	2,411	2,170	2,061	1,999	1,939	1,881	1,825	nm	262	86	-6.0	
Exforge (Hypertension)	743	713	185	181	184	155	706	670	637	617	598	580	562	545	-18	-4	-1	-3.7	
Galvus (Diabetes)	859	692	160	151	138	131	580	493	419	377	339	305	275	247	-21	-19	-16	-11.7	
Diovan (Hypertension)	652	613	154	149	147	143	594	575	557	539	522	506	490	474	-16	-6	-3	-3.2	
LutATHERA GEP-NET	471	605	164	165	175	174	678	732	768	692	346	259	220	198	-1	28	12	-22.1	
Glivec (CML, GIST)	745	561	120	115	116	104	456	410	390	370	352	334	317	302	-27	-25	-19	-5.0	
Leqvio (HeFH)	112	355	147	172	203	231	753	1,204	1,565	1,957	2,250	2,475	2,673	2,807	833	217	112	23.2	
Piqray (PIK3CAm ER+ Her2- mBC)	373	505	135	151	148	152	586	633	664	698	718	740	740	703	13	35	16	4.3	
Scemblix (asciminib) (1L CML)	0	0	0	0	0	0	0	270	720	1,170	1,620	1,890	2,070	2,573	nm	nm	nm	81.7	
Mayzent/BAF312 (SPMS)	357	392	96	102	111	114	423	445	458	472	486	500	500	400	27	10	8	3.0	
Xiidra Dry eye	487	0	0	0	0	0	0	0	0	0	0	0	0	0	4	-100	nm	nm	
Afinitor (Renal cancer/p1CT/Her2-ve mBC)	512	408	94	99	72	82	347	315	289	265	247	231	215	201	-45	-20	-15	-7.8	
Kymriah DLBCL/ALL	536	508	128	123	118	114	483	468	454	440	427	414	402	390	-9	-5	-5	-3.0	
Votrient (Renal cancer)	474	390	74	74	71	54	273	224	186	156	131	111	95	83	-18	-18	-30	-16.3	
Adakveo (Sickle cell)	194	195	52	53	45	45	195	195	195	195	195	185	176	167	18	1	0	0.0	
Aimovig (Migraine)	218	266	69	75	77	78	299	323	333	343	353	363	374	385	1	22	12	3.0	
Ultibro family (COPD)	479	436	100	100	92	91	384	345	328	318	309	299	290	282	-18	-9	-12	-3.7	
Beovu (Wet AMD)	203	203	53	55	48	54	209	215	222	228	235	242	250	257	9	0	3	3.0	
Zolgensma intrathecal (SMA)	0	0	0	0	0	0	0	0	170	404	589	601	613	625	nm	nm	nm	nm	
lanalimumab (Sjogrens/ITP/Lupus)	0	0	0	0	0	0	0	0	75	250	600	1,000	1,250	1,500	nm	nm	nm	nm	
Cosentyx GCA (GCA)	0	0	0	0	0	0	0	0	65	195	325	244	207	176	nm	nm	nm	nm	
Kisqali (NATALEE, high risk) (adj. BC)	0	0	0	0	0	135	135	585	900	1,125	1,305	1,395	1,458	1,350	nm	nm	nm	30.7	
Kisqali (NATALEE, intermediate risk) (adj. BC)	0	0	0	0	0	425	425	1,020	1,870	2,975	4,675	5,270	5,568	5,100	nm	nm	nm	66.1	
Ligelizumab (Food allergy)	0	0	0	0	0	0	0	0	0	100	250	400	450	500	nm	nm	nm	nm	
Pelacarsen TQJ230 (CV)	0	0	0	0	0	0	0	0	100	200	375	500	625	750	nm	nm	nm	nm	
Fabhalta (PNH) (PNH)	0	10	15	25	35	45	120	240	360	450	525	625	700	756	nm	nm	1,100	29.8	
Atrasentan (IgAN)	0	0	0	0	0	0	0	100	200	360	480	540	580	600	nm	nm	nm	68.7	
Pluvicto (mCRPC, pre-taxane)	0	0	0	0	0	0	0	320	640	1,120	1,520	1,920	2,120	2,482	nm	nm	nm	68.1	
Pluvicto (mHSPC combo ADT/ARDT)	0	0	0	0	0	0	0	0	70	228	385	490	525	632	nm	nm	nm	nm	
Remibrutinib (MS) (MS)	0	0	0	0	0	0	0	0	150	300	500	650	750	nm	nm	nm	nm	nm	
Remibrutinib (CSU) (CSU)	0	0	0	0	0	0	0	240	480	720	960	1,200	1,440	1,600	nm	nm	nm	58.7	
Iptacopan (C3G) (C3G)	0	0	0	0	0	0	0	375	675	1,125	1,500	1,688	1,763	1,805	nm	nm	nm	58.7	
Iptacopan (IgAN) (IgAN)	0	0	0	0	0	0	0	300	600	900	1,125	1,294	1,448	1,547	nm	nm	nm	55.4	
Spare 1 (-)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	nm	nm	nm	nm	
Other	12,207	14,227	3,694	3,751	3,856	3,809	15,109	14,008	12,009	10,849	9,993	9,299	8,733	8,258	12	17	6	-10.5	
Pharma sales	42,206	45,440	11,516	12,074	12,190	12,762	48,542	51,463	53,335	56,882	60,681	61,727	61,909	59,926	1	8	7	5.6	

Source: BofA Global Research Estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 6: Novartis Sales by Region

Regional sales forecasts

Year to December (\$m)	2022A	2023A	1Q-24E	2Q-24E	3Q-24E	4Q-24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Change YoY %			CAGR
															2022A	2023A	2024E	25-28E
Entresto	4,644	6,035	1,739	1,871	1,835	2,026	7,471	6,561	4,648	3,622	2,898	2,330	1,883	1,524	31	30	24	-23.8
USA	2,354	3,067	845	906	874	1,056	3,680	2,392	478	287	230	195	176	158	38	30	20	-54.2
non-USA	2,290	2,968	895	965	961	970	3,790	4,169	4,169	3,335	2,668	2,135	1,708	1,366	25	30	28	-4.2
Cosentyx	4,788	4,980	1,192	1,395	1,454	1,429	5,471	5,854	6,176	6,361	6,552	5,801	5,021	4,402	7	4	10	3.8
USA	2,770	2,636	549	676	746	771	2,741	2,906	3,080	3,173	3,268	2,451	1,838	1,379	-4	-5	4	4.0
non-USA	2,018	2,344	643	719	709	659	2,730	2,948	3,096	3,189	3,284	3,350	3,182	3,023	10	16	16	5.3
Promacta	2,088	2,269	586	620	337	324	1,867	1,120	840	697	599	515	463	417	4	9	-18	-18.8
USA	1,083	1,205	299	338	63	47	747	224	168	126	113	102	92	83	14	11	-38	-20.3
non-USA	1,005	1,064	286	282	274	277	1,120	896	672	571	485	413	371	334	-6	6	5	-20.1
Mekinist/Tafinlar	1,770	1,922	492	528	514	522	2,056	2,143	2,216	2,292	2,360	2,168	2,007	1,353	5	9	7	3.3
USA	678	791	210	212	217	216	854	897	924	952	980	995	1,010	505	12	17	8	3.0
non-USA	1,092	1,131	283	317	297	306	1,202	1,246	1,292	1,340	1,380	1,173	997	848	0	4	6	3.7
Tasigna (AMN107)	1,923	1,848	291	233	231	210	965	772	617	494	395	316	253	202	-7	-4	-48	-20.0
USA	877	884	84	35	33	24	177	141	113	91	72	58	46	37	-1	1	-80	-20.0
non-USA	1,046	964	207	198	197	186	788	630	504	403	323	258	207	165	-11	-8	-18	-20.0
Kesimpta	1,092	2,171	648	755	841	905	3,149	4,002	4,607	5,047	5,318	5,530	5,696	5,019	194	99	45	9.9
USA	921	1,528	428	496	541	567	2,032	2,327	2,513	2,639	2,718	2,799	2,883	2,122	nm	66	33	5.3
non-USA	171	643	220	259	300	338	1,117	1,675	2,094	2,408	2,601	2,731	2,813	2,897	-54	276	74	29.2
Jakavi	1,561	1,720	452	468	460	483	1,863	1,918	1,976	1,778	1,334	1,000	750	563	-2	10	8	-11.4
USA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	nm	nm	nm	nm
non-USA	1,561	1,720	452	468	460	483	1,863	1,918	1,976	1,778	1,334	1,000	750	563	-2	10	8	-1.5
Lucentis	1,874	1,475	343	321	295	247	1,206	964	772	656	590	543	500	460	-13	-21	-18	-15.1
USA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	nm	nm	nm	nm
non-USA	1,874	1,475	343	321	295	247	1,206	964	772	656	590	543	500	460	-13	-21	-18	-18.4
Xolair	1,365	1,463	365	370	375	385	1,495	1,270	1,016	813	691	622	560	504	-4	7	2	-18.4
USA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	nm	nm	nm	nm
non-USA	1,365	1,463	365	370	375	385	1,495	1,270	1,016	813	691	622	560	504	-4	7	2	-18.4
Sandostatin	1,238	1,314	312	265	262	228	1,068	845	682	576	514	469	436	407	-12	6	-19	-15.3
USA	800	829	199	152	153	118	622	435	305	228	194	175	166	158	-5	4	-25	-23.6
non-USA	438	485	114	113	110	110	446	410	377	347	319	294	270	249	-23	11	-8	-8.0
Pluvicto	271	980	334	389	492	605	1,820	2,411	2,170	2,061	1,999	1,939	1,881	1,825	nm	262	86	-6.0
USA	271	921	308	352	440	540	1,639	2,049	1,844	1,752	1,700	1,649	1,599	1,551	nm	240	78	-6.0
non-USA	0	59	27	37	52	65	181	362	325	309	300	291	282	274	nm	nm	206	19.6

Source: BofA Global Research Estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 7: Novartis Profit & Loss

P/L forecasts

Year to December (\$m)	2022A	2023A	1Q-24E	2Q-24E	3Q-24E	4Q-24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Change YoY %				CAGR
															2022A	2023A	2024E	25-28E	
Total sales (Core)	42,206	45,440	11,516	12,074	12,190	12,762	48,542	51,463	53,335	56,882	60,681	61,727	61,909	59,926	-18	8	7	5.6	
Other revenues (CORE)	1,169	1,220	247	303	304	344	1,198	1,172	1,146	1,117	1,091	1,064	1,038	997	-7	4	-2	-2.4	
COGS (CORE)	-7,784	-8,701	-2,223	-2,330	-2,353	-2,366	-9,271	-9,829	-10,187	-10,808	-11,529	-11,728	-11,763	-11,386	-34	12	7	5.5	
% of sales	18.4	19.1	19.3	19.3	19.3	18.5	19.1	19.1	19.1	19.0	19.0	19.0	19.0	19.0					
Gross profit (CORE)	35,591	37,959	9,540	10,047	10,141	10,740	40,468	42,805	44,293	47,191	50,242	51,063	51,185	49,537	-13	7	7	5.3	
Margin %	84.3	83.5	82.8	83.2	83.2	84.2	83.4	83.2	83.0	82.8	82.7	82.7	82.7	82.7					
S,G & A (CORE)	-12,143	-12,489	-2,971	-3,115	-3,145	-3,584	-12,815	-13,174	-13,547	-14,050	-14,563	-15,062	-15,601	-15,701	-18	3	3	3.4	
% of sales	28.8	27.5	25.8	25.8	25.8	28.1	26.4	25.6	25.4	24.7	24.0	24.4	25.2	26.2					
R&D (CORE)	-8,267	-8,600	-2,096	-2,197	-2,219	-2,468	-8,980	-9,263	-9,654	-9,954	-10,316	-10,741	-11,144	-11,146	-9	4	4	3.7	
% of sales	19.6	18.9	18.2	18.2	18.2	19.3	18.5	18.0	18.1	17.5	17.0	17.4	18.0	18.6					
Other operating income/ (expense) Core	-387	-498	-177	-134	-104	-83	-498	-498	-498	-498	-498	-498	-498	-498	-41	29	0	0.0	
Operating profit core	14,794	16,372	4,296	4,600	4,674	4,605	18,175	19,870	20,595	22,689	24,865	24,763	23,942	22,192	-11	11	11	7.8	
Margin %	35.1	36.0	37.3	38.1	38.3	36.1	37.4	38.6	38.6	39.9	41.0	40.1	38.7	37.0					
Operating profit (GAAP)	7,946	9,769	2,585	3,002	3,034	3,087	11,708	13,403	14,128	16,222	18,398	18,296	17,475	15,725	-32	23	20	11.1	
Core Income from associated companies	-11	-13	0	0	0	0	0	0	0	0	0	0	0	0	nm	18	-100	nm	
Financial net income	-660	-425	-151	-151	-151	-151	-604	-573	-444	-315	-155	-105	-113	-57	-23	-36	42	-35.3	
Pretax income CORE	14,123	15,934	4,145	4,449	4,523	4,454	17,571	19,297	20,151	22,374	24,710	24,658	23,829	22,136	-16	13	10	8.6	
Core Tax	-2,177	-2,739	-674	-723	-735	-724	-2,855	-3,136	-3,275	-3,636	-4,015	-4,007	-3,872	-3,597	-17	26	4	8.6	
Core tax rate (%)	15.4	17.2	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3					
Minority interests (GAAP)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	nm	nm	nm	nm	
Profit from Continuing Operations (GAAP)	6,049	8,572	2,008	2,321	2,348	2,357	9,034	10,479	11,195	13,056	15,013	14,970	14,276	12,857	-75	42	5	12.7	
Profit from Continuing Operations (GAAP)	143	189	174	192	193	185	186	204	210	230	247	243	231	215					
Profit from discontinued operations	906.0	6,282.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Core net income to shareholders	11,946	14,335	3,472	3,726	3,788	3,730	14,716	16,161	16,877	18,738	20,694	20,651	19,957	18,539	-15	20	3	8.6	
Core Continuing net income to shareholders	11,946	13,446	3,472	3,726	3,788	3,730	14,716	16,161	16,877	18,738	20,694	20,651	19,957	18,539	-15	13	9	8.6	
Basic Shares, Average (m)	2,181	2,077	2,038	2,026	2,015	2,003	2,021	1,975	1,950	1,945	1,941	1,937	1,935	1,933	-3	-5	-3	-0.6	
Per share data (USD)																			
Core EPS (ex. discontinued operations)	5.48	6.47	1.70	1.84	1.88	1.86	7.28	8.18	8.65	9.63	10.66	10.66	10.32	9.59	-13	18	12	9.2	
Cont EPS (Basic)	2.77	4.13	0.99	1.15	1.17	1.18	4.47	5.31	5.74	6.71	7.73	7.73	7.38	6.65	-74	49	8	13.4	
DPS (Basic)-USD	3.35	3.67	0.00	0.00	0.00	0.00	4.04	4.16	4.28	4.41	4.55	4.68	4.82	4.97	-1	10	10	3.0	
Per share data (CHF)																			
Core EPS co focus (CHF)	5.23	5.82	1.43	1.55	1.58	1.57	6.13	6.89	7.28	8.11	8.97	8.97	8.68	8.07	-9	11	5	9.2	
Cont EPS (Basic) (CHF)	2.65	3.71	0.83	0.96	0.98	0.99	3.76	4.47	4.83	5.65	6.51	6.50	6.21	5.60	-73	40	1	13.4	
DPS (Basic)- CHF	3.20	3.30					3.40	3.50	3.61	3.71	3.83	3.94	4.06	4.18	3	3	3	3.0	

Source: BofA Global Research Estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 8: Novartis pipeline forecast (Sales forecast includes risk-adjusted sales)

pipeline forecasts

Year to December (\$m)	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Probability to market
Zolgensma intrathecal SMA											
Un-risk adjusted sales	0	0	0	0	261	621	906	924	942	961	65%
Change YoY %	na	na	na	na	na	138	46	2	2	2	
Risk-adjusted sales	0	0	0	0	170	404	589	601	613	625	
Scemblix (asciminib) 1L CML											
Un-risk adjusted sales	0	0	0	300	800	1300	1800	2100	2300	2859	90%
Change YoY %	na	na	na	na	167	63	38	17	10	24	
Risk-adjusted sales	0	0	0	270	720	1170	1620	1890	2070	2573	
Ianalumab Sjogrens/ITP/Lupus											
Un-risk adjusted sales	0	0	0	0	150	500	1200	2000	2500	3000	50%
Change YoY %	na	na	na	na	na	233	140	67	25	20	
Risk-adjusted sales	0	0	0	0	75	250	600	1000	1250	1500	
Cosentyx GCA GCA											
Un-risk adjusted sales	0	0	0	0	100	300	500	375	319	271	65%
Change YoY %	na	na	na	na	na	200	67	-25	-15	-15	
Risk-adjusted sales	0	0	0	0	65	195	325	244	207	176	
Kisqali (NATALEE, high risk) adj. BC											
Un-risk adjusted sales	0	0	150	650	1000	1250	1450	1550	1620	1500	90%
Change YoY %	na	na	na	333	54	25	16	7	5	-7	
Risk-adjusted sales	0	0	135	585	900	1125	1305	1395	1458	1350	
Kisqali (NATALEE, intermediate risk) adj. BC											
Un-risk adjusted sales	0	0	500	1200	2200	3500	5500	6200	6550	6000	85%
Change YoY %	na	na	na	140	83	59	57	13	6	-8	
Risk-adjusted sales	0	0	425	1020	1870	2975	4675	5270	5568	5100	
Ligelizumab Food allergy											
Un-risk adjusted sales	0	0	0	0	0	200	500	800	900	1000	50%
Change YoY %	na	na	na	na	na	na	150	60	13	11	
Risk-adjusted sales	0	0	0	0	0	100	250	400	450	500	
Pelacarsen TQJ230 CV											
Un-risk adjusted sales	0	0	0	0	400	800	1500	2000	2500	3000	25%
Change YoY %	na	na	na	na	na	100	88	33	25	20	
Risk-adjusted sales	0	0	0	0	100	200	375	500	625	750	
Fabhalta (PNH) PNH											
Un-risk adjusted sales	0	10	120	240	360	450	525	625	700	756	100%
Change YoY %	na	na	1100	100	50	25	17	19	12	8	
Risk-adjusted sales	0	10	120	240	360	450	525	625	700	756	
Atrasentan IgAN											
Un-risk adjusted sales	0	0	0	250	500	900	1200	1350	1450	1500	40%
Change YoY %	na	na	na	na	100	80	33	13	7	3	
Risk-adjusted sales	0	0	0	100	200	360	480	540	580	600	
Pluvicto mCRPC, pre-taxane											
Un-risk adjusted sales	0	0	0	400	800	1400	1900	2400	2650	3102	80%
Change YoY %	na	na	na	na	100	75	36	26	10	17	
Risk-adjusted sales	0	0	0	320	640	1120	1520	1920	2120	2482	
Pluvicto mHSPC combo ADT/ARDT											
Un-risk adjusted sales	0	0	0	0	200	650	1100	1400	1500	1806	35%
Change YoY %	na	na	na	na	na	225	69	27	7	20	
Risk-adjusted sales	0	0	0	0	70	228	385	490	525	632	
Remibrutinib (MS) MS											
Un-risk adjusted sales	0	0	0	0	0	300	600	1000	1300	1500	50%
Change YoY %	na	na	na	na	na	na	100	67	30	15	
Risk-adjusted sales	0	0	0	0	0	150	300	500	650	750	
Remibrutinib (CSU) CSU											
Un-risk adjusted sales	0	0	0	300	600	900	1200	1500	1800	2000	80%
Change YoY %	na	na	na	na	100	50	33	25	20	11	
Risk-adjusted sales	0	0	0	240	480	720	960	1200	1440	1600	
Iptacopan (C3G) C3G											
Un-risk adjusted sales	0	0	0	500	900	1500	2000	2250	2350	2406	75%
Change YoY %	na	na	na	na	80	67	33	13	4	2	
Risk-adjusted sales	0	0	0	375	675	1125	1500	1688	1763	1805	
Iptacopan (IgAN) IgAN											
Un-risk adjusted sales	0	0	0	400	800	1200	1500	1725	1930	2063	75%
Change YoY %	na	na	na	na	100	50	25	15	12	7	
Risk-adjusted sales	0	0	0	300	600	900	1125	1294	1448	1547	
Total Un-risk adjusted sales	0	10	770	4,240	9,071	15,771	23,381	28,199	31,311	33,724	
Total Risk-adjusted sales	0	10	680	3,450	6,925	11,471	16,534	19,556	21,465	22,746	

Source: BofA Global Research Estimates. Probability to market is based on the Tufts CSDD data 2010 (Nature) adjusted for the analyst's own assessment of individual product risks: indication, prior clinical/preclinical data and regulatory history

BofA GLOBAL RESEARCH

Exhibit 9: Novartis Phase III pipeline DCF/EPS upside/downside analysis

Novartis Phase III pipeline DCF/EPS upside/downside analysis

Fig's in(\$m) unless otherwise stated	Launch year	2031			2031 EPS		Upside		Downside	
		Peak sales	Prob to market	Risk adj sales	upside %	EPS downside %	DCF change(CHF)	Change %	DCF Change(CHF)	Change %
Current DCF							90.72		90.72	
Zolgensma intrathecal (SMA)	2026	961	65%	625	0.8%	-1.4%	0.59	0.6%	-1.09	-1.2%
Scemblix (asciminib) (1L CML)	2025	2,859	90%	2,573	0.6%	-5.8%	0.47	0.5%	-4.26	-4.7%
Ianalumab (Sjogrens/ITP/Lupus)	2026	3,000	50%	1,500	3.4%	-3.4%	2.32	2.6%	-2.32	-2.6%
Cosentyx GCA (GCA)	2026	271	65%	176	0.2%	-0.4%	0.19	0.2%	-0.35	-0.4%
Kisqali (NATALEE, high risk) (adj. BC)	2024	1,500	90%	1,350	0.3%	-3.0%	0.29	0.3%	-2.58	-2.8%
Kisqali (NATALEE, intermediate risk) (adj. BC)	2024	6,000	85%	5,100	2.0%	-11.5%	1.62	1.8%	-9.19	-10.1%
Ligelizumab (Food allergy)	2027	1,000	50%	500	1.1%	-1.1%	0.79	0.9%	-0.79	-0.9%
Pelacarsen TQJ230 (CV)	2026	3,000	25%	750	5.1%	-1.7%	3.56	3.9%	-1.19	-1.3%
Fabhalta (PNH) (PNH)	2023	756	100%	756	0.0%	-1.7%	0.00	0.0%	-1.35	-1.5%
Atrasentan (IgAN)	2025	1,500	40%	600	2.0%	-1.4%	1.57	1.7%	-1.05	-1.2%
Pluvicto (mCRPC, pre-taxane)	2025	3,102	80%	2,482	1.4%	-5.6%	1.03	1.1%	-4.13	-4.6%
Pluvicto (mHSPC combo ADT/ARDT)	2026	1,806	35%	632	2.7%	-1.4%	1.89	2.1%	-1.02	-1.1%
Remibrutinib (MS) (MS)	2027	1,500	50%	750	1.7%	-1.7%	1.16	1.3%	-1.16	-1.3%
Remibrutinib (CSU) (CSU)	2025	2,000	80%	1,600	0.9%	-3.6%	0.67	0.7%	-2.68	-3.0%
Iptacopan (C3G) (C3G)	2025	2,406	75%	1,805	1.4%	-4.1%	1.06	1.2%	-3.19	-3.5%
Iptacopan (IgAN) (IgAN)	2025	2,063	75%	1,547	1.2%	-3.5%	0.89	1.0%	-2.68	-3.0%
Total upside/downside		33,724	67%	22,746	24.8%	-51.4%	18.11	20.0%	-39.03	-43.0%
Up/downside DCF valn							108.82		51.69	

Source: BofA Global Research Estimates. Probability to market is based on the Tufts CSDD data 2010 (Nature) adjusted for the analyst's own assessment of individual product risks: indication, prior clinical/preclinical data and regulatory history

BofA GLOBAL RESEARCH

Exhibit 10: Novartis Balance sheet

Novartis Balance sheet

As at 31 December (\$m)	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
ASSETS										
Tangible fixed assets (Net)	10,764	9,514	9,809	10,126	10,439	10,784	11,165	11,512	11,806	11,817
Right-of-use assets (Net)	1,431	1,410	1,600	1,786	1,961	2,140	2,325	2,491	2,636	2,525
Intangible assets (Net)	31,644	26,879	21,868	16,945	12,078	7,318	2,671	0	0	0
Goodwill (Net)	29,301	23,341	23,341	23,341	23,341	23,341	23,341	23,341	23,341	23,341
Investments in associated companies	143	205	174	143	112	81	50	19	19	19
Deferred tax assets	3,739	4,309	4,309	4,309	4,309	4,309	4,309	4,309	4,309	4,309
Other financial assets	3,521	3,806	3,806	3,806	3,806	3,806	3,806	3,806	3,806	3,806
Total long-term assets	80,543	69,464	64,907	60,456	56,046	51,779	47,666	45,479	45,917	45,817
Inventories	7,175	5,913	6,317	6,697	6,940	7,402	7,896	8,032	8,056	7,798
Trade accounts receivable	8,066	7,107	7,592	8,049	8,342	8,897	9,491	9,654	9,683	9,373
Other current assets	2,739	3,033	3,240	3,435	3,560	3,797	4,050	4,120	4,132	4,000
Marketable securities & financial derivatives	11,413	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035
Cash and cash equivalents	7,517	13,393	13,008	13,890	19,510	26,774	35,625	42,007	44,732	46,109
Assets of disposal group held for sale	0	0	0	0	0	0	0	0	0	0
Total current assets	36,910	30,481	31,192	33,106	39,387	47,905	58,097	64,849	67,638	68,314
Total assets	117,453	99,945	96,099	93,562	95,434	99,684	105,764	110,328	113,555	114,132
EQUITY & LIABILITIES										
Total equity	59,423	46,750	41,524	37,688	38,727	41,398	45,789	49,887	53,034	54,492
Of which belonging to minority interest	167	167	167	167	167	167	167	167	167	167
Financial debts	20,244	18,436	18,436	18,436	18,436	18,436	18,436	18,436	18,436	18,436
Deferred taxes	2,686	2,248	2,248	2,248	2,248	2,248	2,248	2,248	2,248	2,248
Provisions and other long-term liabilities	6,444	6,121	6,121	6,121	6,121	6,121	6,121	6,121	6,121	6,121
Total long-term liabilities	29,374	26,805	26,805	26,805	26,805	26,805	26,805	26,805	26,805	26,805
Trade accounts payable	5,146	4,926	5,262	5,579	5,782	6,166	6,578	6,692	6,711	6,496
Financial debts (excl. LTD)	5,931	6,175	6,175	6,175	6,175	6,175	6,175	6,175	6,175	6,175
Other short-term liabilities	17,579	15,289	16,333	17,315	17,945	19,139	20,417	20,769	20,830	20,163
Liabilities of disposal group held for sale	0	0	0	0	0	0	0	0	0	0
Total short-term liabilities	28,656	26,390	27,770	29,069	29,902	31,480	33,170	33,636	33,717	32,834
Total liabilities	58,030	53,195	54,575	55,874	56,707	58,285	59,975	60,441	60,522	59,639
Total equity and liabilities	117,453	99,945	96,099	93,562	95,434	99,684	105,764	110,328	113,555	114,132

Source: BofA Global Research Estimates, company reports

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Exhibit 11: Novartis Cash flow statement

Novartis Cash flow statement

Year to December (\$m)	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net income	6,049	8,572	9,034	10,479	11,195	13,056	15,013	14,970	14,276	12,857
Reversal of non-cash items										
Taxes charged to P&L	1,416	551	1,870	2,150	2,289	2,650	3,030	3,021	2,887	2,612
Depreciation / impairment	157	1,269	1,130	1,208	1,286	1,368	1,454	1,539	1,621	1,658
Amortization / impairment	5,611	7,114	6,467	6,467	6,467	6,467	6,467	4,523	1,857	1,798
Income from Associates	9	13	0	0	0	0	0	0	0	0
Others (incl. Gains, fin. assets)	3,693	789	0	0	0	0	0	0	0	0
Other non-cash gains										
Net financial income in P&L	660	633	604	573	444	315	155	105	113	57
Total reversal of non-cash items	11,546	10,369	10,071	10,398	10,486	10,800	11,106	9,189	6,478	6,123
Net income adjusted for non-cash items	17,595	18,941	19,105	20,878	21,681	23,857	26,118	24,158	20,753	18,980
Net interest and other financial items	-403	-33	-604	-573	-444	-315	-155	-105	-113	-57
Other (incl. Receipts from Associates)	1	2	31	31	31	31	31	31	0	0
Taxes paid	-1,975	-2,787	-1,870	-2,150	-2,289	-2,650	-3,030	-3,021	-2,887	-2,612
Cash flow before working capital and provision changes	15,218	16,123	16,662	18,186	18,979	20,922	22,964	21,062	17,754	16,312
Restructuring and provisions	-885	-1,534	0	0	0	0	0	0	0	0
Change in Working Capital	-1,003	-369	284	268	171	325	348	96	17	-182
Cash flows from operating from discontinuing operations	0	238	0	0	0	0	0	0	0	0
Cash flow from operating activities	13,330	14,458	16,946	18,453	19,151	21,247	23,312	21,158	17,771	16,131
Investments in tangible fixed assets	-1,198	-1,060	-1,165	-1,235	-1,280	-1,365	-1,456	-1,481	-1,486	-1,258
Purchase of Intangible assets	-1,473	-1,693	-1,906	-2,021	-2,094	-2,233	-2,383	-2,424	-2,431	-2,097
Disposal of tangible, intangible assets	167	2,192	0	0	0	0	0	0	0	0
Net Acquisitions/ Disposals of businesses	-879	-3,569	0	0	0	0	0	0	0	0
Net increase in financial assets (incl. def taxes)	12	242	0	0	0	0	0	0	0	0
Increase in marketable securities (incl. other such as acq/divest)	4,662	10,607	0	0	0	0	0	0	0	0
Cash flows from investing from discontinuing operations	0	-1,123	0	0	0	0	0	0	0	0
Others	177	0	0	0	0	0	0	0	0	0
Cash flow used for investing activities	1,468	5,596	-3,071	-3,256	-3,374	-3,599	-3,839	-3,905	-3,917	-3,356
Acquisition of treasury shares	-10,652	-8,719	-6,300	-6,300	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000
Proceeds from issue of options/repurchase of employee stock	100	153	200	200	200	200	200	200	200	200
Proceeds from issuance of share capital	0	0	0	0	0	0	0	0	0	0
Change in Long-Term Financial Debt	-2,559	-1,935	0	0	0	0	0	0	0	0
Change in Short-Term Financial Debt	0	0	0	0	0	0	0	0	0	0
Dividends Paid	-7,506	-7,255	-8,160	-8,216	-8,356	-8,584	-8,823	-9,071	-9,329	-9,598
Minority dividends	0	0	0	0	0	0	0	0	0	0
Others	177	0	0	0	0	0	0	0	0	0
Cash flow used for financing activities	-20,562	-14,278	-14,260	-14,316	-10,156	-10,384	-10,623	-10,871	-11,129	-11,398
Cash flow from discontinued items	906	0	0	0	0	0	0	0	0	0
Translation effect on cash and cash equivalents	-32	100	0	0	0	0	0	0	0	0
Net change in cash and cash equivalents	-4,890	5,876	-385	882	5,621	7,264	8,851	6,382	2,725	1,376
Cash and cash equivalents at January 1	12,407	7,517	13,393	13,008	13,890	19,510	26,774	35,625	42,007	44,732
Cash and cash equivalents at end of the period	7,517	13,393	13,008	13,890	19,510	26,774	35,625	42,007	44,732	46,109

Source: BofA Global Research Estimates, company reports

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DCF

Exhibit 12: DCF input parameters

DCF input parameters

Equity

Risk Free Rate	3.0%
Equity Risk Premium	5.8%
Beta	0.801
Cost of Equity	7.6%

Debt

Risk Free Rate	3.0%
Corporate Debt Premium	1.0%
Marginal Tax Rate	17%
Post Tax Cost of Debt	3.3%

Terminal Stage

Terminal Growth Rate	1.0%
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Source: BofA Global Research

Enterprise Value

Gross Debt	24,611
Cash & Equivalents	14,428
Net Debt (m)	10,183
Minorities (m)	167
GSK cons stake (m)	
Options (m)	0
Preference Stock (m)	0
Market Cap (m)	202,420
Enterprise Value (m)	212,770
% Debt	5%
% Equity	95%

WACC

7.4%

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Exhibit 13: Novartis DCF valuation

DCF of CHF91

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Operating profit	11,708	13,403	14,128	16,222	18,398	18,296	17,475	15,725					
Tax rate	17	17	17	17	17	17	17	17					
Group NOPAT	9,700	11,121	11,729	13,485	15,308	15,224	14,536	13,070					
Non-cash adjustments (inc. associates)	7,912	7,974	7,956	8,191	8,300	8,133	8,105	7,943					
Capital Expenditure	-3,071	-3,256	-3,374	-3,599	-3,839	-3,905	-3,917	-3,356					
Attributable to minorities post-consolidation	0												
Operating FCF	14,542	15,839	16,311	18,077	19,769	19,451	18,724	17,657	16,888	16,378	16,104	16,049	16,209
Alcon acquisition costs	0	0	0	0	0	0	0	0					
Total	14,542	15,839	16,311	18,077	19,769	19,451	18,724	17,657	16,888	16,378	16,104	16,049	16,209
Growth		8.9%	3.0%	10.8%	9.4%	-1.6%	-3.7%	-5.7%	-4.4%	-3.0%	-1.7%	-0.3%	1.0%
Discount factor	0.94	0.87	0.81	0.75	0.70	0.65	0.61	0.57	0.53	0.49	0.46	0.43	0.40
NPV of Cashflows	13,615	13,803	13,230	13,647	13,889	12,719	11,396	10,003	8,903	8,036	7,355	6,822	6,412
Sum of NPV of Cashflows	139,829												
Terminal Value	100,585												
Enterprise Value	240,414												
Terminal Value as % of EV	42%												
Net Debt (m)	10,183												
Minorities (m)	167												
Options (m)	0												
Preference Stock (m)	0												
Equity Value	230,064												
Shares Outstanding (m)	2,181												
Equity Value per share (USD)	105.5												
Current exchange rate (USD per CHF)	0.86												
Equity Value per share (CHF)	90.7												

Source: BofA Global Research

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Price objective basis & risk

Novartis (NVSEF / NVS)

Our CHF109/USD125 PO is based on a 16x 25E PE, in line with our target sector multiple of c16x given 9% 25-28E EPS CAGR above sector, but due to lack of growth post 2028 caused by patent expiries and insufficient visibility on mid-to-late stage pipeline to address this.

Our target sector multiple of c16x 25E PE is based on: 1) A 40% premium to the market average multiple which implies c15x 25E PE, a premium which is in line with the long-term historical trend for periods of growth for the sector during times of broader market uncertainty, 2) Regression analysis of historical sector forward PEs and three-year-forward EPS CAGR implies a target PE of c16x 25E PE based on sector growth of c7%, 3) Our DCF valuations imply c17x 25E PE.

Upside risks to our price objective are favourable currency moves, faster product launches, positive earnings momentum positive pipeline surprises, value-accretive M&A.

Downside risks are new competition to growth franchises, negative currency movements, early generic competition, pipeline failure, risk of litigation, failure to execute on product launches, regulatory changes, pricing pressure, significant changes in the US political environment, or value-destructive M&A.

Analyst Certification

I, Graham Parry, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - Pharma & Biotech Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AstraZeneca	AZN	AZN US	Sachin Jain, CFA
	AstraZeneca	AZNCF	AZN LN	Sachin Jain, CFA
	Genmab	GNMSF	GMAB DC	Sachin Jain, CFA
	Genmab	GMAB	GMAB US	Sachin Jain, CFA
	Grifols S.A.	GIFLF	GRF SM	Graham Parry
	Grifols S.A. - B	GRFS	GRFS US	Graham Parry
	Grifols S.A. - B	GIFO	GRF/P SM	Graham Parry
	Lonza AG	LZAGF	LONN SW	Charlie Haywood
	Lonza AG	LZAGY	LZAGY US	Charlie Haywood
	Merck KGaA	MKGAF	MRK GY	Sachin Jain, CFA
	Merck KGaA	MKKGY	MKKGY US	Sachin Jain, CFA
	Novartis	NVSEF	NOVN SW	Graham Parry
	Novartis	NVS	NVS US	Graham Parry
	Novo Nordisk	NONOF	NOVOB DC	Sachin Jain, CFA
	Novo Nordisk	NVO	NVO US	Sachin Jain, CFA
	Sandoz Group AG	SDZXF	SDZ SW	Graham Parry
	Sandoz Group AG	SDZNY	SDZNY US	Graham Parry
	Sanofi	SNYNF	SAN FP	Graham Parry
	Sanofi	SNY	SNY US	Graham Parry
	Sartorius AG	SUVPF	SRT3 GY	Charlie Haywood
NEUTRAL				
	H. Lundbeck A/S	HLUKF	HLUNB DC	Sachin Jain, CFA
	Idorsia	IDRSF	IDIA SW	Sachin Jain, CFA
	Ipsen	IPSEF	IPN FP	Sachin Jain, CFA
	Roche Holdings	RHHBF	ROG SW	Sachin Jain, CFA
	Roche Holdings	RHHBY	RHHBY US	Sachin Jain, CFA

EMEA - Pharma & Biotech Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM	Bayer	BAYZF	BAYN GY	Sachin Jain, CFA
	Bayer	BAYRY	BAYRY US	Sachin Jain, CFA
	GSK Plc	GSK	GSK US	Graham Parry
	GSK Plc	GLAXF	GSK LN	Graham Parry
	Orion	ORINF	ORNBV FH	Graham Parry
	UCB	UCBJF	UCB BB	Graham Parry
	UCB	UCBJY	UCBJY US	Graham Parry

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

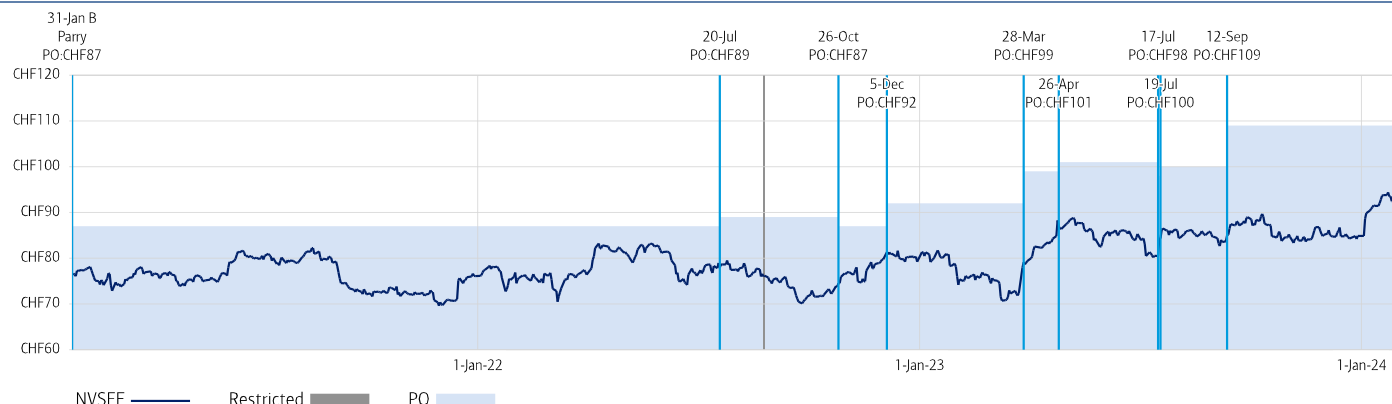
iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

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Disclosures

Important Disclosures

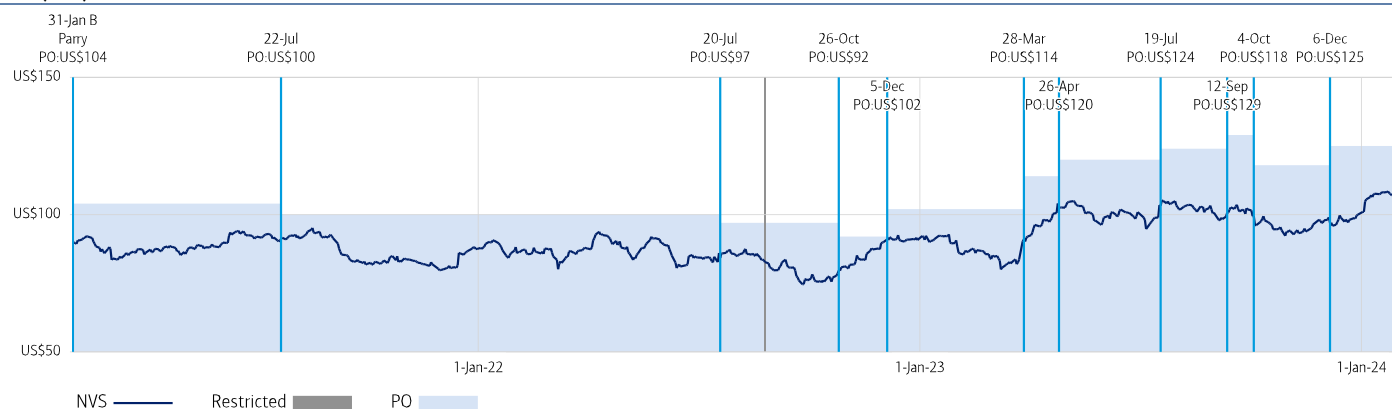
Novartis (NVSEF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Novartis (NVS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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