

Sandoz AG

1Q'25 Results - Second Opinion

UBS View: 1Q sales showed a significant slow down in biosimilar growth. The withdrawal of its ranibizumab biosimilar, Cimerli, in the US was an expected headwind for 2025, however a material pricing headwind for its US private label adalimumab biosimilar was not. Combined with limited sequential growth in the rest of the biosimilar portfolio, this leaves significant growth inflection required to reach the group sales growth guidance, assuming that growth in the generics portfolio continues to be modest/limited (0% CER growth at 1Q). We see positives from the failed J&J preliminary injunction on its private label ustekinumab biosimilar and comfort around the limited impact from US tariffs if these materialise for pharmaceutical products, but with the weakness to biosimilars we remain a Neutral.

Sandoz expect annualised 20% tariff impact of \$60-65m

A potential announcement on US pharmaceutical tariffs, remains an overhang for the pharmaceutical sector. For Sandoz, the US only accounted for 18% of FY24 sales. The generic and biosimilar industry is reliant on imports of raw materials and active pharmaceutical ingredient (API) into the US. Sandoz products are also currently imported by partners (e.g. wholesalers and CMOs) which further complicates the tariff exposure, but Sandoz expects a very manageable \$60-65m annualised impact to earnings (c.4% of FY26 earnings) from a 20% tariff on EU imports.

Changes to forecasts

We cut our FY25 biosimilar growth at CER to 8.0% (from 19%) and generics growth at CER to 2.5% (from 4%), giving group CER sales growth of 4.0% (prev. 8%) vs guidance for mid-single digit. Our FY25 EBITDA margin of 21.3% is in-line with guidance for around 21%. Our cuts to underlying growth are offset by FX - we update for current spot rates that is a material tailwind to Sandoz sales, moving from a -4% headwind to a +1.7% tailwind. Overall, this results in a 10% increase to FY25 EPS, but our growth cuts result in FY28+ EPS cuts of c.5%.

We cut our price target to CHF37 (from CHF44)

We value Sandoz using a 9x 12m forward EV/EBITDA multiple (vs 10.5x previously). The >15% cut in our price target is informed by our DCF, where we retain a -1% terminal decline assumption and 9% WACC. The magnitude of the downgrade in our DCF is driven by significantly weaker growth outlook for biosimilars, which is a greater longer term driver of valuation, with our 2028+ biosimilar gross profit forecasts cut >15%.

Catalysts: May-25 US denosumab (bProlia/Xgeva), 2H25 US natalizumab (bTysabri) and 4Q25 EU launches of denosumab and aflibercept (bEylea).

Equities

Switzerland
Pharmaceuticals

12-month rating **Neutral**

12m price target **CHF37.00**

Prior : CHF44.00

Price (30 Apr 2025) **CHF35.78**

RIC: SDZ.S BBG: SDZ SW

Trading data and key metrics

52-wk range	CHF44.92-30.22
Market cap.	CHF15.4b/US\$18.7b
Shares o/s	431m (ORD)
Free float	100%
Avg. daily volume ('000)	1,318
Avg. daily value (m)	CHF49.2
Common s/h equity (12/25E)	US\$8.64b
P/BV (12/25E)	2.2x
Net debt to EBITDA (12/25E)	1.4x

EPS (UBS, diluted) (USD)

	From	To	% ch	Cons.
12/25E	3.04	3.35	10	3.06
12/26E	3.71	3.83	3	3.67
12/27E	4.27	4.19	-2	4.25

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Highlights (US\$m)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Revenues	9,306	9,979	10,384	11,010	11,576	12,098	12,633	13,267
EBIT (UBS)	1,705	1,488	1,821	2,081	2,330	2,536	2,719	2,936
Net earnings (UBS)	1,218	950	1,175	1,452	1,663	1,818	1,975	2,159
EPS (UBS, diluted) (US\$)	2.76	2.20	2.71	3.35	3.83	4.19	4.55	4.97
DPS (net) (US\$)	0.00	0.45	0.60	0.88	1.08	1.27	1.61	1.81
Net (debt) / cash	(4,111)	(3,459)	(3,678)	(3,739)	(3,360)	(2,776)	(2,193)	(1,348)
Profitability/valuation	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
EBIT (UBS) margin %	18.3	14.9	17.5	18.9	20.1	21.0	21.5	22.1
ROIC (EBIT) %	13.2	11.9	15.3	17.3	18.5	19.4	20.0	20.8
EV/EBITDA (UBS core) x	-	8.4	8.8	8.7	7.8	7.1	6.5	5.9
P/E (UBS, diluted) x	-	13.2	13.9	12.7	11.3	10.4	9.6	8.7
Equity FCF (UBS) yield %	-	(2.3)	0.2	1.9	4.7	6.2	7.0	8.9
Dividend yield (net) %	-	1.5	1.6	2.0	2.5	2.9	3.7	4.2

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of CHF 35.78 on 30-Apr-2025

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UBS Research THESIS MAP a guide to our thinking and what's where in this report**PIVOTAL QUESTIONS****Q: Can Sandoz sustain mid-single digit sales growth to 2028?**

Yes, we think that the company can grow the top line at 4.9% CAGR in FY24-28E. Generics will likely grow more slowly (UBSe 3.0%) given a more mature industry and the US business recovering from a period of underperformance over the past 2-3 years. Biosimilars are a smaller part of the business today (28% of FY24 revenues) but will grow faster (UBSe 9.4% FY24-28E CAGR) as the company delivers on recent biosimilar launches and new launch opportunities arise.

Q: Can Sandoz hit its 24-26% core EBITDA margin guidance by 2028E?

Yes, we think Sandoz can achieve core EBITDA margin towards the bottom end of its guidance range (UBSe 24.0% in FY28E). We believe going further would mean more meaningful cost savings or a higher margin contribution from biosimilars. Given some of the potential risks (litigation, uncertainties around market formation for individual products), we are inclined to credit further margin expansion only on signs of progress.

Q: Is Sandoz well placed to capitalise on the next wave of biosimilar opportunities?

Yes. Sandoz has one of the largest current portfolios of biosimilars and we expect scale to remain important in this market. It has proven market access with number 1 positions on many biosimilars across Europe and we have seen strong access for its biosimilars in the US. We see >\$110bn of branded biologics going off-patent by the end of the decade and expect Sandoz to be a winner in biosimilars in the long-run.

UBSVIEW

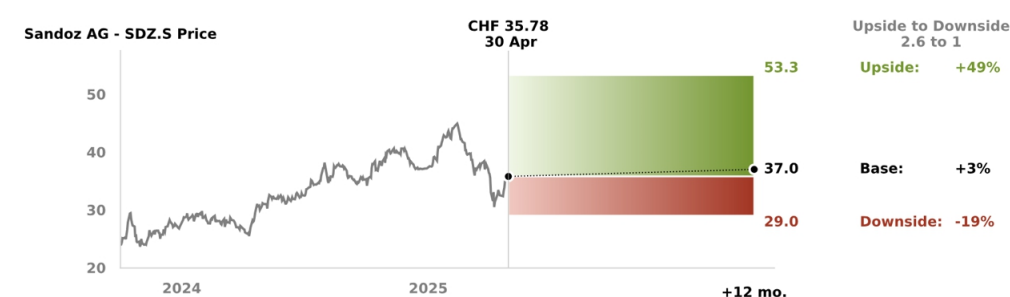
We are Neutral rated. Sandoz is one of the largest generics companies in the world, with a c.USD10b top line. The company has a goal of adding USD3b of sales by FY28. We think this is achievable, but see a more meaningful opportunity in the biosimilars (28% of sales) compared with generics (72% of sales). We forecast 3.0% FY24-28E sales CAGR for generics / 9.4% for biosimilars.

EVIDENCE

We use the UBS Evidence Lab Formulary and Pricing data for the US market, as well as IQVIA data to monitor competitive dynamics. For biosimilars, we have evaluated the opportunity for Sandoz by utilising our PharmaValues database to assess the value of products going off-patent to the end of the decade, with our pricing and market share assumptions to Sandoz informing our biosimilar sales forecasts. 700 bps of top-line mix swing towards biosimilars (UBSe) through FY28E drives c. 130bps of gross margin expansion FY23-28E on our forecasts, based on what we know of comparable biologic drugs.

WHAT'S PRICED IN?

The shares are currently pricing in 1.9% terminal growth from 2032, which we think fairly values the growth opportunities into the next decade from an acceleration in biologic patent expiries and GLP-1s.

UPSIDE/DOWNSIDE SPECTRUM

Value drivers	Generics FY24-28E growth	Biosimilars FY24-28E growth	FY28E core EBITDA margin
CHF53.30 upside	5.0%	11.4%	26.0%
CHF37.00 base	3.0%	9.4%	24.0%
CHF29.00 downside	0.0%	7.4%	22.0%

Source: UBS estimates

COMPANY DESCRIPTION

Sandoz is a Swiss-based global leader in generic and biosimilar medicines, operating in over 100 markets including North America, Europe and other international markets.

First thoughts on streamlined regulatory framework for biosimilars

Sandoz specifically called out developments at the FDA and EMA that could lead to streamlined biosimilar studies in the future that don't require comparative efficacy and/or pharmacodynamic studies. Sandoz has already taken steps to streamline its pembrolizumab (bKeytruda) phase 3 study based on these developments. Whilst these steps could reduce the cost of biosimilar development in the future, this reduction in barriers to entry could increase competition for Sandoz, with greater focus on commercial and manufacturing execution.

Changes to forecasts

- We cut our underlying biosimilar forecasts. 1Q sales suggests a material headwind to US adalimumab pricing. If Sandoz are price takers so such private label contracts given they provide high volumes in the US market, it could erode biosimilar margins.
- The ustekinumab private label arrangement means that Sandoz will book an effective royalty income in other revenues rather than product sales, which we update for in our model.
- We update for the latest spot FX rates, which has a material benefit to Sandoz sales, moving from a 4% headwind to a 1.7% tailwind to sales. On earnings, this is an average 11% benefit to 2025-29E EPS.

Figure 1: Changes to our forecasts

Old estimates USDm	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	CAGR 23-28E
Total revenues	9,306	9,979	10,370	10,799	11,633	12,475	13,226	13,960	5.8%
% growth		7.2%	3.9%	4.1%	7.7%	7.2%	6.0%	5.5%	
Gross profit	4,726	4,913	5,285	5,638	6,121	6,600	7,053	7,512	
% margin	50.8%	49.2%	51.0%	52.2%	52.6%	52.9%	53.3%	53.8%	
SG&A	(2,117)	(2,360)	(2,446)	(2,469)	(2,577)	(2,706)	(2,841)	(2,983)	
% sales	22.7%	23.6%	23.6%	22.9%	22.1%	21.7%	21.5%	21.4%	
R&D	(831)	(915)	(967)	(1,029)	(1,084)	(1,138)	(1,195)	(1,262)	
% sales	8.9%	9.2%	9.3%	9.5%	9.3%	9.1%	9.0%	9.0%	
Core EBIT	1,705	1,488	1,758	2,022	2,333	2,619	2,872	3,114	14.3%
% margin	18.3%	14.9%	17.0%	18.7%	20.1%	21.0%	21.7%	22.3%	
Core PBT	1,590	1,237	1,509	1,711	2,085	2,399	2,673	2,940	
Core Net income	1,220	953	1,162	1,318	1,606	1,847	2,058	2,264	
Core EPS	2.76	2.20	2.68	3.04	3.71	4.27	4.76	5.23	16.9%
Reported EPS	1.92	0.18	-0.18	1.81	3.11	3.82	4.31	4.78	

New estimates USDm	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	CAGR 23-28E
Total revenues	9,306	9,979	10,384	11,010	11,576	12,098	12,633	13,267	4.8%
% growth		7.2%	4.1%	6.0%	5.1%	4.5%	4.4%	5.0%	
Gross profit	4,726	4,913	5,253	5,771	6,122	6,442	6,761	7,154	
% margin	50.8%	49.2%	50.6%	52.4%	52.9%	53.2%	53.5%	53.9%	
SG&A	(2,117)	(2,360)	(2,410)	(2,587)	(2,661)	(2,744)	(2,840)	(2,967)	
% sales	22.7%	23.6%	23.2%	23.5%	23.0%	22.7%	22.5%	22.4%	
R&D	(831)	(915)	(931)	(1,027)	(1,057)	(1,090)	(1,133)	(1,178)	
% sales	8.9%	9.2%	9.0%	9.3%	9.1%	9.0%	9.0%	8.9%	
Core EBIT	1,705	1,488	1,821	2,081	2,330	2,536	2,719	2,936	12.8%
% margin	18.3%	14.9%	17.5%	18.9%	20.1%	21.0%	21.5%	22.1%	
Core PBT	1,590	1,237	1,496	1,888	2,163	2,363	2,568	2,806	
Core Net income	1,220	953	1,176	1,454	1,665	1,820	1,977	2,161	
Core EPS	2.76	2.20	2.71	3.35	3.83	4.19	4.55	4.97	15.6%
Reported EPS	1.92	0.18	0.00	1.98	3.10	3.81	4.18	4.60	

Changes to estimates	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E
Total revenues	0.0%	0.0%	0.1%	1.9%	-0.5%	-3.0%	-4.5%	-5.0%
Gross profit	0.0%	0.0%	-0.6%	2.4%	0.0%	-2.4%	-4.1%	-4.8%
SG&A	0.0%	0.0%	-1.5%	4.8%	3.3%	1.4%	0.0%	-0.5%
R&D	0.0%	0.0%	-3.7%	-0.2%	-2.5%	-4.3%	-5.2%	-6.6%
Core EBIT	0.0%	0.0%	3.6%	2.9%	-0.1%	-3.2%	-5.3%	-5.7%
Core Net income	0.0%	0.0%	1.2%	10.4%	3.7%	-1.5%	-4.0%	-4.6%
Core EPS	0.0%	0.0%	0.8%	9.9%	3.3%	-1.9%	-4.4%	-5.0%
Reported EPS	0.0%	0.0%	-100.0%	9.1%	-0.3%	-0.2%	-3.0%	-3.8%

Source: UBSe, Company data

Company FY25 guidance vs UBS estimates

Figure 2: UBS estimates vs Company guidance

	2024A	2025 Guidance Mar-25	2025 Guidance Apr-25	2025E UBSe	2028E guidance	2028E UBSe
Sales growth (CER)	9.0%	mid-single digit	mid-single digit	4.0%	mid-single digit CAGR	5.6%
Core EBITDA margin (%)	20%	21%	21%	21.3%	24-26%	24.0%
Dividend payout	24%			26%	30-40%	35%

Source: UBSe, Company data

Valuation

We value Sandoz using a 9x 12m forward EV/EBITDA multiple (vs 10.5x previously). The >15% cut in our price target is informed by our DCF, where we retain a -1% terminal decline assumption and 9% WACC. The magnitude of the downgrade in our DCF is driven by significantly weaker growth outlook for biosimilars, which is a greater longer term driver of valuation, with our 2028+ biosimilar gross profit forecasts cut >15%.

Figure 3: New Sandoz PT

	EV/EBITDA	12m fwd EBITDA	EV
Enterprise value, USDm	9.0x	2,459	22,134
Net debt, UBSe			(3,678)
Provisions for pensions and other post employment benefits			(204)
Other liabilities			(201)
Financial assets			60
Equity value, USDm			18,111
Sandoz			99.9%
Minorities			0.1%
Equity per share			
Shares outstanding, millions			434.0
Equity value per share, USD			41.7
Roll forward by cost of equity			45.9
- dividend per share, USD			-1.0
Implied 12 month value, USD			44.9
USDCHE			0.82
Equity value per share, CHF			37.0

Source: UBS estimates

Figure 4: Old Sandoz PT

	EV/EBITDA	12m fwd EBITDA	EV
Enterprise value, USDm	10.5x	2,319	24,230
Net debt, UBSe			(4,265)
Provisions for pensions and other post employment benefits			(206)
Other liabilities			(243)
Financial assets			41
Equity value, USDm			19,557
Sandoz			99.9%
Minorities			0.1%
Equity per share			
Shares outstanding, millions			432.0
Equity value per share, USD			45.2
Roll forward by cost of equity			49.7
- dividend per share, USD			-0.8
Implied 12 month value, USD			48.9
USDCHE			0.91
Equity value per share, CHF			44.0

Source: UBS estimates

Figure 5: Sandoz DCF valuation

US\$m	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Total revenues	11,576	12,098	12,633	13,267	13,894	14,590	15,386	16,083	16,664	17,112	17,414	17,561	17,548
% growth		4.5%	4.4%	5.0%	4.7%	5.0%	5.5%	4.5%	3.6%	2.7%	1.8%	0.8%	-0.1%
Core operating profit	2,330	2,536	2,719	2,936	3,128	3,340	3,576						
- amortisation	(251)	(251)	(251)	(251)	(251)	(251)	(251)						
- non-core cash items	(158)	42	42	42	42	42	42						
cash EBIT	1,921	2,327	2,510	2,727	2,920	3,131	3,367	3,520	3,647	3,745	3,811	3,843	3,840
% cash EBIT margin	16.6%	19.2%	19.9%	20.6%	21.0%	21.5%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%
Tax	(442)	(535)	(577)	(627)	(672)	(720)	(774)	(810)	(839)	(861)	(877)	(884)	(883)
% core tax rate	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
+ DBA	512	528	545	554	565	576	590	634	679	725	773	820	868
- Capex	(848)	(880)	(913)	(741)	(770)	(801)	(836)	(874)	(906)	(930)	(946)	(954)	(945)
- Δ in working capital	(165)	(174)	(172)	(189)	(205)	(218)	(246)	(233)	(194)	(150)	(101)	(49)	5
working capital	3,933	4,107	4,279	4,468	4,673	4,891	5,137	5,370	5,564	5,714	5,815	5,864	5,859
FCFF	978	1,265	1,393	1,723	1,838	1,969	2,100	2,237	2,387	2,529	2,660	2,776	2,884
discount factor	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0
DCF	897	1,064	1,075	1,220	1,194	1,173	1,148	1,121	1,098	1,067	1,029	985	939
Sum of DCF	14,011												
terminal value	9,284												
Enterprise Value, US\$m	23,295												
- Net debt	(3,739)												
- Provisions for pensions and other post emplo	(204)												
- Other liabilities	(201)												
- Financial assets	60												
Equity Value, US\$m	19,210												
Sandoz	99.9%												
minorities	0.1%												
shares outstanding	434												
Equity Value per share, USD	44.22												
Roll forward by cost of equity	46.07												
- dividend per share	-0.98												
Implied 12m fwd value, USD	45.09												
US\$/CHF	0.83												
12m fwd Equity Value per share, CHF	37.0												

Source: UBSe, Company data

Management commentary & call feedback

- Biosimilars – benefit of regulatory streamlining. Regulators moving to more streamlined studies. Blanket wide decision by regulators on streamlining.
- Remain in leading position for adalimumab. Saw erosion in private label pricing, which should be expected at this stage
- Tyruko – reaching 21% market share in Europe. In the US working with partner and FDA – remain confident in launch before year end
- Amongst first companies to launch all reference strengths for Pyzchiva. Biosimilar penetration in Europe up to 30%, which is ahead of relative adalimumab penetration. 39% share for Sandoz
- US tariffs – Sandoz is significantly insulated from US tariffs. Tariffs would result in price rises and disruption to supply. Manufacturing footprint predominantly in Europe. Can absorb impact of confirmed tariffs in guidance.

Q&A

Q: What should we expect for the private label Ustekinumab launch?

A: Structured the deal slightly differently, so only would book income. 9M before we see an inflection in Ustekinumab.

Q: Factors that contributed to such a material slow down in biosimilar growth?

A: Had to renegotiate with CVS for the contract. Had a strong final quarter last year. Some customers take big orders last year.

Cimerli impact was almost no sales in 1Q.

Q: Limited penetration in biosimilar Stelara market, how will this evolve?

A: Won't see this in the IQVIA data. 6-9 month before we see a big inflection as contracts need to be negotiated.

Q: Keytruda trial – does this reduce barriers to entry?

A: EMA and FDA are becoming more aligned. Step in the right direction. Will the biologics market commoditise – still a very high level of investment. Indian generics companies still haven't come in Europe. Going from clinical to commercial is also very tough and we have seen biosimilar players struggle. Want to continue to reinvest and see this as an exciting development for the sector.

Q: Tyruko; quick update on JCV assay?

A: Working with the regulator. Anticipating a launch in 4Q this year.

Q: GLP-1s expectation?

A: partnered for the Canadian market and similarly for Brazil and Mexico. Never seen a product with such high demand. Canada is the second largest sema market in the world and we are already well positioned. Is a long journey, starting with Canada next year.

Q: Could biosimilars be excluded from tariffs?

A: Without our industry there is no healthcare in the US given 90% volume is generics and biosims. Looking at PBM reform and channel reform could have more benefit. Optimistic we could see no tariffs in this space.

Q: Pembro development. N=720 patient study ongoing, how enrolled is that study?

A: Looking at how we minimize the study from here. Will keep current patients on the study.

Q: Hyrimoz in the US tracking vs expectations?

A: In terms of volume, it is in-line with our expectations. Still one of the biggest opportunities for us in the US.

Q: Strongest balance sheet in the sector – what is your appetite for M&A?

A: Well positioned on currency too. Small M&A we would consider. Still untangling from Novartis. BD&L more likely as seen strong return there.

Q: Tariffs – if on all your products, what would be the impact?

A: Think we can still handle further tariffs in the guidance. Only a small % impact. <20% of sales in the US. Well positioned vs competition to weather this and absorb this.

Q: Can humira still be a growth driver in the US?

A: 20% of the market has converted and we have most of that. Still 80% to go. Still probably the biggest single product driver in the US.

Q: When is the earliest that you can launch Yervoy?

A: Toward the late 20s, early 30s. Confident that we will be there on market formation with this product.

Q: Cimerli – can you help us on how much effect this has moving forward?

A: Don't expect any Cimerli sales in 2025. Would reintroduce in 2026 and a modest sales build from there.

Q: R&D costs with the streamlined biosimilar trials?

A: Will be happy when we have 50-60 products in the pipeline from 29 today. An exciting development for the space.

Q: Big three PBMs – how are they moving their formularies and if prioritising own label do you need to sign more agreements?

A: Not all PBMs are the same. Only really one PBM has changed coverage with own label deals. We don't see the private label model as sustainable and only specific to pharmacy benefit.

Q: Broader tariff impact? If you could manage the guide this year is that due to inventory moves? What would be an annualised impact?

A: On an annualised basis we would look at 60-65m before any pricing actions if we applied a 20% tariff across China and Europe.

Q: Capacity expansion plans for GLP-1?

A: The capacity that we are using for Canada is with third parties. Seeing this as a bit of an experiment. Don't know where price will go.

Q: Denosumab – approvals from competitors. How do you expect this market to develop?

A: We are the only company with a Q code at launch which gives us a big advantage to sign contracts early. Excited about it. Got about 30% of the market in Canada and looking forward to a launch in EU too.

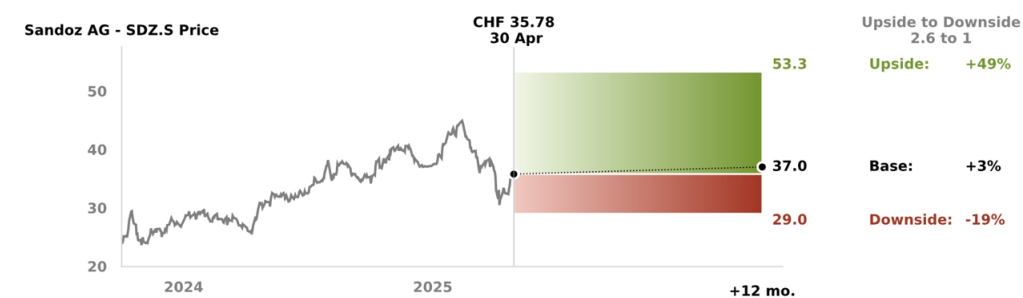
Summary P&L

Figure 6: Summary P&L

Sandoz core P&L USDm	2023A	2024A	2025E	2026E	2027E	2028E	2029E	24-29 CAGR
Generics	7,432	7,504	7,816	8,034	8,229	8,455	8,673	2.9%
Biosimilars	2,215	2,853	3,131	3,466	3,785	4,088	4,497	9.5%
Other	332	27	62	77	83	90	97	
Total revenues	9,979	10,384	11,010	11,576	12,098	12,633	13,267	5.0%
Cost of goods sold	(5,066)	(5,131)	(5,238)	(5,454)	(5,656)	(5,872)	(6,113)	
Gross profit	4,913	5,253	5,771	6,122	6,442	6,761	7,154	
Selling, general & administrative	(2,360)	(2,410)	(2,587)	(2,661)	(2,744)	(2,840)	(2,967)	
Development & regulatory	(915)	(931)	(1,027)	(1,057)	(1,090)	(1,133)	(1,178)	
Other income	84	106	109	115	120	125	132	
Other expense	(234)	(197)	(186)	(190)	(192)	(194)	(204)	
Operating profit	1,488	1,821	2,081	2,330	2,536	2,719	2,936	10.0%
% operating profit margin	14.9%	17.5%	18.9%	20.1%	21.0%	21.5%	22.1%	
Core EBITDA	1,743	2,080	2,328	2,590	2,813	3,013	3,239	9.3%
% Core EBITDA margin	17.5%	20.0%	21.1%	22.4%	23.3%	23.8%	24.4%	
Interest expense	(202)	(251)	(208)	(208)	(208)	(208)	(208)	
Other financial income/ (expense)	(49)	(74)	15	41	35	56	78	
Profit before taxes	1,237	1,496	1,888	2,163	2,363	2,568	2,806	
Income taxes	(284)	(320)	(434)	(497)	(544)	(591)	(645)	
Core net income	953	1,176	1,454	1,665	1,820	1,977	2,161	12.9%
Core EPS (basic)	2.21	2.73	3.38	3.87	4.23	4.59	5.02	12.9%
Core EPS (diluted)	2.20	2.71	3.35	3.83	4.19	4.55	4.97	12.9%

Source: Company data, UBSe

UPSIDE/DOWNSIDE SPECTRUM



Value drivers

	Generics FY24-28E growth	Biosimilars FY24-28E growth	FY28E core EBITDA margin
CHF53.30 upside	5.0%	11.4%	26.0%
CHF37.00 base	3.0%	9.4%	24.0%
CHF29.00 downside	0.0%	7.4%	22.0%

Source: UBS estimates

UPSIDE (CHF53.30): In our upside scenario, both the biosimilars and generics businesses do better than we anticipate in our base case. In particular, biosimilar growth in the low double digits is sustained FY24-28E. As a consequence, core EBITDA margin also rises to the top end of the guided 24-26% range in FY28E.

BASE (CHF37.00): Our base case sees 3.0% sales growth for generics FY24-28E, with 9.4% for biosimilars over the same time horizon. Growth in biosimilars drives core EBITDA margin to the bottom end of 2028E EBITDA margin guidance.

DOWNSIDE (CHF29.00): Our downside scenario sees stagnation in the generics business, below our expectations, and the biosimilars grow below our base case. Core EBITDA margins end up below the lower end of the FY28 guided range.

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	12/22	12/23	12/24	12/25E	%ch	12/26E	%ch	12/27E	12/28E	12/29E
Income Statement (US\$m)										
Revenues	9,306	9,979	10,384	11,010	6.0	11,576	5.1	12,098	12,633	13,267
Gross profit	4,726	4,913	5,253	5,771	9.9	6,122	6.1	6,442	6,761	7,154
EBITDA (UBS)	2,160	1,955	2,260	2,580	14.1	2,842	10.2	3,064	3,264	3,490
Depreciation & amortisation	(455)	(467)	(439)	(499)	-13.6	(512)	-2.7	(528)	(545)	(554)
EBIT (UBS)	1,705	1,488	1,821	2,081	14.3	2,330	12.0	2,536	2,719	2,936
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(115)	(251)	(325)	(193)	40.7	(167)	13.5	(173)	(151)	(129)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	1,590	1,237	1,496	1,888	26.2	2,163	14.5	2,363	2,568	2,806
Tax	(370)	(284)	(320)	(434)	-35.7	(497)	-14.5	(544)	(591)	(645)
Profit after tax	1,220	953	1,176	1,454	23.6	1,665	14.5	1,820	1,977	2,161
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(2)	(3)	(1)	(2)	-100.0	(2)	0.0	(2)	(2)	(2)
Extraordinary items	(372)	(876)	(1,176)	(594)	49.5	(321)	46.0	(165)	(165)	(165)
Net earnings (local GAAP)	846	74	(1)	858	-	1,342	56.5	1,653	1,810	1,994
Net earnings (UBS)	1,218	950	1,175	1,452	23.6	1,663	14.6	1,818	1,975	2,159
Tax rate (%)	23.3	23.0	21.4	23.0	7.5	23.0	0.0	23.0	23.0	23.0
Per Share (US\$)										
EPS (UBS, diluted)	2.76	2.20	2.71	3.35	23.6	3.83	14.6	4.19	4.55	4.97
EPS (local GAAP, diluted)	1.92	0.17	0.00	1.98	-	3.09	56.5	3.81	4.17	4.59
EPS (UBS, basic)	2.79	2.21	2.73	3.38	23.6	3.87	14.6	4.23	4.59	5.02
DPS (net) (US\$)	0.00	0.45	0.60	0.88	46.3	1.08	23.4	1.27	1.61	1.81
Cash EPS (UBS, diluted) ¹	3.79	3.29	3.72	4.49	20.9	5.01	11.5	5.40	5.81	6.25
Book value per share	20.29	20.05	18.95	20.10	6.0	22.14	10.2	24.72	27.32	30.15
Average shares (diluted)	442	431	434	434	0.0	434	0.0	434	434	434
Balance Sheet (US\$m)										
Net tangible fixed assets	1,904	1,850	1,988	2,266	14.0	2,615	15.4	2,975	3,346	3,544
Net intangible fixed assets	8,891	9,151	8,944	8,929	-0.2	8,916	-0.1	8,909	8,906	8,896
Investments	33	41	60	60	0.0	60	0.0	60	60	60
Other assets	753	816	1,114	1,114	0.0	1,114	0.0	1,114	1,114	1,114
Total fixed assets	11,581	11,858	12,106	12,369	2.2	12,706	2.7	13,058	13,427	13,614
Net working capital	2,055	1,103	506	788	55.7	953	20.9	1,127	1,299	1,488
Cash	74	1,109	1,191	1,130	-5.2	1,509	33.6	2,093	2,676	3,521
Short term debt	(4,067)	(338)	(203)	(203)	0.0	(203)	0.0	(203)	(203)	(203)
Long term debt	(118)	(4,230)	(4,666)	(4,666)	0.0	(4,666)	0.0	(4,666)	(4,666)	(4,666)
Preferred shares	0	0	0	0	-	0	-	0	0	0
Net (debt) / cash	(4,111)	(3,459)	(3,678)	(3,739)	-1.7	(3,360)	10.1	(2,776)	(2,193)	(1,348)
Other debt-deemed liabilities	0	0	0	0	-	0	-	0	0	0
Provisions & non-debt deemed liabs	(765)	(848)	(770)	(770)	0.0	(770)	0.0	(770)	(770)	(770)
Total equity	8,760	8,654	8,164	8,648	5.9	9,529	10.2	10,640	11,763	12,984
Minority interests	(12)	(9)	(1)	(3)	-200.0	(5)	-66.7	(7)	(9)	(11)
Common s/h equity	8,748	8,645	8,163	8,645	5.9	9,524	10.2	10,633	11,754	12,973
Operating invested capital	12,838	12,072	11,782	12,327	4.6	12,828	4.1	13,356	13,895	14,272
Total capital employed	12,871	12,113	11,842	12,387	4.6	12,888	4.0	13,416	13,955	14,332
Cash Flow (US\$m)										
EBIT (UBS)	1,705	1,488	1,821	2,081	14.3	2,330	12.0	2,536	2,719	2,936
Depreciation & amortisation	455	467	439	499	13.6	512	2.7	528	545	554
Net change in working capital	(221)	(629)	4	(282)	-	(165)	41.5	(174)	(172)	(189)
Net interest	(115)	(251)	(325)	(193)	40.7	(167)	13.5	(173)	(151)	(129)
Tax paid	(273)	(245)	(265)	(267)	-0.8	(407)	-52.5	(498)	(545)	(599)
Other operating	(367)	(529)	(1,082)	(761)	29.6	(411)	46.0	(211)	(211)	(211)
Operating cash flow	1,184	301	592	1,076	81.8	1,692	57.2	2,008	2,186	2,361
Tangible capital expenditure	(269)	(330)	(378)	(493)	-30.3	(575)	-16.7	(601)	(627)	(461)
Intangible capital expenditure	(117)	(256)	(176)	(237)	-34.5	(239)	-0.9	(244)	(248)	(241)
Equity free cash flow	798	(285)	38	347	NM	878	152.9	1,164	1,310	1,659
Net (acquisitions) & disposals	(39)	(18)	(182)	0	-	0	-	0	0	0
Equity dividends paid	0	0	(215)	(378)	-75.6	(466)	-23.4	(545)	(691)	(777)
Share issues / (buybacks)	(253)	(180)	(270)	0	-	0	-	0	0	0
Net other cash flows	(42)	(52)	(64)	(33)	48.7	(34)	-5.0	(36)	(38)	(40)
Cash flow (inc)/dec in net debt	464	(535)	(693)	(63)	90.9	377	-	582	581	842
FX / non cash items	326	1,187	474	2	-99.6	2	0.0	2	2	2
Balance sheet (inc)/dec in net debt	790	652	(219)	(61)	72.0	379	-	584	583	844

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.¹ Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

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Valuation (x)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
P/E (local GAAP, diluted)	-	NM	NM	21.5	14.0	11.4	10.4	9.4
P/E (UBS, diluted)	-	13.2	13.9	12.7	11.3	10.4	9.5	8.7
P/CEPS	-	8.8	10.1	9.4	8.6	8.0	7.4	6.9
Equity FCF (UBS) yield %	-	(2.3)	0.2	1.9	4.7	6.2	7.0	8.9
Dividend yield (net) %	-	1.5	1.6	2.0	2.5	2.9	3.7	4.2
P/BV	-	1.5	1.9	2.2	2.0	1.8	1.6	1.4
EV/revenues (core)	-	1.6	1.9	2.0	1.9	1.8	1.7	1.5
EV/EBITDA (UBS core)	-	8.4	8.8	8.7	7.8	7.1	6.5	5.9
EV/EBIT (core)	-	11.0	10.9	10.8	9.6	8.6	7.8	7.0
EV/OpFCF (core)	-	15.5	10.5	12.2	10.5	9.4	8.5	7.2
EV/op. invested capital	-	1.3	1.7	1.9	1.8	1.7	1.6	1.5
Enterprise value (US\$m)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Market cap.	-	12,665	16,313	18,741	18,741	18,741	18,741	18,741
Net debt (cash)	4,506	3,785	3,569	3,709	3,550	3,068	2,484	1,770
Buy out of minorities	11	11	5	2	4	6	8	10
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	-	16,460	19,887	22,451	22,294	21,814	21,233	20,521
Non core assets	(16)	(19)	(25)	(30)	(30)	(30)	(30)	(30)
Core enterprise value	-	16,442	19,862	22,421	22,264	21,784	21,203	20,491
Growth (%)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Revenue	(3.8)	7.2	4.1	6.0	5.1	4.5	4.4	5.0
EBITDA (UBS)	(7.8)	(9.5)	15.6	14.1	10.2	7.8	6.5	6.9
EBIT (UBS)	(8.3)	(12.7)	22.4	14.3	12.0	8.9	7.2	8.0
EPS (UBS, diluted)	(14.4)	(20.1)	22.9	23.6	14.6	9.3	8.7	9.3
Net DPS	-	-	33.3	46.3	23.4	17.1	26.8	12.4
Margins & Profitability (%)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Gross profit margin	50.8	49.2	50.6	52.4	52.9	53.2	53.5	53.9
EBITDA margin	23.2	19.6	21.8	23.4	24.5	25.3	25.8	26.3
EBIT (UBS) margin	18.3	14.9	17.5	18.9	20.1	21.0	21.5	22.1
Net earnings (UBS) margin	13.1	9.5	11.3	13.2	14.4	15.0	15.6	16.3
ROIC (EBIT)	13.2	11.9	15.3	17.3	18.5	19.4	20.0	20.8
ROIC post tax	10.1	9.2	12.0	13.3	14.3	14.9	15.4	16.0
ROE (UBS)	14.4	10.9	14.0	17.3	18.3	18.0	17.6	17.5
Capital structure & Coverage (x)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Net debt / EBITDA	1.9	1.8	1.6	1.4	1.2	0.9	0.7	0.4
Net debt / total equity %	46.9	40.0	45.1	43.2	35.3	26.1	18.6	10.4
Net debt / (net debt + total equity) %	31.9	28.6	31.1	30.2	26.1	20.7	15.7	9.4
Net debt/EV %	-	23.0	17.9	16.5	15.9	14.1	11.7	8.6
Capex / depreciation %	135.9	171.0	NM	199.4	NM	NM	NM	152.1
Capex / revenue %	2.9	3.3	3.6	4.5	5.0	5.0	5.0	3.5
EBIT / net interest	14.8	5.9	5.6	10.8	14.0	14.7	18.0	22.7
Dividend cover (UBS)	-	4.9	4.6	3.8	3.6	3.3	2.9	2.8
Div. payout ratio (UBS) %	-	20.4	22.0	26.0	28.0	30.0	35.0	36.0
Revenues by division (US\$m)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Others	9,306	9,979	10,384	11,010	11,576	12,098	12,633	13,267
Total	9,306	9,979	10,384	11,010	11,576	12,098	12,633	13,267
EBIT (UBS) by division (US\$m)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Others	1,705	1,488	1,821	2,081	2,330	2,536	2,719	2,936
Total	1,705	1,488	1,821	2,081	2,330	2,536	2,719	2,936

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	3.4%
Forecast dividend yield	1.2%
Forecast stock return	4.6%
Market return assumption	5.1%
Forecast excess return	-0.5%

Company Description

Sandoz is a Swiss producer of generic and biosimilar medicines, operating in over 100 markets in North America, Europe and other international territories.

Valuation Method and Risk Statement

We value Sandoz shares on an EV/EBITDA basis. The main risks to our Sandoz thesis include: (1) worse pipeline success than we model, in particular for key biosimilar projects, (2) more aggressive competition than we account for, (3) failure of the US generics business to stabilise after underperformance in recent years. Risks for the pharmaceutical industry in general include political risks, government oversight of the approval and ongoing manufacturing process, discovery bottleneck and pipeline attrition, competitive development, patent challenges (both for originators and for those who want to copy drugs) and product liability.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at <https://neo.ubs.com/quantitative>, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Sandoz AG

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	2
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher, 3 = no change, 5 = getting better, N/A = no view)	2
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of: (1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

Required Disclosures

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UBS Global Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	52%	24%
Neutral	FSR is between -6% and 6% of the MRA.	40%	20%
Sell	FSR is > 6% below the MRA.	8%	22%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2025.

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. In some cases, this yield may be based on accrued dividends. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

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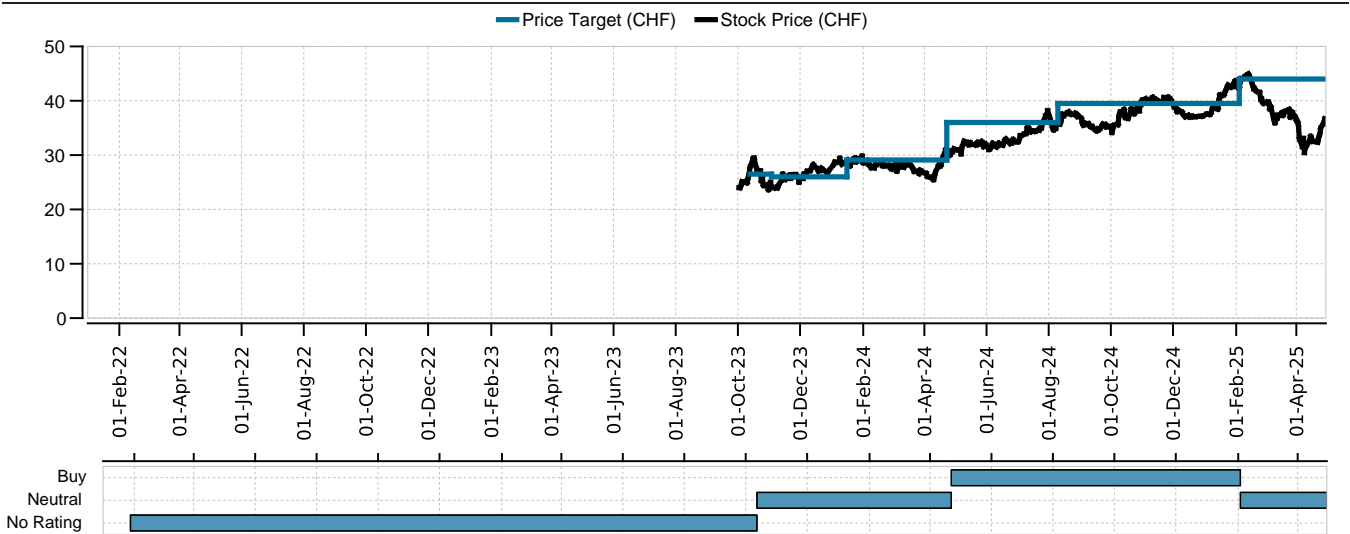
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Company Name	Reuters	12-month rating	Price	Price date
Sandoz AG ^{2,4,59,5,28}	SDZ.S	Neutral	CHF35.78	30 Apr 2025

- Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.
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Sandoz AG (CHF)



Date	Stock Price (CHF)	Price Target (CHF)	Rating
2022-01-28	NaN	-	No Rating
2023-10-12	26.56	26.50	Neutral
2023-11-02	24.97	26.00	Neutral
2024-01-15	28.80	29.10	Neutral
2024-04-22	31.02	36.00	Buy
2024-08-09	35.77	39.50	Buy
2025-02-03	42.40	44.00	Neutral

Source: UBS Global Research; LSEG Eikon as of 30-Apr-2025. All prices as of local market close. Ratings as of date shown.

Additional Prices: CVS Health Corp, US\$65.03 (29 Apr 2025); Regeneron Pharmaceuticals Inc, US\$568.91 (29 Apr 2025); Novartis, CHF93.79 (30 Apr 2025); Teva Pharmaceuticals, US\$15.57 (29 Apr 2025); Pfizer Inc., US\$23.79 (29 Apr 2025); Amgen Inc, US\$288.56 (29 Apr 2025); Source: UBS. All prices as of local market close.

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