Portfolio
SANITY

Assumption based forecasting in SANITY
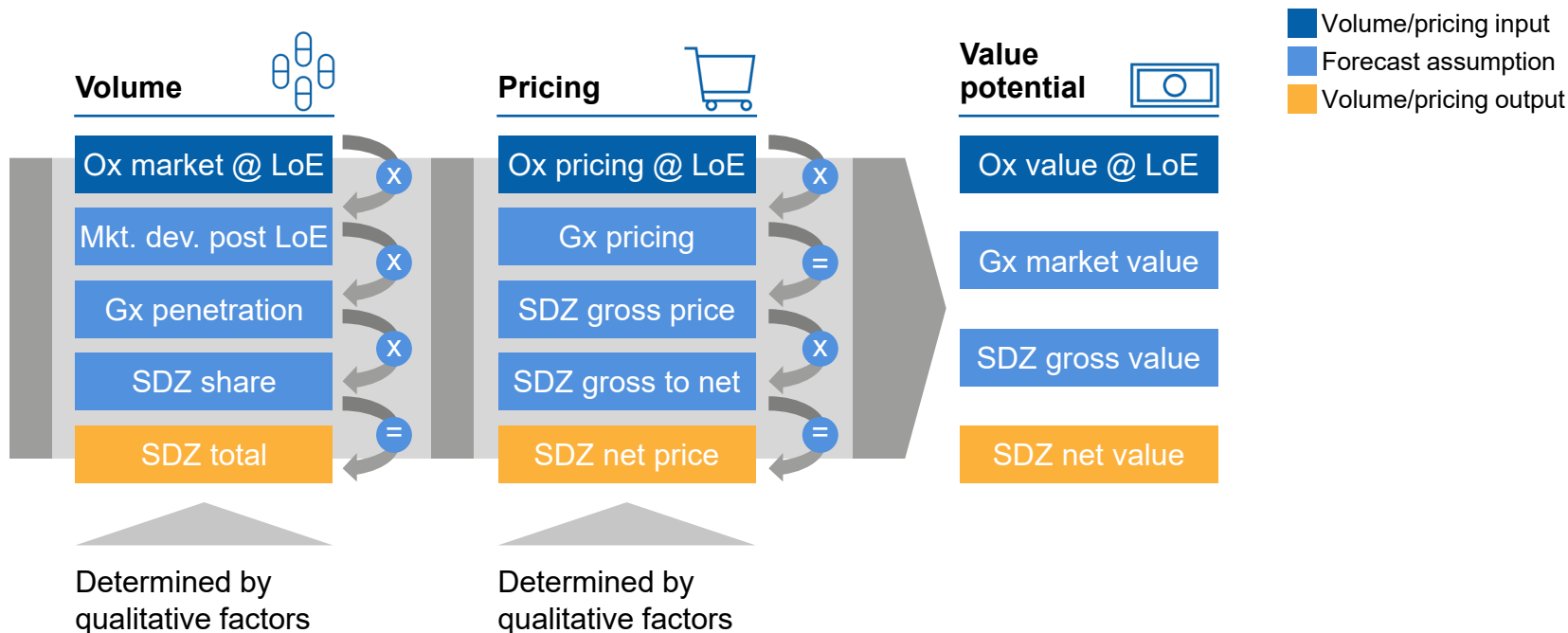## General introduction into methodology

October, 2022

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General Gx forecasting methodology remains, but gets enhance by various elements

1. **Assumption based Gx forecasting**: Established methodology to forecast volume and value remains

2. **Recording of assumptions**: All underlying assumptions get recorded with the forecast and changes over time become transparent

3. **Rolling 12-months assumptions**: Rolling concept allows use of standard assumptions independent of launch date and simplifies forecast updates

4. **Calendar year specific forecasting with 12-month rolling conversion**: Entering forecasts calendar year specific still possible. Automatic conversion of entered assumptions into 12-months rolling ones enables comparison and simplifies updates

5. **Loading of Excel generated forecasts:** Apart from entering forecast data directly into SANITY, the option to use specific Excel models with downloading and uploading data remains – data loading format has to be met

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Volume and pricing forecasting follows standardized logic – no change due to switch from SPIRIT to SANITY

Volume

Ox market @ LoE
×
Mkt. dev. post LoE
×
Gx penetration
×
SDZ share
=
SDZ total

Determined by qualitative factors

Pricing

Ox pricing @ LoE
×
Gx pricing
=
SDZ gross price
×
SDZ gross to net
=
SDZ net price

Determined by qualitative factors

Value potential

Ox value @ LoE

Gx market value

SDZ gross value

SDZ net value

■ Volume/pricing input
■ Forecast assumption
■ Volume/pricing output

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Entering assumptions as 12-months rolling simplifies forecast creation and update

Example: Gx penetration (%), launch date: April 1, 2024

Data entry per calendar year also possible

Easy adaptation to shifting launch date

Rolling 12-months assumptions

Resulting calendar year averages

50

70

80

88

92

96

65,0

77,5

86,0

91,0

95,0

| 2024 LY | 2025 L+1 | 2026 L+2 | 2027 L+3 | 2028 L+4 | 2029 L+5 |

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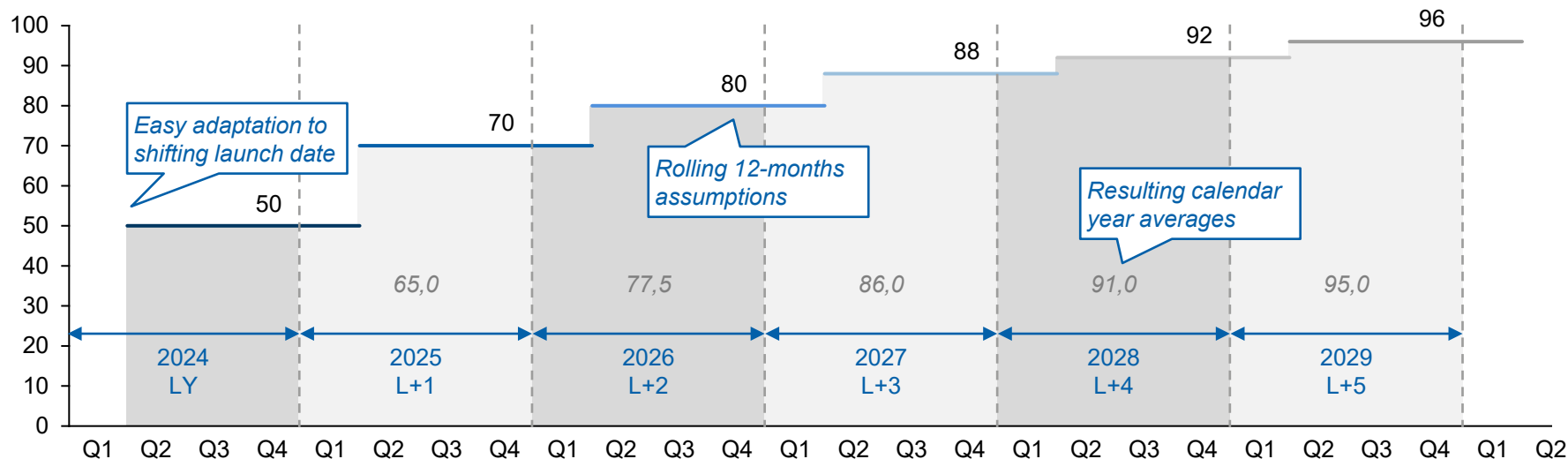
Leading forecasting methodology is 12-months rolling, but legacy option to load calendar year forecasts kept
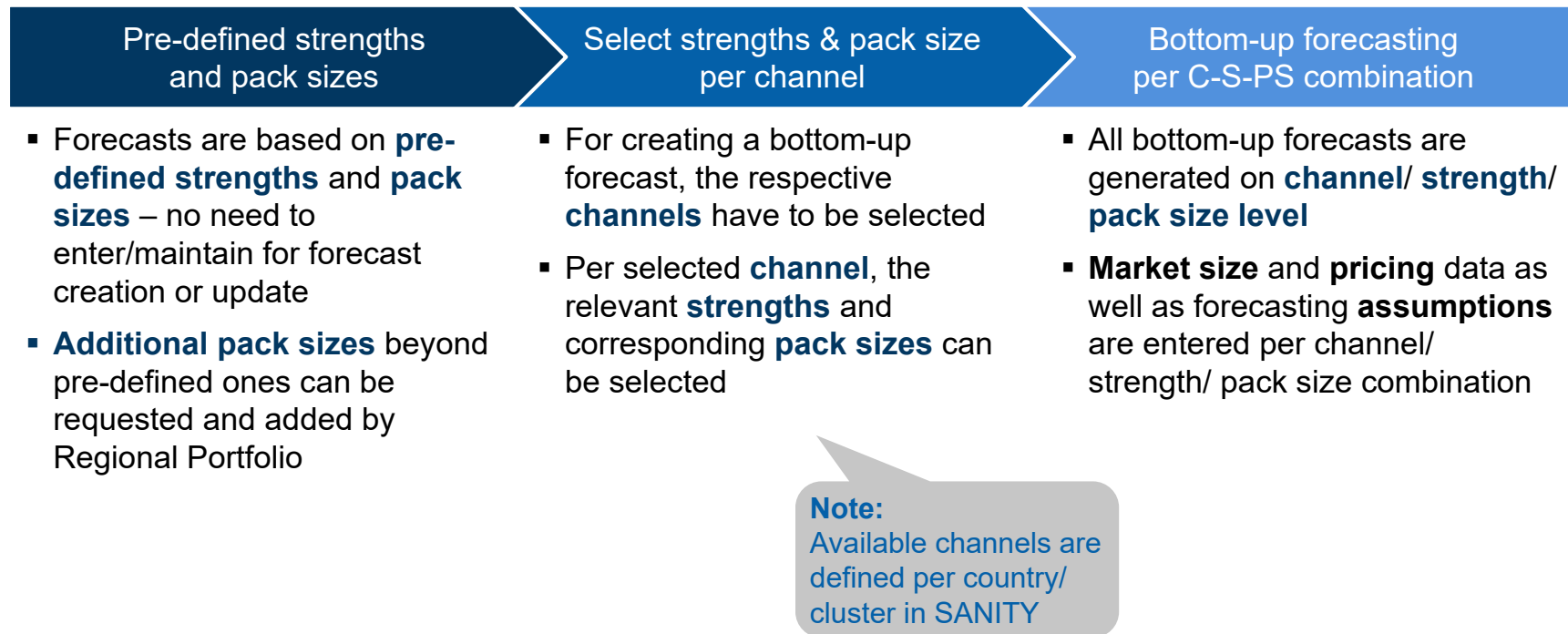
Rolling, assumption-based forecasting

- Library of aligned rolling 12-month assumptions per TA or Channel enables efficient forecast creation
- Rolling assumptions are independent of launch date, making "one-click" changes possible
- Tracking of rolling assumptions allows analytics of changes over time – independent of launch date (changes)
- Many countries already apply rolling forecasting logic in local templates → less translation effort required

Calendar year specific forecasting

- Easy import of FC data available in calendar years, e.g., from SPIRIT
- Solution for cases where FC input (and assumptions) are calendar specific
- Allows continuation of current way of working and/or use of calendar year specific templates
- System based conversion of entered calendar year information into rolling assumptions simplifies transition
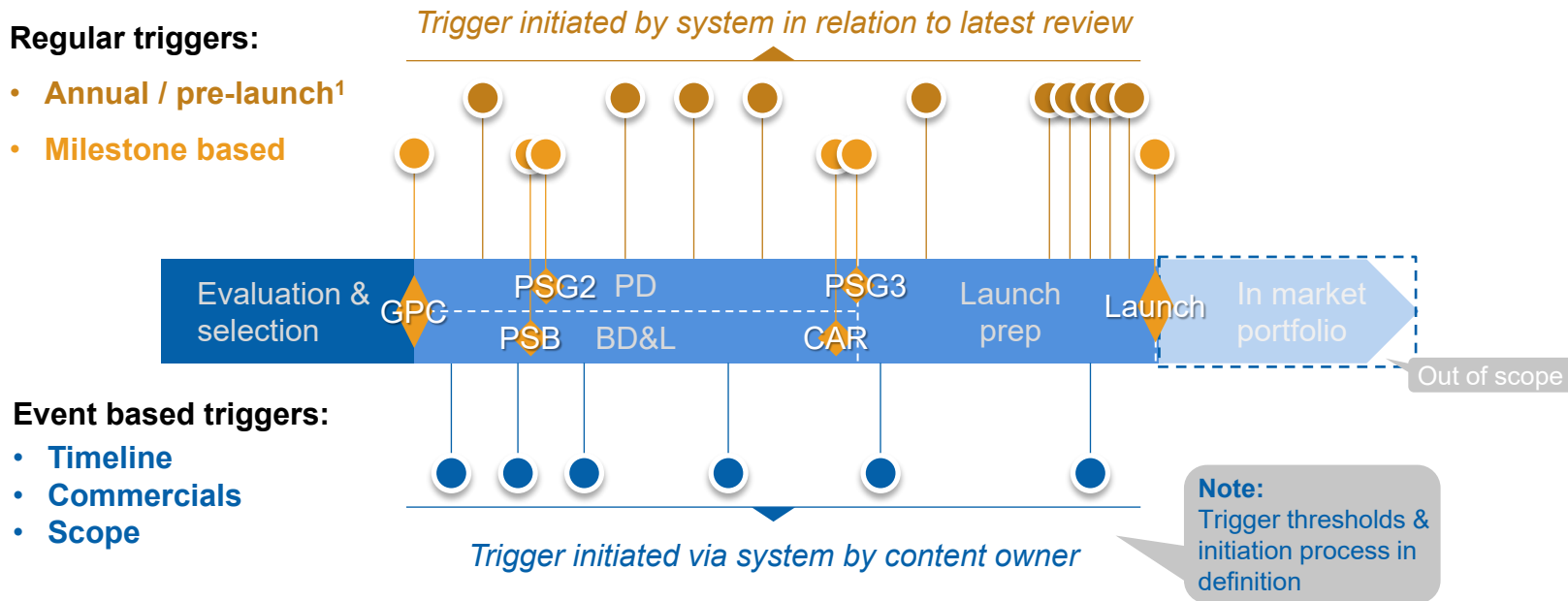
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Forecasting on pre-defined pack sizes leads to less forecasting effort and higher accuracy

Pre-defined strengths and pack sizes	Select strengths & pack size per channel	Bottom-up forecasting per C-S-PS combination

- Forecasts are based on **pre-defined strengths** and **pack sizes** – no need to enter/maintain for forecast creation or update

- **Additional pack sizes** beyond pre-defined ones can be requested and added by Regional Portfolio

- For creating a bottom-up forecast, the respective **channels** have to be selected

- Per selected **channel**, the relevant **strengths** and corresponding **pack sizes** can be selected

- All bottom-up forecasts are generated on **channel**/ **strength**/ **pack size level**

- **Market size** and **pricing** data as well as forecasting **assumptions** are entered per channel/ strength/ pack size combination

Note:
Available channels are defined per country/ cluster in SANITY

Business Use Only | SANITY Assumption based Forecasting - General introduction into methodology

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Bottom-up forecasting process steps remain as in SPIRIT

Forecast request	BD, PM, LM or Regional/ Global Pf	➢ Check/ adjust strength and pack size settings ➢ Request countries in scope to update forecasts
Request forward to countries	Regional Portfolio	➢ Approve request and forward it to countries, or reject ➢ Add further countries to forecast request
Forecast creation/ update	Country Portfolio	➢ Manage Market assumptions for country ➢ Create/ update forecasts on Channel/ Strength/ Pack size level using market assumptions
Forecast release	Regional Portfolio	➢ Release forecasts to pipeline
Request closure	Forecast requestor, All SANDOZ	➢ See updated pipeline in SANITY

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Regular or event-based triggers shall initiate a re-assessment of forecasts in the system

Regular triggers:

- **Annual / pre-launch[1]**
- **Milestone based**

Trigger initiated by system in relation to latest review

Evaluation & selection
GPC
PSG2 PD
PSB BD&L
PSG3
CAR
Launch prep
Launch
In market portfolio

Out of scope

Event based triggers:

- **Timeline**
- **Commercials**
- **Scope**

Trigger initiated via system by content owner

Note: Trigger thresholds & initiation process in definition

1 *Annual trigger: minimum of 1 annual review required in alignment with operational calendar, e.g., pipeline review, strategic review finiancials; pre-launch trigger: regular trigger in line with current process that is in place for launch preparation*

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