



Transforming  
for Growth

# Transforming for Growth

## Case for Change Talking Points

Last updated April 4, 2022

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# About this document

*These talking points provide a concise key message summary of the case for change. They are designed to help leaders and communicators articulate a high-level narrative in clear, compelling ways with our associates and key stakeholders.*

**Top asks of leaders and communicators with our associates**

**Show empathy**

We understand that these changes will create uncertainty for many.

**Reiterate performance focus**

Continue business as usual, focus on serving patients and don't begin independent or parallel change efforts unless directed.

**Encourage them to stay informed**

Main resource: Transforming for Growth homepage on OneNovartis.

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# Talking points

## Novartis is Transforming for Growth

- Novartis has announced a new organizational set-up designed to support our strategy as a focused medicines company and power our next phase of innovation — accelerating growth, strengthening our leading pipeline and increasing productivity.
  - It is imperative that we evolve the way we work and how we are organized to meet our strategy and latest industry trends with the right structure for performance.
  - We must future-proof our growth ambition to account for increasing uncertainties in business and healthcare, faster innovation cycles, and intensifying competition in our major markets.

### It's the right time for the company

- It is the right time to build a stronger, simpler Novartis, bring our structure into alignment with our strategic focus, and shape a more agile, collaborative and focused organization that can power the next phase of growth for the company.
- Over the past four years Novartis has progressed on a rapid journey of change — evolving from a health conglomerate to fully focused innovative medicines company.
  - We executed more than USD 100 billion in M&A transactions to refocus and grow our core business, spun Alcon, acquired new products and technologies to strengthen our innovative medicines position.
  - We drove forward our leading pipeline, bringing more new medicines through FDA approval than any other company in the past 5 years.
  - We posted profit growth for our Innovative Medicines business that ranks top 3 compared to our peers.
- However, we still run our business with a conglomerate structure — our administration costs exceed the high-end of our peers — and we must improve our launch performance and pipeline execution, both key to delivering leading shareholder returns.

### These changes will create value...

- With these changes — and our portfolio of in-market medicines and up to 20 new major pipeline assets that could be approved by 2026 — we have the opportunity to:
  - Consistently deliver above-peer-median top- and bottom-line growth in a sustained leadership position.
  - Create value through operational improvements ensuring at least 4% sales growth (CAGR 2020-2026 cc\*), and deliver at the high end of the our innovative medicines margin guidance in the mid- (high 30s) and long-term (40%+).
  - Create fully realized savings of at least USD 1bn for the company by 2024.
  - Become a top 5 biopharmaceutical company in the US by 2026 and maintain and build on our leadership across the rest of the world.
  - Realize the promise of our industry-leading pipeline and, most importantly, strengthen our impact for patients.

### ...And keep pace with the external environment

- It is critical that Novartis continues to evolve to keep pace with the rapidly changing and increasingly competitive healthcare environment.
  - Science is advancing at unprecedented speed with multiple new platforms and technologies reaching the global market (cell, gene, xRNA, radioligand therapies).
  - Stakeholder experience and expectations are evolving; patients expect innovation to translate into improved access and health outcomes; HCP's navigate increased bureaucracy and payer suppression; cost pressures continue to mount for healthcare systems at large.
  - Across industry, go-to-market models, marketing approaches, and customer engagement strategies have rapidly shifted.
- We must evolve with the experiences of our key stakeholders across the healthcare ecosystem, rethinking how we operate, engage and deploy technologies across our organization faster to reach and serve customers better.

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## What will change, effective immediately

Effective immediately we are establishing the leadership and moving to a new global operating model, creating:

1. Two new powerhouse commercial organizations with stronger geographic focus to increase focus, strengthen competitiveness and drive synergies: Innovative Medicines International and Innovative Medicines US, integrating Pharma and Onco BU's.
2. A new Strategy & Growth function to further strengthen our pipeline with high value medicines across internal and external opportunities.
3. A new Operations unit combining NTO and CTS units to generate economies of scale, drive productivity and create a strong technology and operational foundation. G&A Functions to be globally integrated.

### A new commercial structure — integrating Pharmaceuticals and Oncology business units

- We are creating two powerhouse commercial organizations with stronger geographic focus: Innovative Medicines International and Innovative Medicines US.
  - Novartis adopted a split commercial structure nearly 20 years ago. As our pharma business has evolved from Primary Care to innovative medicines and high-end technologies, the lines have blurred between our commercial organizations.
  - It is time to integrate Pharma and Onco, reduce complexity and leverage scale for growth across innovative medicines.
- These new units will bring together the best elements of Pharma and Onco, strengthen competitiveness and drive synergies, and focus on building on our Oncology legacy, delivering launch excellence, and fueling our growth drivers.
  - A US-focused organization ensures we can lead in the differentiated US market and achieve our goal of becoming a top five company in terms of sales.
  - Internationally we will maintain and grow our leading market positions, including our other three priority markets: China, Germany, and Japan.
  - Each unit will have full P&L responsibility across therapeutic areas — Cardiovascular, Hematology, Solid Tumors, Immunology and Neuroscience — and ownership for customer experience, marketing, sales and market access.
  - All global, regional and country structures outside the US will be integrated into Innovative Medicines International.

### A new Strategy & Growth function

- We will create a new, integrated Strategy & Growth function to align and drive end-to-end enterprise portfolio strategy to further strengthen our pipeline with high value medicines across internal and external opportunities.
  - S&G will bring together corporate strategy, R&D portfolio strategy and business development activities with a singular focus on strengthening our pipeline with medicines that are transformational and can significantly contribute to growth.
  - It will institutionalize the use of robust analytics and external insights into decision making.
  - It will sharpen portfolio management through clearer prioritization, strengthened collaboration, and fast decision-making.
  - The team will also aim to simplify decision-making and improve prioritization with respect to deals.
- We believe this new function will be critical in allowing us to unlock the full potential of our pipeline and help exceed our growth ambitions.

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Integrated Operations and Global Functions

- We are creating a new Operations unit, combining NTO and elements of CTS, to provide a stronger and simpler operational backbone for the company.
  - Operations will focus on scaling technology, automation and innovation to continuously improve the experience for our associates and patients.
  - It will accelerate multiple technology transformation initiatives more efficiently, create novel digital solutions at scale and increase productivity.
  - It will have a focus on compliance and strong controls to reduce and mitigate risks to the business.
- We believe this new unit will generate economies of scale, drive productivity and create a strong technology and operational foundation.
- All global functions — Finance, P&O, ERC, Legal, and Comms & Engagement — will be integrated on global and country levels and shift to a central financial reporting model with global cost lines.

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**Changes to our Executive Committee**

- Marie-France Tschudin appointed President, Innovative Medicines International and Chief Commercial Officer
- Victor Bulto appointed President, Innovative Medicines US
- Steffen Lang appointed President, Operations
- Shreeram Aradhye M.D., appointed President, Global Drug Development and Chief Medical Officer
- Susanne Schaffert, President, Novartis Oncology and Robert Welterverden, President, Customer and Technology Solutions and John Tsai, President, Global Drug Development and Chief Medical Officer are leaving Novartis

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- Core elements of our company will remain and be strengthened
  - Our strategy will not change and our focus on performance continues; launch excellence and a laser-focus on improved R&D execution and product development remain critical priorities.
  - We aim for minimal disruption to our customer-facing teams, R&D teams, or manufacturing teams.
  - Our culture transformation to drive performance will continue and enable the change.
  - Sandoz continues to operate independently, and the strategic review is ongoing.
  - Reimagining Medicine to improve and extend lives remains our purpose.

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**What's next for our associates?**

- The changes announced today are effective immediately. A global transformation team led by the ECN has been created to plan and execute the change.
- Updates will be rolling, but high-level milestones are:
  - By June 15, 2022: Leadership teams for new units (ECN-1) appointed plus details on the core organizational set-up for the new units and integrated global functions.
  - By July 31, 2022: next level of leadership appointments (ECN-2) announced
  - October 1, 2022: final organizational changes, including in countries, implemented