

Novartis AG



A+

1 year PD
0.02% to 0.04%

Headquarters	Basel, CH	Switzerland
Type	Public	
Employees	~120,000	
Year Founded	1996	
Website	https://www.novartis.com/	
Business	Global healthcare innovation and medicine development.	
Revenues	\$46,660.0M	

Company Overview

- Company Overview:** Novartis AG is a globally renowned pharmaceutical company headquartered in Basel, Switzerland, focused on pioneering medicines that improve patients’ lives.
- Product:** The company’s offerings include innovative treatments across oncology, immunology, and cardiovascular, with notable drugs like Cosentyx, Leqvio, and Zolgensma. Gene therapies also form a critical part of its future strategy. They generate close to 40% of their innovative medicines revenue in the US.
- Customers:** They serve a broad range of healthcare providers, govern- ment programs, and distributors worldwide, with a strong emphasis on developed markets and growing presence in emerging regions.
- Ownership:** Listed on both the Swiss Exchange (SIX) and NYSE, Novartis has a diversified shareholder base with institutional and private investors.
- Debt Structure:** Novartis' liquidity is excellent, with cash & equivalent of \$13.4bn (12/23), and access to a \$6.0bn credit facility (due 9/25).
- Other (pros/cons):** Novartis projects 7%-10% revenue growth for 2024, driven by high-demand drugs like Entresto and Pluvicto, despite upcoming generic competition (Inflation Reduction Act). Enhanced U.S. production capabilities for Pluvicto address previous supply issues, supporting volume growth and market competitiveness. In February 2024, Moody's upgraded their rating from 'A1' to 'Aa3' (1 notch, from 'A+' to 'AA-'), based on a longstanding track record of solid operating performance, strong FCFs, and robust financial profile, underpinned by their scale, wide product and geographic diversity and strong pipeline. Keep in mind that Faropoints' rating scale doesn't have a 'AA-' instead we go from 'A+' to "AA".

Financial Snapshot

	Dec-21	Dec-22	Dec-23	Chg
\$ '000s	T12	T12	T12	%
Total Revenue	43,974,000	43,461,000	46,660,000	7.4%
Gross Profit	32,239,000	31,879,000	34,188,000	7.2%
Adjusted EBITDA	15,653,000	14,651,000	18,046,000	23.2%
Gross Profit Margin	73.3%	73.4%	73.3%	-0.1 ppt
EBITDA Margin	35.6%	33.7%	38.7%	5.0 ppt
Net Income	22,905,000	6,049,000	8,572,000	41.7%

Financial Ratio Benchmarking

# of Benchmarks: 21		Industry Median	Company Metric	Percentile Rank	# of Industry Benchmarks	21
					Company Financials Date	Dec-23
	Revenue	\$12,929M	\$46,660M		Industry Benchmarks - Primary: Pharmaceuticals	
Liquidity	Current Ratio	1.56	1.16	<div></div> 24%		
	Quick Ratio	1.17	0.93	<div></div> 26%		
Leverage	Net Debt / EBITDA	1.48	0.38	<div></div> 78%		
	Debt to Assets	30.2%	20.3%	<div></div> 75%		
Profitability	EBITDA Margin	33.5%	38.7%	<div></div> 80%		
	ROCE %	17.5%	13.3%	<div></div> 41%		

Business Risk

Industry Group Risk Profile			Pharmaceuticals			
			20%	6.5	to	8.0
Industry Risk Assessment		KPI Rating	Contribution	Industry Group Description		
Cyclical	Low risk	<div></div>				
Competitive Risk	Low risk	<div></div>				
Global Industry	Low risk	<div></div>				
Market Segment Outlook	Above Average	<div></div>				
Competitive Position Profile				Cpg		
				50%	7.0	to 9.0
Competitive Position KPIs		KPI Rating	Contribution	Rating Guideline		
Cycle-Tested	< 2000	<div></div>	Navigated multiple economic down-cycles.			
Product Diversity	Strong	<div></div>	Multiple product categories			
Market Share	Above Average	<div></div>	Strong market share (15-25%) in chosen categories.			
Category Demand	Above Average	<div></div>	Operates in categories with solid growth (5-10% annual growth).			
Supplier Diversity	Strong	<div></div>	Diverse supplier base from multiple regions, mitigating supply risk.			
Geographic Coverage	Strong	<div></div>	Global brand			
Innovation	Strong	<div></div>	Frequent product innovations and updates keeping brand fresh and relevant.			
ESG-Focus	Satisfactory	<div></div>				
				30%	7.5	to 9.5

Anchor Modifiers

Modifiers					
Trend Analysis		Adjustment	<div></div>	Strong Positive	
Financial Flexibility		Adjustment	<div></div>	Very High	

Rating Range (Rounded)

8.0

to

9.0