

# Novartis generics unit Sandoz makes stock market debut

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Swiss generic drugs group Sandoz began trading as an independent company in Zurich on Wednesday, in a stock market debut following a spin-off by parent company Novartis as it pivots toward new drug development.

Novartis shareholders were given one Sandoz share for every five Novartis shares, and the new stock began trading at 24 Swiss francs each—valuing the standalone group at 10.3 billion francs (\$11.2 billion), the Swiss markets operator said.

"Today marks the dawn of a new era for Sandoz," its board chairman Gilbert Ghostine said in a statement.

Investors gave the offering a lukewarm welcome, with the shares initially rising before falling into negative territory and then recovering to close at 24.35 francs.

Novartis shares meanwhile tumbled 4.7 percent to 87.60 francs, weighing on the benchmark SMI index that slipped 0.1 percent.

Analysts at the brokerage firm Jefferies noted that since Sandoz is not yet part of the benchmark index, most large institutional investors will not be allowed to add it to their portfolios, which could weigh on the share price.

The company, which had sales of 9.1 billion francs last year, is one of the biggest producers of generic versions of standard drugs as well as biosimilars—versions of drugs that are made from natural sources, such as bacteria or other living cells.

It says its treatments allow health care systems in the United States and Europe to save \$17 billion a year in costs.

"Our purpose is unchanged... making quality medicines available to more people, in more places, in more and novel ways," Ghostine said.

For Stefan Schneider, an analyst at asset manager Vontobel, Sandoz has a competitive advantage thanks to economies of scale and a global reach, particularly in the United States.

He said the company plans to raise core profit margins to at least 24 percent from 18-19 percent currently, assuming successful launches of six biosimilar drugs in the coming years.

"Our range implies a Sandoz share price of 26.70 to 33.10 francs," Schneider said in a research note, while also noting fierce competition on the generic drugs market in the United States.

With the spin-off now behind it, Novartis plans to focus on five therapeutic areas: cardiovascular, immunology, neuroscience, solid tumors and hematology.

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