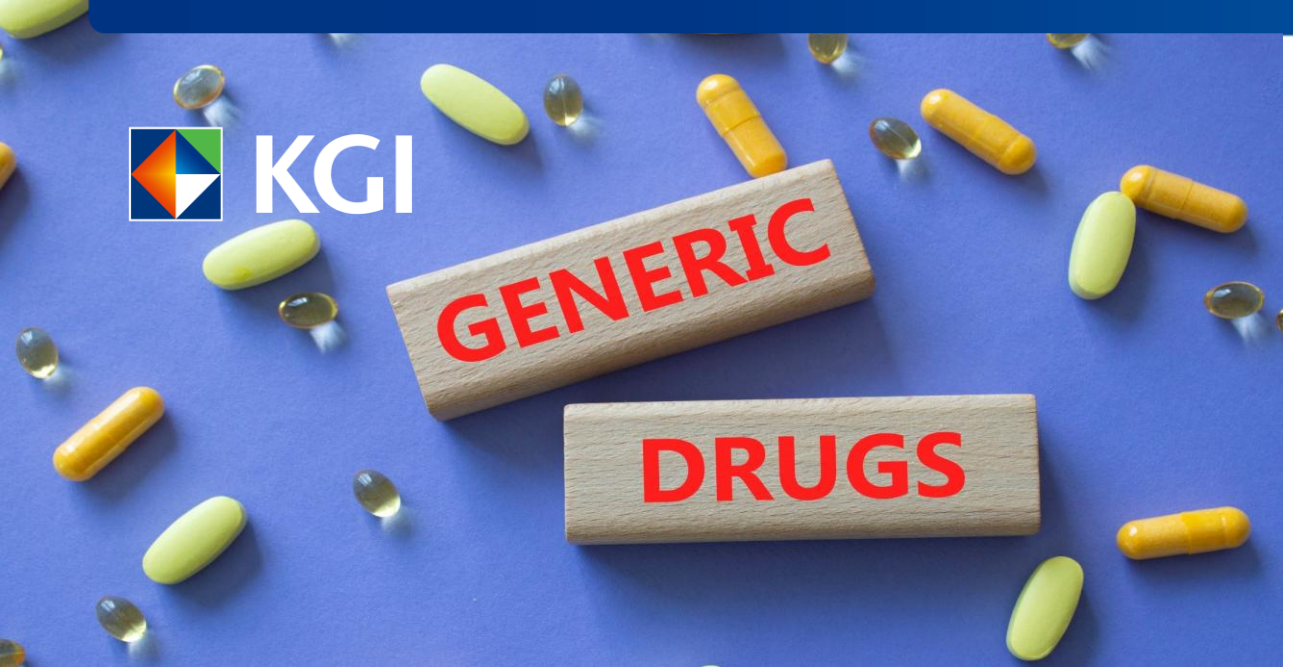


SANDOZ
a Novartis company

Sandoz Group AG (SDZ.SW)

Leveraging Novartis Heritage, Capitalizing on Patent Cliff & US Reform

KGI Strategic Playbook Series

Equity Advisory, IPS, KGI IWM

7 Oct 2026

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Sandoz Group AG (SDZ.SW; Mkt Cap US$37bn; Sales/Earnings 6%/11% CAGR; 18.6x 2027E P/E)

Leveraging Novartis's expertise in R&D, manufacturing, and distribution to capitalize on global patent cliff and US Medicare reform

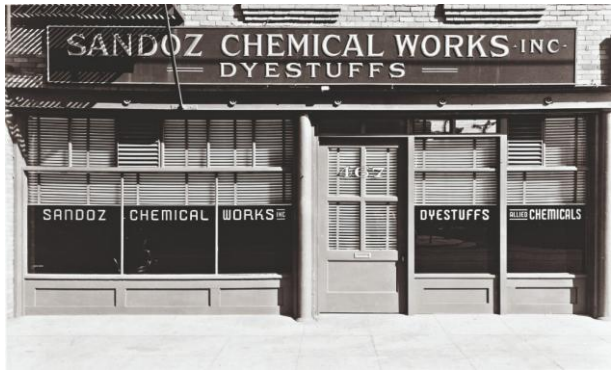
Extensive Portfolio of ~1,300 Medicines



Sandoz maintains an extensive global portfolio spanning **about 1,300 quality generic and biosimilar medicines**.

In 2025, Sandoz reached a global patient base of **>1 billion patients (>12% of the global population)**, generating **~US$26bn in cumulative savings** for healthcare systems across the US, Europe, and other key markets, creating approximately US$400bn in total societal impact value worldwide.

Century-Long Heritage & Breakthroughs



Founded in Basel in 1886 as Kern & Sandoz, building a 130+ year track record—pioneering calcium therapy in the 1920s, oral penicillin in the 1950s, and transplant immunosuppressant Sandimmune in the 1980s.

Following its **100% spin-off from Novartis in October 2023**, Sandoz operates as the undisputed global champion in pure-play generic and biosimilar pharmaceuticals.

High-Quality Generics



Generic medicines contain the identical active ingredients as reference brand drugs, ensuring **equivalent quality and safety profiles**. Most cold and fever, cholesterol-lowering, and antibiotic medications belong to this category.

With an extensive portfolio of ~1,300 molecules—**including 50+ essential generic antibiotics**—Sandoz leads nearly every major therapeutic category.

Pioneering biosimilars



Biosimilars are highly complex, near-identical alternatives to reference biologics manufactured in living host cells, offering transformative access for oncology, diabetes, and autoimmune disorders.

Sandoz initiated **the world's first biosimilar program in 1996** and became the first company to secure regulatory approval across the EU, US, Japan, and Canada.

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Source: Sandoz, KGI

Generic Drugs Typically Retail at 20%–30% of Originator Prices

Crestor 10mg & Generic Rosuvastatin Retail Price Comparison: US > Hong Kong > UK > Mainland China

Region	Product Category	Packaging	Local Ref Price	Unit Price (Local)	Unit Price (HKD)	Generic / Brand (%)
Mainland China	Originator (Crestor)	28-tab	¥167 – ¥190 RMB	¥5.96 – ¥6.79	HK$6.97 – HK$7.94	**100% (Baseline)**
	Generic (VBP-approved)	28-tab	¥10 – ¥35 RMB	¥0.36 – ¥1.25	HK$0.42 – HK$1.46	~6% – 18%
United Kingdom	Originator (Private Retail)	28/84-tab	£24.00 – £45.99	£0.38 – £1.43	HK$3.94 – HK$14.82	**100% (Baseline)**
	Generic (Standard 28-ct)	28-tab	£7.15 – £12.99	£0.26 – £0.46	HK$2.69 – HK$4.77	~30% – 50%
	Generic (Bulk 84-ct)	84-tab	£15.99	£0.19	HK$1.97	~20% – 35%
Hong Kong SAR	Originator (Crestor)	28-tab	HK$428 – HK$500	HK$15.28 – HK$17.86	HK$15.28 – HK$17.86	**100% (Baseline)**
	Generic (Sandoz/PMS)	28/30-tab	HK$100 – HK$150	HK$3.33 – HK$5.36	HK$3.33 – HK$5.36	~22% – 31%
United States	Originator (Cash Price)	30-tab	US$156 – US$330	US$5.20 – US$11.00	HK$40.77 – HK$86.24	**100% (Baseline)**
	Generic (Cash Price)	30-tab	US$88 – US$116	US$2.93 – US$3.87	HK$22.97 – HK$30.34	~35% – 56%
	Generic (GoodRx/Coupon)	30-tab	US$8.10 – US$15.00	US$0.27 – US$0.50	HK$2.12 – HK$3.92	~3% – 9%
	Generic (90-Day Bulk)	90-tab	US$10 – US$39	US$0.11 – US$0.43	HK$0.86 – HK$3.37	~1% – 8%

Price Deflation Dynamics of Generics:

- In developed markets, generic pricing stabilizes at ~20%–30% of originator levels (e.g. ~25% in HK, ~30% in UK).
- China's VBP drives generic prices down to just 6%–18% of originator reference prices.
- While the US commands the highest brand prices globally, discount cash and coupon channels cut generic prices by over 90%.

Drivers of Regional Disparities:

- **United States:** Zero price controls; inflated List Prices (WAC) fund massive PBM rebates for formulary tiers; generics trade in competitive cash markets.
- **United Kingdom:** Single-payer NHS negotiates by molecule, enforcing strict cost-effectiveness caps upon launch.
- **Mainland China:** Centralized NRDL negotiations govern reimbursement entry, while Volume-Based Procurement (VBP) secures public hospital demand at rock-bottom prices.“
- **Hong Kong SAR:** Reliance on imported originators creates rigid private retail prices; public Hospital Authority offers heavily subsidized access.

Pharma Business Model Impacts:

- **Originators:** The US represents the primary profit engine funding next-gen R&D; ex-US markets trade price for volume.
- **Generics:** Western markets reward cGMP compliance and PBM access; China generics face intense price competition.

Outlook: Structural Realignment of Drug Pricing:

- **US Medicare Reforms:** IRA drug price negotiations and PBM scrutiny are dismantling excessive brand premiums and accelerating generic/biosimilar adoption.
- **China VBP Evolution:** Policy focus is shifting from pure price cuts toward quality consistency evaluation and supply security.
- **Global Biosimilar Wave:** Expiring biologics will drive rapid biosimilar adoption, deflating aggregate healthcare spending globally.

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Source: KGI

Global Pharma Industry: Originators (Innovative) vs. Generics/Biosimilars

1/2: Four Major Segments, TAM, Growth, Profitability, and Top 5 Leaders

#	Market Segment	Definition	Market Capacity (TAM)	Growth (CAGR)	Normalized Margin Profile	Global Top 5 Leaders
1	Innovative Small Molecules	Patented chemical small-molecule drugs developed in-house by innovator pharmaceutical firms.	**~45%–50%** of global pharmaceutical revenue **US$900bn – US$1.0tn+**	**Low-to-mid single digits (3%–5% CAGR)**. Faces mature patent cliff headwinds and generic erosion.	**Extremely High** Gross margins 85%–95%; Net/EBITDA margins remain robust at 25%–35%+ after heavy R&D amort.	• **Johnson & Johnson (US):** Global diversified healthcare titan; market-leading innovative medicine and multi-therapeutic prescription franchises **(total annual revenue >US$90bn)**. • **Pfizer (US):** Established global powerhouse in chemical small-molecule therapeutics, specialty pharmaceuticals, and vaccines **(annual revenue ~US$60B–$63B)**. • **Merck & Co. (US):** Top-tier global biopharma anchored by deep clinical pipelines and proprietary chemistry platforms **(annual human health revenue >US$58bn)**. • **AbbVie (US):** In addition to biologics, maintains an extensive multi-therapeutic small-molecule prescription portfolio **(total annual revenue >US$60bn)**. • **AstraZeneca (UK/Sweden):** Rapid top-line growth driven by targeted small-molecule oncology, cardiovascular, and metabolic blockbusters **(annual revenue ~US$54B–$58B)**.
2	Innovative Biologics & Advanced Therapies	Large-molecule therapeutics engineered via recombinant DNA, cell lines, mAbs, ADCs, and CGT.	**~30%–35%** of global pharmaceutical revenue **US$600bn – US$700bn,** expanding rapidly	**High growth (8%–10%+ CAGR)**. Core primary focus of global biopharma venture funding and R&D capital.	**Extremely High** Gross margins 85%–90%+; commanding premium pricing and longer therapeutic lifecycles.	• **AbbVie (US):** Global leader in immunology and biologics, leading the market with next-generation blockbuster mAbs **(e.g., Skyrizi and Rinvoq)**. • **Johnson & Johnson (US):** Expansive biologic pipeline spanning targeted oncology and autoimmune monoclonal antibodies **(e.g., Darzalex, Tremfya)**. • **Roche (Switzerland):** Global oncology and biotechnology pioneer; massive multi-billion-dollar portfolio of classic therapeutic antibodies **(pharma revenue ~US$57bn)**. • **Eli Lilly (US):** Rapidly expanding large-molecule presence across targeted immunology, oncology, and incretin/GLP-1 therapeutics **(annual revenue >US$65bn)**. • **Amgen (US):** Independent biotechnology pioneer with multi-decade leadership in recombinant DNA, bone health, and specialty biologics **(annual revenue ~US$36B–$37B)**.
3	**Traditional & Branded Generics**	Legally manufactured chemical equivalents following patent expiration (pure generics & branded unpatented).	**~25%** of global pharmaceutical revenue **US$450bn – US$470bn** (branded generics ~$300bn)	**Steady growth (5%–7% CAGR)**. Driven by sovereign healthcare cost containment and generic substitution mandates.	**Low-to-Moderate** Gross margins 30%–50% subject to scale; highly vulnerable to severe commoditization without scale.	• **Sandoz (Switzerland):** The premier global pure-play generic and biosimilar leader post-Novartis spinoff **(annual generic-related revenue >US$10.3bn)**. • **Sun Pharma (India):** India's largest pharma company; commanding multinational generic market share across the US, Europe, and emerging markets **(annual generic revenue ~US$6.2bn)**. • **Fosun Pharma (China):** Leading Chinese enterprise driving generic globalization, commercial out-licensing, and biopharma innovation **(annual generic segment revenue ~US$5.6bn)**. • **Viatris (US):** Created via the merger of Mylan and Pfizer Upjohn; extensive global footprint in classic branded and commodity generics **(annual mature/generic revenue ~US$5.4bn)**. • **Teva Pharmaceutical (Israel):** Historic global generic titan with ubiquitous supply chain infrastructure, actively pivoting toward high-margin specialty CNS medicines.
4	**Biosimilars**	Highly similar subsequent biologics proven to have no clinically meaningful differences from reference originators.	**~2 - 5%** of global pharmaceutical revenue Current TAM **US$40bn – US$47bn**, entering exponential inflection	**Fastest growing sub-sector (16%–18% CAGR)**, propelled by wave of blockbuster biologic patent expirations.	**Moderate-to-High** High upfront R&D/clinical cost ($50M–$150M+), but gross margins reach 50%–70%+ at commercial scale.	• **Sandoz (Switzerland):** Global pioneer and undisputed volume share leader across mature Western biosimilar markets. • **Celltrion (Korea):** First-mover biopharma giant that successfully commercialized complex monoclonal antibody biosimilars (autoimmune and oncology) in the US and Europe. • **Samsung Bioepis (Korea):** Fast-growing pure-play biosimilar leader leveraging advanced biomanufacturing scale and tier-one global commercial partnerships **(e.g., Biogen, Organon)**. • **Amgen (US):** Premier model of an innovator successfully crossing into biosimilars, generating substantial hospital revenues from high-margin follow-on mAbs. • **Pfizer (US):** Robust institutional biosimilar portfolio in supportive oncology and immunology, backed by deep global hospital commercial distribution.

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Source: KGI

Global Pharma Industry: Originators vs. Generics / Biosimilars

2/2: Key Strengths, Weaknesses, and Risks

#	Market Segment	Key Strengths	Structural Weaknesses	Core Strategic Risks
1	Innovative Small Molecules	**(1) Monopoly Pricing & Exclusivity:** 8–12 years of market exclusivity generating exceptional super-profits. **(2) Clear Clinical Value:** Addresses significant unmet needs in oncology and critical care with strong pricing power.	**(1) High R&D Risk & Long Lead Times:** 10–15 years and $1B–$3B investment per drug; Phase I-to-approval success rate <10%. **(2) Irreversible Sunk Costs:** Late-stage Phase III attrition inflicts catastrophic capital destruction.	**(1) Patent Cliff Exposure:** Instant 70%–90% volume loss upon generic entry. **(2) Government Price Controls:** Inflation Reduction Act (IRA) mandatory negotiations and global reimbursement tightening.
2	Innovative Biologics & Therapies	**(1) High Technical Moat:** Complex cell culture, fermentation, and aseptic fill-finish create steep barriers against subsequent generic/biosimilar entrants. **(2) Targeted Precision Efficacy:** Exceptional specificity in oncology and autoimmune therapies commanding peak pricing.	**(1) Capital-Intensive Cold-Chain:** Bio-reactors cost hundreds of millions; highly sensitive cold-chain distribution logistics. **(2) Manufacturing Sensitivity:** Micro-alterations in bioreactor environments can compromise protein tertiary structures.	**(1) Rapid Technology Disruption:** Next-gen bispecific antibodies and ADCs rapidly cannibalize legacy single-target mAbs. **(2) Capacity Bottlenecks:** Inflexible biomanufacturing scale can constrain commercial launch velocity.
3	Generics & Branded Generics	**(1) Inelastic Demand & Stable Cash Flow:** Immune to single-product patent expirations; serves as healthcare defensive backbone. **(2) Low R&D Capex:** Exempt from de novo clinical efficacy trials (Phases I–III); requires only Bioequivalence (BE) confirmation costing $1M–$5M.	**(1) Severe Commoditization:** Multi-player fragmented supply induces chronic annual price erosion. **(2) High Supply Chain Sensitivity:** Extreme exposure to Active Pharmaceutical Ingredient (API) and logistics inflation.	**(1) cGMP Compliance Vulnerability:** US FDA / EMA warning letters or import alerts immediately freeze commercial revenues. **(2) Geopolitical Friction:** Supply chain interruptions, trade tariffs, or API export bans compress thin operating margins.
4	Biosimilars	**(1) Formidable Entry Moat:** High analytical and clinical similarity hurdles eliminate low-cost generic competitors; rational pricing. **(2) Historic Market Opportunity:** Exponential growth tailwinds fueled by the unprecedented 2025–2030 patent cliff.	**(1) High Capital Requirements:** 5–8 year development timelines and $50M–$150M in clinical and CMC trials. **(2) Prescriber Switching Inertia:** Physician and patient caution regarding immunogenicity requires education and payer incentives.	**(1) Aggressive Patent Thickets:** Innovator patent clustering and protracted BPCIA litigation delay commercial launches. **(2) PBM Formulary Access Risk:** Commercial success relies on securing favorable formulary tiers against entrenched originators.

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Source: KGI

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Global Generic Pharma Market Overview

Demand Driven by Consumption Volume + Moving Up the Value Curve: Capitalizing on the Historic Global Patent Cliff

1. Generics Account for 70%–80% of Volume, but Only 25%–30% of Sales Value

- **Complete Clinical Equivalence:** Identical active ingredients, dosage forms, administration routes, and therapeutic indications as brand originators.
- **Substantial Capex Advantage:** Directly references originator clinical dossiers; development costs are just US$1M–$5M without repeating Phase I–III trials.
- **Rapid Volume Substitution:** Generics retail at 20%–30% of brand price; multiple generic entrants capture 70%–90% market volume within 12 months.

2. Industry Structural Growth Drivers

- **Historic Patent Cliff:** US$200B–$230B in brand revenues lose exclusivity between 2025–2030, unlocking ~US$236B in generic/biosimilar market space.
- **Cost Containment:** Sovereign payers and PBMs aggressively enforce substitution mandates to alleviate fiscal deficits.
- **Demographic Tailwinds:** Aging populations accelerate chronic disease prevalence across cardiovascular, diabetes, and oncology indications.
- **Emerging Market Expansion:** Rising healthcare insurance coverage unlocks broad volume demand for affordable essential medicines.
- **Advanced Manufacturing:** Breakthroughs in sterile injectables, inhalation systems, and biosimilar scale enable high-barrier production.

Leading Global Generic & Biosimilar Players

Major Global Industry Leaders

1. Sandoz Group (Switzerland; SIX: SDZ)
Pure-Play Global Leader: The premier standalone champion in generic pharmaceuticals and biosimilars, following its successful 100% spin-off from Novartis.

2. Teva Pharmaceutical (Israel; NYSE: TEVA)
Specialty Turnaround Titan: The world's longest-established traditional generic giant, actively pivoting toward high-margin proprietary specialty drugs (such as its CNS blockbuster Austedo).

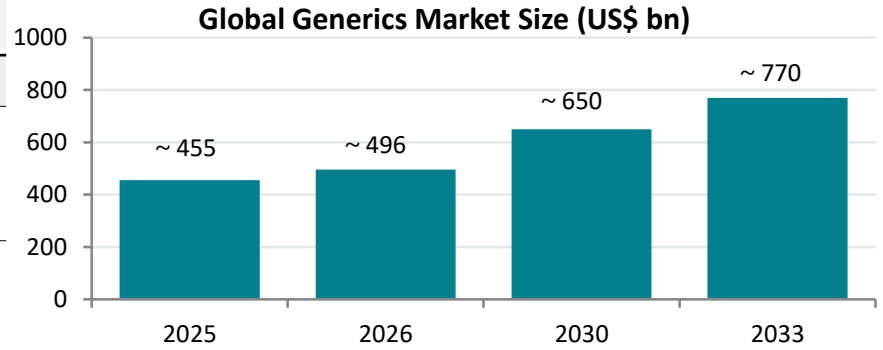
3. Viatris (USA; NASDAQ: VTRS)
Mature Brands & Generics Giant: A global healthcare company formed through the combination of Mylan (generics) and Pfizer's Upjohn (established off-patent brands).

4. Sun Pharma (India; NSE: SUNPHARMA)
Low-Cost API & Formulation Powerhouse: India's largest pharmaceutical company by market capitalization and a global leader in generic formulations and active pharmaceutical ingredients (APIs).

5. Fosun Pharma (China; HKEX: 2196.HK)
Integrated Healthcare & Out-Licensing Leader: A leading diversified Chinese healthcare group spanning generics, biosimilars, medical devices, and cross-border innovative drug licensing (License-in/out).

6. Samsung Biologics (Korea; KRX: 207940.KS)
Biomanufacturing & Biosimilar Scale: A world-leading biologic CDMO giant that also maintains deep exposure to high-barrier biosimilars through its dedicated subsidiary, Samsung Bioepis.

7. Samsung Biologics (Korea; KRX: 207940.KS)
Biomanufacturing & Biosimilar Scale: A world-leading biologic CDMO giant that also maintains deep exposure to high-barrier biosimilars through its dedicated subsidiary, Samsung Bioepis.



1 Month of Brand Originator = ~2 Years of Generic Treatment



	US Price / Pill	
Originator (Crestor cash price)	US$5.20 – US$11.00	100% (Baseline)
Generic (GoodRx coupon)	US$0.27 – US$0.50	~3% – 9%

Source: KGI

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Generics Account for 70%–80% of Global Prescription Volume, but Only 25%–30% of Sales Value

Innovators monetize high-margin research premiums and therapeutic monopolies; **Generics** compete on supply chain agility, cost leadership, and high-volume cGMP production.
Systemic Stabilizer: Generics curb aggregate healthcare expenditure, underpinning the long-term fiscal sustainability of global healthcare systems.

Definition of Generic Medicines:

- **Completely identical to the reference originator** drug in active pharmaceutical ingredient (API), dosage form, strength, administration route, and therapeutic indications.
- **Proven Bioequivalence:** Rigorously proven to be **bioequivalent** (demonstrating no statistically significant difference in the rate and extent of absorption when administered in the human body).

Fully Lawful Market Entry:

- All major regulatory jurisdictions permit generic manufacturers to **complete requisite trials during the patent validity term**, enabling immediate commercial launch upon patent expiry (*Bolar exemption*).
- Select legal frameworks (e.g., US Hatch-Waxman Paragraph IV) permit generic firms to actively litigate and challenge weak originator patents prior to expiry.
- Patents are **territorial legal rights, not global monopolies**. Drugmakers must separately prosecute, maintain, and enforce patents across individual jurisdictions, resulting in differing patent scopes, expiration dates, and generic launch windows across countries.

Asymmetric Cost Advantage:

- Generics directly reference the originator's pre-existing clinical dossiers, **bypassing Phase I–III clinical trials**; total development capex is merely US$1M–$5M.
- Multiple generic entrants quickly strip the originator of **70%–90% of its mainstream prescription volume**. Conversely, originators **rarely engage in defensive price wars** (each new generic entrant reduces the originator's list price by only ~2% on average).

Why Is Prescription Volume High (70%–80%)?

- **Inelastic Chronic Disease Demand:** Vast patient populations suffer from hypertension, dyslipidemia, diabetes, and other chronic conditions. Following patent expirations, these essential maintenance regimens shift almost entirely to affordable generics.
- **Aggressive Sovereign Substitution Policies:** Public healthcare systems mandate or incentivize generic substitution to control fiscal healthcare outlays:
  - **US:** Closed PBM formularies prioritizing tier-1 generic coverage.
  - **UK:** Single-payer NHS active-ingredient prescribing.
  - **China & Japan:** National Volume-Based Procurement (VBP) and Japan's mandatory ≥80% generic substitution targets.

Why Is Sales Value Low (25%–30%)?

- **Severe Price Deflation:** Post-launch multi-source competition triggers steep price drops, with generic pricing plunging to **20% or lower** of the originator reference price (dropping to **<10%** under China's VBP tenders or US bulk-discount coupon channels).
- **High-Volume, Low-Margin Reality:** Although generic firms manufacture and dispense hundreds of billions of doses annually (commanding massive volume share), minimal per-unit realized prices leave the sector with a modest share of aggregate drug expenditure compared to protected, high-priced specialty originators and complex biologics.

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Source: KGI

Generic Pharma Market Growth Drivers

Volume Growth Outpacing Price Deflation; Upgrade Across High-Barrier Segments

Core Investment Logic: Although per-unit pricing faces annual erosion, the convergence of the historic patent cliff, demographic aging, cost-containment mandates, and the biosimilar revolution guarantees robust, long-term expansion in total industry prescription volumes and addressable market value.

Cyclical Patent Cliff Acceleration

Blockbuster Expirations:
The global pharma market is entering an unprecedented wave of patent expirations totaling hundreds of billions in branded sales. As multi-billion-dollar small molecules and early biologics lose exclusivity, a vast addressable market opens instantly to generic and biosimilar manufacturers.

Sovereign Policies Favoring Generic Substitution

Fiscal Healthcare Mandates:
Confronted by ballooning budget deficits, sovereign payers in the US, Europe, and China are actively subsidizing generic uptake through legislative mandates (e.g., China VBP, European quotas, US PBM incentives), serving as the sector's strongest macro catalyst.

Biosimilars: Passing the Baton to High-Margin Biologics

High-Value Margin Engine:
While traditional small-molecule generics mature, biosimilars (targeting complex biologics like mAbs and immunomodulators) are emerging as the industry's new high-margin growth engine, characterized by steep technical moats and attractive pricing power.

Rapidly Expanding Emerging Market Accessibility

Developing Economy Scale:
Across Asia-Pacific, Latin America, and the Middle East, expanding public healthcare insurance and rising disposable incomes allow hundreds of millions of patients who previously could not afford originator drugs to access affordable essential generics.

Accelerated Global Demographic Aging

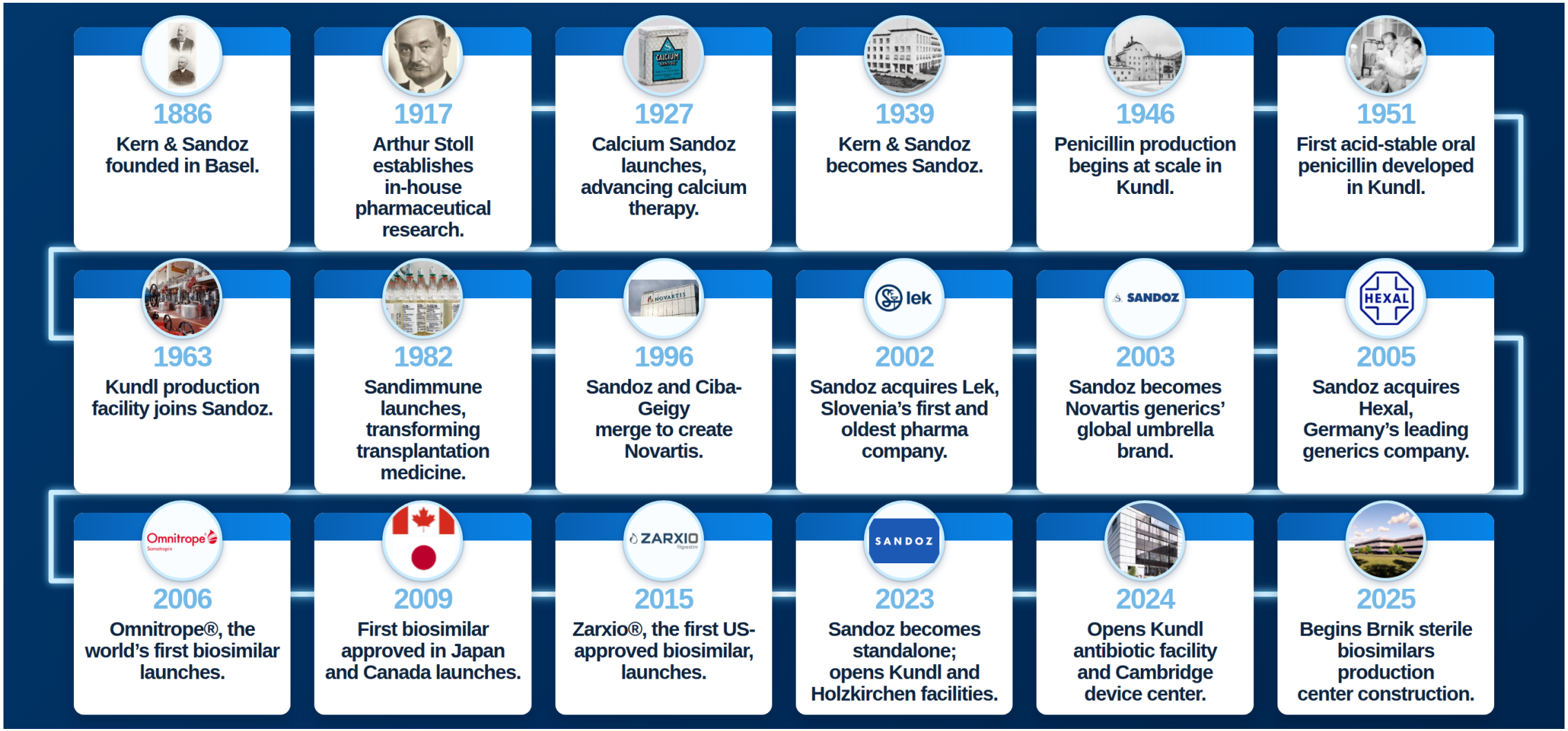
Expanding Inelastic Demand:
Accelerating demographic aging worldwide drives higher prevalence of cardiovascular conditions, diabetes, oncology, and neurodegenerative diseases. These chronic indications require long-term maintenance therapy, establishing a recession-proof volume baseline.

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Source: KGI

Sandoz: Corporate History & Milestones

Founded in 1886, Building an Irreplaceable Technological Moat and Enduring Competitive Scale



Sources: Sandoz, KGI

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Sandoz vs. Novartis

Sandoz Plays a Pivotal Global Role in Generics and Biosimilars, Following Blockbuster Originator Patents Expire

Sandoz History & Corporate Background

1886: Founded in Basel, Switzerland by Alfred Kern and Edouard Sandoz.
1996: Merged with Ciba-Geigy to establish global healthcare giant **Novartis**.
2003: Novartis consolidated all global generic pharmaceutical operations under the unified **Sandoz** brand as its core generics division.
2022: To concentrate capital exclusively on innovative medicines, Novartis announced the planned spinoff of Sandoz.
4 Oct 2023: Sandoz officially completed its **100% spin-off** from Novartis, listing as an independent entity on the SIX Swiss Exchange (**Ticker: SDZ**).

Sandoz Core Franchises & Portfolio

Generics: Comprehensive portfolio of small-molecule and complex formulations across cardiovascular, CNS, anti-infectives, respiratory, and oncology therapies, generating the core revenue baseline.
Biosimilars: Global pioneer and industry benchmark. Launched the world's first biosimilar in Europe in 2006 (growth hormone *Omnitrope*), subsequently building a leading multi-billion-dollar portfolio across immunology and oncology.
Capitalizing on Expiring Originator Blockbusters: As unprecedented volumes of top-selling branded drugs lose patent protection, Sandoz provides high-quality, affordable generics and biosimilars, substantially reducing healthcare system costs and broadening global patient access.

Novartis AG: Global Innovative Medicine Leader

Mar 1996: Formed via the landmark merger of Swiss pharma pioneers Ciba-Geigy and Sandoz, representing one of the largest transactions in pharmaceutical history. Commenced trading on December 20, 1996 on SWX (NOVN) and NYSE (NVS).
2019: Spun off eye-care device and vision division **Alcon** as an independent public company.
2023: Completed the 100% tax-neutral spin-off of generic and biosimilar division **Sandoz**.
Through these divestments of non-core and mature assets, Novartis **transformed** into a pure-play pharmaceutical company deploying all capital into high-barrier, high-return **innovative medicines**.

Four Core Therapeutic Areas:
(1) Cardiovascular-Renal-Metabolic; (2) Immunology;
(3) Neuroscience; (4) Oncology.

Three Emerging Platforms:
(1) **Radioligand Therapy (RLT)** (e.g., *Pluvicto* for metastatic prostate cancer);
(2) **Gene & Cell Therapy**; (3) **RNA Therapeutics (xRNA)**.

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Source: KGI Equity Advisory

Why Did Sandoz Spin Off from Novartis?

Strategic Rationale, Key Transaction Terms, Listing Timeline, and Standalone Capitalization

Core Strategic Drivers for the Separation:

- **Pure-Play Focus on High-Margin Innovators:** Novartis reshaped itself into a pure-play innovative medicine company. Innovative drugs enjoy substantially higher gross margins (85%–90%+) and growth potential than generic operations.
- **Generic Market Competition & Pricing Squeeze:** The generic sector has experienced intense competition from Indian and Chinese manufacturers alongside US generic pricing deflation, creating distinct operational rhythms that diverged from Novartis's core business.
- **Independent Capital Structures & Pure Valuation:** Separation gave both entities tailored capital allocation frameworks. Sandoz now optimizes investment purely for generic/biosimilar pipelines, allowing equity markets to value each business without conglomerate discount.

Trading Timeline & Venues

- **Listing Date:** October 4, 2023.
- **Listing Venues:** Standalone primary listing on the SIX Swiss Exchange (Ticker: SDZ) with an active American Depositary Receipt (ADR) program in the US.

Key Transaction Terms & Capital Structure

- **Spinoff Structure:** 100% tax-neutral spin-off executed via a distribution-in-kind to existing Novartis shareholders.
- **Distribution Ratio:** 1 Sandoz share for every 5 Novartis shares held (and 1 Sandoz ADR for every 5 Novartis ADRs).
- **Shareholder Approval:** Approved by 99.7% of voting shareholder capital at the Novartis EGM on September 15, 2023.
- **Capital Allocation:** Secured ~US$3.75bn in debt financing and a US$1.25bn revolving credit facility, establishing an investment-grade standalone balance sheet.

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Source: KGI

Strong Share Price Performance Post-Spinoff

Sandoz Shares Surged ~3x (+197.5%) Since Listing, Outperforming Global Pharma Peers

Global Top 10 Pharmaceutical Companies by Market Cap

Rank	Company Name	Country / Ticker	Market Cap	Share Return (23.10.4–26.09.23)	Share Return Annualized	Core Growth Driver
	Sandoz Group AG	**Switzerland (SIX: SDZ)**	**~US$37bn**	**197.5%**	**65.8%**	**Pure-play generic/biosimilar leader; major valuation rerating powered by the biosimilar golden era**
1	**Eli Lilly**	USA (NYSE: LLY)	~US$1.03tn	116.3%	38.8%	Phenomenal GLP-1 weight-loss and diabetes franchise (Mounjaro / Zepbound) driving unprecedented TAM
2	**Johnson & Johnson**	USA (NYSE: JNJ)	~US$650bn	8.4%	2.8%	Diversified defensive dual-engine growth across Innovative Medicine and Medical Technology (MedTech)
3	**AbbVie**	USA (NYSE: ABBV)	~US$450bn	41.9%	14.0%	Next-gen immunology blockbusters (Skyrizi / Rinvoq) successfully cushioned the Humira patent cliff
4	**Merck & Co.**	USA (NYSE: MRK)	~US$360bn	18.4%	6.1%	Global oncology champion Keytruda delivers robust cash flows ahead of 2028E patent cliff
5	**Roche**	Switzerland (SIX: ROG)	~US$350bn	16.3%	5.4%	Stable diagnostics & established oncology foundation driving steady baseline valuation recovery
6	**Novartis**	Switzerland (SIX: NOVN)	~US$291bn	33.3%	**11.1%**	Pure-play focus on radioligand therapy (Pluvicto) and innovative pipeline **post-Sandoz separation**
7	**AstraZeneca**	UK / Sweden (LSE/AZN)	~US$250bn	26.2%	8.7%	Targeted oncology blockbusters, rare diseases, and robust pipeline expansion driving revenue
8	**Amgen**	USA (NASDAQ: AMGN)	~US$210bn	22.6%	7.5%	Resilient biologics, bone health, inflammation franchises, and early obesity pipeline (MariTide)
9	**Gilead Sciences**	USA (NASDAQ: GILD)	~US$180bn	27.0%	9.0%	Dominant antiviral franchise (HIV/HCV) combined with strategic oncology diversification
10	**Novo Nordisk**	Denmark (NYSE: NVO)	~US$150bn	118.8%	39.6%	GLP-1 obesity and diabetes market leadership (Ozempic / Wegovy); valuation normalized with supply

Spinoff

Sources: Bloomberg, KGI

內部參考文件請勿外流

Investment Thesis 1: Leveraging Heritages from Novartis

World-Leading Manufacturing and Compliance | Formidable R&D Scale | Global Commercial Reach

I. World-Class cGMP Compliance & Sterile Bio-Manufacturing Infrastructure

Industry Bottleneck: For complex biosimilars, stringent cGMP audits by the US FDA and European EMA represent insurmountable hurdles. Junior generic peers frequently suffer import alerts and regulatory rejections due to quality failures.

Novartis Heritage: Sandoz inherited multi-decade, multi-billion-dollar aseptic production assets from Novartis, making it one of the few global manufacturers capable of commercial-scale biosimilar output under pristine compliance.



II. Pioneer Biosimilar R&D Moat & Pre-Invested Technology Pipelines

Substantial Upfront Capex: Biosimilar development demands extensive CMC optimization, cell-line cloning, and costly clinical comparability studies ($50M–$150M+ per asset), fully backed by Novartis capital.

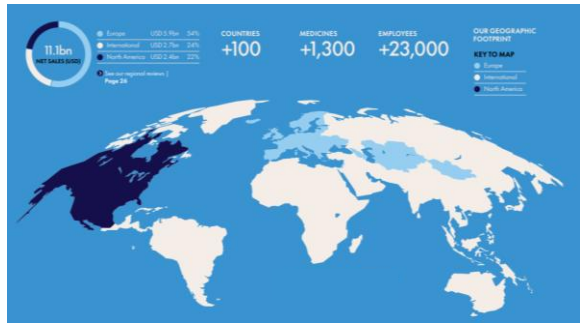
Pioneering Track Record: As the historic first mover to launch biosimilars globally, Sandoz entered the 2025–2030 patent cliff with a mature, battle-tested pipeline ready for rapid commercialization rather than developing from scratch.



III. Mature, Broad Global Commercial Distribution & PBM Access Network

Bypassing Channel Setup: Gaining tier placement with US PBMs, integrated health systems, and European hospital tenders takes years of relationship building.

Immediate Global Reach: Sandoz inherited Novartis's entrenched global distribution channels spanning 100+ countries, enabling instant 'Day-1' formulary penetration and volume dominance upon patent expirations.



IV. Clean, Focused Balance Sheet & Dedicated Standalone Capital Allocation

Eliminating Resource Dilution: Inside Novartis, generic cash flows were historically subordinated to high-margin novel drug discovery, leading to capital under-allocation.

Independent Strategic Focus: Sandoz launched with an investment-grade balance sheet, enabling management to allocate 100% of operating cash flows toward biosimilar scaling and targeted M&A with supreme agility.



內部參考文件請勿外流

Sources: Sandoz, KGI

Investment Thesis 2: Benefiting from the Largest Patent Cliff in History (1/3)

Unprecedented Scope: Over US$200B–$300B in Blockbuster Drug Revenues Losing Exclusivity

The Largest Patent Expiration Wave in History:

Scale of Expiring Revenues: Between 2025 and 2030, ~200 blockbuster drugs will lose exclusivity, placing US$180B–$300B in annual brand revenues at risk (roughly one-sixth of the global pharmaceutical market).

Historical Contrast: The current wave is 2–3x larger in dollar impact than the 2011–2016 cliff (~$100B), with the crucial distinction that expirations are heavily concentrated in high-margin biologics and targeted oncology.

Vulnerable Core Blockbusters & Originator Pharma Giants:

The 2025–2030 cliff threatens the primary earnings lifelines of global biopharma, with many giants facing 30%–50%+ revenue concentration risk:

Keytruda (Pembrolizumab, Merck & Co.): World's top-selling drug (~US$30bn/year; PD-1 inhibitor across dozens of cancer indications). US patents expire 2028–2029; accounts for >50% of Merck's total revenue, making biosimilar substitution the central focus of the biopharma sector.

Eliquis (Apixaban, BMS / Pfizer): World's leading anticoagulant (>US$10bn/year). Core patents face key expirations in 2026, opening immediate market entry for generics.

Opdivo (Nivolumab, BMS): Second approved global PD-1 blockbuster (>US$10bn/year). Multi-country patent expirations cross over between 2026 and 2028.

Additional Vulnerable Assets: Pfizer's breast cancer drug Ibrance and prostate cancer drug Xtandi expire 2026–2027; AbbVie's Humira continues to experience severe biosimilar erosion globally.

內部參考文件請勿外流

Source: KGI

Investment Thesis 2: Benefiting from the Largest Patent Cliff in History (2/3)

Epicenter in the US, Spanning 5–6 Years with Biologics Dominating the Transition

Two Primary Innovation Ecosystems Impacted:

United States (The Epicenter): The vast majority of blockbuster drugs facing patent expiration derive their highest commercial margins and robust exclusivity protections in the US (listed in the FDA Orange/Purple Books). The US represents the primary commercial battlefield for generic and biosimilar market capture upon loss of exclusivity.

European Market: Operating alongside the Unified Patent Court (UPC) and national patent regimes, originator biologics in Europe face concurrent expirations as their standard 10–11 year Regulatory Data Exclusivity (RDE) windows elapse.

Timeline & Super-Cycle Duration:

Inflection Point (2026): Marked by major small-molecule and early biologic expirations (e.g., Eliquis), the patent cliff enters its steepest revenue descent trajectory in 2026.

Peak Expiration Inflection (2027–2028): Represents the most concentrated risk window, during which multiple mega-blockbusters with tens of billions in annual revenue (including Keytruda and Opdivo) collectively lose patent exclusivity.

Multi-Year Exclusivity Runway (2025–2030): The elevated pressure window spans 5 to 6 years. Unlike historical patent expiration cycles that were dispersed over decades, this wave is characterized by unprecedented temporal clustering and unprecedented single-product revenue scale.

Big Pharma Counter-Strategies:

Aggressive M&A and In-Licensing: Armed with substantial balance sheet cash, large pharma originators are acquiring biotechs with validated next-generation pipelines (e.g., ADCs, bispecific antibodies, cell therapies). The surge in global biopharma M&A and cross-border out-licensing deals is designed specifically to backfill the patent cliff revenue void.

Life Cycle Management (LCM): To defend market share, innovators actively develop second-generation formulations (e.g., reformulating intravenous infusions into subcutaneous injections to secure secondary delivery patents) or proactively enter biosimilars themselves to retain residual revenue post-expiration.

內部參考文件請勿外流

Source: KGI

Investment Thesis 2: Benefiting from the Largest Patent Cliff in History (3/3)

Sandoz's Unique Strategic Competitive Advantages in Capturing the Patent Cliff

I. Perfect Alignment with High-Barrier Biosimilars

Structural Shift to Biologics: Unlike past patent expiration cycles dominated by easily replicated small-molecule generics, this wave is overwhelmingly concentrated in high-value, complex large-molecule biologics.

Formidable Entry Barriers: Biosimilars feature intricate protein structures requiring living-cell culture and extensive analytical/clinical comparability studies to establish equivalence. These technical moats eliminate low-cost commodity copycats, leaving only a handful of qualified global manufacturers.

Sandoz's Market Leadership: As a pioneer and global leader in biosimilars, Sandoz commands a deep commercial and clinical pipeline across oncology and immunology. When originator biologics lose exclusivity, Sandoz leverages its technical and regulatory expertise to rapidly capture 70%–80% volume substitution, maximizing market share gains.

II. Novartis Manufacturing Heritage

Biomanufacturing and sterile fill-finish require **extraordinarily stringent** cGMP compliance. Junior generic peers and emerging biotechs frequently stumble during US FDA or European EMA pre-approval inspections, resulting in devastating import bans and launch delays.

Following its spinoff from Novartis, Sandoz fully inherited **state-of-the-art biomanufacturing infrastructure, multi-decade supply chain expertise, and pristine regulatory compliance standing**. This operational moat insulates Sandoz from supply disruptions, ensuring a reliability advantage that smaller competitors cannot match.

III. Mature Global Commercialization Infrastructure

When a patent cliff hits, commercial success is dictated by launch velocity—the ability to execute immediate distribution and secure tier placement with physicians, hospital formularies, and PBMs on day one.

Sandoz operates an established commercial network spanning over 100 countries. Rather than spending years building sales infrastructure like emerging biotechs, Sandoz leverages existing hospital and retail channels to achieve "Day-1" commercial rollout, establishing immediate volume scale upon loss of exclusivity.

IV. Pure-Play Focus & High-Return Capital Allocation

Unlike diversified Big Pharma conglomerates that face patent cliffs while simultaneously funding high-attrition novel clinical trials, Sandoz is an independent pure-play generic and biosimilar specialist.

Sandoz does not divert operating cash flow into high-risk de novo discovery. Instead, it concentrates capital with surgical precision on reverse-engineering impending blockbuster expiries, achieving superior capital efficiency and high cash conversion.

Strategic Comparison Against Global Peers:

vs. Teva Pharmaceutical: Teva remains encumbered by historical debt and legal liabilities, while Sandoz possesses a clean balance sheet and a deeper early-stage biosimilar pipeline.

vs. Viatris: Viatris emphasizes mature brand cash cows; Sandoz is far more aggressive in directly attacking the patent cliff with newly launched biosimilars.

vs. Samsung Biologics / Celltrion: Korean peers excel in CDMO capacity (Samsung) or direct sales (Celltrion); Sandoz holds superior commercial distribution, local regulatory relationships, and broader channel trust across Europe and North America.

內部參考文件請勿外流

Source: KGI

KGI

Investment Thesis 3: Capitalizing on US Medicare Reforms (1/2)

The Inflation Reduction Act (IRA): Capping Healthcare Expenditure & Alleviating Patient Cost-Sharing

Macro Regulatory Dividend: The overarching trajectory of US healthcare reform squeezes excessive originator profits and rewards affordable accessibility, providing Sandoz with an unprecedented macro tailwind to accelerate market share gains in the US.

Direct Medicare Drug Price Negotiation & Inflation Rebates

Negotiating Authority: CMS is empowered to negotiate Maximum Fair Prices (MFP) directly on top-spend single-source brand drugs, penalizing price hikes above CPI with mandatory rebates.

Ending Unchecked Monopolies: This structurally dismantles the era of unilateral price increases by innovator pharmaceutical companies.

Medicare Part D Benefit Redesign ($2,000 Out-of-Pocket Cap)

Hard Annual Cap: Starting in 2025, Medicare Part D caps seniors' annual prescription drug out-of-pocket expenses at US$2,000.

Payer Cost Squeeze: This dramatically relieves patient financial burdens but shifts substantial liability onto Part D plans and insurers, compelling payers to aggressively steer formularies toward lower-cost generic and biosimilar alternatives.

Aggressive Promotion of Cost-Effective Generics & Biosimilars

Countering Fiscal Strain: To offset rising fiscal burdens, federal regulations, reimbursement benchmarks, and clinical guidelines actively incentivize generic and biosimilar substitution.

Structural Catalyst: US healthcare reform represents a fundamental shift: deflating high-cost brand premiums while rewarding affordable healthcare access—a macroeconomic backdrop ideally tailored to Sandoz's core business.

內部參考文件請勿外流

Notes: MFP = Maximum Fair Price; CMS = Centers for Medicare & Medicaid Services | Sources: CMS, KGI

Investment Thesis 3: Capitalizing on US Medicare Reforms (2/2)

Sandoz's Business Model Directly Solves Core Healthcare Payer & Regulatory Pressures

PBMs and Health Plans Urgently Demand Low-Cost Alternatives

Formulary Steering: Under Part D $2,000 out-of-pocket caps and statutory price negotiations, commercial plans and PBMs are proactively shifting formularies toward deeply discounted alternatives.

Essential Tool: Sandoz's high-quality generics and reliable biosimilars serve as the primary instruments for healthcare payers to contain aggregate liabilities.

Intense Scrutiny on Biologics Accelerates Biosimilar Adoption

Targeting Expensive Biologics: US healthcare reforms heavily target high-cost oncology and autoimmune biologics.

Heightened Switching Propensity: When originators face price caps or formulary exclusion, hospitals and physicians demonstrate heightened willingness to prescribe biosimilars (Sandoz's core growth driver) that offer equal efficacy at a 30%–50%+ discount.

Favorable Regulatory Pathways & Market Access Incentives

Securing Supply Chains: To break originator monopolies and avoid supply vulnerabilities, federal policies offer favorable reimbursement markups (e.g. ASP + 8% for biosimilars) and streamlined interchangeability designations.

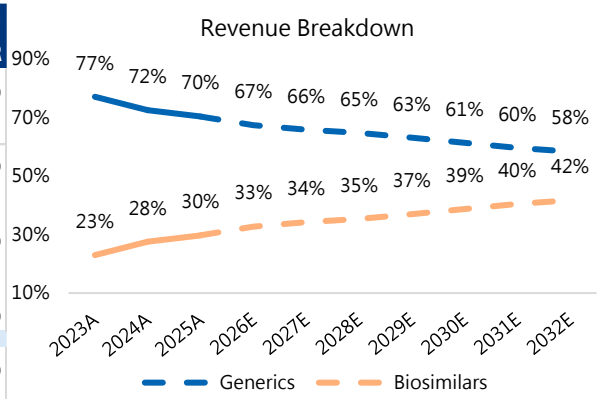
Accelerated US Rollout: This regulatory tailwind enables Sandoz to seamlessly commercialize its expanding biosimilar pipeline across US hospital and retail pharmacy networks.

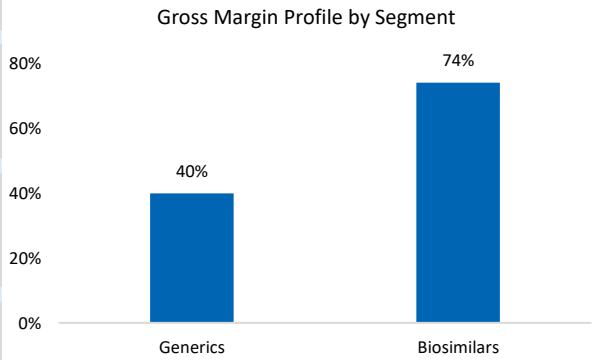
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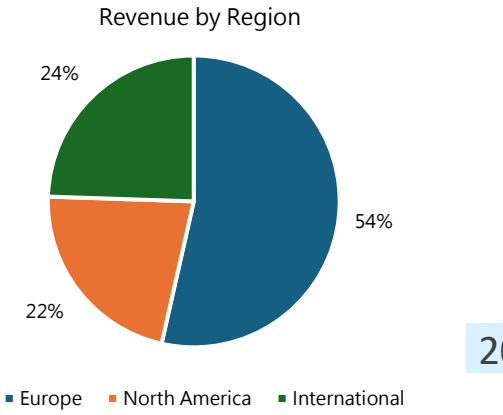
Source: KGI

Superior Earnings Resilience & Visibility: Generics Anchor Stable Base Revenue While Biosimilars Power LT Growth

Sandoz (SDZ SW) in USD million	2022		2023		2024		2025		2026F		2027F		2028F		2029F		2030F		25-30 CAGR
Revenue	**9,306**	100%	**9,979**	100%	**10,384**	100%	**11,157**	100%	**12,203**	100%	**13,003**	100%	**13,516**	100%	**14,188**	100%	**14,902**	100%	6%
YoY(%)			7%		4%		7%		9%		7%		4%		5%		5%		
Generics	7,141	77%	7,432	74%	7,504	72%	7,794	70%	8,152	67%	8,483	65%	8,679	64%	8,871	63%	9,068	61%	3%
YoY(%)			4%		1%		4%		5%		4%		2%		2%		2%		
Biosimilars	1,928	21%	2,215	22%	2,853	27%	3,292	30%	3,957	32%	4,419	34%	4,729	35%	5,202	37%	5,723	38%	12%
YoY(%)			15%		29%		15%		20%		12%		7%		10%		10%		
Other revenues	237	3%	332	3%	27	0%	71	1%	95	1%	101	1%	108	1%	115	1%	111	1%	9%
Gross Profit	**4,378**		**4,564**		**4,926**		**5,284**		**6,033**		**6,550**		**6,903**		**7,305**		**7,698**		8%
YoY(%)			*4.2%*		*7.9%*		*7.3%*		*14.2%*		*8.6%*		*5.4%*		*5.8%*		*5.4%*		
Gross Margin (%)	47.0%		45.7%		47.4%		47.4%		49.4%		50.4%		51.1%		51.5%		51.7%		
Operating expenses	**(3,139)**		**(4,189)**		**(4,619)**		**(3,859)**		**(4,106)**		**(4,016)**		**(4,106)**		**(4,209)**		**(4,371)**		
Development & regulatory	(833)		(926)		(932)		(1,050)		(1,196)		(1,266)		(1,325)		(1,378)		(1,447)		
% of Revenue	-9.0%		-9.3%		-9.0%		-9.4%		-9.8%		-9.7%		-9.8%		-9.7%		-9.7%		
Operating Income (IFRS)	**1,239**		**375**		**307**		**1,425**		**1,927**		**2,534**		**2,797**		**3,096**		**3,327**		18%
YoY(%)			*-69.7%*		*-18.1%*		*364.2%*		*35.2%*		*31.5%*		*10.4%*		*10.7%*		*7.5%*		
Operating Margin (%)	13.3%		3.8%		3.0%		12.8%		15.8%		19.5%		20.7%		21.8%		22.3%		
Net Income (Adj.)	**1,220**		**953**		**1,176**		**1,589**		**1,783**		**2,017**		**2,220**		**2,458**		**2,658**		11%
YoY(%)			*-21.9%*		*23.4%*		*35.1%*		*12.2%*		*13.1%*		*10.1%*		*10.7%*		*8.1%*		
Net Income Margin (%)	13.1%		9.5%		11.3%		14.2%		14.6%		15.5%		16.4%		17.3%		17.8%		







Primary Forecasting & Downside Risks

Revenue Dynamics

Future revenue expansion is predominantly geared toward biosimilars. However, unlike traditional small-molecule generics, biosimilar assets demand significantly greater upfront R&D capex, clinical trials, and regulatory lead times. Key forecasting risks include clinical or regulatory approval setbacks, launch delays, and aggressive defensive price cuts by originators to protect brand volume.

Biosimilars (Primary Growth Driver)

While biosimilars only account for ~30% of revenue, they represent the company's primary top-line growth engine (>20% CAGR). Looking toward 2027E, approximately 5 molecules have secured European approvals, though commercial guidance has been issued for only 1 launch schedule. Longer term, the pivotal forecasting catalyst is Sandoz's Keytruda biosimilar (Pembrolizumab IV); whether it successfully launches by 2028E represents the single largest earnings swing factor.

Generics (Defensive Cash Flow Base)

Traditional generics are projected to deliver steady low-single-digit volume growth. The core downside risk is intensifying market competition or accelerated annual price deflation, which would narrow segment growth and compress operating margins. Because generics generate the vast majority of operating cash flow, excessive pricing pressure remains the primary risk to baseline liquidity.

Sources: UBS, KGI

Superior Earnings Resilience & Visibility: Manageable Leverage with Strong FCF Driving Steady Deleveraging

Sandoz (SDZ SW Equity)										
Balance Sheet (USD Millions)		**2022**	**2023**	**2024**	**2025**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**
Key Metric	Net Debt	141	3,150	3,344	3,575	3,910	3,578	3,052	2,288	1,473
Assets (Key Element)	Cash & Equivalents	74	1,109	1,191	1,739	900	1,232	1,758	2,522	3,337
	Inventories	2,124	2,700	2,800	2,845	2,805	2,940	3,043	3,143	3,280
	Trade receivables	2,207	2,615	2,205	2,508	2,701	2,912	3,064	3,200	3,361
	Total assets	**17,557**	**19,430**	**19,907**	**22,032**	**22,055**	**23,289**	**24,620**	**26,085**	**27,678**
Liabilities (Key Element)	Short term debt	185	284	145	614	110	110	110	110	110
	Long term debt	30	3,975	4,390	4,700	4,700	4,700	4,700	4,700	4,700
	Accounts payable	1,100	1,593	1,519	1,850	1,650	1,729	1,790	1,849	1,930
	Total liabilities	**8,797**	**10,776**	**11,743**	**12,647**	**11,943**	**12,022**	**12,083**	**12,142**	**12,223**
Equity (Key Element)	Equity attributable to shareholders	8,748	8,645	8,163	9,384	10,109	11,262	12,530	13,935	15,444
	Non-controlling interests	12	9	1	1	3	5	7	9	11
	Total Equity	**8,760**	**8,654**	**8,164**	**9,385**	**10,112**	**11,267**	**12,537**	**13,944**	**15,455**
Cash Flow Statement (USD Millions)		**2022**	**2023**	**2024**	**2025**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**
Operating CF (Key Element)	Net income	850	80	1	914	1,226	1,759	1,958	2,192	2,388
	Depreciation and amortization	492	525	502	545	552	575	603	633	666
	Net working capital and other adjustments	331	(353)	(34)	1,446	348	508	644	727	722
	Net cash from operations	**1,223**	**362**	**656**	**1,594**	**1,426**	**2,067**	**2,367**	**2,648**	**2,836**
Investing CF (Key Element)	Capital expenditures	(269)	(330)	(378)	(486)	(739)	(594)	(603)	(633)	(666)
	Purchase/ disposal of intangible assets	(117)	(256)	(176)	(265)	(387)	(398)	(410)	(423)	(436)
	Net cash from investing activities	**(430)**	**(614)**	**(740)**	**(980)**	**(1,225)**	**(1,092)**	**(1,114)**	**(1,056)**	**(1,101)**
Financing CF (Key Element)	Dividend paid	-	-	(215)	(315)	(499)	(604)	(688)	(786)	(876)
	Increase/(decrease) in debt	(732)	1,284	560	194	(504)	-	-	-	-
	Other financing cash flows	(37)	(42)	(60)	(72)	(36)	(39)	(40)	(42)	(44)
	Net cash from financing activities	**(769)**	**1,242**	**285**	**(193)**	**(1,039)**	**(643)**	**(728)**	**(828)**	**(921)**
Cash and cash equivalents at end of year		**74**	**1,109**	**1,191**	**1,739**	**900**	**1,232**	**1,758**	**2,522**	**3,337**

Sandoz Spinoff Financing Structure (2023)

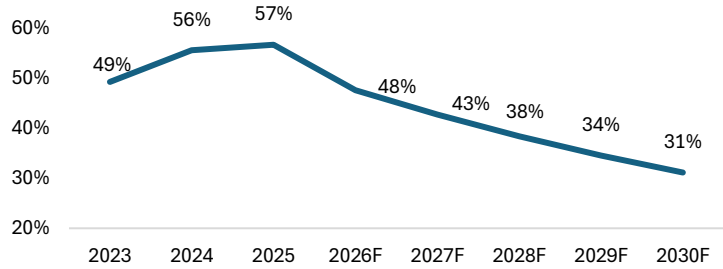
Raised ~US$3.9bn in debt financing facilities from international syndicated banks, partially deployed to repay ~US$2.8bn in legacy internal loans provided by Novartis. Despite the debt transition, interest coverage remains exceptionally strong, with EBITDA / Interest expanding from 4.5x in 2023 to 9.0x in 2025, demonstrating substantial debt-servicing capacity.

Balance Sheet

Prudent Leverage & Expansion Headroom: Financial leverage remains well-controlled, with robust projected cash flows driving progressive balance sheet deleveraging. Concurrently, Sandoz maintains ample capital headroom to fund manufacturing expansion and advance its biosimilar pipeline to support long-term secular growth.

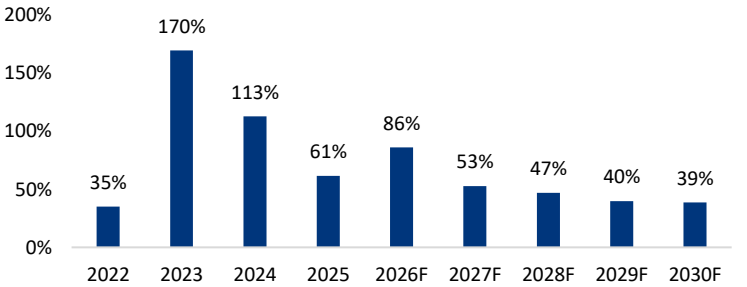
Debt/Equity

Long-Dated Debt Maturity Profile: Corporate debt is predominantly long-term with staggered maturities, minimizing near-term refinancing risks as the leverage ratio steadily declines (projected from 57% in 2025 to 31% by 2030E).



Cash Flow Reinvestment (CFI / CFO)

Self-Funded Organic Expansion: Robust CFO (US$1.5bn+ free cash flow) comfortably covers ongoing manufacturing capex (e.g., Kundl and Holzkirchen facilities) and strategic in-licensing.



Sources: UBS, KGI

Valuations

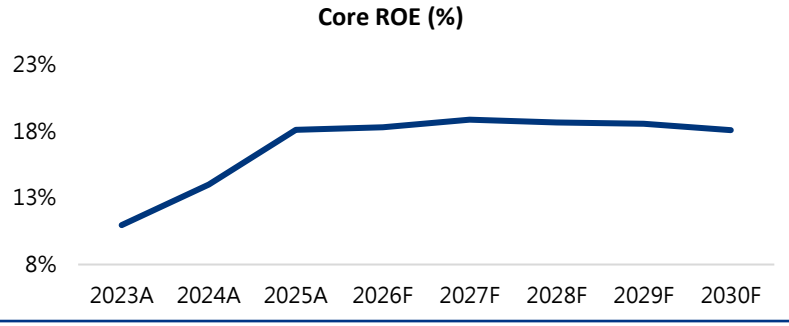
18.6x 2027 P/E, more compelling than Global Healthcare and Global Pharma subsector

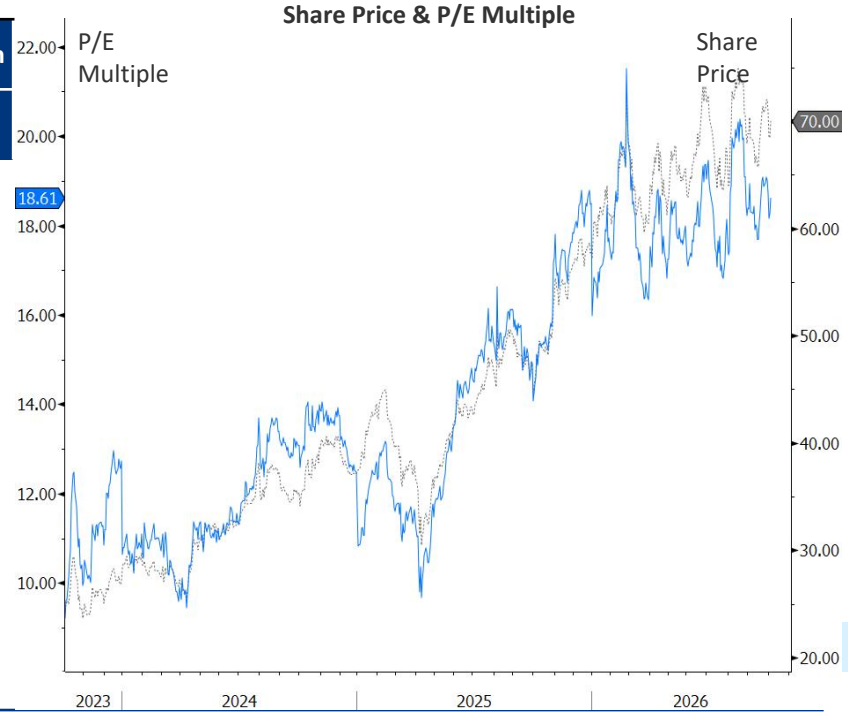
	Current	Fair Value	Valuation Methodology			Fair Value Implied P/E Multiple			
	CHF/Share		Methodology	P/E (2026E)	Rationale	2027E	2028E	2029E	2030E
Analyst Consensus	**70.0**	**76.2 (+9%)**	DCF and PE	**22.2x**	1. The company has ~1,300 commercialized generic medicines accounting for ~70% of current revenues, providing stable cash flows that serve as the foundation for a DCF. 2. Subsequent growth is primarily driven by biosimilars, which carry higher R&D capex and longer development timelines; their revenue contribution is projected to expand from 30% currently to over 40%.	19.4x	17.2x	15.2x	13.8x

Broker / Institution	Target (CHF)
Jefferies	94.0
Barclays	93.0
J.P. Morgan	80.0
Goldman Sachs	80.0
Bank Vontobel	80.0
Consensus Mean	**76.2**
BNP Paribas	70.0
UBS	70.0
Deutsche Bank	65.0
Morningstar	60.0
Morgan Stanley	55.0

Buy	Hold	Sell
11	8	1

Scenario Analysis	Generics	Biosimilars	EBITDA Margin
	26–30E CAGR	26–30E CAGR	FY30E Margin
Bull Case (CHF 94/shr)	+3.5%	+11.5%	28.5%
Base Case (CHF 76.2/shr)	+2.8%	+9.3%	28.0%
Bear Case (CHF 55/shr)	+1.5%	+7.0%	26.0%





Sources: Bloomberg, UBS, KGI

Structured Product Solutions (1/2)

Specific Product Solutions Intentionally Redacted

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Source: KGI

Structured Product Solutions (2/2)

Specific Product Solutions Intentionally Redacted

Source: KGI

Peer Comparison 1: Pick the Best in Class – from the Top 7 Global Generic Players

Company Name & Ticker	Business Model	Core Competitive Strengths	Primary Investment Risks	Key Financial Metrics	Investor Suitability
Sandoz Group AG Switzerland; SIX: SDZ	Independent global pure-play leader in generic medicines and biosimilars post-Novartis spinoff.	Pure structure with zero conglomerate drag; dominant Western biosimilar footprint (~33% of revenue, >20% growth); pristine balance sheet with Net Debt / Core EBITDA ~1.4x.	Vulnerability to macro healthcare price controls and commoditized price erosion in small molecules; trading multiple premium to traditional generic peers.	2025 Revenue US$10.2bn; Core EBITDA margin 21.7%; US$1.5bn in strong standalone free cash flow.	**Quality value investors seeking defensive growth, resilient free cash flows, and direct exposure to the patent cliff.**
Teva Pharmaceutical Israel; NYSE: TEVA	Historic global generic titan pivoting toward high-margin specialty CNS franchises (e.g. Austedo).	Unrivaled global generic volume footprint and ubiquitous supply chain; rapid acceleration of innovative specialty portfolio partially offsetting legacy generic headwinds.	Elevated historical debt burden; quarterly operating margin volatility due to litigation liabilities and restructuring outlays.	2025 Revenue >US$15.8bn; Net margin recovering to ~8.2%, exiting losses onto a clear deleveraging path.	**Deep value / contrarian investors comfortable with balance sheet restructuring and operational turnaround volatility.**
Viatris USA; NASDAQ: VTRS	Global healthcare company formed via the combination of Mylan (generics) and Pfizer Upjohn (mature brands).	Extensive mature blockbuster portfolio (Lipitor, Norvasc) generating billions in recurring cash flow; proactive deleveraging (debt ratio down to ~2.9x) with solid dividend payout.	Subdued organic revenue growth; ongoing multi-year portfolio divestments and post-merger integration headwinds.	2025 Total Revenue US$14.3bn; highly cash-generative profile providing steady shareholder returns.	**Income-focused conservative allocators prioritizing high defensive yield, debt reduction, and dividend sustainability.**
Sun Pharma India; NSE: SUNPHARMA	India's largest pharmaceutical company and leading global manufacturer of generic formulations and APIs.	Superior cost leadership anchored in India's API manufacturing ecosystem; successful strategic pivot toward high-margin specialty dermatology and ophthalmology in the US.	US FDA cGMP regulatory warning letter exposure (common industry risk for Indian sites); emerging market FX volatility.	2025 Revenue US$6.0bn; consistently delivers robust ~20% net margins, reflecting exceptional earnings compounding.	**Growth-at-a-reasonable-price (GARP) allocators seeking exposure to low-cost global supply chain compounding.**
Fosun Pharma China; HKEX: 2196.HK	Leading integrated Chinese healthcare group spanning generics, Henlius biosimilars, devices, and out-licensing.	Strong innovation pivot with rising biologic share (Hanlikang, CAR-T cell therapies); established international commercialization and licensing capabilities.	Substantial domestic price erosion from China's National Reimbursement Drug List (NRDL) talks and VBP; holding company macro leverage.	2025 Revenue US$5.8bn; resilient underlying operational cash flow supporting ongoing innovative pipeline expansion.	**Progressive healthcare allocators bullish on Chinese biopharma globalization and valuation recovery despite policy volatility.**
Samsung Biologics Korea; KRX: 207940	World-leading biologic CDMO giant with deep biosimilar market presence via subsidiary Samsung Bioepis.	Largest global bioreactor capacity (Plants 1–5); high client retention with >US$21bn in cumulative order backlog; exceptional operating profitability (>30%).	Massive capital expenditure cycle; sensitivity to global biotech venture funding climate; elevated valuation multiple relative to generic peers.	2025 Revenue US$3.0bn; stellar operating profit margin of ~46.5% powered by commercial-scale CDMO volume releases.	**High-growth growth allocators targeting long-term secular expansion in outsourced biologic drug substance manufacturing.**
Celltrion Korea; KRX: 068270	Pioneer in biosimilar antibody development and integrated commercialization, expanding into novel biologics.	Fully vertically integrated from R&D to global direct commercial distribution; expanding US production footprint; strong cost containment.	High R&D and clinical capital requirements; intensifying biosimilar competition from multinational pharma giants in immunology and oncology.	2025 Revenue US$3.0bn; operating profit margin expanded to 28.1%, exhibiting rapid top-line scaling.	**Growth-oriented Asia-Pacific allocators seeking exposure to high-margin antibody biosimilars with direct US marketing infrastructure.**

Source: KGI

Peer Comparison 2: Buy Sandoz or Big Pharma Brands?

Ticker / Company	Business Model	Core Competitive Moat	Revenue Growth	Gross/Operating Margin	Capital Return	Primary Investment Risks	Investor Suitability
Eli Lilly NYSE: LLY	Global biopharma giant focused on de novo breakthroughs; massive incretin profits.	Dominates GLP-1 weight-loss/diabetes super-cycle (Mounjaro/Zepbound); top R&D.	High growth (>25%+)	High (>80% / ~40%)	Low dividend yield; heavy capital reinvestment into clinical pipeline development and commercial manufacturing capacity.	Valuation trades at peak multiples; highly sensitive to trial data and GLP-1 rivals.	**Aggressive growth allocators seeking high-beta exposure to medical innovation.**
Johnson & Johnson NYSE: JNJ	Diversified healthcare conglomerate spanning Innovative Medicine and MedTech.	Pristine AAA balance sheet; extreme operational diversification and recurring cash.	Low single digit (3%–5%)	High (~65% / ~25%)	Decades of consistent dividend increases (Dividend King); steady share buybacks.	Talc and historical product litigations; mature blockbusters facing patent expiries.	**Conservative allocators seeking capital preservation, AAA safety, and yield.**
Merck & Co. NYSE: MRK	Research-driven biopharma titan concentrated in premier oncology and vaccines.	Owns global oncology champion Keytruda (~$30bn/yr); vaccine moat (Gardasil).	Steady growth; 2028 cliff	High (>75% / ~30%)	Abundant free cash flow, attractive dividend yield, and active pipeline in-licensing.	Keytruda patent cliff exposure (US patents expire 2028–2029); replacement urgency.	**Value investors demanding dividend income while tracking post-Keytruda pipeline.**
Amgen NASDAQ: AMGN	Biotech & biosimilar pioneer operating balanced novel biologics and follow-on mAbs.	Biomanufacturing scale across cardio, bone, and early obesity pipeline (MariTide).	Mid single digit (5%–7%)	High (~70% / ~30%)	Reliable dividend yield with consistent growth; moderate leverage from acquisitions.	Legacy biologics face biosimilars; debt integration from Horizon acquisition.	**Balanced allocators seeking both biotech innovation and commercial cash flows.**
Pfizer NYSE: PFE	Diversified legacy biopharma executing major oncology pipeline rebuild post-COVID.	Unrivaled commercial distribution footprint and M&A integration scale (Seagen).	Rebuilding post-COVID base	Moderate (~65% / Volatile)	Top-tier dividend yield (~6%); extensive restructuring to support debt repair.	Growth void post-COVID cliff, balance sheet leverage, and novel pipeline delays.	**Contrarian value allocators prioritizing high dividend income and asset recovery.**
Moderna NASDAQ: MRNA	Pure-play biotech translating mRNA technology into vaccines and oncology.	Agile mRNA platform engineering enabling rapid vaccine candidate iteration.	Volatile seasonal demand	Volatile; operational loss	Zero dividends; aggressive cash burn directed into Phase II/III clinical pipeline.	Post-pandemic revenue contraction; ongoing operational losses during R&D ramp.	**Speculative growth investors comfortable with clinical trial volatility.**
Sandoz Group AG SWX: SDZ	Pure-play global generic & biosimilar champion; quintessential defensive model.	Direct beneficiary of 2025–2030 patent cliff; Novartis cGMP scale and distribution.	Mid-to-high single digit	Healthy (~60% / ~22%)	Clean balance sheet; highly cash-generative with sustainable ~30%–40% payout.	Commoditized small-molecule generic pricing; complex biologic BPCIA litigations.	**Defensive value allocators seeking cash flow visibility tied to healthcare reform.**

Source: KGI

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Peer Comparison 3: Key Financial & Valuation Metrics – Global Innovators vs. Generics

	Name		Mkt Cap (USD mil)	Price Changes (%) 1M	3M	YTD	1YR	Last Price	BBG Tgt Px	Upside	Sales (USD) 2025	Sales YoY (%) 2026	2027	EPS YoY (%) 2026	2027	Gross Margin 2026	2027	Operating Margin 2026	2027	Net Margin 2026	2027	ROE 2026	2027	P/E 2026	2027	P/B 2026	2027	Div Yield (%) 2026
Innovative Drugs 原研藥/創新藥																												
LLY US Equity	ELI LILLY & CO	禮來公司	1,082,419.42	-0.88	-5.28	6.99	40.25	1,149.85	1,346.07	17%	65,179.00	35.66	15.26	**51.67**	**28.47**	84.06	84.01	46.32	50.49	37.04	41.36	85.69	66.03	31.31	24.38	20.39	12.98	0.60
JNJ US Equity	JOHNSON & JOHNSON	嬌生公司	623,344.37	-6.01	-1.67	24.99	39.08	258.66	283.72	10%	94,193.00	7.47	7.23	**3.16**	**12.52**	73.05	73.18	31.66	33.04	26.70	27.96	33.04	32.81	23.24	20.65	7.07	6.25	2.07
ABBV US Equity	ABBVIE INC	艾伯維公司	459,326.80	-0.68	-0.44	13.76	9.88	259.93	280.07	8%	61,160.00	10.58	8.76	**40.50**	**15.57**	84.27	84.56	46.89	49.58	36.86	39.22			18.50	16.01			2.66
MRK US Equity	MERCK & CO. INC.	默克藥廠	354,803.95	-5.16	11.00	36.62	60.66	143.81	156.86	9%	65,011.00	3.29	4.77	**-69.45**	**246.77**	81.05	82.26	17.40	40.15	10.09	33.21	13.91	42.84	52.43	15.12	7.27	5.85	2.36
ROP SW Equity	ROCHE HOLDING AG	羅氏控股公司	340,712.62	-0.54	1.70	5.82	22.16	347.30	377.89	9%	74,248.70	1.89	5.03	**4.39**	**7.53**	75.63	76.00	35.14	36.32	25.60	26.34	42.28	38.04	17.10	15.90	6.88	5.77	2.89
Azn US Equity	ASTRAZENECA PLC	阿斯利康	244,601.10	-2.43	-19.19	-10.14	-4.24	157.70	205.09	30%	58,739.00	7.60	5.75	**12.16**	**11.47**	82.37	82.27	33.32	33.67	25.21	26.35	26.96	26.77	15.35	13.77	4.50	3.90	2.11
AMGN US Equity	AMGEN INC	安進公司	220,183.20	-8.03	8.85	24.43	36.94	407.27	398.69	-2%	36,751.00	5.85	3.37	**5.44**	**5.84**	81.19	81.63	43.46	43.88	32.14	32.84	125.21	105.30	17.69	16.71	19.63	14.87	2.48
PFE US Equity	PFIZER INC	輝瑞大藥廠	160,274.82	-3.10	15.63	12.93	3.84	28.12	28.91	3%	62,579.00	-0.44	-3.83	**-7.55**	**-2.92**	75.11	75.71	34.18	34.77	27.35	27.51	18.10	18.30	9.45	9.73	1.79	1.75	6.13
MRNA US Equity	MODERNA INC	莫德納公司	75,431.63	25.28	136.89	540.69	565.99	188.94	118.29	-37%	1,944.00	8.10	16.46	**-15.66**	**43.48**	18.36	64.73									12.98	18.44	0.00
6160 HK Equity	BEONE MEDICINES LTD-H	百濟神州	43,134.13	-3.28	21.47	18.35	0.86	212.20	265.42	25%	5,320.54	26.31	15.23	**213.50**	**40.03**	88.50	88.39	16.03	18.57	13.63	16.22	17.27	20.05	43.13	30.80	7.30	5.77	0.00
BIIB US Equity	BIOGEN INC	百健公司	32,922.55	0.07	3.10	26.61	43.52	222.82	238.35	7%	9,890.60	5.53	2.25	**-18.23**	**31.72**	77.85	78.97	23.37	29.53	17.80	22.82	10.56	12.86	17.83	13.54	1.69	1.53	0.00
1801 HK Equity	INNOVENT BIOLOGICS INC	信達生物	21,403.34	-5.45	12.77	26.23	-4.42	96.25	129.24	34%	1,815.25	42.80	25.73	**193.75**	**53.26**	85.77	85.55	13.48	16.81	12.84	15.33	11.16	14.71	58.34	38.07	6.52	5.47	0.22
OGN US Equity	ORGANON & CO	歐嘉隆公司	3,600.38	-0.44	1.18	91.21	25.32	13.71	14.00	2%	6,216.00	-1.30	3.65	**-8.20**	**6.85**	59.35	59.92	26.47	26.64	14.78	15.44	63.99	44.48	4.08	3.82	2.54	1.63	0.58
		Simple Average	**281,704**	**-0.82**	**14.31**	**62.96**	**64.60**			**9%**		**11.80**	**8.43**	**31.19**	**38.51**	**74.35**	**78.24**	**30.64**	**34.45**	**23.34**	**27.05**	**40.74**	**38.38**	**25.70**	**18.21**	**8.21**	**7.02**	**1.70**
		Market Cap Weighted Average		**-2.25**	**2.44**	**25.33**	**41.89**			**11%**		**15.25**	**8.88**	**18.53**	**40.07**	**79.09**	**80.29**	**36.75**	**41.05**	**28.70**	**33.01**	**46.78**	**42.19**	**25.72**	**18.73**	**10.54**	**7.73**	**1.92**
Generic / Biosimilar Drugs 仿製藥/生物相似藥																												
TEVA US Equity	TEVA PHARMACEUTICAL IND LTD	梯瓦製藥	45,807.79	6.24	19.12	37.40	96.45	39.31	45.23	**15%**	17,258.00	**-3.87**	3.75	**-30.72**	**53.25**	55.34	57.14	23.67	29.62	14.47	21.40	31.79	31.85	19.36	12.64	5.31	4.18	0.00
207940 KS Equity	SAMSUNG BIOLOGICS CO LTD	三星生物製劑	46,777.55	-6.92	-4.31	-19.59	-6.16	1,354,000.00	1,979,215.38	**46%**	3,207.15	**20.00**	15.86	**14.68**	**19.44**	54.07	54.95	44.72	45.37	34.80	35.43	22.19	21.05	34.12	28.57	6.73	5.42	0.00
SUNP IN Equity	SUN PHARMACEUTICAL INDUS	Sun Pharm	44,875.14	-6.77	-3.74	4.73	10.07	1,801.00	2,194.79	**22%**	6,593.78	**11.19**	11.06	**4.82**	**13.85**	79.95	80.10	24.28	23.94	20.90	20.05	15.70	14.68	35.56	33.09	5.38	4.64	0.83
SDZ SE Equity	SANDOZ GROUP AG	山德士	37,066.05	1.31	-3.08	20.61	51.92	69.76	76.24	**9%**	11,157.00	**9.34**	5.24	**12.14**	**10.98**	49.36	50.37	14.79	18.70	14.61	15.65	14.67	17.05	20.64	18.60	3.67	3.19	1.28
068270 KS Equity	CELLTRION INC	塞爾群公司	31,495.12	-1.30	3.34	6.34	9.77	182,600.00	270,120.31	**48%**	2,929.52	**33.51**	15.87	**59.61**	**17.88**	62.75	64.44	33.19	35.17	28.15	28.47	8.72	9.53	27.05	22.95	2.23	2.06	0.43
VTRS US Equity	VIATRIS INC	威託瑞	20,054.40	2.17	4.55	40.24	72.70	17.46	19.55	**12%**	14,299.90	**3.37**	1.78	**7.11**	**6.24**	56.40	56.39	27.38	28.14	19.95	20.66	15.81	21.09	6.94	6.53	1.38	1.33	2.86
2196 HK Equity	FOSUN PHARMACEUTI-H	復星醫藥	8,813.48	14.72	12.80	-7.11	-31.88	18.16	25.59	**41%**	5,776.15	**2.48**	2.53	**15.91**	**4.62**	51.73	51.37	7.27	6.61	9.15	9.91	8.00	8.45	10.54	10.08	0.81	0.76	2.96
		Simple Average	**71,570**	**1.35**	**4.10**	**11.80**	**28.98**			**28%**		**10.86**	**8.01**	**11.94**	**18.04**	**58.52**	**59.25**	**25.50**	**28.00**	**20.29**	**21.65**	**16.70**	**17.67**	**22.03**	**18.92**	**3.64**	**3.08**	**0.98**
		Market Cap Weighted Average		**-0.68**	**2.99**	**11.57**	**34.02**			**27%**		**11.71**	**9.20**	**8.97**	**21.74**	**59.79**	**60.72**	**36.75**	**41.05**	**21.87**	**23.48**	**18.75**	**19.29**	**25.24**	**21.42**	**4.43**	**3.70**	**1.92**

Source: Bloomberg, KGI; As of 2/10/2026

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Peer Comparison 4: Key Financial & Valuation Metrics – KGI Global Healthcare 30

Ticker	Name		Mkt Cap	Price Changes (%)				Last	BBG		Sales (USD)	Sales YoY (%)		EPS YoY (%)		Gross Margin		Operating Margin		Net Margin		ROE		P/E		P/B		Div Yield (%)
			(USD mil)	1M	3M	YTD	1YR	Price	Tgt Px	Upside	2025	2026	2027	2026	2027	2026	2027	2026	2027	2026	2027	2026	2027	2026	2027	2026	2027	2026
1. Life Sciences Tools & Diagnostics 生命科學工具與診斷																											
TMO US Equity	THERMO FISHER SCIENTIFIC	賽默飛世爾	241,264	7.23	24.66	12.61	24.30	652.51	659.22	1%	44,556.00	7.43	5.15	9.81	9.70	41.90	42.32	23.46	23.82	19.52	20.19	16.63	16.71	25.98	23.69	4.28	3.90	0.28
DHR US Equity	DANAHER CORP	丹納赫集團	148,864	0.88	6.99	-7.50	0.68	211.76	231.04	9%	24,568.00	6.83	7.97	9.08	9.34	58.99	59.55	28.72	29.18	22.97	23.26	11.36	11.28	24.89	22.76	2.83	2.64	0.68
2359 HK Equity	WUXI APPTEC CO LTD-H	藥明康德	76,206	8.42	37.43	112.77	72.98	210.00	224.49	7%	6,327.05	32.13	21.06	16.62	17.33	53.13	53.04	44.56	43.79	38.12	36.95	26.61	25.78	22.90	19.52	5.60	4.57	1.28
A US Equity	AGILENT TECHNOLOGIES INC	安捷倫科技	46,992	10.10	27.54	22.50	20.17	166.68	176.26	6%	6,948.00	7.95	6.52	10.93	8.87	55.09	55.17	26.98	27.61	23.40	23.83	23.09	21.51	26.88	24.69	5.78	5.05	0.62
2269 HK Equity	WUXI BIOLOGICS	藥明生物	28,617	10.78	52.12	73.51	29.63	54.55	58.54	7%	3,032.95	17.94	20.09	12.41	22.81	46.17	46.98	31.90	33.12	24.61	24.89	11.24	12.35	31.19	25.39	3.52	3.07	0.00
TEM US Equity	TEMPUS AI INC-CL A	Tempus AI	13,803	23.51	26.93	29.55	-14.33	76.50	70.95	-7%	1,271.79	25.39	23.29	62.13	122.51	65.25	65.66	-0.70	1.88	-2.66	-0.32	-5.48	0.43		1,471.15	30.50	28.54	
		Simple Average	**46,310**	**10.2**	**29.3**	**40.6**	**22.2**			**3.8%**		**16.3**	**14.0**	**20.2**	**31.8**	**53.4**	**53.8**	**25.8**	**26.6**	**21.0**	**21.5**	**13.9**	**14.7**	**26.4**	**264.5**	**8.8**	**8.0**	**0.57**
		Market Cap Weighted Average		**6.5**	**23.4**	**25.3**	**23.6**			**4.5%**		**11.7**	**9.4**	**12.1**	**14.1**	**49.9**	**50.3**	**27.9**	**28.2**	**23.0**	**23.3**	**16.3**	**16.3**	**25.0**	**59.0**	**4.8**	**4.3**	**0.53**
2. Pharmaceuticals & Biotechnology 製藥與生物科技																											
LLY US Equity	ELI LILLY & CO	禮來	1,082,419	-0.88	-5.28	6.99	40.25	1,149.85	1,346.07	17%	65,179.00	35.66	15.26	51.67	28.47	84.06	84.01	46.32	50.49	37.04	41.36	85.69	66.03	31.31	24.38	20.39	12.98	0.60
JNJ US Equity	JOHNSON & JOHNSON	嬌生	623,344	-6.01	-1.67	24.99	39.08	258.66	283.72	10%	94,193.00	7.47	7.23	3.16	12.52	73.05	73.18	31.66	33.04	26.70	27.96	33.04	32.81	23.24	20.65	7.07	6.25	2.07
ABBV US Equity	ABBVIE INC	艾伯維	459,327	-0.68	-0.44	13.76	9.88	259.93	280.07	8%	61,160.00	10.58	8.76	40.50	15.57	84.27	84.56	46.89	49.58	36.86	39.22			18.50	16.01			2.66
RHHBY US Equity	ROCHE HOLDINGS LTD	羅氏控股	340,471	-2.75	-1.30	1.51	17.11	52.35	60.59	16%	74,248.70	1.89	5.03		7.56	75.63	76.00	35.14	36.32	25.60	26.34	42.28	38.04	17.08	15.88	6.87	5.77	2.89
NVS US Equity	NOVARTIS AG	諾華	287,011	-13.18	-11.79	2.31	7.70	141.05	156.63	11%	56,674.00	4.47	6.48		11.18	80.78	80.52	36.92	37.53	29.69	30.12	33.71	35.38	15.96	14.35	5.59	5.24	2.99
MRK US Equity	MERCK & CO. INC.	默克藥廠	354,804	-5.16	11.00	36.62	60.66	143.81	156.86	9%	65,011.00	3.29	4.77	-69.45	246.77	81.05	82.26	17.40	40.15	10.09	33.21	13.91	42.84	52.43	15.12	7.27	5.85	2.36
AZN LN Equity	ASTRAZENECA PLC	阿斯特捷利康	246,621	0.55	-17.17	-12.68	-3.31	12,042.00	15,378.52	28%	58,739.00	7.33	6.02	12.16	11.47	82.37	82.27	33.41	33.67	25.27	26.35	26.96	26.77	15.48	13.88	4.53	3.93	2.10
AMGN US Equity	AMGEN INC	安進公司	220,183	-8.03	8.85	24.43	36.94	407.27	398.69	-2%	36,751.00	5.85	3.37	5.44	5.84	81.19	81.63	43.46	43.88	32.14	32.84	125.21	105.30	17.69	16.71	19.63	14.87	2.48
NVO US Equity	NOVO-NORDISK	諾和諾德	166,991	-20.03	-25.84	-26.49	-36.33	37.40	45.69	22%	46,810.17	-2.28	1.13		0.31	80.28	80.42	41.53	40.32	32.99	31.13	46.59	37.60	11.32	11.28	4.73	4.23	4.77
PFE US Equity	PFIZER INC	輝瑞	160,275	-3.10	15.63	12.93	3.84	28.12	28.91	3%	62,579.00	-0.44	-3.83	-7.55	-2.92	75.11	75.71	34.18	34.77	27.35	27.51	18.10	18.30	9.45	9.73	1.79	1.75	6.13
VRTX US Equity	VERTEX PHARMA	福泰製藥	128,439	-8.98	-4.03	11.77	23.94	506.74	575.66	14%	12,001.30	10.25	10.54	2.46	11.22	86.02	87.08	41.80	42.56	36.32	36.49	22.63	23.20	26.88	24.17	7.45	5.82	0.00
SDZ SE Equity	SANDOZ GROUP AG	山德士	37,066	1.31	-3.08	20.61	51.92	89.76	76.24	-9%	11,157.00	9.34	5.24	12.14	10.98	49.36	50.37	14.79	15.70	14.61	15.65	14.67	17.05	20.64	18.60	3.67	3.19	1.28
		Simple Average	**186,679**	**-5.6**	**-2.9**	**9.7**	**21.0**			**12.0%**		**7.8**	**5.8**	**5.6**	**29.9**	**77.8**	**78.2**	**35.3**	**38.4**	**27.9**	**30.7**	**42.1**	**40.3**	**21.7**	**16.7**	**8.1**	**6.4**	**2.53**
		Market Cap Weighted Average		**-4.4**	**-2.8**	**11.2**	**26.5**			**12.8%**		**13.5**	**8.2**	**13.5**	**35.2**	**80.2**	**80.5**	**38.1**	**41.8**	**29.9**	**33.7**	**46.4**	**42.1**	**24.6**	**18.5**	**9.9**	**7.2**	**2.13**
3. Medical Devices 醫療器械與醫療科技																											
ABT US Equity	ABBOTT LABORATORIES	亞培	167,311	-12.47	1.35	-22.83	-27.30	96.69	121.24	25%	44,328.00	13.49	8.68	7.17	9.84	57.77	58.15	23.28	23.59	19.18	19.33	18.50	19.89	17.52	15.95	3.33	3.12	2.62
SYK US Equity	STRYKER CORP	史賽克	104,700	-12.57	-16.41	-22.34	-25.50	272.96	369.33	35%	25,116.00	8.38	8.40	10.01	11.54	65.22	65.52	26.72	27.12	21.28	21.89	22.11	21.06	18.20	16.32	4.03	3.67	1.31
ISRG US Equity	INTUITIVE SURGICAL INC	直覺外科	141,749	7.90	-5.81	-29.15	-9.43	401.24	476.00	19%	10,064.70	16.81	12.71	20.59	12.19	68.38	68.45	39.73	39.73	32.82	32.54	19.04	18.53	37.26	33.21	6.92	5.85	0.00
MDT US Equity	MEDTRONIC PLC	美敦力	110,569	-6.23	3.91	-10.01	-9.47	86.44	104.14	20%	36,364.00	8.43	7.14	0.73	8.07	65.37	64.99	24.77	24.90	19.75	19.70	14.63	15.12	15.66	14.46	2.31	2.15	3.23
		Simple Average	**131,082**	**-5.8**	**-4.2**	**-21.1**	**-17.9**			**25.0%**		**11.8**	**9.2**	**9.6**	**10.4**	**64.2**	**64.3**	**28.6**	**28.8**	**23.3**	**23.4**	**18.6**	**18.7**	**22.2**	**20.0**	**4.1**	**3.7**	**1.79**
		Market Cap Weighted Average		**-5.7**	**-3.6**	**-21.7**	**-18.3**			**24.5%**		**12.3**	**9.4**	**10.0**	**10.4**	**63.7**	**63.8**	**28.7**	**28.9**	**23.4**	**23.5**	**18.5**	**18.8**	**22.6**	**20.4**	**4.2**	**3.8**	**1.78**
4. Healthcare IT & Digital Health 醫療 IT 與數位醫療																											
VEEV US Equity	VEEVA SYSTEMS	Veeva	45,647	0.43	46.27	26.30	-6.27	281.93	297.15	5%	3,195.31	16.34	15.40	22.73	14.02	77.98	76.77	44.74	44.58	42.10	41.39	19.44	18.00	35.50	30.53	6.44	5.85	0.00
HIMS US Equity	HIMS & HERS HEALTH INC	他和她	6,836	2.16	-20.38	-9.76	-49.37	29.30	32.15	10%	2,347.64	36.71	25.02			64.97	64.68	-2.90	4.17	3.10	5.39	-14.33	28.53		38.40	4.37	3.68	0.00
		Simple Average	**26,242**	**1.3**	**12.9**	**8.3**	**-27.8**			**7.6%**		**26.5**	**20.2**	**22.7**	**14.0**	**71.5**	**70.7**	**20.9**	**24.4**	**22.6**	**23.4**	**2.6**	**23.3**	**35.5**	**34.5**	**5.4**	**4.8**	**0.00**
		Market Cap Weighted Average		**0.7**	**37.6**	**21.6**	**-11.9**			**6.0%**		**19.0**	**16.6**	**19.8**	**12.2**	**76.3**	**75.2**	**38.5**	**39.3**	**37.0**	**36.7**	**15.0**	**19.4**	**30.9**	**31.6**	**6.2**	**5.6**	**0.00**
5. Healthcare Services & Providers 醫療服務機構																											
HCA US Equity	HCA HEALTHCARE INC	HCA醫療保健	91,665	5.31	3.14	-9.31	-0.77	423.39	456.17	8%	75,600.00	3.91	3.85	4.50	8.60			15.20	15.11	8.25	8.12			14.36	13.22			0.74
CVS US Equity	CVS HEALTH CORP	CVS保健	108,968	-12.37	-18.64	7.36	10.01	85.20	114.54	34%	402,067.00	3.85	2.85	19.24	6.08	14.29	14.42	4.03	4.12	2.48	2.56	11.78	12.11	10.59	9.98	1.35	1.25	3.11
		Simple Average	**100,316**	**-3.5**	**-7.8**	**-1.0**	**4.6**			**21.1%**		**3.9**	**3.4**	**11.9**	**7.3**	**14.3**	**14.4**	**9.6**	**9.6**	**5.4**	**5.3**	**11.8**	**12.1**	**12.5**	**11.6**	**1.3**	**1.3**	**1.92**
		Market Cap Weighted Average		**-4.3**	**-8.7**	**-0.3**	**5.1**			**22.2%**		**3.9**	**3.3**	**12.5**	**7.2**	**7.8**	**7.8**	**9.1**	**9.1**	**5.1**	**5.1**	**6.4**	**6.6**	**12.3**	**11.5**	**0.7**	**0.7**	**2.03**
6. Healthcare Payer 醫療保險與支付方																											
UNH US Equity	UNITEDHEALTH GROUP INC	聯合健康	327,802	-8.62	-14.14	10.63	3.25	365.20	481.11	32%	447,567.00	-0.45	3.18	21.44	13.88	19.77	19.56	5.77	6.32	4.01	4.42	17.29	16.67	18.39	16.15	3.22	2.99	2.47
1299 HK Equity	AIA GROUP LTD	友邦保險	91,248	-8.95	-4.95	-13.39	-7.18	69.20	102.93	49%	42,379.00	10.45	9.17	15.30	10.51			19.32	19.85	33.53	33.78	18.11	18.42	11.31	10.23	2.02	1.82	3.12
ELV US Equity	ELEVANCE HEALTH INC	Elevance健康	82,773	-5.96	-8.67	8.88	12.18	381.67	447.86	17%	199,125.00	-0.42	2.21	-10.48	8.89	19.12	19.91	3.53	4.17	3.01	3.12	11.32	12.87	14.08	12.93	1.83	1.67	1.83
CI US Equity	THE CIGNA GROUP	信諾	70,806	-5.26	-6.88	-2.64	-9.77	267.96	339.92	27%	274,900.00	4.92	4.27	2.26	9.73	9.25	9.23	3.53	3.69	2.78	2.83	16.90	17.16	8.78	8.00	1.59	1.44	2.33
		Simple Average	**143,157**	**-7.2**	**-8.7**	**0.9**	**-0.4**			**31.2%**		**3.6**	**4.7**	**7.1**	**10.8**	**16.0**	**16.2**	**8.0**	**8.5**	**10.8**	**11.0**	**15.9**	**16.3**	**13.1**	**11.8**	**2.2**	**2.0**	**2.44**
		Market Cap Weighted Average		**-7.9**	**-11.0**	**4.9**	**1.3**			**31.8%**		**2.0**	**4.1**	**13.5**	**12.1**	**15.2**	**15.2**	**7.3**	**7.8**	**8.4**	**8.7**	**16.5**	**16.5**	**15.5**	**13.7**	**2.6**	**2.4**	**2.46**
		KGI Health Care 30 - Simple Average	**6,012,771**	**-2.1**	**3.3**	**9.8**	**8.8**			**14.9%**		**10.5**	**8.6**	**11.0**	**22.9**	**61.3**	**61.5**	**26.2**	**27.9**	**21.8**	**23.1**	**25.0**	**26.1**	**21.2**	**66.9**	**6.4**	**5.4**	**1.86**
		KGI Health Care 30 - Market Cap Weighted Average		**-3.8**	**-1.1**	**8.7**	**18.9**			**15.1%**		**11.9**	**7.9**	**13.1**	**27.8**	**67.3**	**67.5**	**32.4**	**35.1**	**25.9**	**28.5**	**36.8**	**33.8**	**23.3**	**21.8**	**7.9**	**5.9**	**1.96**

Source: Bloomberg, KGI; As of 2/10/2026

Sandoz: Key Investment Risks

Monitoring Generic Pricing Erosion, Biosimilar Execution, Trade Policy, Patent Disputes, and FX

1. Global Drug Price Deflation & Payer Cost-Containment Pressures

- **Acute Price Competition:** Traditional small-molecule generics are highly commoditized and prone to aggressive price wars. Sovereign governments worldwide continue to enforce stringent healthcare cost-containment measures.
- **US Tariff & Trade Exposure:** Headquartered in Europe, Sandoz faces geopolitical realignments and potential US trade or tariff policy adjustments on cross-border exports, which could compress overseas operating margins.

2. Biosimilar Expansion: Execution & Clinical R&D Risks

- **High Barriers & Capital Intensity:** Developing follow-on biologics requires extensive clinical development cycles, substantial upfront capital expenditures ($50M–$150M+ per asset), and intricate regulatory approval pathways.
- **Commercial Launch Execution:** Critical success factors depend on advancing clinical trials on schedule, securing timely regulatory approvals, overcoming originator switching barriers, and winning physician and patient prescribing trust.

3. Complex Patent Litigations & Legal Defense Risks

- **Protracted Patent Litigation:** Challenging innovator patent thickets routinely exposes Sandoz to multi-year patent disputes against well-capitalized multinational pharma originators.
- **Adverse Judgments or Injunctions:** A legal defeat in pivotal patent litigation not only incurs heavy legal defense costs, but may also delay commercial launches or permanently bar market entry, impairing projected revenue growth.

4. Manufacturing Complexity & Supply Chain Continuity

- **Stringent cGMP Compliance:** Unlike small molecules synthesized through standard chemical processes, biosimilars are delicate live-cell culture products governed by extraordinarily rigorous biomanufacturing and sterile fill-finish standards.
- **Supply Chain Disruption Risk:** If bioprocessing facilities face regulatory compliance defects, batch failures, or raw material bottlenecks, supply interruptions can halt product shipments, driving revenue losses and reputational impairment.

5. Foreign Exchange Volatility & Macroeconomic Sensitivity

- **Global Currency Translation Exposure:** Operating in over 100 countries, Sandoz incurs revenues and costs across diverse currencies while reporting financials in USD/CHF. Significant currency swings (e.g., broad USD strengthening, or Euro and emerging market currency depreciation) generate reporting translation volatility.

內部參考文件請勿外流

Source: KGI

Appendix 1: Why Are US Drugs the Most Expensive Globally? Will this Change? (1/3)

The Strategic Gamesmanship Between PBMs, Insurers, and Pharmaceutical Manufacturers

I. Core Structural Disconnect: List Price (WAC) vs. Net Realized Price

Dual Pricing Framework in the US:

1. List Price (WAC): The manufacturer's official published wholesale acquisition cost (and the cash price faced by uninsured patients at retail pharmacy counters).
2. Net Realized Price: Actual revenue retained by the manufacturer after deducting confidential rebates, administrative fees, and discounts demanded by PBMs.
3. Core Economic Conflict: Drugmakers care strictly about whether Net Price covers R&D and required returns, whereas PBM commercial incentives compel manufacturers to continuously inflate List Price to fund massive rebate pools.

II. Four Operational Steps Driving List Price Inflation

1. PBMs Control Life-or-Death Formulary Placement:

The overwhelming majority of commercial health plans are administered by PBMs (e.g., CVS Caremark, Express Scripts). PBMs curate a restrictive Formulary (Preferred Drug List). If an originator secures Preferred Tier status, patient co-pays are minimized, unlocking massive prescription volume. Conversely, formulary exclusion immediately collapses commercial sales. Drugmakers must win formulary access at all costs.

2. PBMs Leverage Therapeutic Competition to Extract Massive Rebates:

When multiple therapeutic alternatives exist, PBMs leverage drug rivalry to pit manufacturers against one another, demanding increasingly steep cash rebates (often reaching 40% to 50%+ of List Price) in exchange for exclusive preferred status.

3. Pharma Passes Concessions Back into Inflated List Prices:

Assume a drug requires a US$100 Net Price to break even and generate a profit, but the PBM demands a 50% rebate. If the manufacturer lists the drug at US100,$deductingthe$5050 net revenue—triggering an immediate loss. The only viable commercial response is to double List Price to US$200. Once the PBM takes its 50% ($100) rebate, the manufacturer successfully preserves its required $100 net realization.

4. Why PBM Intermediaries Favor High List Prices:

PBM administrative fees and retainage models are frequently tied to percentages of total List Price or gross rebate volume. Higher List Prices enable PBMs to boast to corporate employer clients that they negotiated "record 50%+ discounts," justifying their intermediary value proposition while expanding retained fees.

內部參考文件請勿外流

Source: KGI

Appendix 1: Why Are US Drugs the Most Expensive Globally? Will this Change? (2/3)

Victims vs. Beneficiaries of the Inflated 'High-List, High-Rebate' System

III. Primary Victims of the High-List / High-Rebate System

Uninsured Patients: Forced to pay 100% of the inflated List Price (WAC) out-of-pocket at pharmacy counters, completely excluded from negotiated manufacturer rebates.

Patients in Deductible Phases: Under high-deductible health plans (HDHPs), patients must personally pay several thousand dollars in initial prescription costs calculated on inflated List Prices, effectively cross-subsidizing PBM and insurer cash flows.

IV. Primary Beneficiaries of the Intermediary Monopoly

Big 3 PBM Oligopoly: CVS Caremark, Express Scripts, and OptumRx control **>80% of US prescription drug volume**. They extract substantial intermediary profits through retained rebates and **Spread Pricing** (charging plan sponsors high rates while reimbursing dispensing pharmacies lower amounts).

Major Health Insurers: Most leading PBMs are captive units of diversified insurance conglomerates. Insurers utilize retained rebate cash to suppress headline insurance premiums to win corporate employer contracts.

Entrenched Originator Oligopolies: While forced to pay high rebates, mega-pharma firms leverage massive rebate pools to **contractually block lower-cost generic and biosimilar competitors** from preferred formulary tiers, preserving prolonged monopolies on blockbuster drugs.

V. Ultimate Beneficiaries: Vertically Integrated Conglomerates

The ultimate beneficiaries of this complex supply chain are vertically integrated healthcare conglomerates that unite health insurance plans, captive PBM intermediaries, specialty pharmacies, and retail pharmacy networks under one roof. These groups collect high employer premiums, extract drugmaker rebates via captive PBMs, and steer patient prescriptions into their own mail-order and retail pharmacies:

- **CVS Health:** Unites CVS Caremark (PBM), Aetna (Commercial Payer), and an extensive nationwide retail/specialty pharmacy chain.
- **Cigna Group:** Unites Cigna Healthcare (Commercial Payer) with Express Scripts (PBM) and Evernorth health services.
- **UnitedHealth Group:** Unites UnitedHealthcare (the largest US commercial insurer) with OptumRx (PBM) and Optum health delivery networks.

內部參考文件請勿外流

Source: KGI

Appendix 1: Why Are US Drugs the Most Expensive Globally? Will this Change? (3/3)

Historical Regulatory Inaction and the Landmark 2026 Comprehensive Reform Landscape

VI. Why PBM Intermediaries Remained Unregulated for Decades

PBMs maintained multi-decade commercial dominance and high profitability behind five entrenched structural moats:

1. Concentrated Market Oligopoly: The top 3 PBMs handle **>80% of all US prescription claims**, making it virtually impossible for self-insured employers or health systems to bypass them.

2. Information Asymmetry & Black-Box Contracts: Complex contracts and confidential rebate schedules concealed spread pricing, preventing employer sponsors from auditing true intermediary margin retention.

3. Powerful Lobbying Coalitions: The healthcare intermediary lobby spends hundreds of millions annually in Washington, framing itself as the *"negotiating protector lowering drug costs for Americans."*

4. Deep-Rooted Free-Market Ideology: Traditional US political aversion to federal intervention in private commercial contracts shielded intermediary rebating practices from government price controls.

5. Structural Opacity & Diffuse Accountability: Intermediary cash flows are so intricate that lawmakers and consumers historically struggled to identify the root drivers of inflated drug prices, delaying regulatory consensus.

VII. The Paradigm Shift: Landmark 2026 Federal Healthcare Reforms

With the passage of the Consolidated Appropriations Act, 2026 (CAA 2026), reinforced by aggressive enforcement from the Department of Labor (DOL) and Federal Trade Commission (FTC), the US has initiated systemic institutional reform targeting PBM practices:

1. Mandatory 100% Rebate Pass-Through: PBMs are legally prohibited from retaining manufacturer rebates or incorporating them into corporate revenues; 100% of price concessions must be fully remitted to employer health plans and plan sponsors, eliminating the financial incentive to favor inflated List Prices.

2. Eliminating Spread Pricing via Bona Fide Service Fees: In Medicare Part D and commercial lines, regulations restrict PBM compensation to flat, transparent "Bona Fide Service Fees" reflecting actual administrative labor, strictly outlawing percentage-based price markups.

3. Granular Transparency & Audit Rights: PBMs are mandated to deliver semi-annual, transaction-level prescription reporting to plan sponsors, exposing hidden spread pricing and pharmacy clawbacks while granting employers statutory annual independent audit rights.

內部參考文件請勿外流

Source: KGI

Appendix 2: Originator Drug R&D Process & Global Patent Lifecycle (1/2)

10–15 Years of R&D, US$1B–$3B Investment, ~10% Success Rate, and 8–12 Years of Market Exclusivity

R&D Economics: **Average 10–15 years** development and **US$1B–$3B** total capitalized cost; only ~1 in 10 clinical candidates wins regulatory approval.

Commercial Patent Clock: 20-year statutory patent terms begin at initial compound filing long before human trials. After subtracting clinical R&D and regulatory review, **effective commercial monopoly exclusivity lasts only 8–12 years.**

FDA New Drug Review Process

R&D Phase	Duration	Key Objectives & Clinical Sample Size	Estimated Trial Cost	Phase Success (POS)
Drug Discovery	3–6 Years	Target validation and chemical library screening; identify promising lead compounds	Early R&D capex (undisclosed)	—
Preclinical	1–2 Years	In vitro assays, animal toxicology, PK/PD profiling, CMC preparation for IND filing	US$5M – $50M	—
Phase I	~1 Year	20–100 healthy volunteers; evaluate safety, tolerability, PK/PD properties, and dosing	US$4M – $25M	~52%
Phase II	~2 Years	100–300 patient volunteers; evaluate therapeutic efficacy, optimal dose, and adverse events	US$13M – $20M	~29% (Highest attrition)
Phase III	3–4 Years	1,000–3,000+ patients; multi-center global trials validating statistical safety & efficacy	US$20M – $100M+ (Can reach $300M+)	~58%
FDA Review (NDA/BLA)	6–12 Months	Comprehensive FDA evaluation of clinical data, CMC validation, and drug labeling	Statutory PDUFA fees	~88%–90%
Total Cumulative	**10–15 Years**	**Out of every 10 candidate molecules entering human trials, only ~1 reaches commercial market**	**US$1B – $3B+ (Including cost of failures)**	**~8%–10% Cumulative POS**

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KGI

Appendix 2: Originator Drug – R&D Process & Global Patent Lifecycle (2/2)

Longer Clinical R&D Compresses Effective Post-Launch Exclusivity Across Key Jurisdictions

Fixed 20-Year Horizon: Patent clocks start at filing; longer development directly destroys commercial monetization windows.

Capital Recovery Window: Firms have only 8–12 years post-approval to recoup multi-billion dollar capitalized investments before generic competition begins.

Patent Expiry != Generic Launch: Actual generic entry dates depend on regulatory exclusivity, pediatric extensions, patent term adjustments, and litigation outcomes.

Country / Region	Statutory Patent Term	Patent Term Extension (PTE)	Regulatory Data Exclusivity (RDE)	Effective Commercial Exclusivity	Pre-Approval Patent Linkage
India (Weakest protection, fastest generic entry)	20 Years from filing	No extension mechanism	No statutory data exclusivity	~5–10 Years (Expires immediately)	No: CDSCO reviews quality only, not patent disputes
United States (Most litigious, highest commercial returns)	20 Years from filing	Max 5 years under Hatch-Waxman	5 Years (Small molecules) 12 Years (Biologics under BPCIA)	~8–12 Years post-approval	Yes: Hatch-Waxman Paragraph IV triggers automatic 30-month stay
Mainland China (Barriers centered on quality & VBP)	20 Years from filing	Max 5 years under revised Patent Law	6 Years statutory data exclusivity introduced in 2021	~8–12 Years post-approval	Yes: NMPA implements 9-month dispute resolution stay
European Union (Longest data exclusivity; unified court)	20 Years from filing	Max 5 years via SPC (+6m pediatric)	10 Years (8+2+1 rule: 8y data lock + 2y market exclusivity)	~8–12 Years post-approval	No: EMA evaluates quality/safety; patent enforcement left to civil courts
Japan (Strict protection; annual price revisions)	20 Years from filing	Max 5 years extension based on clinical review	8 Years re-examination period	~8–12 Years (Substantively strong protection)	Yes: PMDA verifies patent status prior to generic approvals

內部參考文件請勿外流

Source: KGI Equity Advisory

Appendix 3: Generic Drug – Strategic Challenges from India & China

Upper: India Targets Global Exports; China Upgrades Domestically | Lower: All Patent Litigations Induce Financial Losses

	India	China
Industry Positioning	**Global generic-drug export hub—the "pharmacy of the world." Operates 670 U.S. FDA-approved plants, the largest number outside the United States.**	**The world's largest API supplier.** Finished drugs are sold mainly domestically, while the industry shifts toward innovative drugs.
Major Customers	**United States.** FY2025 pharmaceutical exports reached US$30.5B; **35% went to the U.S.,** and over 95% were generics drugs.	**Chinese government and public insurance:** Public-hospital prices are determined by centralized procurement tenders rather than market pricing.
Profit Model	High-volume filings, scaled manufacturing and low-cost exports; success depends on volume, with prices set by market competition.	Winning centralized-procurement tenders secures volume; prices are determined through negotiations.
Competitive Landscape	**Concentrated:** The top 10 exporters account for over 60% of exports, leaving market leaders some pricing power.	**Highly fragmented:** No single company has meaningful pricing power.
Growth Sources	From 2025 to 2030, US$200–230B of U.S. branded-drug revenue will lose patent protection, alongside growth in complex generics such as injectables, inhalers and biosimilars.	Innovative-drug licensing to global pharmaceutical companies, including ADC and GLP-1 assets. The biosimilar pipeline is maturing: 87 products approved across only 23 molecules.
Representative Companies	Sun Pharma (~US$60B)、Cipla (~US$14B)、Dr. Reddy's (~US$12B)	Hengrui Pharma (~US$55B) · CSPC Pharmaceutical (~US$10B) · Sino Biopharmaceutical (~US$9B)
Key Risks	① **FDA inspection risk: An import ban means losing the U.S. market.** ② Dependence on a single market. ③ Tariff-policy uncertainty.	① **Expanded centralized procurement and sustained margin pressure**. ② Limited product differentiation. ③ Heavy investment and long payback periods for innovation. ④ Geopolitical risk.

	Outcome 1: Patent Fully Invalidated	Outcome 2: Patent Upheld	Outcome 3: Settlement and Licensing
Case	**Amarin** vs. Hikma/ Dr. Reddy's (Vascepa, a cardiovascular drug)	**BMS + Sanofi** vs. Apotex (Plavix, an antiplatelet drug)	**Regeneron** vs. Biocon／Sandoz (Eylea, an ophthalmic drug)
Dispute	Generic manufacturers argued that the patented technology lacked genuine innovation and should not receive patent protection.	Apotex unilaterally terminated its agreement and launched at risk, rushing its generic drug to market in August 2006.	Regeneron faced challenges from at least five biosimilar manufacturers, with inconsistent litigation outcomes.
Outcome	In March 2020, the court invalidated all six core patents, originally protecting the drug through 2030. Amarin lost its appeal and its market exclusivity.	A court issued an injunction three weeks later, but the generic had already entered the market. After six years of litigation, Apotex was found to have infringed in 2012.	No final court ruling. In 2025, Regeneron settled separately with Biocon and Sandoz in exchange for agreed launch schedules.
Financial Loss	The share price fell **70% in one day**, erasing approximately **US$3.5B** in market value, with no compensation.	U.S. sales losses reached **US$1.2–1.4B in 2006**. Apotex paid only **US$442M** in 2012.	U.S. sales losses reached **US$1.2–1.4B in 2006**. Apotex paid only **US$442M** in 2012.
Implications	For companies dependent on a single product, an adverse patent ruling can destroy value within hours, with no mechanism for compensation.	**Legal victory does not eliminate financial loss.** The damage has already occurred, and compensation is often far below the actual loss.	A settlement does not preserve the market; it only makes the timing of decline more predictable and moderates the initial shock.
	For brand-name drugmakers, patent litigation is an unavoidable and costly defensive battle, the only differences are the speed of revenue erosion and the form of the impact.		

Source: KGI

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Appendix 4: Global Healthcare Industry Overview – Six Subsectors

Healthcare IT Leads Growth; Life Sciences and MedTech Are Most Volatile Risk–Return Profiles Differ Across Six Subsectors

Subsector	TAM (US$)	Core Growth Drivers	CAGR	OP margin	Share Price Volatility	Key Risks	Representative Companies
1.Life Sciences Tools & Diagnostics Provides upstream research consumables, sequencing instruments, laboratory equipment and diagnostic reagents.	~$220B	**Essential R&D infrastructure:** Provides indispensable support for life-science research; next-generation sequencing (NGS) and diagnostic technologies facilitate drug development. **High-margin recurring revenue:** Installed equipment generates steady demand for diagnostic reagents and laboratory consumables.	Medium–High (7%-9%)	Medium–High (20%-28%)	**High**	**Biotech funding volatility:** VC and IPO contraction reduces market liquidity. **R&D budget cuts:** Lower biotech spending weakens instrument and reagent sales.	Thermo Fisher Scientific (TMO) · Danaher (DHR) · Illumina (ILMN) · Agilent (A) · WuXi AppTec (2359)
2. Pharma & Biotech Develops, manufactures and markets prescription drugs, biologics, vaccines and innovative therapies, including GLP-1 and ADC drugs.	~$1.8T	**GLP-1 supercycle:** GLP-1 therapies for diabetes and obesity are driving surging global demand and creating a vast new market. **Precision oncology breakthroughs:** Continued advances in ADCs and immunotherapies are creating dual engines for revenue growth.	Medium (6%-8%)	High (22%-35%+)	**Pharma: Medium** **Biotech: Medium**	**Patent expirations:** Generic competition can trigger sharp revenue declines. **Government pricing pressure:** Policies such as the U.S. IRA constrain prices and R&D returns.	Eli Lilly (LLY) · Novo Nordisk (NVO) · Merck (MRK) · Pfizer (PFE) · Roche (RHHBY) · Hengrui Pharma (1276)
3. Medical Devices & MedTech Designs and manufactures diagnostic equipment, surgical robots, premium implants and medical consumables.	~$600B	**Aging-driven demand:** Population aging increases demand for joint and cardiovascular implants and other medical consumables. **Minimally invasive automation:** Surgical robotics and minimally invasive technologies are expanding, driving premium equipment and proprietary consumables.	Medium–Low (6%-7%)	Medium–High (18%-28%)	**Devices: Medium–Low** **Technology: High**	**Tighter regulatory approval:** New rules, such as the EU MDR, raise barriers and extend approval timelines. **Government procurement:** Centralized purchasing may lower prices and compress high margins.	Medtronic (MDT)、Intuitive Surgical (ISRG)、Abbott (ABT)、Stryker (SYK)
4. Healthcare IT & Digital Health Provides electronic medical records, AI-assisted diagnostics, telehealth platforms and hospital information systems.	~$400B	**Workforce shortages:** Global healthcare staffing shortages are accelerating digitalization and automation. **AI-enabled healthcare:** AI diagnostics, workflow automation and telehealth are being rapidly adopted, improving efficiency and supporting market-leading growth.	Very High (14%-17%)	Medium–High (15%-35%)	**High**	**Cybersecurity and ransomware:** Data breaches may disrupt healthcare operations. **Data privacy compliance:** Data leaks may result in substantial regulatory penalties.	Veeva Systems (VEEV)、Doximity (DOCS)
5. Healthcare Services & Providers Provides clinical care, inpatient and emergency services, dialysis, long-term care and integrated healthcare services.	~$9.5T	**Aging-driven demand:** Population aging increases chronic-care and long-term-care requirements. **Utilization recovery:** Rebounding surgical and outpatient volumes support service growth and revenue expansion.	Medium–High (8%-9%)	Low-Medium (3%-8%)	**Medium–High**	**Healthcare labor shortages:** Structural undersupply and agency staffing increase labor costs. **Operating cost pressure:** Supply constraints and price controls significantly compress margins.	HCA Healthcare (HCA)、Fresenius Medical Care (FMS)、CVS Health (CVS)
6. Health Insurance / Payers Provides commercial health insurance, managed-care plans, medical cost management and healthcare technology services.	~$3.8T	**Medical cost inflation:** Rising medical costs and expensive innovative drugs drive sustained growth in total healthcare expenditure. **Premium repricing:** Insurers periodically adjust premiums, enabling successful cost pass-through and relatively stable profitability.	Medium (6%-8%)	Low (4%-8%)	**Low**	**Rising healthcare utilization:** Higher senior-care and diagnostic demand increases claims. **High-cost drug coverage:** Coverage of GLP-1 drugs raises the medical loss ratio (MLR).	United Health Group (UNH)、AIA(1299)、Cigna (CI)

Source: KGI

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Appendix 5: Importance of the Global Healthcare Industry

Sources of Inelastic Demand for Pharmaceuticals

- **Among the six most prevalent diseases, only diabetes and obesity rank among the leading categories by pharmaceutical spending. None of the five leading causes of death does.** Hypertension affects 1.4 billion people, while ischemic heart disease is the world's leading cause of death; however, their primary treatments have long been genericized, so their large patient and mortality burdens do not translate into comparable pharmaceutical sales.
- **Oncology, immunology and diabetes—the three largest therapeutic areas by pharmaceutical spending—account for 43% of global pharmaceutical value,** up 11 percentage points from 2019. Growth remains concentrated in a small number of high-value therapeutic areas.
- **The scale of pharmaceutical spending is determined not by how many people have a disease, but by whether its treatments remain under patent protection.**

① Chronic Diseases with the Largest Patient Populations:
Chronic diseases represent the pharmaceutical industry's largest addressable market, with long-term, recurring and predictable demand.

Global population: approximately 8.2 billion

- **Obesity and overweight: 2.5 billion adults worldwide (BMI ≥25), representing 43% of the global adult population. Of these, 890 million are obese (BMI ≥30).**
- **High Blood Pressure: 1.4 billion people worldwide**—approximately 33% of adults aged 30–79. It is a chronic condition requiring lifelong medication and cannot be cured; only 23% of patients globally have their blood pressure effectively controlled.
- **Mental health disorders: Nearly 1.2 billion people worldwide.**
- **Diabetes: 830 million people worldwide.** It is a chronic condition, predominantly Type 2, and more than half of patients remain untreated.
- **Chronic kidney disease: 788 million people worldwide**, with an adult prevalence of 14.2%.
- **Asthma: Approximately 262 million people worldwide.**

Note: Across all conditions, the four largest patient populations are oral diseases (~3.5 billion), vision impairment (~2.2 billion), latent tuberculosis (~1.7 billion) and hearing loss (~1.5 billion). However, treatment relies primarily on devices, surgery or public-health intervention, with limited pharmaceutical involvement.

② Diseases Causing the Most Deaths

	Disease	Pharmaceutical Treatment Profile	Spending Level	Share of Global Deaths
1	**Ischemic heart disease**	Lifelong medication required	**Low:** statins and ACE inhibitors are fully genericized	~15%
2	**Stroke**	Requires long-term secondary prevention	**Low:** mainly antiplatelet and antihypertensive drugs	~11%
3	Chronic obstructive **pulmonary disease**	Long-term inhaled therapy	**Medium:** some inhalers remain patent-protected	~6%
4	Lower respiratory infections	Short-term antibiotic treatment	**Low:** patients exit treatment after recovery	~4%
5	**Neonatal conditions**	Primarily supportive care	**Low:** limited pharmaceutical intervention	~3%

③ Therapeutic Areas with the Highest Global Pharmaceutical Spending

Therapeutic Area	Global Ranking & Market Size	Representative Drugs
Oncology: solid and hematologic cancers	2025: ~ US$288 billion	Keytruda (pembrolizumab): ~ US$32 billion in 2025
Immunology: autoimmune and inflammatory diseases, including rheumatoid arthritis, psoriasis, atopic dermatitis and inflammatory bowel disease	2024: ~US$198 billion	Humira (adalimumab); Dupixent (dupilumab)
Diabetes: predominantly Type 2	2024: ~US$138 billion	Semaglutide, a GLP-1 receptor agonist: Ozempic/Wegovy
Obesity	2025: ~US$66 billion	Tirzepatide, a dual GIP/GLP-1 receptor agonist: Mounjaro/Zepbound; combined sales of US$36.5 billion

Sources: KGI, WHO 2023, IHME Global Burden of Disease

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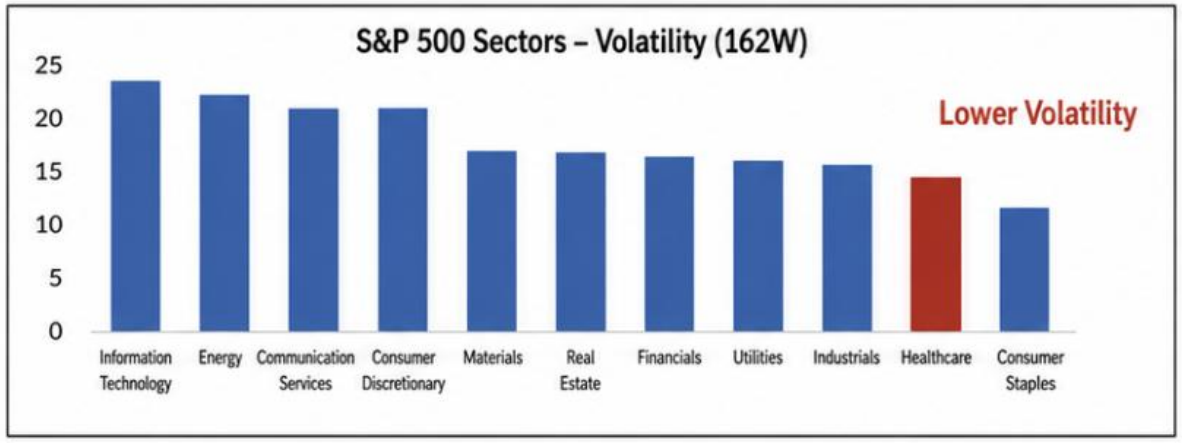
Appendix 6: Defensive Healthcare Trade vs. Crowded AI Trade

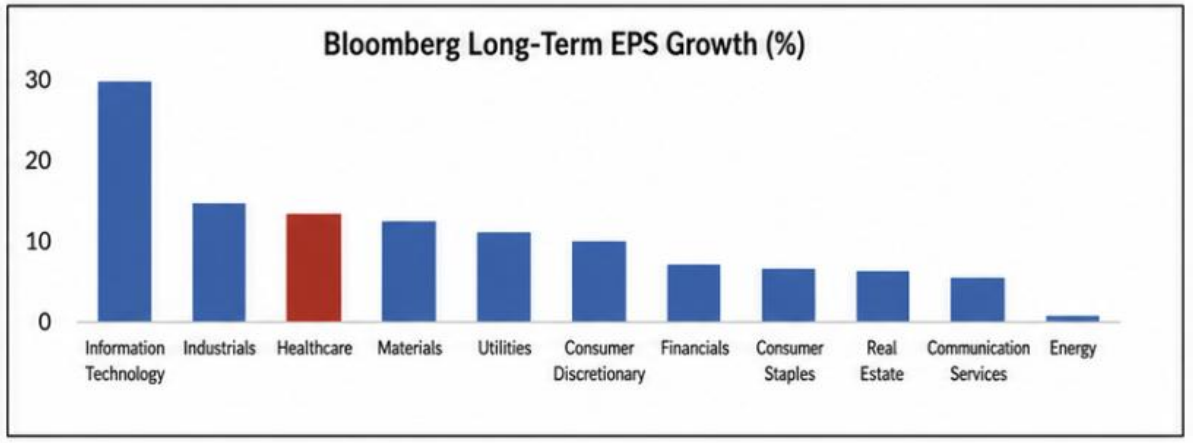
Healthcare Offers Low Cross-Asset Correlation to Tech and Defends Portfolios Against Volatility

S&P 500 Sector Return Correlations
(3 Years, Weekly)

	Healthcare	Information Technology	Consumer Discretionary	Communication Services	Financials	Real Estate	Industrials	Energy	Materials	Consumer Staples	Utilities
Healthcare	1	0.19	0.26	0.21	0.49	0.54	0.50	0.16	0.57	0.45	0.32
Information Technology	0.19	1	0.73	0.67	0.48	0.27	0.62	-0.01	0.41	0.06	0.05
Consumer Discretionary	0.26	0.73	1	0.73	0.61	0.37	0.61	0.02	0.49	0.20	0.08
Communication Services	0.21	0.67	0.73	1	0.48	0.17	0.47	-0.01	0.29	0.13	-0.04
Financials	0.49	0.48	0.61	0.48	1	0.57	0.80	0.34	0.63	0.38	0.32
Real Estate	0.54	0.27	0.37	0.17	0.57	1	0.61	0.27	0.63	0.55	0.60
Industrials	0.50	0.62	0.61	0.47	0.80	0.61	1	0.30	0.79	0.43	0.39
Energy	0.16	-0.01	0.02	-0.01	0.34	0.27	0.30	1	0.28	0.20	0.27
Materials	0.57	0.41	0.49	0.29	0.63	0.63	0.79	0.28	1	0.54	0.45
Consumer Staples	0.45	0.06	0.20	0.13	0.38	0.55	0.43	0.20	0.54	1	0.43
Utilities	0.32	0.05	0.08	-0.04	0.32	0.60	0.39	0.27	0.45	0.43	1

Lower Correlation with the Most Crowded Sectors





Sources: Bloomberg, KGI (3-Year Weekly Return Correlations as of Nov 8, 2026)

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