

Corporate Finance of the Pharmaceutical Groups — overview and summary

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The previous chapter described Roche, Novartis, Syngenta and Lonza as industrial enterprises, with their research centres, production sites and product portfolios. The present chapter looks at the same companies from the perspective of the financial centre. A pharmaceutical group headquartered in Basel is a heavy user of financial services: it issues bonds in several currencies, manages a cash position of many billions, pays dividends to hundreds of thousands of shareholders, buys back its own shares, hedges currency exposures that arise in more than a hundred countries and runs some of the largest pension funds in Switzerland. Seen in this way, the corporate treasuries of the two groups on the Rhine form a financial institution of their own, which interacts with the banks of Zurich and Geneva, with the international investment banks and with the Swiss National Bank's monetary policy.¹

The chapter begins with the capital structure of Roche and Novartis, their credit ratings and their bond programmes, using the financing of the Genentech acquisition in 2009 as the most instructive example. It then turns to equity: the peculiar capital of Roche with its bearer shares and non-voting equity securities, the registered shares and American depositary receipts of Novartis, and the weight of both companies in the Swiss share indices. Dividends, share buy-backs and the mechanics of Swiss withholding tax follow, together with the history of the Novartis stake in Roche. The second part of the chapter addresses mergers and acquisitions, spin-offs, treasury organisation, currency management, pension funds, relations with banks, sustainability-linked financing, the corporate law reform of 2023, say-on-pay and the finances of Syngenta and Lonza.²

1 Notes

1. On the industrial base of Roche, Novartis, Syngenta and Lonza, see Part G, Chapter I. On the historical development of the Basel chemical and pharmaceutical industry, including its early financing, see Part D, Chapter II. To be verified. ↩
2. Overview of the chapter. Questions of corporate taxation, including holding privileges, the Federal Act on Tax Reform and AHV Financing (STAF) and the OECD minimum tax, are examined in Part G, Chapter III. To be verified. ↩

2 Conclusion

The corporate finance of the Basel pharmaceutical groups combines the conservatism of family-controlled enterprises with access to the deepest international capital markets. Roche and Novartis have maintained strong credit ratings and low leverage while financing some of the largest acquisitions in industrial history, from Genentech and Alcon to a long series of biotechnology purchases. Their equity structures, Roche with its bearer shares and non-voting equity securities and Novartis with its registered shares and New York listing, reflect different paths of corporate history. Their dividends, buy-backs and spin-offs make them central to the Swiss equity market and, through the pension funds that hold them, to the retirement savings of the Swiss population. The treasury organisations in Basel manage cash pools, in-house banks, currency risks and pension assets, while Syngenta and Lonza show how ownership by a foreign state and a capital-intensive business model produce other financial profiles.

Almost every element of this financial architecture is shaped by tax law. Withholding tax determines the mechanics of buy-backs and the choice of issuing vehicles, the tax treatment of spin-offs decides whether they can take place at all, and the location of profits within the groups depends on the taxation of companies and intellectual property. The following chapter therefore turns to the tax framework, from the cantonal holding privileges of the twentieth century through the reform of 2019 to the OECD minimum tax, with particular attention to the dependence of Basel-Stadt on its pharmaceutical taxpayers.

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