

Roche: family control and a biotechnology bet

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Roche differs from Novartis in its ownership structure and in its strategy. While Novartis is a widely held company without a controlling shareholder, Roche is controlled by the descendants of its founder Fritz Hoffmann-La Roche and of the Oeri family, who hold a majority of the voting bearer shares through a shareholder pool. The rest of the capital consists of non-voting equity securities, the *Genussscheine*, which account for the bulk of the trading in Roche's equity and which form the Roche security included in the major stock indices.¹ This structure has protected Roche against hostile takeovers and allowed the company to pursue long-term strategies without the pressure of activist investors. Part D and Part E have described the family pool and the stake that Novartis held in Roche for two decades until it sold it back to Roche in 2021.

The strategic decision that defined modern Roche was its investment in the American biotechnology company Genentech. Genentech, founded in South San Francisco in 1976, was one of the pioneers of recombinant DNA technology and the first company to produce human insulin and human growth hormone through genetic engineering. In 1990 Roche acquired a majority stake of about sixty per cent for about USD 2.1 billion, while leaving Genentech's management and research culture largely independent.² The investment was regarded with scepticism at the time. It proved to be one of the most profitable acquisitions in the history of the pharmaceutical industry, because Genentech developed the oncology antibodies that formed the basis of Roche's dominance in cancer treatment in the following decades.

In 2009 Roche acquired the remaining minority shares in Genentech for about USD 47 billion, after a negotiation in which the independent directors of Genentech obtained a higher price than Roche's initial offer. To finance the acquisition, Roche issued bonds in several currencies, among them one of the largest corporate bond issues in history at that time,

at the height of the financial crisis.³ The transaction illustrates the access of the Basel groups to the international capital markets, a theme that Chapter II develops. It also illustrates the strategy of combining a Basel headquarters with research centres abroad, in South San Francisco and in Japan, where Roche acquired a majority of the Japanese company Chugai in 2002, which remains listed in Tokyo.⁴

The second pillar of Roche is diagnostics. In 1997 Roche agreed to acquire the German company Corange, the holding company of Boehringer Mannheim, for about CHF 15 billion in a transaction completed in 1998. It made Roche one of the largest suppliers of in-vitro diagnostics in the world, with a strong presence in Mannheim and Penzberg in Germany. Later acquisitions, among them the American company Ventana Medical Systems in 2008, extended the diagnostics business.⁵ The combination of pharmaceuticals and diagnostics underlies Roche's strategy of personalised healthcare, in which a diagnostic test identifies the patients who will benefit from a particular medicine. Since the patients are selected through a test supplied by the same group, the strategy combines a medical rationale with commercial logic.

Roche has also divested businesses, in transactions of smaller scale than those of Novartis. It sold its vitamins and fine chemicals business to the Dutch company DSM in 2003 and its consumer health business to Bayer in 2004. The vitamins business had been the subject of competition proceedings in the European Union and the United States for its participation in a vitamins cartel in the 1990s, which ended in fines, a matter documented in the official decisions of the competition authorities.⁶ Since then the group has concentrated on pharmaceuticals and diagnostics, with a portfolio dominated by oncology, immunology, neuroscience and ophthalmology.

1 Notes

1. On the capital structure of Roche Holding AG, consisting of bearer shares and non-voting equity securities (Genussscheine), and on the shareholder pool of the founding families, which holds a majority of the voting rights, see the Roche annual report and corporate governance report. Percentages to be verified. See also Part D, Chapter IV. ↩
2. On the acquisition of a majority stake in Genentech by Roche in 1990 for approximately USD 2.1 billion, see the Roche annual report 1990 and the literature on the history of Genentech, e.g. Sally Smith Hughes,

Genentech: The Beginnings of Biotech, University of Chicago Press, 2011. Figures to be verified. ↩

3. On the acquisition of the Genentech minority by Roche in March 2009 for approximately USD 46.8 billion and its financing through bond issues in US dollars, euros, sterling and Swiss francs, see the Roche annual report 2009 and the contemporary financial press. Figures to be verified. ↩
4. On the strategic alliance between Roche and Chugai Pharmaceutical Co., Ltd., under which Roche acquired a majority stake in 2002 while Chugai remained listed on the Tokyo Stock Exchange, see the Roche and Chugai annual reports. To be verified. ↩
5. On the acquisition of Corange Ltd. (Boehringer Mannheim) by Roche, announced in 1997 and completed in 1998, and on the acquisition of Ventana Medical Systems in 2008, see the Roche annual reports. Figures to be verified. ↩
6. On the sale of Roche Vitamins and Fine Chemicals to DSM (2003) and of Roche Consumer Health to Bayer (2004), see the Roche annual reports. On the vitamins cartel, see European Commission, decision of 21 November 2001 in case COMP/E-1/37.512 – Vitamins, and the plea agreements in the United States in 1999. Case references to be verified. ↩

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