

The logic of spin-offs: Clariant, Ciba Specialty Chemicals, Syngenta, Alcon, Sandoz

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The history of the Basel industry since the 1990s is a history of spin-offs. A spin-off, or demerger, separates a business from its parent company and distributes the shares of the new company to the shareholders of the parent, who thereby hold two listed companies in place of one. Under Swiss tax law, such a transaction can be carried out without income tax, withholding tax or stamp duty, provided that the conditions for a tax-neutral restructuring are met, in particular that the separated businesses continue as operating businesses. The tax neutrality of demergers, now codified in the Federal Act on Direct Federal Tax and the Tax Harmonisation Act, is one of the reasons why the Basel groups have used this instrument so often.¹ Chapter II returns to the financial mechanics of these transactions.

The first of the great spin-offs was that of Clariant in 1995. Sandoz separated its chemical division, which produced dyes, textile chemicals and other specialty chemicals, and listed it as an independent company. Clariant took over the specialty chemicals business of the German Hoechst group in 1997 and later acquired further businesses, among them the German Süd-Chemie in 2011. Its headquarters are located in the canton of Basel-Landschaft, in Muttenz and Pratteln, close to the Schweizerhalle site.²

The second was the spin-off of Ciba Specialty Chemicals by Novartis in 1997, which separated the industrial chemicals of the former Ciba-Geigy from the pharmaceutical core of the newly merged group. Ciba Specialty Chemicals was listed on the Swiss exchange and remained an independent Basel company for just over a decade. The German BASF group made a takeover offer in 2008, which it completed in 2009. The former Ciba site at Klybeck and other Basel locations thus came under German ownership, making BASF a significant employer in the region.³ The Klybeck site has since been sold and is being redeveloped as an urban quarter, a

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development that illustrates how the departure of chemical production frees land in the city for housing and services.⁴

The third was the creation of Syngenta in November 2000. Novartis combined its agribusiness, itself the result of the merger of the agrochemical divisions of Ciba-Geigy and Sandoz, with the agrochemical business of AstraZeneca, which had in turn emerged from the merger of the Swedish Astra and the British Zeneca. The new company, with headquarters in Basel, was listed in Zurich, London, Stockholm and New York after its shares had been distributed to the shareholders of the two parents.⁵ Part D has traced the agrochemical history that led to Syngenta. The later history of the company, which passed into Chinese ownership, is examined below.

The fourth was the spin-off of Alcon in April 2019. Novartis had acquired the American eye-care company Alcon in several steps between 2008 and 2011, first purchasing a stake from Nestlé and then the remaining shares, for a total of more than USD 50 billion. After integrating it, Novartis decided to separate it again and distributed the Alcon shares to its own shareholders. Alcon is incorporated in Switzerland, with its operational headquarters in Geneva, and is listed on the SIX Swiss Exchange and the New York Stock Exchange.⁶

The fifth was the spin-off of Sandoz in October 2023. The generics and biosimilars business of Novartis, which had retained the old Sandoz name, was separated and listed on the SIX Swiss Exchange, with its headquarters in Basel. The transaction returned a historic Basel name to the stock market as an independent company, almost three decades after it had disappeared into Novartis.⁷ With the Sandoz spin-off, Novartis completed its transformation into a company focused on innovative medicines, having also sold its consumer health business to GlaxoSmithKline in 2019 and its stake in Roche back to Roche in 2021.⁸

Taken together, these transactions created several listed companies out of the former Ciba-Geigy and Sandoz. An investor who had held shares in both companies in 1995 and kept all the shares received since then would hold a portfolio comprising Novartis, Clariant (in part), Syngenta (until 2017), Alcon and Sandoz, along with the cash received in the takeovers of Ciba Specialty Chemicals and Syngenta. The Basel industry thus became a generator of listed companies for the Swiss stock exchange, a function that Chapter II examines from the perspective of corporate finance.

1 Notes

1. Art. 61 para. 1 lit. b of the Federal Act on Direct Federal Tax (DBG, SR 642.11) and Art. 24 para. 3 lit. b StHG (SR 642.14); on withholding tax, Art. 5 para. 1 lit. a of the Withholding Tax Act (VStG, SR 642.21). See also Federal Tax Administration, Circular No. 5a on restructurings. To be verified. ↩
2. On the spin-off of the Sandoz chemical division as Clariant in 1995, the combination with the Hoechst specialty chemicals business in 1997 and the acquisition of Süd-Chemie in 2011, see the Clariant annual reports and corporate history. Dates to be verified. ↩
3. On the spin-off of Ciba Specialty Chemicals in 1997 and its acquisition by BASF SE (offer 2008, completion 2009), see the annual reports of Ciba Specialty Chemicals and BASF. To be verified. ↩
4. On the sale of the Klybeck industrial site by BASF and Novartis to investors and the planning process for the redevelopment of the Klybeck quarter, see the publications of the Bau- und Verkehrsdepartement Basel-Stadt. Status to be verified. ↩
5. On the formation of Syngenta AG in November 2000 from the agribusinesses of Novartis and AstraZeneca, see the Syngenta listing prospectus of 2000 and the annual reports of Novartis and AstraZeneca for 2000. To be verified. ↩
6. On the acquisition of Alcon by Novartis from Nestlé and the minority shareholders (2008–2011) and the spin-off of Alcon Inc. in April 2019, see the Novartis annual reports 2010, 2011 and 2019 and the Alcon listing documents of 2019. Figures to be verified. ↩
7. On the spin-off of Sandoz Group AG from Novartis and its listing on the SIX Swiss Exchange on 4 October 2023, see the Novartis and Sandoz Group shareholder information of 2023. Date to be verified. ↩
8. On the transfer of the Novartis share of the consumer health joint venture to GlaxoSmithKline (2018/2019) and on the sale of Novartis's stake of about one third of the Roche bearer shares to Roche in November 2021, see the Novartis annual reports 2018, 2019 and 2021. See also Part D, Chapter IV, and Part E, Chapter V. To be verified. ↩

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