

RECORDATI

Sector: Consumers

BUY

Price: Eu45.01 - Target: Eu54.00

Exceeding FY25 Targets through Current Portfolio Alone

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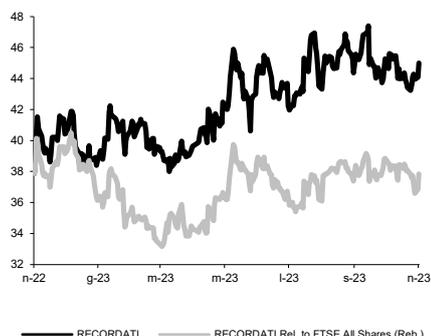
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 56.00 to 54.00		
	2023E	2024E	2025E
Chg in Adj EPS	0.7%	0.1%	2.0%

Next Event

FY23 Results Out February 2024

RECORDATI - 12M Performance



Stock Data

Reuters code:	RECI.MI		
Bloomberg code:	REC IM		
Performance	1M	3M	12M
Absolute	-0.6%	3.9%	18.9%
Relative	-2.7%	4.8%	-0.1%
12M (H/L)	47.40/38.00		
3M Average Volume (th):	227.21		

Shareholder Data

No. of Ord shares (mn):	209
Total no. of shares (mn):	205
Mkt Cap Ord (Eu mn):	9,413
Total Mkt Cap (Eu mn):	9,413
Mkt Float - Ord (Eu mn):	4,535
Mkt Float (in %):	48.2%
Main Shareholder:	
FIMEI	51.8%

Balance Sheet Data

Book Value (Eu mn):	1,547
BVPS (Eu):	7.40
P/BV:	6.1
Net Financial Position (Eu mn):	-1,513
Enterprise Value (Eu mn):	10,926

Recordati reported a solid set of 9M results, 1-2% above our estimates/consensus. FY23 guidance upgraded to the higher end of previous ranges (broadly in line with our est./consensus) with FY25 guidance expected to exceed the target set in February 2023 (room for 2% uplift in consensus estimates on sales/adj. EBITDA) through the current portfolio alone.

■ **9M23 results.** 9M results confirmed the excellent momentum thanks to strong performances in all businesses, with robust growth across both S&PC and RRD and continued delivery of sector-leading margins. In particular, on a like-for-like basis (at constant ForEx and scope), net sales were up +13.8% in 9M (1Q: +20.4%, 2Q: +9.9%, 3Q: +10.8%), driven by volume growth, with positive pricing mostly offset by adverse ForEx. S&PC (66% of sales, 60% of EBITDA) saw +13.4% growth (+6.9% excl. Turkey) confirming a solid quarterly path (1Q: +20.4%, 2Q: +9.7%, 3Q: +10.2%) with positive trends across all key markets (except for Germany) and enjoying the first sales of Avodart and Combodart/Duodart (€3.8mn). RRD was up +14.9% (1Q: +20.9%, 2Q: +11.8%, 3Q: +14.0%) boosted by Endo expansion (+39%), Onco contribution (+16% pro-forma, with the 9M23 figure already exceeding the initial FY23 target of €150mn) and a resilient Metabolic top line. Adj. EBITDA stood at €596mn, +15.4% YoY, a 38.3% margin (+0.8pp YoY), reflecting revenue growth and efficiency initiatives. Adj. net income was up 14%, despite the step up in financial charges (€49mn, +€3mn YoY). FCF was robust at €392mn in 9M (our exp. €258mn), leading to net debt at €1,504mn (1.9x leverage), up from YE22 (€1.4bn, 2.1x) mainly to reflect upfront payments (€245mn to GSK, €70mn to Tolmar).

■ **Positive tone from the call.** The business is on track to deliver the high end of upgraded FY 2023 guidance and exceed 2025 targets (>€2.4bn sales, ±37% margin) based on the existing portfolio of assets alone (including the sales boost from Avodart and Combodart, which we estimate will reach c.€100m in FY25 from €10-20mn in FY23). The Group strategy remains unchanged, however, with management committed to: i) driving organic growth of the current portfolio, b) pursuing accretive and growth M&A and targeted business development (prioritising opportunities in Rare Diseases, especially the Onco and Endo areas); c) capturing opportunities within the existing proprietary pipeline; d) sustaining sector-leading margins (c.±37%); e) maintaining a clear and disciplined capital allocation policy. US now represents the largest business (only rare diseases), generating 15.4% of 9M sales, ahead of Italy (15.1%).

■ **Updated estimates.** We are making minor tweaks to our estimates for FY23 (already in line with the upper end of ranges) and FY24, while raising our FY25 margin forecast to 36.9% (from 36.4%) with minor changes to the top line (already close to €2.4bn), all of which leads to changes of +0.7%/+0.1%/+2.0% in our FY23/24/25 adj. EPS.

■ **BUY confirmed, target €54 (from €56).** Revised estimates (now slightly above the FY25 target) are offset by a WACC increase (+0.5pp increase in risk-free rate) leading us to trim our DCF-based TP to €54 (from €56), which does not include further upside from potential M&A in the event of major deals for high-quality assets. At our target, the stock would trade at 21x P/E'24 (currently 16x vs. EU specialty peers at 17x, 5-Y historical average 21x), offering 20% upside to current prices, prompting us to confirm our positive view on the equity story: the company is well placed to benefit from ongoing external growth and the expansion of its Rare Disease franchise into the attractive endocrinology/oncology space, and to enjoy visible organic performance through a very well-managed and diversified product pipeline in the S&PC and OTC businesses.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,580	1,853	2,081	2,281	2,407
EBITDA Adj (Eu mn)	602	673	764	838	888
Net Profit Adj (Eu mn)	425	473	497	544	591
EPS New Adj (Eu)	2.031	2.263	2.376	2.601	2.825
EPS Old Adj (Eu)	2.031	2.263	2.361	2.599	2.771
DPS (Eu)	1.103	1.150	1.250	1.350	1.580
EV/EBITDA Adj	18.4	15.4	14.3	12.8	11.8
EV/EBIT Adj	21.9	19.3	18.2	16.2	14.8
P/E Adj	22.2	19.9	18.9	17.3	15.9
Div. Yield	2.4%	2.6%	2.8%	3.0%	3.5%
Net Debt/EBITDA Adj	1.2	2.1	2.0	1.6	1.2