

RECORDATI

BUY

Sector: Consumers

Price: Eu43.14 - Target: Eu54.00

FY23 Guidance Range Raised at both Top and Bottom Line

Giorgio Tavolini +39-02-77115.279
 giorgio.tavolini@intermonte.it

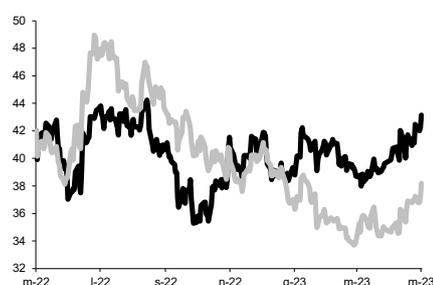
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 52.00 to 54.00		
	2023E	2024E	2025E
Chg in Adj EPS	1.3%	2.4%	1.2%

Next Event

2Q Results Out 28 July

RECORDATI - 12M Performance



Stock Data

Reuters code:	RECI.MI		
Bloomberg code:	REC IM		
Performance	1M	3M	12M
Absolute	8.3%	7.2%	2.7%
Relative	9.9%	8.0%	-10.3%
12M (H/L)	44.25/35.30		
3M Average Volume (th):	229.05		

Shareholder Data

No. of Ord shares (mn):	209
Total no. of shares (mn):	205
Mkt Cap Ord (Eu mn):	9,022
Total Mkt Cap (Eu mn):	9,022
Mkt Float - Ord (Eu mn):	4,347
Mkt Float (in %):	48.2%
Main Shareholder:	
FIMEI	51.8%

Balance Sheet Data

Book Value (Eu mn):	1,544
BVPS (Eu):	7.38
P/BV:	5.8
Net Financial Position (Eu mn):	-1,314
Enterprise Value (Eu mn):	10,336

■ **1Q23 Results.** 1Q headline figures 6% above our exp./cons. estimates on adj. EBITDA and 7/8% on adj. net profit. The Group had already disclosed very strong 1Q sales at €551mn, up +31.5% (+21% organic), showing strong underlying momentum across both business units and all key markets, and benefitted from one-off sales (€15-20mn, mostly in SPC) related to channel movement in Turkey and Russia, and phasing of shipments to international distributors. In the mix, SPC (ex. Chemicals) grew +20.4% (+15.0% ex Turkey), growing ahead of relevant markets, supported by multiple price increases in Turkey, and impressive C&C sales (+67%) significantly above pre-pandemic levels and DD growth across all the other areas (urology +29%, gastro +15%, cardio +13%). RRD (32% of 1Q sales) also enjoyed strong momentum in all key areas: Endo +45% (strong Isturisa uptake in US and EU markets after recent reimbursement and DD growth of Signifor), Oncology +24% (strong pro forma growth of Qarziba and Sylvant) and Metabolic +6%. Higher operating leverage drove strong operating results: adj. EBITDA at €221mn (40% margin, +1.1pp YoY), while operating margins benefited from fixed cost absorption level in COGS and efficiency initiatives announced in 2022. Adj. net income up +33% despite higher interest. Net debt at €1.34bn (our exp. €1.32bn), with leverage at 1.8x EBITDA, supported by strong FCF (€103mn, our exp. €108mn), absorbing increasing NWC (inventories and receivables) from high business growth.

■ **FY23 guidance upgrade.** Revenues nudged up to €2.05-2.09bn (at mid-point: +4% vs. previous €1.97-2.03bn, cons. €2.0bn), Adj. EBITDA at €750-770mn (+5% vs. previous €700-730mn, cons. €716mn) with ±37% margin (vs previous: ±36%); Adj. net profit at €490-500mn (+3% vs previous €470-490mn; cons. €462mn) with ±24% margin (unchanged) to reflect a step-up in financial expenses (€60-65mn). Key assumptions: a) SPC to deliver MSD revenue growth in 2Q-4Q (unwinding of 1Q one-offs phasing benefits; tougher YoY comp on C&C; FX drag (c. -2-3%) and macro uncertainty in Russia and Turkey. b) RRD to sustain DD revenue growth; c) lower operating margin vs 1Q (lower quarterly revenue run-rate, inflation impact on COGS, expected gradual step-up of R&D activities, historical phasing i.e. lower 4Q). Looking at mid-term guidance (unchanged at this stage), the mid-point of FY25 range (€2.30bn) implies a 6% 2Y-CAGR against FY23 mid-point (€2.05bn ex €15-20mn one-offs in 1Q), not too far from the 7.5% 3Y-CAGR implied in the original 2023-25 BP presented in February.

■ **Estimates update.** We increase our estimates to mid-points of FY23 targets, leading to 3% average increase on adj. EBITDA and 1-2% on adj. EPS'23-25.

■ **BUY confirmed, new TP at €54 (from €52).** 1Q confirmed the Group's ability to consistently deliver outstanding performance and, even adjusting for one-offs and seasonal shifts, showed an excellent start to the year across both businesses. Revised estimates lead us to new TP at €54 (from €52), which does not include further upside from potential M&A in the event of big acquisitions of high-quality assets. At our new TP, the stock would trade at 23x P/E'23 (currently at 18x, vs EU specialty peers at 22x, 5-Y historical average 22x), offering 26% upside at current prices, prompting us to confirm the 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 Specialty & Primary Care and OTC businesses.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,580	1,853	2,076	2,200	2,310
EBITDA Adj (Eu mn)	602	673	766	801	842
Net Profit Adj (Eu mn)	425	473	498	538	568
EPS New Adj (Eu)	2.031	2.263	2.382	2.573	2.715
EPS Old Adj (Eu)	2.031	2.263	2.352	2.513	2.683
DPS (Eu)	1.103	1.150	1.250	1.350	1.573
EV/EBITDA Adj	18.4	15.4	13.5	12.6	11.8
EV/EBIT Adj	21.9	19.3	17.2	16.1	14.9
P/E Adj	21.2	19.1	18.1	16.8	15.9
Div. Yield	2.6%	2.7%	2.9%	3.1%	3.6%
Net Debt/EBITDA Adj	1.2	2.1	1.7	1.4	1.0