RECORDATI

BUY

Sector: Consumers

Price: Eu43.01 - **Target: Eu54.00**

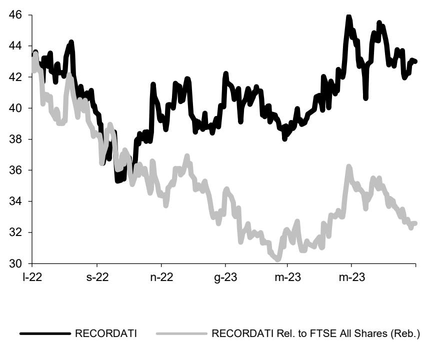
Healthy Underlying Trends despite FX Volatility and One-offs

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

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-1.4%	-1.1%	-0.4%

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	-5.0%	5.3%	0.1%
Relative	-7.0%	2.9%	-33.3%
12M (H/L)			45.90/35.30
3M Average Volume (th):			253.88

Shareholder Data	
No. of Ord shares (mn):	209
Total no. of shares (mn):	205
Mkt Cap Ord (Eu mn):	8,994
Total Mkt Cap (Eu mn):	8,994
Mkt Float - Ord (Eu mn):	4,334
Mkt Float (in %):	48.2%
Main Shareholder:	
FIMEI	51.8%

Balance Sheet Data	
Book Value (Eu mn):	1,543
BVPS (Eu):	7.38
P/BV:	5.8
Net Financial Position (Eu mn):	-1,281
Enterprise Value (Eu mn):	10,276

- **2Q23 preview.** Underlying trends should be strong and coherent with 10% top-line growth implied in FY guidance, but partially offset by volatility due to FX headwinds and some reversal (€5-10mn) of positive one-off items seen in 1Q (€15-20mn). Company outlook for 2Q-4Q envisages: a) SPC to deliver MSD revenue growth in 2Q-4Q (unwinding of 1Q one-offs, phasing benefits); tougher YoY comparison bases on Cough&Cold; FX drag (c. -2-3%) and macro uncertainty in Russia and Turkey. b) RRD to sustain double-digit 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). Hence, we see 2Q top line at €496mn, up 10.8% organically or c. 5% on a reported basis (including 5pp FX drag and c. 1pp impact from one-off items) and adj. EBITDA at €183mn with a 37% margin on sales (+0.7pp YoY, -3pp QoQ) in line with FY guidance (±37%). Below the EBITDA line, we would expect adj. EBIT at €146mn and adj. net profit at €122mn. Assuming c. €75mn NWC absorption (mostly in 1Q, with higher inventories and receivables due to exceptional sales), the €226mn FCF generated in 1H should be partially absorbed by shareholder remuneration (c. €123mn dividend and c.€6mn buyback), leading to net debt decreasing to €1.32bn compared to YE22 (€1.42bn).
- **Estimates update.** We make minor tweaks to our FY23 estimates to capture additional FX headwinds on the top line and inflation of costs: this prompts us to move our projections for this year below the mid-points of the guidance ranges (defined at current FX rates): Group revenues at €2,050-2,090mn (our exp. €2,066mn/ cons. €2,071mn), adj. EBITDA at €750-770mn (our exp. €758mn; cons. €762mn) with a ±37% margin (our exp. 36.7%), adj. net profit at €490-500mn (our exp. €491mn) with a ±24% margin (our exp 23.8%) already reflecting a step-up in financial expenses (€60-65mn, our exp. €64mn). Looking at mid-term guidance (we do not expect changes at this stage), the mid-point of the FY25 range (€2.30bn, in line with our exp.) implies a 6% 2Y-CAGR vs 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 revision leads to a c.1% cut in adj. EPS for FY23-25, with no meaningful impact on our DCF valuation.
- **BUY confirmed, target still €54.** Revised estimates lead us to confirm the TP at €54, which does not include further upside from potential M&A in the event of big acquisitions of high-quality assets. At our TP, the stock would trade at 24x P/E'23 (currently at 18x vs EU specialty peers at 20x, 5-Y historical average 22x), offering 25% 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 though 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	2,066	2,191	2,300
EBITDA Adj (Eu mn)	602	673	758	806	838
Net Profit Adj (Eu mn)	425	473	491	532	565
EPS New Adj (Eu)	2.031	2.263	2.348	2.545	2.703
EPS Old Adj (Eu)	2.031	2.263	2.382	2.573	2.715
DPS (Eu)	1.103	1.150	1.250	1.350	1.571
EV/EBITDA Adj	18.4	15.4	13.6	12.5	11.8
EV/EBIT Adj	21.9	19.3	17.2	15.8	14.8
P/E Adj	21.2	19.0	18.3	16.9	15.9
Div. Yield	2.6%	2.7%	2.9%	3.1%	3.7%
Net Debt/EBITDA Adj	1.2	2.1	1.7	1.4	1.1