

RECORDATI

BUY

Sector: Consumers

Price: Eu40.59 - Target: Eu50.00

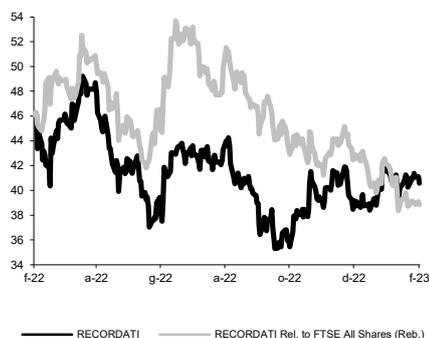
BP Continuity with Strong Commitment to Profitable Growth

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.6%	-0.8%	

Next Event
 1Q23 results 11 May

RECORDATI - 12M Performance



Stock Data			
Reuters code:	RECI.MI		
Bloomberg code:	REC IM		
Performance	1M	3M	12M
Absolute	-2.4%	3.9%	-12.0%
Relative	-8.5%	-8.6%	-16.4%
12M (H/L)	49.21/35.30		
3M Average Volume (th):	206.67		

Shareholder Data	
No. of Ord shares (mn):	209
Total no. of shares (mn):	205
Mkt Cap Ord (Eu mn):	8,488
Total Mkt Cap (Eu mn):	8,488
Mkt Float - Ord (Eu mn):	4,090
Mkt Float (in %):	48.2%
Main Shareholder:	
FIMEI	51.8%

Balance Sheet Data	
Book Value (Eu mn):	1,528
BVPS (Eu):	7.31
P/BV:	5.6
Net Financial Position (Eu mn):	-1,332
Enterprise Value (Eu mn):	9,820

- Solid delivery in FY22, in line with our estimates.** Overall, preliminary results were in line with our / consensus estimates, looking at the top line and EBITDA, with a minor beat on adj. net profit (+2%/4% vs cons./our exp). The underlying performance was pretty robust (top line +17.3%, of which +8.1% organic, broadly in line with last decade's +8.4% CAGR) across the business and was accompanied by strong cost discipline, with the margin at 36.3% (target c.36%), despite the inflationary headwind and the relentless efforts on R&D (cash component c. 7% sales). Within the mix, the SPC segment grew 5% YoY to reach 68% of total sales and 62% of EBITDA, with a 33.2% margin, while RRD saw 55% sales growth underpinned by the EUSA Onco portfolio (€136mn, 23% of RDD sales) and by a strong performance of the Endo franchise (+36% YoY). Looking at footprint evolution, Italy growing but no longer dominant (now c.15%), while the US is set to become the largest market in 2023 (14.4% in 2022). On top of the EUSA acquisition, Recordati saw significant milestones in 2022: Isturisa reimbursements in main EU markets, the approval of a new device for Eligard, and the small acquisition of Telefil to strengthen the urology franchise in Italy.
- New BP shows continuity, but positive hints on RRD peak sales.** New targets for 2023 and 2025 (the latter including potential upside from BD and M&A) were broadly in line with expectations: the lack of major upside risks on organic trends and of near-term catalysts could explain yesterday's initial sell-on-news. Over the next 3 years, management sees a 7.5% CAGR for sales (8.5% at CER, in line with the historical average), with the SPC 3-4% CAGR supported by volume driving growth, resilient sales (Eligard +7%, RX drugs +3%, OTC +6%) and without material new LoE risk, while RRD is expected to reach 35-40% of sales by 2025, growing 10-11% driven by the Endo and Onco franchises. The company upgraded peak sales for Isturisa (on track to exceed €400mn), Signifor (€100-150mn excluding the new PBH indication) and the Onco franchise (€250-300mn including the expected launch of Qarziba in US). On profitability, short term inflationary pressure on gross profit should be offset by operating leverage and efficiencies in SG&A, while the company foresees a slightly increase in cash R&D costs (+1pp at 7-8% of sales) and keeps the c.36% margin.
- Updated estimates.** Based on new targets, we have made tweaks to sales/EBITDA projections for 2023, while for 2025 our estimates are 2/3% below the low end of ranges, not assuming any upside at this stage from unannounced M&A/BD. The net debt/EBITDA ratio should reach 1.2x by YE25, leaving c. €0.5-0.7bn firepower for M&A (leveraging up at 1.7-2x, or even €1.5bn assuming a temporary peak of 3x for high-quality opportunities).
- BUY confirmed, target still €50.** We confirm our TP at €50, which already captures high visibility on the company's positioning, without including further upside from potential M&A in the event of acquisitions of high-quality assets. At our new TP, the stock would trade at 22x P/E'23 (currently at 18x, vs EU specialty peers at 20x), offering c.24% upside to 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	1,983	2,096	2,184
EBITDA Adj (Eu mn)	602	673	714	763	796
Net Profit Adj (Eu mn)	425	473	481	513	548
EPS New Adj (Eu)	2.031	2.263	2.298	2.455	2.619
EPS Old Adj (Eu)	2.031	2.176	2.285	2.473	
DPS (Eu)	1.103	1.150	1.250	1.350	1.559
EV/EBITDA Adj	18.4	15.4	13.8	12.6	11.8
EV/EBIT Adj	21.9	19.3	17.9	16.1	15.8
P/E Adj	20.0	17.9	17.7	16.5	15.5
Div. Yield	2.7%	2.8%	3.1%	3.3%	3.8%
Net Debt/EBITDA Adj	1.2	2.1	1.9	1.5	1.2

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