

# RECORDATI

Sector: Healthcare

**NEUTRAL**

Price: Eu51.68 - Target: Eu57.00

## Aligning FY24 Targets with Consensus Expectations

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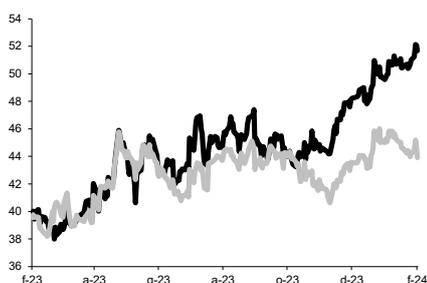
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	3.5%	1.6%	-0.5%

### Next Event

Final FY23 Results Out 19 March 2024

### RECORDATI - 12M Performance



— RECORDATI — RECORDATI Rel. to FTSE All Shares (Rel.)

### Stock Data

Reuters code:	RECI.MI		
Bloomberg code:	REC IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	4.3%	16.4%	30.7%
Relative	-2.5%	5.5%	13.0%
12M (H/L)	52.12/38.00		
3M Average Volume (th):	215.05		

### Shareholder Data

No. of Ord shares (mn):	209
Total no. of shares (mn):	206
Mkt Cap Ord (Eu mn):	10,808
Total Mkt Cap (Eu mn):	10,808
Mkt Float - Ord (Eu mn):	5,207
Mkt Float (in %):	48.2%
Main Shareholder:	
FIMEI	51.8%

### Balance Sheet Data

Book Value (Eu mn):	1,858
BVPS (Eu):	8.88
P/BV:	5.8
Net Financial Position (Eu mn):	-1,383
Enterprise Value (Eu mn):	12,191

■ **4Q/FY23 preliminary results.** As expected, FY23 results reached the high end of all target ranges, despite stronger ForEx headwinds (-5.4pp) mostly in 2H. FY23 sales came in at €2.08bn (in line with our/consensus exp.), up +14.0% organically at CER (4Q: +14.6%, 9M: +13.8%), driven by strong momentum across the business. Within the mix, Specialty & Primary Care (S&PC, 66% of sales) grew 13.6% organically (4Q: +14.2%, 9M: +13.4%), in line with expectations, driven by volume growth and positive net prices YoY. Avodart® and Combodart®/Duodart® contributed c.€26mn, reflecting a fast and effective transition. Strong momentum in Rare Disease (RRD) sales continued, growing +14.9% organically in FY23 (in line with 9M) with Isturisa® and Signifor® both driving Endocrinology (FY: +41%, 4Q: +46%), Oncology contributing €201mn (FY: +15.2% like-for-like, 4Q: +12.9%), but the Metabolic decline accelerating (FY: -5.7%, 4Q: -11.7%) due to the GX impact of Carbaglu® in US and EMEA, partially offset by growth at Panhematin® and Ledaga®. Adj. EBITDA grew +14.4% YoY, reflecting stronger operating leverage and efficiency initiatives, with a 37% margin (+0.7pp YoY), supported by solid RRD profitability (42.3%, -0.5pp YoY) and an improved S&PC margin (34.2%, +0.9pp YoY). Adj. net income was €525mn, exceeding the FY guidance range (€490-500mn), mainly thanks to a lower-than-expected tax rate, while FCF was €456mn (+€17mn YoY), with higher WKC absorption and financial charges. Leverage closed at c.2.0x, as expected.

■ **FY24 outlook aligned with market expectations:** sales was indicated at €2,260-2,320mn, mid-point €2,290 (IR consensus €2,292mn), adj. EBITDA at €830-860mn, mid-point €845mn (cons. €847mn), adj. net profit €550-570mn, mid-point at €560mn (cons. €561mn). Within the mix, S&PC to grow mid-single-digit at CER (low single-digit at CUR), RRD double-digit (at CER). ForEx headwinds of c.2-3pp, €115mn contribution from Avodart® and Combodart®. Higher tax rate at 23%.

■ **FY25 outlook confirmed, as expected.** The company is on track to deliver >€2.4bn in revenue (cons. €2,415mn) sustaining an EBITDA margin at ±37% (cons. 37%), implying >€888mn EBITDA (cons. €905mn). R&D ex-amortisation at c. 7-8% of sales.

■ **Change in estimates.** We are tweaking FY24-25 revenue and margins to align with the mid-point of guidance ranges. Additionally, we are lowering ordinary D&A (c.6% of sales) and raising the tax rate (to c.23%), leading to a 2-3% boost on EPS.

■ **NEUTRAL confirmed; target still €57.** A neutral results release with limited scope for upgrades to 2024-25 consensus. With estimates virtually unchanged, we are leaving our DCF-based TP at €57. The limited upside to current prices (+10%) and recent stock rally prompt us to maintain our prudent stance (NEUTRAL). Upside risks may arise from M&A deals for high-quality assets and/or from potential moves/exit by the CVC fund 6 years after it entered Recordati. At target, the stock would trade at 21x P/E'24 (currently c.19x vs. EU specialty peers at 18-19x, 5-year historical average 21x). Despite the unattractive valuation, we still like the equity story: the group is well placed to benefit from ongoing external growth and the expansion of its RRD franchise into the attractive endocrinology/oncology space, while also enjoying visible organic performance through a very well-managed and diversified product pipeline in the S&PC and OTC businesses.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	1,853	2,082	2,287	2,411	2,526
EBITDA Adj (Eu mn)	673	770	843	892	927
Net Profit Adj (Eu mn)	473	525	563	600	633
EPS New Adj (Eu)	2.263	2.509	2.691	2.870	3.028
EPS Old Adj (Eu)	2.263	2.405	2.601	2.825	3.043
DPS (Eu)	1.150	1.250	1.350	1.545	1.657
EV/EBITDA Adj	15.4	13.8	14.5	13.5	12.8
EV/EBIT Adj	19.3	16.9	17.8	16.5	15.6
P/E Adj	22.8	20.6	19.2	18.0	17.1
Div. Yield	2.2%	2.4%	2.6%	3.0%	3.2%
Net Debt/EBITDA Adj	2.1	2.1	1.6	1.4	1.1

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (48 in total) is as follows:

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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