

# RECORDATI

Sector: Healthcare

# OUTPERFORM

Price: Eu56.80 - Target: Eu70.00

## Set to Hit FY24 Outlook, Targeting >€2.6bn Sales in FY25

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

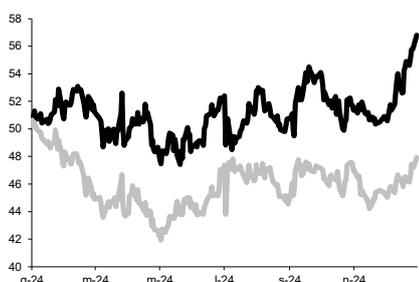
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 63.00 to 70.00		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	0.8%	1.5%	0.8%

### Next Event

Preliminary FY24 Results 13 February 2025

### RECORDATI - 12M Performance



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

### Stock Data

Reuters code:	RECI.MI		
Bloomberg code:	REC IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	11.6%	5.7%	11.6%
Relative	6.0%	1.6%	-6.4%
12M (H/L)	56.80/47.42		
3M Average Volume (th):	280.88		

### Shareholder Data

No. of Ord shares (mn):	209
Total no. of shares (mn):	206
Mkt Cap Ord (Eu mn):	11,878
Total Mkt Cap (Eu mn):	11,878
Mkt Float - Ord (Eu mn):	5,723
Mkt Float (in %):	48.2%
Main Shareholder:	
FIMEI	51.8%

### Balance Sheet Data

Book Value (Eu mn):	2,044
BVPS (Eu):	9.78
P/BV:	5.8
Net Financial Position (Eu mn):	-2,052
Enterprise Value (Eu mn):	13,930

- FY24 results preview.** We expect the company to have reached the higher end of the FY guidance ranges, assuming sales at €2,327mn (target €2,300-2,340mn), adj. EBITDA at €862mn (target €845-865mn) and adj. net profit at €569mn (target €560-580mn). Our top line estimate features an initial €10mn of sales of Enjaymo in 4Q, with a negligible contribution to margins, and a lower ForEx headwind at c.1.5% (target -2pp) mainly driven by Turkish lira in 4Q. We expect c.7% organic growth in 4Q (3Q: 7.5%) assuming strong momentum across both business units (mid-single-digit growth in S&PC and double-digit growth in RRD). Cough & Cold should show strong trends despite the tough YoY comparison, with the bulk of revenues generated in Russia, France, Italy and Turkey. Weaker profitability in 4Q (33.6%) reflects higher R&D expenses concentrated in the latter part of the year, particularly to support the US expansion of the Isturisa label and the recent approval of Isturisa in China. This profitability trend is well factored in, given that both 1H and 9M margins were 38%, while FY year guidance is set at c.37%. Net debt expected at €2.3bn, 2.7x EBITDA (c.2.4x on a pro-forma basis).
- FY25 outlook:** the Group should update its FY25 outlook along with FY24 results. Management now sees revenue exceeding €2.6bn (prior target: >€2.4bn) driven by continued business momentum. Strong FCF should reduce leverage below 2.0x, supporting a progressive dividend and unchanged capital allocation. Key priorities include full integration of Enjaymo, disciplined M&A, and milestones such as the Isturisa regulatory decision in the US, Phase 2 trial enrolment for pasireotide in PBH, and an FDA meeting for Qarziba, all expected by mid-2025.
- Speculative appeal remains.** CVC (52% of REC) recently denied rumours of a merger between Angelini Pharma and Recordati. On the one hand, this indirectly confirms CVC's long-term commitment to its majority stake, as well as the fund's confidence in its ability to extract greater returns from its investment (since entry, we estimate a levered IRR in the high teens at current prices). On the other hand, the stock's speculative appeal remains, and we are not ruling out a future exit or a potential industry agreement with another pharma player that could generate significant synergies and justify a premium to current market valuations.
- Change in estimates.** We are making minor adjustments to our FY25 estimates, raising the top line by 1% to exceed €2.6bn, leading to a low single-digit increase in EPS.
- OUTPERFORM confirmed; new target €70 (from €63).** The company is well on track to hit FY24 targets and is laying strong foundations for the coming year, boosted by the recent Enjaymo acquisition. The latter will strengthen Rare Diseases, taking the segment to over 40% of overall turnover in 2026, and further differentiate the profile of the pipeline, both in terms of the business area (Enjaymo® is complementary to the Onco portfolio, especially Sylvant®) and geographically (further expansion in USA, Japan and Europe). Beyond organic delivery and further upside from M&A, we continue to see speculative appeal linked to a potential exit by majority shareholder CVC, especially in the event of a merger with an industry buyer, a scenario favoured by the extreme fragmentation of the market and the company's increasing exposure to Orphan Drugs. We have high confidence in Recordati's unique and resilient business model, which combines diversified, cash flow-generative Specialty & Primary Care with high-growth Rare Diseases, supported by a broad geographical footprint. The company delivers robust revenue growth, industry-leading margins, and high ROIC (average 15-20% over the last decade). Its de-risked franchises, with no major loss of exclusivity and strategic R&D investments, ensure effective lifecycle management and drive global expansion. Proven M&A capabilities and disciplined cost management further strengthen its growth strategy, while a world-class management team consistently creates value for stakeholders.

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Sales (Eu mn)	2,082	2,327	2,620	2,754	2,891
EBITDA Adj (Eu mn)	770	862	977	1,033	1,083
Net Profit Adj (Eu mn)	525	569	643	689	736
EPS New Adj (Eu)	2.509	2.721	3.075	3.295	3.521
EPS Old Adj (Eu)	2.509	2.701	3.029	3.268	3.486
DPS (Eu)	1.200	1.350	1.620	1.817	1.960
EV/EBITDA Adj	13.8	15.0	14.3	13.2	12.4
EV/EBIT Adj	16.9	18.3	17.1	16.0	15.0
P/E Adj	22.6	20.9	18.5	17.2	16.1
Div. Yield	2.1%	2.4%	2.9%	3.2%	3.5%
Net Debt/EBITDA Adj	2.1	2.7	2.1	1.7	1.4

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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&PMB40 Index, most of those on the MIDEX 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:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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