RECORDATI

OUTPERFORM

Sector: Healthcare

Price: Eu50.15 - **Target: Eu69.00**

Unlocking More Profitable Growth from Current Portfolio

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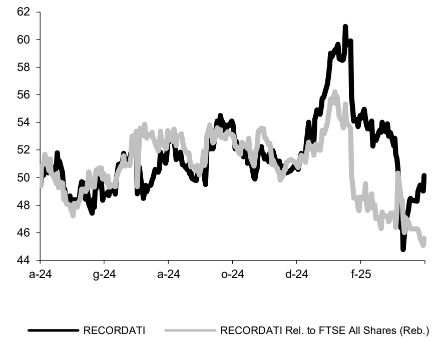
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 67.00 to 69.00
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.3%	4.0%	5.7%

Next Events: 8 May (1Q25 results)

RECORDATI - 12M Performance



Stock Data			
Reuters code:			RECI.MI
Bloomberg code:			REC IM
Performance	**1M**	**3M**	**12M**
Absolute	-5.8%	-13.8%	1.5%
Relative	-3.8%	-17.8%	-8.6%
12M (H/L)			60.95/44.78
3M Average Volume (th):			443.71

Shareholder Data	
No. of Ord shares (mn):	209
Total no. of shares (mn):	206
Mkt Cap Ord (Eu mn):	10,488
Total Mkt Cap (Eu mn):	10,488
Mkt Float - Ord (Eu mn):	5,577
Mkt Float (in %):	53.2%
Main Shareholder:	
Rossini SARL	46.8%

Balance Sheet Data	
Book Value (Eu mn):	2,033
BVPS (Eu):	9.72
P/BV:	5.2
Net Financial Position (Eu mn):	-1,877
Enterprise Value (Eu mn):	12,365

- **Bottom of FY27 targets is low-hanging fruit through existing portfolio.** Recordati's medium-term guidance targets 2027 sales of €3,000-3,200mn, adj. EBITDA of €1,140-1,225mn, and adj. net profit of €770-820mn, implying 7% upside vs. consensus and our previous estimates at the mid-point. Organic growth is seen driven by a mid-single-digit CAGR (3.5-4.5%) in Specialty & Primary Care and a double-digit CAGR (17-20%) in Rare Diseases. ForEx headwinds should come to -1-2% annually. At the low end, half of the turnover upside (~€100mn vs consensus at €2.9bn) should come from the expanded Isturisa® indication (additional €50mn; new peak sales €550-650mn), lifting Rare Diseases to 45% of turnover by 2027 (vs. 36% in FY24) while the remainder from stronger organic growth across divisions.
- **M&A can bring upper-end of target range within reach.** Given the company's strong M&A track record, the upper end of the guidance may be reached through acquisitions or new licences during the plan period, targeting products already marketed or close to launch. Leverage is expected at 1.7–2.0x (vs. 1.1x our exp. / 0.8x cons.), with flexibility to rise temporarily to ~3x for large, high-quality deals. No change to capital allocation or dividend policy (~50% of net profit).
- **1Q25 revenues off to a strong start, 1% above estimates and consensus:** net revenues €680mn (+1% vs. €674mn est. and €675mn cons.), +11.9% YoY; organic growth +7.2% (vs. +5.9% est.), excluding ForEx (€3.7mn) and Enjaymo® (€31.9mn). Specialty & Primary Care €408.6mn (+3.3% YoY, +5.0% organic); Rare Diseases €254.8mn (+29% YoY, +1.5% ex-ForEx and Enjaymo®). Full 1Q results out 8 May.
- **Positive feedback from the event.** FY25 targets confirmed despite increased FX headwinds. Greater visibility on FY27 trends at CER: S&PC (Urology up MSD, Cardio stable, GI/C&C/OTC/RX up MSD) and Rare Diseases (Endo €580–630mn, Hema-Onco €490–540mn, Metabolic stable). FY27 guidance excludes potential US tariff impact (US = 17% of sales, entirely Rare Disease); management open to optimizing local supply chain. Cash R&D at ~7% of sales supports lifecycle management. Long-term goal: 2x sales by 2030 (vs €2.3bn in FY24) through organic growth and BD/M&A.
- **Change in estimates.** We are raising our 2026–27 estimates, bringing 2027 projections just above the low-end of the new guidance, resulting in a 4-5% increase in our 2026-27 EPS forecast.
- **OUTPERFORM confirmed; new target €69 (from €67).** The new 2027 targets reinforce our positive view on the stock (OUTPERFORM), while new estimates push our TP up to €69 (from €67). While the strategy remains unchanged, we believe Recordati is well placed to extract more profitable organic growth from its current portfolio, supported by disciplined M&A and focused business development. The company continues to invest in low-risk, high-return opportunities within a well-diversified pipeline. The recent upgrade to peak sales highlights strong long-term potential, underpinned by a resilient Specialty & Primary Care business and a high-growth Rare Diseases portfolio. Robust financials (15–20% avg. ROIC, sector-leading margins), a de-risked model with limited LOE exposure, and continued focus on lifecycle and geographical expansion enhance visibility and support the investment case.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	2,082	2,342	2,644	2,833	3,029
EBITDA Adj (Eu mn)	770	866	989	1,079	1,160
Net Profit Adj (Eu mn)	525	569	659	727	784
EPS New Adj (Eu)	2.509	2.720	3.149	3.479	3.750
EPS Old Adj (Eu)	2.509	2.720	3.140	3.345	3.547
DPS (Eu)	1.200	1.270	1.521	1.801	1.974
EV/EBITDA Adj	13.8	14.7	12.5	11.2	10.2
EV/EBIT Adj	16.9	18.6	15.1	13.5	12.2
P/E Adj	20.0	18.4	15.9	14.4	13.4
Div. Yield	2.4%	2.5%	3.0%	3.6%	3.9%
Net Debt/EBITDA Adj	2.1	2.5	1.9	1.5	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&PMIB40 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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.
As at 31 March 2025 Intermonte's Research Department covered 131 companies.
As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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