

RECORDATI

Sector: Healthcare

NEUTRAL

Price: Eu50.80 - Target: Eu57.00

On Track to Beat High End of FY Range despite FX Headwinds

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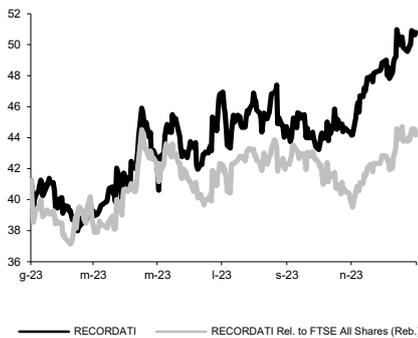
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	1.2%	0.0%	0.0%

Next Event

Prelim. FY23 Results Out 22 February 2024

RECORDATI - 12M Performance



Stock Data

Reuters code:	RECI.MI		
Bloomberg code:	REC IM		
Performance	1M	3M	12M
Absolute	4.0%	17.5%	23.2%
Relative	3.1%	4.8%	8.2%
12M (H/L)	50.96/38.00		
3M Average Volume (th):	235.61		

Shareholder Data

No. of Ord shares (mn):	209
Total no. of shares (mn):	205
Mkt Cap Ord (Eu mn):	10,624
Total Mkt Cap (Eu mn):	10,624
Mkt Float - Ord (Eu mn):	5,118
Mkt Float (in %):	48.2%
Main Shareholder:	
FIMEI	51.8%

Balance Sheet Data

Book Value (Eu mn):	1,697
BVPS (Eu):	8.11
P/BV:	6.3
Net Financial Position (Eu mn):	-1,317
Enterprise Value (Eu mn):	11,941

■ **4Q Preview.** 4Q results should confirm the company's excellent momentum thanks to strong performances in all businesses, with robust growth across both S&PC and RRD and continued delivery of sector-leading margins. We expect 4Q sales at €525mn, adj. EBITDA at €173mn (32.8% margin) reflecting seasonality of higher R&D in 4Q. Despite increased FX headwinds (c. 5pp, mainly due to Turkish Lira devaluation), the business looks well on track to hit the high end of FY guidance for revenue (€2.05-2.09bn; our exp/cons. at €2.08bn), adj. EBITDA (€750-770mn; our exp. €768mn, cons. €770mn) with a c.37% margin (our exp. 36.9%, cons. 37.0%), and adj. net profit (€490-500mn, our exp. €503mn, cons. €490mn). Net debt should be €1.54bn, c. 2x EBITDA, as per company guidance. On release of final results (19 March) we expect a final DPS of €1.25/share to be proposed, of which €0.57 already paid in November.

■ **FY24 outlook: new targets expected.** The company should provide new 2024 targets that should be consistent with the implied trajectory of FY25 targets. We currently see FY24 sales at €2.28bn (in line with cons.), up 10%; adj. EBITDA at c. €839mn (cons. €845mn) with a 36.7% margin (cons. 37.1%); and adj. net profit at €544mn (cons. €557mn). The adj. gross margin should be impacted by higher COGS related to indirect sales of Combodart/Avodart, but with no impact on EBITDA.

■ **FY25 outlook: likely upgrade at some point to include upside from unannounced M&A.** The company is well placed to exceed 2025 targets (>€2.4bn sales, ±37% margin) based entirely on the existing asset portfolio (including the sales boost from Avodart /Combodart, which we estimate will reach c.€100mn in FY25 from €18mn in FY23), with further upside potentially coming from unannounced M&A deals in both S&PC and RRD. This could justify the likely upgrade of current targets. We currently foresee a FY25 top line of €2.41bn (consensus €2.40bn) with a 36.9% margin (consensus 37.1%). Management remains committed to: i) driving organic growth of the current portfolio; b) pursuing accretive and growth M&A and targeted business development (prioritising opportunities in RRD, especially the Onco and Endo areas); c) capturing opportunities in the existing proprietary pipeline; d) sustaining sector-leading margins (c.±37%); e) maintaining a clear and disciplined capital allocation policy.

■ **Change in Estimates.** We have made some tweaks, with a minor impact on EPS.

■ **Rating NEUTRAL confirmed, target still €57.** With estimates virtually unchanged, we are leaving our DCF-based TP at €57. The limited upside to current prices (+12%) and recent stock rally prompt us to keep 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 our target, the stock would trade at 22x P/E'24 (currently c.19x vs. EU specialty peers at 17-18x, 5-Y 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	2023E	2024E	2025E	2026E
Sales (Eu mn)	1,853	2,081	2,284	2,406	2,519
EBITDA Adj (Eu mn)	673	768	839	888	925
Net Profit Adj (Eu mn)	473	503	544	591	636
EPS New Adj (Eu)	2.263	2.405	2.601	2.825	3.043
EPS Old Adj (Eu)	2.263	2.376	2.601	2.825	3.042
DPS (Eu)	1.150	1.250	1.350	1.580	1.735
EV/EBITDA Adj	15.4	13.7	14.2	13.2	12.4
EV/EBIT Adj	19.3	17.9	17.9	16.5	15.1
P/E Adj	22.4	21.1	19.5	18.0	16.7
Div. Yield	2.3%	2.5%	2.7%	3.1%	3.4%
Net Debt/EBITDA Adj	2.1	2.0	1.6	1.2	0.9