

# RECORDATI

**BUY**

Sector: Consumers

Price: Eu46.81 - Target: Eu56.00

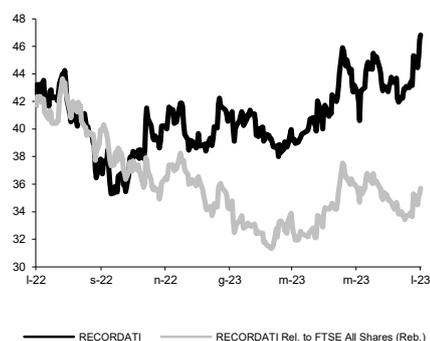
## Robust Delivery, Sector-Leading Margins, Upside from GSK deal

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

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 54.00 to 56.00		
	2023E	2024E	2025E
Chg in Adj EPS	0.5%	2.1%	2.5%

**Next Event**  
 3Q Results Out 7 November

### RECORDATI - 12M Performance



Stock Data			
Reuters code:	RECI.MI		
Bloomberg code:	REC IM		
Performance	1M	3M	12M
Absolute	8.6%	12.2%	12.3%
Relative	2.4%	4.4%	-18.9%
12M (H/L)	46.81/35.30		
3M Average Volume (th):	266.27		

Shareholder Data	
No. of Ord shares (mn):	209
Total no. of shares (mn):	205
Mkt Cap Ord (Eu mn):	9,789
Total Mkt Cap (Eu mn):	9,789
Mkt Float - Ord (Eu mn):	4,716
Mkt Float (in %):	48.2%
Main Shareholder:	
FIMEI	51.8%

Balance Sheet Data	
Book Value (Eu mn):	1,545
BVPS (Eu):	7.39
P/BV:	6.3
Net Financial Position (Eu mn):	-1,525
Enterprise Value (Eu mn):	11,314

Despite a top line broadly in-line with expectations, the 2Q adj. EBITDA margin surprised on the upside (37.6%, +1.5pp vs. cons, +0.7% vs. our exp), as did adj. net profit (+9%/+15% vs. our/cons. estimates). FY23 guidance was confirmed, with stronger business performance offsetting tougher ForEx headwinds (-4pp from -2pp), denoting a significant uplift in underlying performance, especially given that the initial accretion from the GSK deal announced last week (more details later in this report) is expected to be negligible this year and materialise in full from 2024, but at this stage there was no colour on FY25 guidance (update expected early next year).

■ **2Q/1H23 results.** 1H confirmed the group'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. In particular, on a like-for-like basis (at constant ForEx and scope), net sales were up +15.4% in 1H (1Q: +20.4%, 2Q: 11.0%), boosted by +15.0% in S&PC (1Q: +20.4%, 2Q: +9.7%) growing faster than corresponding markets across all regions and therapeutic areas; while RRD was up +15.5% (1Q: +20.9%, 2Q: +11.8%) supported by Endo expansion (+38.2%), Onco contribution (€95.6mn, +13.1% pro forma) and resilient Metabolic top line. Adj. net income was up 28% in 1H, driven by positive operating results and lower financial charges, mainly due to €4.7mn of ForEx gains in 1H23 (vs. €18.7mn of ForEx losses in 1H22). FCF was robust at €262mn in 1H (our exp. €223mn), leading to lower net debt at €1,326mn (1.8x leverage) from YE22 (€1,420mn, 2.1x).

■ **Positive tone from the call.** There were a few interesting hints on the agreement with GSK, while management declined to update FY25 guidance (we expect consensus to move in line with/slightly above the upper end of plan targets, which already include some M&A contribution from unannounced deals). The FY target (c.37%) implies a 2H margin in the 35% area (1H: c.38.9%), still the highest level in Recordati's history and an industry best. Margin decline in 2Q was due to a step up in R&D activity (R&D costs are lumpy in nature, with hefty upfront costs when studies commence), but also to the structure of the GSK deal (full economic benefit only when direct sales begin) and ForEx headwinds (c-5pp in 2H vs.-3.3pp in 1H).

■ **Updated estimates.** Our FY23 estimates are broadly unchanged, while we are including accretion from the GSK deal (c.€90-100mn of revenues in FY24-25- not yet fully stabilised from FY22 levels, and a 35% margin in line with S&PC profitability). This leads to average increases of 4% in sales/EBITDA and 2-3% in EPS in FY24-25.

■ **BUY confirmed, target raised to €56 (from €54).** Revised estimates (now slightly above the upper end of FY25 targets) lead us to raise our TP to €56 (from €54), which does not include further upside from potential M&A in the event of major deals for high-quality assets. At our target, the stock would trade at 21x P/E'24 (currently 18x vs. EU specialty peers at 17x, 5-Y historical average 21x), offering c.20% upside to current prices, prompting us to confirm our 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 S&PC and OTC businesses.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,580	1,853	2,081	2,281	2,400
EBITDA Adj (Eu mn)	602	673	760	838	873
Net Profit Adj (Eu mn)	425	473	494	544	579
EPS New Adj (Eu)	2.031	2.263	2.361	2.599	2.771
EPS Old Adj (Eu)	2.031	2.263	2.348	2.545	2.703
DPS (Eu)	1.103	1.150	1.250	1.350	1.574
EV/EBITDA Adj	18.4	15.4	14.9	13.3	12.5
EV/EBIT Adj	21.9	19.3	19.0	16.7	15.6
P/E Adj	23.1	20.7	19.8	18.0	16.9
Div. Yield	2.4%	2.5%	2.7%	2.9%	3.4%
Net Debt/EBITDA Adj	1.2	2.1	2.0	1.6	1.3