

# Research

CEE | Equity Research

Research Department

[research@trigon.pl](mailto:research@trigon.pl)

[www.trigon.pl](http://www.trigon.pl)

## Gedeon Richter

### Right dose of business transformation

**Buy**

Initiation

Target price: 13932 HUF

upside potential: +28%

We start issuing recommendation for Gedeon Richter with 12M TP of HUF 13,932 per share (+28% upside). The company's presents strong 2024 revenue outlook due to Women's Health Care (WHC) segment development and Vraylar's royalty payments, while recent M&A transactions within biotechnology drugs represents significant upside for upcoming 2-3 years. Notable free cash flows from Vraylar between 2024 and 2028 are expected to drive both FCF yields and dividend payouts. We forecast FCF yield at 9.6-11.0% in 2025-2026 and believe the company represents an attractive EV/EBITDA 24-\*26 valuation level relative to other Pharma companies within the region. Richter has maintained steady earnings growth, a trend that is expected to continue. We anticipated business growth due to broader WHC portfolio sales, enhanced profitability in the biotechnology segment (BIO) represents a set of factors supporting the company's growth in the coming months, whereas a dividend yield 2024-2026 of 6.0-7.2% adds further value.

**Financial outlook: growing earnings due to strong CNS and WHC performance, more capital allocation on M&A and innovations.** We anticipate that in 2024-2026 Richter will achieve further significant sales growth of 8-10% y/y with royalty income from Vraylar sales contributing of 24%-25%. Due to the high royalty contribution, we expect that consolidated gross margins will increase by 4-6% p.p y/y. Within last years, Richter has strongly focused on transactions strengthening main business segments, including buying 30-50% stake in Richter-Helm and a 9% stake in Formycon (for HUF 97bn) as well as licencing of ustekinumab (BAT2206), a biosimilar of Stelara (total transaction value of USD 110m) showing the high priority of BIO segment.

**Vraylar stabilizing cash flows, new CNS drugs ahead.** Royalty income from Vraylar in 2Q24 approached HUF 50bn with an impressive, 20%+ growth y/y. Based on AbbVie's expectations, we estimate net sales in 2024 is c. USD 3.0bn and peak sales prior patent expiry may approach USD 4.0bn. From the beginning of 2024, Reagila sales continued to grow, both within Richter's and other licensed territories (ex-AbbVie). Reagila became the leading brand in the CE region within oral atypical antipsychotics with a ~7% market share in value. Richter's CNS pipeline shows increasing potential, with four assets in Phase 1, two of which were added in 4Q23. We project 40% success rate for CNS pipeline, with anticipated first sales in 2029, peak sales reaching USD 1.4bn, and a 8-10% royalty rate for Richter.

**Dynamic development in the BIO segment.** We state that that the revenues of the Gedeon biotechnology segment will develop at a double-digit rate in the forecast period 2024F-2033F. The factors influencing the development of the segment will be the growing sales of currently offered products, the market launches of new products (denosumab, tocilizumab) and outsourcing of CDMO services. We estimate annual segment revenues CAGR 24-34F at 25%. We perceive the licencing of ustekinumab (BAT2206), a biosimilar of Stelara, as an significant business growth potential. By assuming post-launch 2-5% share of the global ustekinumab biosimilar market within 2-3 years, drug may generate from USD 30m in 2025 to USD 450m of annual sales in 2030.

**Expansion of the women's healthcare segment.** An important driver of WHC segment transformation has been the acquisition of Finox Biotech in 2016, which provided to Gedeon's pipeline Bemfola, a biosimilar of follicle-stimulating hormone (FSH), addressing fertility issues. In 2024F-2028F we estimate strong performance of Gedeon's WHC segment, which will be driven by growing sales of all offered products dedicated to treatments for conditions such as uterine fibroids, endometriosis, and contraception. We estimate annual segment revenues with CAGR 24-30F at 10%.

**Good earing outlook and premium to other Pharma players.** In our opinion, the current market valuation of Gedeon does not take into account the potential arising from the development of the WCH and BIO segments. The 2024 financial outlook highlights over 25% growth in clean EBIT from non-Vraylar operations, and pipeline advancements, especially in the CNS and biotechnology sectors. Importantly, capital allocation continues to improve, and there may be a more generous dividend soon, with expectations of growing DY from 2.0% in 2023 up to 7.2% in 2026F. Richter is priced more in line with regional market multiples rather than the leading global pharmaceutical companies. Before the COVID-19 pandemic, Richter traded at a P/E ratio of 12-15x, slightly below the European pharmaceutical industry average of 15x. In contrast, it now trades at an estimated P/E'24 of 6.0-7.0x, more attractive to the region's average.

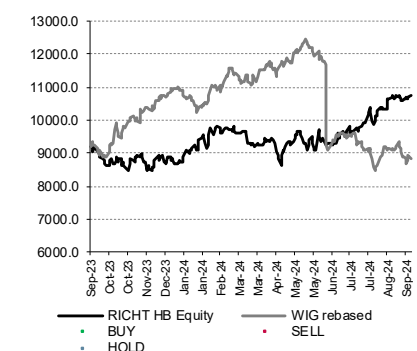
**Valuation.** The DCF approach implies the 12M target price of Gedeon Richter shares at HUF 13,932 (+28% upside). Using the comparative valuation method, we value Gedeon's shares at HUF 19,045 / share. However, due to the different Gedeon Richters drug portfolio compared to other listed companies, we assigned the DCF method as the main method for the RICHT valuation.

**Risk factors.** As a main risk factors we specified: regulatory risks (approval delays or failures, compliance and changing regulations); competition and market dynamics (competition in generics and biosimilars, innovation pressure), intellectual property (IP) risks; market and economic conditions; dependency on key products (Vraylar); R&D and pipeline risks (risk of projects failures, R&D costs); legal and taxation; political and geopolitical risks.

#### FACT SHEET

Ticker	RICHT.HB		
Sector	Healthcare		
Price (HUF)	10,880		
52wk Range (HUF)	8420 / 11260		
Number of share (m )	186.4		
Market Cap (HUFm)	2,027,759		
Free-float	10%		
Avg Vol 3M (HUFm)	1704.4		
Price performance	1M	3M	1Y
	1.6%	12.4%	22.6%

#### RELATIVE SHARE PRICE PERFORMANCE



#### RECOMMENDATION HISTORY

	Date	Price
--	------	-------

#### SHAREHOLDERS

	Share %
FMR LLC	12.5%
Mathias Corvinus Collegium	10.0%
Maecenas Universitatis Corvini A.	10.0%
National Foundation for Health	5.3%
Other	62.2%

#### IMPORTANT DATES

3Q24 report	12.11.2024
-------------	------------

#### ANALYST

Katarzyna Kosiorek

Volodymyr Shkuropat

HUFm	2021	2022	2023	2024E	2025E	2026E
Revenues	630,595	802,755	805,158	875,949	962,209	1,040,685
EBITDA	180,754	202,124	240,172	329,947	392,257	424,912
EBIT	135,832	153,555	189,364	278,056	333,772	361,005
Net profit	139,626	169,076	158,868	283,658	316,000	338,665
EPS (PLN)	749.2	907.4	856.2	1,551.0	1,727.8	1,851.8
P/E (x)	14.5	12.0	12.7	7.0	6.3	5.9
EV/EBITDA (x)	11.0	9.7	8.1	5.6	4.3	3.7
P/BV (x)	2.2	1.9	1.8	1.5	1.3	1.2
DY (%)	2.1%	2.1%	2.0%	4.0%	6.0%	7.2%

Source: Company, Trigon DM

## Trigon Dom Maklerski S.A.

Plac Unii, Budynek B, ul. Puławska 2, 02-566 Warszawa

T: +48 22 330 11 11 | F: +48 22 330 11 12

W: <http://www.trigon.pl> | E: [repcja@trigon.pl](mailto:repcja@trigon.pl)



### CEE EQUITY RESEARCH

**Grzegorz Kujawski**, Head of Research  
*Consumer, E-commerce, Financials*

**Maciej Marciniowski**, Deputy Head of Research  
*Strategy, Banks, Financials*

**Grzegorz Balcerski**  
*Gaming*

**Katarzyna Kosiorek**  
*Biotechnology*

**Michał Kozak**  
*Oil&Gas, Chemicals, Utilities*

**Dominik Niszc**  
*TMT, E-commerce*

**Łukasz Rudnik**  
*Industrials, Metals&Mining*

**David Sharma**  
*Construction, Real Estate*

**Piotr Rychlicki**  
*Junior Analyst*

**Piotr Chodyra**  
*Junior Analyst*

**Volodymyr Shkuropat**  
*Junior Analyst*

### EQUITY SALES

**Grzegorz Skowroński**

### SALES TRADING

**Paweł Szczepański**, Head of Sales

**Michał Sopiński**, Deputy Head of Sales

**Paweł Czupryński**

**Hubert Kwiecień**

#### Disclaimer

#### General information

This Document has been produced by Trigon Dom Maklerski S.A. (the "Brokerage House"), an entity regulated by the Polish Financial Supervision Authority. Initial recipients of this Document are selected Clients of the Brokerage House who use its general equity research and recommendation services concerning transactions in financial instruments. As of the date stated herein, this Document may also be disseminated to the general public (via the Brokerage House's website or by making it available to entities that may refer to its content in the media to the extent they see fit, or otherwise) as a recommendation within the meaning of Regulation (EU) 596/2014 of the European Parliament and of the Council on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (the "MAR Regulation"), and Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regula-

tion (EU) 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest (the "Regulation on Recommendations").

#### Glossary of professional terms:

capitalisation – market price multiplied by the number of a company's shares

free float (%) – percentage of a company's shares held by shareholders with less than 5% of total voting rights attached to the shares, reduced by treasury shares held by the company

min/max 52 wks – lowest/highest share price over the previous 52 weeks

average turnover – average volume of share trading over the previous month

EBIT – operating profit

EBITDA – operating profit before depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

CAPEX – sum of investment expenditures on fixed assets

OCF – cash generated through a company's operating activities

FCF – cash generated by a company after accounting for cash outflows to support its operations and maintain capital assets

ROA – rate of return on assets

ROE – rate of return on equity

ROIC – rate of return on invested capital

NWC – net working capital

cash conversion cycle – length of time it takes for a company to convert its cash investments in production inputs into cash revenue from sale of its products or services

gross profit margin – ratio of gross profit to net revenue

EBITDA margin – ratio of the sum of operating profit and depreciation/amortisation to net revenue

EBIT margin – ratio of operating profit to net revenue

net margin – ratio of net profit to net revenue

EPS – earnings per share

DPS – dividend per share

P/E – ratio of market price to earnings per share

P/BV – ratio of market price to book value per share

EV/EBITDA – ratio of a company's EV to EBITDA

EV – sum of a company's current capitalisation and net debt

DY – dividend yield, ratio of dividends paid to share price

RFR – risk free rate

WACC – weighted average cost of capital

#### Recommendations of the Brokerage House

Issuer – Gedeon Richter

BUY – we expect the total return on an investment to reach at least 15%

HOLD – we expect the price of an investment to be largely stable, with potential upside of up to 15%

SELL – we expect negative total return on an investment of more than -0%

Recommendations of the Brokerage House are valid for a period of 12 months from their issuance or until the price target of the financial instrument is achieved.

The Brokerage House may update its recommendations at any time, depending on the prevailing market conditions or the judgement of persons who produced a given recommendation.

Short-term recommendations (particularly those designated as speculative) may be valid for shorter periods of time. Short-term recommendations designated as speculative involve a higher investment risk.

Document prepared by: Katarzyna Kosiorek

#### Valuation methods used

The Discounted Cash Flow (DCF) method values a company by estimating its future cash flows and discounting them back to their present value.

- Advantages: future-oriented, flexible when it comes to assumptions, based on the intrinsic value of a company, widely accepted.

- Disadvantages: sensitivity to assumptions, complexity, subjectivity, doesn't consider market sentiment or short-term fluctuations.

The comparable valuation method values a company by comparing it to similar publicly traded companies.

- Advantages: simplicity, transparency, benchmarking, reflects current market valuations and investor sentiment.

- Disadvantages: lack of specificity, limited comparables, sensitive to market fluctuations, ignoring fundamental differences.

SOTP – sum-of-the-parts method, which consists in valuing a company by valuing its individual business lines separately and then summing them up.

Advantages: different valuation methods can be applied to diverse business lines; the approach is useful for assessing the value of a company e.g. in the case of planned acquisition or restructuring.

Disadvantages: the peer group for individual business lines is usually limited, the method does not adequately account for synergies between business segments.

Risk-adjusted net present value method (rNPV)

Advantages: accounting for probabilities assigned to future cash flows, providing a more realistic assessment of the present value of future cash flows and reflecting business-specific factors, especially in the case of innovative companies.

Disadvantages: subjectivity involved in the adoption of a discount rate, significant reliance on a number of assumptions, high level of complexity in the calculations and exclusion of qualitative factors from the valuation.

Discounted residual income method (DRI)

Advantages: valuation based on the excess of income over risk-adjusted opportunity cost to owners of capital, the method can be applied to companies that do not pay dividends or generate positive FCF.

Disadvantages: significant reliance on subjective judgements and assumptions, as well as sensitivity of the valuation to any changes in those variables.

Discounted dividend model (DDM)

Advantages: accounting for real cash flows to equity owners, the model works best for companies with a long history of dividend distribution.

Disadvantages: the method can be applied to dividend-paying companies only, it is not suitable for companies with a short history of dividend distribution.

Net asset value method (NAV)

Advantages: the approach is particularly relevant to holding companies with significant property, plant and equipment assets, the calculation of NAV is relatively straightforward.

Disadvantages: the method neglects future revenue or earnings potential and may not properly reflect the value of intangible assets.

Target multiple method

Advantages: the method can be applied to any company.

Disadvantages: it involves a high degree of subjectivity.

Replacement value method – it assesses the value of a company based on the costs of replacing its assets.

Advantages: the method is particularly relevant to companies with significant property, plant and equipment assets.

Disadvantages: it may be hard to capture the value of a company's intangible assets, reputation and market potential.

Liquidation value method – the sum of prices that the business would receive upon selling its individual assets on the open market.

Advantages: the method can capture the lowest threshold of a company's value.

Disadvantages: it may be hard to capture the value of a company's intangibles.

Basis of the valuation or methodology and the underlying assumptions used to evaluate the financial instrument or the issuer, or to set a price target for the financial instrument: discounted cash flow method (DCF).

The valuation, methodology or underlying assumptions have not changed since the date when this Document was completed and first disseminated.

This Document was not disclosed to the issuer and subsequently amended. This Document has remained unchanged since the day it was completed and first disseminated.

The Research Team, which produces recommendations, relies exclusively on verified sources, publicly available as part of commercial knowledge bases and databases (periodic reports of issuers, Bloomberg, Reuters, Statistics Poland), as well as in-house analyses.

For detailed information on the valuation or methodology and underlying assumptions, as well as any previous recommendations concerning the Issuer's financial instruments disseminated during the preceding 12 months, go to the Brokerage House's website at [www.trigon.pl](http://www.trigon.pl).

#### Legal disclaimers, disclaimers related to risks

The Brokerage House believes that this Document has been objectively presented, with due care and attention and with the avoidance of potential conflicts of interest. The Brokerage House bears no liability for any inaccuracy or misjudgement that may nevertheless be found in this Document. In particular, the Brokerage House bears no liability for any damage suffered as a result of investment decisions made in reliance on information contained in this Document.

This Document does not address the individual needs or circumstances of any investor, nor is it an indication that any investment is suitable for a given investor. Accordingly, the conclusions drawn based on this Document may prove inappropriate for that particular investor.

The Brokerage House bears no liability for the way in which information contained in this Document is used. Historical data presented in this Document relate to the past, but past performance is no guarantee that similar results will be achieved in the future. Forward looking data may prove inaccurate, as they are merely an expression of the judgement of individuals speaking on behalf of the entity covered by this report or result from the Brokerage House's own judgement.

Anyone intending to use the information or conclusions contained in this Document is advised to rely on their own judgement, consider information other than that provided in this Document, verify the presented information on their own, assess the risks related to decision-making based on this Document; and consider consulting an independent analyst, investment adviser or other professional with relevant expertise.

Unless this Document indicates otherwise, information contained herein should not be regarded as authorised or approved by the entity to which it relates, as the conclusions and opinions contained herein are solely those of the Brokerage House.

Actual or potential conflicts of interest are managed by the Brokerage House through relevant arrangements provided for in the Regulation on Recommendations. In particular, in order to prevent or manage conflicts of interest, the Brokerage House has set up organisational barriers, as required by the applicable laws and regulations, compliance with which is monitored by the Compliance Department.

The key document governing the process of managing potential conflicts of interest at the Brokerage House is the "Conflicts of Interest Policy of Trigon Dom Maklerski S.A." For detailed information on the Policy, go to [www.trigon.pl](http://www.trigon.pl).

The Brokerage House has developed and put in place mechanisms ensuring that conflicts of interest are managed through legal and administrative barriers designed to limit the flow of information between various organisational units/individuals employed by the Brokerage House or other persons.

In particular, the Research Team operates as an organisationally, functionally and physically separate, independent organisational unit of the Brokerage House.

The Brokerage House believes that the organisational arrangements put in place ensure that the contents of a recommendation remain confidential until it is released.

As at the date of this Document:

there are no conflicts of interest between the Brokerage House and/or persons involved in producing this Document or having access to this Document prior to its publication (the Brokerage House's employees, service providers and other associated persons) and the Issuer

the Brokerage House does not hold shares of the Issuer

the Brokerage House does not act as a market maker for the issuer's shares

the Brokerage House does not provide the Issuer or its affiliates with financial advisory, investment banking or other brokerage services

the Brokerage House does not perform the following services with respect to the Issuer's financial instruments covered by this Document

research and recommendation services concerning the Issuer's financial instruments

offering the financial instruments on the primary market or in an IPO over the 12-month period preceding the publication of this Document

buying or selling the financial instruments for its own account in the performance of tasks related to the operation of a regulated market

buying or selling the financial instruments for its own account in the performance of standby or firm commitment underwriting agreements

with the reservation that the Brokerage House may at any time offer or provide its services to the Issuer

there are no persons among those involved in producing the recommendation, or those who did not take part in its production but had or could have access to the recommendation, who would hold shares in the Issuer representing 5% or more of its share capital or financial instruments whose value is materially linked to the value of financial instruments issued by the Issuer

no members of the governing bodies of the Issuer or their close persons are members of the governing bodies of Trigon Dom Maklerski S.A.

none of the persons involved in producing the report serves in the governing bodies of the Issuer, holds a managerial position in, or is a close person of any member of the governing bodies of the Issuer; moreover, none of those persons or their close persons is party to any agreement with the Issuer that would be executed on terms and conditions different from those of other agreements executed between the Issuer and consumers.

The Brokerage House has not received dividends from the Issuer over the previous 12 months.

The remuneration of persons involved in producing this Document is not linked to the financial results achieved by the Brokerage House on transactions in the Issuer's financial instruments performed by the Brokerage House. Employees of the Brokerage House involved in producing the recommendation:

do not receive remuneration that is directly tied to transactions in the Brokerage House's services set out in Sections A and B of Annex I to Directive 2014/65/EU or other type of transaction the Brokerage House or any legal person that is part of the same group performs, or to trading fees the Brokerage House or any legal person that is part of the same group receives

do not receive or buy shares in the Issuer prior to a public offering of such shares.

The Brokerage House or its affiliates may take part in transactions related to the Issuer's financing, provide services to the Issuer, intermediate in the provision of services by the Issuer, and have the possibility of executing or execute transactions in financial instruments issued by the Issuer or its affiliates, also prior to the presentation of this Document to its recipients.

There are no other circumstances potentially leading to conflicts of interest that would be subject to disclosure under the Regulation on Recommendations.

The Brokerage House pays careful attention to numerous risks related to investments in financial instruments. Investing in financial instruments carries a high degree of risk of losing some or all funds invested. Trigon Dom Maklerski S.A. is the owner of the trademarks, service marks and logos presented in this Document. The Brokerage House owns the copyrights to this Document and the contents of this Document. Any publication, dissemination, copying, use or provision of this Document (or any part hereof) to any third party in any manner other than its legally sanctioned use requires the Brokerage House's consent.

Due to certain legal limitations, this Document may not be directly or indirectly provided, made available or issued in jurisdictions where its dissemination may be restricted by local law. Persons providing or disseminating this Document are obliged to be familiar with and observe such limitations.

It is assumed that each person (organisational unit) that receives, accepts or consents to receiving this Document, by doing so:

accepts every disclaimer stated above;

confirms that they have read the Trigon Dom Maklerski S.A. Terms and Conditions of Research and Recommendation Services (available at: [www.trigon.pl](http://www.trigon.pl), referred to as the "Terms & Conditions") and accepts them;

agrees to be provided with a one-time research and recommendation service by the Brokerage House through receiving access to this Document, in accordance with the Terms & Conditions and subject to the disclaimers contained in or published with this Document, with the proviso that: (1) the service is limited to the free-of-charge provision of this Document and use of this Document by its recipient, (2) the service contract is valid only for the time of using this Document by its recipient.

This Document is not an offer within the meaning of Art. 66 of the Polish Civil Code, does not purport to provide any investment, legal or accounting advice, does not constitute an advertisement, an offer to sell or a solicitation of offers to subscribe for or purchase any financial instruments, nor is it a basis for entering into any other agreement or creating any other obligation.

Date and time when the production of the recommendation was completed: 21th October 2024 7:00 CET.

Date and time when it was first disseminated: 21th October 2024 8:30 CET.