

Antibiotice SA (ATB)

HOLD

Company Update

Price Target: 2,66 RON (+9,5%)

Key Points

- After a rather modest performance in recent years, during which it consistently underperformed the BET index since its listing, Antibiotice (ATB) has begun, since 2023, to record the most impressive recovery of a publicly traded stock, marking a 327% return over the past two years. ATB had a rather aggressive post-pandemic recovery, during which its revenue increased from 366.2 mln. RON (2021) to 675 mln. RON in 2024 (+84.3%), while net profit tripled (from 29.9 mln. RON at the end of 2021 to 91.8 mln. RON).
- Over the past three years, ATB has developed its business with an above-market growth rate both in the domestic market (CAGR +23.6%) and abroad (CAGR +20.9%), in a context where the Romanian pharmaceutical market has also recorded double-digit growth, reaching 34.1 bln. RON at the end of last year, compared to 21.1 bln. RON at the end of 2021 (CAGR +17.3%).
- ATB's growth has been supported by improvements on multiple fronts, with the company strengthening its position in segments where it holds a competitive advantage (sole producer for 55 products, e.g., nystatin, colistin), while also expanding its portfolio of non-RX products (four new dietary supplements, three topical products, and eight veterinary supplements in 2024) and opening new export markets (Italy, Poland, Czech Republic, and Bulgaria). Notably, the company achieved an average unit price increase exceeding market growth (CAGR +16.5% vs. 12.8%), in a context where, in volume terms, the pharmaceutical market recorded a contraction over the past year, from 722.6 mln. boxes to 710 mln. (CAGR +1.9% for generic products).
- ATB has an ambitious growth plan through 2030, targeting a turnover of 250 mln. EUR and a net profit of 50 mln. EUR, double the levels reported for 2024. In our estimates, we have considered a more conservative evolution, implying a turnover 1.0% lower and a net profit 8.0% lower, though we believe the company's objectives are fully achievable. We value the company at 2.66 RON/share (+9.5% upside), as the average between the DCF valuation (2.35 RON, - 3.4% downside) and the relative valuation (2.97 RON, +22.4% upside).
- Risks to our forecasts stem from an unexpected economic slowdown (potential recession), both locally and globally, in the context of escalating trade wars, as well as a significant increase in financing costs due to the resurgence of inflation on both a local and global scale.

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Sector: Pharma

Shares information

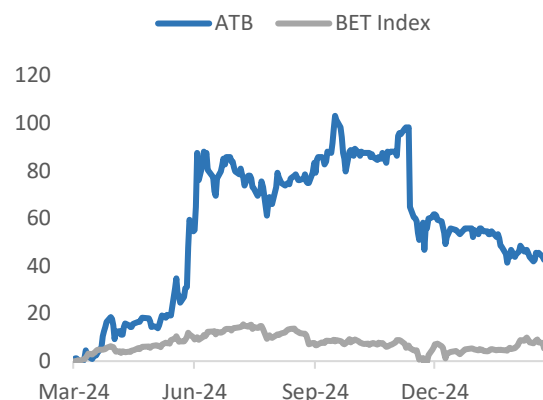
Min/max price, 52 weeks.	1,62 – 3,44
Dividend/share	0,082922
Total Shares (mln.)	671,3
Capitalization (RON mln.)	1.624,6
52 weeks liquidity (RON mln.)	442,3

Major Shareholders

	%
Institutional	17,6
Retail	16,4
Min. Sănătății	53,0
Infinity Capital Inv.	13,0

1 year performance vs BET

	%
ATB	+46,1
BET Index	+8,0



source: Bloomberg

Investment Case

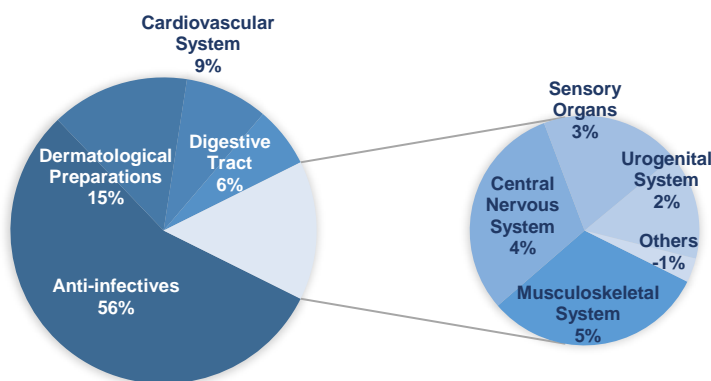
Antibiotice is one of the most important generic drug manufacturers in Romania, with a history of 68 years, and a key supplier of medicines for hospitals. The company is included in the list of strategically important objectives for national defense, holding a significant role in the national economy.

The company's portfolio includes 182 products across 11 therapeutic classes, holding a market share, in terms of box consumption, of 4.6% (ranked 4th) in the prescription and non-RX (OTC) generic drug segment. Additionally, ATB is the market leader in value for RX and non-RX generic medicines sold in hospitals, being the main supplier of anti-infective drugs with a market share of 13.2%, and the quantitative leader in the injectable powder (market share 59.9%), ointment (market share 20.1%), and suppository and ovule (market share 32.7%) segments.

The company's products are sold in 8,100 open-circuit pharmacies in Romania, 367 public hospitals, and 309 private healthcare facilities, with ATB being the sole manufacturer in the Romanian market for 55 products. Access to the domestic market is facilitated through six national distributors for human-use medicines and four distributors for veterinary medicines, while internationally, the company has partnerships with over 100 distributors.

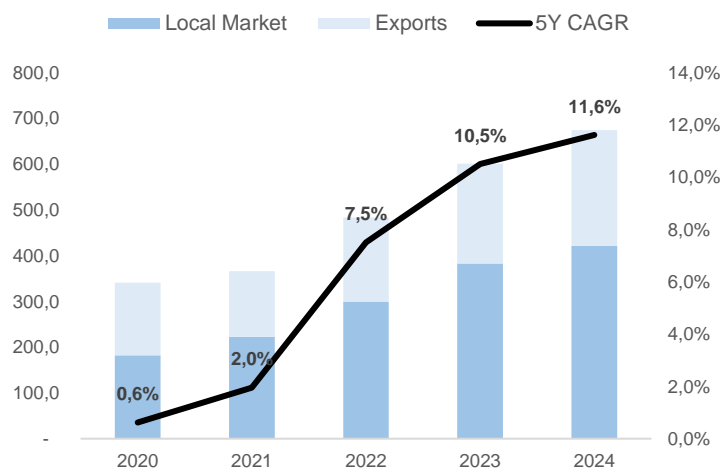
In 2024, sales volume in external markets recorded a 15.9% increase, reaching 253.2 mln. RON, surpassing the growth rate of domestic sales, following ATB's expansion into four new European markets (Italy, France, Poland, and Bulgaria). Sales in Europe now account for approximately 40% of total exports. Last year, Antibiotice also made its first deliveries of medicines to the United Arab Emirates and Australia, as part of its international expansion strategy.

Breakdown of the product portfolio



source: ATB, own calculations

Total revenues (mil. RON) doubled in the past 3 years



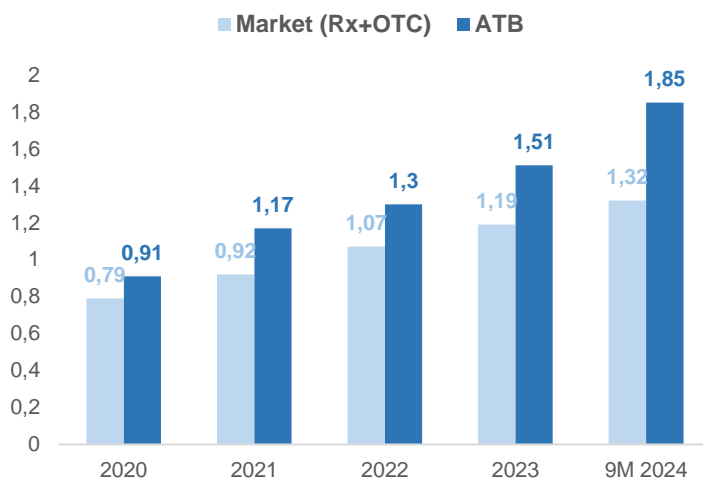
source: ATB, own calculations

Antibiotice has strengthened its leadership position in nystatin-based active substances, where it holds a competitive advantage, achieving a minimum 15% growth in both traditional export markets and new markets. Exports to the U.S., Canada, the U.K., and Vietnam have increased, maintaining the company's

position among the top 10 producers of sterile beta-lactam penicillins in Europe and North America.

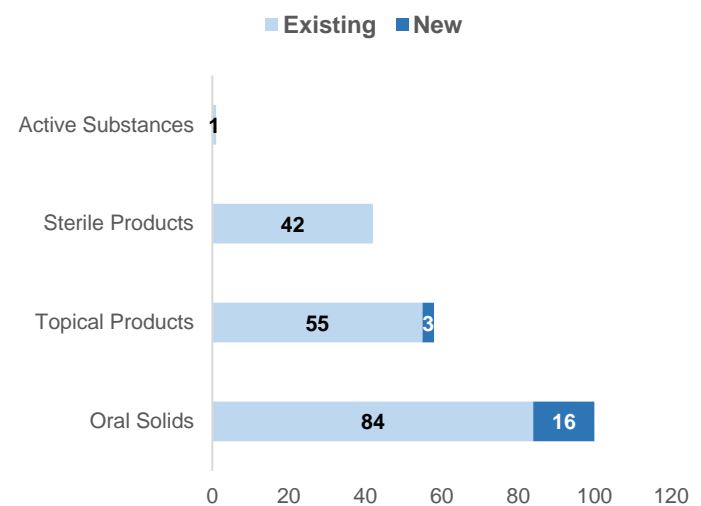
Antibiotice continued to expand its product portfolio through its own research and development activities, adding 19 new products in 2024, including four RX products and the rest in the non-RX/OTC category, covering dietary supplements and topical products. The expansion of the non-RX portfolio and the promotion of its brands, such as those in the Quality Life and Derma+ lines, have led to above-market growth in the average unit price (+22.5% vs. +10.9% in the first nine months of 2024), with some products, such as those in the Cold & Flu range, experiencing price increases of +35.9%.

Antibiotice achieved an above market average unit price (RON) increase



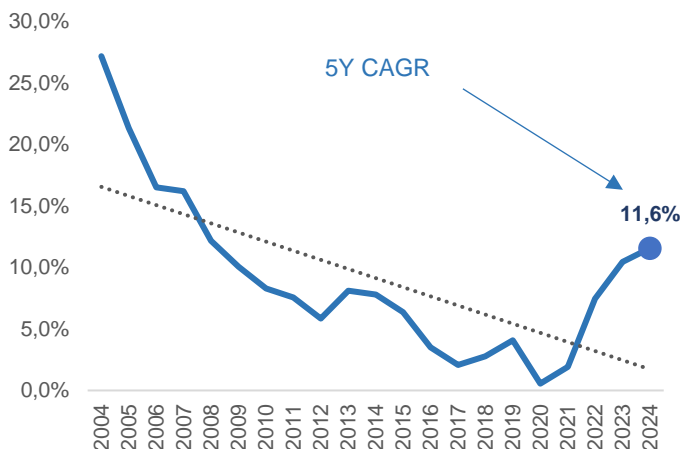
source: ATB, own calculations

The product portfolio expanded with 19 new products



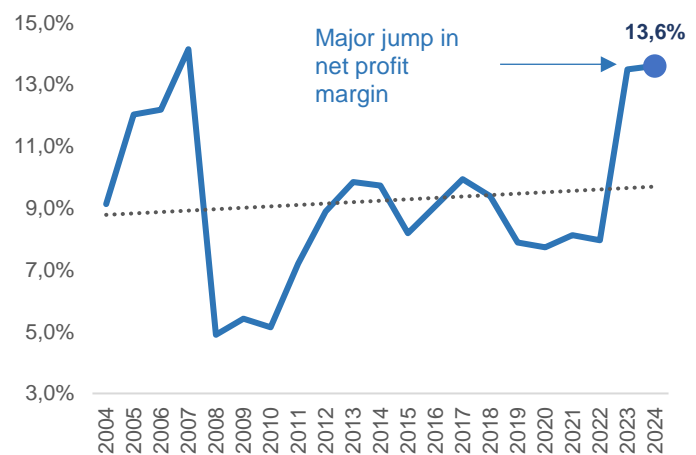
source: ATB, own calculations

The 5-year growth rate jumped to 11.6% versus a multi-annual average of 5%



source: ATB, own calculations

The net profit margin improved to 13.6% compared to 8.1% at the end of 2021



source: ATB, own calculations

The expansion of sales in external markets, the development of new products, and the promotion of its brands have led to an almost twofold increase in revenue over the past three years, with a five-year annualized growth rate reaching 11.6%, compared to a multi-year average of 5.0%. The improvement was not limited to revenue growth; ATB successfully controlled costs and increased its EBITDA margin from 15.9% in 2021 to 22.6% by the end of 2024. Over the same period, the net profit margin rose from 8.2% to 13.6%, supported in part by a reduction in the clawback tax, which in 2024 accounted for only 5.8% of total revenue, compared to 7.8% at the end of 2021.

Over the past two years, ATB has launched significant investments in production capacity, modernization, and energy consumption reduction. In 2023, these investments totaled approximately 98 mln. RON focuses on product portfolio expansion, the construction of new production sites, and business consolidation.

For 2024, we estimate that the investment level reached 105 mln. RON (exceeding net profit), funded through a mix of sources, including state aid, European funds under the National Recovery and Resilience Plan (PNRR) and the InvestEU Program of the European Commission, a loan from the European Investment Bank, and the company's resources.

A major segment of these investments was dedicated to the transition to green energy, with Antibiotice aiming to generate approximately 35% of its industrial platform's total energy needs from renewable sources. This will be achieved by constructing a 2.5 MWh ground-mounted solar power plant and a 1.2 MW photovoltaic panel system installed on the company's buildings.

Romanian Pharmaceutical Market

The total pharmaceutical market in Romania grew by 13.8%, reaching 34.1 billion RON, despite a quantitative decline of 1.7%, with a volume of 710 million boxes in 2024. The segment of prescription generic medicines and non-RX products represents 42.5% of the pharmaceutical market, reaching a value of 14.5 billion RON, an increase of 8.9% compared to the previous year (13.3 billion RON), while volumes recorded a decline of 2.9%, from 530 million boxes to 514.4 million boxes.

Non-RX products account for 55% of the generic market, registering a value growth of 6.3% (from 7.5 to 8 billion RON) and a quantitative decrease of 2.3% (from 271 million boxes to 264.8 million boxes).

In Romania, the pricing of prescription medicines is regulated and approved by the Ministry of Health for all players in the pharmaceutical chain, from manufacturers to end consumers. The pricing methodology for these medicines is established by Ministerial Order No. 368/2017, which regulates the procedure for approving the maximum prices of human-use medicines.

According to legislation, the price of a prescription medicine is determined by comparing the proposed price with the prices listed in the reference catalogs of 12 countries: the Czech Republic, Bulgaria, Hungary, Poland, Slovakia, Austria, Belgium, Italy, Lithuania, Spain, Greece, and Germany. The proposed manufacturer price must be equal to or lower than the lowest price for the same medicine in the list of reference countries. If the medicine does not have a registered price in these countries, the proposed price is automatically approved.

The evolution of the Romanian pharmaceutical market is influenced by several factors. Delayed or interrupted diagnoses due to post-pandemic effects have led to a higher number of undiagnosed cases or more severe illnesses, particularly in cancer, obesity, diabetes, and cardiovascular diseases (Cegedim Customer Information). Additionally, changes in market structure have resulted in moderate growth in volume and treatment days, along with a significant increase in the

average price per unit, as lower-cost products have been replaced with more expensive alternatives.

Another favorable factor is the expansion of reimbursement coverage, funding for generic treatments for acute and chronic conditions, as well as innovative and costly therapies included in the National Health Programs. The retail sector for OTC products and dietary supplements is expected to continue growing due to a favorable regulatory framework, an increasing trend in self-medication, and rising prices driven by inflation. Furthermore, the private healthcare market is likely to expand due to economic growth and higher disposable income for certain population segments, offering an alternative to public healthcare services.

On the other hand, an economic slowdown could prompt authorities to adopt stricter cost-control measures for medicines, leading to pressure on pricing and market value. Additionally, many patients remain less engaged in their healthcare, potentially prolonging delays in diagnoses and treatments.

Pharmaceutical exports remain an important growth driver due to lower prices compared to other EU countries, while demographic decline caused by emigration and a negative natural growth rate is affecting market demand. Globally, the rising cost-of-living crisis significantly impacts the healthcare sector, as household budgets become increasingly constrained, negatively influencing demand for medicines.

According to Cegedim, the total pharmaceutical market in Romania is expected to grow at an annual rate of 12.2% until 2026, driven by a 3.5% increase in volume and a 5.7% rise in treatment days (DOT). We anticipate that ATB will follow a similar growth rate over the next two years, followed by a normalization period with an annual growth rate of 8.4%. Our forecast places revenues at the end of 2030 at 1.237 billion RON, slightly below the company's target, while we estimate net profit at 233 million RON, approximately 8% below target.

Compared to the company's expectations, we foresee a negative impact from salary-related expenses, implying a more moderate trajectory for the net margin, increasing from 13.6% to 18.8% by the end of 2030.

Over the next six years, we expect an improvement in margins and profitability, with ROE rising from 10.5% to 15.7% and a net margin of 18.8%, compared to 13.6% at the end of 2024. The compound annual growth rate (CAGR) of revenues for the entire forecast period is 10.6%, slightly below the annualized growth level of recent years.

2024 Preliminary Results Overview

The preliminary results for 2024 showed a revenue increase of 12.4%, reaching 675 million RON, supported by growth in several product lines. Sales of topical products (ointments) increased by 17%, from 7.68 million tubes to 8.24 million tubes. Sales of suppositories and ovules rose by 10%, from 29.5 million UI to 43.5 million UI. Sales of injectable products grew by 22.8%, from 36.9 million vials to 45.36 million vials.

In 2024, Antibiotice maintained its 4th place in box consumption among a total of 361 companies in the prescription generic and non-RX medicine segment, with a market share of 4.6%.

In the international market, sales increased by 16% compared to the previous year, reaching 256.0 million RON. Sales in North America remained stable at around 33 million RON, while in other markets they recorded a minimum increase of 15%, including Vietnam, the UK, Moldova, Denmark, Canada, Iraq, Saudi Arabia, Poland, Italy, the Czech Republic, and the United Arab Emirates. Sales in Europe accounted for 43% of total exports, following the opening of sales points in Italy, Poland, the Czech Republic, and Bulgaria.

By pharmaceutical form, the highest growth rates were recorded in sterile powders, with a 24% increase in volume, and prescription tablets, which grew by 36% compared to the previous year.

Salary expenses increased by only 3.1%, reaching 160.9 million RON, while the clawback tax amounted to 39.4 million RON, representing 5.8% of revenues, compared to 6.2% a year earlier. As a result, EBITDA reached 152.6 million RON, 22.7% higher than in 2023, with the EBITDA margin reaching 22.6%.

Net profit was 91.8 million RON, up 13.3%, also impacted by a 61.6% increase in depreciation expenses.

(RON ths.)	Dec-23	Dec-24	chg%
Product Sales	600.781	675.011	12,4%
Other revenues	28.486	10.394	-63,5%
COGS	-218.168	-230.583	5,7%
Gross Result	411.098	454.822	10,6%
Salary Expenses	-156.054	-160.876	3,1%
Other Operating Expenses	-130.636	-141.282	8,1%
EBITDA	124.409	152.664	22,7%
Depreciation and Amortization	-27.876	-45.058	61,6%
EBIT	96.533	107.606	11,5%
Financial Expenses	-4.141	-4.542	9,7%
Other Financial Expenses	-868	-7.349	746,9%
Pre-tax Income	91.524	95.715	4,6%
Income Tax	-10.436	-3.876	-62,9%
Net Income	81.089	91.840	13,3%

source: ATB, own calculations

(RON ths.)	Q4 2023	Q4 2024	chg%
Product Sales	137.349	168.959	23,0%
Other revenues	22.905	9.835	-57,1%
COGS	-64.596	-62.851	-2,7%
Gross Result	95.659	115.943	21,2%
Salary Expenses	-45.988	-46.565	1,3%
Other Operating Expenses	-38.344	-45.904	19,7%
EBITDA	11.327	23.473	107,2%
Depreciation and Amortization	-7.349	-12.013	63,5%
EBIT	3.978	11.460	188,1%
Financial Expenses	-963	-1.142	18,6%
Other Financial Expenses	-178	-6.793	3707,5%
Pre-tax Income	2.837	3.525	24,3%
Income Tax	1.519	379	-75,1%
Net Income	4.355	3.903	-10,4%

source: ATB, own calculations

DCF Valuation

The discounted cash flow (DCF) valuation indicates a price of 2.35 RON, slightly below the market level (-3.4%). In the model, a weighted average cost of capital (WACC) of 13.8% was used, estimated based on an equity cost of 15.1% and a debt cost of 6.5%.

Other assumptions of the model include:

- A market risk premium of 7.8%, calculated using the historical total return of the BET index and the 10-year government bond yield of 7.44%.
- A beta of 0.98, estimated through linear regression against the BET index using a two-year data series.
- Terminal value, estimated using the Gordon Growth Model, with a terminal growth rate of 4.0%, slightly above the inflation rate.

	Reported	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
(RON ths)	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
Product Sales	675.011	757.362	849.003	946.596	1.044.526	1.141.781	1.237.461
% var	12,4%	12,2%	12,1%	11,5%	10,3%	9,3%	8,4%
EBITDA	152.664	174.110	205.815	241.254	276.163	311.059	344.616
EBITDA M	22,6%	23,0%	24,2%	25,5%	26,4%	27,2%	27,8%
EBIT	107.606	133.212	159.969	192.031	222.892	256.253	288.931
EBIT M	15,9%	17,6%	18,8%	20,3%	21,3%	22,4%	23,3%
Effective tax rate	4,0%	16,0%	16,0%	16,0%	16,0%	16,0%	16,0%
EBIT*(1- Tax Rate)	103.249	111.898	134.374	161.306	187.229	215.253	242.702
D&A	45.058	40.898	45.846	49.223	53.271	54.806	55.686
WCC	59.827	-8.331	-9.339	-10.413	-11.490	-12.560	-13.612
CAPEX	-91.328	-53.015	-50.940	-52.063	-57.449	-57.089	-61.873
FCFF	116.806	91.450	119.941	148.053	171.562	200.410	222.902
PV factor		0,88	0,77	0,68	0,60	0,52	0,46
NPV FCFF		80.350	92.593	100.423	102.245	104.941	102.553
PV FCFF	583.106						
PV Terminal Value	1.130.240						
Terminal Growth rate	4,0%						
Firm Value	1.713.346						
Net Debt	138.028						
Equity Value	1.575.318						
Shares (ths)	671.338						
Price/share	2,35						
Market Price	2,43						
Upside/Downside	-3,43%						

source: ATB, own estimates

Multiples Valuation

The valuation based on multiples indicates a target price of 2.97 RON per share (+22.4% upside), derived from the average target price calculated using the P/E and P/B multiples. A restricted sample of comparable pharmaceutical companies was used, including Biofarm, which is listed on the Bucharest Stock Exchange (BVB).

Within the selected sample, the observed average P/E multiple was 23.1x compared to a median value of 9.3x, a significant difference given that the global average P/E for pharmaceutical companies is 45.3x (sample of 775 companies). In this case, the average value was chosen over the median as it is closer to the global industry's average P/E.

Compared to Biofarm (BIO), which trades at a P/E multiple of 9x (vs. 15.4x for ATB), the median P/E level appears to be less representative, particularly due to BIO's extremely low trading volume (7.5 million RON over the last 12 months).

ATB trades at a P/B multiple of 1.7x, slightly above the adjusted average P/B, considering the ROE differential between ATB (13.7%) and the sample of pharmaceutical companies (16.5%).

Company	Country	Market Cap (EUR mio)	BETA	ROE	ROA	NIM	EBITDA M	PE	PB
SOPHARMA AD	Bulgaria	540	0,73	15,4%	0,1	0,0	9,0%	0,2	1,2
DEVA HLDG	Turcia	358	0,79	13,1%	8,0%	29,8%	9,5%	8,4	0,7
CELON PHARMA SA	Polonia	342	0,54	3,8%	3,1%		26,3%	86,2	2,8
BIOFARM BUCUREST	Romania	139	0,54	0,2	15,7%	0,3	35,1%	9,3	1,4
ZENTIVA AS	Slovakia	48	0,04	32,1%	13,3%	18,3%	24,7%	11,2	3,4
Medie		286	0,53	16,5%	9,6%	20,1%	20,9%	23,1	1,9

source: BBG, own estimates

Multiples	2025e	2026e
Target Price @ P/E	3,65	4,39
Target Price @ P/B	2,30	2,51
Target Price AVG	2,97	3,45
ATB Market Price	2,43	
Upside/Downside	22,4%	42,1%

source: BBG, own estimates

Financial Statements

(RON ths)	Reported 2021	Reported 2022	Reported 2023	Reported 2024	Estimated 2025	Estimated 2026	Estimated 2027	Estimated 2028	Estimated 2029	Estimated 2030
Product Sales	366.209	483.724	600.781	675.011	757.362	849.003	946.596	1.044.526	1.141.781	1.237.461
Other Revenues	48.639	33.102	28.486	10.394	11.662	13.073	14.576	16.084	17.581	19.054
COGS (Cost of Goods Sold)	-147.682	-177.117	-218.168	-230.583	-260.229	-293.415	-329.036	-365.165	-401.449	-437.565
Gross Result	267.166	339.709	411.098	454.822	508.795	568.662	632.136	695.445	757.914	818.951
Salary Expenses	-114.906	-125.767	-156.054	-160.876	-173.746	-182.434	-189.731	-197.320	-204.226	-211.374
Other Operating Expenses	-65.431	-87.392	-93.623	-101.864	-114.292	-128.121	-142.848	-157.627	-172.303	-186.742
Clawback Tax	-28.669	-31.333	-37.013	-39.418	-46.648	-52.292	-58.303	-64.335	-70.325	-76.218
EBITDA	58.159	95.218	124.409	152.664	174.110	205.815	241.254	276.163	311.059	344.616
Depreciation and Amortizati	-24.124	-25.307	-27.876	-45.058	-40.898	-45.846	-49.223	-53.271	-54.806	-55.686
EBIT	34.035	69.911	96.533	107.606	133.212	159.969	192.031	222.892	256.253	288.931
Financial Expenses	-3.732	-3.590	-4.141	-4.542	-5.096	-5.712	-6.369	-7.028	-7.682	-8.326
Other Financial Expenses	0	-1.007	-868	-7.349	-1.819	-2.040	-2.274	-2.509	-2.743	-2.973
Pretax Income	30.303	65.314	91.524	95.715	126.297	152.217	183.388	213.355	245.829	277.632
Income Tax	-363	-13.842	-10.436	-3.876	-20.208	-24.355	-29.342	-34.137	-39.333	-44.421
Net Income	29.939	51.472	81.089	91.840	106.090	127.862	154.046	179.218	206.496	233.211

source: ATB, own estimates

(RON ths)	Raportat 2021	Raportat 2022	Raportat 2023	Raportat 2024	Estimat 2025	Estimat 2026	Estimat 2027	Estimat 2028	Estimat 2029	Estimat 2030
Tangible Fixed Assets	480.545	599.899	692.362	749.396	811.775	886.719	974.802	1.073.363	1.184.616	1.307.239
Intangible Fixed Assets	29.840	32.758	45.527	55.169	59.761	65.278	71.763	79.019	87.209	96.236
Total Fixed Assets	510.384	632.657	737.888	804.565	871.536	951.997	1.046.564	1.152.382	1.271.825	1.403.475
Inventories	106.018	142.660	160.214	169.859	183.998	200.985	220.950	243.290	268.506	296.300
Receivables	276.876	207.277	239.262	302.109	327.256	357.469	392.978	432.712	477.562	526.995
Cash and Equivalents	2.111	1.727	1.808	2.681	2.905	3.173	3.488	3.840	4.239	4.677
Total Current Assets	385.005	351.664	401.284	474.649	514.158	561.626	617.415	679.842	750.307	827.973
Total Assets	895.390	984.321	1.139.172	1.279.213	1.385.694	1.513.623	1.663.980	1.832.223	2.022.132	2.231.447
Retained Earnings	-46.575	170.496	229.535	204.372	264.542	339.359	429.474	531.669	648.556	778.519
Other Equity	651.567	570.487	617.429	693.238	707.103	721.245	735.670	750.383	765.391	780.698
Equity	604.992	740.984	846.964	897.610	971.645	1.060.604	1.165.144	1.282.052	1.413.947	1.559.218
Long-term Financial Liabilitie	57.617	46.974	36.750	85.715	92.850	101.422	111.497	122.770	135.495	149.521
Other Long-term Liabilities	33.643	59.675	64.988	67.311	72.914	79.645	87.557	96.410	106.403	117.417
Trade Payables and Other Li	98.202	99.392	150.780	162.966	176.532	192.829	211.984	233.417	257.611	284.277
Short-term Financial Liabiliti	87.164	34.008	29.552	54.994	59.572	65.072	71.536	78.769	86.933	95.932
Other Short-term Liabilities	13.772	3.289	10.138	10.617	12.182	14.051	16.263	18.805	21.743	25.084
Total Liabilities	290.398	243.338	292.208	381.603	414.050	453.019	498.836	550.171	608.185	672.230

source: ATB, own estimates

Investment Research Disclaimer

Buy:	Share price may exceed 15% over the next 12 months
Hold:	Share price may fall within the range of +/- 15% over the next 12 months
Sell:	Share price may fall by more than 15% over the next 12 months
Restricted:	Sharing of financial forecasts, target price or recommendation for a financial instrument is temporary restricted based on compliance (ex: conflicts of interest)
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