

AmerisourceBergen

Aliyan Vimawala | FINC 356 | March 2023



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Investment Thesis

Investment Thesis

- Buy AmerisourceBergen Shares
- Target Price: \$202.31 (40,40,20)
- Upside: 30.05%
- Key Drivers:
 - International Growth and M&A Activity
 - Industry Growth
 - Aging Population & Access to Healthcare
 - Increasing Market Share
 - 20.3% of Pharmaceutical Wholesaling Industry

Company Overview

AmerisourceBergen will change company name to Cencora in 2nd half of 2023



Sector/Industry: Healthcare



Specifically: Medical Distribution



HQ: Conshohocken, PA



Team Members: 44,000+

Key Metrics	
Share Price	149.61
Market Cap	32.072B
Revenue	238.59B
Debt/Equity Ratio	80.01
P/E (LTM)	19.24
P/B	393.53
EPS	\$8.04
Dividend Yield	1.22%
Pre-Tax Return on Equity	665.8%
Gross Profit	3.2%
Beta	.53
Institutional Ownership	77.87%



Company Overview

Committees

	Independent director	Audit committee	Compensation & succession planning committee	Finance committee	Governance, sustainability and corporate responsibility committee	Executive committee	Compliance and risk committee
Steven H. Collis ★						👤	
Jane E. Henney M.D. *	*	👤	👤	👤	👤	👤	👤
Omella Barra				👤			👤
D. Mark Durcan 🗳️	*	👤		👤		👤	
Richard W. Gochbauer	*		👤				👤
Lon R. Greenberg	*				👤	👤	👤
Kathleen W. Hyle	*		👤	👤		👤	
Lorence H. Kim, M.D.				👤			
Michael J. Long	*				👤	👤	
Henry W. McGee	*	👤			👤	👤	👤
Dennis M. Nally 🗳️	*	👤	👤				👤

★ Chairman of the Board * Lead Independent Director 🗳️ Financial expert * Independent Director 👤 Chairperson
 👤 Member 🗳️ Ex-officio

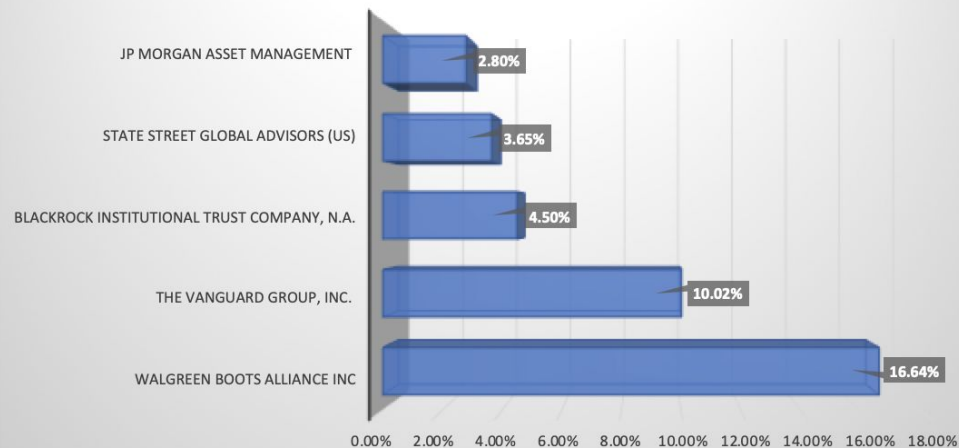


Steven Collis
CEO, President, & Chairman



James Cleary
CFO & Executive VP

Institutional Ownership



- Above chart describes which committee each member of the board of directors is a part of



Business Description

Business Description: Key Drivers of Business

AmerisourceBergen is a leading firm in the healthcare sector providing services for production and distribution for various products and services across the pharmaceutical sector.

Manufacturer Solutions:

- Pharma Manufacturing Assistance
- Supply Chain Planning
- Access to existing network

Distribution:

- Transportation and Logistics
- Increasing access to healthcare worldwide
- Speciality Distribution Services: ASD, Besse, Oncology, etc

Animal Health Solutions:

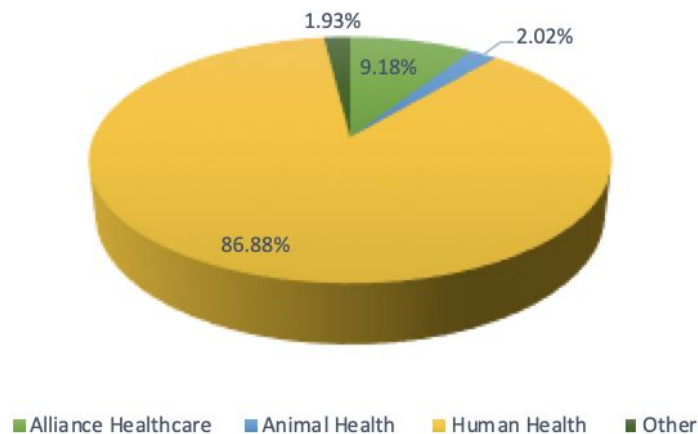
- Sourcing and distribution of animal health products and services
- Veterinary Practice Optimization
- Client facing tech-platforms

Provider Solutions:

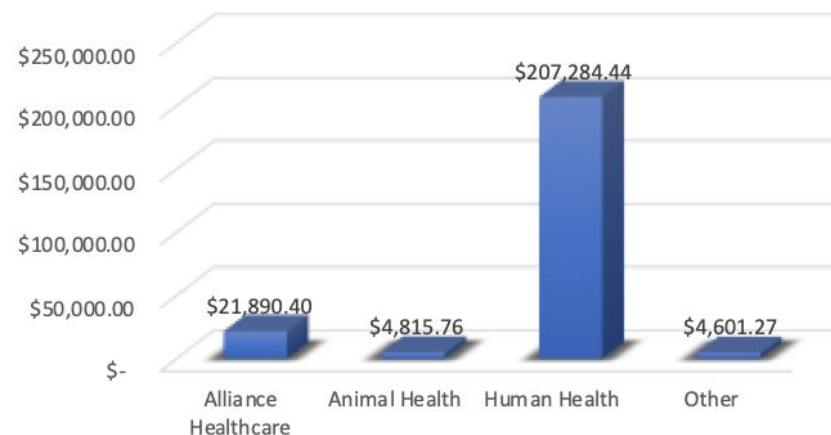
- Customer care solutions
- Enhance provider financial and operation performance
- Involvement in industry regulation and legislation development

Business Description: Revenue by Segment

Percent of Revenue by Segment



Revenue by Segment

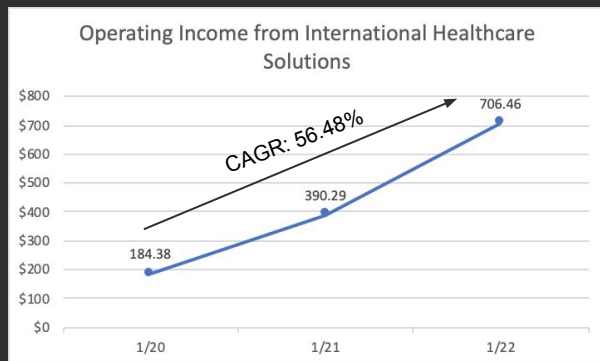


Firm Network

ASD Healthcare	Besse Medical	HealthForward ICS	Innomar Strategies	IntrinsiQ Speciality Solutions
ION Oncology	Specialty Practice Network	Lash Group	MWI	Micro Technologies
Oncology Supply	Securos Surgical	World Courier	Xcenda	

Business Description: Drivers of Future Business

International Healthcare Solutions



Mergers and Acquisition

- 10 acquisitions by AmerisourceBergen
- Latest 3:
 - Pharmalex (Sep 2022)
 - FirstView (Aug 2021)
 - Alliance Healthcare (Jan 2021)

Key Acquisitions:



Alliance Healthcare
1938, Chessington
Acquired for \$ 6.50B



Pharmedium
2003, Lake Forest
Acquired for \$ 2.58B



PharmaLex
1998, Mannheim
Acquired for \$ 1.29B























Industry Analysis

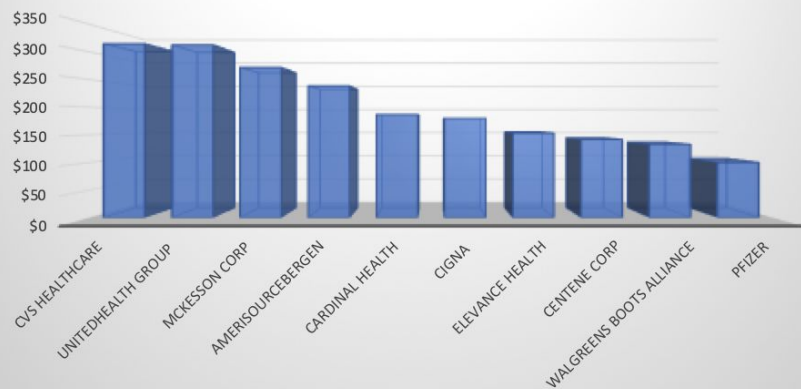
Industry Analysis

Industry Growth Facts:

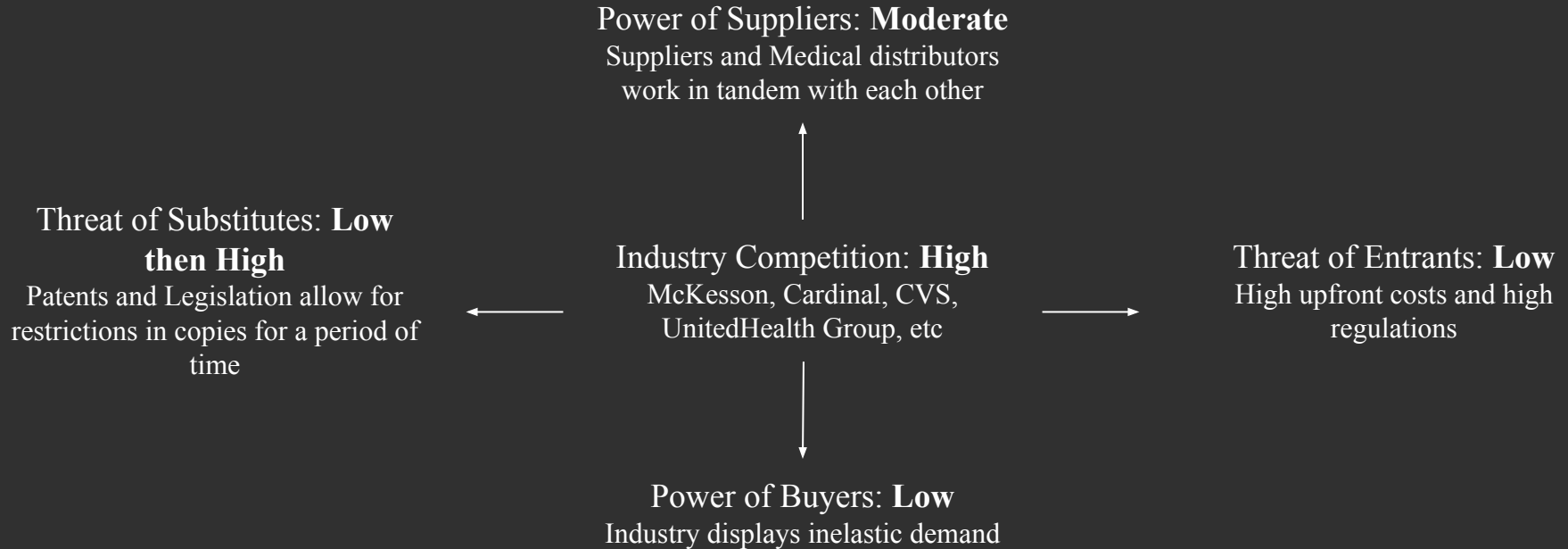
- IQVIA predicts industry sales to increase by CAGR of 4.5% between 2021-2026
- 2021 Healthcare spending: \$4.3 trillion - CMS
- Defensive Sector & is less affected by business cycles
- Number of Individuals over age 65 should surpass 66 million by 2026, and represents the fastest growing population segment
- Legislative reform (esp in 2010) increased access to healthcare
- The healthcare distribution market is projected to reach USD 1,118.4 billion by 2030 from USD 755.4 billion in 2019, at a CAGR of 7.5% - MarketWatch
- JP Morgan Report shows need for technological shift but lag in the industry response
- Rising focus for mental health care

Rank	Name	Market Cap	Price	Today	Price (30 days)	Country
1	 UnitedHealth <small>UNH</small>	\$452.53 B	\$484.33	-1.50%		USA
2	 Elevance Health <small>ELV</small>	\$113.51 B	\$478.03	-1.66%		USA
3	 CVS Health <small>CVS</small>	\$110.13 B	\$85.77	-1.27%		USA
4	 HCA Healthcare <small>HCA</small>	\$69.00 B	\$249.14	-1.13%		USA
5	 Siemens Healthineers <small>SHL.DE</small>	\$58.16 B	\$51.84	-1.84%		Germany
6	 McKesson <small>MCK</small>	\$49.18 B	\$359.14	-0.33%		USA
7	 Centene <small>CNC</small>	\$38.74 B	\$70.28	-1.94%		USA
8	 Aler Eye Hospital <small>300015.SZ</small>	\$32.71 B	\$4.56	-0.73%		China
9	 AmerisourceBergen <small>ABC</small>	\$32.07 B	\$158.57	-0.58%		USA
10	 JD Health <small>8878.HK</small>	\$23.77 B	\$7.48	-1.26%		China

Ten Biggest Healthcare Companies by Revenue



Industry Analysis: Five Forces Application



Industry Valuation: Health Care Select Sector SPDR Fund (XLV)

Two Stage Dividend Growth Model

Stage 1 Growth Rate: 9%

Number of Years in Stage 1: 10

Stage 2 Growth Rate: 6%

Growth Path: Linear

Cost of Equity Capital: 6.86%

Dividends per share, LTM: \$1.993

Stock	XLV
Current Price	\$128.51
Beta	0.65
Yield	1.49%

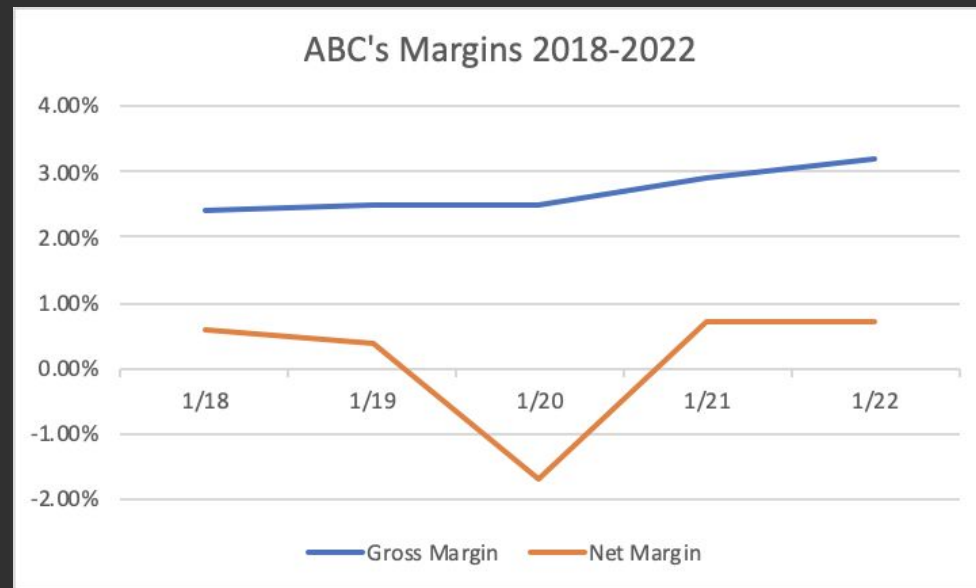
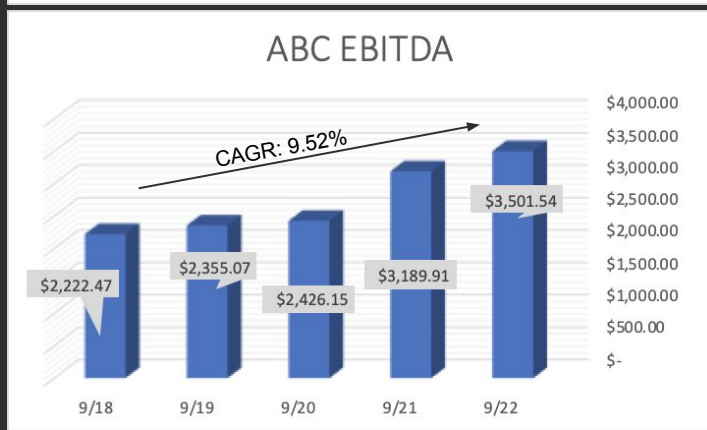
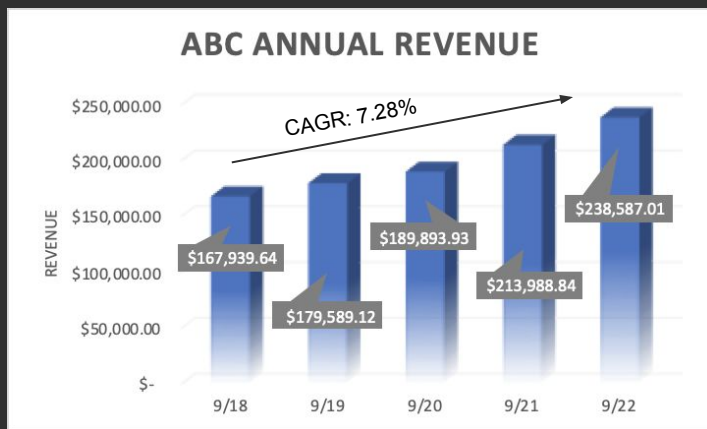
RESULT: Fair Value

	k / terminal g	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%
	5.36%							
	5.86%	\$203.57						
	6.36%	\$148.16	\$195.47					
	6.86%	\$116.25	\$142.38	\$187.74				
	7.36%	\$95.52	\$111.81	\$136.87	\$180.36			
	7.86%	\$80.97	\$91.94	\$107.57	\$131.60	\$173.31		
	8.36%	\$70.20	\$78.00	\$88.52	\$103.51	\$126.56	\$166.57	
Average	\$130.33							



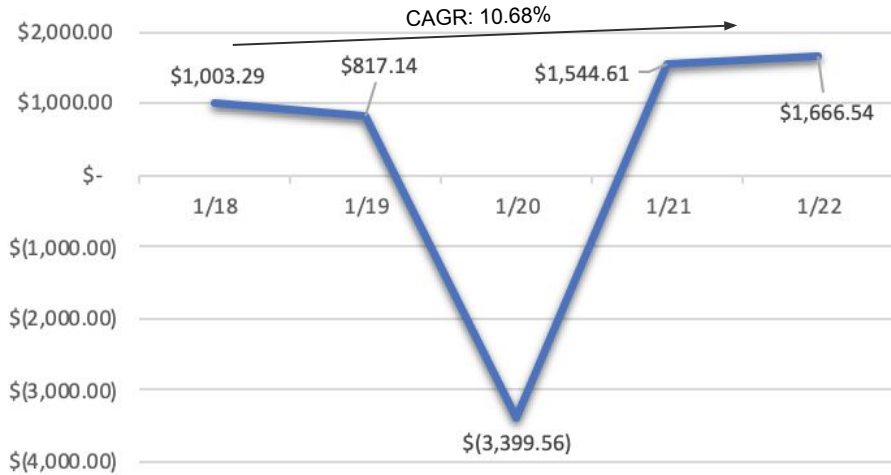
Financial Analysis

Financial Analysis: Revenue, EBITDA, & Margins

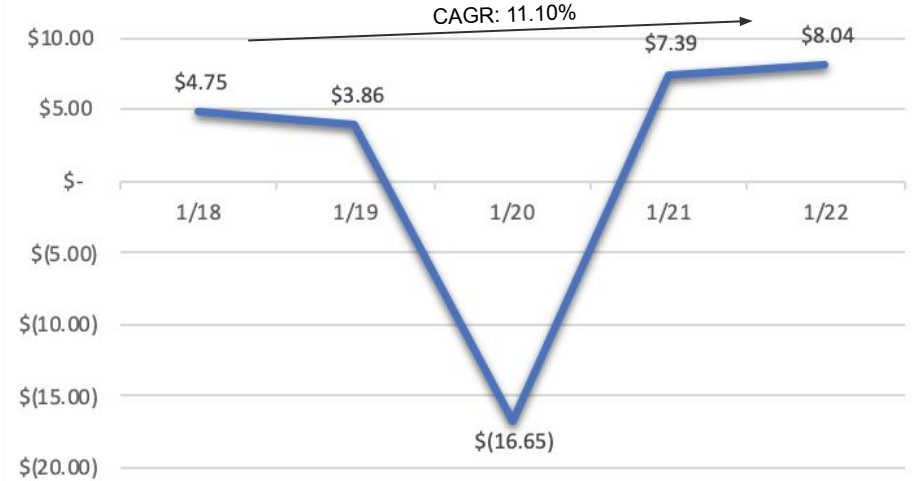


Financial Analysis: Net Income & Diluted EPS

ABC Net Income

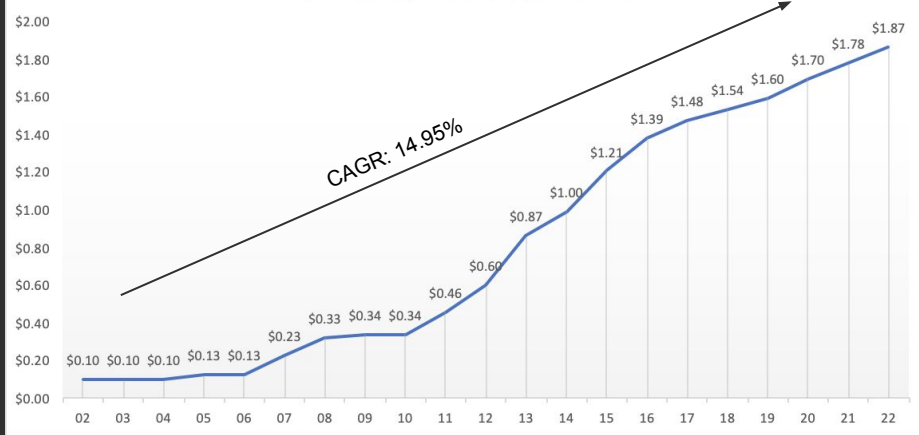


ABC's Diluted EPS

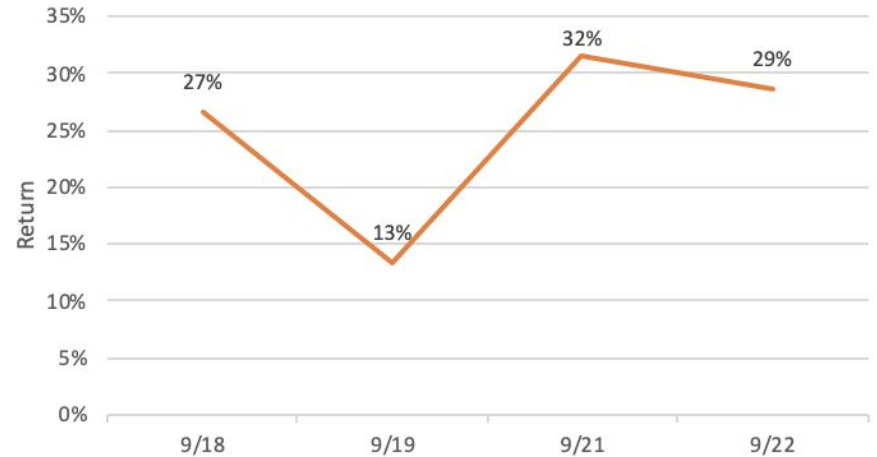


Financial Analysis: Dividends & Return on Invested Capital

ABC Dividends/Share Payout 2002-2022



Return on Invested Capital



Financial Analysis: ABC versus its Peers

Identifier	Company Name	Market Cap	Price to Free Cash Flow	P/E (Daily Time Series Ratio)	Enterprise Value To EBITDA (Daily Time Series Ratio)
ABC	Amerisourcebergen Corp	\$ 31,655,429,003.88	20.90	19.00	10.49
MCK.N	Mckesson Corp	\$ 48,168,373,097.25	15.55	16.10	10.90
CAH.N	Cardinal Health Inc	\$ 19,575,415,702.82	-13.33	N/A	9.05
CVS.N	CVS Health Corp	\$ 105,900,689,177.49	38.12	26.42	7.02
WBA.OQ	Walgreens Boots Alliance Inc	\$ 30,360,125,100.80	-6.24	N/A	10.18
TDOC.N	Teladoc Health Inc	\$ 4,214,308,516.80	-0.31	N/A	N/A
Mean	N/A	\$ 39,979,056,766.51	9.12	20.51	9.53



Valuations

Valuations: Dividend Discount Model

Case 1

Three Stage Growth Model

Stage 1 Growth Rate: 15.75%

Number of Years in Stage 1: 10

Stage 2 Growth Rate: 7.88%

Number of Years in Stage 2: 10

Stage 3 Growth Rate: 5%

Growth Path: Linear

Cost of Equity Capital: 6.32%

Dividends per share, LTM: \$1.87

	k / terminal g	3.50%	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%
	4.82%	\$411.28						
	5.32%	\$291.39	\$378.06					
	5.82%	\$223.49	\$268.55	\$347.77				
	6.32%	\$179.92	\$206.50	\$247.70	\$320.13			
	6.82%	\$149.66	\$166.65	\$190.97	\$228.65	\$294.90		
	7.32%	\$127.47	\$138.95	\$154.50	\$176.75	\$211.23	\$271.86	
	7.82%	\$110.55	\$118.62	\$129.13	\$143.36	\$163.73	\$195.30	\$250.80
Average	\$217.78							

Case 2

Two Stage Growth Model

Stage 1 Growth Rate: 15.75%

Number of Years in Stage 1: 10

Stage 2 Growth Rate: 5.25%

Growth Path: Linear

Cost of Equity Capital: 6.32%

Dividends per share, LTM: \$1.87

	k / terminal g	3.75%	4.25%	4.75%	5.25%	5.75%	6.25%	6.75%
	4.82%	\$348.48						
	5.32%	\$235.41	\$334.29					
	5.82%	\$177.03	\$225.99	\$320.74				
	6.32%	\$141.42	\$170.08	\$217.00	\$307.81			
	6.82%	\$117.44	\$135.96	\$163.43	\$208.41	\$295.47		
	7.32%	\$100.20	\$112.98	\$130.74	\$157.08	\$200.21	\$283.69	
	7.82%	\$87.22	\$96.47	\$108.73	\$125.76	\$151.02	\$192.38	\$272.44
Average	\$193.50							

Valuations: Free Cash Flow Model

Case 1

Free Cash Flow Model

Constant Growth Model

Growth Rate: 0%

Growth Path: Constant

Free Cash Flow, LTM (\$ Millions): \$2,206.77

Total Debt (\$ Millions): \$5,702.83

Cash (\$ Millions): \$3,388.19

Shares Outstanding (Millions): 202.26

WACC: 5.83%

	k / terminal g	-1.50%	-1.00%	-0.50%	0.00%	0.50%	1.00%	1.50%
	4.33%	\$172.89	\$191.21	\$213.32	\$240.53	\$274.85	\$319.48	\$379.87
	4.83%	\$158.33	\$173.83	\$192.23	\$214.45	\$241.79	\$276.28	\$321.12
	5.33%	\$145.90	\$159.20	\$174.77	\$193.26	\$215.58	\$243.05	\$277.70
	5.83%	\$135.17	\$146.70	\$160.06	\$175.70	\$194.28	\$216.71	\$244.31
	6.33%	\$125.81	\$135.92	\$147.50	\$160.92	\$176.64	\$195.30	\$217.84
	6.83%	\$117.57	\$126.51	\$136.66	\$148.30	\$161.78	\$177.57	\$196.33
	7.33%	\$110.27	\$118.23	\$127.20	\$137.40	\$149.10	\$162.64	\$178.51
Average	\$188.99							



Investment Risks

Investment Risks

Few Clients Accounting For Significant Percent of Revenue



Market Risks (FX, Interest Rates)



Geopolitical



Insurance Conditions



Legal and Regulations



Summary & Questions

- Buy AmerisourceBergen Shares
- Target Price: \$202.31 (40,40,20)
- Upside: 30.05%
- Key Drivers:
 - International Growth and M&A Activity
 - Industry Growth
 - Aging Population & Access to Healthcare
 - Increasing Market Share
 - 20.3% of Pharmaceutical Wholesaling Industry