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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

Sector/Industry: Healthcare
Specifically: Medical Distribution
HQ: Conshohocken, PA
Team Members: 44,000+

<table>
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<th>Key Metrics</th>
<th>Value</th>
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<td>Share Price</td>
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<td>Market Cap</td>
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<tr>
<td>Revenue</td>
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<td>Dividend Yield</td>
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<td>Pre-Tax Return on Equity</td>
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<td>Gross Profit</td>
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<tr>
<td>Beta</td>
<td>.53</td>
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<tr>
<td>Institutional Ownership</td>
<td>77.87%</td>
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AmerisourceBergen will change company name to Cencora in 2nd half of 2023

Historical Stock Prices End of 2013-2022

- Stock Price in $
Company Overview

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

| Committees
<table>
<thead>
<tr>
<th>Independent director</th>
<th>Audit committee</th>
<th>Compensation &amp; success planning committee</th>
<th>Finance committee</th>
<th>Governance, sustainability and corporate responsibility committee</th>
<th>Executive committee</th>
<th>Compliance and risk committee</th>
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<tbody>
<tr>
<td>Steven H. Collis</td>
<td></td>
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<tr>
<td>Jane E. Henvey, M.D.</td>
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<td>Danilo Bano</td>
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<td>D. Mark Durkan, C.D.</td>
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<td>Michael W. Stachnow</td>
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<tr>
<td>Lon B. Shangrila</td>
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<td>Kathleen W. Hyle</td>
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<td>Lawrence H. Kim, M.D.</td>
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<td>Henry W. McDivie</td>
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</table>

Steven Collis
CEO, President, & Chairman

James Cleary
CFO & Executive VP
Business Description
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

**Animal Health Solutions:**
- Sourcing and distribution of animal health products and services
- Veterinary Practice Optimization
- Client facing tech-platforms

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

**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**

- Alliance Healthcare: 86.88%
- Animal Health: 9.18%
- Human Health: 1.93%
- Other: 2.02%

**Revenue by Segment**

- Alliance Healthcare: $21,890.40
- Animal Health: $4,815.76
- Human Health: $207,284.44
- Other: $4,601.27

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

- Pharmmedium
  - 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
Industry Analysis: Five Forces Application

Power of Suppliers: **Moderate**
Suppliers and Medical distributors work in tandem with each other

Industry Competition: **High**
McKesson, Cardinal, CVS, UnitedHealth Group, etc

Power of Buyers: **Low**
Industry displays inelastic demand

Threat of Substitutes: **Low then High**
Patents and Legislation allow for restrictions in copies for a period of time

Threat of Entrants: **Low**
High upfront costs and high regulations
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

RESULT: Fair Value
Financial Analysis
Financial Analysis: Revenue, EBITDA, & Margins

**ABC Annual Revenue**
- CAGR: 7.28%

**ABC EBITDA**
- CAGR: 9.52%

**ABC's Margins 2018-2022**
- Gross Margin
- Net Margin
Financial Analysis: Net Income & Diluted EPS

**ABC Net Income**

- **CAGR:** 10.68%
- **Net income in $ millions**
  - 1/18: $1,003.29
  - 1/19: $817.14
  - 1/20: $1,544.61
  - 1/21: $1,666.54
  - 1/22: $3,399.56

**ABC's Diluted EPS**

- **CAGR:** 11.10%
- **EPS in $**
  - 1/18: $4.75
  - 1/19: $3.86
  - 1/20: $7.39
  - 1/21: $8.04
  - 1/22: $(16.65)
Financial Analysis: Dividends & Return on Invested Capital

ABC Dividends/Share Paidout 2002-2022

CAGR: 14.95%

Return on Invested Capital

27%  13%  32%  29%
## Financial Analysis: ABC versus its Peers

<table>
<thead>
<tr>
<th>Identifier</th>
<th>Company Name</th>
<th>Market Cap</th>
<th>Price to Free Cash Flow</th>
<th>P/E (Daily Time Series Ratio)</th>
<th>Enterprise Value To EBITDA (Daily Time Series Ratio)</th>
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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

<table>
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<tr>
<th>k/terminal g</th>
<th>3.50%</th>
<th>4.00%</th>
<th>4.50%</th>
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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

<table>
<thead>
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<th>k/terminal g</th>
<th>3.75%</th>
<th>4.25%</th>
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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%

<table>
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<th>-1.00%</th>
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<td>$162.64</td>
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**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
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