

## Analyst Report: Cencora, Inc. (COR)

**Industries:** Consumer Non-Cyclical, Pharmaceuticals

Cencora, Inc. faces a valuation disconnect as strong revenue growth and free cash flow are overshadowed by concerns surrounding opioid litigation and integration risks, creating a potential multi-quarter re-rating opportunity contingent on resolving these overhangs.

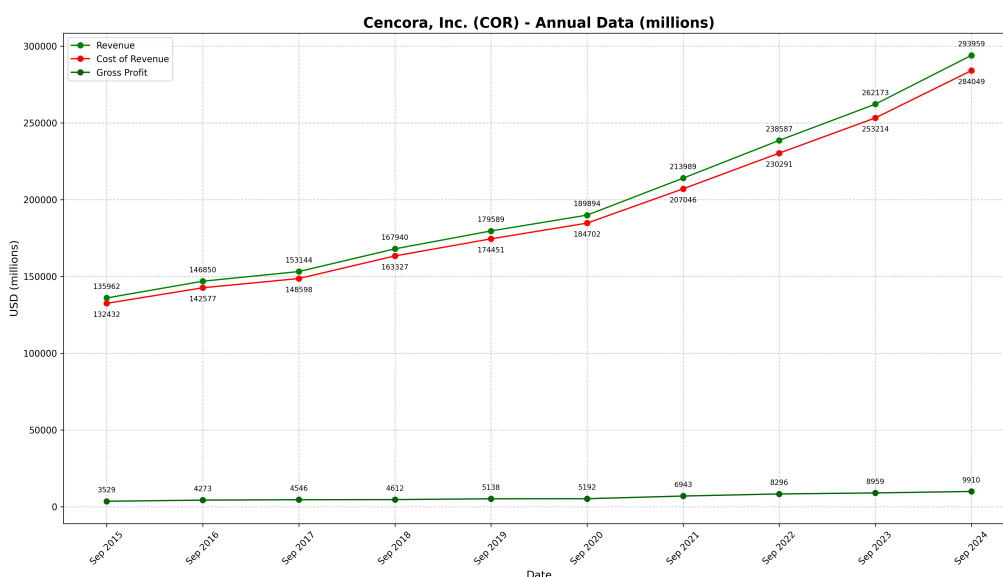
| Forward Valuations       | Bullish             | Bearish             |
|--------------------------|---------------------|---------------------|
| Implied Option Valuation | \$280.00 - \$300.00 | \$230.00 - \$250.00 |
| Sum of the Parts         | \$280.00 - \$300.00 | \$230.00 - \$250.00 |
| Relative Multiples       | \$280.00 - \$300.00 | \$230.00 - \$250.00 |
| Discounted Cash Flow     | \$290.00 - \$310.00 | \$220.00 - \$240.00 |

### SUMMARY DATA (ANNUAL)

|                        |         |
|------------------------|---------|
| 52-Week High (USD)     | 296.65  |
| 52-Week Low (USD)      | 214.77  |
| Shares (M)             | 198.50  |
| EPS (USD)              | 7.60    |
| Dividend (USD)         | 2.04    |
| Revenue (USDm)         | 293,959 |
| Cost of Revenue (USDm) | 284,049 |
| Gross Profit (USDm)    | 9,910   |
| EBIT (USDm)            | 2,151   |

### OUTLOOK

Cencora, Inc.'s near-term prospects hinge on navigating industry headwinds and capitalizing on strategic opportunities. By Q3 2025, the company's performance will be significantly influenced by the integration progress of Retina Consultants of America and the realization of expected synergies. Investor sentiment will likely be affected by any developments related to ongoing opioid litigation and potential regulatory changes impacting pharmaceutical pricing.



## 1. Executive Summary

Cencora, Inc. is a global pharmaceutical sourcing and distribution services company, facilitating patient access to medications and enhancing healthcare provider efficiency. The company's business model centers on two segments: U.S. Healthcare Solutions and International Healthcare Solutions, serving a diverse customer base including retail pharmacies, hospitals, and pharmaceutical manufacturers.

Financial performance has been shaped by revenue growth, particularly in the U.S. Healthcare Solutions segment, driven by increased sales of specialty products and GLP-1 medications. However, profitability has been impacted by factors such as manufacturer pricing changes and litigation expenses. Stock performance has generally trended upward over the past year, reflecting investor confidence in the company's growth prospects.

Media coverage has focused on the company's strategic initiatives, including acquisitions and partnerships, as well as challenges related to opioid litigation and regulatory scrutiny. The forward outlook suggests continued growth opportunities, balanced by risks related to economic conditions, regulatory changes, and competition. A bullish scenario anticipates successful execution of strategic initiatives and margin expansion, while a bearish scenario highlights potential margin compression and regulatory headwinds.

## 2. Business Description

Cencora, Inc. is a leading global pharmaceutical sourcing and distribution services company, committed to enhancing patient access to healthcare products and improving patient care. The company operates through two main segments: U.S. Healthcare Solutions and International Healthcare Solutions. The U.S. Healthcare Solutions segment focuses on distributing pharmaceuticals and related products to various healthcare providers in the United States, including hospitals, retail pharmacies, and medical clinics. This segment also offers services such as data analytics and consulting to pharmaceutical manufacturers. The International Healthcare Solutions segment operates internationally, focusing on pharmaceutical wholesale and related services, particularly in Europe, and provides global commercialization services. This segment also drives partnerships in Canada to improve product access and efficiency.

Cencora's strategic focus is on optimizing its core distribution business while expanding into higher-margin, high-growth areas. This includes providing solutions to pharmaceutical manufacturers for clinical development and commercialization, as well as supporting providers in enhancing their operational efficiency. The company emphasizes operational excellence, investing in technology and automation to improve productivity and maintain a low-cost structure. A key element of Cencora's strategy involves its relationship with Walgreens Boots Alliance (WBA), which includes a pharmaceutical distribution agreement and a generic purchasing services arrangement. These arrangements aim to improve sourcing, logistics, and distribution efficiencies.

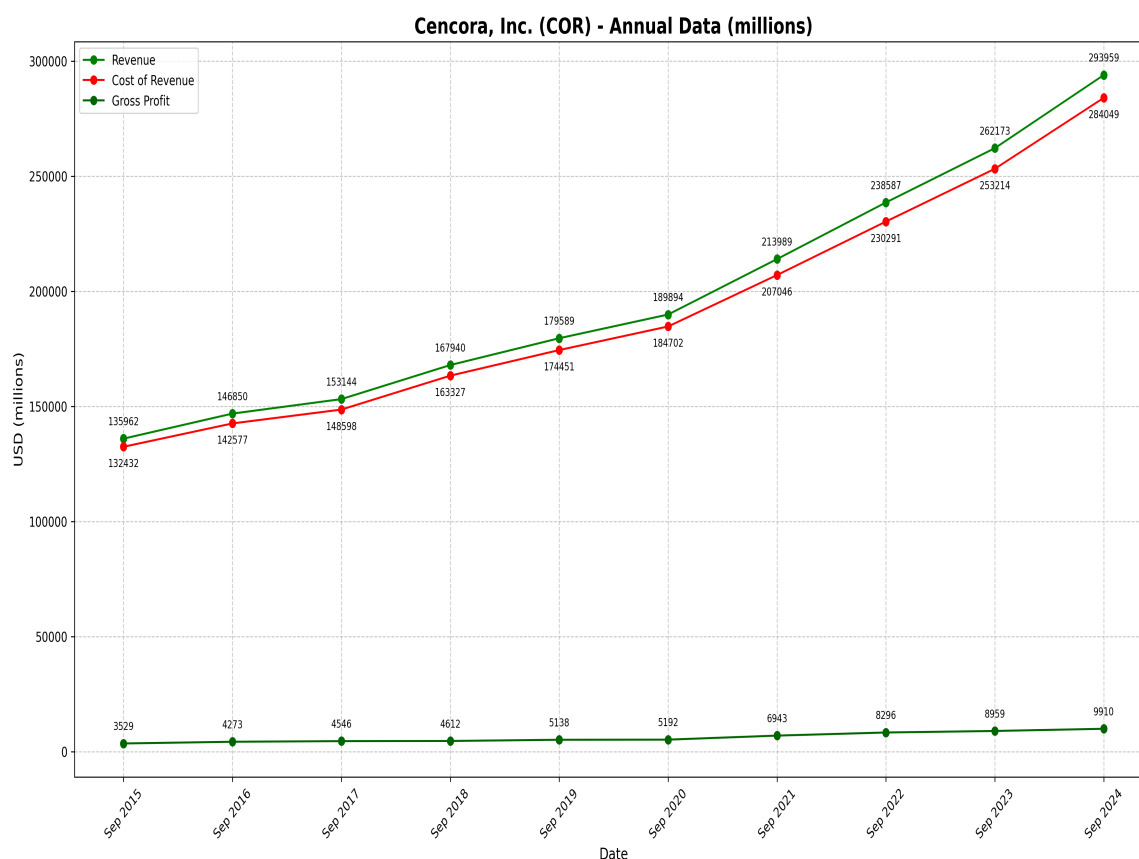
However, the company faces several structural risks. Its reliance on a few major customers, particularly WBA and Evernorth Health Services, creates a concentration risk. The loss of these relationships could significantly impact revenue. The company is also exposed to the risks associated with international operations, including currency fluctuations, political instability, and regulatory changes. Additionally, Cencora faces increasing competition and industry consolidation, which could pressure prices and margins. Litigation, particularly related to opioid distribution, poses a significant financial and reputational risk. Despite these challenges, Cencora's strong market position and strategic focus on value-added services provide a foundation for continued growth and profitability.

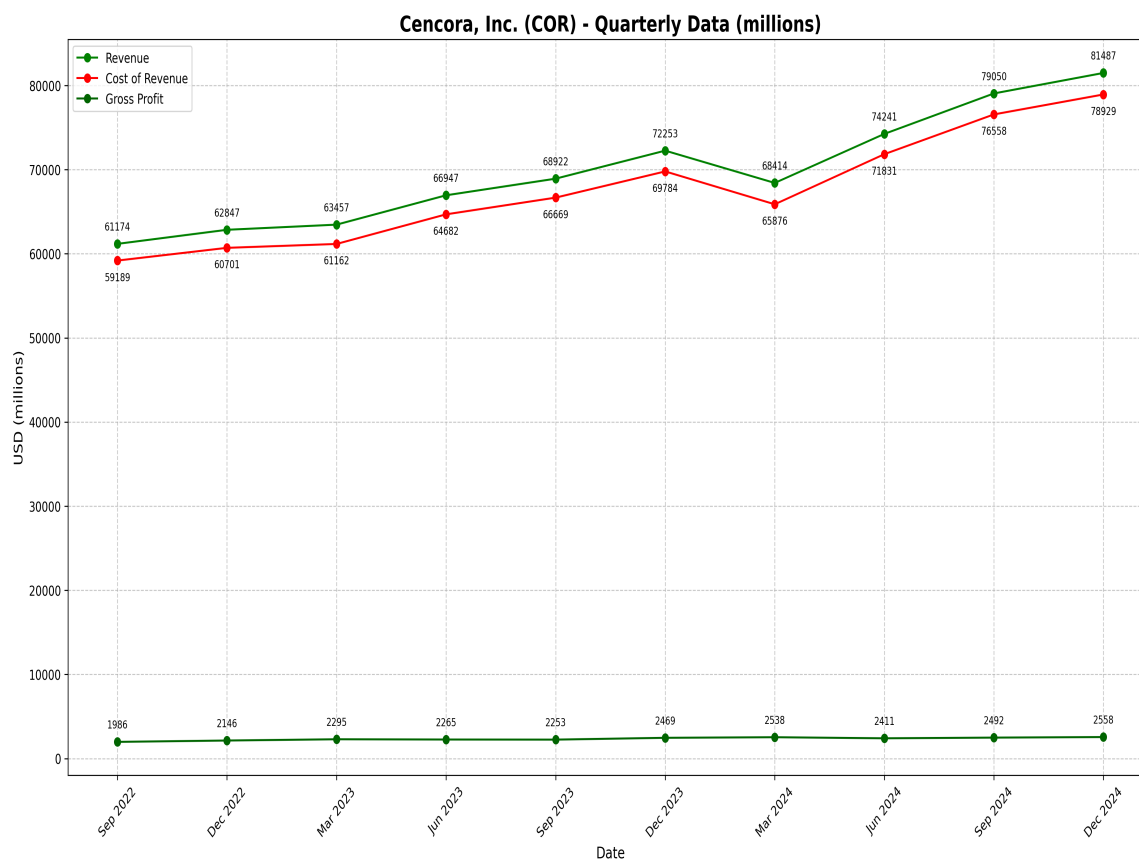
### 3. Financial Analysis

Cencora, Inc.'s financial performance over the past several years reflects a consistent pattern of revenue growth, particularly across the most recent quarters. The company's revenue has increased steadily, reaching USD 293.9 billion in the most recent fiscal year, compared to USD 262.2 billion in the previous year and USD 238.6 billion the year before that. This growth has been driven primarily by the U.S. Healthcare Solutions segment, which has benefited from increased sales of specialty products and GLP-1 medications.

Gross profit has also shown consistent growth, reaching USD 9.9 billion in the most recent fiscal year. However, gross margin has fluctuated slightly, reflecting changes in product mix and pricing dynamics. Operating expenses have increased, driven by factors such as amortization expense and litigation-related costs. Despite these increases, the company has maintained a relatively stable operating margin. The company's debt levels have remained relatively consistent, with total debt at USD 4.4 billion in the most recent fiscal year.

An inflection point in the company's financial trajectory occurred in the most recent fiscal year with a significant goodwill impairment charge of USD 418 million related to PharmaLex, reflecting a weakening in demand for specialized services in the life sciences industry. This charge impacted net income, which decreased to USD 1.5 billion in the most recent fiscal year, compared to USD 1.7 billion in the previous year. The company's free cash flow has remained strong, providing flexibility for strategic investments and capital returns.





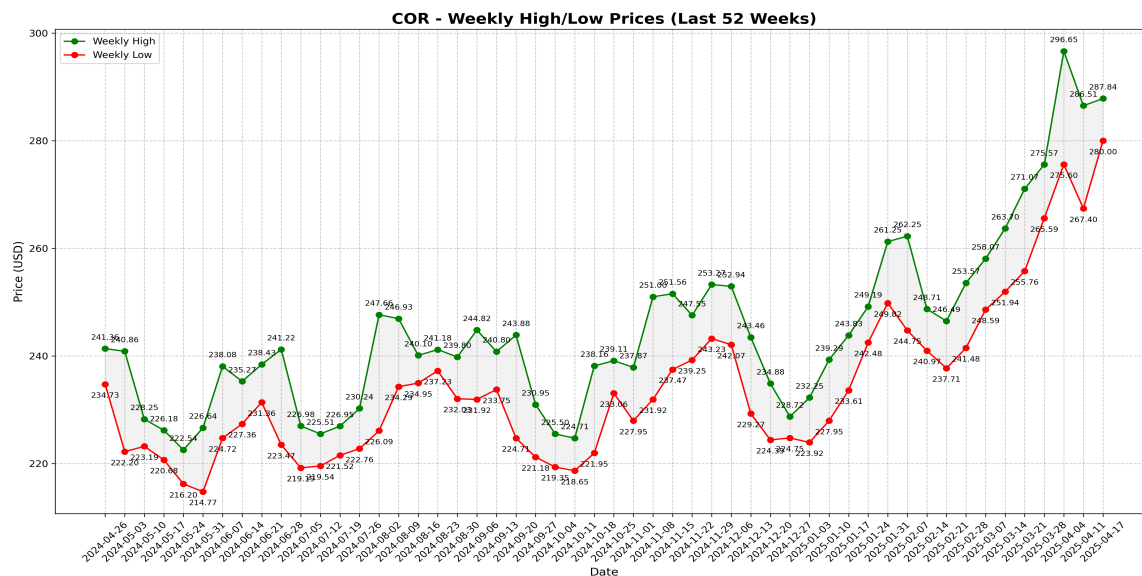
## BALANCE SHEET, LAST 10 YEARS

|                        | 2024    | 2023    | 2022    | 2021    | 2020    | 2019    | 2018    | 2017    | 2016    | 2015    |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Total Assets (USDm)    | 67,102  | 62,559  | 56,561  | 57,338  | 44,275  | 39,172  | 37,670  | 35,316  | 33,638  | 27,963  |
| Total Debt (USDm)      | 4,388   | 4,787   | 5,703   | 6,684   | 4,120   | 4,493   | 4,662   | 3,794   | 4,463   | 3,739   |
| Shares (M)             | 198.50  | 202.51  | 208.47  | 205.92  | 204.78  | 210.16  | 217.87  | 218.38  | 212.21  | 217.79  |
| EPS (USD)              | 7.60    | 8.62    | 8.15    | 7.48    | -16.65  | 4.07    | 7.61    | 1.67    | 6.73    | -0.63   |
| Dividend (USD)         | 2.04    | 1.94    | 1.84    | 1.76    | 1.66    | 1.60    | 1.52    | 1.46    | 1.36    | 1.16    |
| Revenue (USDm)         | 293,959 | 262,173 | 238,587 | 213,989 | 189,894 | 179,589 | 167,940 | 153,144 | 146,850 | 135,962 |
| Cost of Revenue (USDm) | 284,049 | 253,214 | 230,291 | 207,046 | 184,702 | 174,451 | 163,327 | 148,598 | 142,577 | 132,432 |
| Gross Profit (USDm)    | 9,910   | 8,959   | 8,296   | 6,943   | 5,192   | 5,138   | 4,612   | 4,546   | 4,273   | 3,529   |
| EBIT (USDm)            | 2,151   | 2,402   | 2,426   | 2,391   | -5,165  | 1,126   | 1,395   | 1,063   | 1,531   | 378     |

## BALANCE SHEET, LAST 10 QUARTERS

|                        | 2024 Q4 | 2024 Q3 | 2024 Q2 | 2024 Q1 | 2023 Q4 | 2023 Q3 | 2023 Q2 | 2023 Q1 | 2022 Q4 | 2022 Q3 |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Total Assets (USDm)    | 69,054  | 67,102  | 66,772  | 63,868  | 64,690  | 62,559  | 61,177  | 58,766  | 57,907  | 56,561  |
| Total Debt (USDm)      | 8,149   | 4,388   | 4,731   | 5,249   | 4,779   | 4,787   | 5,021   | 4,933   | 5,644   | 5,703   |
| Shares (M)             | 193.76  | 196.25  | 198.26  | 199.41  | 200.08  | 201.32  | 202.35  | 202.32  | 204.03  | 207.20  |
| EPS (USD)              | 2.52    | 0.04    | 2.44    | 2.11    | 3.01    | 1.75    | 2.37    | 2.15    | 2.35    | 1.43    |
| Dividend (USD)         | 0.55    | 0.51    | 0.51    | 0.51    | 0.51    | 0.48    | 0.48    | 0.48    | 0.48    | 0.46    |
| Revenue (USDm)         | 81,487  | 79,050  | 74,241  | 68,414  | 72,253  | 68,922  | 66,947  | 63,457  | 62,847  | 61,174  |
| Cost of Revenue (USDm) | 78,929  | 76,558  | 71,831  | 65,876  | 69,784  | 66,669  | 64,682  | 61,162  | 60,701  | 59,189  |
| Gross Profit (USDm)    | 2,558   | 2,492   | 2,411   | 2,538   | 2,469   | 2,253   | 2,265   | 2,295   | 2,146   | 1,986   |
| EBIT (USDm)            | 643     | 142     | 656     | 531     | 822     | 509     | 667     | 583     | 643     | 430     |

## 4. Stock Technical Analysis



Cencora, Inc.'s stock performance has exhibited a distinct upward trajectory over the last twelve months, marked by periods of consolidation and breakout. The stock began the period trading around USD 235, experienced a dip to approximately USD 215 by late May, before recovering and establishing a trading range between USD 220 and USD 240 through early October.

A notable upward surge commenced in late October, propelling the stock to a high of approximately USD 250 by mid-November. This rally was followed by a period of consolidation, with the price fluctuating between USD 230 and USD 250 until late January.

Since late January, the stock has demonstrated strong upward momentum, breaking through previous resistance levels and reaching a peak of approximately USD 295 by early April. The stock is currently trading near this high, indicating continued upward pressure. Volume data is not available, so commentary on trading volume is not possible.

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## 5. Industry Analysis

Cencora, Inc. operates within the pharmaceutical distribution and healthcare services industry, which is segmented into several sub-sectors including pharmaceutical wholesale, specialty pharmaceutical distribution, and healthcare consulting. These sub-sectors exhibit varying growth profiles and cyclical positioning.

The industry faces significant regulatory and macroeconomic pressures. Government policies, such as the Inflation Reduction Act, impact drug pricing and reimbursement. Supply chain disruptions, geopolitical shifts, and labor cost inflation also present challenges. The competitive landscape includes major peers like McKesson and Cardinal Health, each with different business models, scale, and geographic exposure.

Growth drivers include increasing demand for specialty pharmaceuticals, the rise of biosimilars, and the expansion of healthcare services. Cencora's diversified business model and strategic focus on high-growth areas suggest a leading position in adapting to these industry dynamics.

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## 6. Current Media Coverage & Stories

Recent media coverage of Cencora, Inc. is limited, shifting focus to industry-wide trends and potential impacts on the company. A dominant narrative centers on pharmaceutical pricing and government regulations, particularly the Inflation Reduction Act and its effects on drug pricing and reimbursement. The tone is generally cautious, reflecting uncertainty about the long-term implications of these policies.

Another significant theme involves supply chain resilience and cybersecurity threats, with emphasis on the need for robust security measures to protect sensitive data. The tone is largely defensive, highlighting the challenges of navigating an evolving threat landscape. Additionally, media attention is directed towards market volatility and potential economic downturns, with concerns about the impact of tariffs and trade tensions on corporate earnings and investor sentiment.

These narratives, while not always directly company-specific, would plausibly shape investor perception of Cencora, Inc., influencing valuation and risk assessments.



## 7. Drivers & Challenges

The industry in which Cencora, Inc. operates is influenced by several key factors. Digitization and automation are driving efficiencies in the pharmaceutical supply chain, while decarbonization efforts are impacting logistics and transportation. Reshoring initiatives may affect manufacturing and supply chain strategies.

The company's strategic positioning relative to industry trends suggests a proactive approach to adapting to these changes. Its focus on technology and value-added services indicates an effort to lead in digitization. Its diversified business model and global presence allow it to navigate regulatory and macroeconomic pressures effectively.

Overall, Cencora appears to be strategically positioned to capitalize on growth drivers and mitigate risks within the evolving healthcare landscape.

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## 8. Bull Case

An optimistic outlook for Cencora, Inc. is rooted in several strategic catalysts and quantitative upside drivers. Successful execution of strategic initiatives, such as expanding its presence in specialty pharmaceuticals and growing its international operations, could drive revenue growth acceleration. Effective integration of acquisitions, particularly Retina Consultants of America, could unlock synergies and expand Cencora's service offerings.

Operating leverage, achieved through cost efficiencies and optimized distribution networks, could lead to margin expansion. Continued strength in free cash flow generation would provide flexibility for strategic investments, acquisitions, and share repurchases, further enhancing shareholder value.

Moreover, a narrowing of the peer-relative discount, driven by improved investor sentiment and recognition of Cencora's strong market position, could contribute to valuation multiple re-rating. In this bull case, key downside risks appear contained due to the company's diversified business model and strong management execution.

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## 9. Bear Case

A bearish scenario for Cencora, Inc. centers on potential downside triggers related to execution risks, regulatory pressures, and market shifts. Margin compression in the U.S. Healthcare Solutions segment, driven by pricing pressure from generics or increased competition, could significantly impact profitability. Failure to successfully integrate acquisitions, such as Retina Consultants of America, could lead to underperformance and write-downs.

Near-term catalysts for negative sentiment include potential earnings misses due to slower-than-anticipated growth in key markets or unexpected increases in operating expenses. Regulatory headwinds, such as changes in Medicare or Medicaid reimbursement policies, or adverse outcomes in opioid-related litigation, could also trigger negative revisions. Quantifiable risks include a decline in revenue growth, margin erosion, and increased debt levels, potentially leading to a downgrade in credit ratings.

Investor confidence could be damaged by signs of strategic missteps, such as a failed spin-off execution, rising debt levels, or missed earnings targets. The loss of key customer relationships, particularly with Walgreens Boots Alliance, would further exacerbate downside pressure. This scenario would likely lead to a contraction in valuation multiples, reflecting increased uncertainty and risk.

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## 10. Forward Valuation

Using Discounted Cash Flow, Relative Multiples, Sum-of-the-Parts, and Implied Volatility-Adjusted Price Band methodologies, Cencora, Inc.'s forward valuation yields both bullish and bearish price estimates, contingent upon narrative assumptions aligned with the company's financials, market positioning, and macro context.

Under a DCF model, bullish estimates assume sustained revenue growth, driven by successful integration of acquisitions and expansion into new markets. Bearish estimates, however, reflect potential headwinds from increased competition and regulatory pressures. Relative multiples analysis, while valuable, hinges on identifying appropriate peer companies, which can be challenging in the evolving healthcare landscape.

SOTP valuation depends heavily on accurate segment valuations, each sensitive to specific market conditions and operational efficiencies. The Implied Volatility-Adjusted Price Band incorporates observed stock behavior, recent catalysts, and sentiment, but its accuracy is contingent on stable market conditions and predictable investor reactions. Discrepancies across models arise from differing sensitivities to revenue growth, margin compression, capital expenditures, debt levels, and stock volatility.