

Siegfried Holding AG

Swiss convictions Bern

Recommended since 07.03.2023

26.03.2024



Country CH	Market capitalization (bn) CHF 4.0	Perf. since reco. (%)
Sector Health Care	Free float 79.7%	Siegfried Holding AG 39.2
Factset SFZN-CH	Closing price CHF 911.50	Market 3.1
ISIN CH0014284498	ESG Risk score* 17.7 Low risk	

Profile
Siegfried Holding AG is a respected outsourcing partner for the global pharmaceutical industry. It provides products and tailor-made services ranging from drug-substance and product development, registration and manufacturing to packaging and logistics. Formerly a fully integrated pharmaceutical company, Siegfried is now one of the few suppliers capable of providing both drug-substance and drug-product development and production capabilities. This combination of expertise and experience is unique for a provider of development and production services.

Strengths/opportunities

- Leading pharmaceutical supplier for development of drug substances.
- One-stop shop for pharmaceutical customers in both segments – Drug Substances and Drug Products.
- Tailor-made offering which can be seamlessly embedded into customers' value chains.

Weaknesses/threats

- Business is project-driven, resulting in high order volatility.
- Competition from Asia – Siegfried stands for quality, which comes at a price.

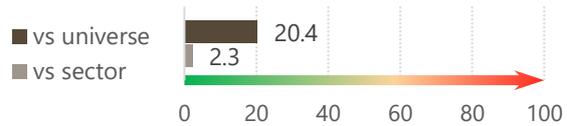
Investment case

- Pharmaceutical contract manufacturers like Siegfried are benefiting from the industry outsourcing trend. Siegfried has grown strongly since 2012 thanks to acquisitions and the expansion of its production capacities. It achieved sales of CHF 1.1 billion in 2021, having acquired two Novartis product sites in Spain.
- In addition, the Drug Products business unit (tablets and sterile fill & finish) has reached the critical size to be considered a preferred manufacturing partner by larger pharmaceutical companies. In the Drug Substances business unit, which includes active ingredients and their intermediates, Siegfried has already become a strategic partner. It plans to invest further in its facilities and is on the lookout for additional acquisition targets, including in the area of biologics (large molecule-based drugs), where it is not yet present in active ingredients. Entry into this high-growth area, planned for 2025, offers further potential.

Valuation

Siegfried is well-positioned for growth with expectations of a significant profitability increase over time. The valuation compared to peers is still attractive.

ESG risk vs. universe & sector (percentile)*



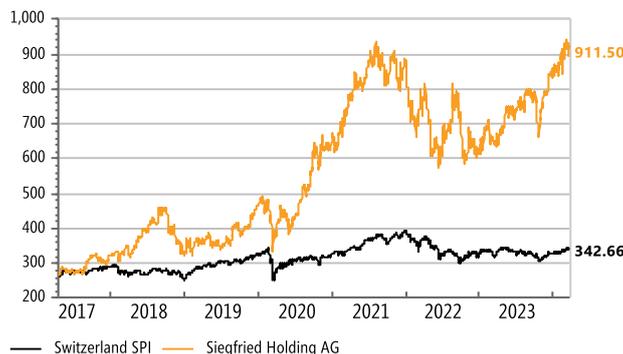
CHF	12/2023	2024e	2025e
Sales revenue (bn)	1 271	1 307	1 413
Sales growth	3.4%	2.8%	8.1%
EBIT adjusted (bn)	168	201	228
% of sales	13.2%	15.4%	16.1%
Net income (bn)	113	148	171
Net income growth	-27.9%	31.0%	15.8%
FCF/Sales	5.7%	4.4%	5.2%
Net debt/Ebitda	1.9x	1.3x	1.1x
Dividend yield	0.4%	0.4%	0.4%
PE	32.3x	26.6x	23.0x
P/BV	4.8x	4.1x	3.6x

Factset estimates

ESG - risks and key points

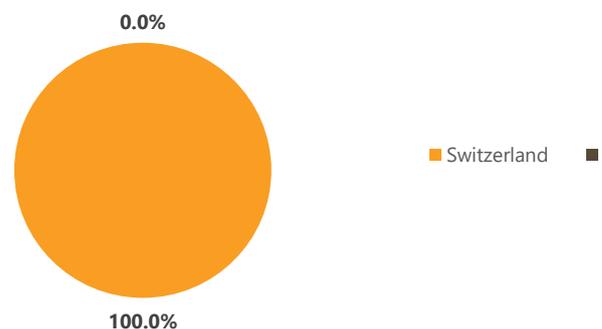
- We rate Siegfried as 'low risk' on ESG criteria, relatively similar to the sector as a whole.
- The company has a reputation for strong corporate governance, which significantly reduces overall risk.
- Siegfried takes emissions and waste risks seriously and has several emissions-reduction programmes in place.

Performance vs SPI



Source: FactSet

Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

Offices & Branches

Bordier & Cie Genève

Rue Rath 16
CH-1204 Genève
Case postale
CH-1211 Genève 3
T + 41 58 258 00 00
F + 41 58 258 00 40

Bordier & Cie Berne

Spitalgasse 40
Case postale
CH-3001 Berne
T + 41 58 258 07 00
F + 41 58 258 07 10

Bordier & Cie Nyon

Rue de la Porcelaine 13
CH-1260 Nyon
Case postale 1045
CH-1260 Nyon 1
T + 41 58 258 07 50
F + 41 58 258 07 70

Bordier & Cie Zurich

Talstrasse 83
CH-8001 Zürich
T + 41 58 258 05 00
F + 41 58 258 05 50

Bordier & Cie (France) S.A.

1, rue François 1er
75008 Paris – France
T + 33 1 55 04 78 78
F + 33 1 49 26 92 48

Bordier & Cie (Uruguay) S.A.

Edificio Beta 3, oficina 102
Zonamerica
91600 Montevideo
Uruguay
T + 598 2 518 2700
F + 598 2 518 2703

Bordier & Cie (Singapore) Ltd

CapitaGreen #14-00
138 Market Street
Singapore 048946
T + 65 6239 9999
F + 65 6239 9998

Bordier Bank (TCI) Ltd

Leeward Highway
Caribbean Place
Providenciales
Turks and Caicos
T + 1 649 946 45 35
F + 1 649 946 45 40

This document has been issued for information purposes and is exclusively supplied by Bordier & Cie SCmA in the framework of an existing contractual relationship with the recipient of this document. The views and opinions contained in it are those of Bordier & Cie SCmA. Its contents may not be reproduced or redistributed by unauthorized persons. The user will be held liable for any unauthorized reproduction or circulation of this document, which may give rise to legal proceedings. All the information contained in it is provided for information only and should in no way be taken as investment, legal or tax advice provided to third parties. Furthermore, it is emphasized that the provisions of our legal information page are fully applicable to this document and namely provisions concerning the restrictions arising from different national laws and regulations. Consequently, Bordier Bank does namely not provide any investment services or advice to "US persons" as defined by the Securities and Exchange Commission rules. Furthermore, the information on our website – including the present document – is by no mean directed to such persons or entities.