

## Cencora Inc

# CEO/President to retire, succeeded by COO; FY24 guidance reiterated

Maintain Rating: BUY | PO: 256.00 USD | Price: 237.68 USD

## COR announces leadership transition, reiterates 2024 guide

This morning, Cencora announced a leadership succession plan for CEO Steven Collis to transition to Executive Chair and COO Robert “Bob” Mauch to become President and CEO. Importantly, COR reaffirmed its FY24 guidance provided on January 31, 2024. For reference, COR guided to FY24 revenue growth of 10-12% and adj. EPS of \$13.25-\$13.50 compared to Visible Alpha consensus estimates of 11.5% revenue growth and adj. EPS of \$13.46. Mr. Collis will retire as President and CEO effective October 1, 2024, and the current COO will succeed Mr. Collis effective the same date. Mr. Mauch has over 30 years of experience in pharmaceutical care as the founder of Xcenda (formerly Applied Health Outcomes), a provider of health economics and strategic/reimbursement consulting to pharmaceutical companies. Mr. Mauch joined Cencora (formerly AmerisourceBergen) in 2007 when the company acquired Xcenda. Since joining COR, Mr. Mauch has led the company’s transformation to a global provider of pharma-centered healthcare solutions, continued driving digital and commercial transformation, implemented a pricing strategy, and expanded operations globally. Mr. Mauch received his Pharm.D. from Mercer University and his Ph.D. in pharmaceutical science from the University of South Carolina.

## Transition should be smooth, guidance reiteration a positive

Cencora’s new CEO has been with the company for nearly two decades and has served as COO for the last 1.5 years. Mr. Mauch has broad experience in both upstream pharmaceutical consulting and distribution, and COR’s operational execution since he took over his current position has been strong. The transition will not occur until October 1, 2024, and Steve Collis will transition to Executive Chair, further ensuring a smooth leadership change. We view the FY24 guidance reiteration positively and note that the company’s recent earnings momentum has been supported by steady performance in both the U.S. and International segments ([see our most recent earnings note](#)). We maintain our Buy rating and \$256 price objective.

12 March 2024

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### Stock Data

Price	237.68 USD
Price Objective	256.00 USD
Date Established	31-Jan-2024
Investment Opinion	A-1-7
52-Week Range	147.48 USD - 240.44 USD
Mrkt Val (mn) / Shares Out (mn)	47,412 USD / 199.5
Free Float	84.4%
Average Daily Value (mn)	345.61 USD
BofA Ticker / Exchange	COR / NYS
Bloomberg / Reuters	COR US / COR.N
ROE (2024E)	207.9%
Net Dbt to Eqty (Sep-2023A)	329.5%
ESGMeter™	High

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Timestamp: 12 March 2024 09:45AM EDT

## Price objective basis & risk

### Cencora Inc (COR)

Our \$256 price objective is based on about 18.5x CY24E P/E. This multiple is at about the five-year high, although we would argue that was artificially high due to the period of generic inflation. This also represents a bigger discount to the S&P 500 vs. the last five years. We think this discount is warranted given it incorporates the modest growth slowdown seen by COR and the rest of the supply chain as well as encompasses some competitive risks.

Downside risks to our PO are incrementally worse drug pricing pressure, increased competition creating gross profit headwinds, the risk of Amazon or another disruptive force entering the supply chain market, ongoing uncertainties and headlines related to the opioid litigation process, fundamental questions tied to EU-related profit pressures and Fx headwinds, inability to mitigate hyperinflation in Türkiye, any market volatility tied to the COVID outbreak, and potential government intervention in drug pricing controls.

Upside risks to our PO are any potential volume pickup, increases in buy-side/sell-side spreads, further opportunities for cost savings, upside related to the Alliance Healthcare acquisition, incremental contributions from COVID antiviral pills, and a deepening relationship with Walgreens, COR's largest customer.

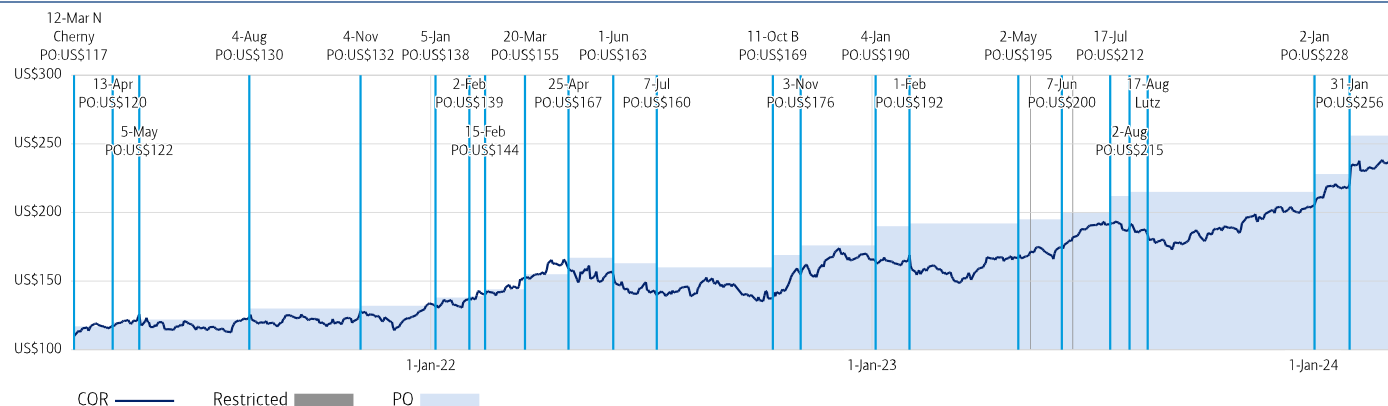
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### Cencora Inc (COR) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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