

Stevanato Group S.p.A.

4Q23 First Look: FY24 guide a bit below on vial destocking, slower Engineering ramp

Reiterate Rating: BUY | PO: 39.00 USD | Price: 33.10 USD

4Q sales €321mn in-line, EPS €0.01 below Street

4Q23 revenues were €321mn (+10% y/y, and +11% at constant currency (CC)) vs BofAe/Street €330/322mn, driven by growth in both BDS from higher volumes and the ongoing shift to HVS. COVID-19 (C19) related sales were <1% of total revenues, and ex-C19, 4Q sales were up ~24% y/y. Gross margin of 31.8% was below BofAe/Street 32.3% as one-time benefits realized in 4Q22 did not repeat and lower capacity utilization of some vial lines. Adj. EBITDA was €87mn with a margin of 27% (-100bps y/y; vs BofAe 27.4%) and Adj. EPS were €0.18 vs. BofAe/Street est. of €0.20/0.19 (See Exhibit 1).

Exhibit 1: Overview of STVN's 4Q23 performance

Stevanato Group 4Q23 sales in-line, but adj. EPS & EBITDA were below

Quarterly metrics	Actual	BofA est	Street est
Revenue (mn)	€ 321	€ 330	€ 322
Reported Growth	10%	13%	10%
Organic Growth	11%	11%	13%
Biopharma and Diagnostic (BDS)(mn)	€ 260	€ 272	€ 261
Engineering (mn)	€ 61	€ 58	€ 66
Adj. Operating Margin %	20.0%	20.8%	20.6%
Adj. EBITDA	€ 87	€ 91	€ 90
Adj. EPS	€ 0.18	€ 0.20	€ 0.19

Source: Company reports, BofA Global Research estimates, Bloomberg, Visible Alpha

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HVS 37% of sales in 4Q

BDS revenue was €260mn (+14% organic), vs. BofAe of €272mn, driven by growth in core drug containment products. HVS were a key growth driver, reaching a record €119mn (+37% y/y) and accounted for approx. ~37% of total revenues (vs BofAe 33%). Engineering revenue was €61mn, vs. BofAe of €58mn and total backlog exiting 4Q23 was €945mn (vs BofAe €869mn).

FY24 guide below on slower vial restocking, Engineering

STVN's FY24 outlook fell a bit short of the Street largely due to slower than expected vial restocking and longer Engineering timelines. Sales are expected to be €1,180-1,210mn (+9-12% y/y) vs BofAe/Street €1,215/1,209mn (+11% y/y), with BDS growing LDD (vs BofAe +11%), Engineering flat (vs BofAe +9%), and FX a €7-9mn headwind (or -0.7%) vs BofAe \$4mn tailwind (+0.4%). STVN sees adj. EBITDA of €314-330mn vs BofA/Street ests of €332/338mn, while Adj. EPS are expected to be €0.62-0.66 vs BofA/Street €0.66. Implied CapEx is €317mn at midpt vs BofAe of €275mn. In addition, STVN reiterated their mid-term (2025-2027), financial targets.

Conference call at 8:30am ET

Overall, STVN's 4Q and FY24 guide were below our expectations as the company navigates near-term stocking dynamics. On the call, we will focus on both the guide confidence and customer trends. We maintain our Buy rating on STVN given positive industry fundamentals and STVN's ability to grow above the market as HVS ramps. Conference Call at 8:30 am EST.

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Stock Data

Price	33.10 USD
Price Objective	39.00 USD
Date Established	20-Oct-2023
Investment Opinion	C-1-9
52-Week Range	22.23 USD - 36.30 USD
Mkt Val (mn) / Shares Out (mn)	8,762 USD / 264.7
Free Float	96.8%
Average Daily Value (mn)	8.40 USD
BofA Ticker / Exchange	STVN / NYS
Bloomberg / Reuters	STVN US / STVN.N
ROE (2023E)	14.4%
Net Dbt to Eqty (Dec-2022A)	-1.0%
ESGMeter™	NLA

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BDS: Biopharmaceutical and Diagnostics Solutions

LDD: low-double-digits

MSD: mid-single digits

HVS: high value solutions (

Price objective basis & risk

Stevanato Group S.p.A. (STVN)

Our \$39 price objective (PO) is based on 24x our 2025 adj. EBITDA estimate, in line with the peer group average across select drug packaging & delivery and bioprocess vendor companies. We think that this multiple is warranted as we believe that STVN can leverage its growing high-value solutions portfolio and complementary engineering capabilities to cross-sell and grow above the market.

Downside risks to our PO are GLP-1 demand durability, capacity expansion / utilization risks, adverse customer inventory management swings, unfavorable currency swings, regulatory risks, and slower-than-expected adoption of new products.

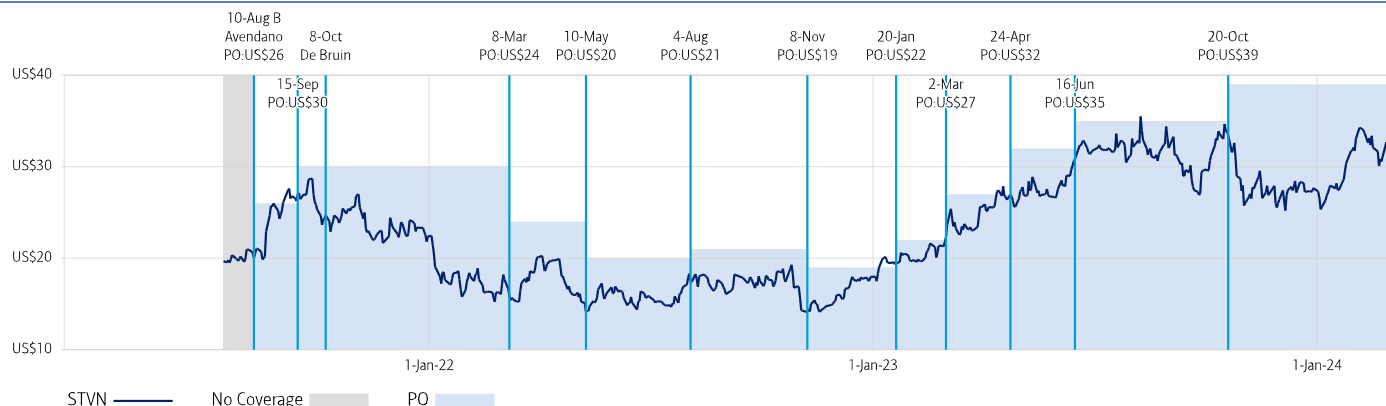
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Stevanato (STVN) Price Chart



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

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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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%

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