

# Cencora Inc. (COR)

Strategic Portfolio Addition

ESSEC Club of Economics

February 4, 2026

Recommendation: **BUY** Target: **16.3%** Upside: **+29%** (DCF)

# Current Portfolio: High Vulnerability

## Sector Allocation

Technology	26.5%
Financials	12.5%
Commodities	12.1%
Healthcare	9.5%
Other	39.4%

## Geographic Exposure

- US: 60%    EU: 35%    Other: 5%

## Risk Metrics

Volatility	15.82%
Sharpe Ratio	0.788
VaR (95%)	-20.7%
Max Drawdown	-26.4%

## Key Issues

- Tech concentration: 26.5%
- Healthcare underweight
- High correlation in top holdings

**“We need a structural hedge, not a speculative bet.”**

# Why Healthcare? The Structural Diversifier

## 1. Low Correlation with Tech

- Correlation: **0.45** (vs 0.7+ for others)
- Stability during tech corrections

## 2. Defensive Characteristics

- Sector Beta: 0.6–0.7
- Demographics-driven demand

## 3. Portfolio Gap

- Current: 9.5% / Optimal: 12–15%
- **Underweight: 3–5%**

## Structural Tailwinds

### Demographics

Aging population, chronic diseases

### Infrastructure

Pharma distribution, supply chain

### 2026 Macro

Rates favor quality, defensive rotation

## 4. 2026 Context

- Rising rates pressure growth stocks
- Geopolitical uncertainty

# Cencora Inc.: The Distribution Powerhouse

## BUY

Allocation	<b>16.3%</b>
Price	\$359 → \$464
Upside	<b>+29%</b> (DCF)
Dividend	0.7%

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Market Cap	\$68B
2026E Rev	\$340B
Op. Margin	1.5%
<b>Beta</b>	<b>0.36</b>

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## Why COR?

### 1. Pharma Distribution Leader

- Top 3 US distributor (90% market)
- Essential healthcare infrastructure

### 2. Stable Cash Flow

- Revenue: \$321B+ (FY25)
- 5–7% growth guidance (FY26)
- Investment grade credit

### 3. 2026 Catalysts

- Specialty pharma expansion
- Biosimilar distribution growth

# Methodology: Portfolio Reconstruction

**Challenge:** Only Top 10 holdings (36%) → Need 100% for analysis

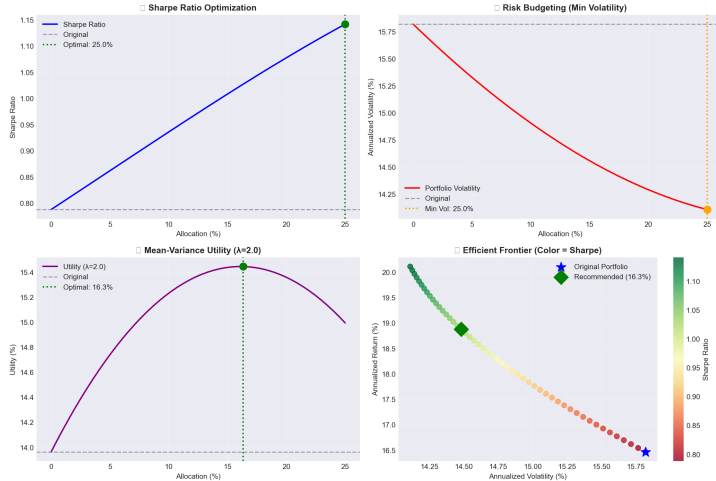
**Solution: ETF Proxy Approach**

Sector	ETF Proxy	Gap
Healthcare	IXJ (Global Healthcare)	9.5%
Commodities	MXI (Global Materials)	12.1%
Real Estate	REET (Global REIT)	8.7%
Communications	IXP (Global Telecom)	6.5%
Industrials	EXI (Global Industrials)	5.5%
Consumer Staples	KXI (Global Staples)	5.0%
Consumer Disc.	RXI (Global Discretionary)	5.0%
Other (Energy, Fin, Util)	IXC, IXG, JXI	9.2%

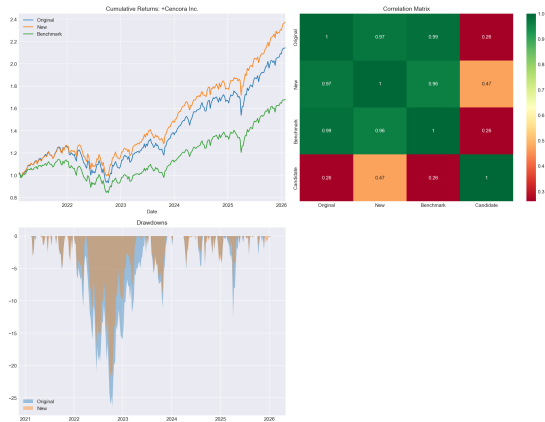
**Result:** Top 10 (36%) + ETF Proxies (64%) = 100% Portfolio

# Methodology: Screening & Optimization

Optimal Allocation Analysis: Cencora Inc. (COR)  
Recommended: 16.3% via Mean-Variance Utility ( $\lambda=2.0$ ,  $\gamma=0.5$ )



# Portfolio Impact: Growth With Stability



## Before vs After (+16.3% COR)

Metric	Before	After
Return	16.47%	18.88%
Volatility	15.82%	14.48%
Sharpe	0.788	1.027
Max DD	-26.4%	-21.8%

**+2.4% return AND 1.3% vol reduction**

**New Weights:** (assuming proportional reduction of original positions)

- Tech: 26.5% → 22.2%
- Health: 9.5% → **23.3%**

# Valuation: DCF Base Case (Conservative)

**Current Price: \$359 → Fair Value: \$464 → Upside: +29%**

## 1. Conservative Assumptions

- **WACC (7.46%)**: Reflects defensive profile (Beta 0.67) and stable cash flows.
- **Growth (8.6%)**: Capped below historical 3Y CAGR (10.4%).
- **FCF Margin (1.0%)**: Maintained flat despite scaling benefits.

## 2. Value Breakdown

Component	Value	% EV
PV of FCFs (10y)	\$31.9B	34%
PV of Terminal	\$61.6B	66%
<b>Enterprise Value</b>	<b>\$93.5B</b>	<b>100%</b>
(-) Net Debt	-\$3.3B	
<b>Equity Value</b>	<b>\$90.2B</b>	

## 3. Sensitivity Analysis *Impact of WACC and Terminal Growth on Fair Value*

WACC	2.0%	2.5%	3.0%
7.0%	\$505	\$542	\$588
7.5%	\$428	<b>\$464</b>	\$499
8.0%	\$376	\$405	\$436

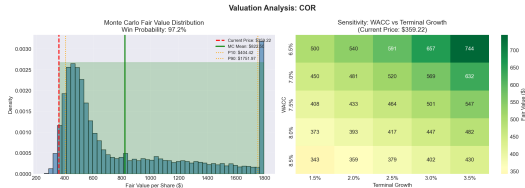
## Conclusion:

- Base case offers strong margin of safety
- Even in stress case (WACC 8%), price > \$376 (Positive Upside)



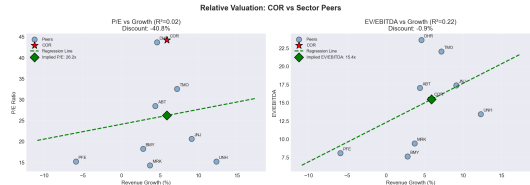
## Valuation: Robustness (Monte Carlo & Relative)

## 1. Monte Carlo (Upside Case)



- **Method:** 10,000 randomized scenarios
- **Mean Fair Value:** \$822.50 (+129%)
- **Win Prob:** 97.2%
- *Captures significant tail upside*

## 2. Relative Valuation (Market Check)



- **Method:** Regression (P/E vs Growth)
- **Insight:** COR trades **below** trend
- **Peers:** MCK, CAH
- *Confirms structural undervaluation*

Risk	Prob.	Impact	Mitigation
Drug Pricing	Med-Hi	Revenue	Diversified customer base. Essential service.
Opioid Liability	Low	Legal	Major state settlements complete.
Competition	Med	Margins	Oligopoly structure. High barriers.
M&A Risk	Low	Delays	Strong integration history.
Margin Pressure	Med	Earnings	Specialty pharma growth offsets.

**“Essential infrastructure, oligopoly protection, stable cash flows.”**

# Recommendation: Build Resilience for 2026

## Problem

- Tech overweight: 26.5%
- VaR too high: -20.7%

## Solution

- COR at 16.3%
- Sharpe: +30%
- Volatility: -1.34%

## Result

- Downside protection
- 18.9% annualized return

## BUY COR

Allocation	16.3%
Entry	\$359
DCF Target	\$464 (+29%)
MC Mean	\$823 (+129%)
Horizon	12–24 months

	Before	After
Return	16.5%	18.9%
Volatility	15.8%	14.5%
Sharpe	0.788	1.027
Tech	26.5%	22.2%
Health	9.5%	23.3%

## Questions?

All metrics, backtests, and visualizations were generated using my custom engine:

<https://github.com/joshsssn/ECE-Portfolio-Analysis-Engine>

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