MOODY'S RATINGS

CREDIT OPINION
15 December 2025

Update

Send Your Feedback

RATINGS

Cheplapharm Arzneimittel GmbH

Domicile	Germany
Long Term Rating	B3
Type	LT Corporate Family Ratings
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Gilberto Ramos, CFA +33.1.5330.3370
AVP-Analyst
gilberto.ramos@moodys.com

Naoufal El Alaoui +33.1.5330.5984
Sr Ratings Associate
mohammed.elalaoui@moodys.com

Victoria Maisuradze +33.1.5330.5974
Associate Managing Director
victoria.maisuradze@moodys.com

Cheplapharm Arzneimittel GmbH

Update to credit analysis

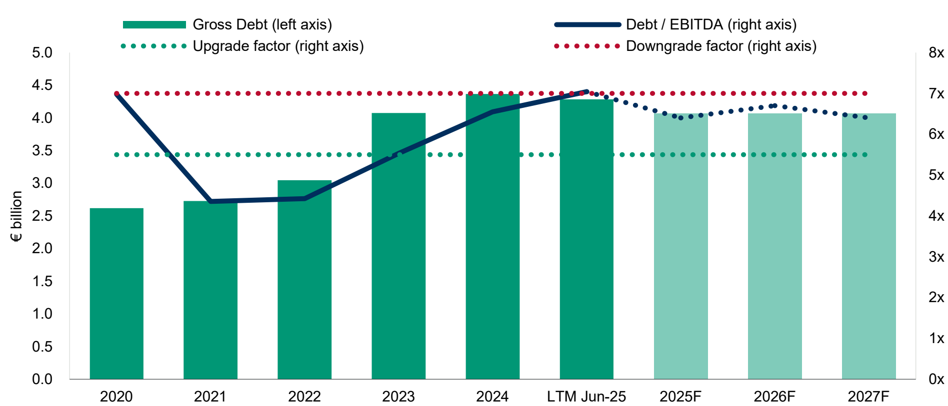
Summary

Cheplapharm Arzneimittel GmbH's (Cheplapharm) B3 corporate family rating (CFR) is supported by the company's good therapeutic and geographical diversification; strong cash flow generation, supported by its asset-light business model; and adequate liquidity.

At the same time, the B3 rating is constrained by the structural earnings decline in Cheplapharm's existing off-patent branded product portfolio, prompting it to make product acquisitions to maintain or grow revenue; the execution risks associated with the integration of its acquisitions, specifically industrial transfers; and its aggressive financial policy, with multiple debt-funded acquisitions in recent years.

Cheplapharm has faced operational challenges including limited product availability on key products, delayed integration of acquisitions, and negative market shifts impacting materially profitability and leverage. The company's operations and financial performance are stabilising due to its transformation programme, which focuses on supply chain, commercial and integration, as well as working capital improvements.

Exhibit 1
Cheplapham's leverage is likely to remain within the guidance for its rating



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Rated entity - Cheplapharm Arzneimittel GmbH, financials under entity Cheplapharm SE.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

» Good therapeutic and geographical diversification

» Strong cash flow generation, supported by the company's asset-light business model

» Adequate liquidity, supported by strong cash flow

Credit challenges

» Wide operational issues on supply chain and integration, which the company continues to address to stabilise operations

» Structural earnings decline in its existing off-patent branded product portfolio, which prompts the company to make product acquisitions

» Execution risks associated with the integration of acquisitions, specifically industrial transfers

» Aggressive financial policy, with multiple debt-funded acquisitions that have substantially increased gross debt in recent years

Rating outlook

The stable outlook on Cheplapharm's rating reflects our expectation that the company will be able to stabilise its operating performance over the next 12-18 months, while its credit metrics will remain in line with a B3 rating. The stable outlook also factors in our expectation of the company sustaining adequate liquidity.

Factors that could lead to an upgrade

We could upgrade Cheplapharm’s rating if the company successfully addresses its operational difficulties and stabilises its business, thereby returning to its historical revenue trends, specifically achieving an organic revenue decline of 3%-5% per year. Quantitatively, we would upgrade the rating if Cheplapharm maintains its Moody's-adjusted debt/EBITDA below 5.5x and cash flow from operations (CFO)/debt above 10% on a sustained basis. An upgrade would also require the company to demonstrate a more cautious acquisition strategy.

Factors that could lead to a downgrade

Conversely, we could downgrade Cheplapharm's rating if the company fails to address its operational difficulties and its revenue continues to decline at higher rates than that in the past. Quantitatively, we could downgrade Cheplapharm’s rating if it fails to maintain its Moody's-adjusted debt/EBITDA comfortably below 7.0x or its CFO/debt remains below 5% on a sustained basis. A failure to maintain adequate liquidity, including a well-spread debt maturity profile and timely refinancing of upcoming maturities, or a significant deterioration in interest coverage metrics could also lead to negative pressure on the rating.

Key indicators

Exhibit 2
Cheplapharm Arzneimittel GmbH

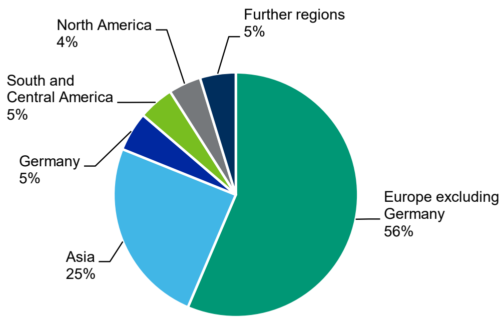
(in € billions)	2020	2021	2022	2023	2024	LTM Jun-25	2025F	2026F	2027F
Revenue	0.6	1.1	1.3	1.5	1.5	1.5	1.6	1.5	1.5
Debt / EBITDA	7.0x	4.4x	4.4x	5.5x	6.5x	7.0x	6.4x	6.7x	6.4x
RCF / Net Debt	10.2%	16.6%	16.2%	15.2%	9.0%	8.1%	8.2%	9.5%	11.7%
EBIT / Interest Expense	1.9x	2.2x	1.5x	1.1x	0.3x	0.0x	0.1x	0.1x	0.2x
EBITDA Margin	58.7%	57.9%	53.8%	49.1%	43.4%	39.5%	40.8%	40.8%	42.0%
EBITA / Interest Expense	4.3x	4.6x	3.4x	3.1x	2.4x	2.2x	2.1x	2.1x	2.1x
FCF (before acq. of intangibles) / Debt	8.3%	10.7%	14.4%	8.4%	3.7%	4.3%	5.2%	8.9%	10.2%
FCF (after acq. of intangibles) / Debt	-35.9%	-7.9%	-5.2%	-28.5%	-12.6%	-5.5%	3.5%	8.6%	9.8%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Rated entity - Cheplapharm Arzneimittel GmbH, financials under entity Cheplapharm SE.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Profile

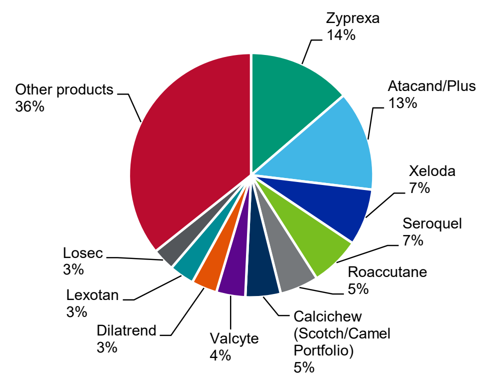
Based in Greifswald, Germany, Cheplapharm is a family-owned pharmaceutical company specialising in the marketing of off-patent, branded legacy and niche medications. The group's asset-light business model centres on acquiring products with attractive earnings prospects and outsourcing production and distribution to established third parties, allowing for robust cash flow generation and ongoing reinvestment in new acquisitions to mitigate structural declines in its existing portfolio. Cheplapharm manages a portfolio of more than 150 products distributed across over 145 countries, and as of the 12 months that ended September 2025, it reported revenue of €1,588 million and company-adjusted EBITDA of €693 million. Ownership of the company is equally split between co-CEO Sebastian Braun and Chief Scientific Officer Bianca Juha, siblings who assumed ownership in 2003.

Exhibit 3
Revenue breakdown by geography (LTM September 2025)



LTM = Last 12 months.
Source: Company data

Exhibit 4
Company's commercial EBITDA breakdown by product (LTM September 2025)



LTM = Last 12 months.
Source: Company data

Detailed credit considerations

Operational transformation has led to performance stabilisation

Cheplapharm's transformation programme is focused on addressing operational inefficiencies that have weighed on profitability and leverage. Key initiatives include restructuring supply chains, optimising commercial models and integrating previous acquisitions. Zyprexa, a major portfolio asset, has faced significant challenges: the oral formulation has been impacted by delayed technology transfers and regulatory bottlenecks, while the injectable version has suffered from supply disruptions and limited manufacturing capacity. Stabilisation measures, such as dual sourcing, bridging stock and accelerated tech transfer processes, are underway, and the company expects both the oral and injectables formulations of Zyprexa to regain normal supply levels around the first half of 2026. These operational improvements are critical for restoring EBITDA margins and preserving market share on this key product, especially the more profitable injectable solution, which may face competition in the US from next year.

Working capital optimisation remains a priority for management, as inventory build-up from recent acquisitions and safety stock strategies have inflated capital requirements. The programme targets working capital improvements through enhanced sales and operations planning processes, renegotiated supplier terms and active inventory management. These measures should support liquidity and improve cash conversion, but execution risk is important given the complexity of global supply chains and exposure to regulatory constraints. From a credit perspective, successful delivery is essential to offset high leverage, particularly as the company completes its supply-chain optimisation. Failure to achieve these objectives could prolong margin compression and delay leverage reduction, heightening refinancing risk of upcoming debt maturities.

Credit metrics to remain stable over the next 12-18 months

Over the next 12-18 months, we expect Cheplapharm's Moody's-adjusted EBITDA to remain relatively flat at around €610 million-€615 million, compared with our estimate of €624 million in 2025. Main drivers will continue to be the benefits from the operational transformation programme, which should support earnings stabilisation despite the ongoing decline in earnings from its mature drug portfolio. Under our current forecasts, we expect the company's Moody's-adjusted gross leverage to be about 6.4x in 2025 and remain around those levels over the next 12-18 months. Moreover, over the same period, we expect continued robust Moody's-adjusted free cash flow (FCF) generation before acquisitions of about €390 million. Over the next 12-18 months, we expect its Moody's-adjusted CFO/debt to be around 10%, compared with 6% in 2025.

We expect Cheplapharm to resume its M&A strategy once its transformational programme is on its final stages, potentially starting on the second half of 2026, and pursue drug portfolio acquisitions, as these actions are integral to its strategy. The company generally acquires drugs at revenue multiples of 2x-4x and targets acquisitions with a maximum return on investment period of 6.5 years. At this stage, we expect the company to pursue more bolt-on acquisitions rather than large debt-funded transactions.

Cheplapharm's business model involves frequent acquisitions to maintain growth; high profitability supports solid operating cash flow

Cheplapharm operates an asset-light business model, focusing on acquiring intellectual property rights for legacy and niche branded off-patent products from large multinational pharmaceutical companies. The company outsources manufacturing and distribution, which enables it to minimise costs and generate robust cash flow, reflected in its high EBITDA margins. However, this approach exposes Cheplapharm to transition risks, as delays in transferring marketing authorisations and industrial operations could prevent the company from achieving its projected earnings, although it would still receive a share of the seller's profit under transitional service agreements.

Credit risk is influenced by modest organic sales erosion in parts of Cheplapharm's off-patent portfolio. However, the company mitigates this through active portfolio management, including selective acquisitions, while recent performance has stabilised revenue. Although the company's lean cost structure and avoidance of R&D expenses support healthy FCF before acquisitions, its need for continuous external growth introduces potential volatility in cash generation and leverage metrics. Unexpected disruptions in supply or delays in asset transfers could further strain earnings and liquidity, making the company's ability to execute its acquisition strategy a key credit consideration.

Although Cheplapharm's model is not unique within the specialty pharmaceutical industry — similar strategies are employed by peers such as ADVANZ PHARMA Holdco Limited (B2 negative) and Pharmanovia Bidco Limited (Caa1 stable) — the company's aggressive acquisitive strategy presents additional credit challenges. The concentration in legacy branded off-patent products, while generally enjoying strong market acceptance and predictable sales erosion, also limits organic growth prospects. The company's credit profile depends on its capacity to manage acquisition-related risks, maintain operational efficiency and navigate potential disruptions during product transfers.

Good therapeutic and geographical diversification, with modest product concentration

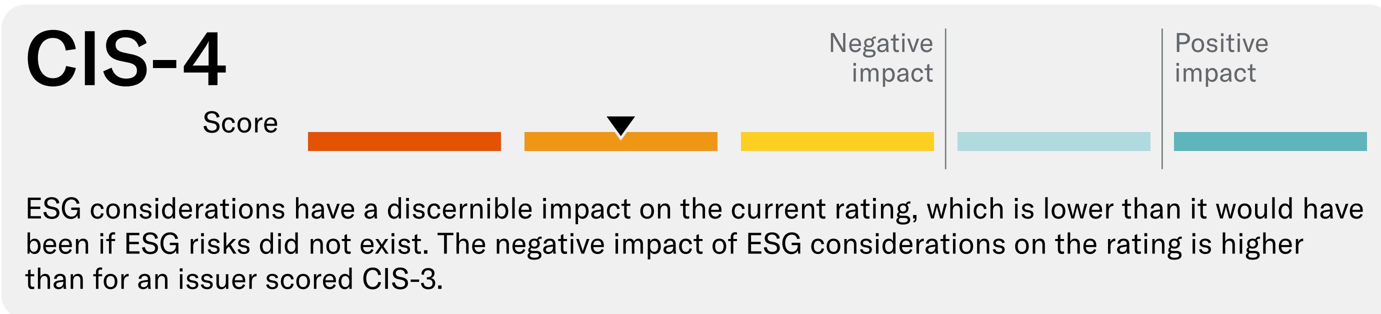
Cheplapharm operates across diverse therapeutic areas, primarily in cardiology and mental and sleeping disorders, with moderate product concentration risk. As of the 12 months that ended September 2025, its top two franchises, Zyprexa and Atacand, accounted for 14% and 13% of its commercial EBITDA, respectively. The company's revenue is geographically diversified, with Europe representing 61% of its total revenue, although this share has been declining. On a per product, per country basis, revenue concentration is typically below 5%, which supports credit stability.

Key credit risks for Cheplapharm include the potential for accelerated earnings declines from newly acquired drugs, particularly because of delisting or increased generic competition, which can vary by country. The company's broad geographical presence within Europe is a mitigating factor. Cheplapharm's business model relies on maintaining the confidence of major pharmaceutical firms to facilitate future acquisitions; however, persistent operational difficulties could damage its reputation and restrict access to new products. Dual-sourcing is assessed on a case-by-case basis and implemented where economically justified. Overall, the company's diversified revenue streams and operational flexibility are credit positives, though ongoing risks could impact its relationship with drug sellers.

ESG considerations

Cheplapharm Arzneimittel GmbH's ESG credit impact score is CIS-4

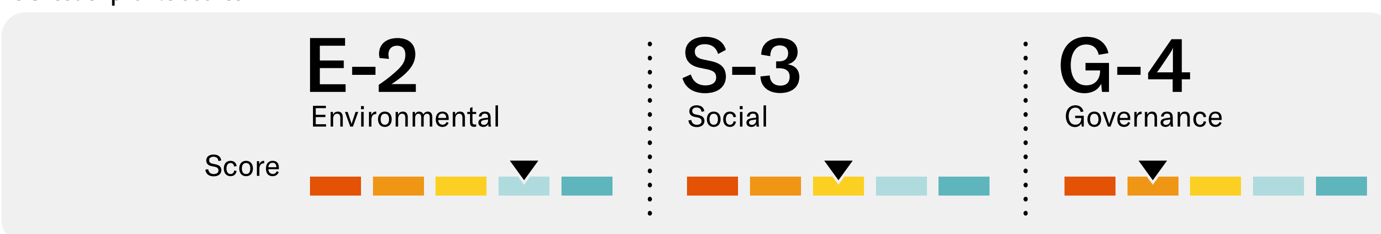
Exhibit 5
ESG credit impact score



Source: Moody's Ratings

CIS-4. Cheplapharm's score indicates the rating is lower than it would have been if ESG risk exposures did not exist. This mostly reflects governance-related risks from the company's rapid growth through debt-funded acquisitions which has resulted in some operational challenges and elevated leverage.

Exhibit 6
ESG issuer profile scores



Source: Moody's Ratings

Environmental

E-2. Cheplapharm's score reflects the low environmental exposures of the pharmaceutical industry, with no significant environmental exposures that are materially different than the industry norm.

Social

S-3. Cheplapharm's score reflects industry-wide risk exposures related to litigation, pricing and high manufacturing compliance standards, but the company's diversified product portfolio which essentially comprises off-patent drugs that have been on the market for many years mitigates the risk of product safety issues and of abrupt price declines from regulatory changes.

Governance

G-4. Cheplapharm's score reflects financial policies with a tolerance for leverage, and a track record of rapid growth through acquisitions, which has resulted in a sharp increase in debt in recent years. Recent widespread operational challenges have stemmed from the company's aggressive M&A strategy, which has strained organisational and management resources, leading to challenges and bottlenecks in integration of recent acquisitions. The **G-4** score also considers the concentrated ownership of the company.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

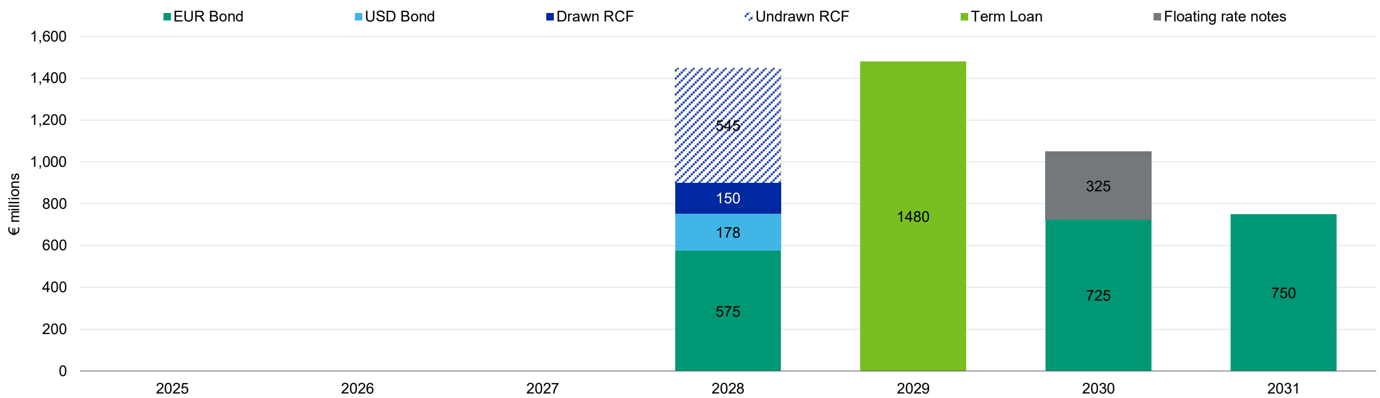
Liquidity analysis

Cheplapharm's liquidity is adequate, supported by cash balances of €166 million as of 30 September 2025, and our expectation of Moody's-adjusted FCF generation, before any acquisitions, of about €390 million over the next 12-18 months. The company has a

€695 million senior secured revolving credit facility (RCF) with a springing maturity. This maturity is contingent upon the refinancing timeline of the existing senior secured notes due in 2028, ensuring the RCF's maturity precedes that of any remaining senior secured debt. The earliest maturity date for the RCF is October 2027.

The RCF is also subject to a springing covenant, which requires the company to maintain net senior secured debt/EBITDA of less than 6.0x if at least 40% of the senior secured RCF is drawn. The RCF was drawn at €150 million as of 30 September 2025 and the covenant was therefore not tested. Further increase in leverage could restrict its RCF access to only 40% of its total capacity.

Exhibit 7
Cheplapharm does not face any large maturity before 2028
Debt maturity profile



As of 30 September 2025.
Source: Company data

Structural considerations

Cheplapharm's debt comprises a senior secured term loan B and senior secured notes, as well as a senior secured RCF, all rated B3 in line with the CFR. All these debt instruments have been issued by Cheplapharm, the group's main operating company, and they share the same collateral, which includes a first-priority pledge over Cheplapharm's shares, as well as pledges over bank accounts and intercompany receivables. We use a family recovery rate of 50%, appropriate for a debt structure comprising bank and bond debts. Cheplapharm's capital structure also comprises €500 million in shareholder loans, which we treat as equity.

Methodology and scorecard

The principal methodology used in rating Cheplapharm was our Pharmaceuticals rating methodology. The B3 rating assigned to Cheplapharm is one notch below the scorecard-indicated outcome based on our forward-looking view, and reflects the execution risks associated with the remediation of the company's current operational issues and the integration of its recent acquisitions, as well as weak credit metrics.

Exhibit 8

Cheplapharm Arzneimittel GmbH

Pharmaceuticals Industry Scorecard [1][2]	Current LTM June 30 2025		Moody's 12-18 Month Forward View [3]	
	Measure	Score	Measure	Score
Factor 1: Scale (25%)				
a) Revenue (USD Billion)	1.7	B	1.6 - 1.7	B
Factor 2: Business Profile (40%)				
a) Product and Therapeutic Diversity	Ba	Ba	Ba	Ba
b) Geographic Diversity	Baa	Baa	Baa	Baa
c) Patent Exposures	Ba	Ba	Ba	Ba
d) Pipeline Quality	Caa	Caa	Caa	Caa
Factor 3: LEVERAGE & CASH COVERAGE (20%)				
a) Debt / EBITDA	7.0x	Caa	6.4x - 6.7x	Caa
b) RCF / Net Debt	8.1%	B	9.0% - 11.0%	B
c) EBIT / Interest Expense	0.0x	Ca	0.1x - 0.2x	Ca
Factor 4: Financial Policy (15%)				
a) Financial Policy	B	B	B	B
Ratings				
a) Scorecard-Indicated Outcome		B2		B2
b) Actual Rating Assigned				B3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of June 30, 2025(LTM)
[3] This represents Moody's Forward View; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures
Source: Moody's Financial Metrics™; Moody's Projections

Ratings

Exhibit 9

Category	Moody's Rating
CHEPLAPHARM ARZNEIMITTEL GMBH	
Outlook	Stable
Corporate Family Rating	B3
Sr Sec Bank Credit Facility -Dom Curr	B3
Senior Secured	B3/LGD4

Source: Moody's Ratings

Appendix

Exhibit 10

Moody's-adjusted debt reconciliation

Cheplapharm Arzneimittel GmbH

(in € millions)	2020	2021	2022	2023	2024	LTM Jun-25
As reported debt	**2,620.0**	**2,727.0**	**3,046.2**	**4,243.0**	**4,511.2**	**4,419.3**
Pensions	-	-	-	-	2.6	2.6
Hybrid Securities	-	-	-	(168.5)	(149.3)	(138.3)
Moody's-adjusted debt	**2,620.0**	**2,727.0**	**3,046.2**	**4,074.5**	**4,364.5**	**4,283.6**

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Rated entity - Cheplapharm Arzneimittel GmbH, financials under entity Cheplapharm SE.
Source: Moody's Financial Metrics™

Exhibit 11

Moody's-adjusted EBITDA reconciliation

Cheplapharm Arzneimittel GmbH

(in € millions)	2020	2021	2022	2023	2024	LTM Jun-25
As reported EBITDA	**362.1**	**618.9**	**779.1**	**736.4**	**666.4**	**608.2**
Unusual Items	13.2	7.4	(90.9)	-	-	-
Moody's-adjusted EBITDA	**375.3**	**626.3**	**688.2**	**736.4**	**666.4**	**608.2**

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Rated entity - Cheplapharm Arzneimittel GmbH, financials under entity Cheplapharm SE.
Source: Moody's Financial Metrics™

Exhibit 12

Overview on select historical and forecast Moody's-adjusted financial data

Cheplapharm Arzneimittel GmbH

(in € millions)	2020	2021	2022	2023	2024	LTM Jun-25	2025F	2026F	2026F
INCOME STATEMENT									
Revenue	640	1,082	1,279	1,498	1,535	1,540	1,560	1,498	1,513
EBITDA	375	626	688	736	666	608	637	611	635
EBIT	170	296	305	252	73	6	31	30	49
BALANCE SHEET									
Cash & Cash Equivalents	93	97	160	534	227	221	74	420	820
Total Debt	2,620	2,727	3,046	4,074	4,365	4,284	4,218	4,215	4,215
CASH FLOW									
Retained Cash Flow (RCF)	259	438	468	536	374	329	328	345	379
RCF / Debt	9.9%	16.1%	15.4%	13.2%	8.6%	7.7%	8.1%	8.5%	9.3%
FCF before acq. of intangibles	218	292	438	340	161	184	211	364	413
FCF (before acq. of intangibles) / Debt	8.3%	10.7%	14.4%	8.4%	3.7%	4.3%	5.2%	8.9%	10.2%
FCF after acq. of intangibles	(941)	(216)	(157)	(1,162)	(551)	(236)	144	349	398
FCF (after acq. of intangibles) / Debt	-35.9%	-7.9%	-5.2%	-28.5%	-12.6%	-5.5%	3.5%	8.6%	9.8%
PROFITABILITY									
Change in Sales (YoY)		69.2%	18.3%	17.1%	2.4%	-4.2%	1.7%	-4.0%	1.0%
EBIT Margin	26.6%	27.3%	23.9%	16.8%	4.8%	0.4%	2.0%	2.0%	3.2%
EBITDA Margin	58.7%	57.9%	53.8%	49.1%	43.4%	39.5%	40.8%	40.8%	42.0%
INTEREST COVERAGE									
EBIT / Interest Expense	1.9x	2.2x	1.5x	1.1x	0.3x	0.0x	0.1x	0.1x	0.2x
EBITDA / Interest Expense	4.3x	4.6x	3.4x	3.1x	2.4x	2.2x	2.2x	2.1x	2.2x
LEVERAGE									
Debt / EBITDA	7.0x	4.4x	4.4x	5.5x	6.5x	7.0x	6.4x	6.7x	6.4x
Net Debt / EBITDA	6.7x	4.2x	4.2x	4.8x	6.2x	6.7x	6.3x	6.0x	5.1x

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Rated entity - Cheplapharm Arzneimittel GmbH, financials under entity Cheplapharm SE.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

REPORT NUMBER 1466803