S&P Global Ratings

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Tear Sheet:

CHEPLAPHARM Arzneimittel GmbH

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This report does not constitute a rating action.

Broadly stable operating performance reflects moderate revenue growth offset by margin pressure, consistent with our expectations. Cheplapharm's revenue increased 4.6% year on year to €1.2 billion in the first nine months of 2025 (9M 2025), primarily driven by the integration of acquired products, especially in Europe (excluding Germany), where business expanded 12.5%. However, weakness in its South and Central America operations (down 23.9%) due to the ongoing unavailability of products offset this strength.

The gradual stabilization of Cheplapharm's supply chain, particularly the volumes of its product Zyprexa, remains a key factor in influencing the company's performance. EBITDA declined by 7% to €496 million in 9M 2025, with margin contracting by 530 basis points to 40.8%. We attribute the drop to higher personnel costs (up 11%) and elevated consulting expenses related to its transformation plan.

Despite margin compression, free operating cash flow (FOCF) remained strong at around €127 million (versus about €130 million for the first nine months of 2024).

For full-year 2025, we forecast revenue of €1.5 billion-€1.6 billion, S&P Global Ratings-adjusted EBITDA of €655 million-€665 million, largely stable year on year, and FOCF of €130 million-€180 million. As a result, we estimate adjusted debt to EBITDA will remain between 7.0x-7.5x, versus 7.1x in 2024.

Further progress in Cheplapharm's transformation plan will enable continuous stabilization in operating performance. We forecast the company's revenue at €1.50 billion-€1.55 billion in 2026, as it continues to resolve issues around Zyprexa's supply and its volumes normalize. We project adjusted EBITDA will remain at €645 million-€655 million in 2026, corresponding to stable adjusted EBITDA margins of around 42%. Improved operational execution and continued cost discipline will support this growth.

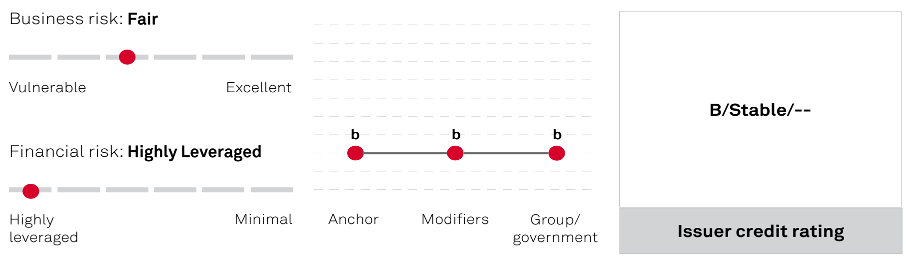
The company recently launched a working capital program aimed at improving efficiency, especially its inventory levels. This, coupled with capital expenditure of €15 million, will support solid FOCF generation of €250 million-€300 million in 2026, in our view. The positive cash flow should translate into progressive deleveraging; we expect S&P Global Ratings-adjusted debt to EBITDA will improve to 6.5x-7.0x in 2026.

The transformation plan is progressively addressing operational inefficiencies, with leadership hires and structural measures to enhance execution and financial discipline. The roll-out of Cheplapharm's integrated sales and operations plan continues to improve demand visibility and operational control. The contract manufacturing organization network's optimization and dual sourcing are contributing to a decline in the out-of-stock ratio and the gradual stabilization of product supply. That said, we expect execution challenges will persist in the first quarter of 2026.

Cheplapharm's Project BOOST lays out 50 measures focused on pricing, commercial excellence, and selective geographic expansion. These, alongside the now completed distributor switch for the product Pulmicort, underpin incremental organic growth.

We view positively management's increased focus on financial discipline, including by temporarily reducing merger and acquisition activity to lower discretionary spending, and believe it supports cash flow generation and deleveraging. These actions underpin improved operational resilience and a more predictable credit profile.

Ratings Score Snapshot



Recent Research

Industry Credit Outlook Europe: Health Care, July 16, 2025

Company Description

Cheplapharm is a Germany-headquartered off-patent branded pharmaceutical company. It reported revenue of €1.5 billion and S&P Global Ratings-adjusted EBITDA of €669.5 million in 2024.

The company mainly acquires intellectual property rights from pharmaceutical companies after the respective products have run out of patent protection for a few years, and demonstrates relatively stable revenue, as the patent cliff has been absorbed. Cheplapharm operates with an asset-light business model focused on a buy-and-build strategy. It mainly identifies the right target, outsources manufacturing, distribution, and marketing by utilizing contract manufacturing organization and external networks; and implements its experienced life-cycle management activities to optimize the process.

Cheplapharm is fully owned by Sebastian Braun and its Chief Scientific Officer Bianca Juha through the family holding Braun Beteiligungs GmbH.

Outlook

The stable outlook reflects our forecast that Cheplapharm's operating performance will remain resilient despite more pressure on margin evolution in 2025, marking the beginning of its transformational plan. There will be a transitional period in which we estimate S&P Global Ratings-adjusted EBITDA margin at 40%-42% and S&P Global Ratings-adjusted leverage at 7.0x-7.5x in 2025.

Our forecast considers that the company will temporarily prioritize its operational transformational plans over acquisitions until issues are resolved and the margin improves. However, we anticipate that Cheplapharm will continue to generate significant annual FOCF of at least €130 million-€180 million in 2025, and improve this to €250 million-€300 million in 2026.

Downside scenario

We could lower the rating if we observed a material deterioration in Cheplapharm's operating performance, amid its trajectory of deleveraging following the peak that we forecast for year-end 2025. This would include annual FOCF of less than €200 million and funds from operations cash interest coverage declining to less than 2x. It would most likely occur in case of prolonged supply issues and the company's inability to successfully integrate recently acquired assets.

Upside scenario

We could consider an upgrade if the company's transformation program is successful, and it is able to seamlessly integrate newly acquired products and to improve its scale and product diversity. This would most likely occur if the company continued to apply a disciplined acquisition strategy. Under this scenario, we would expect Cheplapharm to restore profitability and cash flow conversion in line with historical trends, while improving its debt to EBITDA below 5x.

Our upside scenario comprises the following triggers:

- S&P Global Ratings-adjusted EBITDA margin of 50%-55%;
- FOCF sustainably exceeding €250 million; and
- An adjusted debt-to-EBITDA ratio of less than 5x.

Key Metrics

Cheplapharm - Forecast Summary

Period ending	**31-Dec-23**	**31-Dec-24**	**31-Dec-25**	**31-Dec-26**
	2023	**2024**	**2025e**	**2026f**
Revenue (Mil.€)	1,498.40	1,534.70	1,550-1,600	1,500-1,550
EBITDA	780.7	669.5	655-665	645-655
Capital expenditure	11.6	4.4	15-20	~15
Free operating cash flow (FOCF)	340.9	162.3	130-180	250-300
Debt	4,142.90	4,730.90	4,600-4,650	4,400-4,450
Adjusted ratios				
Revenue growth (%)	17.2	2.4	2.5-3.0	(2.5)-0
EBITDA margin (%)	52.1	43.6	~42	~42

Cheplapharm - Forecast Summary

Period ending	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26
	2023	2024	2025e	2026f
Debt/EBITDA (x)	5.3	7.1	7.0-7.5	6.5-7.0
EBITDA interest coverage (x)	3	2.3	1.5-2.0	1.5-2.0
FOCF/debt (%)	8.2	3.4	~3.0	~6.5

All figures are adjusted by S&P Global Ratings, unless stated as reported. e--Estimate. f--Forecast.

Rating Component Scores	
Foreign currency issuer credit rating	**B/Stable/--**
Local currency issuer credit rating	**B/Stable/--**
Business risk	**Fair**
Country risk	Intermediate
Industry risk	Low
Competitive position	Fair
Financial risk	**Highly Leveraged**
Cash flow/leverage	Highly Leveraged
Anchor	**b**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**b**

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016

- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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