# Cencora, Inc. (COR)

*Updated November 13th, 2024 by Quinn Mohammed*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $251 | **5 Year CAGR Estimate:** | 7.4% | **Market Cap:** | $49 B |
| **Fair Value Price:** | $224 | **5 Year Growth Estimate:** | 9.0% | **Ex-Dividend Date:** | 11/15/24 |
| **% Fair Value:** | 112% | **5 Year Valuation Multiple Estimate:** | -2.2% | **Dividend Payment Date:** | 11/29/24 |
| **Dividend Yield:** | 0.9% | **5 Year Price Target** | $345 | **Years Of Dividend Growth:** | 21 |
| **Dividend Risk Score:** | A | **Retirement Suitability Score:** | C | **Rating:** | Hold |

## Overview & Current Events

Cencora (formerly known as AmerisourceBergen prior to September 2023) was formed in 2001 by the merger of AmeriSource and Bergen Brunswig. Today, the company is one of the largest healthcare distributors in the U.S., along with Cardinal Health and McKesson. Cencora provides pharmaceutical products and business solutions to a variety of customers, which include healthcare providers, veterinary practices, and livestock producers. Cencora also services global manufacturers to improve supply chain efficiency. Cencora has a market cap of $49 billion and generated $294 billion in revenue last year.

On April 20th, 2023, Cencora and TPG, a global alternative asset management firm, agreed to acquire OneOncology from General Atlantic, a global growth equity firm, for $2.1 billion. COR will hold a minority interest in the joint venture for $685 million cash, which represents 35% ownership.

On October 1st, 2024, Robert P. Mauch, previously COO of Cencora, became President and CEO of the company.

On November 6th, 2024, Cencora increased its quarterly dividend by 7.8% to $0.55, marking its 21st consecutive annual dividend increase. It also announced it is acquiring 85% of Retina Consultants of America (RCA), a management services organization of retina specialists, for $4.6 billion in cash.

Cencora announced Q4 FY 2024 results on November 6th, 2024. For the quarter, revenue rose 14.7% compared to Q4 2023 to $79.1 billion. Adjusted diluted earnings-per-share increased 16.8% to $3.34 from $2.86 in Q4 2023.

For the full FY 2024, adjusted EPS rose 14.8% to $13.76.

Cencora initiated its FY 2025 guidance, seeing adjusted EPS growth of 8% to 10%, culminating in EPS of $14.80 to $15.10.

## Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | $4.96 | $5.62 | $5.88 | $6.49 | $7.09 | $7.90 | $9.26 | $11.03 | $11.99 | $13.76 | ***$14.95*** | ***$23.00*** |
| **DPS** | $1.16 | $1.36 | $1.46 | $1.52 | $1.60 | $1.66 | $1.76 | $1.84 | $1.94 | $2.04 | ***$2.20*** | ***$3.23*** |
| **Shares[1]** | 207 | 220 | 218 | 213 | 207 | 204 | 209 | 211 | 211 | 198 | ***196*** | ***190*** |

The pharmaceutical distribution industry has been pressured, with increasing demand for generics fueling drug price deflation in the U.S., along with opioid litigation. In addition, there are fears of heightened competition from e-commerce giant Amazon, along with mounting political pressure on the industry. Despite these headwinds, Cencora continues to grow at an impressive pace, partially thanks to the company's recent acquisitions, which continues to strengthen the company's position in the U.S. pharmaceutical distribution market. It also recently increased its storage capacity and cold chain capabilities with the addition of three new transport stations in the U.S.

The company has produced an EPS CAGR of 12.0% and 13.6% for the trailing nine and five years. It is expecting bottom line growth in the high single-digits to low double-digits for 2024 following robust growth (14.8%) in the prior year.

[1] In millions.

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We are still forecasting 9.0% annual growth off this much higher base over the intermediate term, reflecting confidence in the company's ability to produce excellent sales growth, management's guidance, and a share repurchase program. In March 2024, it approved a $2 billion share repurchase authorization.

## Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Avg. P/E** | 20.4 | 15.7 | 14.4 | 13.6 | 11.7 | 10.1 | 12.9 | 15.3 | 18.1 | 16.8 | ***16.8*** | ***15.0*** |
| **Avg. Yld.** | 1.1% | 1.5% | 1.7% | 1.7% | 1.9% | 1.8% | 1.8% | 1.2% | 1.1% | 0.9% | ***0.9%*** | ***0.9%*** |

Over the past decade shares of Cencora have traded hands with an average P/E ratio of about 15 times earnings. We are using 15 times earnings as a starting fair value baseline to account for some of the uncertainty in the industry. With shares trading at 16.8 times expected earnings, this implies a valuation headwind.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Payout** | 23% | 24% | 25% | 23% | 23% | 21% | 19% | 17% | 16% | 15% | ***15%*** | ***14%*** |

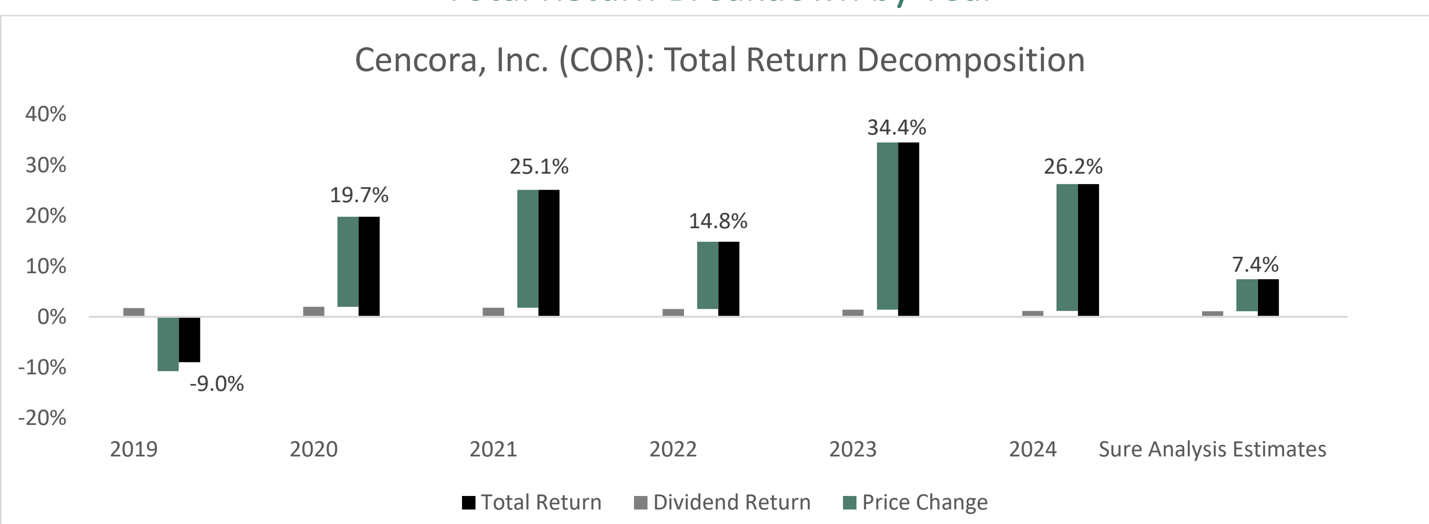
Cencora 's main competitive advantage is its industry position. As one of the 'Big 3', Cencora has a sizable economic moat that protects its market share. It is very difficult for a new competitor to enter the market. Cencora sources over 1.5 million products delivered from over 30 distribution centers, which is a major competitive advantage over smaller companies.

In terms of income safety, Cencora continues to operate with a dividend payout ratio below 25%, allowing for ample dividend increases along the way. As of the most recent report, the company held $3.1 billion in cash, $47.7 billion in current assets and $67.1 billion in total assets against $54.3 billion in current liabilities and $66.3 billion in total liabilities. Long-term debt stood at $3.8 billion.

## Final Thoughts & Recommendation

Shares of Cencora have increased by 22% year-to-date, which is just slightly below the S&P 500 Index's 26% gain. Cencora's valuation has risen recently, pushing shares beyond their average valuation. Our view remains cautious; however, the fundamentals remain strong, and the company  has demonstrated that it can produce excellent EPS growth. We forecast 7.4% total return potential, comprising a 9.0% growth rate and the 0.9% starting yield, partly offset by a valuation headwind. COR maintains its hold rating.

## Total Return Breakdown by Year

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## Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue ($B) | 136 | 147 | 153 | 168 | 180 | 190 | 214 | 239 | 262 | 294 |
| Gross Profit | 3,529 | 4,273 | 4,546 | 4,612 | 5,138 | 5,192 | 6,943 | 8296 | 8959 | 9910 |
| Gross Margin | 2.6% | 2.9% | 3.0% | 2.7% | 2.9% | 2.7% | 3.2% | 3.5% | 3.4% | 3.4% |
| SG&A Exp. | 1,908 | 2,091 | 2,129 | 2,460 | 2,664 | 2,767 | 3,549 | 4849 | 5310 | 5661 |
| D&A Exp. | 256 | 392 | 432 | 510 | 498 | 408 | --- | --- | --- | --- |
| Operating Profit | 1373 | 1817 | 2020 | 1687 | 2012 | 2034 | 2844 | 2754 | 2686 | 3157 |
| Op. Margin | 1.0% | 1.2% | 1.3% | 1.0% | 1.1% | 1.1% | 1.3% | 1.2% | 1.0% | 1.1% |
| Net Profit | -138 | 1,428 | 364 | 1,658 | 855 | -3409 | 1540 | 1699 | 1745 | 1509 |
| Net Margin | -0.1% | 1.0% | 0.2% | 1.0% | 0.5% | -1.8% | 0.7% | 0.7% | 0.7% | 0.5% |
| Free Cash Flow | 3691 | 2714 | 1038 | 1075 | 2034 | 1837 | 2228 | 2207 | 3453 | 2998 |
| Income Tax | 407 | -37 | 553 | -438 | 113 | -1894 | 677 | 517 | 428 | 485 |

## Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 27963 | 33638 | 35316 | 37670 | 39172 | 44270 | 57,340 | 56561 | 62560 | 67100 |
| Cash & Equivalents | 2,167 | 2,742 | 2,435 | 2,493 | 3,374 | 4,598 | 2,547 | 3388 | 2592 | 3133 |
| Acc. Receivable | 8223 | 9176 | 10303 | 11314 | 12387 | 13850 | 18,170 | 18453 | 20910 | 23870 |
| Inventories | 9755 | 10724 | 11461 | 11919 | 11060 | 12590 | 15,370 | 15556 | 17450 | 19000 |
| Goodwill & Int. | 6,138 | 8,959 | 8,878 | 9,612 | 9,000 | 8,593 | 14,290 | 12837 | 14010 | 13320 |
| Total Liabilities | 27347 | 31508 | 33252 | 34620 | 36179 | 45110 | 56750 | 56489 | 61890 | 66310 |
| Accounts Payable | 20886 | 23926 | 25404 | 26837 | 28385 | 31710 | 38010 | 40193 | 45840 | 50940 |
| Long-Term Debt | 3,493 | 4,187 | 3,442 | 4,310 | 4,173 | 4,120 | 6,684 | 5703 | 4787 | 4388 |
| Total Equity | 616 | 2,129 | 2,064 | 2,933 | 2,879 | -1,019 | 584 | -290 | 666 | 787 |
| D/E Ratio | 5.67 | 1.97 | 1.67 | 1.47 | 1.45 | (4.04) | 11.44 | -19.68 | 7.19 | 5.58 |

## Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | -0.6% | 4.6% | 1.1% | 4.5% | 2.2% | -8.2% | 3.0% | 3.0% | 2.9% | 2.3% |
| Return on Equity | -10.7% | 104% | 17.4% | 66.4% | 29.4% | -367% | --- | --- | 768% | 207.7% |
| ROIC | -3.4% | 27.4% | 6.2% | 25.8% | 11.8% | -65.3% | 29.2% | 26.8% | 31.1% | 28.4% |
| Shares Out. | 207 | 220 | 218 | 213 | 207 | 204 | 208 | 211 | 205 | 200 |
| Revenue/Share | 624 | 650 | 691 | 762 | 848 | 927 | 1026.5 | 1129.6 | 1281.5 | 1467.7 |
| FCF/Share | 16.95 | 12.01 | 4.68 | 4.88 | 9.60 | 8.97 | 10.69 | 10.45 | 16.88 | 14.97 |