



Cencora, Inc. (COR)

Updated February 13th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	\$244	5 Year CAGR Estimate:	9.6%	Market Cap:	\$48 B
Fair Value Price:	\$231	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	05/09/25
% Fair Value:	105%	5 Year Valuation Multiple Estimate:	-1.1%	Dividend Payment Date:	05/23/25
Dividend Yield:	0.9%	5 Year Price Target	\$372	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 \$48 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 acquired 85% of Retina Consultants of America (RCA), a management services organization of retina specialists, for \$4.4 billion in cash, on January 2nd, 2025.

Cencora announced Q1 FY 2025 results on February 5th, 2025. For the quarter, revenue rose 12.8% compared to Q1 2024 to \$81.5 billion. Adjusted diluted earnings-per-share increased 13.7% to \$3.73 from \$3.28 in Q1 2024.

Cencora raised its FY 2025 guidance, now seeing adjusted EPS of \$15.25 to \$15.55 (from \$14.80 to \$15.10 previously).

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	\$15.40	\$24.80
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
Shares¹	207	220	218	213	207	204	209	211	211	198	195	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 low double-digits for 2024 following robust growth (14.8%) in the prior year.

We are forecasting 10.0% 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.

¹ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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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	15.8	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 15.8 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%	14%	13%

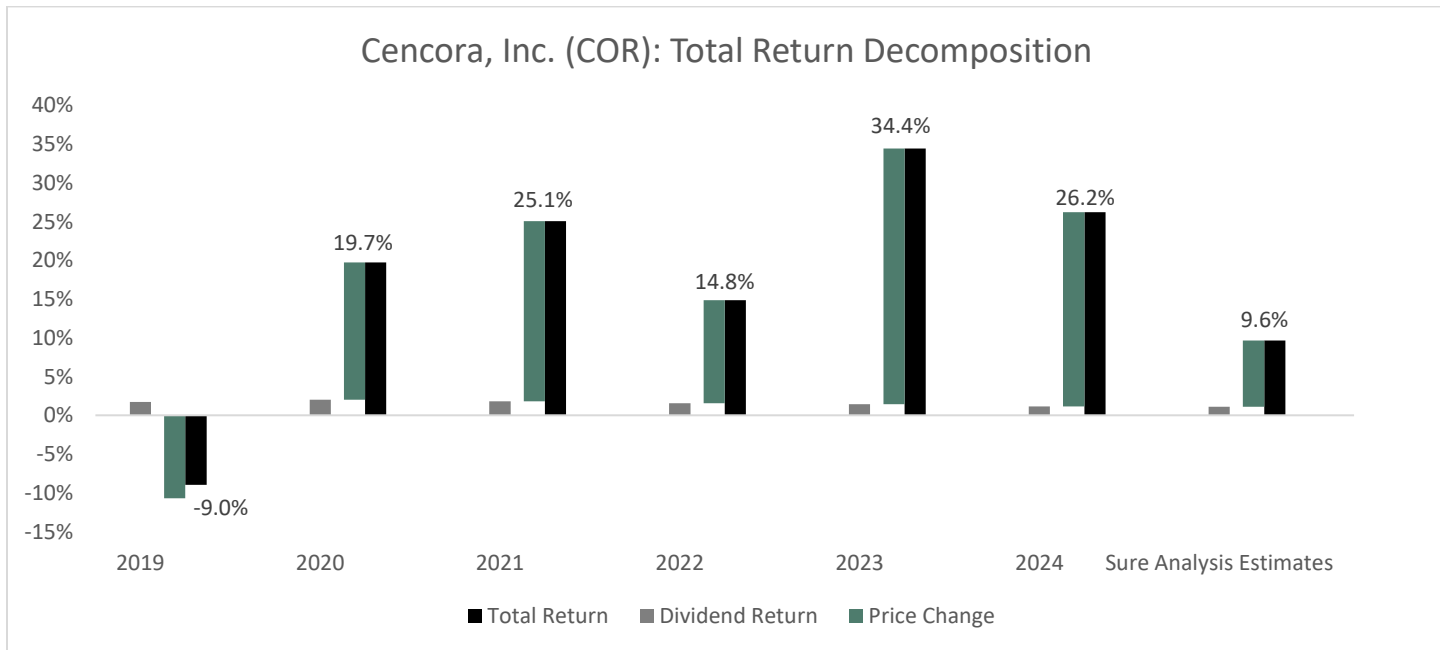
Cencora's main competitive advantage is its industry position. As one of the 'Big 3', Cencora has a sizable economic moat that protects its market share. It is very difficult for a new competitor to enter the market. Cencora sources over 1.5 million products delivered from over 30 distribution centers, 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 \$3.2 billion in cash, \$50.0 billion in current assets and \$69.1 billion in total assets against \$54.5 billion in current liabilities and \$68.7 billion in total liabilities. Long-term debt stood at \$5.9 billion.

Final Thoughts & Recommendation

Shares of Cencora have increased by 8% year-to-date, which is double the S&P 500 Index's 4% gain. Cencora now trades 5% above our estimate of fair value. Our view remains cautious; however, the fundamentals remain strong, and the company has demonstrated that it can produce excellent EPS growth. We forecast 9.6% total return potential, comprising a 10.0% 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

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