

## FIRST LIGHT

25 February 2022

### RESEARCH

#### Sun Pharma | Target: Rs 1,045 | +28% | BUY

Alchemee acquisition to expand global branded derma portfolio

### SUMMARY

#### Sun Pharma

- SUNP, through subsidiary Taro Pharma, to acquire Galderma's skincare arm Alchemee in US\$ 90mn all-cash deal
- Deal includes Alchemee's global business and assets, including the Proactiv brand
- Retain BUY on SUNP with TP of Rs 1,045 set at 18x FY24E EV/EBITDA

[Click here](#) for the full report.

#### Daily macro indicators

Indicator	22-Feb	23-Feb	Chg (%)
US 10Y yield (%)	1.94	1.99	5
India 10Y yield (%)	6.75	6.74	(1)
USD/INR	74.88	74.57	0.4
Brent Crude (US\$/bbl)	96.8	96.8	0.0
Dow	33,597	33,132	(1.4)
Hang Seng	23,520	23,660	0.6
Sensex	57,301	57,232	(0.1)
India FII (US\$ mn)	21-Feb	22-Feb	Chg (\$ mn)
FII-D	(77.3)	(57.6)	19.7
FII-E	(104.0)	(328.3)	(224.3)

Source: Bank of Baroda Economics Research

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**BUY****TP: Rs 1,045 | ▲ 28%****SUN PHARMA**

| Pharmaceuticals

| 24 February 2022

## Alchemee acquisition to expand global branded derma portfolio

- **SUNP**, through subsidiary Taro Pharma, to acquire Galderma's skincare arm Alchemee in US\$ 90mn all-cash
- Deal includes Alchemee's global business and assets, including the Proactiv brand
- Retain **BUY** on **SUNP** with TP of Rs 1,045 set at 18x FY24E EV/EBITDA

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**Taro to access Alchemee's global business and assets:** SUNP, through its wholly owned subsidiary Taro Pharma, has signed a definitive agreement with Galderma to acquire the latter's subsidiary Alchemee along with its global business and assets. Alchemee (formerly The Proactiv Company) has a 25-year-old global acne-care brand 'Proactiv' in the OTC and non-prescription skincare markets. The US\$ 90mn all-cash deal (subject to adjustment of current working capital valuation) is guided to be concluded by 28 February 2022 with zero cash and zero debt.

**Strong skincare portfolio under 'Proactiv' brand:** Under its flagship brand Proactiv, Alchemee has a portfolio of cleanser (Benzoyl Peroxide 2.5%), toner and repairing treatment (Benzoyl Peroxide 2.5%). These three steps are formulated to work together to treat and prevent breakouts for most skin types, especially oily and combination skin.

**Acquisition to complement Taro's dermatology offerings:** As per exchange filings, Alchemee had revenue of US\$ 166mn in FY21 and is valued at 0.5x sales. Taro had revenue of US\$ 549mn in FY21, of which dermatology and topical products contributed 58%. This acquisition will complement Taro's portfolio as dermatological and topical therapeutic products are its key focus areas in the US and Canada.

**Genesis of Alchemee:** Alchemee is an omnichannel platform that has strong brand equity in products with dermatological applications in skincare cosmetics. As per the company, Proactiv is America's most recognised acne brand with industry-leading efficacy and 20mn customers.

**Retain BUY:** We maintain our TP of Rs 1,045 for SUNP and continue to value the stock at an unchanged 18x FY24E EV/EBITDA multiple, a 30% premium to large-cap peers such as CIPLA and DRRD due to its high-margin specialty presence in the developed markets of the US, Europe and Japan. **BUY**.

Ticker/Price	SUNP IN/Rs 818
Market cap	US\$ 25.9bn
Free float	45%
3M ADV	US\$ 43.5mn
52wk high/low	Rs 903/Rs 562
Promoter/FPI/DII	54%/12%/22%

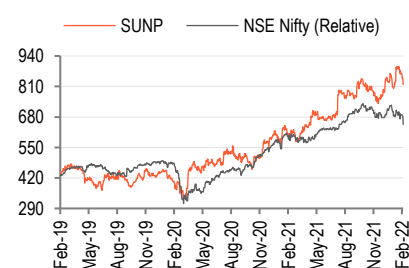
Source: NSE | Price as of 24 Feb 2022

### Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	3,31,395	3,86,007	4,28,780
EBITDA (Rs mn)	85,028	1,04,192	1,15,695
Adj. net profit (Rs mn)	72,189	79,309	90,409
Adj. EPS (Rs)	30.1	33.1	37.7
Consensus EPS (Rs)	30.1	30.5	34.2
Adj. ROAE (%)	14.6	15.0	15.1
Adj. P/E (x)	27.2	24.8	21.7
EV/EBITDA (x)	22.2	17.8	15.6
Adj. EPS growth (%)	80.8	9.9	14.0

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE

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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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