

Building a financial model for evaluation of Sopharma AD

Historical Analysis | Forecasting | Scenario Modeling | DCF Valuation

Purpose of the study

The main question :

Can Sopharma sustainably generate returns above the cost of capital?

ROIC > WACC → Value Creation

Strategic
Analysis

Historical
Financials

Forecast
Model

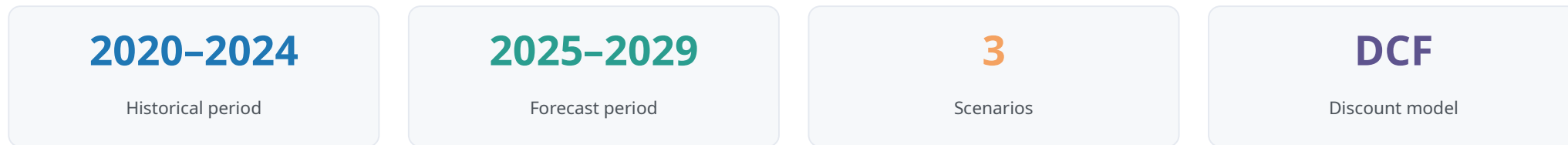
FCFF

WACC

DCF

- Object: "Sopharma" AD
- Subject: value-based financial model
- Approach: strategic analysis + financial analysis + DCF/FCFF

Methodology and time horizon



- Base — normalized development
- Bull — more favorable environment , higher efficiency
- Bear — weak growth , marginal pressure and greater net working capital

Structure of the dissertation

Transition from theoretical and strategic frame to the quantitative DCF model

1. Theoretical framework

- Investment business assessment
- Theoretical models for strategic analysis
- Financial valuation model

2. Strategic analysis

- Analysis of the pharmaceutical sector
- Porter's Five Forces
- Risk management

3. Financial model

- Historical reports
- Working capital
- CAPEX and depreciation

4. Evaluation

- Forecast
- FCFF
- WACC
- DCF

- ❖ Object on the research is " Sopharma " AD - public company in pharmaceutical sector , with production , distribution and trade activity on Bulgarian and international markets .
- ❖ The information base includes consolidated financial reports , corporate presentations , data for capital markets , macroeconomic environment and sectoral analyses .
- ❖ The historical financial analysis covers 2019–2024, and on this one base is built forecast model for 2025–2029

The quality strategic analysis is uses as basis for financial assumptions .

Pharmaceutical sector in Bulgaria

High regulation

The sector is characterized by a high degree of regulation and significant public sector participation in the financing of pharmaceutical products.

Prices and reimbursement

Price regulation mechanisms, the positive drug list, and the reimbursement system limit free pricing.

Operating margins

The role of the NHIF and external reference pricing create constant pressure on operating margins.

Competitive pressure

Competition is strong, especially in the generic drug segment.

Generic products

In generic drugs, the opportunities for high margins are limited by pricing pressure and the availability of alternatives.

Model connection

The sector environment translates into assumptions about growth, margins, risk and capital efficiency.

The sector is sustainable from point of view point on the search , but strongly regulated and competitive by attitude on prices and profitability .

Porter's Five Forces

Threat of new competitors

Relatively limited due to regulatory, production and organizational barriers; registration, control, traceability, safety and GMP.

Supplier strength

Moderate to relatively high due to dependence on international suppliers of APIs, raw materials, packaging and specialized equipment.

Customer power

High, but vertical integration and the company's own pharmacy network partially limit this pressure.

Threat from substitutes

Moderate , but with potential for growth – competition from innovative companies , alternative therapies and imported medicines .

Competitive rivalry

Strong – international companies, generic products, OTC segment and high share of imported drugs on the Bulgarian market.

Porter analysis shows stable long-term demand, but high regulation, pricing pressure and intense competition.

Strategic positioning of Sopharma

Production

Built production base and regulatory capacity in an environment of high quality and GMP requirements.

Distribution and logistics

"Sopharma Trading" and "Pharmalogistics" support control over the supply chain and product availability.

Pharmacy network

SOpharmacy provides access to the end customer and partially limits the pressure from external distributors and pharmacy chains.

- ❖ The combination between production , logistics , pharmacy network and regulatory expertise creates prerequisites for higher operational sustainability .

With the strategic position influences on revenue growth , margins , turnover capital and ability for generation of FCFF.

Risk management and relationship with the financial model

How strategic risks is convert in financial assumptions

Regulatory risk

Registration, GMP standards, pricing and reimbursement limit free pricing and create pressure on margins.

Currency risk

The Group's international activities lead to exposures to various currencies and exchange rate regimes.

Geopolitical risk

Particularly significant due to the Group's presence in countries of Central and Eastern Europe and the CIS region.

Operational risk

Supply-chain dependency, logistics, inventory, and production capacity impact DIO, NWC, and CAPEX.

Financial risk

Interest rate environment, indebtedness and cost of financing affect Net Debt/EBITDA, WACC and FCFF.

Translation to DCF

Strategic conclusions are transformed into growth, EBITDA margin, EBIT margin, ROIC, NWC, CAPEX intensity, Net Debt/EBITDA and FCFF.

Thus, the strategic analysis prepares the basis for the quantitative forecast model and the DCF valuation.

Macroeconomic framework

Macro indicator	What does it measure?	Role in the model
HICP inflation in the euro area	Rate of increase in the price of goods and services in the euro area	Revenue, Gross Margin, EBITDA, DIO
Real GDP – Bulgaria	The real economic growth of the Bulgarian economy	Revenue Growth
Real GDP – EU	General economic development in the European Union	context for the regional search
Healthcare / Pharma demand proxy	Expected demand for healthcare and pharmaceutical products	Revenue Growth, Gross Margin
ECB Deposit Facility Rate	The main interest rate on deposits at the ECB	Cost of Debt / WACC / leverage
Real ECB Rate	The real interest rate after accounting for inflation	Debt/Equity, Net Debt/EBITDA
Corporate Credit Spread	The additional risk premium above the risk-free rate	Cost of Debt
Terminal Growth Limit	The company's maximum sustainable long-term growth	Terminal Value

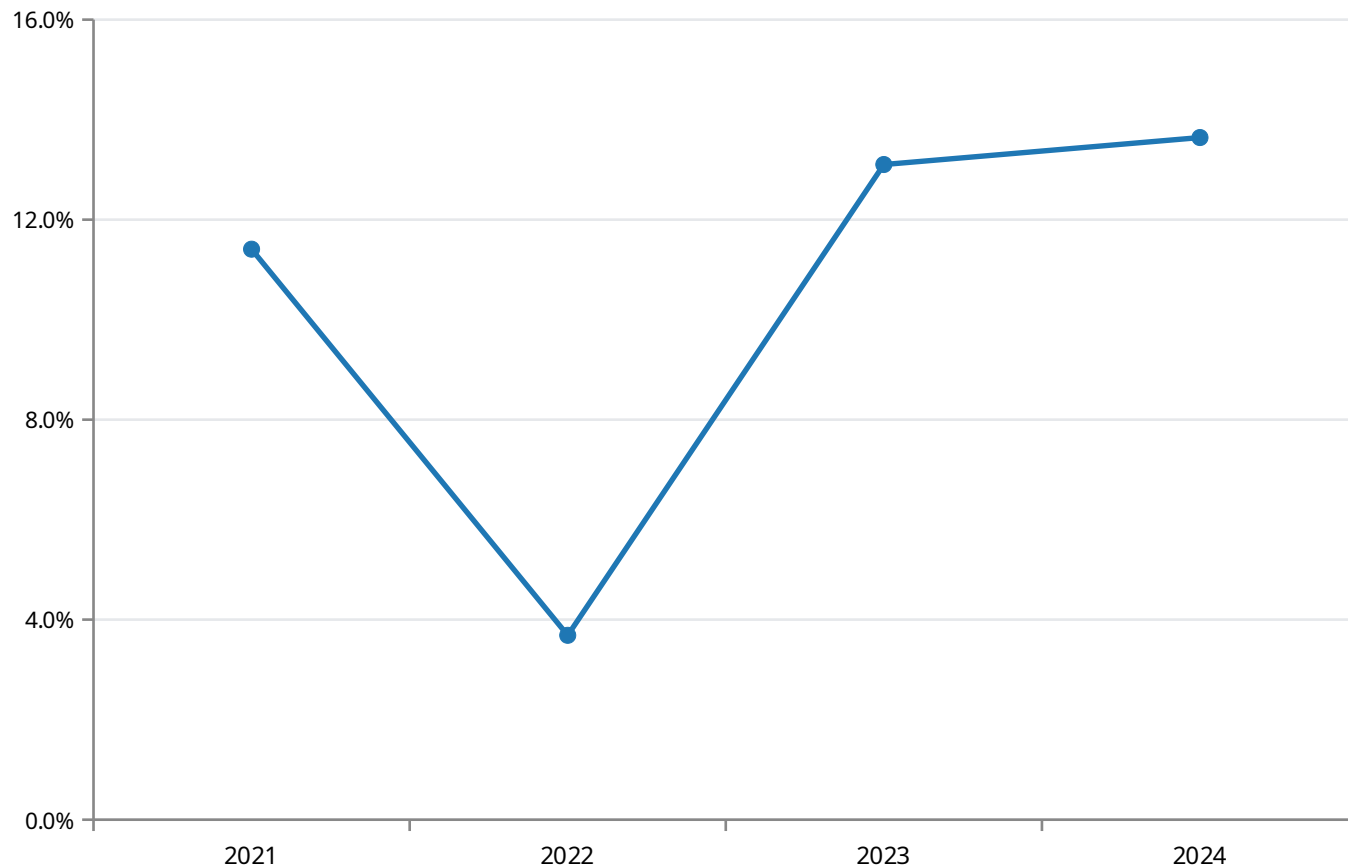
Macro → Operations → Capital → FCFF → DCF

- The macroeconomic basis is common to the three scenarios.
- Base/Bull/Bear are achieved through specific scenario adjustments.
- EU GDP is included as context, but does not directly participate in the Revenue Growth formula.

$$\text{Real ECB Rate} = \text{ECB Deposit Rate} - \text{HICP}$$

Revenue Growth | Historical Data 2020–2024

Historical analysis



What do we see?

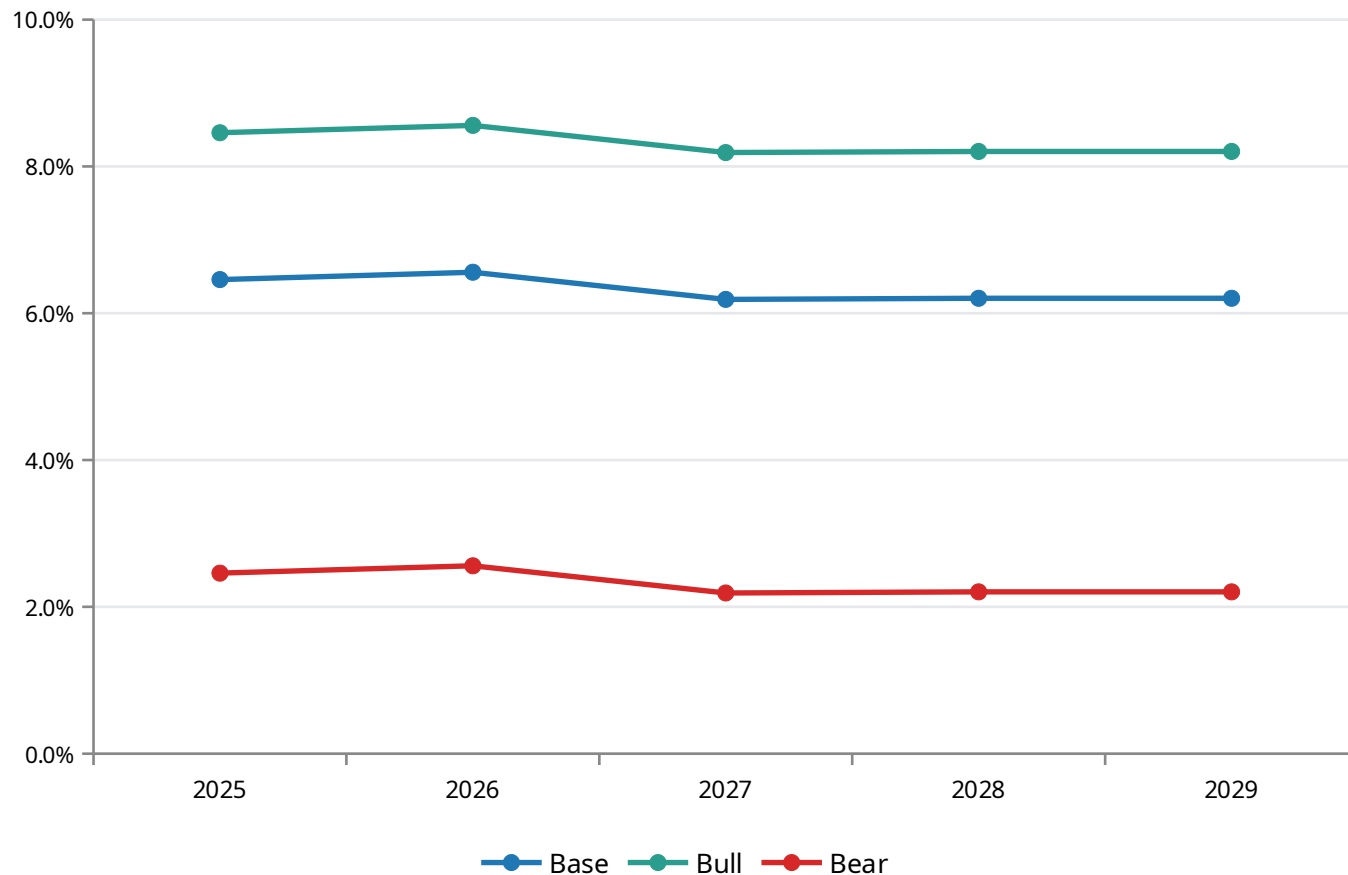
- After 2022, growth again exceeds 13%.
- The delay in 2022 coincides with inflation , energy shock and weak European growth .
- The positive growth through the whole period shows sustainability on business the model .

$$\text{Revenue Growth} = \text{Revenue}_t / \text{Revenue}_{t-1} - 1$$

Historical analysis serves as a 40% component in the forecast formula .

Revenue Growth | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

- 40% Company History: 5Y historical revenue growth.
- 25% Macro: Real GDP Bulgaria + HICP.
- 35% Sector: Healthcare / Pharma demand proxy.
- Scenario overlay: Base 0 pp; Bull +2 pp; Bear -4 pp

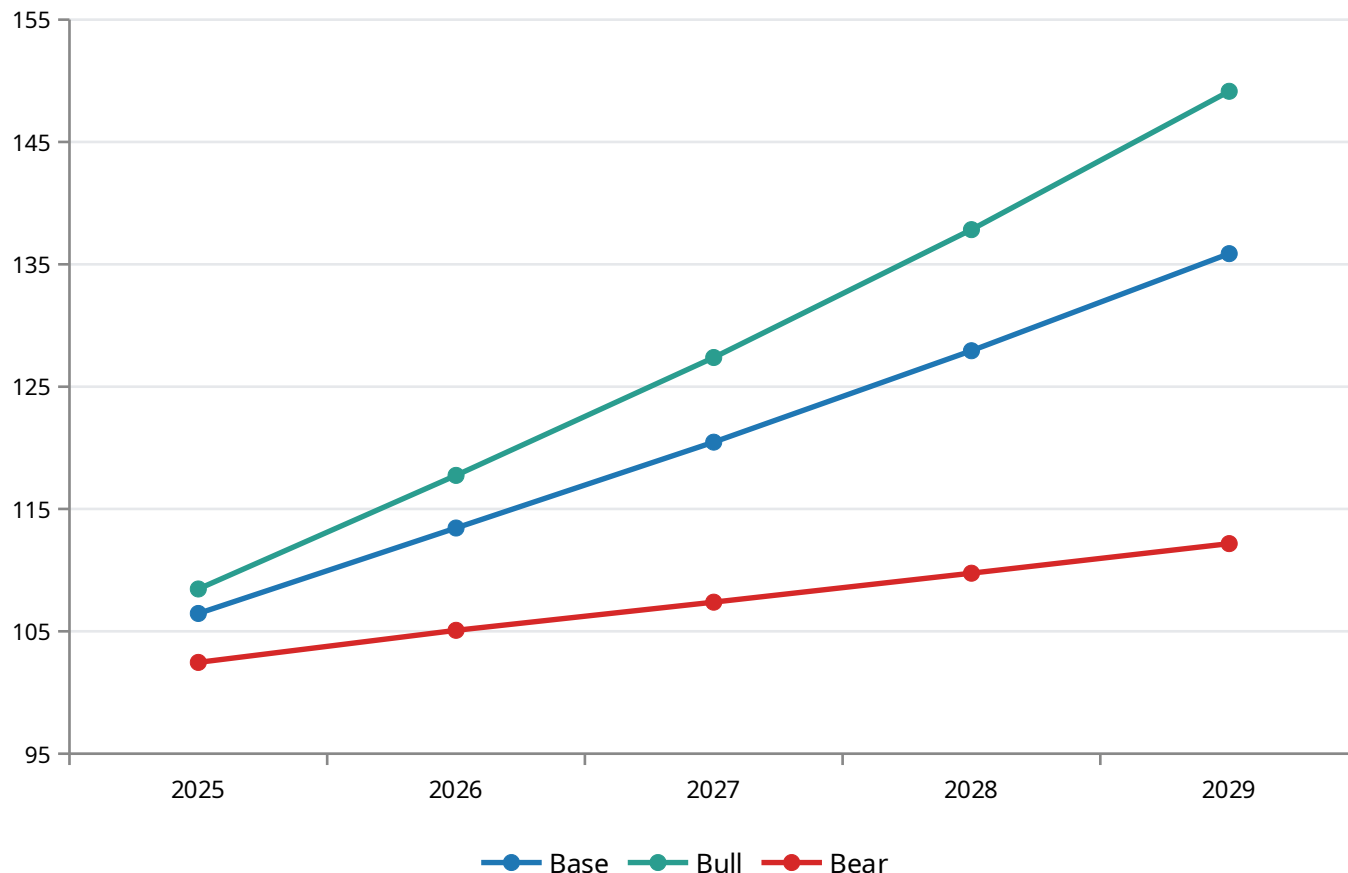
Base reflects a normalized development of the company while maintaining current market conditions. **Bull** implies stronger demand and higher operational efficiency, while **Bear** reports a risk of weaker economic growth and increased pressure on profitability.

$$g_t = 40\% \times \text{HistGrowth} + 25\% \times (\text{BG GDP}_t + \text{HICP}_t) + 35\% \times \text{Healthcare}_t + \text{ScenarioAdj}$$

2025 Base $\approx$ 6.46%; Bull $\approx$ 8.46%; Bear $\approx$ 2.46%.

Revenue Index | Estimated revenue base

Base / Bull / Bear scenarios



Model methodology

- 2024 is set as base 100.
- Each year grows with the projected Revenue Growth.
- Until 2029: Base ≈ 135.9 ; Bull ≈ 149.1 ; Bear ≈ 112.2 .

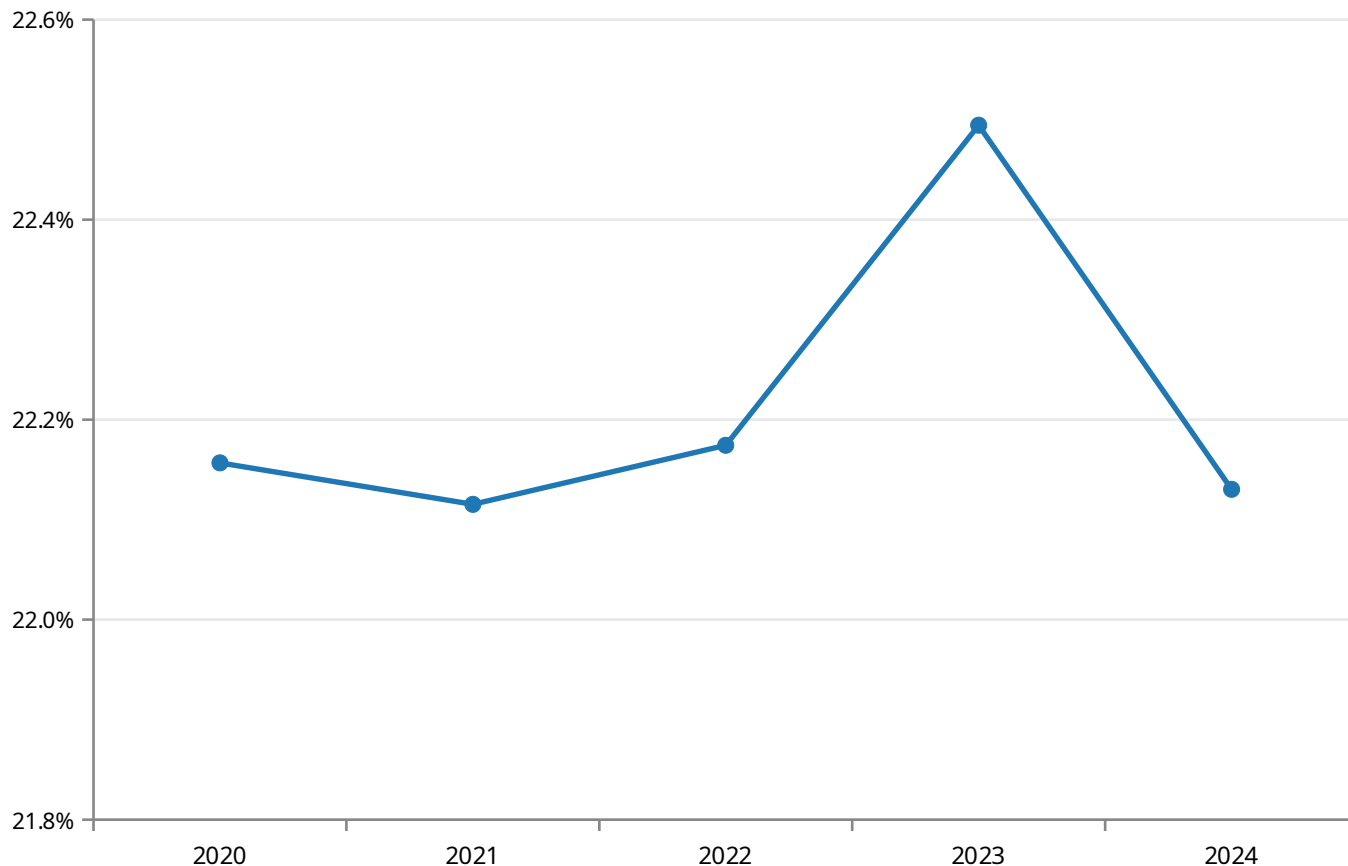
The cumulative effect of the different revenue growth rates leads to a significant divergence between the scenarios at the end of the forecast period. In **the baseline** scenario, the revenue base increases to an index of 135.9, while in **the Bull** scenario it reaches 149.1, and in **the Bear** scenario it remains around 112.2.

$$\text{RevenueIndex}_t = \text{RevenueIndex}_{t-1} \times (1 + g_t)$$

Revenue Index is the basic driver of the forecasting model, as it serves as an input variable in forecasting profitability, working capital, investments, and free cash flow.

Gross Margin | Historical Data 2020–2024

Historical analysis



What do we see?

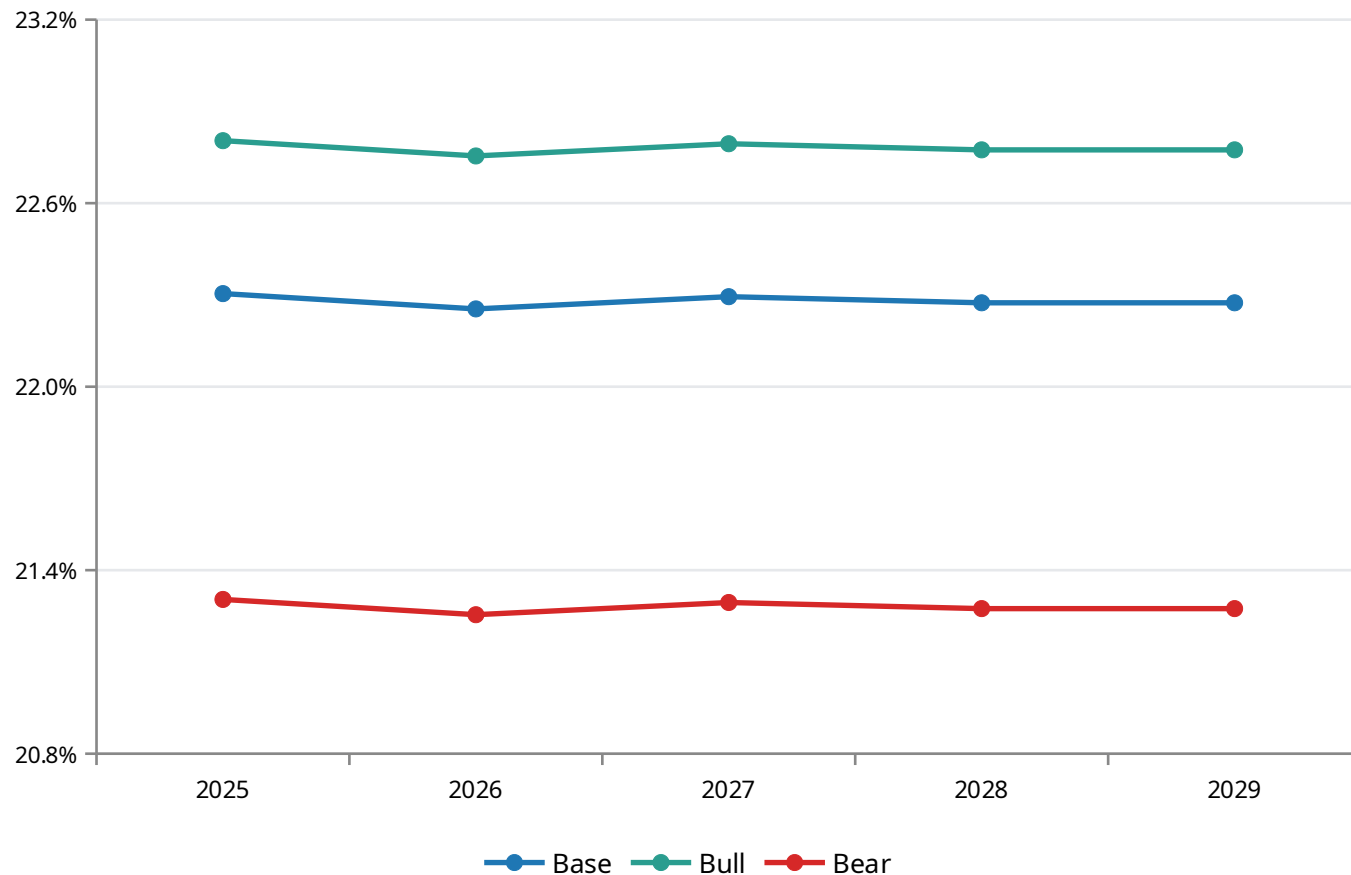
- The margin remains extremely stable at around 22%.
- Sustainability remains despite inflation, energy prices and logistical pressures.
- Signal of cost control and relatively strong pricing position.

Gross Margin = Gross Profit / Revenue

The main one risk for profitability is manifests stronger after gross profit .

Gross Margin | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

- *Historical base : 5Y average Gross Margin $\approx$ 22.214%.*
- *Macro: Healthcare demand growth compared to HICP inflation.*
- *Scenario overlay: Base 0 pp; Bull +0.5pp; Bear -1.0 pp*
- *The coefficient 0.10 limits macro the effect on margin .*

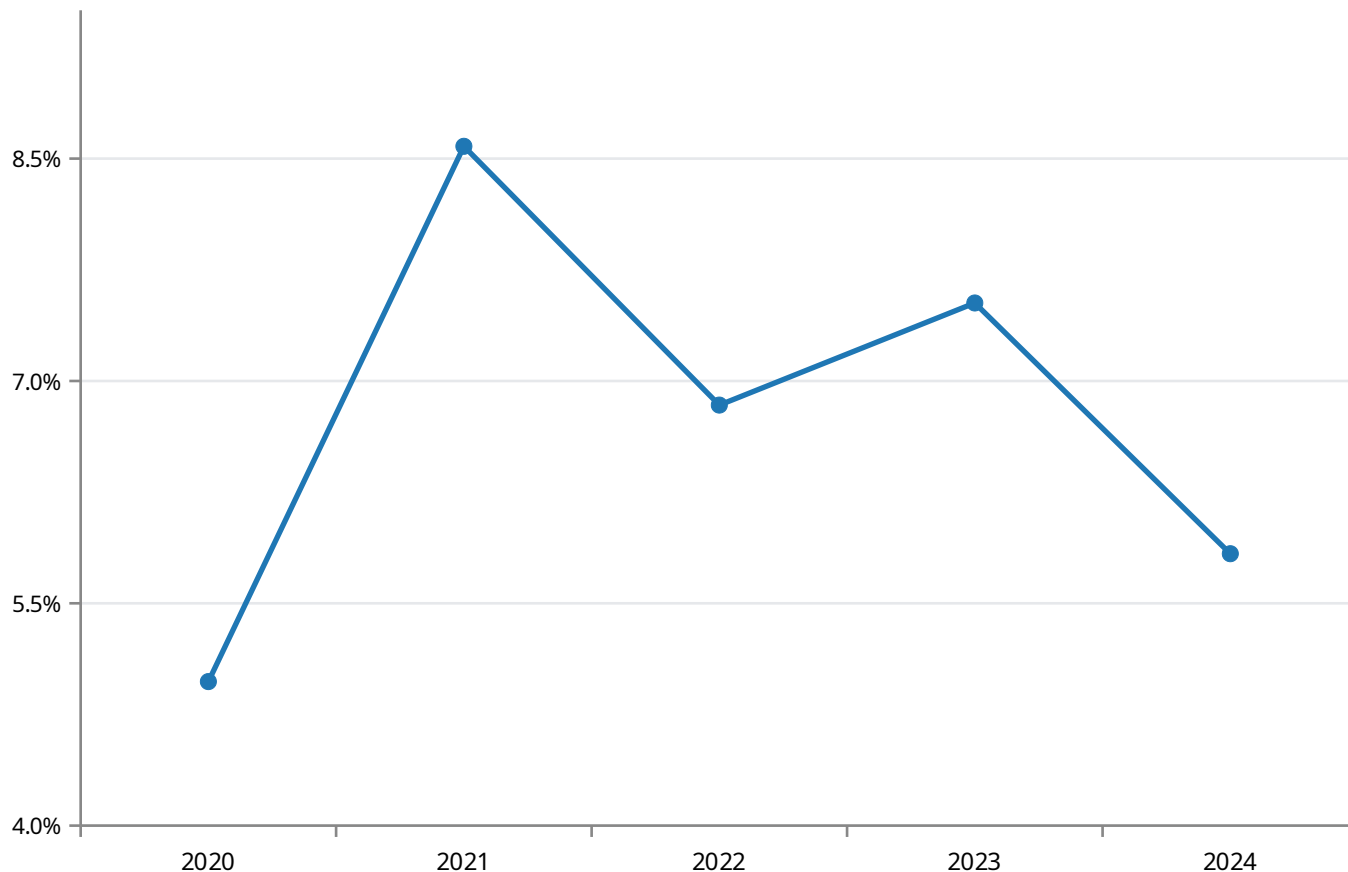
Regardless of the scenario, the gross margin remains around its historical levels, which suggests that the company's ability to control the cost of sales remains intact.

$$GM_t = 5YAvgGM + 0.10 \times (HealthcareGrowth_t - HICP_t) + ScenarioAdj$$

Base $\approx$ 22.3%; Bull $\approx$ 22.8%; Bear $\approx$ 21.3%.

EBITDA Margin | Historical Data 2020–2024

Historical analysis



What do we see?

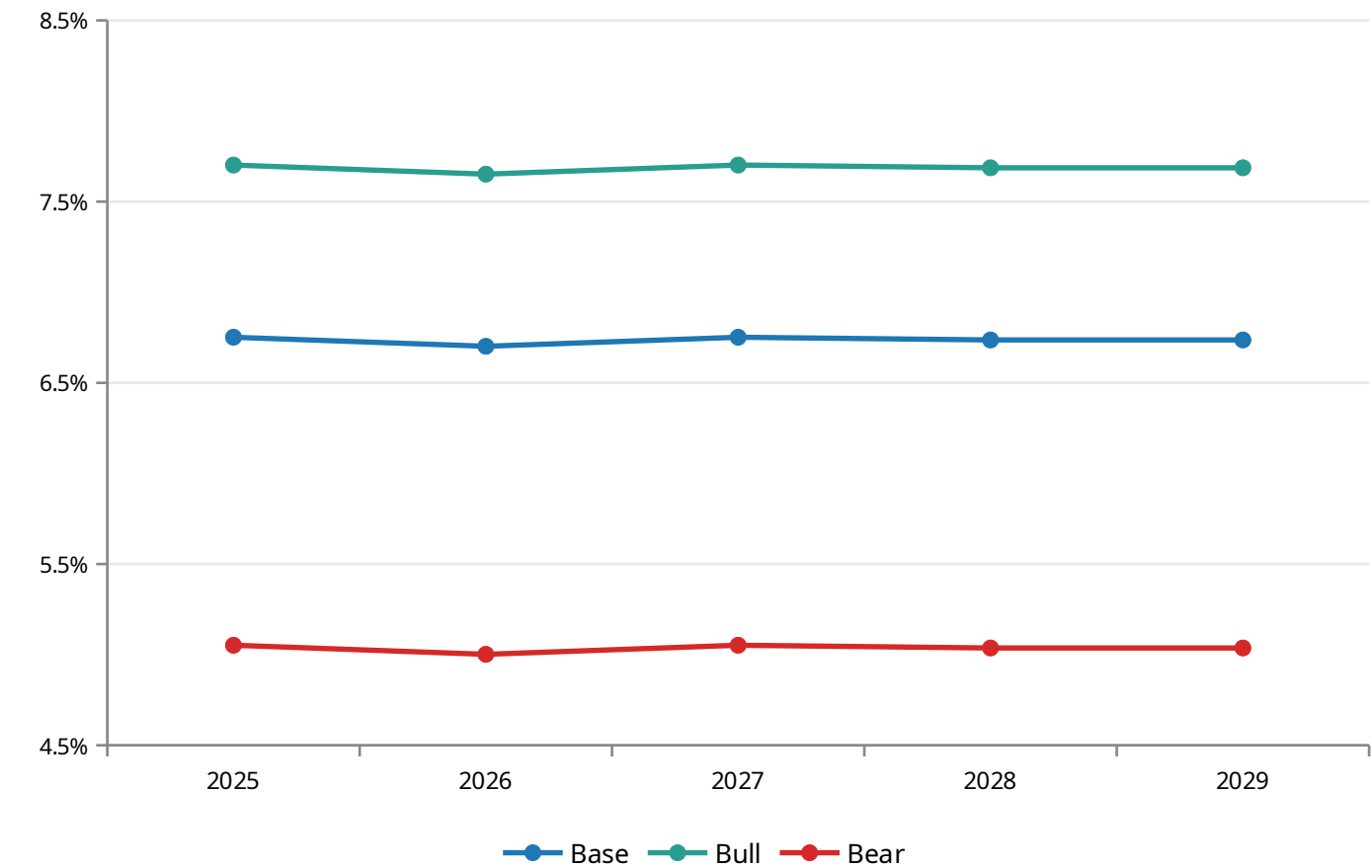
- EBITDA margin is more volatile from Gross Margin.
- In 2024 it falls up to 5.83%.
- The pressure is coming from expenses for personnel , administration , marketing , logistics and expansion on the activity .

$$\text{EBITDA Margin} = \text{EBITDA} / \text{Revenue}$$

This proves that operating cost base is key source on risk .

EBITDA Margin | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

- *Historical base : 3Y average EBITDA $\approx$ 6.73%.*
- *50% of the change in Gross Margin is transmits to EBITDA.*
- *HICP above 2.1% adds cost pressure.*
- *Scenario overlay: Bull +0.7 pp; Bear –1.2 pp*

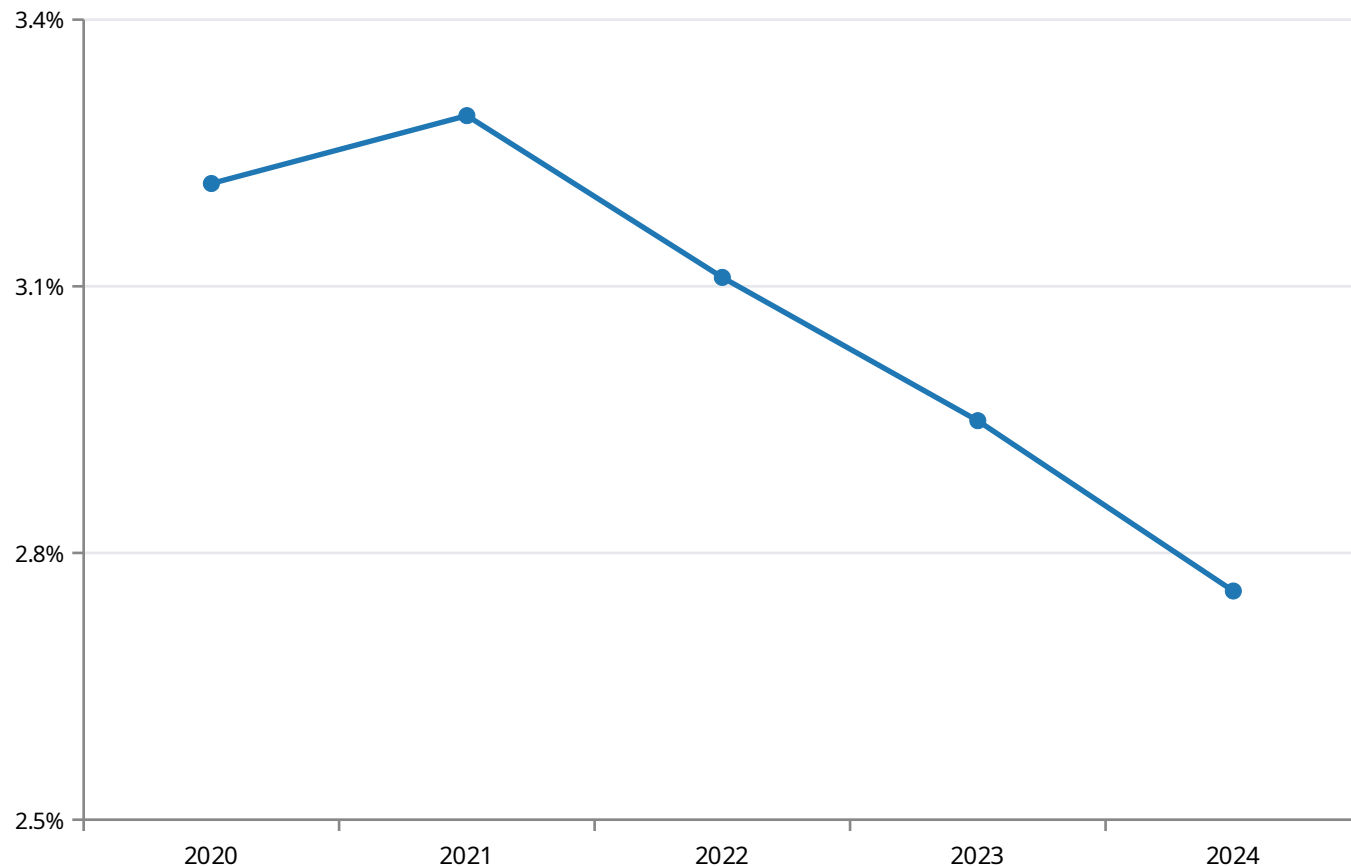
The model assumes that some of the changes in gross margin are translated into operating margin, but the effect is limited by cost pressures caused by inflation. Thus, EBITDA Margin reflects both the company's pricing power and its ability to control operating costs.

$$EBITDA_t = 3YAvgEBITDA + 0.5 \times (GM_t - 3YAvgGM) - 0.05 \times (HICP_t - 2.1\%) + ScenarioAdj$$

Base $\approx$ 6.7%; Bull $\approx$ 7.7%; Bear $\approx$ 5.0%.

D&A / Revenue | Historical data 2020–2024

Historical analysis



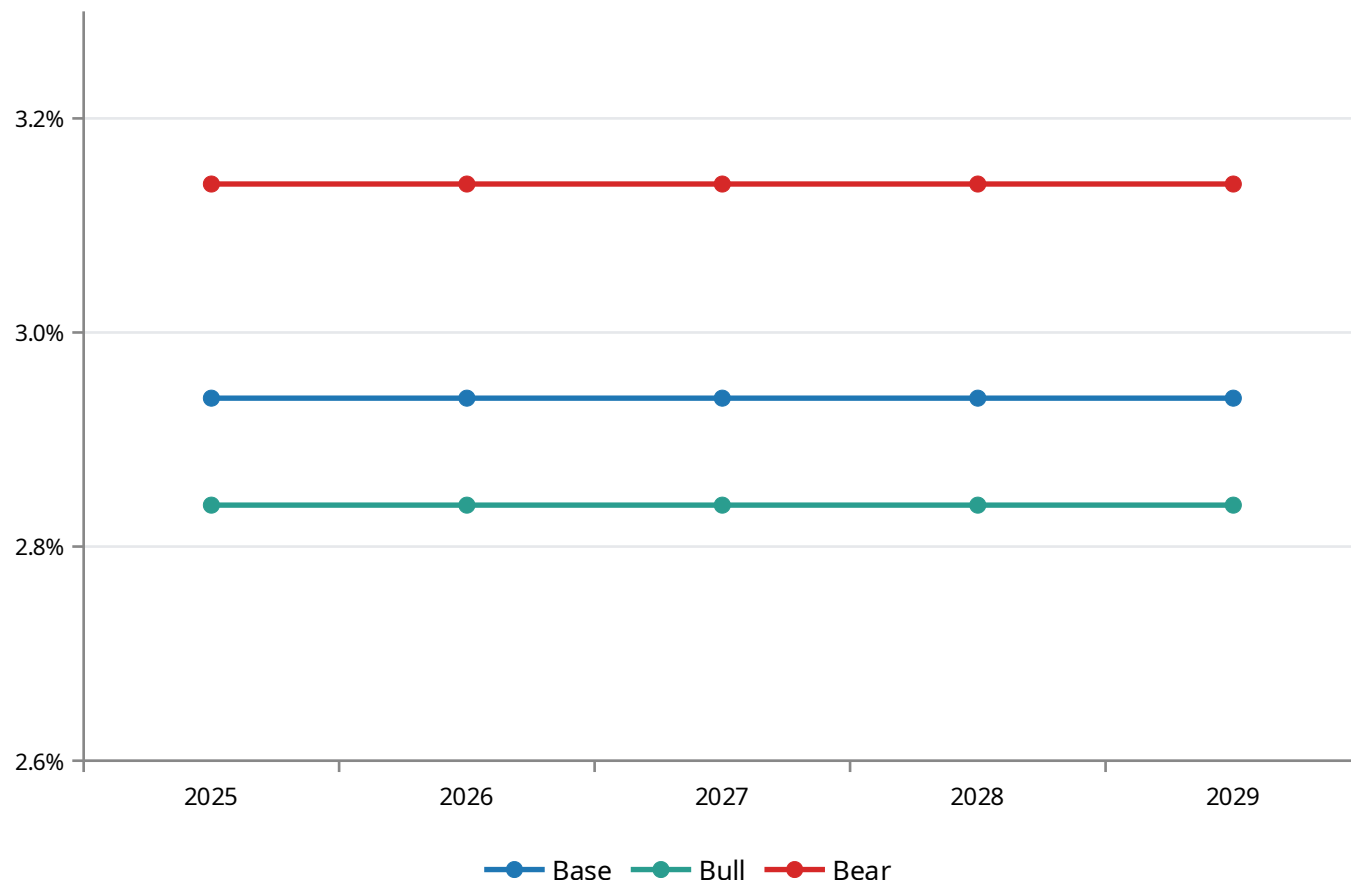
What do we see?

- The indicator decreases from about 3.2–3.3% to 2.76%.
- Revenue grow faster from depreciation weight .
- Signal for better capital productivity , but CAPEX 2024 may yes raise future depreciation .

$$\text{D\&A / Revenue} = \text{Depreciation \& Amortization} / \text{Revenue}$$

D&A / Revenue | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

- *Historical base : 3Y average $\approx 2.94\%$.*
- *None direct macro coefficient.*
- *Bull: -0.1 pp for better use on assets .*
- *Bear: $+0.2$ pp for weaker use on the active base .*

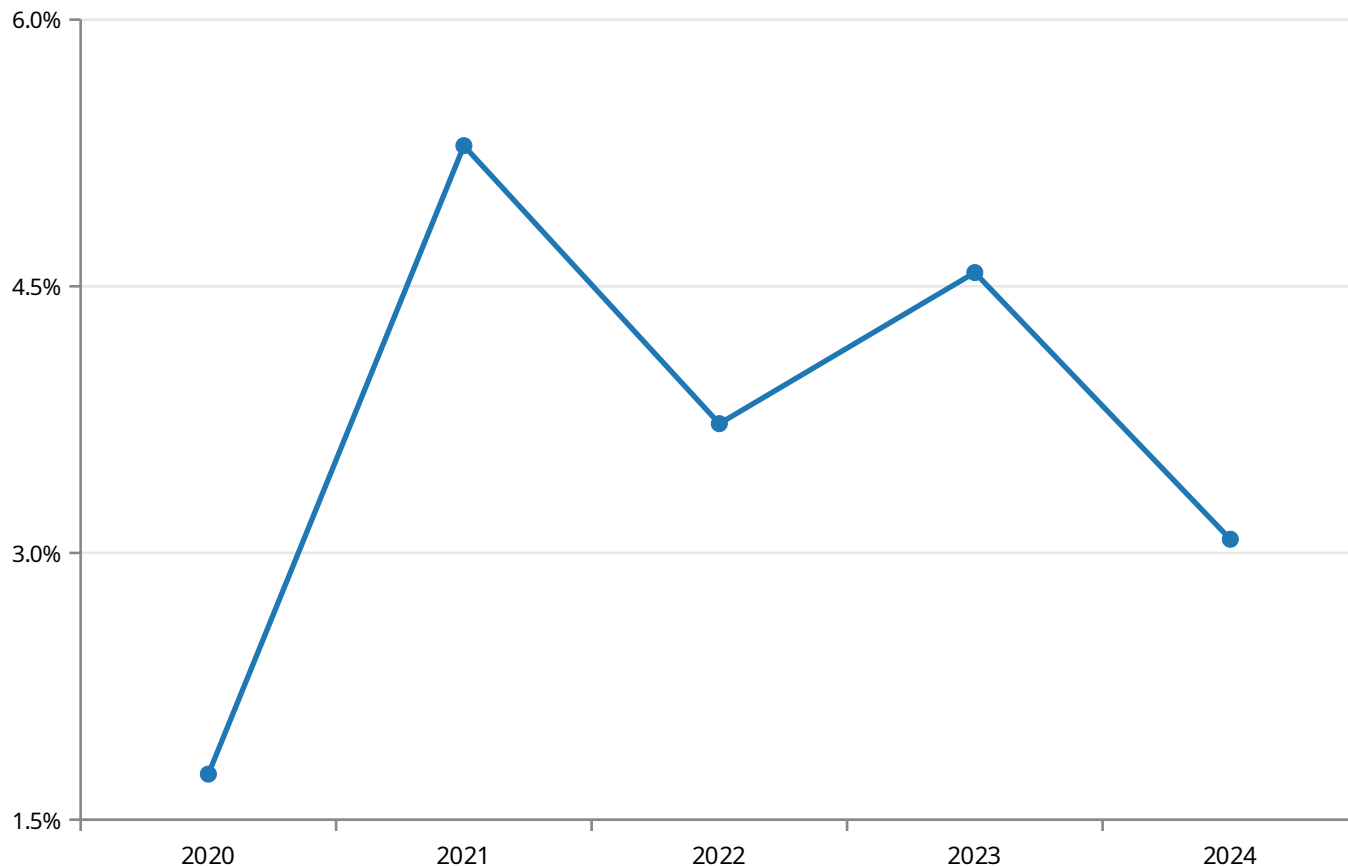
The constant rate of depreciation and amortization relative to revenue implies limited risk of pressure on EBIT due to future capital investments or changes in the asset structure.

$$\text{D\&A/Revenue}_t = 3Y\text{HistoricalAverage} + \text{ScenarioAdj}$$

Base $\approx 2.94\%$; Bull $\approx 2.84\%$; Bear $\approx 3.14\%$.

EBIT Margin | Historical data 2020–2024

Historical analysis



What do we see?

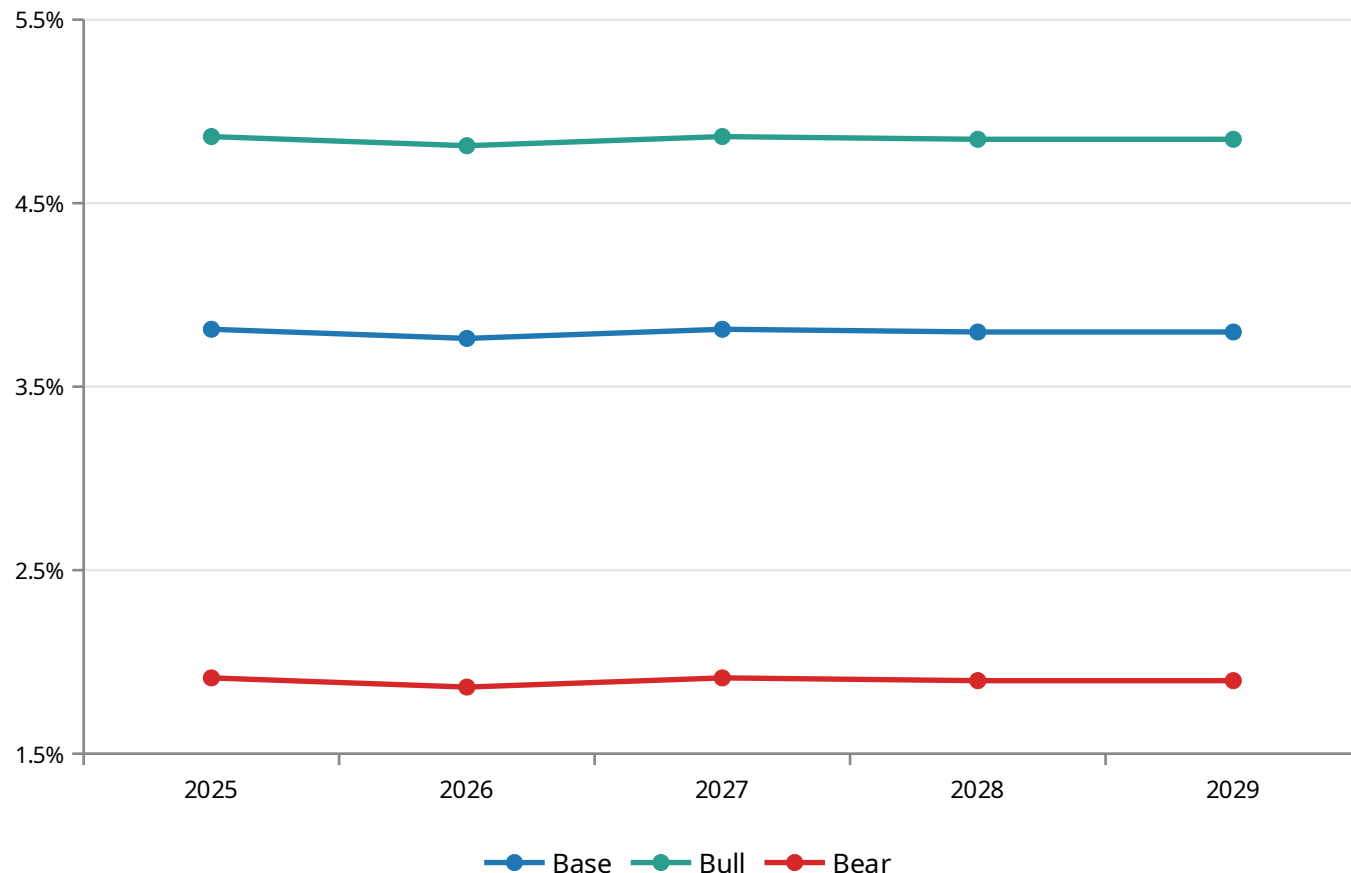
- EBIT already includes the effect on depreciation .
- 2024 falls up to 3.08%.
- The investment cycle and cost environment they show pressure on the operational profit .

$$\text{EBIT Margin} = \text{EBIT} / \text{Revenue}$$

Here is meet the operational efficiency and capital intensity

EBIT Margin | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

- None new regardless admission .
- EBIT Margin is forms of EBITDA Margin minus D&A / Revenue.
- Bull: stronger EBITDA result and better distribution on depreciation .
- Bear: cost pressure + higher relative depreciation weight .

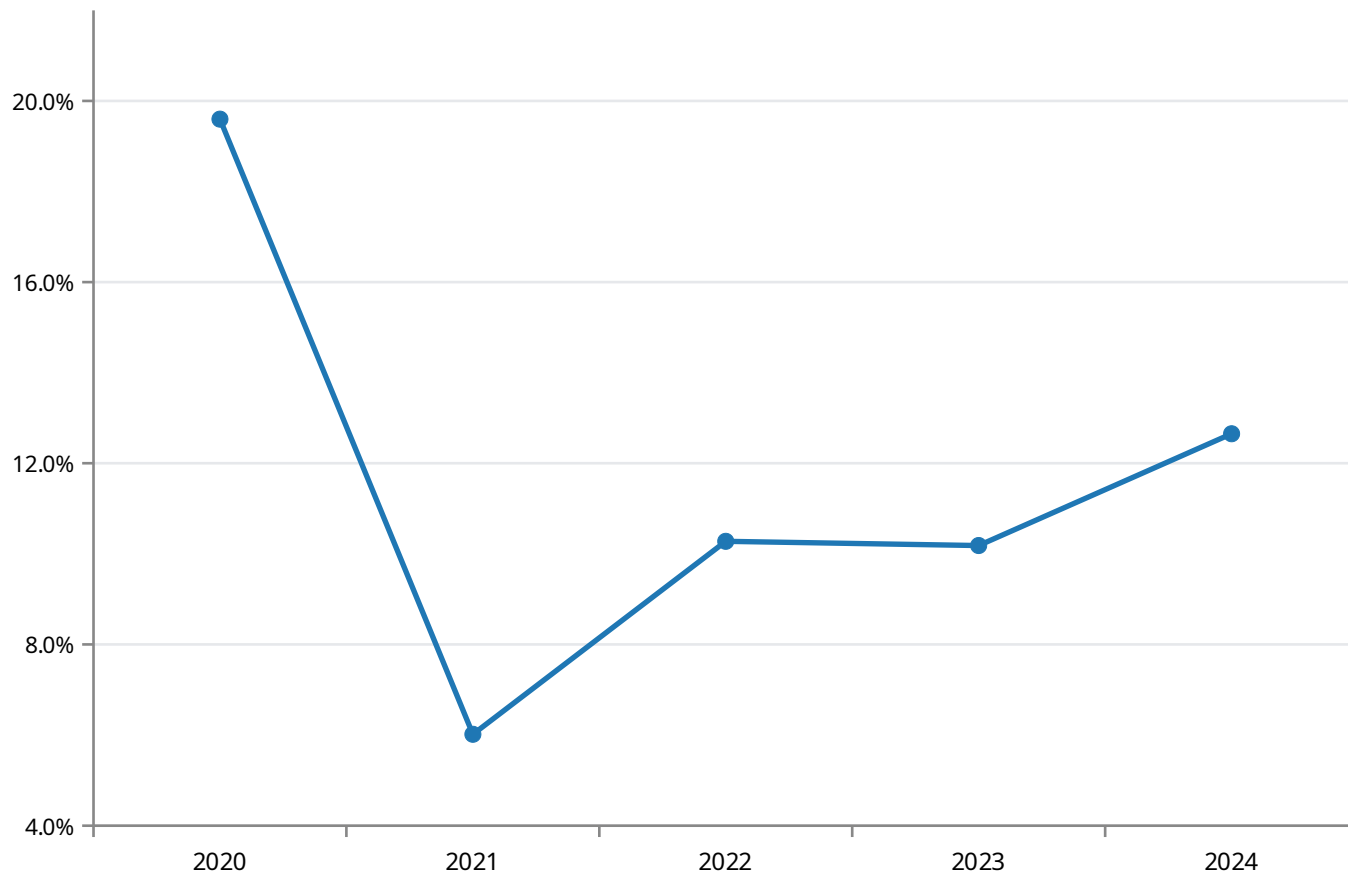
Even in a **Bull** scenario, the EBIT Margin reaches around 4.8%-4.9%, suggesting that a significant improvement in operating profitability would require a higher gross margin or additional cost optimization measures.

$$\text{EBITMargin}_t = \text{EBITDAMargin}_t - \text{D\&A/Revenue}_t$$

Base $\approx$ 3.8%; Bull $\approx$ 4.8–4.9%; Bear $\approx$ 1.9%.

Effective Tax Rate | Historical Data 2020–2024

Historical analysis



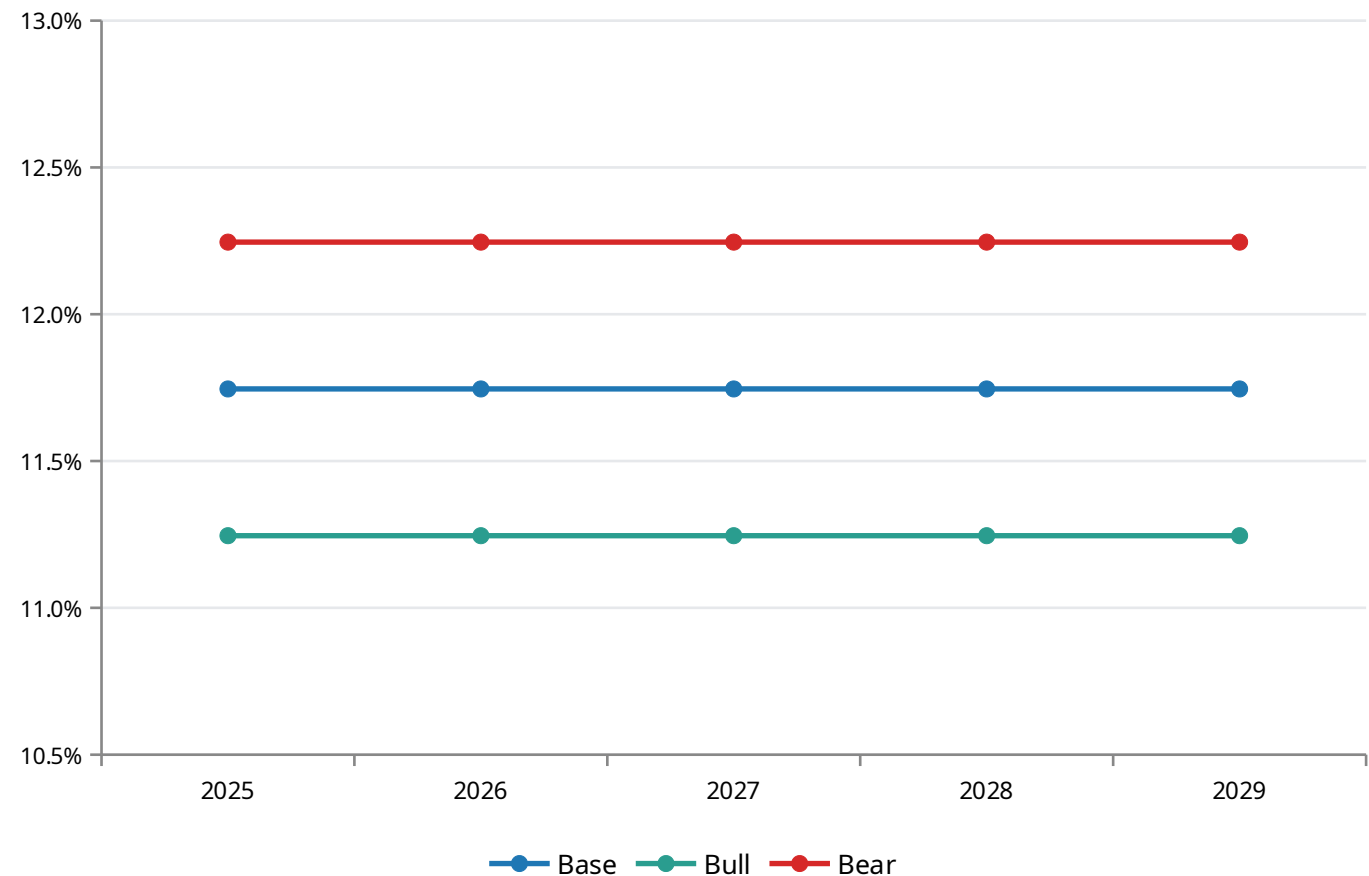
What do we see?

- The indicator is volatile: 19.6% in 2020.
- After that, it moves roughly in the range of 6–13%.
- Impact: jurisdictions, profit structure and one-off effects.

Effective Tax Rate = Income Tax / Profit Before Tax

Effective Tax Rate | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

- *Historical base : 5Y average $\approx$ 11.75%.*
- *None direct macro input.*
- *Bull: -0.5 pp more favorable structure on the profit .*
- *Bear: $+0.5$ pp higher tax weight .*

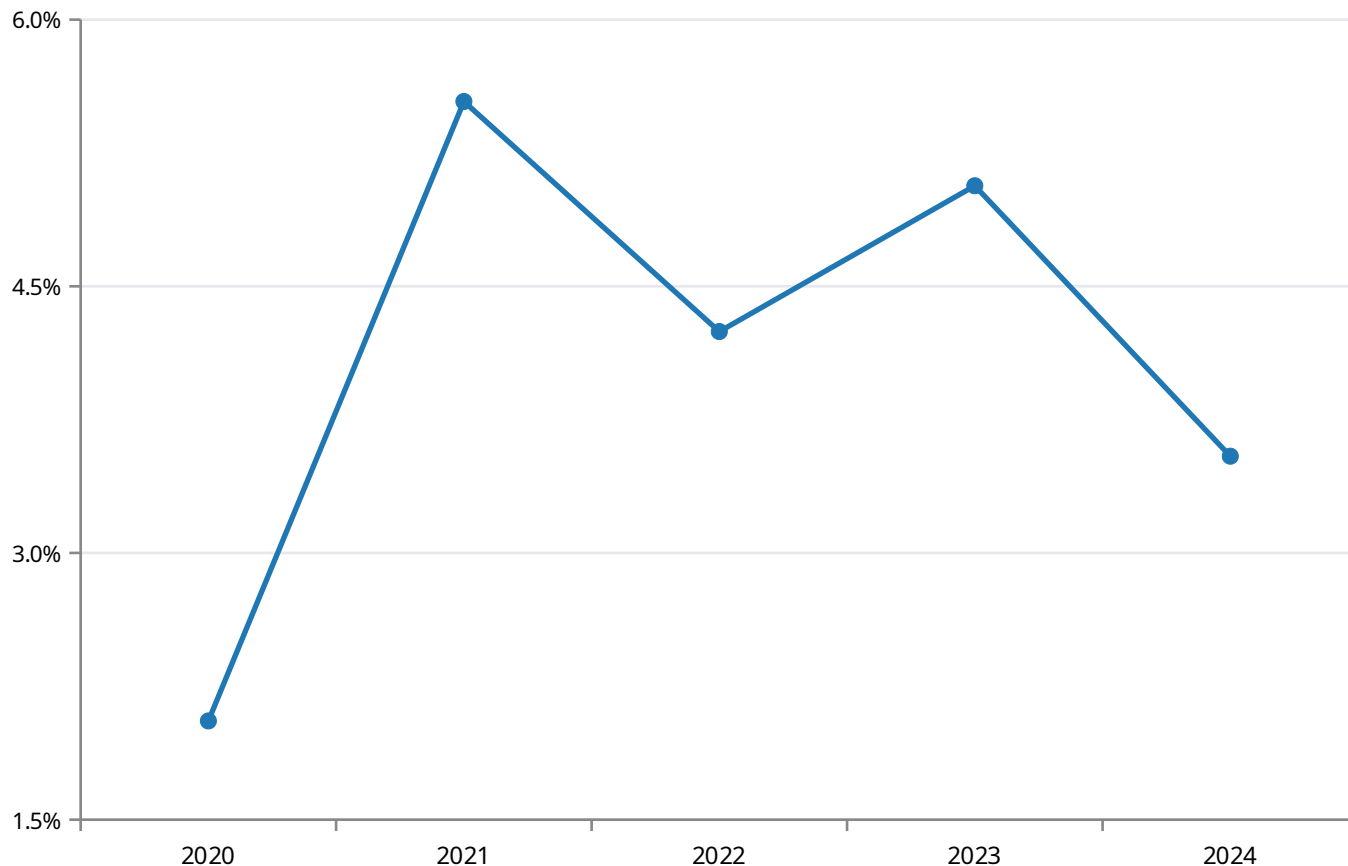
The estimated effective tax rate remains stable throughout the forecast period, with minimal differences between scenarios. This reflects the assumption that no significant changes are expected in the tax environment or in the geographical structure of the Group's profit.

$$\text{TaxRate}_t = 5Y\text{HistoricalAverage} + \text{ScenarioAdj}$$

Base $\approx$ 11.75%; Bull $\approx$ 11.25%; Bear $\approx$ 12.25%.

Net Margin | Historical Data 2020–2024

Historical analysis



What do we see?

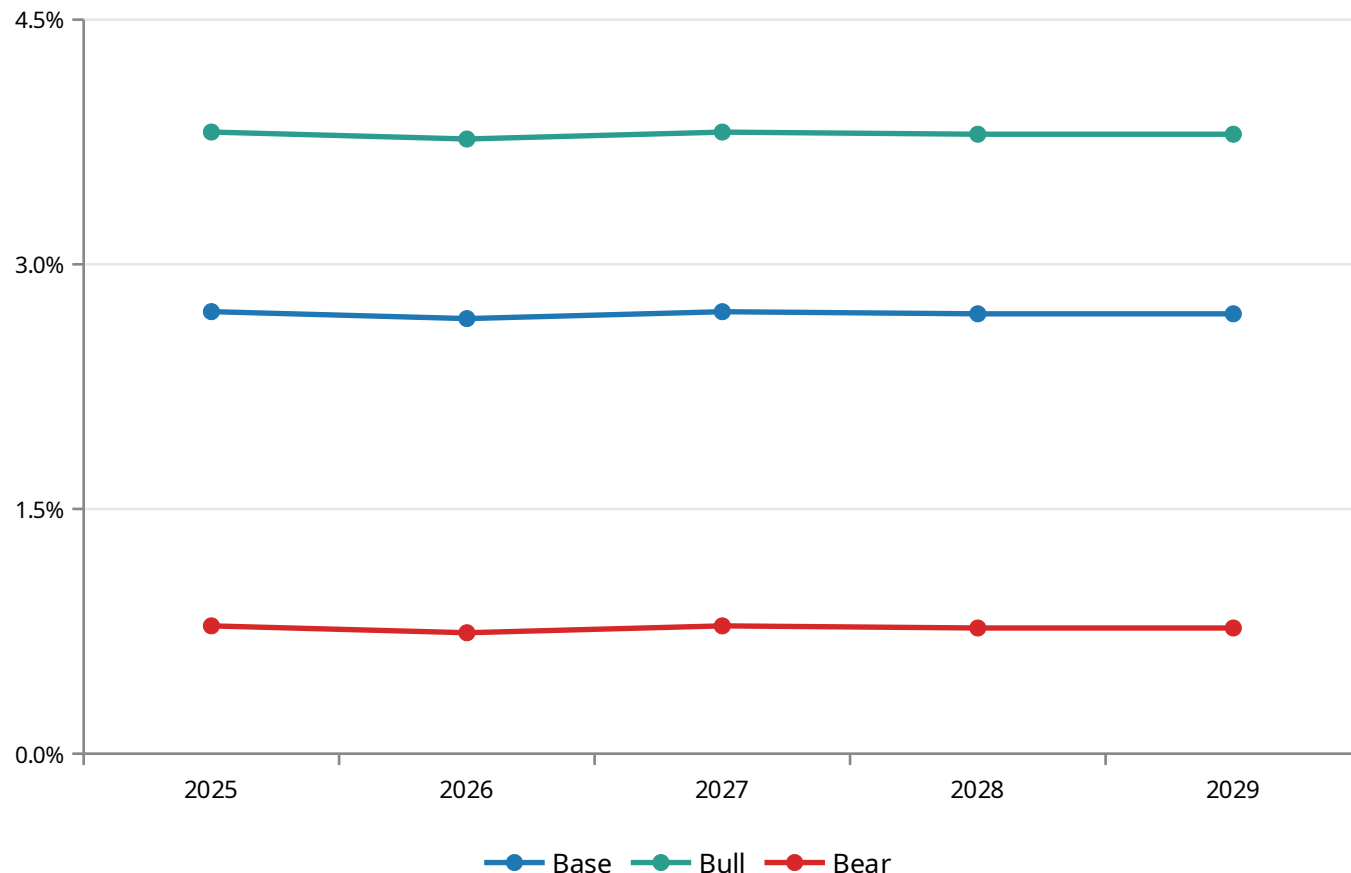
- In 2024, the net margin is 3.54%.
- It is more sensitive than operating margins.
- Financial costs, interest, taxes and capital structure affect.

Net Margin = Net Income / Revenue

Here the operating room result is meeting with the price on financing .

Net Margin | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

A financial burden proxy was used in Excel .

- *Higher Net Debt/EBITDA leads to lower Net Margin.*
- *Macro influence passes indirectly through Real ECB Rate and leverage.*
- *Bear falls strongly because of simultaneously lower EBIT and higher financial risk .*

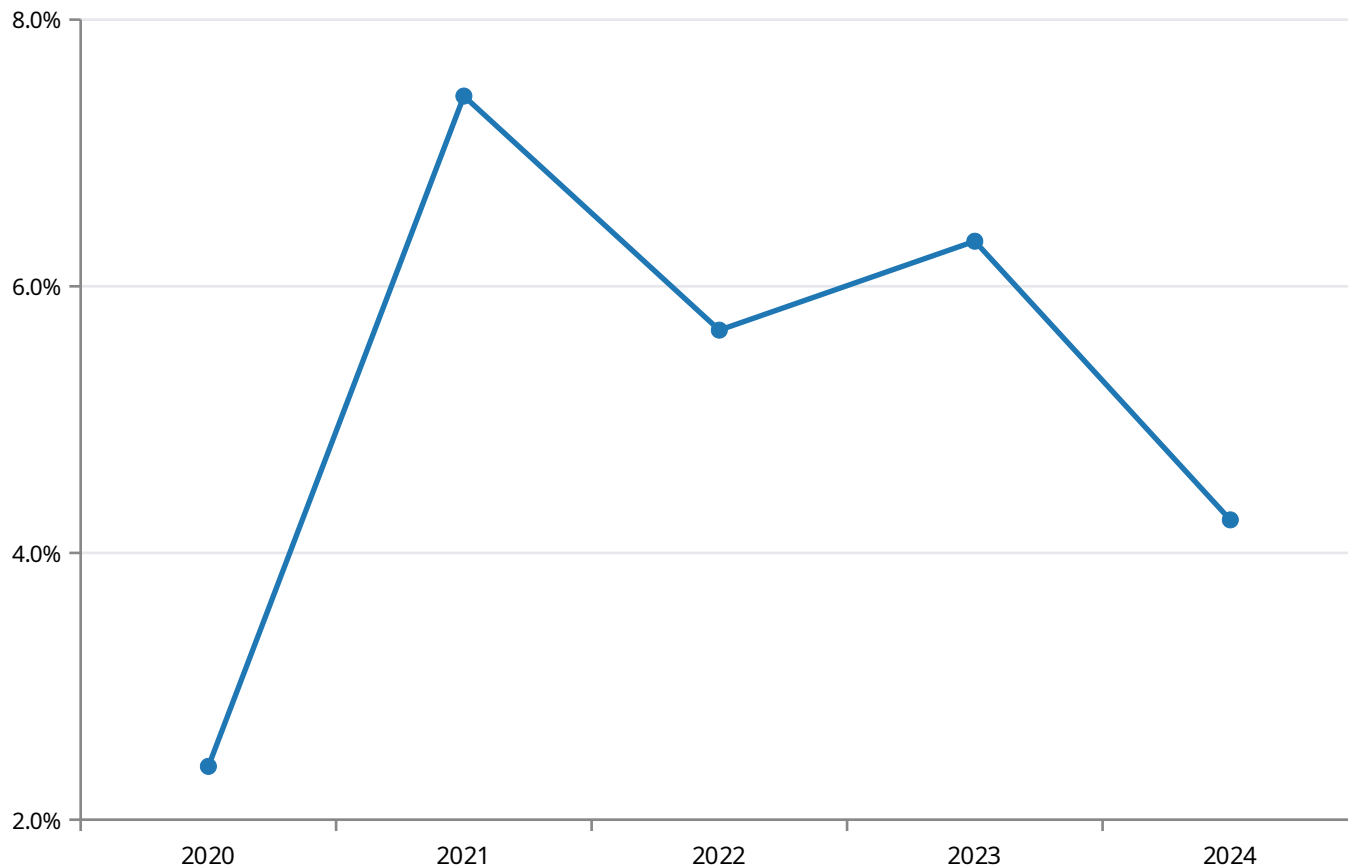
In the base scenario, the net margin stabilizes at around 2.7%, while in the Bear scenario it sharply shrinks due to both lower operating profitability and higher financial burden.

$$\text{NetMargin}_t = \text{EBITMargin}_t \times (1 - \text{TaxRate}_t) - 0.003 \times (\text{NetDebt}/\text{EBITDA}_t)$$

Real ECB Rate → leverage → interest burden proxy → Net Margin.

ROA | Historical data 2020–2024

Historical analysis / forecasting model



What do we see?

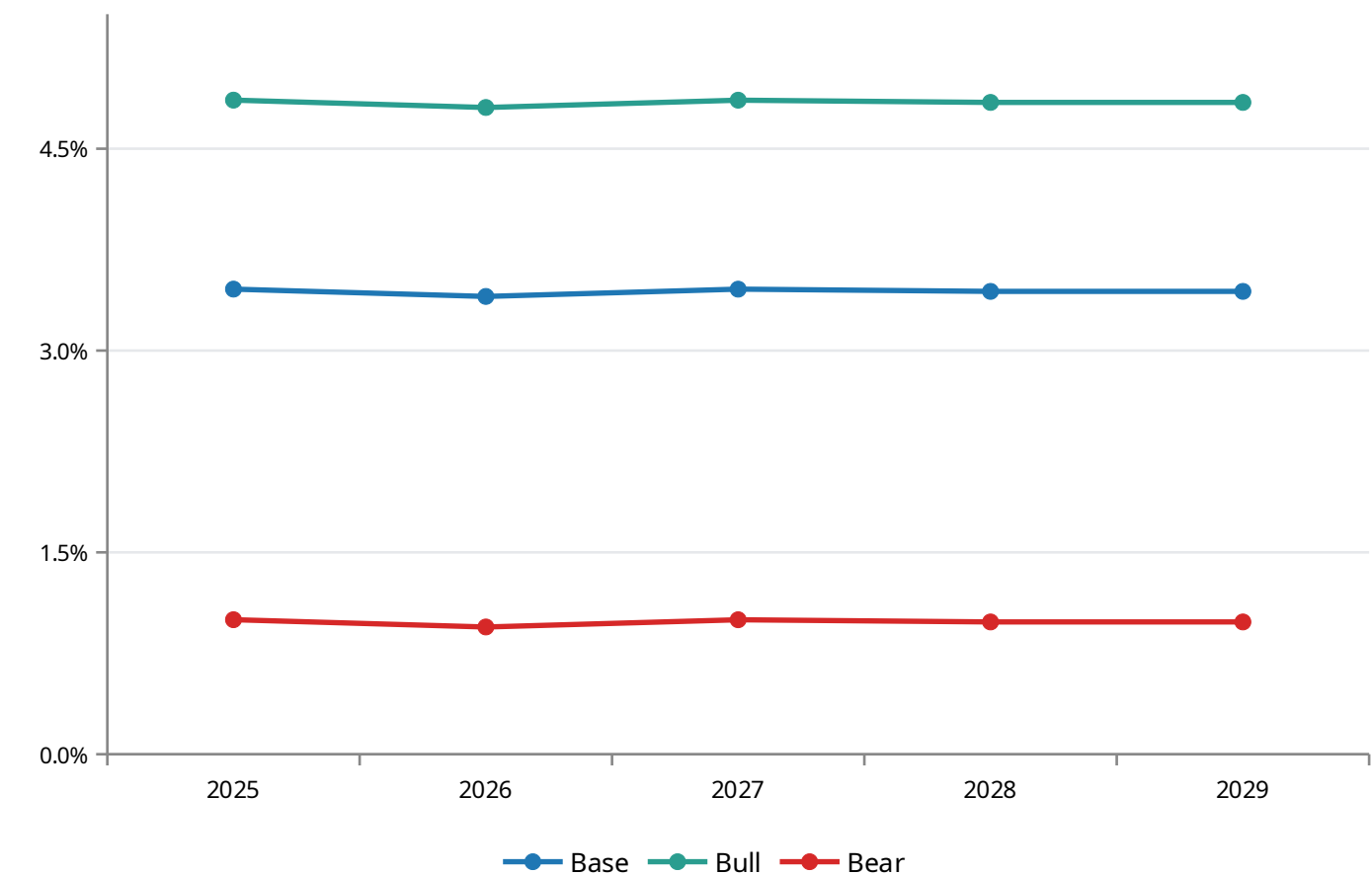
- ROA increases strongly to 7.43% in 2021.
- In 2024 it reaches 4.25%.
- Shows sensitivity to operating profitability and investment activity.

$$\text{ROA} = \text{Net Income} / \text{Total Assets}$$

Shows ability on the active base yes generates profit .

ROA | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

- The forecast uses Net Margin and historical asset-efficiency proxy.
- None direct macro input , m macro the effect enters through Margins → leverage → Net Margin.
- Bear signals for low efficiency on the active base .

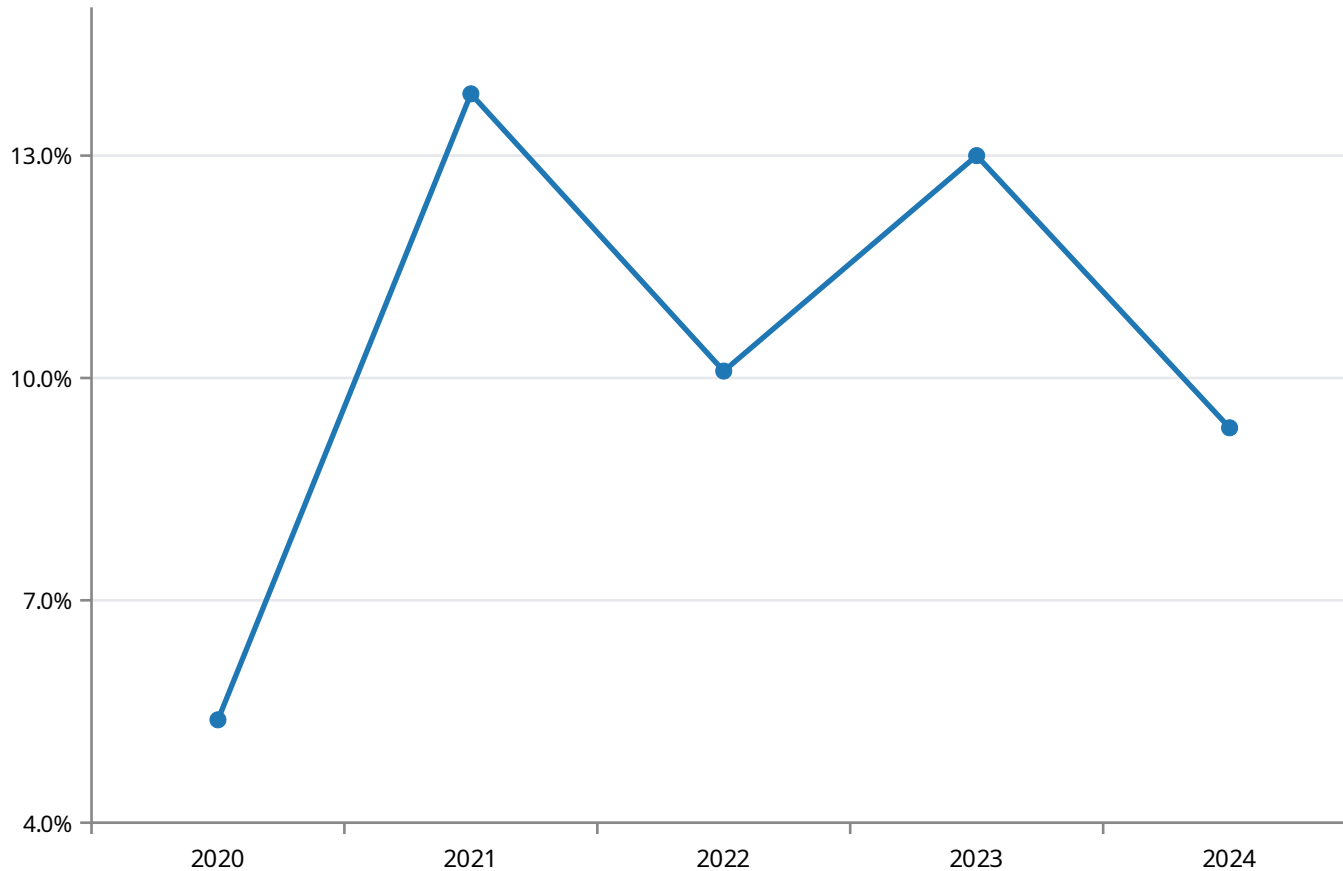
In the base scenario, ROA stabilizes around 3.4%, suggesting the company's ability to generate returns from its assets is maintained despite more conservative assumptions compared to the strongest historical years.

$$ROA_t = NetMargin_t \times (5YAvgROA / 5YAvgNetMargin)$$

Historical efficiency factor $\approx 5.217\% / 4.090\% \approx 1.276$.

ROE | Historical data 2020–2024

Historical analysis



What do we see?

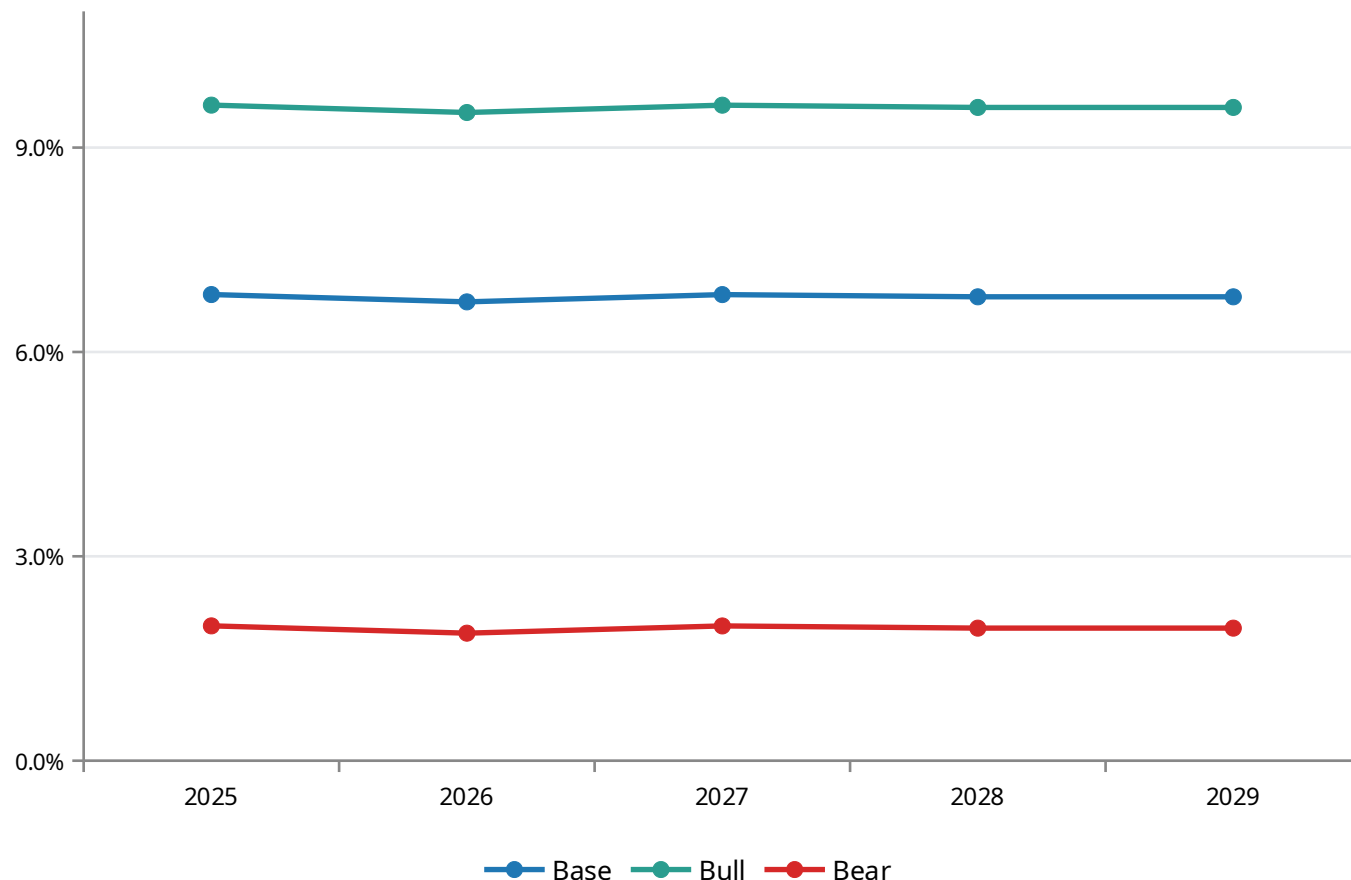
- During the main part of the period, ROE is approximately 9–14%.
- The company maintains a relatively good return for shareholders.
- However, the indicator is sensitive to net margin and capital structure.

$$\text{ROE} = \text{Net Income} / \text{Equity}$$

Focus : profitability for the owners on capital .

ROE | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

- The forecast uses Net Margin and historical equity multiplier proxy.
- None direct macro input.
- Macro effect is indirect through operating performance and financing.
- Bull keeps better joint-stock company return versus Base and Bear.

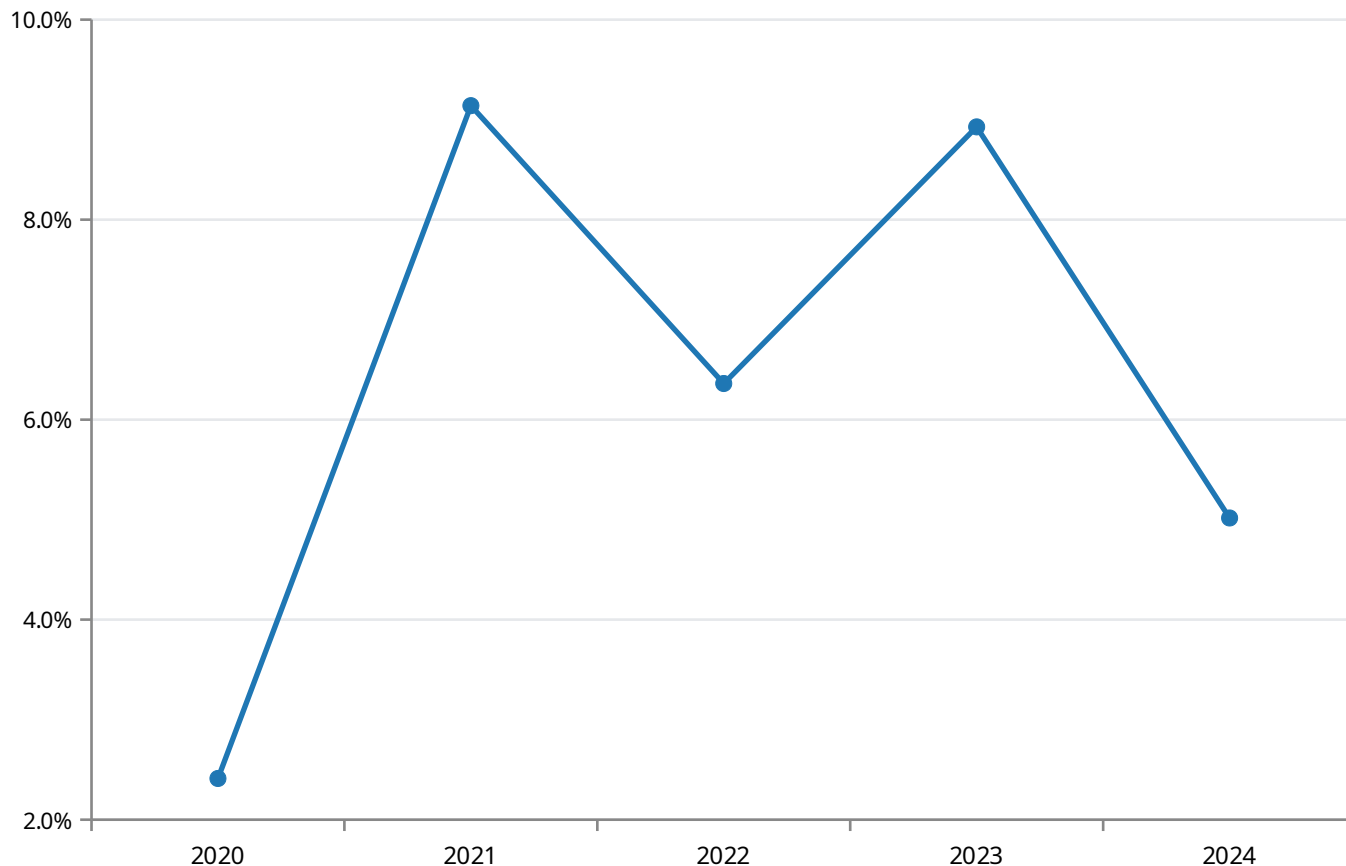
ROE remains virtually unchanged in all years of the forecast period, suggesting a sustainable ability to generate value for shareholders.

$$ROE_t = \text{NetMargin}_t \times (5\text{YAvgROE} / 5\text{YAvgNetMargin})$$

Historical multiplier $\approx 10.328\% / 4.090\% \approx 2.525$.

ROIC | Historical data 2020–2024

Historical analysis



What do we see?

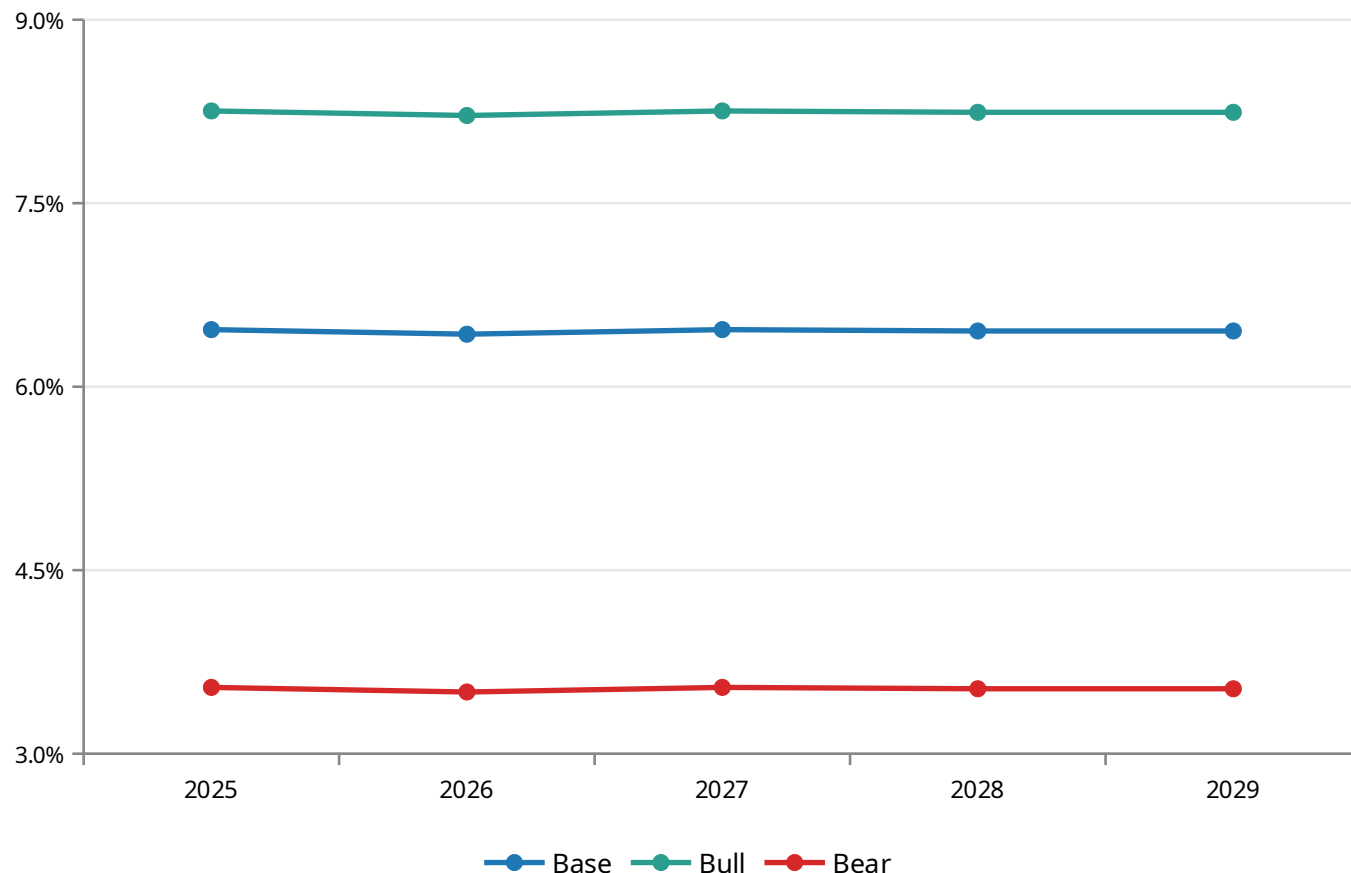
- ROIC: 2.41% in 2020, 9.14% in 2021, 5.02% in 2024.
- The decline in 2024 comes with higher CAPEX, active base and significant NWC.
- ROIC is key because it is compared to WACC.

ROIC = NOPAT / Invested Capital

Value creation test: ROIC > WACC.

ROIC | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

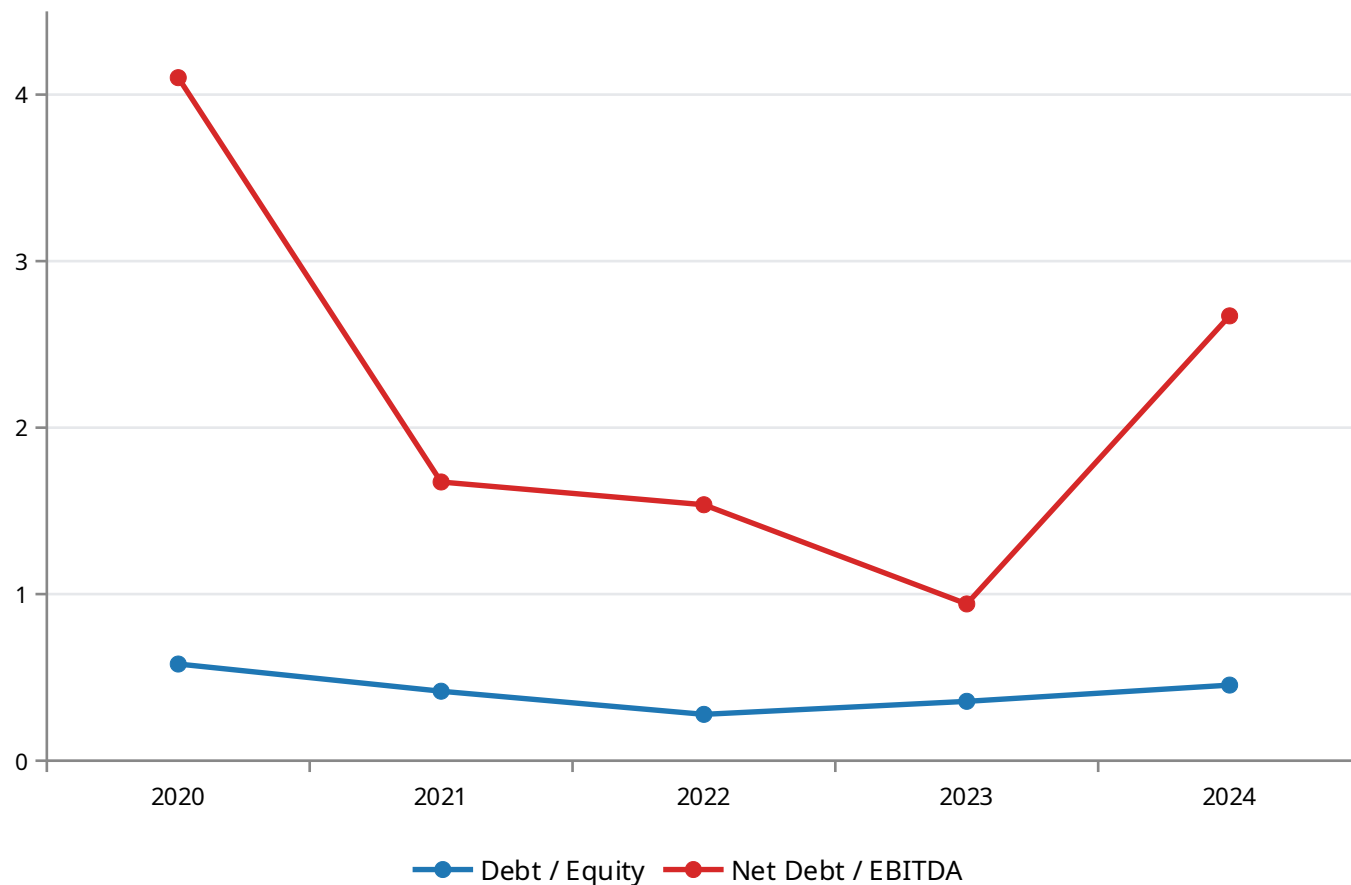
- Excel uses ROIC proxy, not directly forecast NOPAT / invested capital.
- 5Y average ROIC $\approx 6.37\%$.
- 75% of the difference in EBIT margin is carries to ROIC proxy.
- Scenario overlay: Bull +1.0 pp; Bear –1.5 pp

ROIC represents the culmination of the financial model, as it combines the effects of revenue growth, operating margins, working capital and investment policy. Therefore, it is the comparison between ROIC and WACC that serves as the main criterion for assessing whether Sopharma is creating or destroying value for investors.

$$\text{ROIC}_t = 5\text{YAvgROIC} + 0.75 \times (\text{EBITMargin}_t - 5\text{YAvgEBITMargin}) + \text{ScenarioAdj}$$

Result : Base $\approx 6.45\%$; Bull $\approx 8.24\%$; Bear $\approx 3.53\%$.

Leverage | Historical data 2020–2024



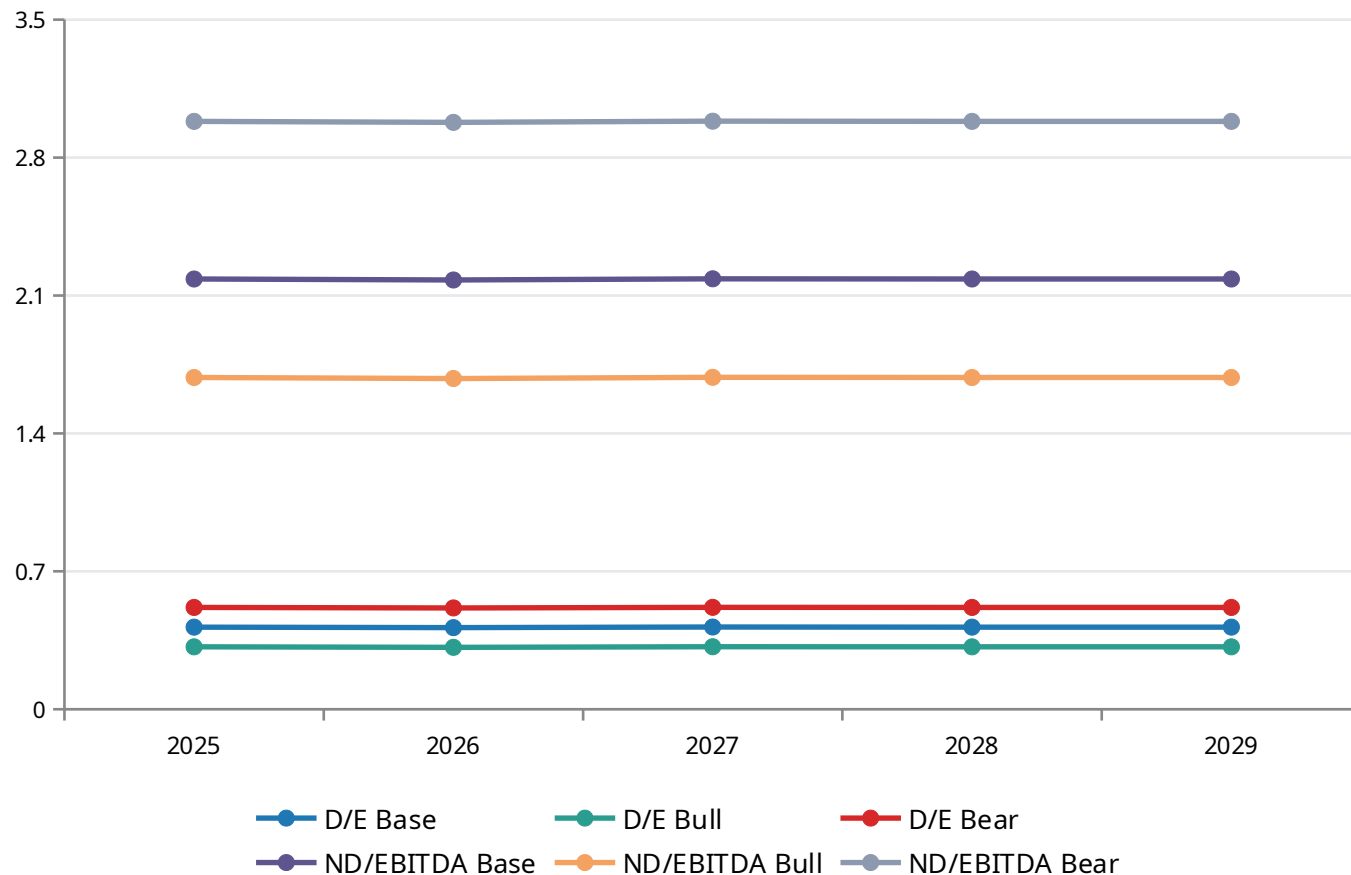
What do we see?

- Net Debt / EBITDA improves from ~4.1x in 2020 to below 1.5x in 2022–2023
- In 2024, it increases up to ~2.7x.
- The increase is related to the investment cycle and higher prices on financing.
- Debt / Equity decreases from 0.58x in 2020 to 0.28x in 2022.
- After 2022, it gradually increases to 0.45x in 2024.
- Shows a moderate increase in the share of debt financing at the end of the period.

Net Debt / EBITDA = Net Debt / EBITDA
Debt / Equity = Debt / Equity

Leverage affects risk, WACC and financial flexibility.

Leverage | Forecast 2025–2029



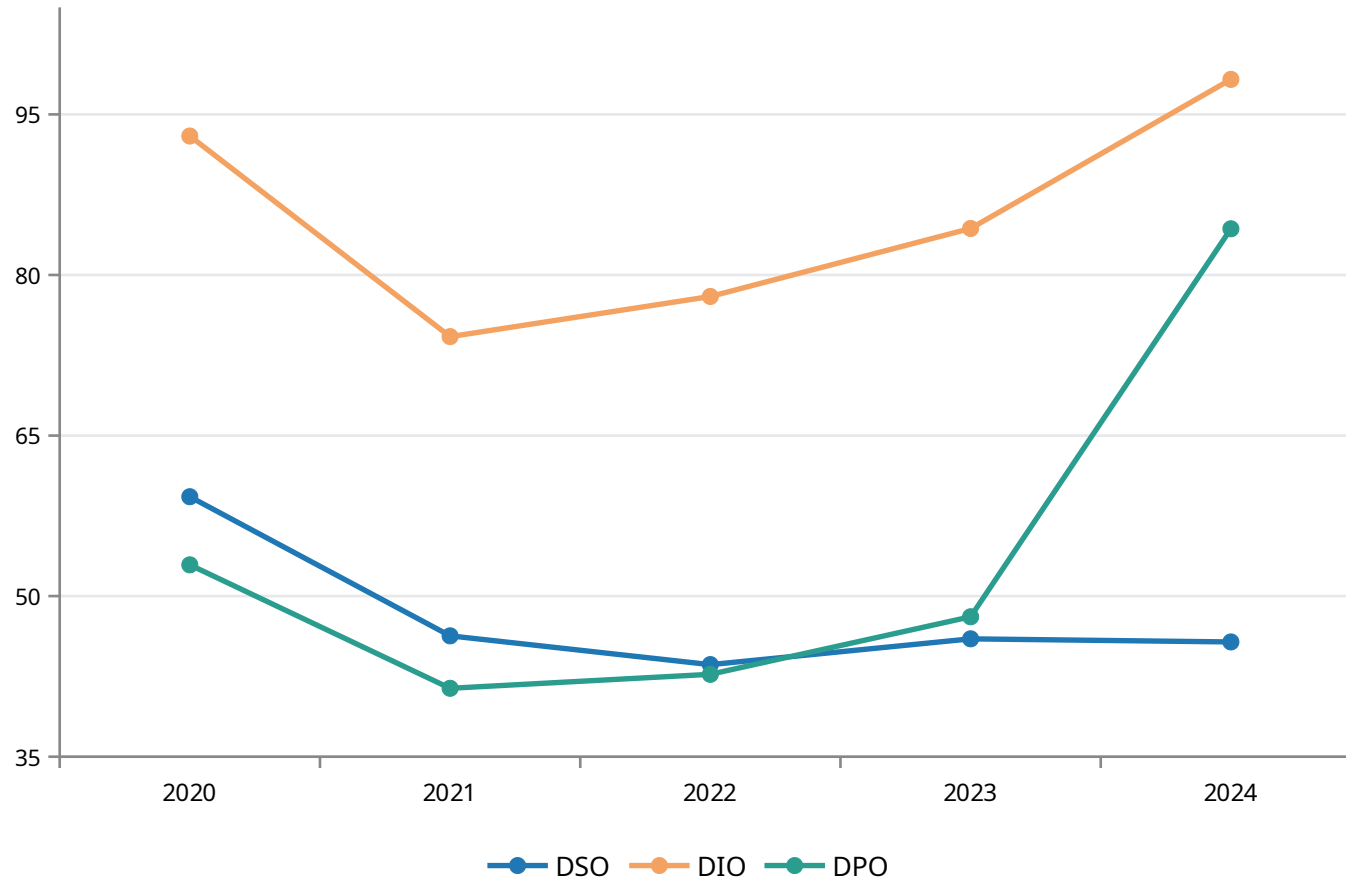
Model methodology

- *D/E uses 5Y historical average + 0.5×Real ECB Rate + scenario adjustment.*
- *ND/EBITDA uses 5Y average + 1.0×Real ECB Rate + scenario adjustment.*

The projected leverage values remain relatively stable over the period 2025-2029, with the differences between the scenarios reflecting different assumptions about the need for external financing. The Bull scenario assumes a gradual reduction in indebtedness, while the Bear scenario assumes a higher reliance on debt capital.

$$D/E_t = 5YAvgD/E + 0.5 \times RealECBRate_t + ScenarioAdj$$
$$ND/EBITDA_t = 5YAvg + RealECBRate_t + ScenarioAdj$$

Working Capital | Historical Data 2020–2024



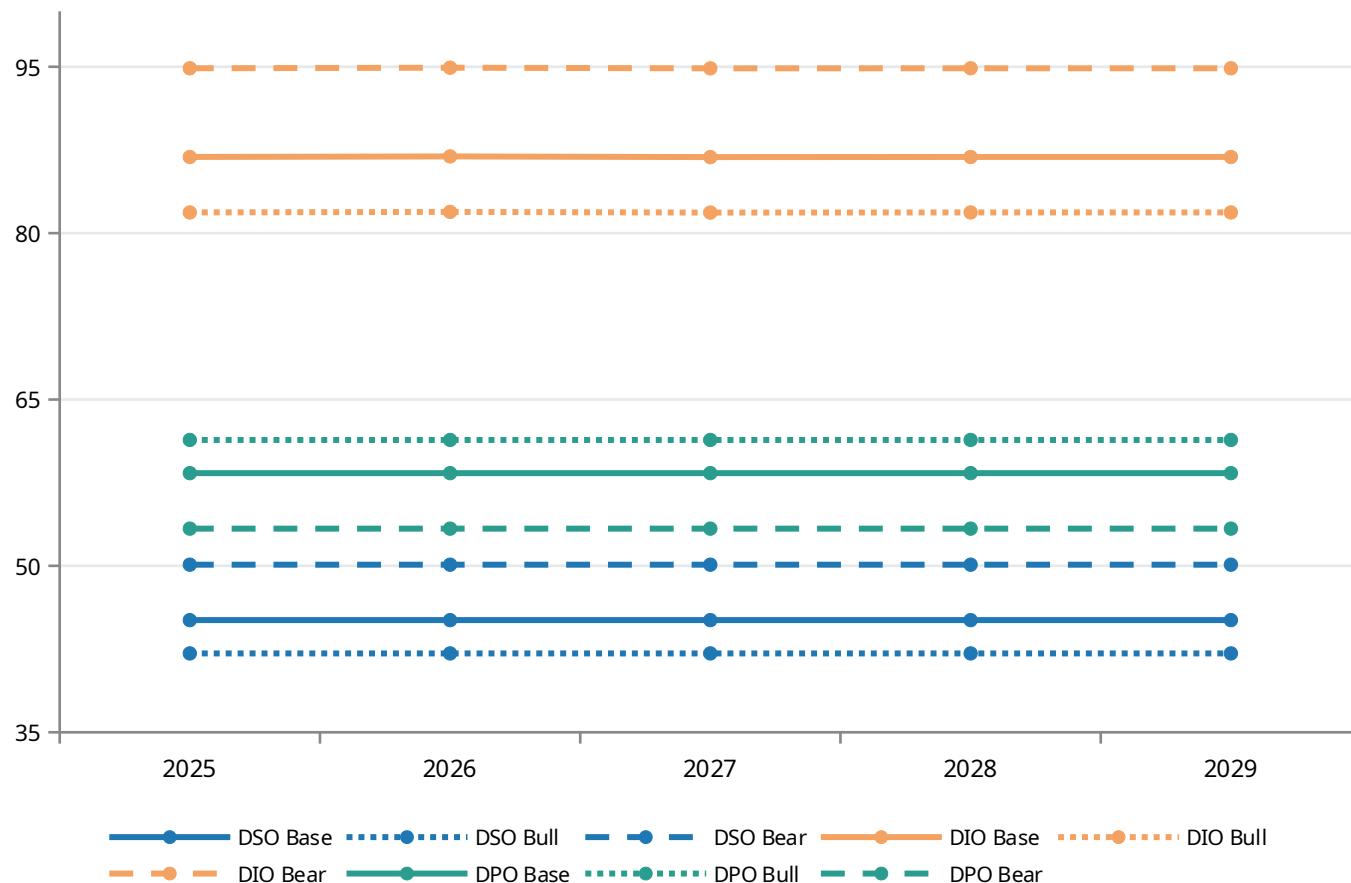
What do we see?

- DSO is stabilize about 43–46 days after 2021
- DIO is growing up to 98.3 days in 2024 — more capital in stocks .
- DPO reaches 84.3 days in 2024, longer payment terms to suppliers support liquidity.

$DSO = \text{Receivables} / \text{Revenue} \times 365$
 $DIO = \text{Inventory} / \text{COGS} \times 365$
 $DPO = \text{Payables} / \text{COGS} \times 365$

Working capital is a key bridge between profit and cash flow.

Working Capital | Forecast 2025–2029



Model methodology

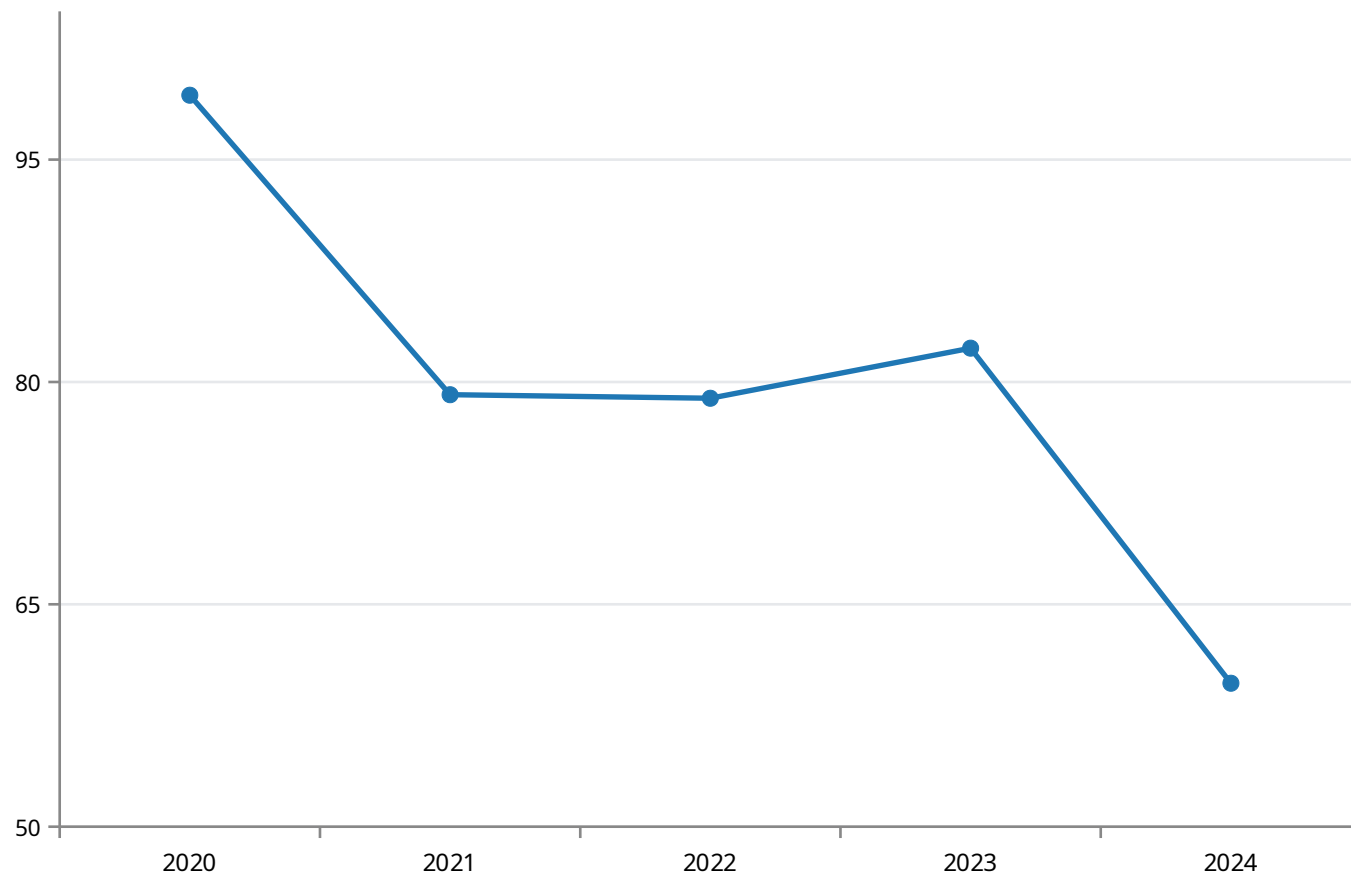
- **Base** accepts normalized management on the turnover capital, based basically on historical 3-year averages values.
- **Bull** suggests faster collection on receivables ($\downarrow$ **DSO**), faster realization on the stocks ($\downarrow$ **DIO**) and longer deadlines to the suppliers ($\uparrow$ **DPO**). This shortens the operational cycle, release capital and supports FCFF.
- **Bear** reflects the opposite situation — slower collection ($\uparrow$ **DSO**), higher stocks ($\uparrow$ **DIO**) and shorter deadlines to the suppliers ($\downarrow$ **DPO**). The result is more blocked capital and lower FCFF.

The turnover capital is one from the main ones factors that distinguish the scenarios: even at height on income, deterioration of DSO, DIO and DPO can yet absorb significant part from generated operational monetary stream.

$$\begin{aligned} \text{DSO} &= 3\text{YAvg} + \text{Adj} \\ \text{DIO} &= 3\text{YAvg} + 10 \times (\text{HICP} - 2.1\%) + \text{Adj} \\ \text{DPO} &= 3\text{YAvg} + \text{Adj} \end{aligned}$$

Cash Conversion Cycle | Historical Data 2020–2024

Historical analysis



What do we see?

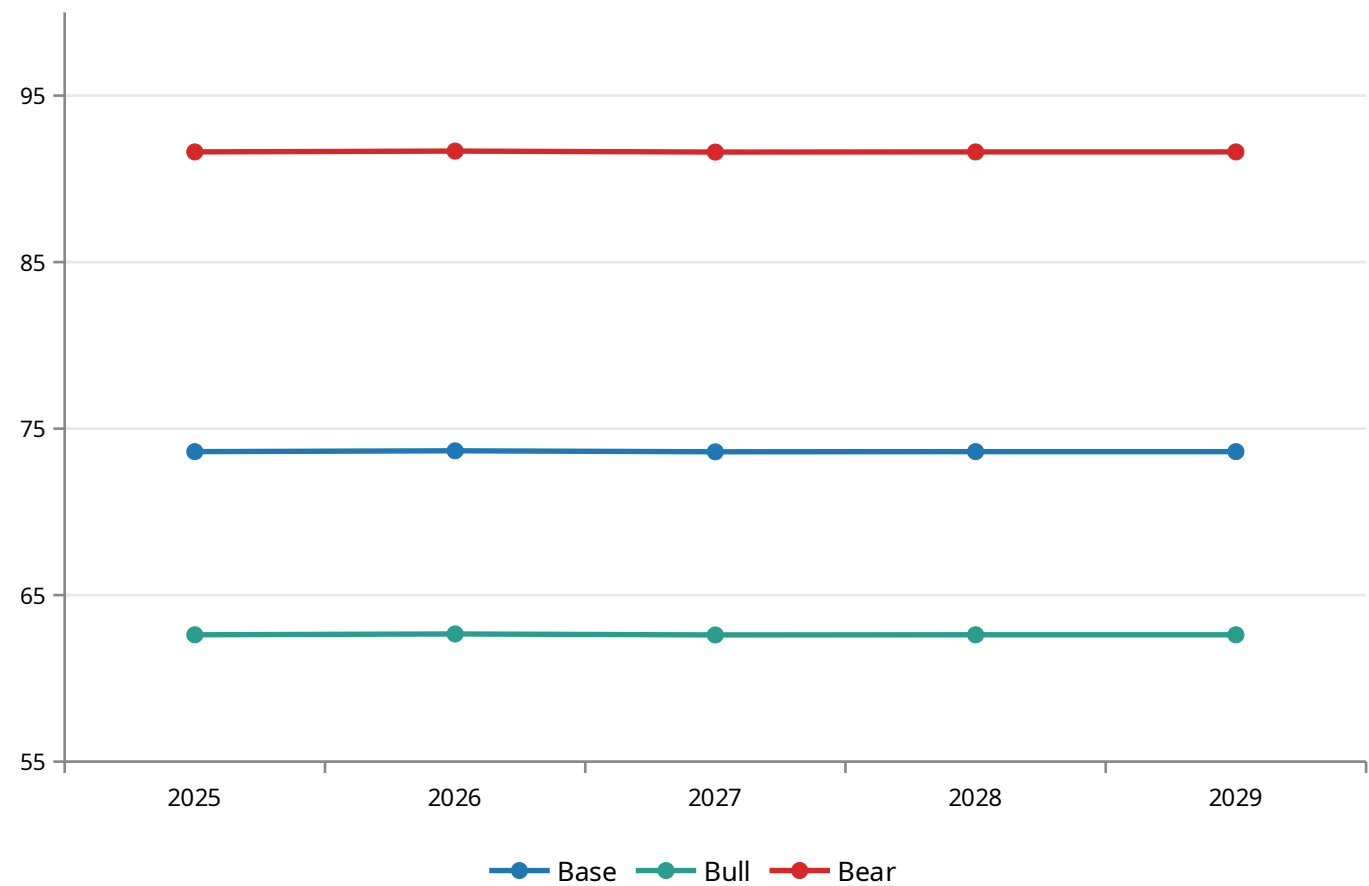
- CCC shows how long capital remains tied up in the operating cycle.
- In 2024, CCC improves, but not because of a lower DIO.
- The improvement comes mainly from the strongly increased DPO.

$$\text{CCC} = \text{DSO} + \text{DIO} - \text{DPO}$$

In practice, the company compensates for higher inventories through longer lead times to suppliers.

Cash Conversion Cycle | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

- **CCC is forms from the estimated DSO, DIO and DPO .**
- *Bull ≈ 62.6 days — shorter cycle on monetary circulation .*
- *Base ≈ 73.6 days — normalized level .*
- *Bear ≈ 91.6 days — significant pressure on liquidity .*

The difference between Bull and Bear is nearly 29 days , which shows how much strongly efficiency on the turnover capital can yes influence on the necessity from financing and free monetary flow (FCFF).

$$CCC_t = DSO_t + DIO_t - DPO_t$$

NWC | Model logic

Net working capital shows how much money remains committed to daily operations.

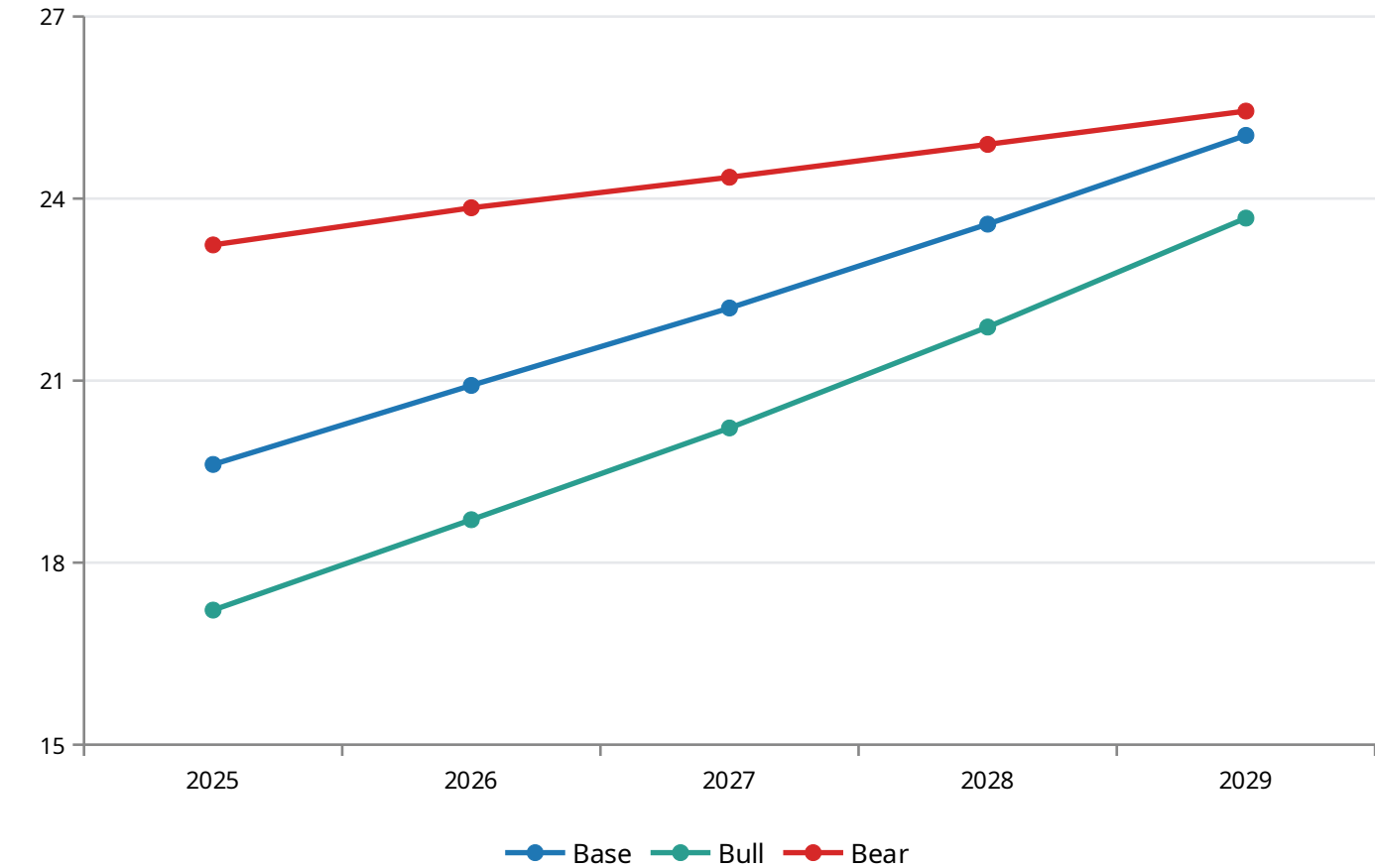
$$\text{NWC} = \text{Receivables} + \text{Inventory} - \text{Payables}$$

Higher NWC → more capital locked → lower FCFF



NWC Index | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

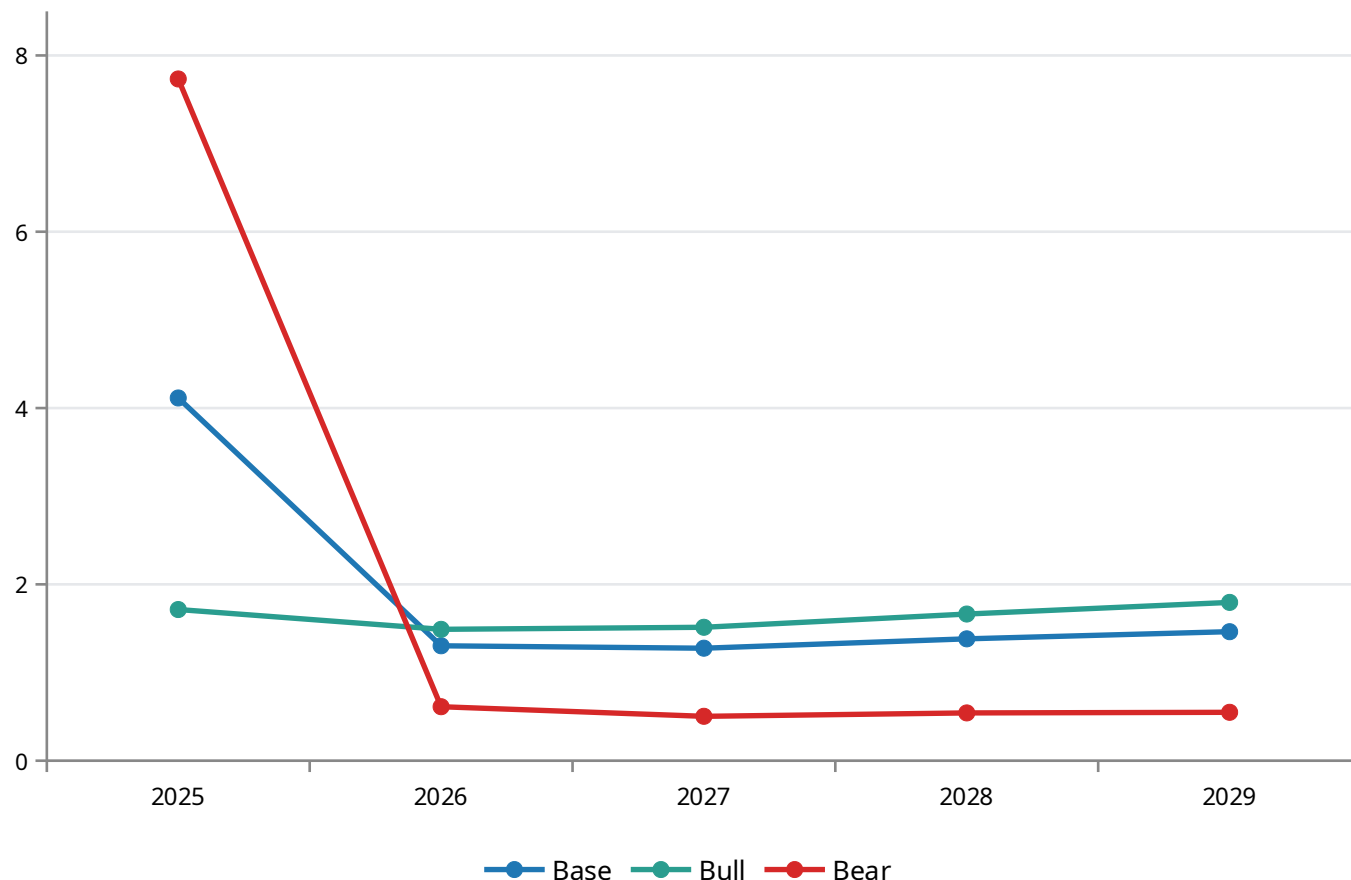
- *Receivables, Inventory and Payables are calculate indexed .*
- *NWC is a result from these three the component .*
- *Bull has higher sales , but lower NWC compared to Base.*
- *Reason : better management on the turnover capital .*

ReceivablesIndex = RevenueIndex×DSO/365
InventoryIndex = COGSIndex×DIO/365
PayablesIndex = COGSIndex×DPO/365
NWC = Receivables + Inventory – Payables

2029: Base ≈ 25.0; Bull ≈ 23.7; Bear ≈ 25.4.

Δ NWC | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

- Δ NWC is the annual change in net revolving capital .
- Positive Δ NWC means additionally blocking on capital .
- 2025: Base +4.11; Bull +1.71; Bear +7.73 .

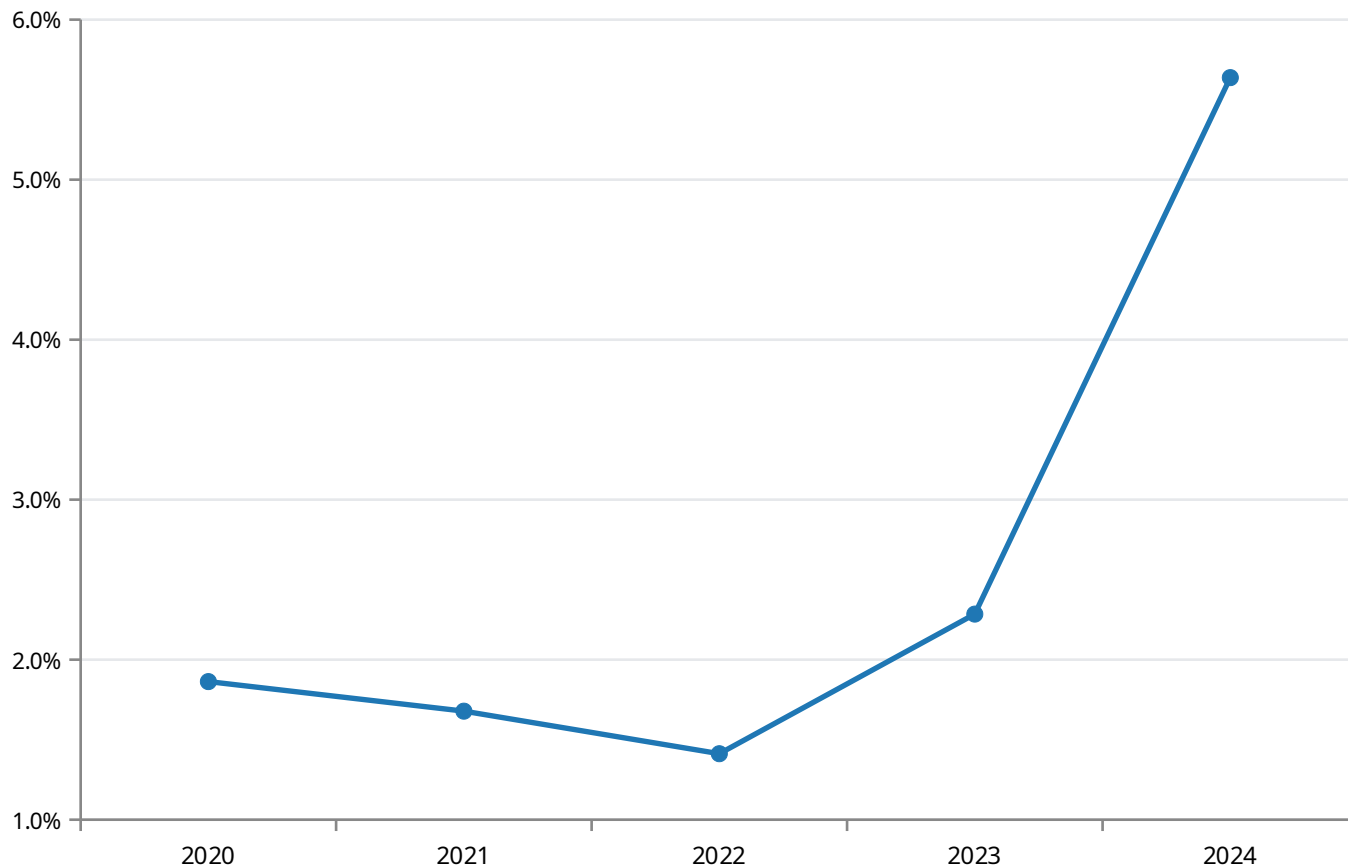
The most significant pressure on cash flows is observed in 2025, especially in the Bear scenario, where a significant increase in working capital leads to a serious restriction of free cash flow. After the initial adjustment, the values stabilize in all three scenarios.

$$\Delta\text{NWC}_t = \text{NWC}_t - \text{NWC}_{t-1}$$

Δ NWC enters with a minus in FCFF.

CAPEX Intensity | Historical Data 2020–2024

Historical analysis



What do we see?

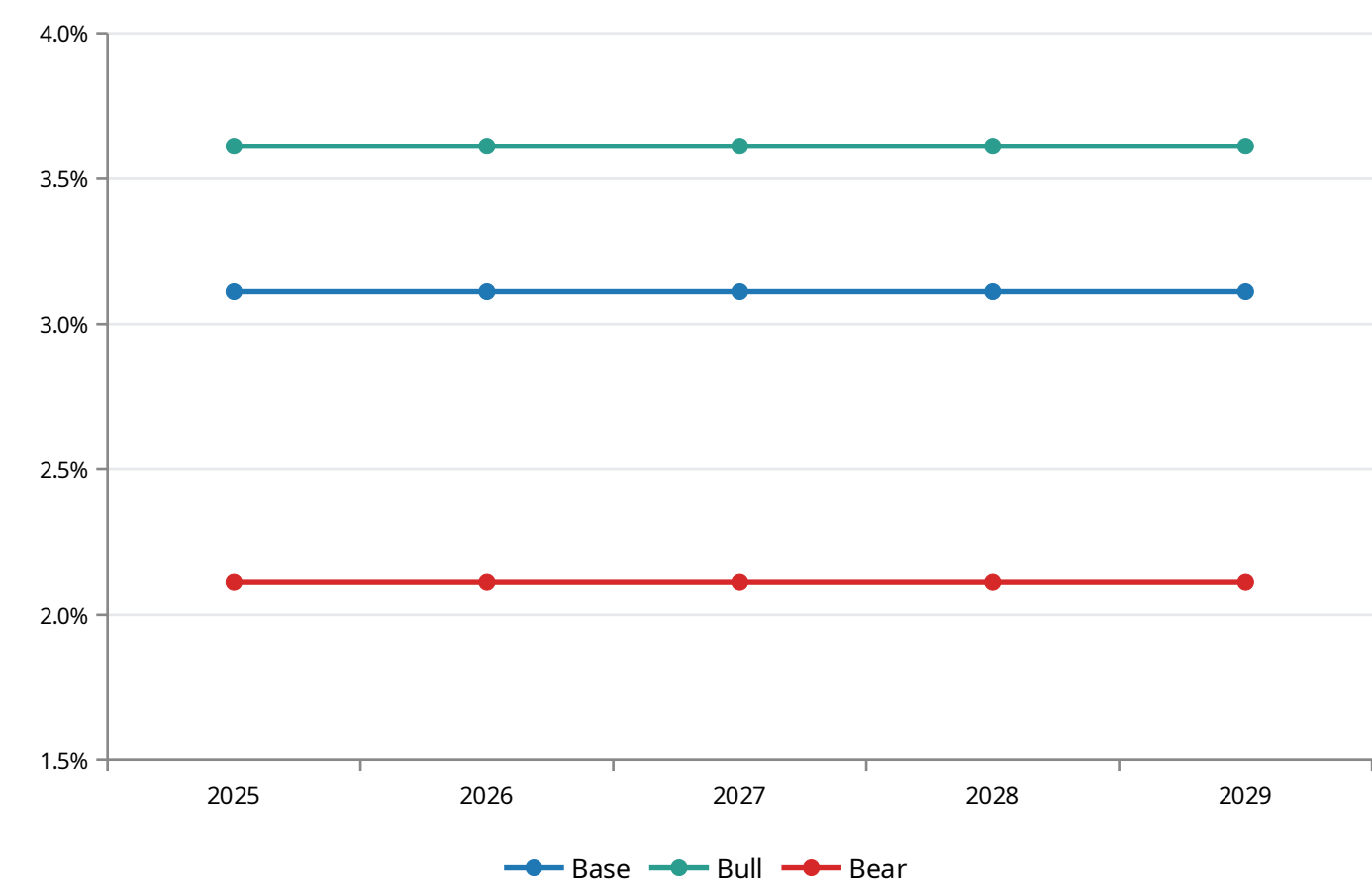
- 2020–2022: around 1.4–1.9%.
- 2023: 2.28%.
- 2024: 5.64% — sharply passage to active investment cycle .
- Short-term presses FCFF, but can yes support future growth .

CAPEX Intensity = CAPEX / Revenue

Investments in capacity , automation , logistics , distribution and pharmacy network .

CAPEX Intensity | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

- The actual Excel formula uses 3Y historical average + scenario adjustment.
- 3Y average $\approx 3.11\%$.
- Bull adds +0.5 pp
- Bear decreases -1.0 pp

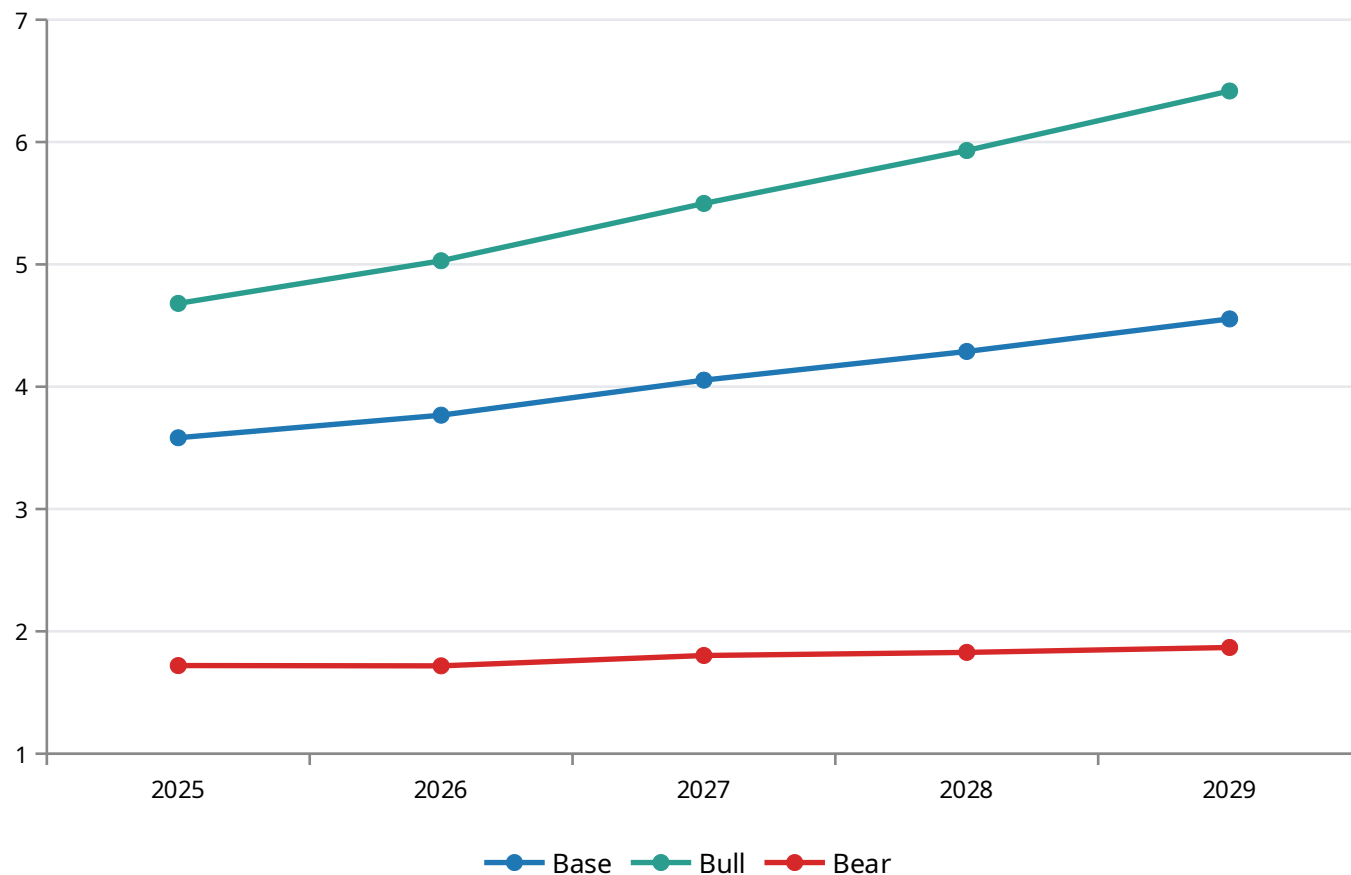
The projected capital intensity remains relatively stable throughout the period, with differences between the scenarios reflecting different investment strategies. The Bull scenario assumes more active investments in future growth and capacity expansion, while the Bear scenario emphasizes preserving liquidity and limiting capital expenditures.

$$\text{CAPEXIntensity}_t = \text{3YHistoricalAverage} + \text{ScenarioAdj}$$
$$\text{CAPEXIndex}_t = \text{RevenueIndex}_t \times \text{CAPEXIntensity}_t$$

2029 CAPEX Index: Base ≈ 4.23 ; Bull ≈ 5.39 ; Bear ≈ 2.37 .

NOPAT Index | Forecast 2025–2029

Base / Bull / Bear scenarios



Model methodology

- *NOPAT measures the operational profit after taxes regardless from capital structure .*
- *The connection is coming from EBIT Index and Effective Tax Rate.*
- *Until 2029: Base 4.55; Bull 6.42; Bear 1.87.*
- *Here operational assumptions are turn into value relevant result .*

$$\text{NOPAT} = \text{EBIT} \times (1 - \text{TaxRate})$$
$$\text{NOPATIndex}_t = \text{EBITIndex}_t \times (1 - \text{TaxRate}_t)$$

NOPAT is the main starting component in FCFF.

FCFF | How it is formed

Free cash flow to the firm brings together all the previous assumptions into one metric.

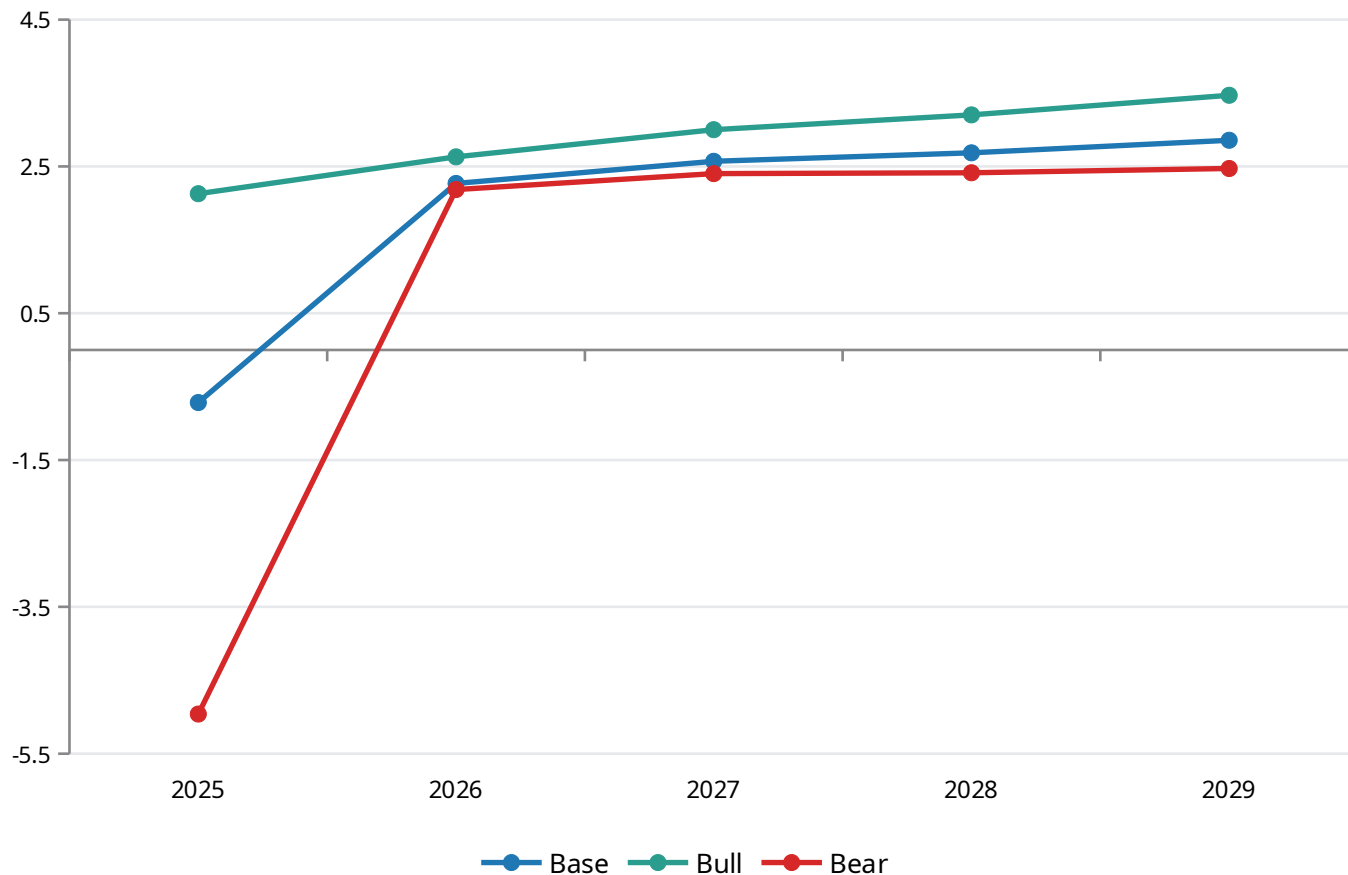
$$\text{FCFF} = \text{NOPAT} + \text{D\&A} - \text{CAPEX} - \Delta\text{NWC}$$



- ❖ The profit is not equal of cash flow.
- ❖ CAPEX and ΔNWC are the two basic monetary the tide is out .
- ❖ DCF valuation steps on the forecasted FCFF, no on accounting profit .

FCFF Index | Base / Bull / Bear

Base / Bull / Bear scenarios



Model methodology

- All operational , investment and liquidity assumptions is collect in FCFF.
- 2025 Base: $3.58 + 3.13 - 3.31 - 4.11 = -0.72$.
- 2025 Bull: $4.68 + 3.08 - 3.92 - 1.71 = +2.13$.
- 2025 Bear: $1.72 + 3.22 - 2.16 - 7.73 = -4.96$.

In 2025, the Base and Bear scenarios generate negative FCFF due to significant investments in working capital, while the Bull scenario remains positive thanks to better operating results and more efficient resource management. After that, all three scenarios transition to sustainably positive cash flows.

$$\text{FCFF} = \text{NOPAT} + \text{D\&A} - \text{CAPEX} - \Delta\text{NWC}$$

CAPM | Cost of Equity

$$K_e = R_f + \beta \times ERP$$

3.6%

Risk-free rate

1.06

Beta

5.0%

Equity Risk Premium

8.9%

Cost of Equity

- ❖ Beta is average value between Drugs (Pharmaceutical) and Healthcare Products + CEE liquidity adjustment.
- ❖ 's adjusted mature market ERP with regional correction .
- ❖ Cost of Equity enters in WACC as required profitability for the shareholders .

WACC | Discount rate

$$\text{WACC} = (E/V \times R_e) + (D/V \times R_d \times (1 - T))$$

8.9%

Cost of Equity

4.5%

Cost of Debt

29.4%

Debt weight

70.6%

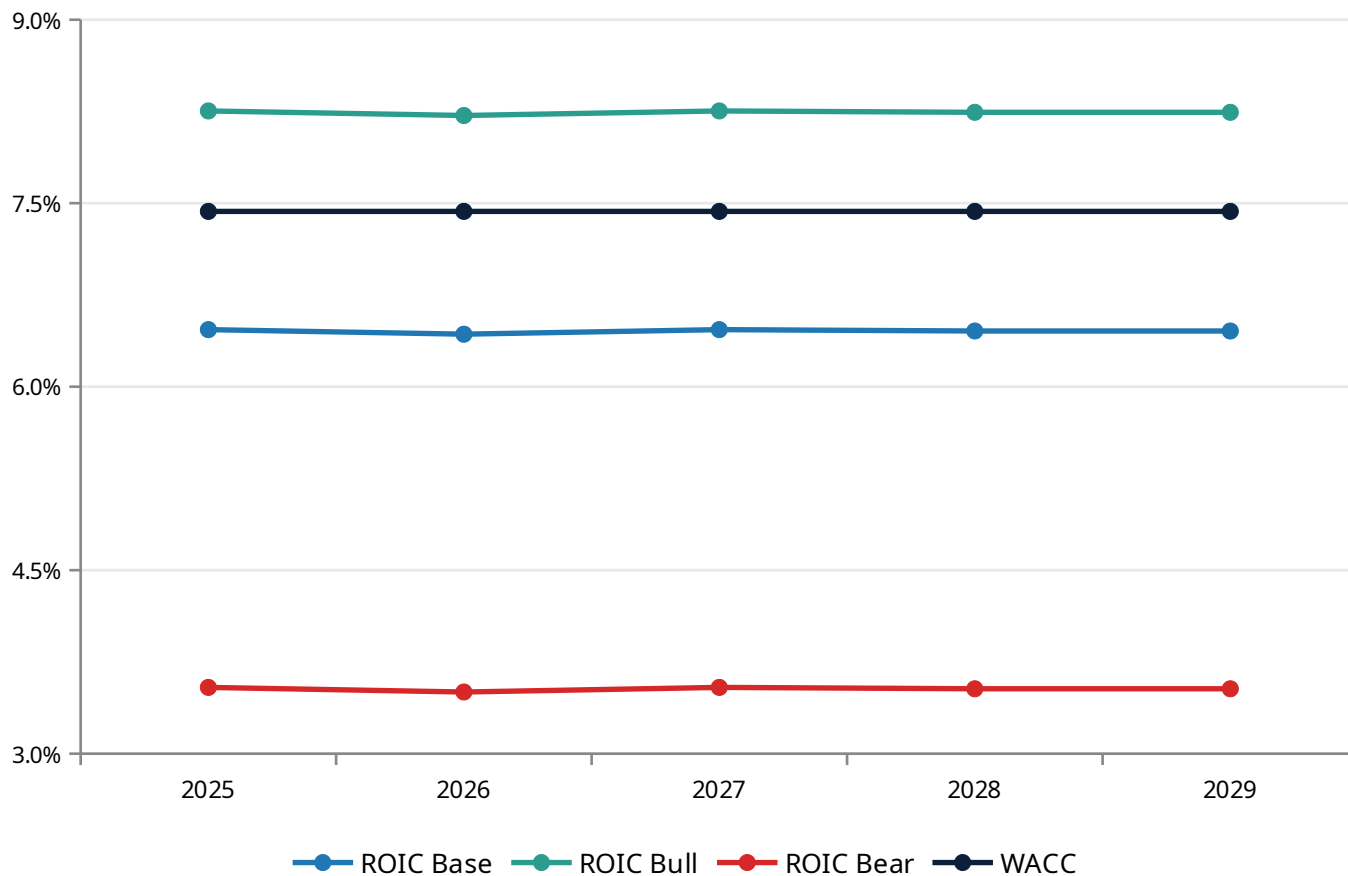
Equity weight

7.4%

WACC

- ❖ WACC is the minimum required rate of return for creation on value .
- ❖ Future FCFFs are discount to current value .
- ❖ If ROIC is below WACC, growth is not enough alone by myself you are .

ROIC vs WACC | Value Creation Test



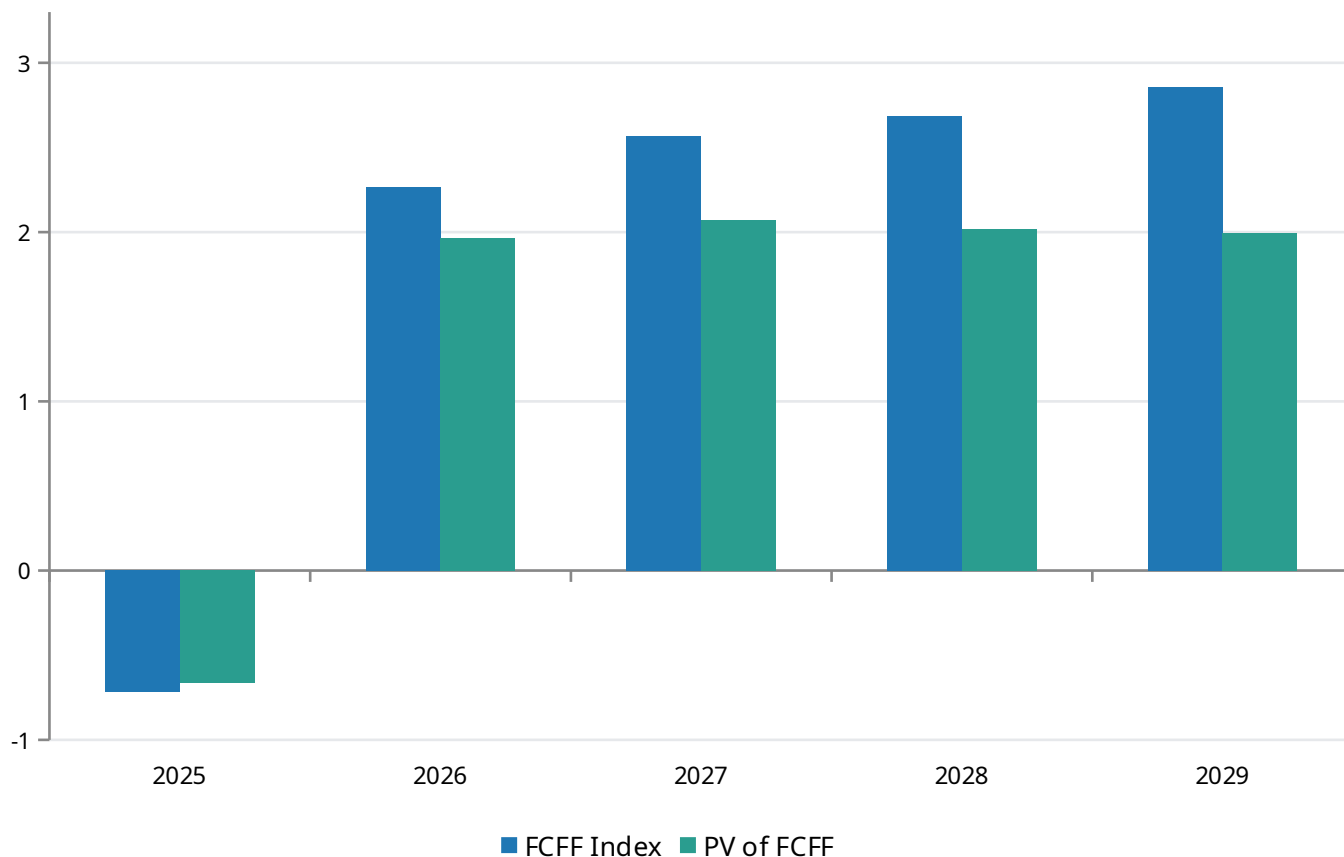
Interpretation

- WACC = 7.4% is the minimum required profitability.
- Bull is above WACC and shows clear value-creation profile.
- Base is close to the minimum required yield, but under WACC in the Excel proxy row.
- Bear is significantly under WACC.

Value Creation Spread = ROIC – WACC

This is one from the most important managerial conclusions on the model.

DCF | Baseline scenario



DCF result

- **Cumulative FCFF = 9.7** — the total undiscounted FCFF for 2025-2029
- **PV Forecast FCFF = 7.4** — the value today on these forecast monetary streams .
- **PV Terminal Value = 46.4** — current value on the money streams after 2029
- **Enterprise Value Index = 53.8** — overall value on the operational business : 7.4 + 46.4.

The base scenario shows a recovery and sustainable growth of free cash flow after the negative 2025. At the same time, 86.2% of the valuation is formed by Terminal Value, which indicates a high dependence of the value on the company's long-term ability to generate cash flows after 2029.

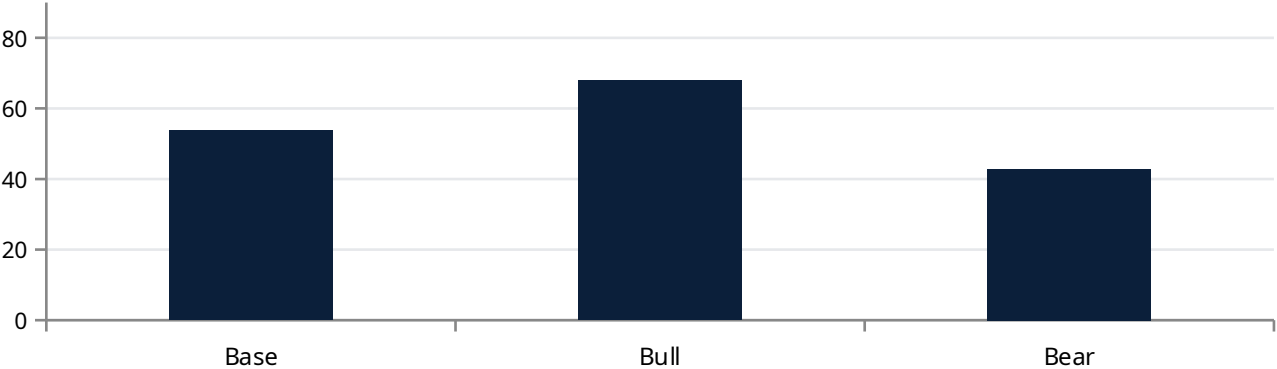
$$EV = \sum PV(FCFF) + PV(\text{Terminal Value})$$

DCF | Scenario Comparison

Indicator	Base	Bull	Bear
Cumulative FCFF	9.7	14.4	4.5
PV Forecast FCFF	7.4	11.5	2.8
PV Terminal Value	46.4	56.3	40.1
EV Index	53.8	67.8	42.9

Logic on the scenarios

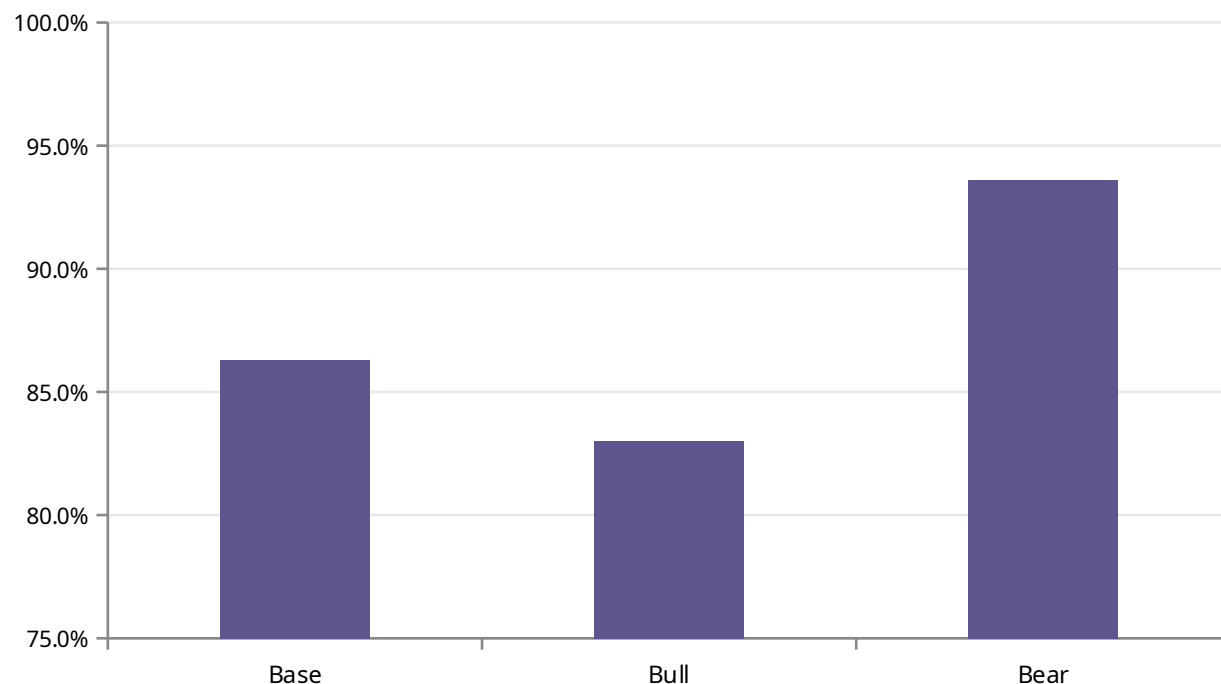
- **Base:** At normalized development and moderate The Enterprise Value Index is **53.8** and serves as as central assessment on the model .
- **Bull:** The taller one height on the income , the better operational margins and the more efficient management on the turnover capital increase FCFF. As a result , the Enterprise Value Index reaches **67.8** , or around **+26% compared to Base** .
- **Bear:** The weaker one growth , pressure on margins and the greater necessity from revolving capital restrict FCFF. Enterprise Value Index decreases to **42.9** , or around **−20% compared to Base** .



The difference between the scenarios shows how the accumulation on relatively small changes in growth , margins and turnover capital leads to essential change in the final value on business .

Terminal Value | Share of Valuation

$$\text{Terminal Value} = \text{FCFF}_{n+1} / (\text{WACC} - g)$$



Key observation

- **Base: 86.3%** The basic part from the assessment is forms from the money streams after 2029, which shows significant dependence from long-term assumptions .
- **Bull: 83.0%** The lowest share of Terminal Value. Stronger FCFF still through the forecast period 2025–2029 mean that bigger part from the value is generates within on the explicit forecast .
- **Bear: 93.6 %** Highest share . Weak FCFF in 2025–2029 means that almost the whole assessment depends from the expected refund and cash streams after 2029

In the high share Terminal Value increases sensitivity of the DCF valuation to WACC, the long-term growth (g) and sustainable level of FCFF.

$g = 3.0\%$; $WACC = 7.4\%$

The main risk of the assessment

Most of the value is found after the explicit forecast period.

Financial risk WACC

Higher WACC → lower current value on future FCFF.

Long-term growth Terminal Growth

Lower g → lower Terminal Value and Enterprise Value.

Operational efficiency Long-term Margins

Lower operational margins → lower NOPAT and FCFF.

Liquidity and working capital capital Working Capital

Higher NWC → more capital is tied up → lower FCFF.

$$FCFF = NOPAT + D\&A - CAPEX - \Delta NWC \Rightarrow EV = \sum PV(FCFF) + PV(Terminal Value)$$

Sensitivity of the DCF model is the highest at WACC and Terminal Value, so as over 80% of Enterprise Value is forms after the explicit forecast period . Therefore small price changes on capital , long-term growth or sustainable level of FCFF can yes bring to essential change in the final assessment .

What we learned from the model

Growth

It is not enough on its own.

Margins

Stable Gross Margin does not guarantee stable EBITDA.

Working Capital

It can “eat” FCFF even with positive profit.

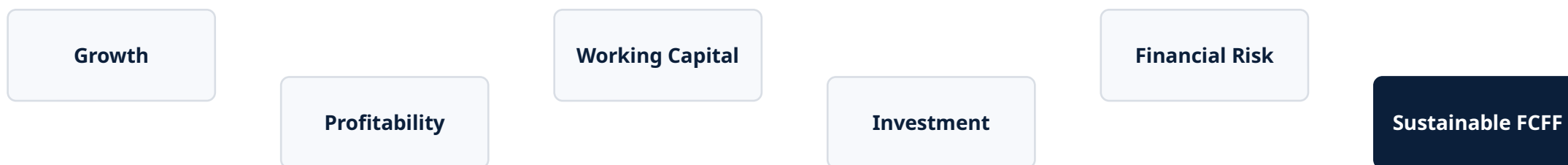
Capital Efficiency

The final test is ROIC – WACC.

The model shows that the value is a result from the interaction between growth , profitability , turnover capital , investment and price on capital .

Final conclusion

Growth creates value only when it produces sustainable cash flow at a return above the cost of capital.



Thank you for your attention.