Oriola Corporation (ORIOLA)

Finland | Pharmaceutical distribution | MCAP, 204 EURm

01 June 2025

Buy

Target price:	1.73 EUR
Current price:	1.10 EUR
Upside:	57%

Cure Your Portfolio With an Upside of 57%

Oriola Corporation ("Oriola" or "the Company") is a Finnish logistics provider distributing pharmaceuticals to hospitals and pharmacies in Sweden and Finland. Overstated market concerns about further margin pressure, low growth and historically weak performance, have created a mispricing. However, the potentially undervalued data sales, the unappreciated asset Kronans Apotek, and ongoing cost reduction initiatives situate the Company more favorably than the market currently expects. An equally weighted DCF and peer valuation, using an 8.8x EV/EBIT for 2027E, implies a 57% upside with a target share price of 1.73 EUR.

Key takeaways

- **New Data Sales Service Drives Gross Profit:** By monetizing valuable patient and market data, Oriola's position strengthens in the pharmaceutical value chain. The service, "Oriola Insights", provides detailed analytics on medicine usage, enabling pharmaceutical manufacturers to optimize revenue forecasts, market entry strategies, and geographic focus. Due to the nature of the product, Oriola Insights operates at close to 100% gross margins. As a result, the segment is expected to contribute significantly to profitability, with total gross profit forecasted to increase from 165 EURm in 2024A to 197 EURm by 2027E, subsequently increasing gross margins from 9.8% to 10.4%.
- **Structural Cost Reductions and Further Efficiency Support Margin Recovery:** Due to margin pressure in a low-pricing-power market, Oriola is restructuring daily operations. Key initiatives include digital system upgrades and warehouse automation, which will mainly reduce freight cost and limit the need for additional personnel as the Company grows. These actions are estimated to stabilize OPEX at 8.1% of sales by 2027E, compared to 8.2% in 2024A, and increase EBIT from 14 EURm in 2024A to 29 EURm to 2027E, with EBIT margins rising from 0.8% to 1.5%. The focus on further efficiency reflects a strategic shift toward a leaner operating model.
- **The Market Ignores the Key Asset Kronans Apotek:** Oriola owns 50% of Kronans Apotek as of Q1-25A, Sweden's third-largest pharmacy chain, generating roughly 1,200 EURm in revenue in 2024A. Despite this, the market assigns Kronans Apotek little to no value. Using conservative multiples (0.1x EV/S and 6.0x EV/EBITDA) Oriola's stake is worth approximately 60 EURm. This is equivalent to 30% of Oriola's current market capitalization. The investment effectively gains exposure to a major retail pharmacy, with additional upside potential if the market recognizes the asset's true value. It is estimated that the future sale of Kronans Apotek would result in an additional upside of 15 percentage points, and a share price of 1.84 EUR, to the already implied 57%.

Analysts	
Hugo Bogren	Equity Analyst
August Wrigfors	Equity Analyst

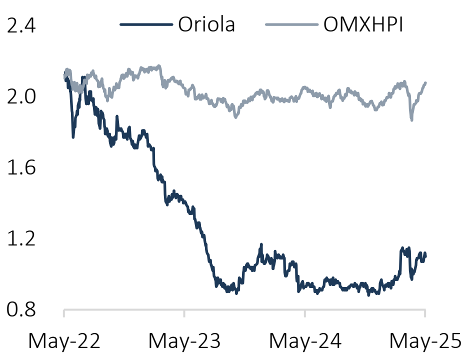
Market Data, EUR	
Exchange	Mid Cap Helsinki
Shares (m)	185
MCAP (m)	204
EV (m)	167

Metrics & Drivers	2025E	2026E	2027E
EV/EBIT	8.4x	6.6x	5.7x
EV/EBITDA	4.5x	4.2x	3.8x
EV/S	0.1x	0.09x	0.09x
P/E	21.3x	14.3x	11.7x
ND/EBITDA	(1.0x)	(0.9x)	(0.8x)

Forecast, EURm	2025E	2026E	2027E
Total revenue	1,760	1,830	1,898
Rev. growth y/y	4.5%	4.0%	3.7%
Gross Profit	180	189	197
Gross Margin	10.2%	10.3%	10.4%
EBITDA	37	40	44
EBITDA Margin	2.1%	2.2%	2.3%
EBIT	20	25	29
EBIT Margin	1.1%	1.4%	1.5%

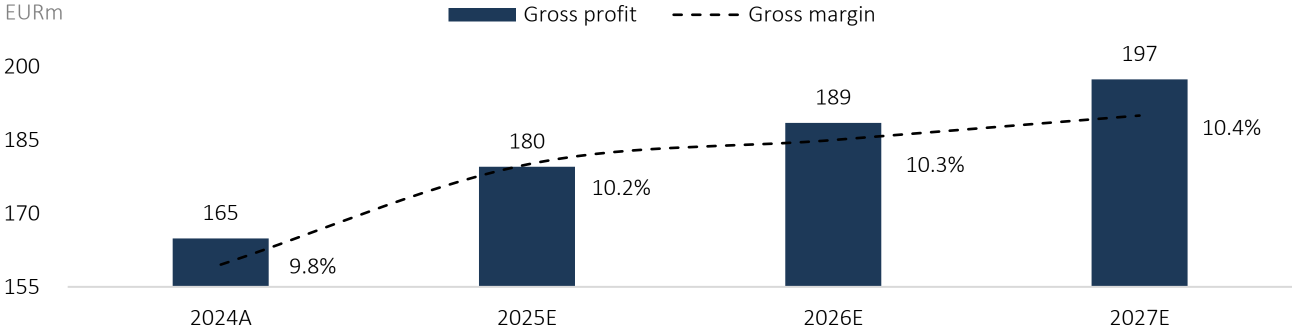
Major Shareholders	
Mariatorp Oy	14.7%
Wipunen V. Oy	5.0%
Varma M. F. Pension Insurance	2.5%

Price Development, EUR



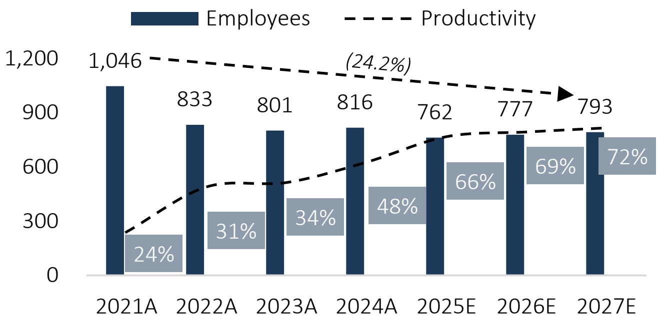
Investment Thesis in Charts

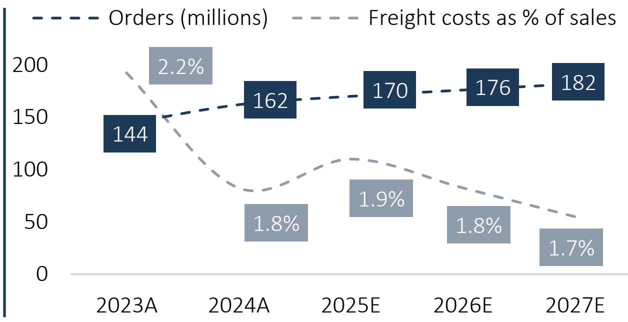
High Margin Data Sales Improve Profitability



Sources: The Company, Analyst estimates

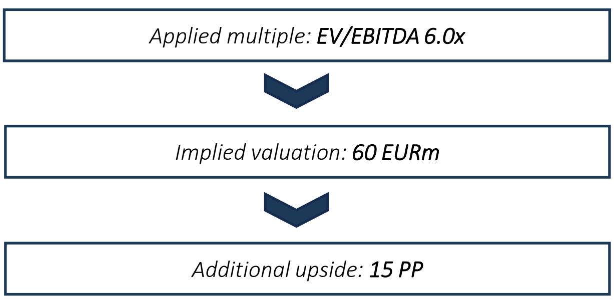
Margin Expansion Through Further Efficiency

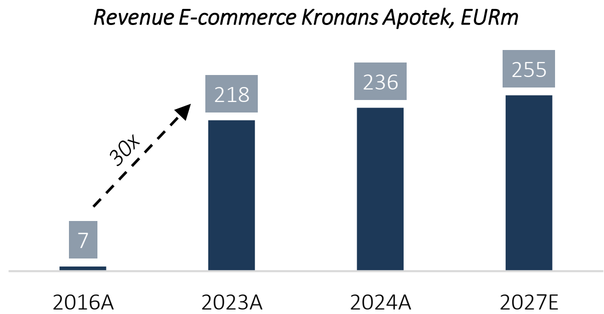




Sources: The Company, Analyst estimates

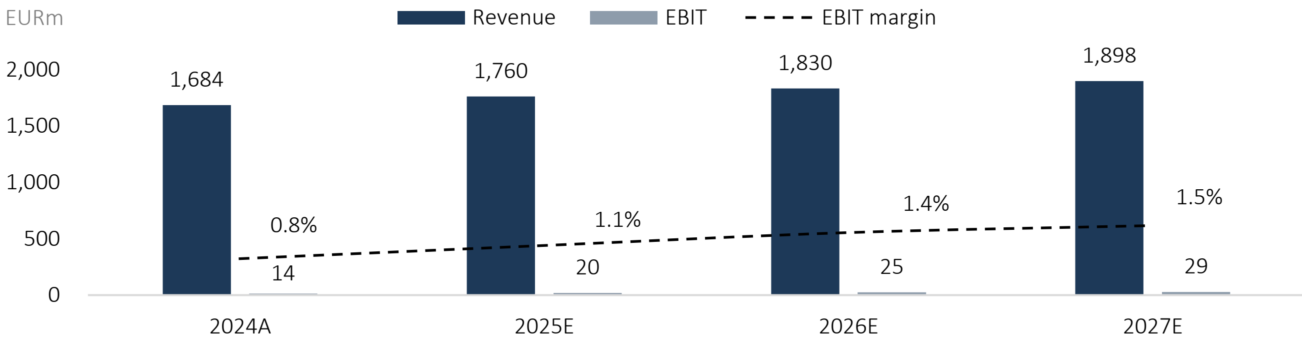
Unappreciated Value in Kronans Apotek Results in Additional Upside





Sources: The Company, Kronans Apotek, Apotea, Analyst estimates

Revenue & EBIT Margin Forecast



Source: The Company, Analyst estimates

Investment Thesis

Newly Launched Data Sales Service Gains Early Traction Consequently Driving Higher Gross Profit

Oriola recently launched a new data sales service, “Oriola Insights”, which is estimated to account for approximately 0.4% of total sales in 2025E and 0.6% by 2027E, equivalent to 7 EURm and 11 EURm, respectively. However, the market potentially undervalues this offering due to low disclosure. Interviews with the Company and key customers, e.g. AstraZeneca, have validated and strengthened the thesis regarding the profitability contribution. Pharmaceutical companies emphasize the strategic importance of Oriola Insights and the critical role in optimizing operations in Sweden and Finland. Moreover, these discussions revealed a lack of comparable offerings from competitors, highlighting Oriola’s strong position to capitalize on the growing demand for data-driven services. With low incremental costs and gross margins close to 100%, implied by management, this segment will become a crucial driver of profitability in the coming years. According to the analysts’ estimates, Oriola Insights is expected to increase gross profit from 165 EURm in 2024A to 197 EURm by 2027E, implying a 20% gross profit growth. This will subsequently boost gross margins from 9.8% as of 2024A to 10.4% by 2027E and increase EBIT margins from the current 0.8% to 1.5% in 2027E.

Focus on Core Operations and Efficiency Will Stabilize OPEX and Allow for Margin Recovery

The Company has historically faced margin pressure due to limited pricing power in the pharmaceutical distribution sector and rising costs from unsuccessful acquisitions. These challenges have contributed to a steady decline in profitability. In 2023, the Company shifted focus toward strengthening core operations and launched a modernization initiative, including investments in IT systems and warehouse upgrades. This included a new ERP system designed to streamline operations and improve warehouse efficiency. According to management, the initiative aims to lower freight and logistics costs and reduce the need for additional personnel. As order volumes are projected to grow from 162 million in 2024A to 182 million by 2027E, freight costs are expected to rise in absolute terms from 30 EURm to 34 EURm. However, this increase is estimated to be more stable than in the past, leading to a slight decline in freight costs as a percentage of sales, from 1.8% in 2024A to 1.7% in 2027E. Operational efficiency is also estimated to improve significantly. The revenue-per-employee ratio is projected to increase from 48% in 2024A to 72% by 2027E, reflecting stronger productivity. While total headcount will decrease relative to the 816 in 2024A, primarily due to the divestment of Svensk Dos AB, the number of employees is expected to grow modestly from 762 in 2025E to 793 in 2027E.

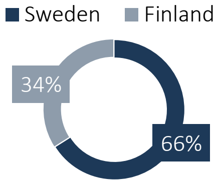
Upside From Future Divestment of Kronans Apotek

Oriola’s 50% stake in Kronans Apotek (Sweden’s third-largest pharmacy chain with revenue of approximately 1,200 EURm in 2024A) is expected to be realized in the coming years. In interviews with the Company, it was confirmed a clear strategic intention to divest Kronans Apotek. This anticipated sale serves as a significant catalyst, contributing an estimated additional upside of 15 percentage points, separate from the base 57% upside derived from the standard DCF and peer valuation. This added value is derived from discounting the expected value of the sale, assumed by the analysts to happen in 2028E. Despite the size and improving profitability of Kronans Apotek (positive EBIT and double-digit e-commerce growth in Q1-25A), the market appears to overlook the underlying value. After discussions with management and investors it became clear that the pharmacy is priced at zero. The asset’s intrinsic worth is therefore estimated to be inadequately reflected in Oriola’s current valuation, and a future sale does not seem to be priced in due to limited disclosure from the Company. A comparison with the online pharmacy Apotea (valued at 1.5x EV/S and 23.8x EV/EBITDA) highlights that Kronans Apotek maintains underlying value despite weak growth and profitability in 2024. Applying conservative valuation multiples (0.1x EV/S and 6.0x EV/EBITDA), the estimated value of the Company’s ownership in Kronans Apotek is approximately 60 EURm. This corresponds to 30% of Oriola’s current market capitalization.

Company Overview

Pharmaceutical Distributor With a Solid Position in Sweden and Finland

Oriola is a Finnish company specializing in pharmaceutical wholesale and distribution across Finland and Sweden. Founded in 1907 and headquartered in Espoo, Finland, the Company ensures safe and timely delivery of over 160 million pharmaceutical products annually. Oriola operates through distribution, wholesale, and advisory services, supporting healthcare providers and pharmaceutical companies with logistics, data insights, and patient safety solutions. Despite Finnish roots, most of the Company’s revenue is generated in Sweden accounting for 66%, equivalent to 1,110 EURm, with the remaining coming from operations in Finland which accounts for 34%, equal to 560 EURm.



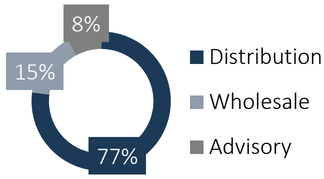
Business Model

Distribution

The distribution segment accounted for 77% of total sales in 2024, equivalent to 1,300 EURm, and involves the storage and transportation of products from pharmaceutical manufacturers. Oriola does not produce pharmaceuticals but operates through agreements, spanning between three to five years, with pharmaceutical companies. According to the contracts, the Company holds inventory of medicines supplied by the manufacturers and distributes them to customers (e.g. pharmacies, hospitals, veterinaries etc.) as needed. In exchange Oriola receives a distribution fee based on a predetermined share of the price paid by the customer for the products, typically expressed as a fixed percentage at 2% of the total order value.

Wholesale

Oriola’s wholesale segment accounted for 15% of total sales in 2024, equivalent to 260 EURm, and consists of over-the-counter (OTC) medicines, consumer health goods, parallel imports, and the Company’s own private labels. Customers include pharmacies, retailers, and veterinarians across Finland and Sweden. The products sold are primarily OTC and therefore subject to less regulation than prescription drugs. As a result, the Company reach a broader customer base and reach higher EBIT margins at roughly 5%.



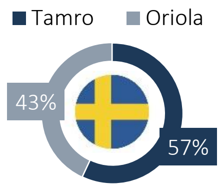
Advisory Services

Oriola Insights offers detailed information on medicine usage, helping companies forecast revenue and make informed strategic decisions on market timing and geographic focus. Customers pay a subscription fee in return for valuable market data that is not available to the public. In addition, the Company has a consulting service that provides help to hospitals, pharmacies, veterinaries and pharmaceutical companies. This accounted for 8% of total sales in 2024, equivalent to 140 EURm.

Market Overview

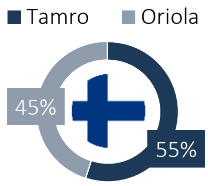
Regulated and Consolidated Distribution Market

The Swedish and Finnish markets are dominated by two companies: Oriola and Tamro, due to market entry being heavily affected by strict regulatory requirements. Market growth is driven by non-cyclical demand for pharmaceuticals making the Swedish market grow steadily at a 6.9% CAGR and the Finnish market at 3.7% CAGR 2024A to 2030E, according to Grand View Research.



Swedish Pharmacy Market

The Swedish pharmacy market is dominated by a few large chains, while online sales, led by Apotea, have rapidly grown, reaching 23% of total sales in 2024 growing at a 16.7% CAGR between 2021 and 2024. This shift has pressured physical pharmacies and reduced profitability. Online players focus on non-prescription products with higher margins, forcing traditional pharmacies to cut prices and accept a larger share of low-margin prescription sales.



Valuation

DCF Breakdown	
Terminal Value	304
PV of Terminal Value	107
EV	**302**
Net Debt	(37)
Equity Value	**339**
NOSH (Millions)	185
Implied Share Price	1.83
Implied Upside	66%

		WACC				
	2.34	8.0%	9.0%	10.0%	11.0%	12.0%
TGR	1.0%	2.15	1.93	1.76	1.63	1.51
	1.5%	2.21	1.98	1.79	1.65	1.53
	2.0%	2.29	2.03	1.83	1.68	1.55
	2.5%	2.38	2.09	1.87	1.71	1.57
	3.0%	2.49	2.16	1.92	1.74	1.60

Discounted Cash Flow Valuation Implies an Upside of 66%

The DCF valuation indicates a potential upside of 66%, with an implied share price of 1.83 EUR. This is supported by a projected 150% increase in EBIT by 2035E and a sustained reduction in NWC due to favorable payment terms with pharmacies as well as pharmaceutical companies. Together, these factors are estimated to drive strong future free cash flows. The terminal value is derived using the Gordon Growth Model with a TGR of 2.0% according to Sweden's and Finland's average GDP growth. Future cash flows are discounted at a WACC of 10.0%.

EURm	Market Data		Financial Data			Valuation	
Company	MCAP	EV	ND/EBITDA	EBIT-Margin LTM	EBIT-Margin 2027E	EV/EBIT LTM	EV/EBIT 2027E
Medios AG	289	235	(0.8)	1.6%	3.6%	7.7x	6.6 x
Neuca SA	732	777	0.5	2.3%	2.8%	11.7x	10.9x
Median	**511**	**506**	**(0.3)**	**1.9%**	**3.2%**	**9.7x**	**8.8x**
Average	**511**	**506**	**(0.3)**	**1.9%**	**3.2%**	**9.7x**	**8.8x**
Oriola	204	167	(1.4)	0.8%	1.5%	12.3x	5.7x

Undervalued Compared to European Peers in Similar Sectors

Oriola's 2027E EV/EBIT target multiple of 8.8x may appear high when benchmarked against a European peer group with larger sizes and higher EBIT margins. However, comparisons are limited due to the unique characteristics of the Swedish and Finnish pharmaceutical distribution markets. Unlike most European countries, both markets are highly regulated and consolidated, resulting in significantly higher barriers to entry and reduced competition. A strong market position (holding approximately 45% market share in both Sweden and Finland) further distinguishes Oriola from peers such as Medios AG, which operates in the more fragmented German market. These structural differences give Oriola stability and support a higher valuation. Therefore, despite the limited peer group, the applied 8.8x EV/EBIT for 2027E is considered reasonable due to the Company's market position and regulatory protection. The peer valuation implies an upside of 44%, and a target share price of 1.62 EUR. By equally weighting the DCF and peer valuation, a target share price of 1.73 EUR is implied, suggesting a potential upside of 57%.

Sources: The Company, Bloomberg, Analyst estimates

Appendix – Income Statement

Income statement, EURm	2021A	2022A	2023A	2024A	2025E	2026E	2027E
Net sales	1,457	1,521	1,497	1,684	1,760	1,830	1,898
Y/Y growth	*4.5%*	*4.4%*	*(1.6%)*	*12.5%*	*4.5%*	*4.0%*	*3.7%*
Total revenue	**1,457**	**1,521**	**1,497**	**1,684**	**1,760**	**1,830**	**1,898**
COGS	(1,265)	(1,330)	(1,334)	(1,519)	(1,580)	(1,642)	(1,701)
Gross profit	**192**	**192**	**163**	**165**	**180**	**189**	**197**
Gross margin	13.2%	12.6%	10.9%	9.8%	10.2%	10.3%	10.4%
Personnel costs	(72)	(61)	(53)	(56)	(55)	(58)	(62)
% of sales	*4.9%*	*4.0%*	*3.5%*	*3.3%*	*3.1%*	*3.2%*	*3.3%*
Other operating expenses	(93)	(98)	(80)	(82)	(88)	(90)	(91)
% of sales	*6.4%*	*6.4%*	*5.3%*	*4.8%*	*5.0%*	*4.9%*	*4.8%*
EBITDA	**27**	**33**	**30**	**27**	**37**	**40**	**44**
EBITDA margin	1.9%	2.1%	2.0%	1.6%	2.1%	2.2%	2.3%
D&A	(17)	(25)	(35)	(14)	(17)	(15)	(15)
% of sales	*1.1%*	*1.7%*	*2.4%*	*0.8%*	*1.0%*	*0.8%*	*0.8%*
EBIT	**11**	**8**	**(5)**	**14**	**20**	**25**	**29**
EBIT margin	0.7%	0.5%	(0.4%)	0.8%	1.1%	1.4%	1.5%
Net financial items	0	(1)	(8)	(7)	(6)	(6)	(6)
EBT	**11**	**7**	**(13)**	**6**	**14**	**19**	**23**
Taxes	(2)	(2)	(3)	(2)	(4)	(5)	(6)
Net income	**9**	**5**	**(16)**	**5**	**10**	**14**	**17**
Net income margin	0.6%	0.3%	(1.1%)	0.3%	0.5%	0.8%	0.9%

Sources: The Company, Analyst estimates

Appendix – Balance Sheet

Assets, EURm	2019A	2020A	2021A	2022A	2023A	2024A
Non-current assets						
Property, plant and equipment	158	162	156	58	45	45
Goodwill	271	279	274	61	35	35
Other intangible assets	67	70	71	21	16	11
Investments in joint ventures	0	0	0	240	235	211
Other non-current assets	10	22	35	38	16	12
Deferred tax assets	5	4	4	1	0	1
Total non-current assets	**510**	**537**	**539**	**419**	**348**	**314**
Current assets						
Inventories	234	250	229	149	163	176
Trade receivables	187	189	195	227	260	247
Income tax receivables	6	3	3	1	1	0
Other receivables	22	18	18	5	14	12
Cash and cash equivalents	71	168	109	161	138	114
Assets held for sale	0	0	0	0	12	13
Total current assets	**521**	**628**	**554**	**542**	**587**	**562**
Total assets	**1,031**	**1,166**	**1,093**	**961**	**935**	**876**

Equity and liabilities, EURm	2019A	2020A	2021A	2022A	2023A	2024A
Equity						
Share capital	36	36	36	36	36	36
Fair value reserve	0	8	27	29	7	3
Contingency fund	19	19	19	19	19	19
Invested unrestricted equity reserve	75	75	75	75	75	75
Translation differences	(33)	(23)	(29)	(17)	(17)	(18)
Retained earnings	60	55	88	83	51	18
Equity attributable to the parent company shareholders	**157**	**170**	**217**	**226**	**171**	**133**
Non-current liabilities						
Deferred tax liabilities	14	14	12	5	3	1
Pension obligations	17	19	18	12	13	13
Interest-bearing liabilities	124	128	124	70	7	40
Total non-current liabilities	**156**	**162**	**154**	**87**	**24**	**55**
Current liabilities						
Trade payables	607	620	592	557	608	626
Provisions	3	1	0	0	0	0
Interest-bearing liabilities	67	167	86	67	111	36
Income tax payables	1	0	1	1	0	0
Other current liabilities	40	46	43	23	19	23
Liabilities related to assets held for sale	0	0	0	0	2	2
Total current liabilities	**718**	**835**	**723**	**648**	**739**	**688**
Total equity and liabilities	**1,031**	**1,166**	**1,093**	**961**	**935**	**876**

Source: The Company

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Disclaimer

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