

Initiated 2026-10-17 · Price \$18.66 (as of 2026-10-16, stockanalysis.com) · Mkt cap \$21.9bn (1,172.4mm diluted shares) · Health care / generic and established-brand pharmaceuticals · Model: verified

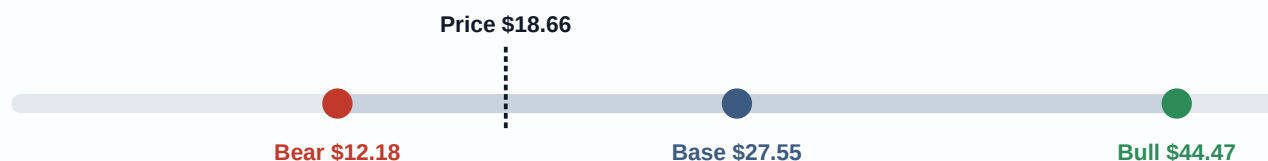
Rating: Buy — Conviction: High

Viatis trades at ~7x forward earnings and a ~9% free-cash-flow yield as though its five-year revenue decline will continue. The 2026 data say otherwise: guidance was raised, Q2 revenue grew 4% operationally, and a \$600–700mm cost program is landing. Even with the company's growth targets haircut and the exit multiple below today's, the cash flows support more than the current price. The risk is that the decline returns, through generic price erosion or another India plant failure, and the debt then works against the equity.

Conviction tests (3a-v-c): T1 pass (Buy at both ±1pp: Base +27% at +1pp, +75% at –1pp) · T2 pass (exit-multiple DCF alone +19%, Gordon alone +76%) · T3 pass · T4 pass (no pending deal, ruling or single-product event worth >25%; Q3 print 2026-11-05 and meloxicam PDUFA 2026-12-27 are routine)

The rule gives High. I would personally sit nearer Medium: management has called restructuring "one-time" every year since 2021, and the model's EBITDA excludes those costs after 2026 apart from what capex carries.

MODEL VALUE RANGE VS PRICE



Business overview

Viatis sells off-patent branded drugs (Lipitor, Norvasc, Viagra, EpiPen; brands \$9.18bn of FY2025 net sales) and generics (\$5.07bn) in 165+ markets. FY2025 sales by segment: Developed Markets \$8.51bn (60%), Greater China \$2.33bn (16%), Emerging Markets \$2.21bn (16%), JANZ \$1.19bn (8%). Most revenue is outside the US. Three variables drive earnings. The first is the rate of generic and established-brand price erosion against volume and new launches (guided at \$450–550mm of new-product revenue in 2026). The second is the supply reliability of the India manufacturing network: an FDA warning letter at Indore cost ~\$370mm of FY2025 revenue, and Nashik had a February fire and a May Form 483. The third is the cost program, which reaches \$600–700mm when fully implemented, with up to \$250mm reinvested.

Competition

In US generics the main rival is Teva, with a 6.1% share of US generic prescriptions (TTM to Q2 2026). Teva's generics excluding Revlimid fell 2% globally in Q2 2026, and it guides flat to down low single digits for 2026. Sandoz's generics grew 1% at constant currency in Q2 2026, with its growth coming from biosimilars. The read-across is that generic pricing is stable but not improving, so Viatis's 2026 growth comes from Greater China (+16% operational in Q2) and new products, not from base generics. Competitive pressure would show up first as price, in US generic tenders and China volume-based procurement. The closest listed comparables sit on both sides of Viatis: Organon

(7.1x aggregator EV/EBITDA) and Perrigo (8.8x) are valued as low-growth carve-outs, while Teva (14.4x) has earned a growth multiple from its branded pivot.

Bull case

- Growth reset holds** — China and new brands carry revenue at the company's base 3–4% CAGR through 2030, or 5–6% with selatogrel, cenerimod and business development. Plays out if Greater China keeps growing double digits and new-product revenue compounds past \$500mm. *Model: rev_growth*
- Cost program lands in full** — \$600–700mm of savings lifts margin toward 32% by 2030. Plays out if reinvestment stays below \$250mm and India remediation finishes in 2027. *Model: ebitda_margin*
- Re-rating on proven growth** — two to three years of positive revenue and gross leverage held at 2.8–3.2x earns a 9.5x exit and 2.5% terminal growth. Plays out if the pipeline (meloxicam PDUFA December 2026; selatogrel and cenerimod Phase 3) delivers. *Model: exit_ev_ebitda, terminal_growth*

Bear case

- Erosion and plant quality return the decline** — revenue falls back to its –1% to –2% pre-2026 trend, and remediation spend persists. Plays out if Nashik or Indore escalate to import alerts, or if US and China pricing tightens. *Model: rev_growth, capex_pct_rev*
- Margin squeeze** — EM and China mix, reinvestment and erosion outrun savings, so margin drifts to ~26.5%. Plays out if adjusted EBITDA growth trails revenue in 2027. *Model: ebitda_margin*
- Leverage magnifies the downside** — \$13.4bn of debt against a \$21.9bn market cap and an S&P BB+ rating. A higher risk premium (8.5% WACC) and a 6.5x exit compress the equity. Plays out if gross leverage moves back above 3.2x. *Model: wacc, exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (EV \$34.3bn = mkt cap \$21.9bn – cash \$0.9bn + debt \$13.4bn; EBITDA = adj. EBITDA less SBC)	8.62x FY2025; ~8.1x 2026 guide	EBITDA margin 32.0% / 30.7% / 27.8% FY2023–25	TEVA 14.4x · AMRX 13.6x · PRGO 8.8x · OGN 7.1x (aggregator TTM, lease-inclusive)	model-inputs.json ; stockanalysis.com 2026-10-16
Forward P/E (consensus)	7.3x	n/a (unverified)	TEVA 14.7x · AMRX 19.1x · PRGO 7.3x · OGN 3.9x	stockanalysis.com 2026-10-16
FCF yield (aggregator TTM) / dividend yield	9.1% / 2.6%	FY2025 FCF \$1.94bn (\$2.2bn ex transaction costs)	FCF: TEVA 2.8% · AMRX 1.2% · PRGO 5.2% · OGN 15.7%	stockanalysis.com 2026-10-16; Q4 2025 release

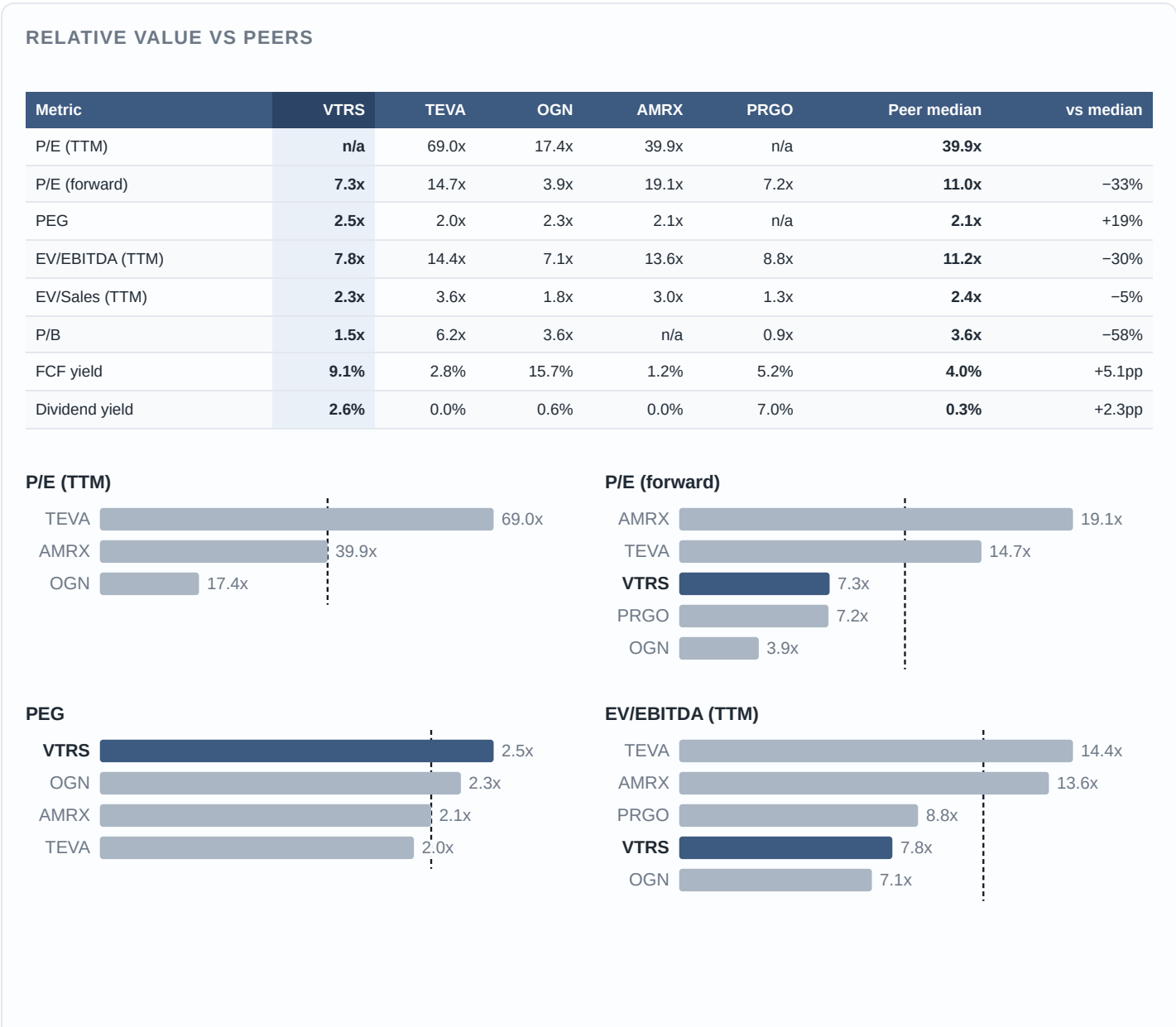
Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$12.18 · Base \$27.55 · Bull \$44.47 per share, i.e. implied returns of –34.7% / +47.6% / +138.3% vs \$18.66. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

- What's priced in.** The price sits about 40% of the way from Bear to Base, so the market is pricing something close to a resumed decline.
- Re-rating.** The Base exit of 8.0x is a ~7% de-rating from today's same-basis 8.62x. The two methods differ by 47% (Gordon \$32.82, exit \$22.27). Gordon embeds a much higher terminal multiple, so the re-rating sits in that method. The exit method alone still gives +19%.
- Recurring special items.** If ~6% of revenue (~\$900mm a year) keeps going to restructuring and remediation through 2030, Base falls to \$24.21 (+30%), still a Buy.
- Tail.** Revenue –3% a year from 2027, margin falling to 25%, capex plus remediation at 4.5–7.5%, 9% WACC, a 5.5x exit and –0.5% terminal growth give \$7.20 (–61%). Debt is ~\$11/share net, which is why the tail is deep.

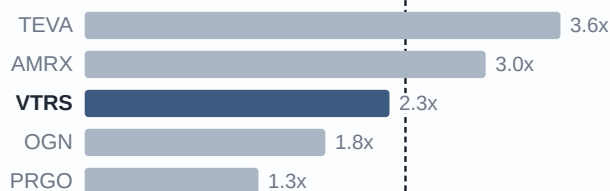
Balance sheet: net leverage 3.1x model-basis FY2025 EBITDA (gross 3.4x; the company reports 2.9x gross on adjusted EBITDA, against a 2.8–3.2x target), coverage 8.3x, liquidity \$0.9bn cash at 2026-06-30 plus ~\$380mm Biocon proceeds received in July. The nearest material maturity is \$1.74bn of current debt within 12 months. Ratings: S&P BB+ stable (downgraded February 2025), Fitch BBB stable (affirmed April 2026), Moody's n/a (unverified).

Model note: tier `full`, status `built`, verification `verified` (3,207 formula cells matched in LibreOffice). No unverified inputs. No assumptions without basis. Scenario consistency `OK` on all 14 rows.

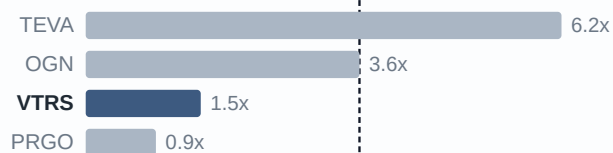
- **Sourcing.** Historicals FY2023–25 come from the FY2025 and FY2024 10-K R-pages. EBITDA is from the company's own adjusted-EBITDA reconciliations, less SBC. The balance sheet is from the Q2 2026 release.
- **Comparability.** FY2023–24 include businesses divested in 2024, so the historical decline overstates the organic trend.
- **Debt.** Tranches were not retrieved; the debt is modeled as two blocks with placeholder coupons (display only).
- **Unverified targets.** The investor-event targets come from a search summary; the deck returned 403.
- **EPS vs guidance.** Base Y1 EPS of \$2.34 is 7% below the \$2.52 guide midpoint. The model deducts SBC and uses a 20% cash tax rate (vs ~15–16% implied book).
- **WACC.** 7.5% = CAPM cost of equity 9.39% (10Y 5.09%, beta 0.86, 5% ERP, no premium) and 4.4% after-tax debt (est.) at a 38% market weight.



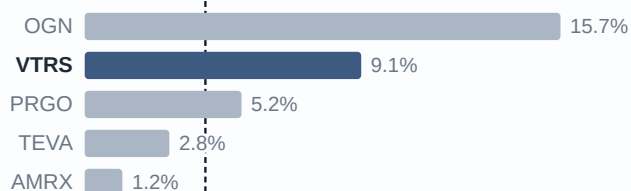
EV/Sales (TTM)



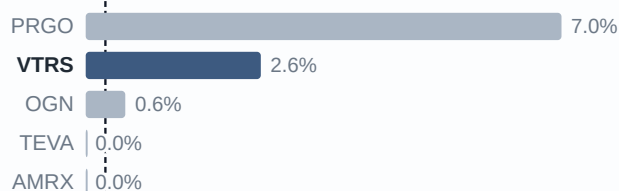
P/B



FCF yield



Dividend yield



As of 2026-10-17. One source and one definition for every company: aggregator TTM and consensus-forward multiples, lease-inclusive EV. Not the model's own EV basis (see the report's valuation table). All figures at the 2026-10-16 close, fetched 2026-10-17 (Saturday). Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-17.

Notes. Viatris and Perrigo have negative trailing GAAP earnings (Viатris: FY2025 goodwill impairment), shown as n/a by the source. PEG as given by the source, resting on its consensus growth estimates; the source shows none for Perrigo. Amneal's P/B is 185.46x (above the 100x display cap) on near-zero book equity. Teva and Amneal pay no dividend (0).

Scenario stress test

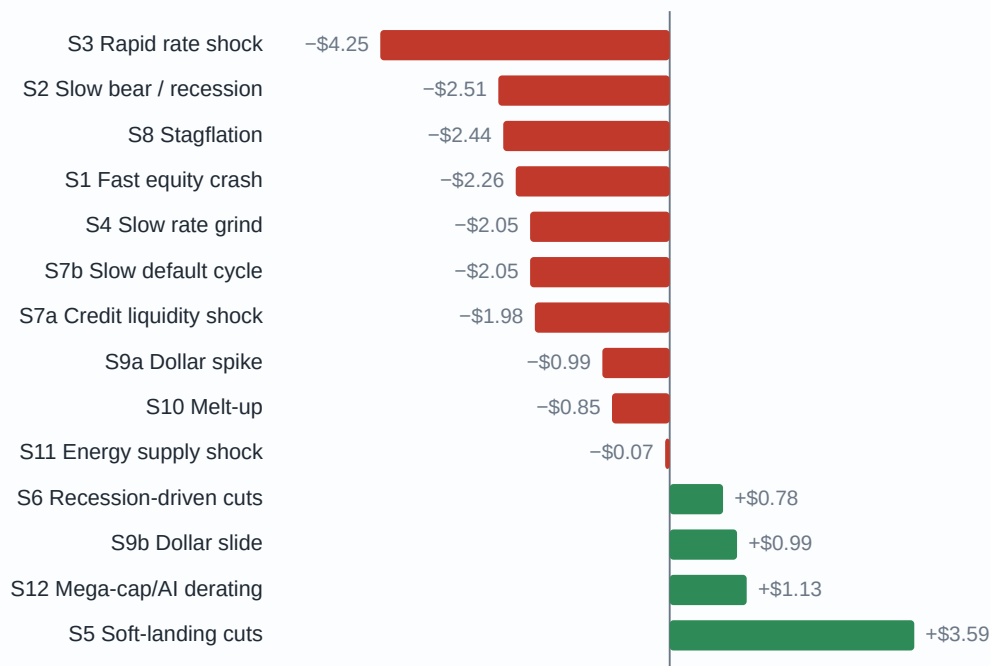
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	Levered equity stub de-rates in a liquidity sell-off despite defensive demand	Med	-\$2.26
S2 Slow bear / recession	-	EM demand, payer pressure and pricing soften while prescriptions hold. Transitory, so much milder than the bear case's permanent decline	Med	-\$2.51
S3 Rapid rate shock	-	Higher discount rate on a levered value stock; \$1.7bn of near-term maturities refinance higher	High	-\$4.25
S4 Slow rate grind	-	Grinding discount-rate and refinancing drag	Med	-\$2.05
S5 Soft-landing cuts	+	Lower rates re-rate a levered value stock	High	+\$3.59
S6 Recession-driven cuts	±	Rate relief offset by EM and pricing softness and risk-off de-rating	Low	+\$0.78
S7a Credit liquidity shock	-	Crossover-rated issuer: spreads gap wider and the equity is sold	Med	-\$1.98
S7b Slow default cycle	-	Crossover credit pays more to refinance; customers aren't credit-sensitive	Med	-\$2.05
S8 Stagflation	-	Tender and procurement prices can't follow input, wage and freight costs	Med	-\$2.44
S9a Dollar spike	-	Majority of sales outside the US translate lower	Low	-\$0.99
S9b Dollar slide	+	Translation tailwind (FX added ~1.5pp in Q2 2026)	Low	+\$0.99
S10 Melt-up	-	Rotation out of low-multiple defensives into momentum	Low	-\$0.85
S11 Energy supply shock	-	Freight, solvent and API input costs	Low	-\$0.07

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S12 Mega-cap/AI derating	+	Rotation into cheap defensive value	Low	+\$1.13

Currently active/on watch per the playbook: S3 partially active (price-level leg only); S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: 2027 guidance shows operational revenue growth of $\geq 3\%$ and EBITDA growth ahead of revenue, and restructuring cash costs fall below \$300mm. **Downgrades if:** operational revenue turns negative again for two quarters, Nashik or Indore receives an import alert or a new warning letter, or gross leverage exceeds 3.2x.

Watch items

- W1:** Operational revenue growth and new-product revenue — $\geq 2\%$ op. growth; new products on track for \$450–550mm — Q3 2026 release — 2026-11-05 — *Model: rev_growth*
- W2:** Nashik/Indore FDA status — no import alert; H2 supply hit within \$100–150mm — 8-K or Q3/Q4 release — open — *Model: rev_growth, capex_pct_rev*
- W3:** 2027 guidance — adjusted EBITDA growth $\geq$ revenue growth; transaction and restructuring cash costs below 2026's ~\$600mm — Q4 2026 release — ~late February 2027 — *Model: ebitda_margin, capex_pct_rev*
- W4:** Fast-acting meloxicam approval — PDUFA 2026-12-27 — FDA/8-K — *Model: none*

Sources

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- 10Y Treasury 5.09% (2026-10-16) — logs/macro-2026-10.md (Treasury.gov par curve)

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.