LONZA GROUP (LONN SW) | SWISS HEALTHCARE | 12 NOVEMBER 2026

Lonza: Fully Booked

Business is booming, and the share price has booked it

Hugo Benoit, Head of Market Research, SGMS

EXECUTIVE SUMMARY

Lonza builds and runs the factories that make other companies' drugs, from antibodies to cell therapies. Once its capsules business is sold this year, it is a pure contract manufacturer (CDMO), and one of the best.

2026 has been strong. First-half sales grew 16% at constant currency, the CORE EBITDA margin reached 34.8%, and in October management raised its mid-term margin target to the high thirties. The shares are up 23% this year.

We take that guidance at face value, about 11% growth a year and a 38% margin by 2031, and get a fair value of CHF 667, in line with the share price. At CHF 664 the market already pays for that guidance in full, with nothing left for a stumble, and 53% of our 20,000 Monte Carlo runs end below the price.

We start at **Hold** and would buy below CHF 575.

KEY POINTS

- Margins should rise another four to five points by around 2031.
- Vacaville, bought from Roche in 2024, could more than triple its sales to CHF 2bn in the early 2030s, but should stay flat until 2028.
- CHF 403 of the CHF 664 share price is growth that has not happened yet.

SGMS VIEW

Hold

Fair value CHF 667 (base case)
Range CHF 507 to 801

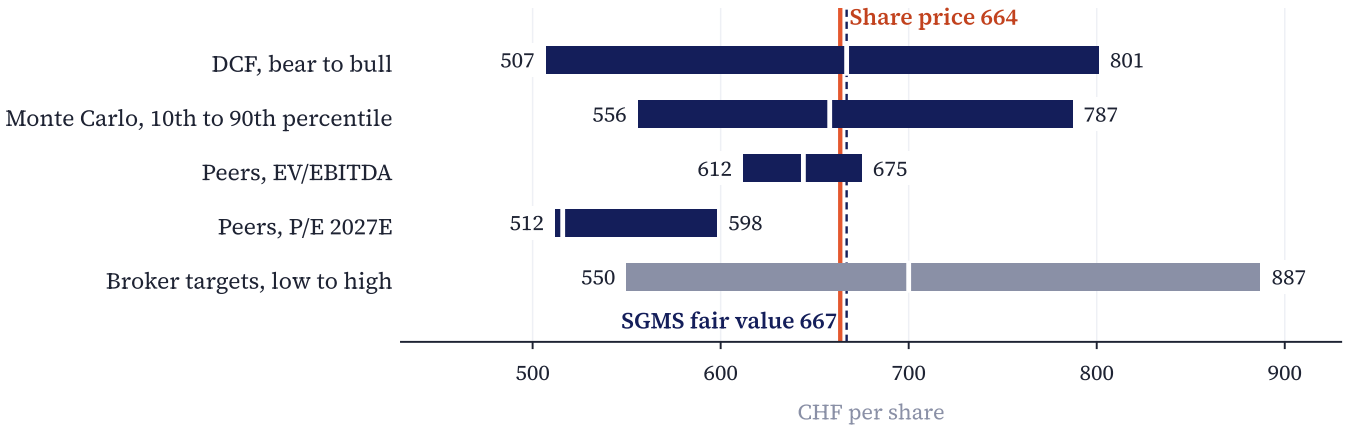
Share price (11 Nov 2026)	**CHF 663.60**
Fair value vs price	**+0.5%**
Market cap	**CHF 46.3bn**
Enterprise value*	**CHF 47.5bn**
EV / CORE EBITDA 2026E	**19.9x**
P/E 2026E (consensus)	**38.6x**
Dividend yield	**0.8%**
Net debt / CORE EBITDA	**1.3x**
Year to date	**+23.4%**

*Pro forma for the Capsules sale (CHF 1.7bn cash in, 40% stake kept at an estimated CHF 0.6bn).

EXHIBIT 1

Our values cluster around the price. Only the brokers sit clearly above

Value per share by method, CHF. White ticks mark the central value, red line the share price.



Source: SGMS estimates; peer multiples from StockAnalysis (16 to 27 Oct 2026); broker targets: lowest CHF 550 (MarketScreener, 24 analysts, 19 Oct 2026), highest CHF 887 (Bernstein, Oct 2026), average about CHF 700 (cash.ch, 30 Oct 2026).

1. The landlord of the drug industry

A large biologics plant costs more than a billion francs and takes years to build. Many biotechs cannot afford one, and big pharma groups often prefer not to tie up capital in a drug that may fail. Lonza rents them the capacity and the know-how on long contracts.

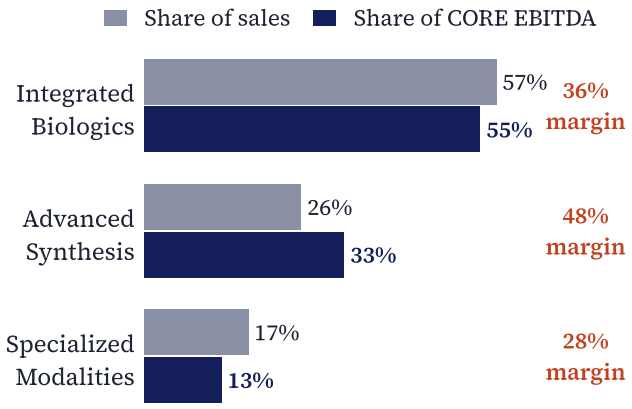
Customers rarely leave. Regulators approve the site together with the drug, so moving production takes years of new filings.

Integrated Biologics (57% of platform sales) makes antibodies. Advanced Synthesis makes small molecules and the chemistry behind antibody-drug conjugates (ADCs), with the best margin, 48%. Specialized Modalities covers cell and gene therapy, mRNA, microbial and Bioscience. About 45% of sales come from small and mid-sized drug companies, many of them biotechs whose funding moves with interest rates.

EXHIBIT 2

Small molecules punch above their weight

Share of sales and CORE EBITDA by platform, H1 2026

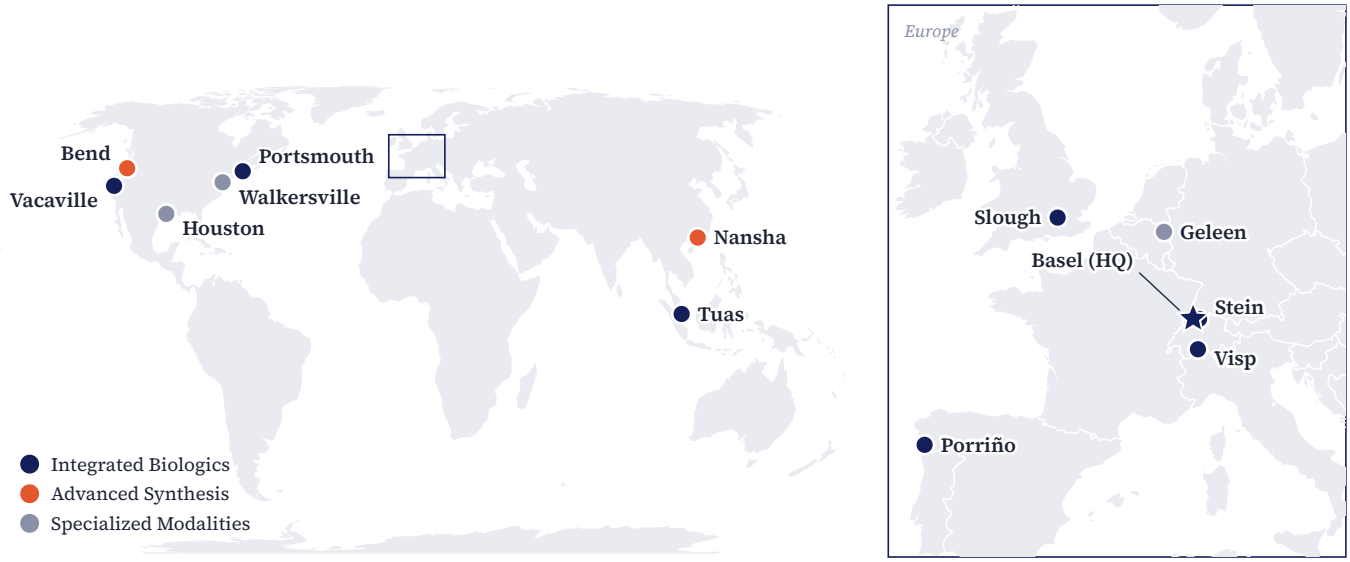


Source: Lonza Half-Year Report 2026, SGMS calculations (excluding corporate).

EXHIBIT 3

Swiss roots, American growth

Main production sites and the Basel headquarters (continuing business, without the Capsules sites and before the Merck KGaA deal)



Source: Lonza locations page, site pages and Annual Report 2025; SGMS classification by main platform.

Lonza was founded in the Valais in 1897 and is run from Basel. Visp, its largest site, runs all three platforms. The growth, though, is in the US, where Portsmouth and Vacaville are well placed as Washington pushes drug makers to produce at home. On 3 November Lonza agreed to buy five more US sites from Merck KGaA, adding about CHF 250m of sales in 2028 at a lower margin. The deal closes in mid-2027 and is too small to be in our numbers.

2. A strong year, and everybody noticed

In March Lonza agreed to sell 60% of Capsules & Health Ingredients to Lone Star Funds at an enterprise value of CHF 2.3bn. It gets CHF 1.7bn upfront and keeps 40%. A CHF 500m buyback follows the closing, expected before year-end.

First-half sales rose 16.0% at constant currency to CHF 3.37bn (11.2% in francs). CORE EBITDA grew 27% and operational free cash flow almost quadrupled to CHF 426m.

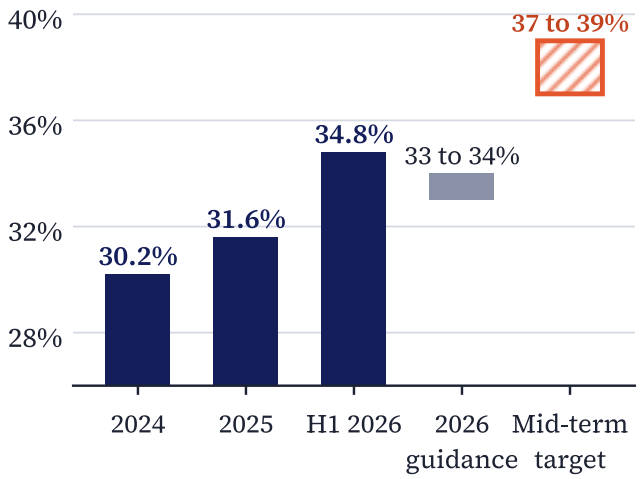
Advanced Synthesis grew 27.7% and Integrated Biologics 10%. Vacaville will be flat this year, with a planned shutdown slowing the second half. Sales guidance stayed at 11 to 12%, and the shares fell about 6% on results day.

In October Lonza raised its mid-term margin target to the high thirties, against 35.7% expected by the market, and kept its growth target in the low teens, 10 to 13% a year.

EXHIBIT 4

A margin staircase with more steps to come

CORE EBITDA margin, continuing business



Source: Lonza FY2025 and H1 2026 reports, Capital Markets Day (14 Oct 2026). "High thirties" read as 37 to 39%, as analysts do (Investing.com).

3. The bull case is real, and already priced

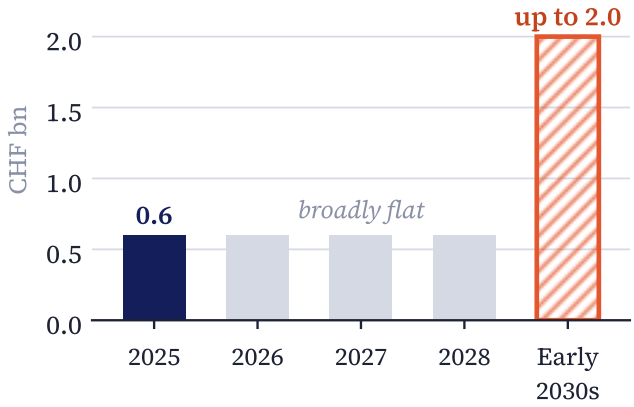
VACAVILLE

Lonza paid USD 1.2bn for Roche's 330,000-litre site in 2024. It sold about CHF 0.6bn in 2025 and could reach CHF 2bn in the early 2030s, but the CFO expects flat sales until 2028. A late tripling is worth less today than the headline suggests.

EXHIBIT 5

The prize arrives late

Vacaville sales, CHF bn



Source: Lonza FY2025 results, Reuters (14 Oct 2026). 2026 to 2028 drawn flat, as guided.

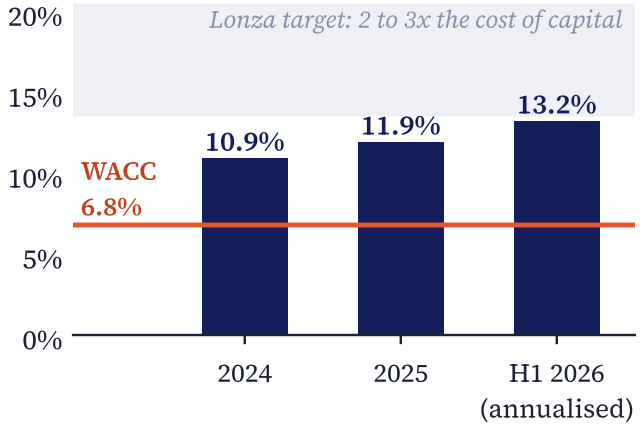
RETURNS

ROIC rose from 10.9% in 2024 to 13.2% in the first half of 2026 as recently built plants started producing. Lonza targets two to three times its cost of capital.

EXHIBIT 6

Above the bar, not yet at the target

Return on invested capital against our cost of capital



Source: Lonza FY2025 and H1 2026 reports; SGMS WACC.

POLITICS

The BIOSECURE Act, law since December 2025, bars US federal contracts with firms using biotech suppliers on a list of companies of concern, likely Chinese, with up to five years to unwind. Tariff threats push the same way and help Lonza's US plants, slowly. Investors know it: 18 of 19 analysts polled by AWP say buy.

4. Our numbers are close to the market's

EXHIBIT 7

Forecasts against consensus

Continuing business, CHF m. 2026 onwards are SGMS estimates.

CHF m	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Sales	**5,480**	**6,531**	**7,119**	**7,902**	**8,811**	**9,780**	**10,758**
Growth, reported		19.2%	9.0%	11.0%	11.5%	11.0%	10.0%
Consensus sales			7,122	7,934	8,875		
CORE EBITDA	**1,653**	**2,064**	**2,385**	**2,766**	**3,172**	**3,619**	**4,034**
Margin	30.2%	31.6%	33.5%	35.0%	36.0%	37.0%	37.5%
Consensus EBITDA			2,385	2,716	3,096		
Depreciation and amortisation	474	647	712	790	881	978	1,076
EBIT (after one-off costs)	908	1,239	1,602	1,896	2,247	2,592	2,905
Tax on EBIT at 19%			(304)	(360)	(427)	(492)	(552)
Capex	(1,321)	(1,277)	(1,175)	(1,422)	(1,498)	(1,663)	(1,775)
Capex, % of sales	24.1%	19.6%	16.5%	18.0%	17.0%	17.0%	16.5%
Increase in working capital			(88)	(117)	(136)	(145)	(147)
Free cash flow to the firm			**747**	**787**	**1,067**	**1,269**	**1,507**

Source: Lonza FY2025 report (2024 restated), H1 2026 report; consensus from MarketScreener (23 Oct 2026); SGMS estimates.

ASSUMPTIONS

- 2026 on guidance: 11.5% growth at constant currency, minus 2.5 points of currency, and a 33.5% margin.
- 11 to 11.5% growth to 2029, fading to 5% by 2035. The margin reaches 38% in 2031.
- Capex at 18% of sales in 2027, falling to 11.5% by 2035. Tax 19%. Working capital takes 15% of extra sales.

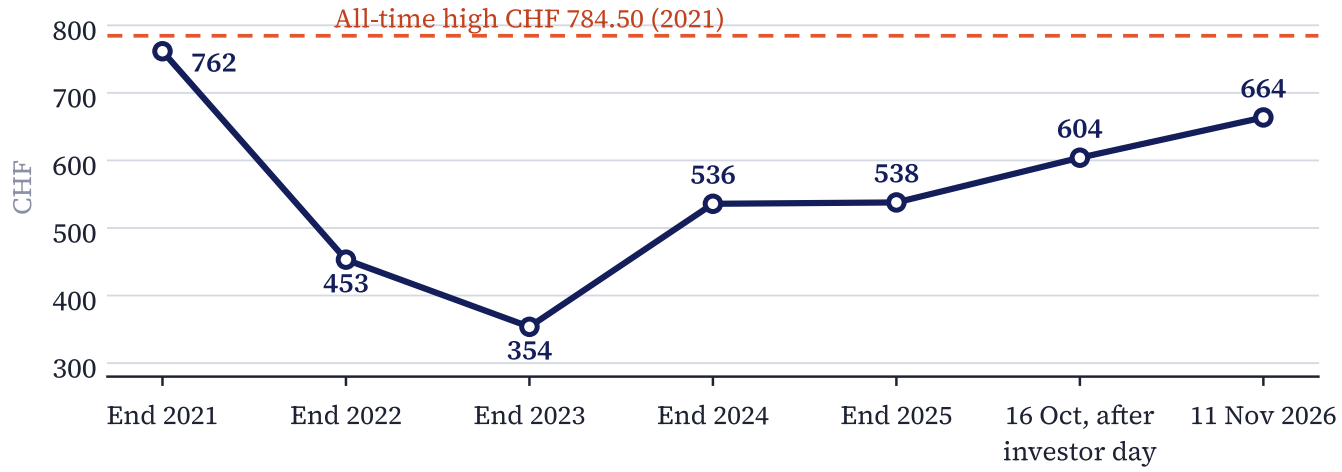
WHAT STANDS OUT

Free cash flow. Heavy capex means Lonza turns only about a third of its CORE EBITDA into cash until 2027, a free cash flow yield below 2%. The balance sheet copes: net debt falls to under 1 times CORE EBITDA once the Capsules money arrives.

EXHIBIT 8

The long road back to 2021

Lonza share price, CHF, year-end closes and recent milestones



Source: MarketScreener (year-end closes), cash.ch (16 Oct close). The 2021 peak came during the Covid boom, when Lonza made Moderna's vaccine.

5. Valuation: four methods, one answer

METHOD 1: DISCOUNTED CASH FLOW

Free cash flow from 2027 to 2035, plus a terminal value built with the value driver formula, NOPAT × (1 − g / RONIC) / (WACC − g). It makes the model pay for the growth it assumes. We use 2% growth and a 14% return on new capital.

Cost of capital	
Risk-free rate (normalised; Swiss 10-year c. 0.4%)	1.0%
Equity risk premium	6.0%
Beta (five-year 0.81; we use the market's 1.0)	1.0
Cost of equity	7.0%
Cost of debt after tax / weight of debt	1.6% / 3%
WACC (97% equity, 3% debt)	**6.8%**

From enterprise value to fair value	CHF m
PV of free cash flow 2027 to 2035	11,772
PV of terminal value (75% of total)	35,616
Enterprise value	**47,389**
Net debt end-2026E, after Capsules cash	(1,384)
40% Capsules stake, minorities	+568
Equity value / per share (69.8m)	**46,573 / CHF 667**

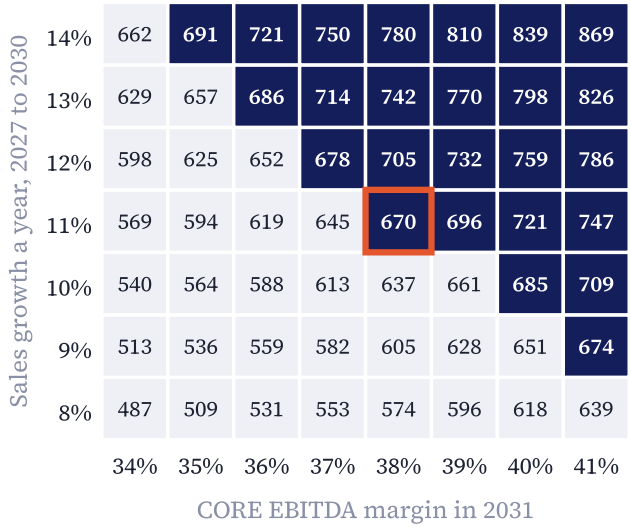
METHOD 2: REVERSE DCF

What do you have to believe to pay CHF 664? We change only growth to 2030 and the 2031 margin. Navy cells are worth more than the share price.

EXHIBIT 9

What CHF 664 asks you to believe

Value per share, CHF



Source: SGMS DCF. Navy cells are worth more than CHF 664. Red box: base case.

Our base case cell gives CHF 670, just above the price. CHF 664 needs 11% growth with a margin just under 38%, or 10% growth with a margin above 39%. That is our base case, with nothing to spare.

EXHIBIT 10

61% of the price is growth still to come

Value of 2026E NOPAT with no growth at all (NOPAT / WACC), against the rest of the share price

No growth: CHF 261 | **Growth still to come: CHF 403**

WACC \ terminal growth	1.5%	2.0%	2.5%	3.0%
5.8%	804	863	939	1,042
6.3%	711	753	807	876
6.8%	**636**	**667**	**705**	**753**
7.3%	573	597	625	659
7.8%	521	539	560	585

DCF value per share, CHF.

The discount rate is the weak spot of any DCF on a stock like this, with three quarters of the value in the terminal value. Half a point lower, at 6.3%, Lonza is worth about CHF 750, above the CHF 700 analyst average. Our Hold assumes Swiss rates do not stay near zero for ever.

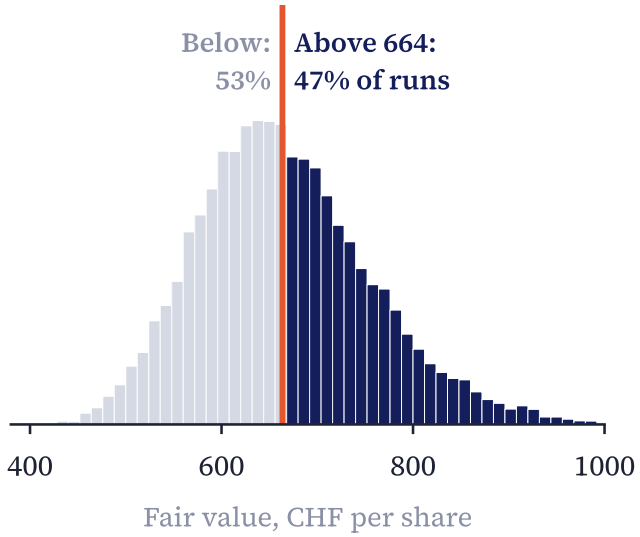
METHOD 3: MONTE CARLO SIMULATION

We ran the DCF 20,000 times with random inputs: growth to 2030 (mean 11%, deviation 1.5 points), 2031 margin (34 to 40%), WACC (mean 6.8%, deviation 0.4 points), terminal growth (1.5 to 2.5%) and return on new capital (12 to 18%).

EXHIBIT 11

More runs end below the price than above

Distribution of fair values, CHF per share



Source: SGMS. Median CHF 658; 10th percentile CHF 556, 90th CHF 787.

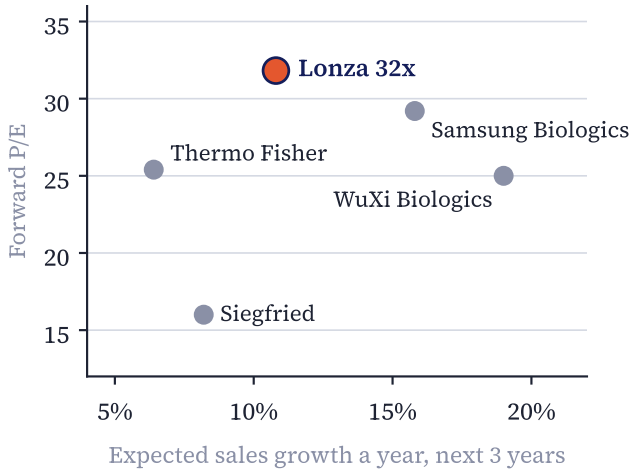
METHOD 4: PEERS

Lonza trades at about 32 times next year's earnings, more than Samsung Biologics, WuXi Biologics, Thermo Fisher and Siegfried, while growing more slowly than the two Asian CDMOs. Biologics peer multiples give CHF 512 to 675.

EXHIBIT 12

Priced like the fastest grower

Forward P/E against expected sales growth, next three years



Source: StockAnalysis (16 to 27 Oct 2026); Lonza at CHF 663.60.

6. Scenarios, catalysts and risks

Scenario	What has to happen	Growth 2027 to 2030	Margin 2031	Weight	CHF / share
Bear	Biotech funding dries up, Vacaville fills slowly	about 8%	35%	25%	507
Base	**Lonza delivers the middle of its own model**	**about 11%**	**38%**	**50%**	**667**
Bull	Onshoring and BIOSECURE fill plants faster, ADCs keep booming	about 13%	39%	25%	801
Probability-weighted value					**660**

CATALYSTS

- End-2026: Capsules sale closes, buyback starts.
- 18 Dec 2026: deadline for the US BIOSECURE list.
- Late Jan 2027 (expected): results, 2027 guidance.
- Mid-2027: Merck KGaA sites deal closes.

WHAT WOULD CHANGE OUR VIEW

Buy below CHF 575, or if 2027 guidance points to growth above 13% or a 36% margin.

RISKS

- Rates: worth CHF 597 at a 7.3% WACC, 753 at 6.3%.
- Currency: the franc took almost five points off first-half growth.
- Customers: 45% of sales come from smaller drug companies.
- Competition: Samsung, Fujifilm and big pharma are adding capacity.

SOURCES

1. Lonza, Full-Year Results 2025, report and release (28 Jan 2026)
2. Lonza, Half-Year Report 2026 and release (22 Jul 2026)
3. Lonza, Capsules & Health Ingredients divestment (6 Mar 2026)
4. Lonza, Capital Markets Day (14 Oct 2026), Merck KGaA deal (3 Nov 2026)
5. Lonza, Annual Report 2025 and locations pages
6. Reuters via Euronext, Lonza sets new mid-term targets (14 Oct 2026)
7. Investing.com, H1 2026 and Capital Markets Day coverage
8. cash.ch, Lonza articles of 19 and 30 Oct 2026
9. MarketScreener, consensus and share price (Oct to Nov 2026)
10. StockAnalysis, peer statistics (16 to 27 Oct 2026)
11. DLA Piper, US-China life sciences policy update (24 Aug 2026)
12. Fierce Pharma, Lonza buys Roche's Vacaville plant (2024)

Written by students of the University of St. Gallen for education. This is not investment advice and not a recommendation to buy or sell any security. The author does not work for Lonza and has never interned there. Figures checked on 12 November 2026; prices at the 11 November close. Estimates are our own.