Neue Bank

Lonza Group AG

Lonza, the world's largest contract manufacturer, is a key partner to the pharmaceutical and biotech industries. The company produces pharmaceutical ingredients and biotechnological products and operates globally in the healthcare sector.

Initial Situation

The Basel-based Lonza Group was founded in 1897 as the Lonza Power Plant on the banks of the Lonza River in Gampel, Switzerland, to generate hydropower to produce electro chemicals and represents the «old economy». As early as 1909, the company began producing basic chemicals, and its product range was quickly expanded. Today, the company has 17,000 employees and operates at more than 30 sites worldwide. Lonza is divided into four operating segments: Biologics, Capsules & Health Ingredients, Small Molecules, and Cell & Gene Therapy. The Biologics segment (approximately 50 % of total sales) is a leading partner for the contract development and manufacturing of biopharmaceuticals. The Capsules business unit (approximately 25 %) produces innovative capsules, dosage forms, and health ingredients for customers in the pharmaceutical and nutraceutical sectors. The Small Molecules division (approx. 15% of sales) acts as an integrated development and manufacturing service provider for small molecule drugs and their intermediates. The smallest business unit, Cell & Gene Technologies (approx. 10 %), develops innovative technologies and platforms that industrialize the manufacturing processes and production of cell and gene therapies.

Investment Suggestion

After a transitional year, Lonza returned to growth mode in 2025. The company continues to invest heavily in future growth as a pure pharmaceutical contract manufacturer, which is why its lower-margin capsule and dietary supplement business was put up for sale just over a year ago. Lonza's strategic realignment as a pure contract development and manufacturing company strengthens its prospects; growth of 11 to 12% is forecast for 2026. Strong demand, particularly in the biologics sector, will boost revenue, as customers increasingly seek stable supply chain partners ("Security of supply is increasingly taking precedence over price"). Revenue climbed by 19.2% to CHF 6.53 billion in 2025, and the core EBITDA margin rose to a robust 31.6%. A dividend of CHF 5 was paid May 12th, for the year 2025, which is why the share price is lower today. Due to its stable business model, the aging population (which we believe will lead to increased demand for pharmaceutical and biotechnology products), and high barriers to entry, Lonza is in a very strong and promising position. Following the recent share price weakness, the price target is CHF 669.82, representing an upside potential of +39.4%. We recommend buying Lonza Group shares at the current level.

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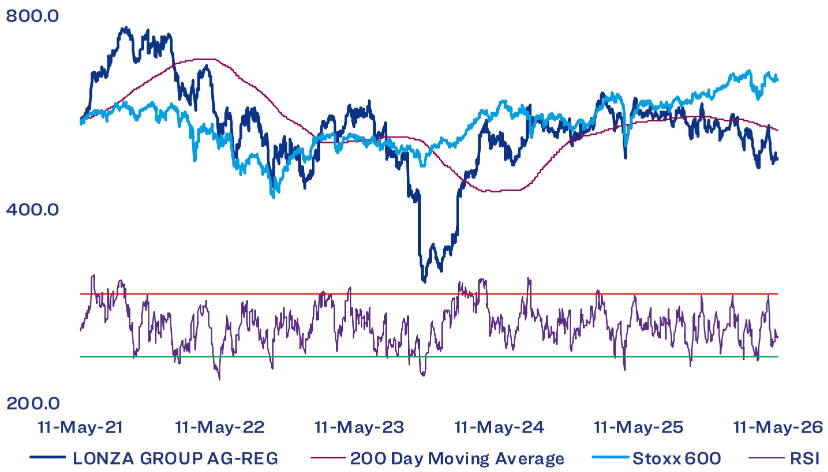
ISIN	CH0013841017
Sektor	Healthcare
Currency	CHF
Market Cap	CHF 33.71 Billion
12 Mt. Return	- 15.16 %
Price	CHF 480.50
Price Target	CHF 668.82 (+ 39.4 %)
Price/Book	-
Price/Earnings	36.94
Dividend Yield	1.04 %
ESG-Rating	AAA



Source: Bloomberg, Neue Bank AG

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