MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns Baa3 rating to Ipsen S.A., outlook stable

12 Mar 2025

Paris, March 12, 2025 -- Moody's Ratings (Moody's) has today assigned Baa3 long-term issuer ratings to Ipsen S.A. (Ipsen or the company). The outlook is stable.

RATINGS RATIONALE

The Baa3 rating balances Ipsen's high product concentration and the earnings erosion it is facing on Somatuline, its main product, with the company's very strong credit metrics supported by a prudent financial policy demonstrated by the company over the past years, and which we expect will continue for the foreseeable future.

The rating considers Ipsen's good Moody's-adjusted free cash flow (FCF) generation that we expect will trend around €450 million, before milestone payments, over the next 12-18 months, and excellent liquidity. The company's good geographic diversification helps offset price declines in specific markets, while Ipsen's increased focus on therapeutic areas with high unmet needs, such as rare diseases and neurosciences, enhances its prospects as these niche areas have high barriers to entry due to significant investments required to enter.

The rating is constrained by Ipsen's high product concentration, with its top three products generating 71% of total sales in 2024. The company's top two products have lost exclusivity, exposing Ipsen to potential heightened competition from generic entrants, which could pressure earnings. We anticipate Somatuline's earnings erosion to accelerate over the next 12-18 months as generic players expand capacity and their market presence in the US and Europe. However, we expect Dysport, the company's second-largest product, to continue to show mid-to-high single-digit revenue growth over the next 12-18 months, owing to its high barriers to entry due to its manufacturing complexity.

The rating also considers Ipsen's dependence on new product launches and expansion of its current products to new indications to compensate for Somatuline's decreasing revenues. It also considers the execution risk associated with the company's acquisition or licensing strategy, both of which entail investment risk as acquisitions often involve medicines that are still in the clinical trial stage.

Under our ESG framework, we have considered the company's prudent financial policy, with a balanced approach to its external growth strategy, shareholder remuneration and capital structure allocation, which was a key factor to the rating action. Ipsen has articulated a leverage limit of 2.0x (net debt including contingent liabilities being added to company-adjusted EBITDA) which the company has not reached, at least over the past five years.

In the next 12-18 months, we project mid-single digit top-line growth in percentage terms for Ipsen, largely driven by Cabometyx, Dysport, Onivyde, and new product entries like Bylvay and Iqirvo. These should help offset revenue declines from Somatuline. Organically, we expect the company's key credit metrics to remain strong, with Moody's-adjusted gross leverage around 0.9x and Moody's-adjusted (FCF) around 45% to 50% of debt. Given Ipsen's internal leverage guidelines, the company has significant room before approaching its leverage cap, allowing for potential investments and acquisitions. However, we understand that it is not Ipsen's strategy to consistently operate at the maximum leverage permitted by its financial policy.

RATING OUTLOOK

The stable outlook reflects our expectations that Ipsen's operating performance will benefit from mid-single digit organic top-line growth, despite the erosion of Somatuline's revenue. Key credit metrics should remain robust for the rating category, and we expect the company to maintain at least robust liquidity. The outlook also assumes Ipsen will not undertake substantial debt-funded acquisitions or shareholder distributions beyond its current policy, which would increase leverage above its self-imposed maximum level internal cap.

LIQUIDITY

Ipsen has excellent liquidity supported by cash balances of €678 million at the end of 2024, access to its undrawn revolving credit facility (RCF) of €1,500 million due in 2030, and our expectations of annual Moody's-adjusted FCF (excluding milestone payments) of around €450 million over the next 12-18 months. In addition, the company has a commercial paper programme (NEU-CP) for a total amount of €600 million, which has been used from time to time in the past few years to support general financing needs, with €80 million worth of commercial paper outstanding at the end of 2024. The company has a privately placed bond of $300 million due in two equal tranches in 2026 and 2029, which we assume will be repaid with internal cash flow.

Over the next 12-18 months, we have assumed the company will distribute about €120 million of yearly dividends with a capital expenditure (non-including milestones and licensing deals) of about 4% of revenue. We also assumed that any milestone payments due over the next 12-18 months will be covered with internal cash flow generation. The RCF does not include any financial covenant.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward rating pressure on the rating could develop over time if Ipsen broadens materially its product portfolio offering thereby reducing revenue dependence on its top three products so that their contribution to total revenue is reduced materially below its current level of 71%, if it demonstrates strong execution in developing and launching new products resulting in strong organic growth, and if it maintains a prudent financial policy and strong credit metrics, including at least solid liquidity.

Downgrade rating pressure could develop if earnings generation of recent launches or expansion of indications of Ipsen's current product portfolio do not compensate for Somatuline's earnings erosion, or if its pipeline of near-term launches is materially delayed, or if there are material execution disruptions around its development strategy, or if its Moody's-adjusted gross leverage increases above 2.5x, for a prolonged period of time.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Pharmaceuticals published in November 2021 and available at https://ratings.moodys.com/rmc-documents/356413 . Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

COMPANY PROFILE

Ipsen S.A. is a mid-size specialty pharmaceutical group that generated revenue of €3.4 billion in 2024, founded in 1929 and headquartered in France, with direct presence in more than 30 markets and markets its products in more than 100 countries. Ipsen develops and commercializes innovative medicines in three therapeutic areas: oncology, rare diseases and neuroscience. The company has a mix of vertical integration, including four manufacturing facilities. Ipsen is majority controlled by the Beaufour family since its foundation and it has around 40.6% free float in the Euronext Paris stock exchange with a market capitalisation of €9.4 billion as of 6 March 2025.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions .

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/rmc-documents/435880 .

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