

Medium-sized pharmaceutical industry

– Resilient for the future through profitable growth

Stuttgart | November 2025

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Management Summary



Objective

The study analyzes the financial structures and success patterns of 27 medium-sized pharmaceutical companies in Germany (turnover: €50–750 million) based on their annual financial statements for 2020–2023 and provides guidance on how companies can become more resilient in order to meet future market and competitive challenges.



Key findings

- On average, the companies surveyed showed moderate sales growth of 4% CAGR from 2020 to 2023. Companies with sales of €200-300 million showed the strongest growth momentum (Ø CAGR +8%)
- However, for nearly half of the companies examined, a positive change in revenue was not accompanied by a positive development in the EBIT margin; Rx manufacturers in particular show a decline in EBIT margin (Ø: -3 percentage points) despite an increase in revenue
- Companies with an OTC focus show stable results, which were boosted in the period under review primarily by phytopharmaceutical companies
- With Ø 57%, the equity ratio of family-owned companies is significantly higher than for non-family-owned companies
- Rx companies have the highest debt levels, with a net debt/EBITDA ratio of Ø 3.2
- Working capital increased by Ø 15 days to 119 days for the companies analyzed



Recommendations

- **Increase growth** by establishing (international) sales partnerships and expanding portfolios through strategic acquisitions
- **Increase profitability** by exploiting automation potential, reducing costs, and improving efficiency in structures
- **Optimize return on investment** by restructuring debt capital and using alternative forms of financing, as well as **optimize cash flow** through efficient management of receivables and control of liabilities to release liquidity

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In order to analyze the financial ratios and performance metrics, a sample of medium-sized pharmaceutical companies from Germany was selected

Objective

Analyze the financial ratios, performance metrics and success patterns of medium-sized pharmaceutical companies to assess how well and resiliently they are positioned to meet current market and competitive challenges

Methodology overview

1 Definition of a mid-size pharmaceutical company

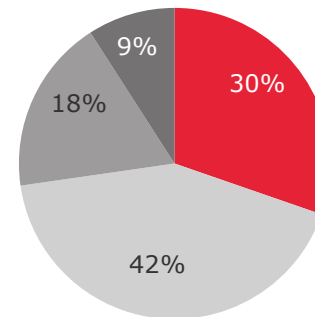
- €50 to €750 million in revenue
- 100 to 1,500 employees (2023)
- Pharmaceutical companies with production or distribution in Germany

2 Data basis for the study

- Annual financial statements 2020-2023 from the Federal Gazette/Company Register

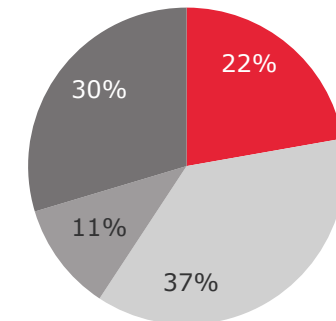
3 Breakdown of the 27 companies analyzed based on specific criteria

Breakdown by product segment



- Rx
- OTC
- Phytopharmaceuticals
- Contract Manufacturing Organizations

Breakdown by size (2023 revenue)



- <€100 million
- €100–200 million
- €200–300 million
- >€300 million

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The German pharmaceutical industry employs around 133,000 people, comprises almost 700 companies and is characterized by a high R&D intensity



133,000

Employees in Germany (2023)



670 companies

in Germany (2022)



92% mid-size

614 companies with up to 3,000 employees in Germany (2022)



16% R&D ratio

Highest value of all industries (2022)



€35 billion in export sales

In 2023 (+8.8% compared to 2022; USA largest export market)



€56.5 billion total turnover

From German pharmaceutical companies (2022)

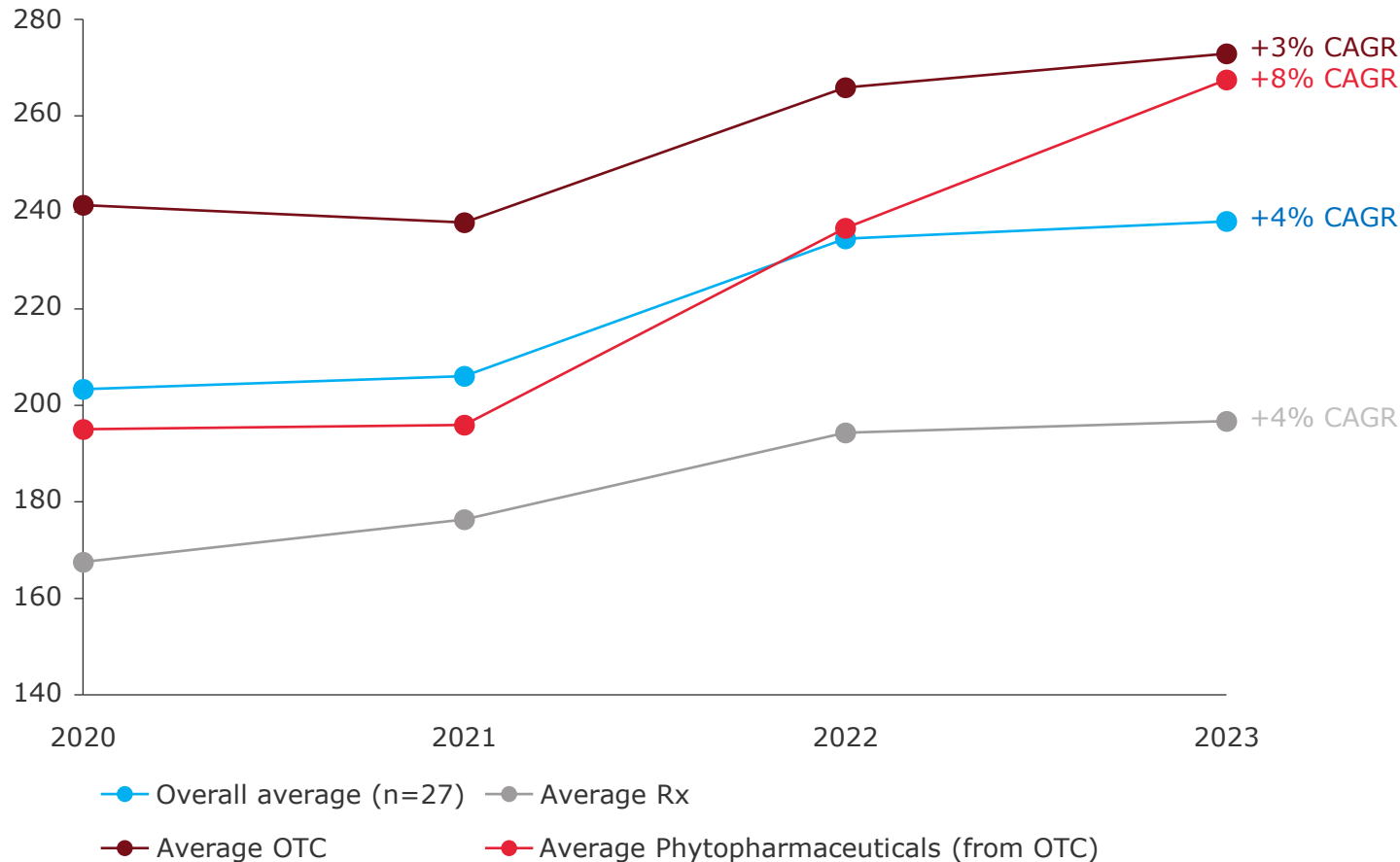
Source: Bundesverband der Pharmazeutischen Industrie e.V., Pharma-Daten 2024 Kompakt; vfa, Daten und Fakten der deutschen Pharmaindustrie 2025

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With an average sales CAGR of 8% in the period under review, phytopharmaceutical companies show twice the growth rate of other medium-sized pharma companies

Average sales in € million by product group

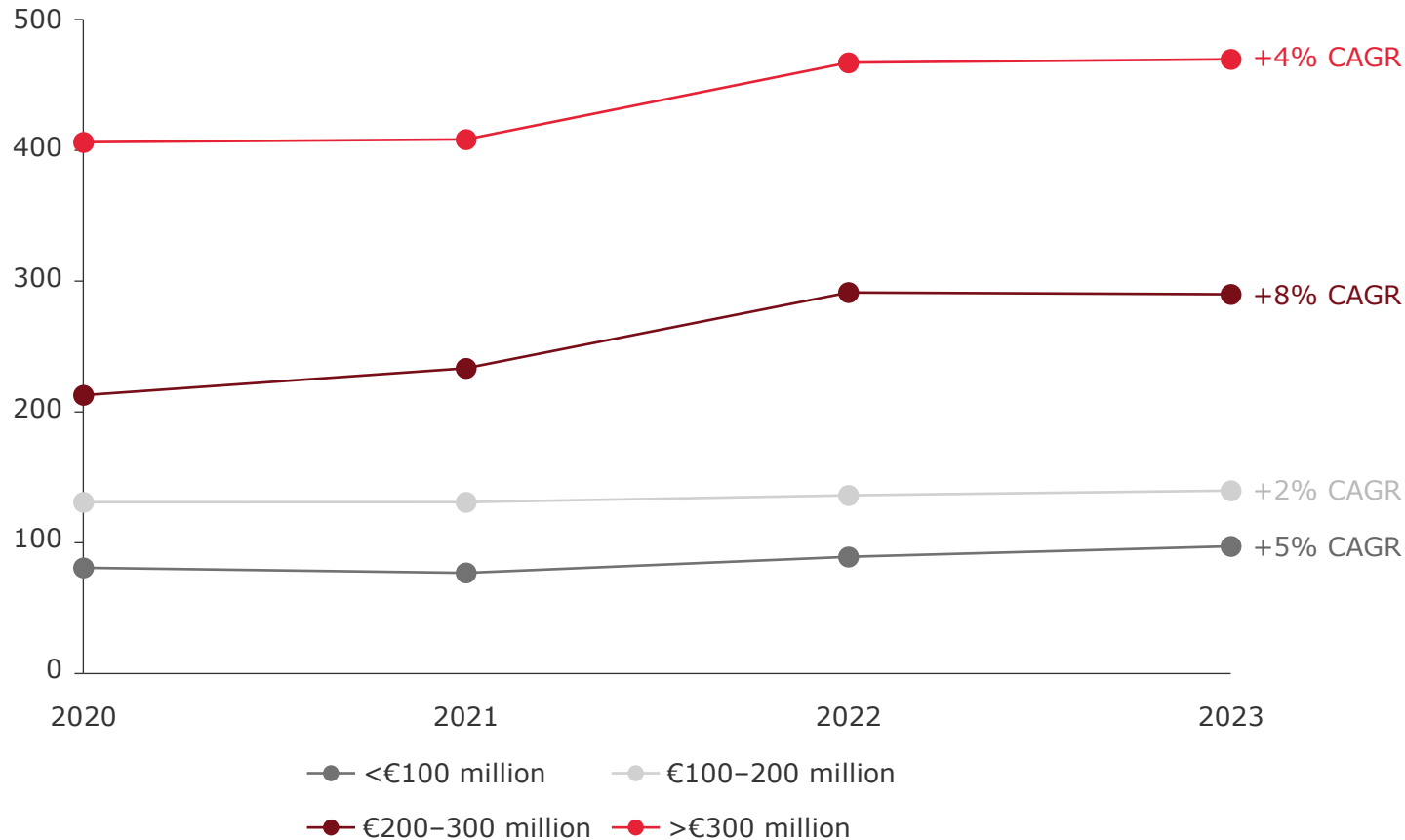


Comments

- A clear upward trend has been visible since 2021. The companies analyzed recorded average revenue growth of 4% during the period under review.
- The main reason for the increase in 2022 was the post-pandemic recovery following pandemic-related stagnation.
- Stable and moderate sales growth for Rx drugs (CAGR +4%).
- Noticeably high sales growth for phytopharmaceutical manufacturers from 2022 onwards (from 2020 to 2023: +37%).
- At 8%, the CAGR is twice as high for phytopharmaceutical manufacturers as for other product segments, where the CAGR is at a similar level (approx. 3-4%).

With a CAGR of 8%, companies with a turnover of €200-300 million have the highest turnover CAGR among medium-sized companies

Average turnover in € million by company size (i.e. turnover category)

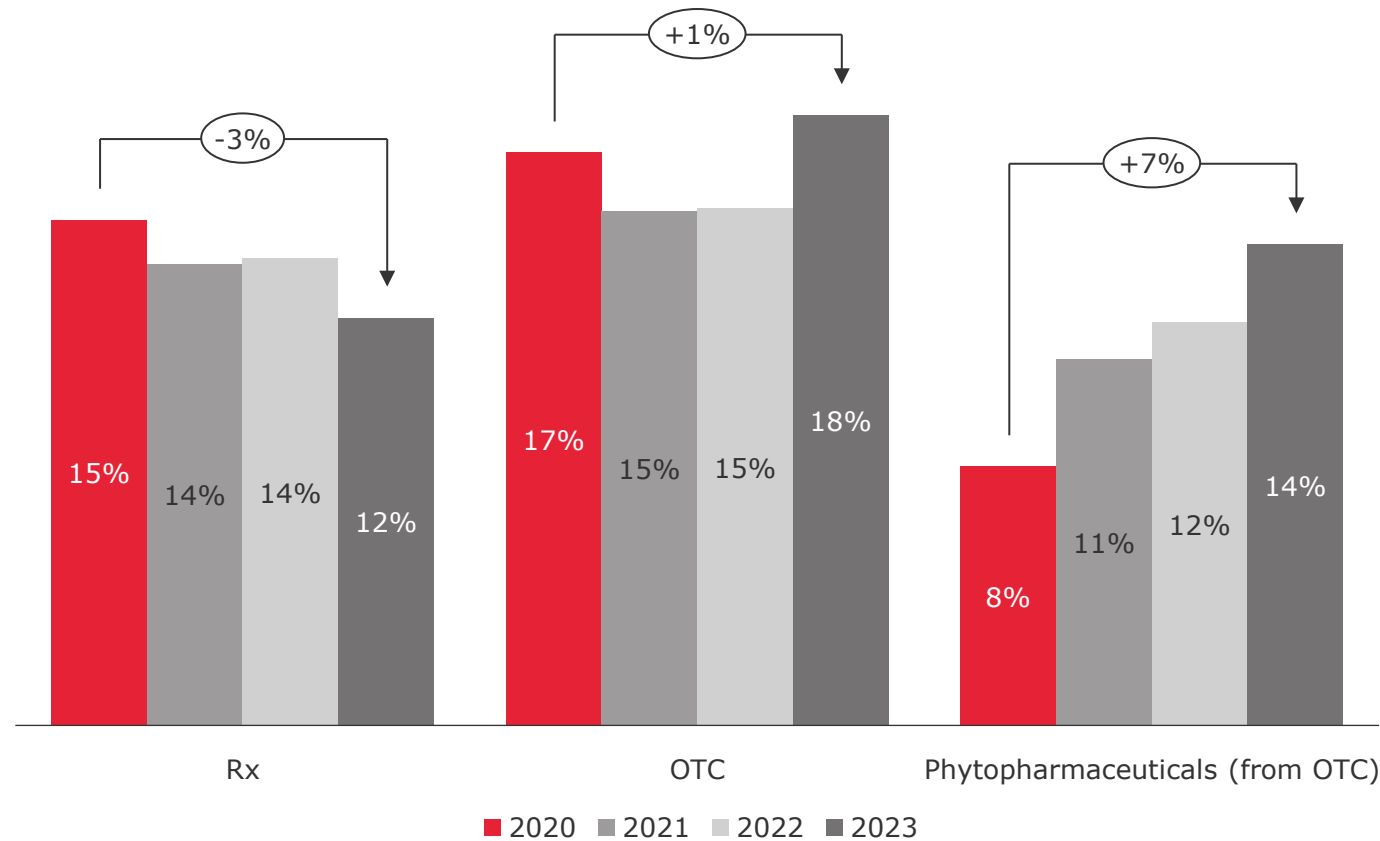


Comments

- Revenue growth is evident in 2022 for larger medium-sized companies and companies with annual revenues below €100 million. Revenue growth here was 14%–25%, while revenue growth in 2022 for companies with revenues of €100–200 million was only 4%.
- With a CAGR of 8%, the strongest average revenue growth was seen among companies with revenues of €200-300 million.
- Larger companies (with revenues of €200 million or more) can benefit from greater automation and sales activities, as well as from the opportunity to tap into new markets.
- Smaller companies can respond to market changes (or times of crisis) with a high degree of flexibility and thus benefit from growing revenues.
- Companies with turnover in the range of €100–200 million are often undergoing organizational change: processes are becoming more complex, and costs are rising faster than turnover.

OTC manufacturers (especially phytopharmaceuticals) were able to increase their EBIT margin from 2020 to 2023; manufacturers of Rx drugs decline by 3 percentage points

Development of average EBIT margins by product segment

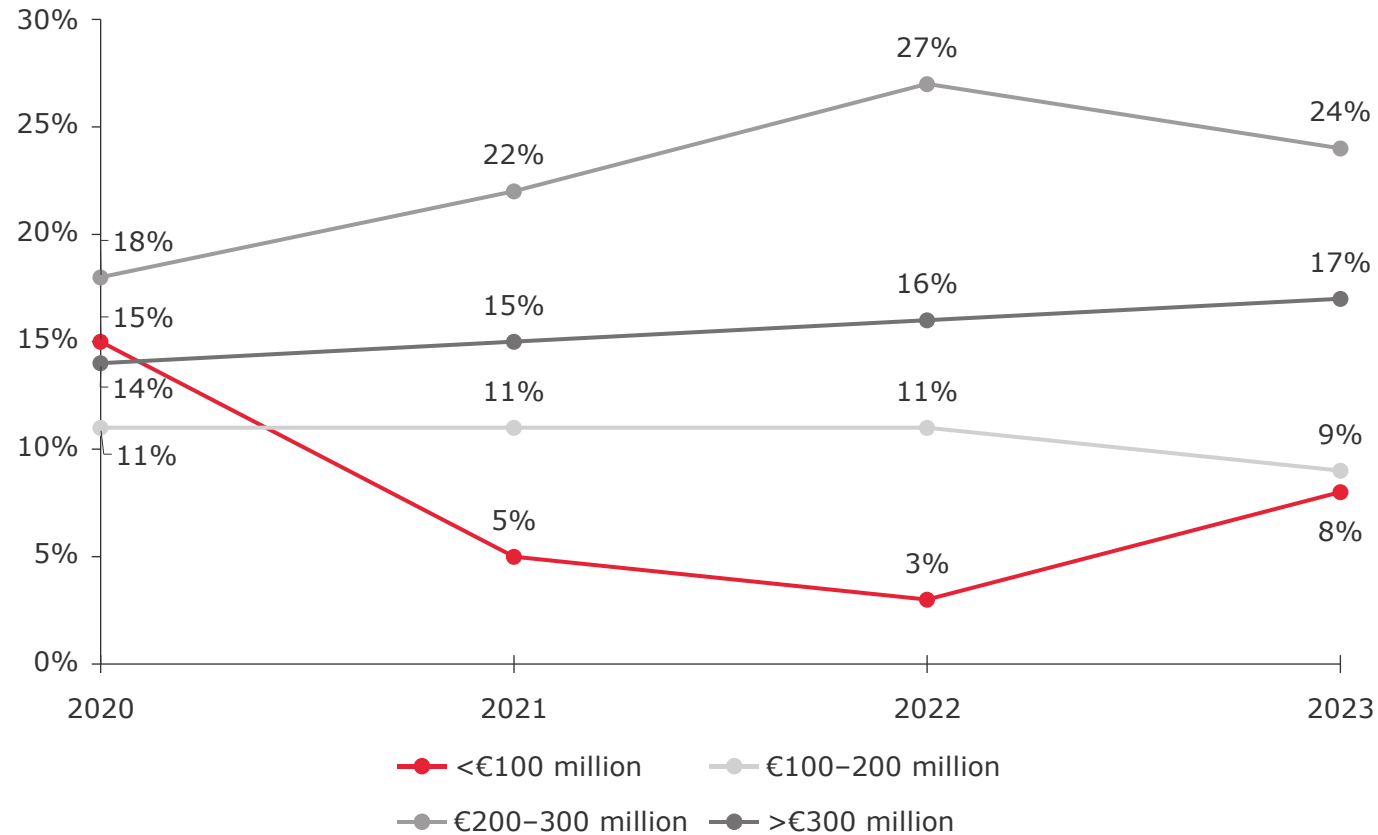


Comments

- Overall, the range of EBIT margins varies greatly, ranging from -11% to +44% for the individual companies considered.
- For more than half of all companies, the EBIT margin in 2023 was lower than or equal to that in 2020; the average EBIT margin is 15%.
- For phytopharmaceutical companies, the sales trend corresponds to the development of EBIT margins: from 2020 to 2023, the EBIT margin has almost doubled from 8% to 14%.
- The margin of Rx companies fell slightly by 3 percentage points to an average 12% in 2023, while that of OTC manufacturers remained largely stable (18% in 2023).

The EBIT margin of larger medium-sized companies, averaging 20% from 2020 to 2023, outperformed the EBIT margin of smaller pharma companies by 10 percentage points

Development of average EBIT margins by company size (based on turnover)

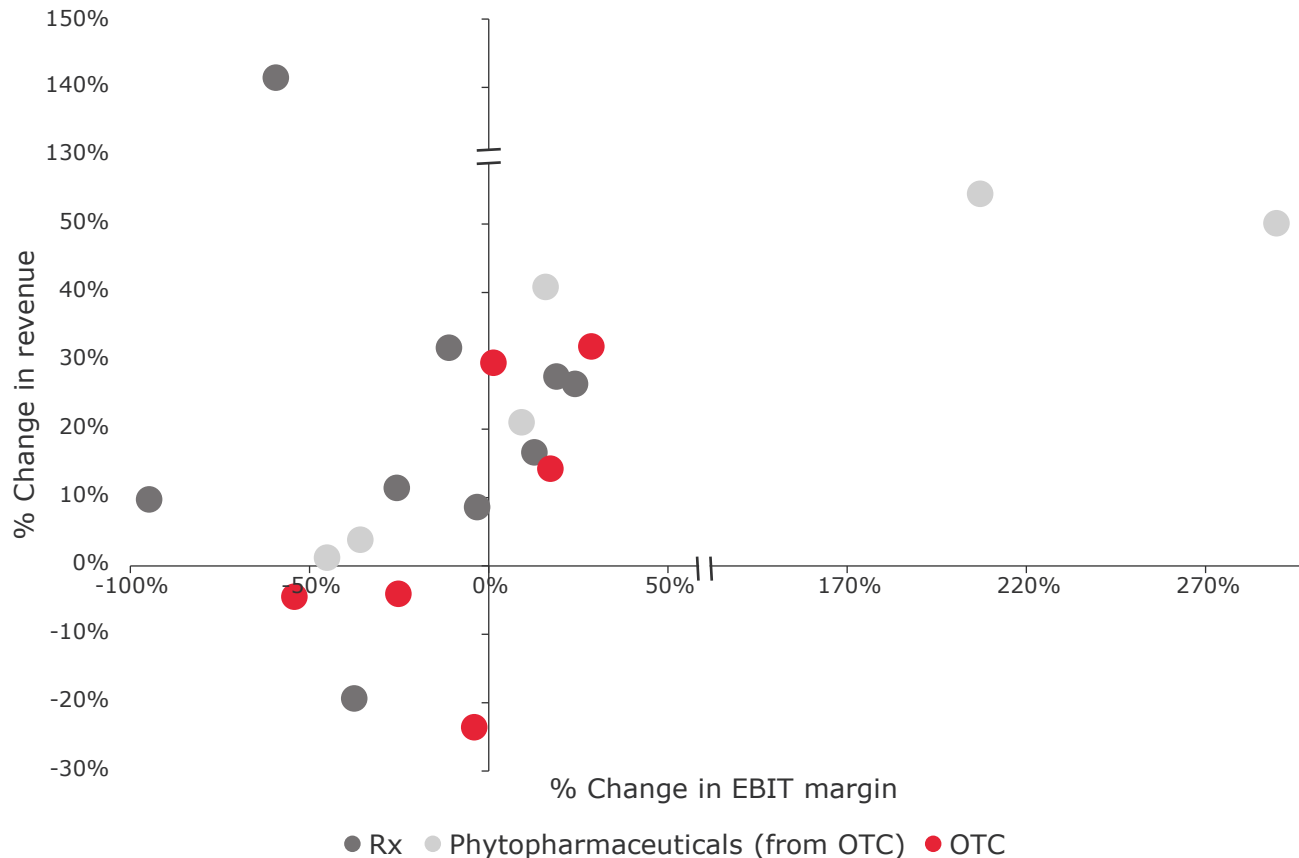


Comments

- Smaller companies (turnover < €100 million) have seen a sharp decline in their EBIT margin since 2020, from around 15% to 3% in 2022. In 2023, the EBIT margin recovered slightly, but at an average of 8% it remained well below the overall average for all companies analyzed and for the industry.
- Pharmaceutical companies with revenues of €100-200 million and over €300 million show stable margins in the mid-range, averaging 11% and 16% respectively
- Companies with sales between €200 million and €300 million show the best performance by far. Until 2022, there was a continuous increase in the EBIT margin to 27%. In 2023, the EBIT margin declined slightly but remained above the level of 2020 and 2021.
- Smaller medium-sized companies are therefore under pressure to succeed, while larger medium-sized companies benefit from stability but must remain competitive and keep the momentum in terms of growth.

Remarkably, for almost half of the companies surveyed, increased sales were not accompanied by a positive development in the EBIT margin

Change in sales and EBIT margin (%) by product segment (2020-2023)*



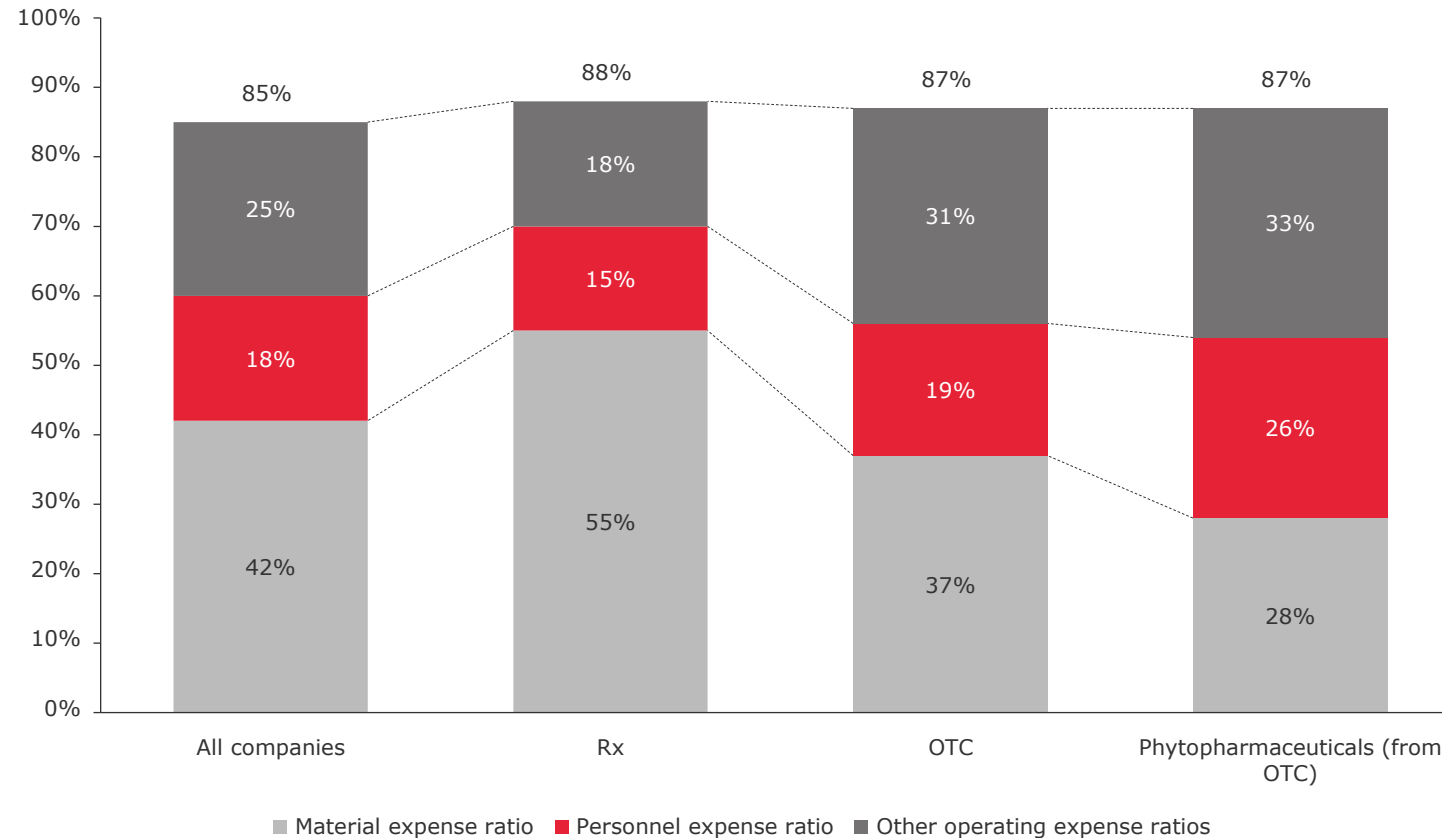
Comments

- For almost half of the companies surveyed, a positive development in sales was not accompanied by a positive development in the EBIT margin.
- Companies with strong sales growth in some cases do record declining EBIT margins. This indicates increased investment requirements, higher input costs or inefficient scaling.
- Among the 10 high performers (positive EBIT margin with positive sales growth), there are 7 OTC companies (including phytopharmaceuticals). Almost all Rx companies surveyed had positive sales growth overall, but only 3 out of 9 companies showed growth in their EBIT margin.
- While earnings development at many OTC and phytopharmaceutical manufacturers was in line with sales development, the EBIT margin at around half of the Rx companies was negative despite positive sales development.

* Outliers (n=1) were excluded so as not to distort the presentation.

Phytopharmaceutical companies' personnel expenses were 8 percentage points above average, while Rx manufacturers' material expenses were 13 percentage points higher

Development of material, personnel and other operating expense ratios by product segment (Ø 2020–2023)

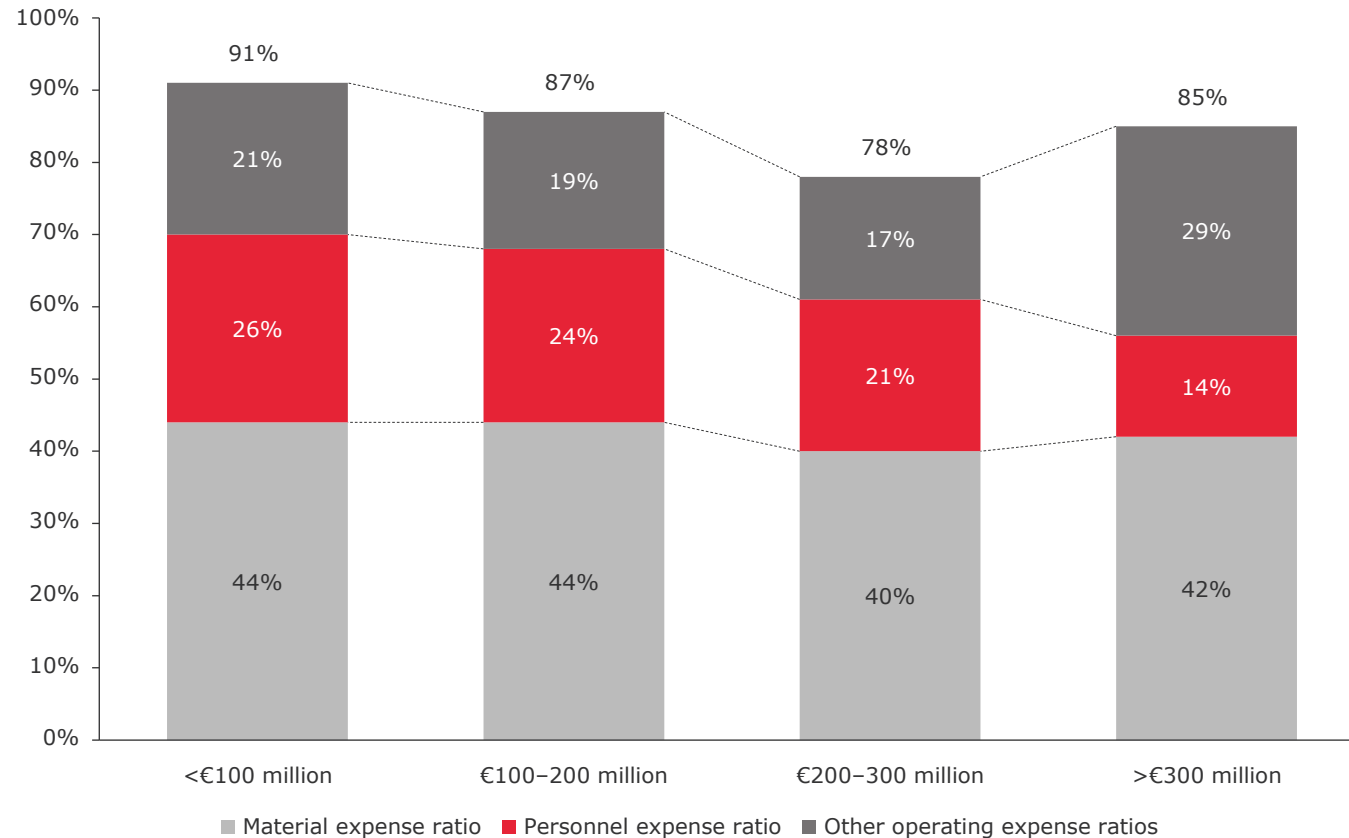


Comments

- The personnel and material expense ratios of mid-size companies are 18% and 42% respectively.
- Rx manufacturers have the lowest personnel expense ratio at 15% and the highest material expense ratio at 55%. The high material costs are due to the use of expensive active ingredients and complex manufacturing processes resulting from strict regulatory requirements.
- Phytopharmaceutical companies have a significantly higher personnel expense ratio of 26% and a significantly lower material expense ratio of 28% compared to the average, which is due to higher personnel costs in other areas (such as sales).
- OTC companies are in the middle of the range, with a significant spread in each case. These differences are mainly due to structural factors, such as more cost-intensive active ingredients, different levels of vertical integration, and location and labor costs.

Economies of scale reduce personnel expenses for larger medium-sized companies, while the material expense ratio remains largely constant

Development of the material, personnel and other operating expense ratios by company size (based on turnover) (Ø 2020–2023)

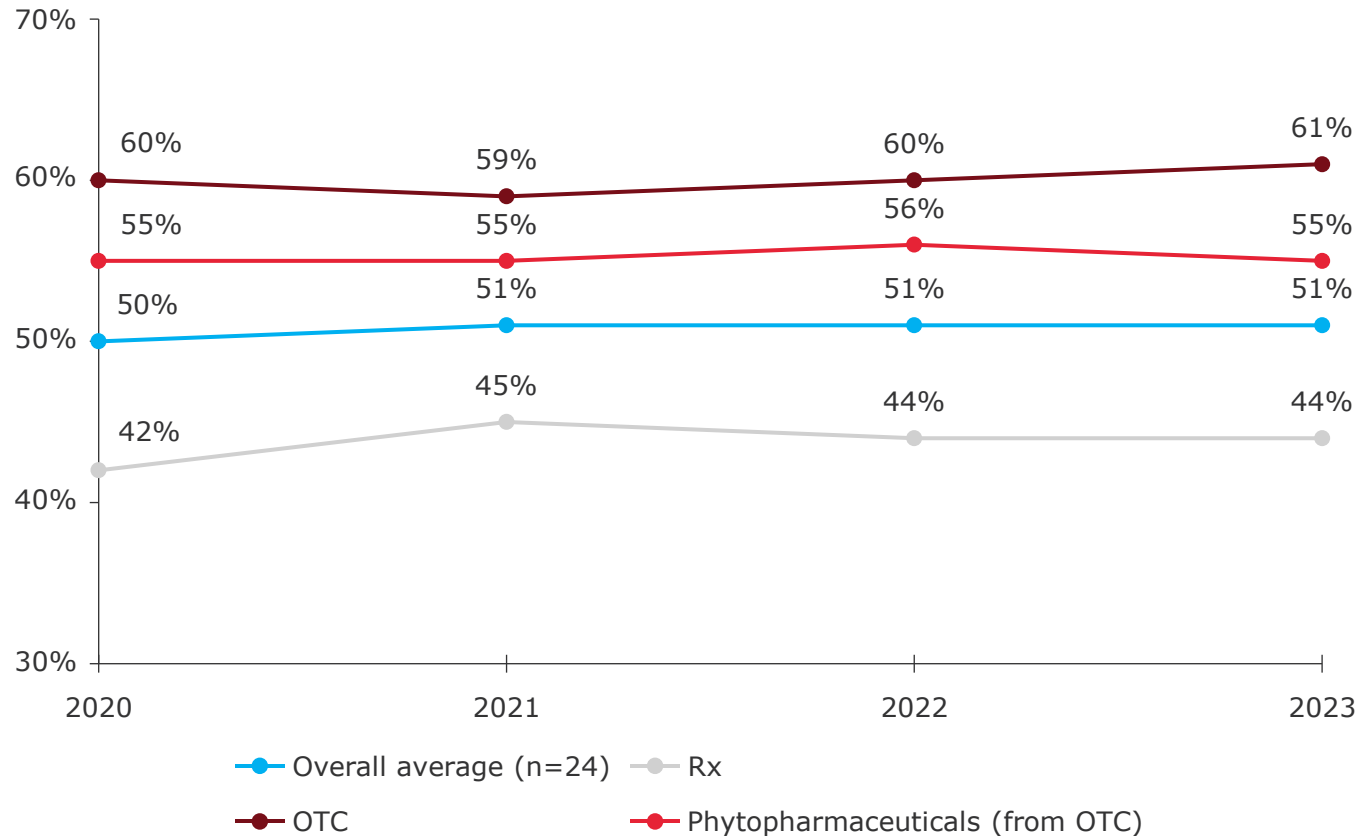


Comments

- With increasing company size, the average personnel expense ratio decreases due to economies of scale, as fixed costs can be spread over higher sales, and production and administrative structures are often more efficient. In addition, in larger companies, processes become more automated, and parts of the value chain are outsourced.
- There are only minor differences in the material expense ratio between company sizes, as factors such as active ingredient and packaging prices, regulatory requirements and the underlying procurement and production processes are largely independent of company size.
- At the largest companies in the sample, the average other operating expenses ratio of 29% over the period under review is significantly higher than that of the other companies, which suggests higher sales and marketing costs (brand management).

With an average of 60%, manufacturers of OTC products have an equity ratio that is 16 percentage points higher than that of Rx companies

Development of average equity ratios by product segment

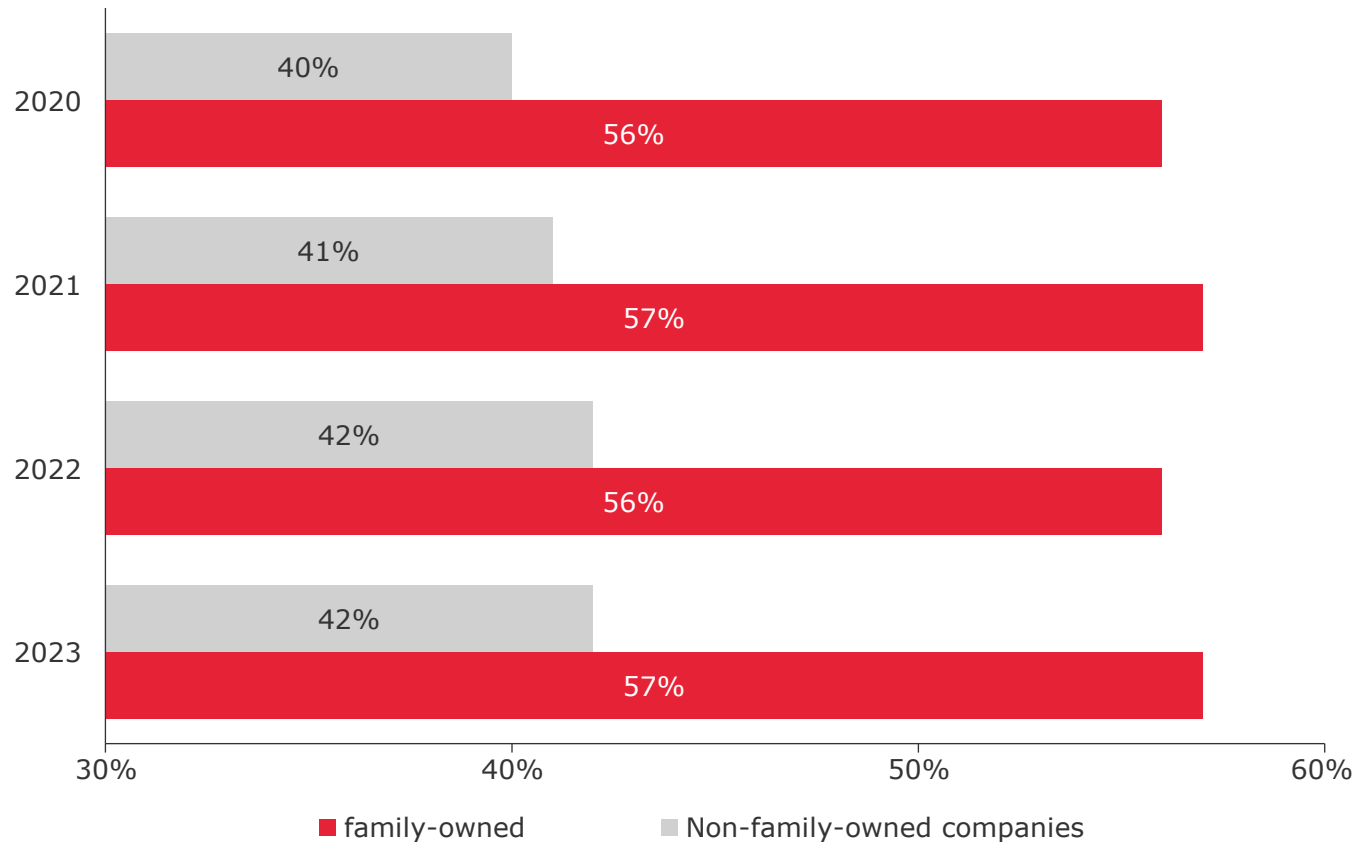


Comments

- With Ø 60%, the OTC segment has the highest average equity ratio, while Rx manufacturers have the lowest with 44%. Phytopharmaceuticals are in the middle range with an equity ratio of 55%.
- Equity ratios remained stable in all three segments throughout the 2020–2023 reporting period. The changes (delta) remained constant in the range of 0 to 2 percentage points.
- The equity ratios of the OTC (and phytopharmaceutical) companies examined indicate a solid financing structure that enables strong self-financing. The positive results of recent years also contribute to high equity ratios among OTC manufacturers.
- For Rx manufacturers, the equity ratio is at a consistently lower level and increased to a maximum of 45% in 2021. Rx companies apparently operate with more debt capital and there is a significantly higher dependence on external financing in this area.

With an average of 57%, family-owned businesses have an equity ratio that is 16 percentage points higher than non-family-owned companies

Equity ratios by ownership structure (2020–2023) (n=24)

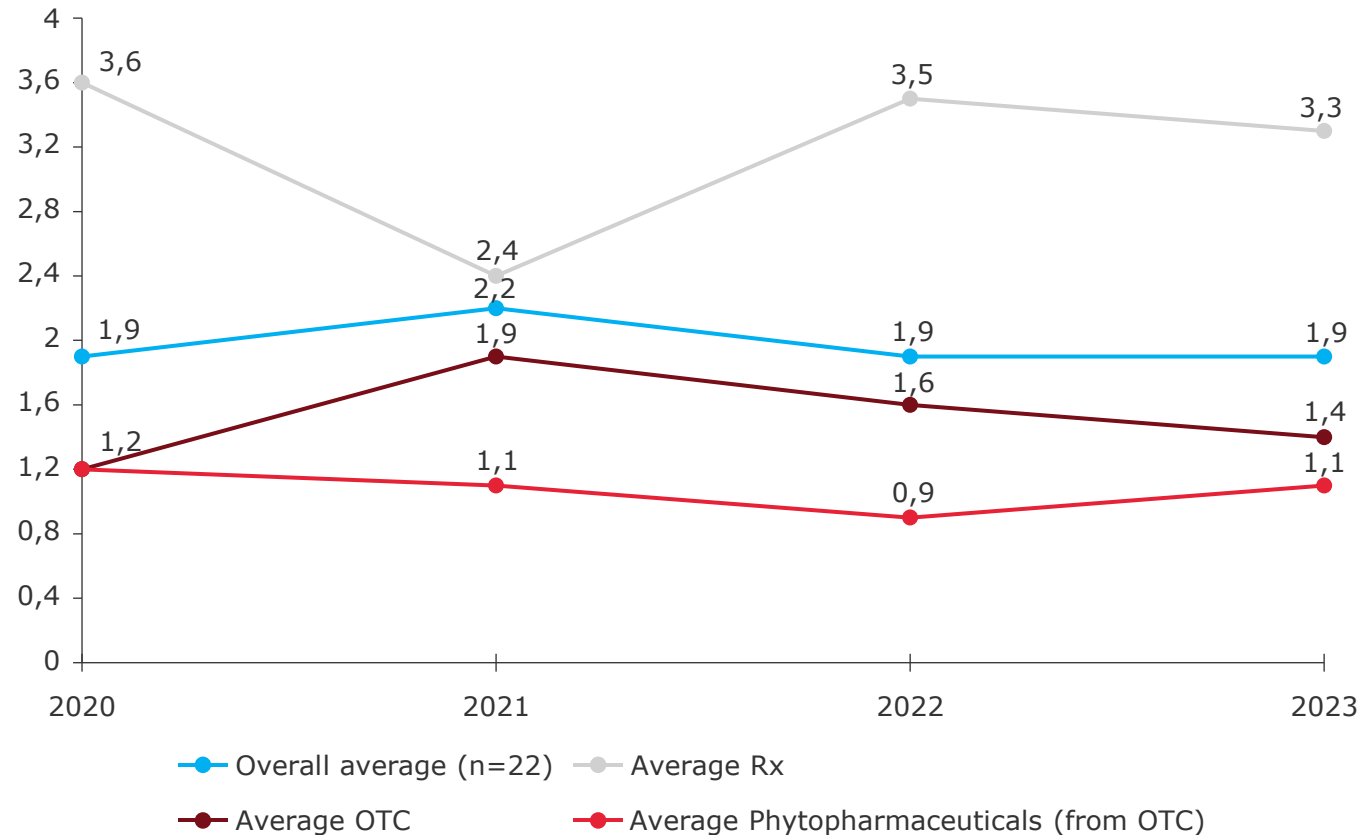


Comments

- Both family-owned and non-family-owned companies have shown stable equity ratios over the years, with minimal fluctuations.
- Family-owned companies have a significantly higher equity ratio than non-family-owned companies (42%), averaging 57%, while the overall average is 51%. The reason for this is a conservative corporate strategy with a tendency towards low debt ratios in order to ensure long-term stability.
- Of the 10 companies with the highest equity ratios (Ø 2020–2023), seven are family-owned.
- The analysis excluded companies whose exceptionally low equity ratios are attributable to their affiliation with a group and an existing profit and loss transfer agreement.

With an average of 3.2, Rx companies have the highest net debt/EBITDA ratio and thus the highest dependence on external financing among all companies analyzed

Development of the net debt/EBITDA ratio by product segment (n=22)

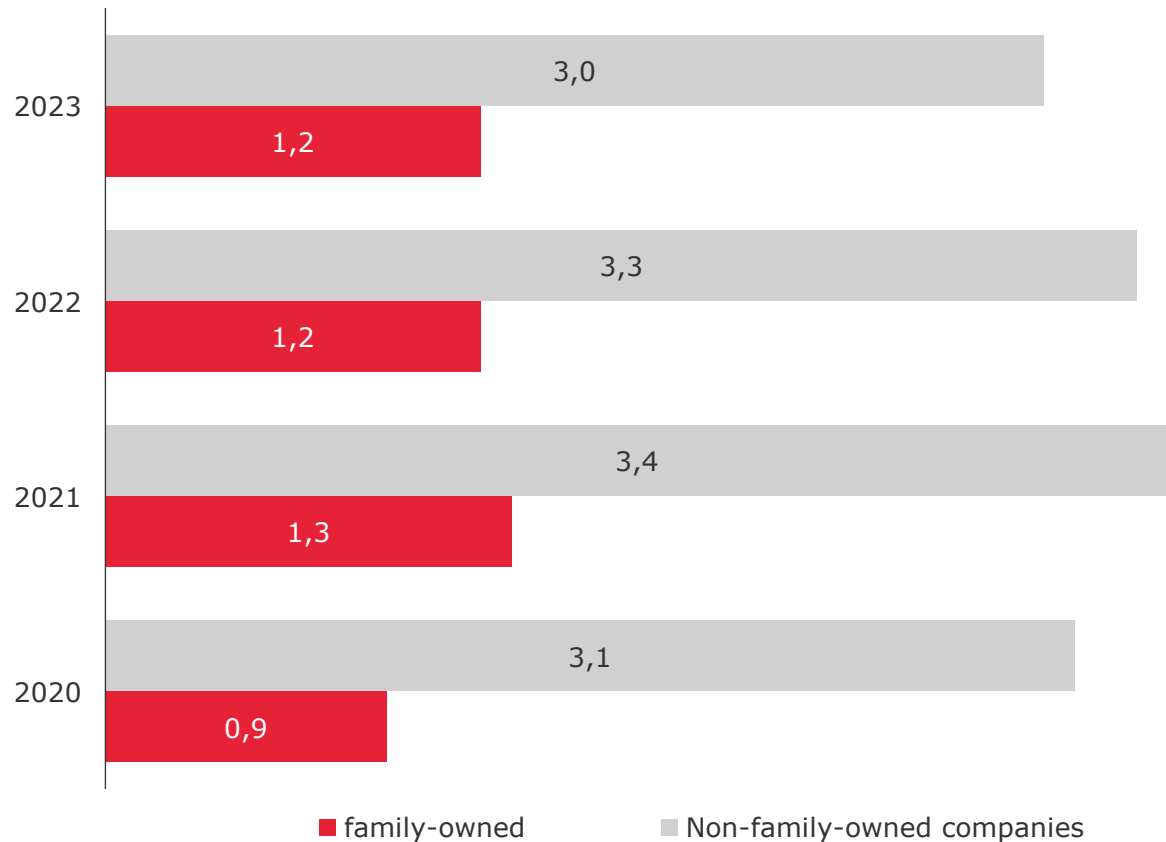


Comments

- Rx companies showed the highest values for net debt/EBITDA ratio (2.4 to 3.6) over the entire period, with a noticeable decline in 2021. The reason for the decline was a sharp reduction in net debt and debt capital, accompanied by a moderate increase in EBITDA.
- This development was primarily related to the COVID-19 pandemic, which led to higher revenues in 2021 and, at the same time, to more cautious borrowing due to pandemic-related uncertainties.
- OTC companies started with a very low ratio, recorded an increase in 2021, and stabilized in the following years. Phytopharmaceutical companies remained at a low level throughout.
- With an average of 3.2, only Rx companies are above the overall average in all years considered.
- Companies with cash pool agreements were not included in the analysis of the net debt/EBITDA ratio.

With an average 3.2, non-family-owned companies have a significantly higher net debt/EBITDA ratio than family-owned companies, where it averages 1.2

Development of the net debt/EBITDA ratio 2020–2023 by ownership structure

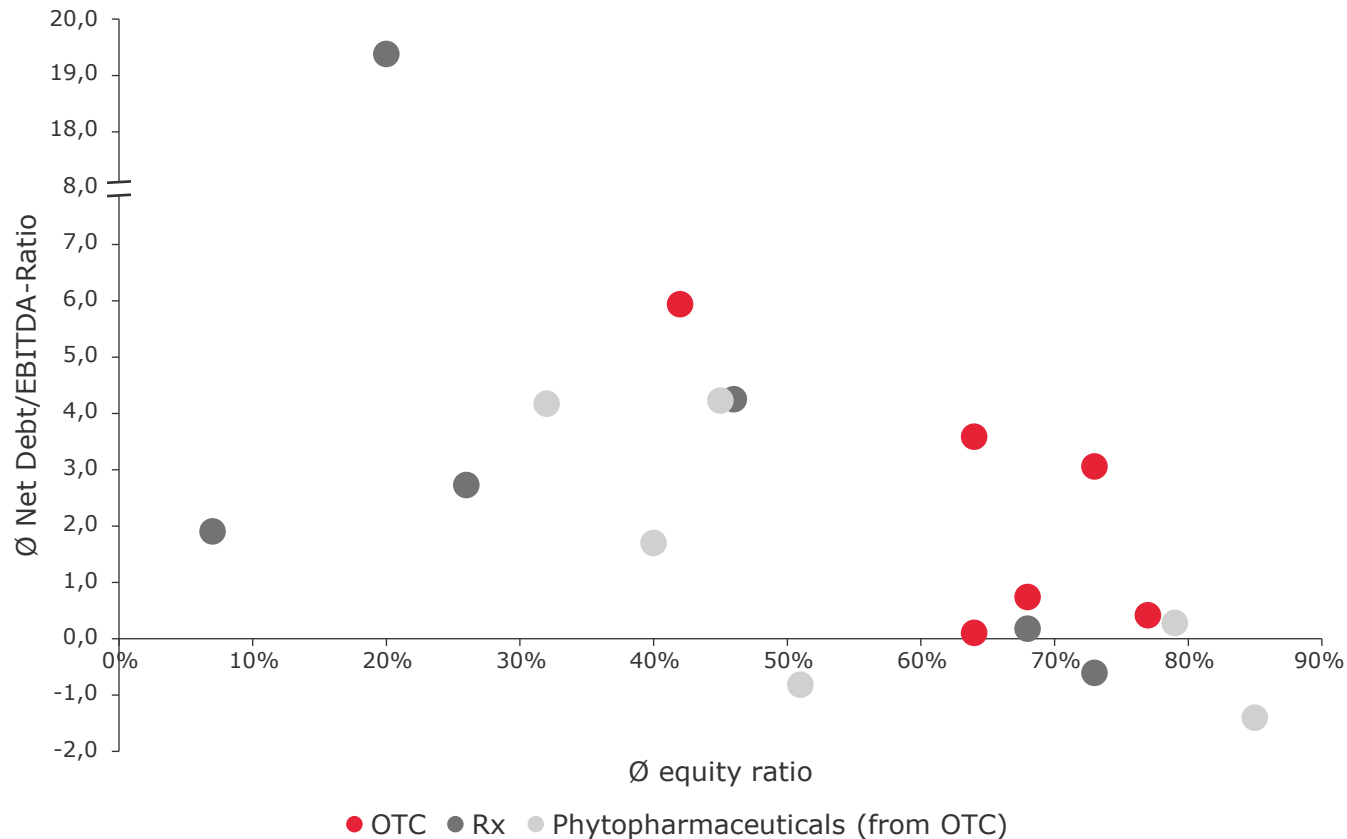


Comments

- With an average 3.2, non-family-owned companies have a significantly higher net debt/EBITDA ratio than family-owned companies, where it averages 1.2.
- The net debt/EBITDA ratios are stable for both family-owned and non-family-owned companies, with few fluctuations.
- Family-owned companies usually take a long-term approach and tend to pursue a risk-averse strategy by maintaining solid liquidity and a conservative financing structure.
- According to the analysis presented, non-family-owned companies tend to take higher risks through debt in order to finance growth.

Companies with equity ratios of over 50% predominantly have a low net debt/EBITDA ratio of less than 1.0

Ø Net debt/EBITDA ratio in relation to Ø equity ratio by product segment (2020–2023)



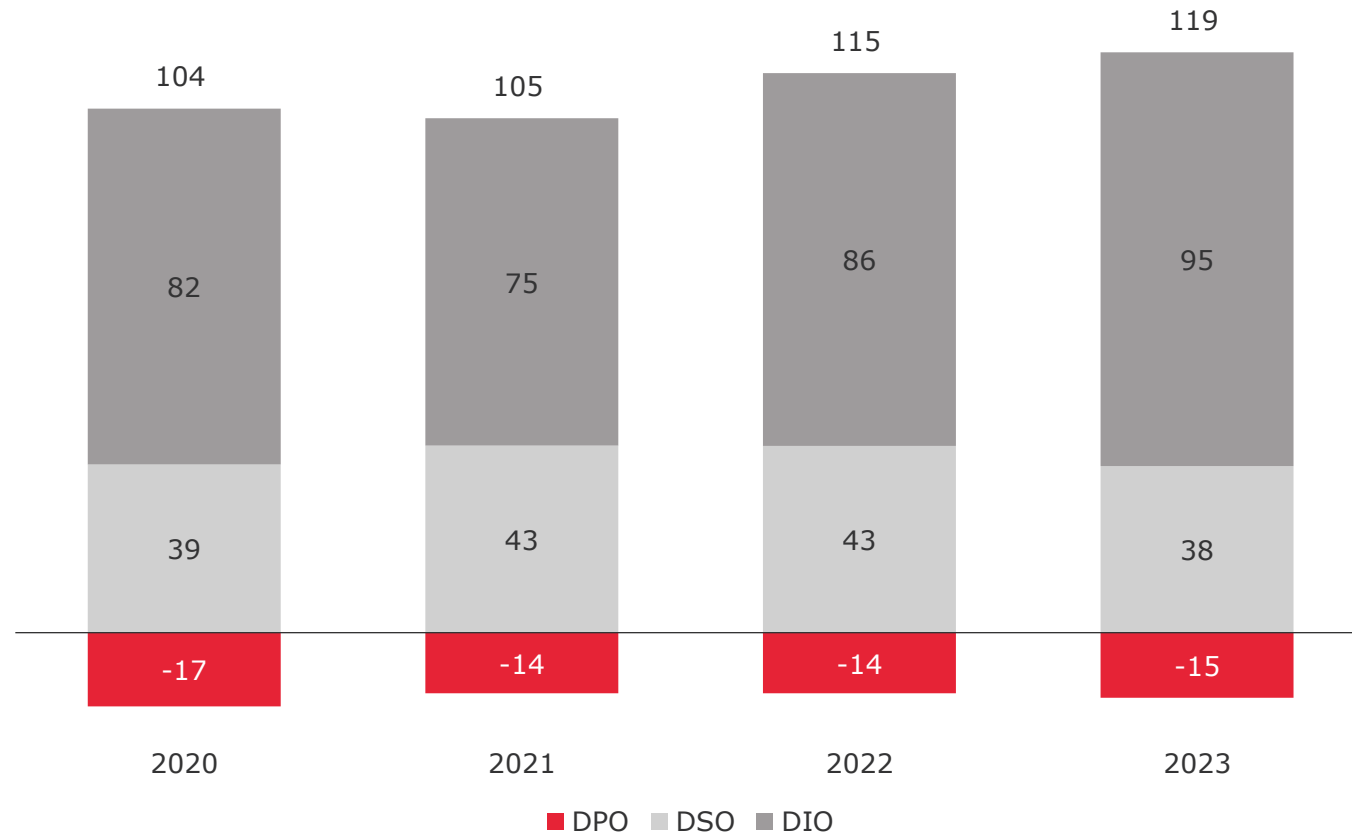
Comments

- Overall, there is some correlation between the equity ratio and the net debt/EBITDA ratio: the higher the equity ratio, the lower the net debt/EBITDA ratio; for equity ratios >50%, the net debt/EBITDA ratio is predominantly below 1.0.
- The mathematically negative net debt/EBITDA ratios arise from the fact that these companies have 'negative net debt', i.e. their liquid assets exceed their existing debt capital.
- OTC companies tend to have higher equity ratios, while those of phytopharmaceutical manufacturers vary more widely (range from 30% to 85%).
- Some Rx manufacturers have rather low equity ratios, combined with a tendency towards higher net debt/EBITDA ratios. In this case, stable and good operating results must be achieved in order to reduce debt.

* Outliers (n=4) were excluded so as not to distort the presentation.

The working capital of mid-sized pharmaceutical companies rose by 15 days to 119 days during the period under review

Development of average working capital in days* (median; n=27)



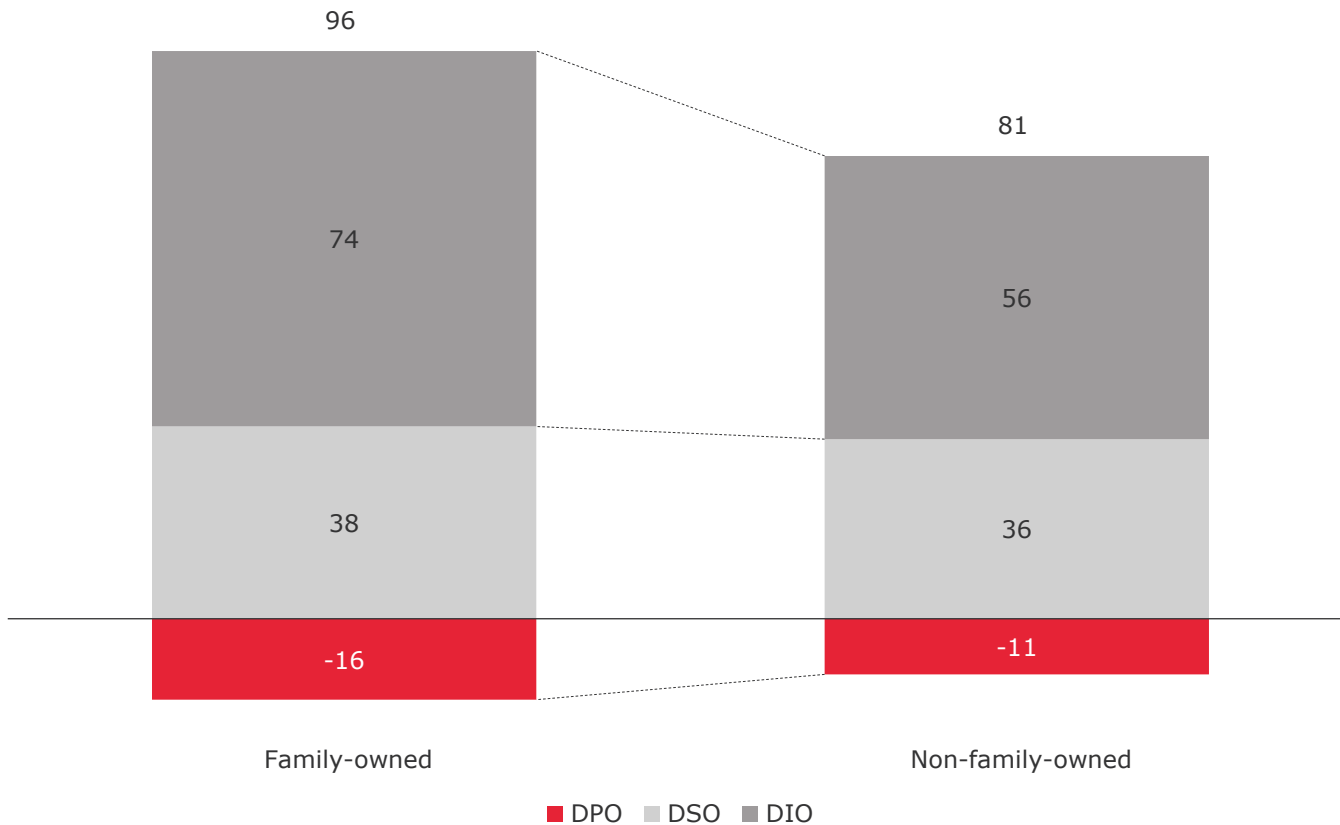
Comments

- In the WCAP analysis, the median was used to exclude outliers and better evaluate trends among medium-sized companies in the pharmaceutical industry.
- Overall, an increase in Cash Conversion Cycle (CCC) can be observed across all companies over the period under review.
- The average DPO over the period under review is 15 days. Rx and phytopharmaceutical companies are below the overall average, with phytopharmaceutical manufacturers in particular having very low DPOs.
- No specific trend can be identified when analyzing the DSO, although there was a tendency towards an increase in 2021 and 2022. OTC and, above all, phytopharmaceutical manufacturers are in some cases significantly below the overall average of all companies analyzed.
- DIO increased significantly by 13 days between 2020 and 2023. OTC companies in particular influence this development by reducing DIO in 2021, and by increasing it in 2022 and 2023.

*DPO (days payable outstanding) = trade payables / sales revenue * 365 days
 DSO (days sales outstanding) = trade receivables / sales revenue * 365 days
 DIO (Days Inventory Outstanding) = Inventories (minus advance payments received, if applicable) / Sales revenue * 365 days
 CCC (Cash Conversion Cycle) = DIO + DSO - DPO

With 96 days, the average working capital for family-owned businesses is 15 days higher than for non-family-owned companies, mainly due to higher DIO

Average working capital 2020–2023 in days by ownership structure* (n=27)



Comments

- Working capital for family-owned businesses is 96 days, while that of non-family-owned businesses is 15 days lower at 81 days. This means that family-owned businesses have greater liquidity security, but also more tied-up capital.
- The differences in DIO are striking. With 74 days, it is 18 days higher for family-owned businesses than for non-family-owned companies (56 days). The main driver for higher working capital is therefore inventory.
- There are only slight differences of 2 to 5 days in DPO and DSO.
- Overall, working capital increased by 14 days between 2020 and 2023 for family-owned companies (from 91 to 105 days; average 96 days, see chart), and by 4 days for non-family-owned companies (from 80 to 84 days; average 81 days, see chart).

*DPO (days payable outstanding) = trade payables / sales revenue * 365 days
 DSO (days sales outstanding) = trade receivables / sales revenue * 365 days
 DIO (Days Inventory Outstanding) = Inventories (minus advance payments received, if applicable) / Sales revenue * 365 days
 CCC (Cash Conversion Cycle) = DIO + DSO - DPO

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Half of the companies analyzed show declining margins although they grow in revenue; cooperation, acquisitions and measures to increase efficiency are particularly recommended

1 Growth

Observations

- **OTC companies** have comparatively weaker sales growth and are below the industry average.
- Companies in the **€100-200 million** and **>€300 million turnover** categories show the lowest sales growth of all the medium-sized pharmaceutical companies examined.

Recommendations

- **Acquisitions:** Expand product portfolio and tap into new market segments (with corresponding capital strength).
- **(International) sales partnerships:** Access to new markets, scaling of sales.

2 Profitability

- However, in **nearly half of the companies examined**, a positive change in turnover was not accompanied by a positive development in the EBIT margin. **Rx manufacturers in particular** are recording a decline in EBIT margin (average: -3 percentage points from 2020 to 2023) despite positive turnover growth.
- **Smaller medium-sized companies** (sales <€100 million and €100-200 million), which are often in a phase of transition, are at the lower end of the study groups in terms of EBIT margins.

- **Increased efficiency in structures:** Professionalize processes and utilize automation potential in the transition from €100-200 million in sales.
- **Cost reduction:** Efficient and largely automated processes, especially in purchasing (P2P) and sales.
- **Portfolio streamlining:** Focus on high-margin products, eliminate unprofitable segments and reduce product variety.

High levels of external financing weigh on returns; alternative forms of financing and cash flow optimization are recommended to strengthen the equity base

3 Return on Investment

Observations

- **Rx manufacturers** often have a low equity ratio and tend to rely more heavily on external financing (net debt/EBITDA ratio above the industry average).
- Non-family-owned companies also have higher debt ratios.

Recommendations

- **Structuring of financing:** Restructuring of debt capital and use of alternative forms of financing (e.g. factoring, sale & lease back, leasing).
- **Cash flow optimization:** Efficient receivables management (especially for large customers) and liabilities management to release liquidity and reduce debt financing in the long term in order to strengthen the equity base and ROI.

By thoroughly reviewing these **recommendations for action** and consistently **implementing** the appropriate **measures**, **medium-sized pharmaceutical companies** can **position** themselves **more resiliently** for the challenges of the future.

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We are available for any further questions

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