value and opportunity
Vibe Value Investing

Bachem AG: Riding the "Golden Age of Peptides" with this Hidden Champion from Switzerland

Disclaimer: This is not investment advice. PLEASE DO YOUR OWN RESEARCH !!!

1. Elevator pitch:

BACHEM

Bachem is a 5 bn CHF market cap Swiss listed pharmaceutical/specialty chemical company which is the global market leader in the (outsourcing of) manufacturing of Polypeptide, a complex molecule and Active Pharmaceutical Ingredient (API) that is, among others, behind the blockbuster drugs Wegovy, Ozempic etc. Demand for those molecules is poised to grow exponentially over the coming 5-7 years (15% market growth p.a. ,“Golden age of Peptides”).

This growth is driven by several different fundamental growth drivers which increases the certainty of the projected growth rates. The complexity of the production process in addition to regulatory requirements and “Anti China” legislation in the US provides a decent “moat” for the coming years which makes Bachem, despite its relatively high valuation (28x2026 P/E), a very interesting investment case on a 3-5 year time horizon in my opinion.

It is clearly not an investment for everyone, but for more growth oriented investors, Bachem could be an interesting stock to look at. In my case, it is a 3% position for my small “quality growth bucket” alongside Wise and Chapters Group.

2. Some editorial remarks:

Initially, I planned to write up and invest into both Bachem and its Swiss listed competitor Polypeptide Group. Due to vacation time and the rumour of a PE take-over, Polypeptide share price increased by +50% since I started to deep dive into those two companies which made the stock less attractive. Bachem only went up like +15% so I therefore concentrate on Bachem.

In addition, I just wanted to make it clear that I write “by hand” but I do use several AI tools during my research (NotebookLM, Claude Cowork). You will find some output of AI models here in this write-up, as for some cases (i.e. making pictures), AI has just much better capabilities than I have.

3. Soundtrack:

In order for my readers to actually listen to the obligatory soundtrack during reading the write-up, I’ll post it right at this spot. I think “Golden Years” from David Bowie is the perfect Soundtrack for this

David Bowie Golden Years

4. What problem does Bachem solve ?

Bachem is able to produce certain very complex pharmaceutical molecules (Polypeptides) as a subcontractor for large pharmaceutical groups. Due to the complexity and asset intensity, large pharmaceutical companies have little incentive to insource this but rather increase to outsource this to third parties.

5. What are Peptides / Polypeptides ?

Polypeptides are long, continuous chains of amino acids (typically 10–100) linked by peptide bonds, acting as the fundamental building blocks of proteins.

They are essential for life, performing functions in a human body like accelerating chemical reactions as enzymes, regulating physiology as hormones, and providing structural support.

As Peptides are “naturally occuring” substances in a body, they are less “toxic” than many other “traditional” molecules used in pharmaceuticals.

https://biotechprimer.com/biotechs-rising-star-peptide-drugs-explained/

https://www.bioxconomy.com/modalities/the-pharma-industry-finally-believes-in-peptides-says-leading-professor

https://www.news-medical.net/health/Peptide-Therapy-The-Future-of-Targeted-Treatment.aspx

6. History and relevance of peptides - Insulin & Semaglutide

One of the most famous Polypeptides is Insulin, which regulates blood sugar. The history of insulin is very interesting. For the first time, Insulin was used as a treatment in the early 1920 but it had to be extracted from animal pancreases.

Synthetic insulin has been available since 1982 but for a long time was the only Polypeptide treatment. But then came **Semaglutide**, another Polypeptide molecule which is the relevant molecule for the Weight loss blockbuster drugs Wegovy and Ozempic.

Initially meant to also target Diabetes, it had the interesting side effect that healthy people started using significant weight when using it. These drugs became absolute blockbusters.

No wonder that almost all pharmaceutical companies are trying to find other Polypeptide molecules that might also have very positive effects. A lot of them seem to be good for Metabolosis, but also Oncology (Cancer) seems to be a very interesting area for application.

7. How easy is it to manufacture Polypeptides

Normal drugs are made up of what is called “small molecules”. Although it’s more complex than that, those molecules are synthesized by mixing a few base materials together and this can be done in large quantities.

Polypeptides are “large molecules” that have to be synthesized step by step in a longer, much more difficult process that yields much lower quantities. The good thing is that it is still a chemical process but not a biological process that is required for even larger molecules like proteins.

Here is a video which outlines how Polypeptides are manufactured:

https://www.youtube.com/watch?v=pb6tMJHjMZI

or here a more academic version:

https://www.youtube.com/watch?v=cTV3Jo00YOw

For those who really want to deep dive into the production process, this detailed document is the one to read.

What is important to understand is that Semaglutide needs to be manufactured in batches, it is not a continuous process. And the typical time to complete a Batch is ~180 hours or 7 to 8 full days. Of course a manufacturer will have parallel reactors, but the long time to produce a batch means that any mistake will be extremely costly.

This is a simplified process diagram of the production process with the number of hours on the x-axis (GANT diagram):

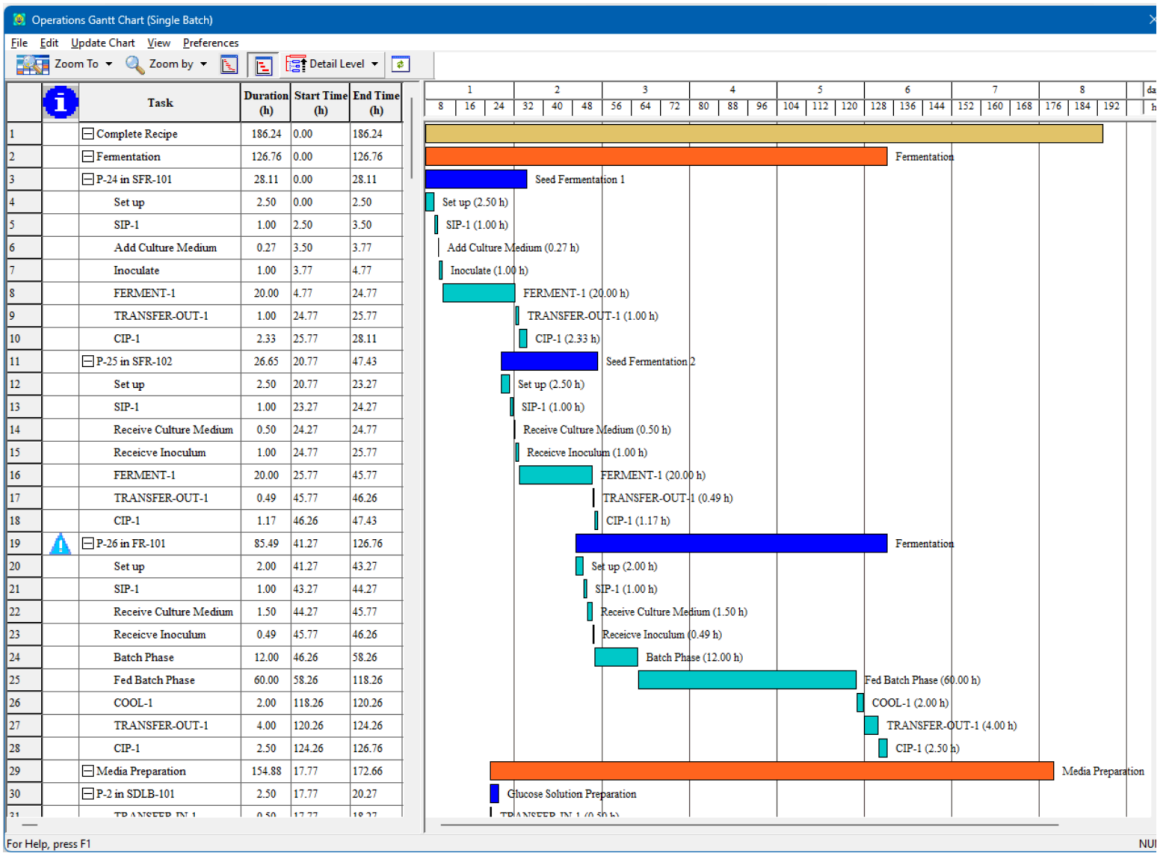


Figure 14: Operations Gantt Chart for a partial $Lys^{26}Arg^{34}$GLP-1 batch.

Interestingly, even the pioneers like Novo Nordisk and Ely seem to have been outsourcing some of the production of Polypeptides to specialised manufacturers like Bachem. Demand for the products are high and the big companies are maybe too busy or not patient enough to build this up on their own.

For the past few years, the main limiting factor for selling the drugs was and still is limited Polypeptide capacity, not demand..

This has led to a number of specialized companies that create those molecules as an “outsourced” manufacturer in close partnership with the major pharma companies and interestingly two of the largest players are listed in Switzerland: Bacham and Polypeptid.

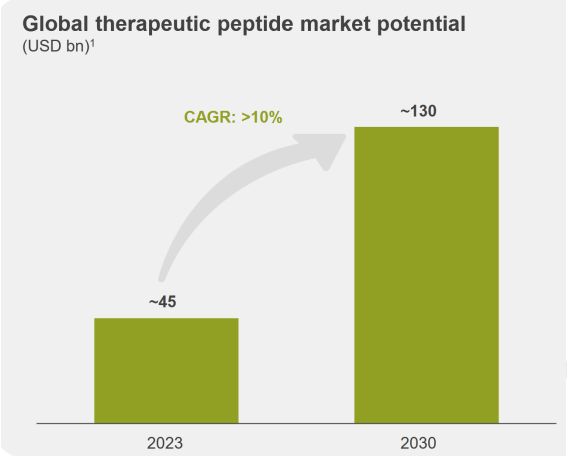
One thing to mention is that despite it’s complexity, synthesizing those molecules in a chemical way is still cheaper than using “genetic” or “biotech” mechanisms, where molecules are basically grown in living cells.

8. Main investment thesis: Accelerating growth of demand for Polypeptides and Bachem as the dominant manufacturer

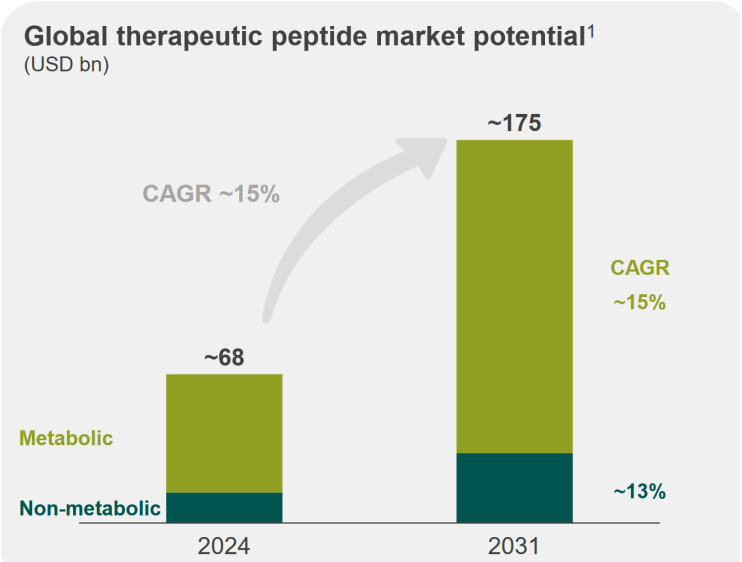
My overall investment thesis is relatively simple: I do believe that the “official” Poplypeptide market is poised for many years of strong growth and that Bachem, as the current leading Western manufacturer, will capture a significant part of that growth.

Here is an interesting graph from Polypeptides Group:

As recently as 2024, they estimated the growth potential at ~10% p.a. for the coming years.



Just a year later, in 2025, they increase this to 15% p.a. which means that they assume a 50% higher growth rate pa. now.



The main structural Growth drivers from my perspective are as follows:

Continued growth of existing Semaglutide pharmaceuticals (including additional applications such as Arthritis etc)

The Turbo Booster: Significant molecule demand boost through pills instead of injections

New Polypeptide based medication for different applications (Oncology etc.)

In addition, another type of complex molecules called Oligonucleotides seems to offer additional growth potential as the manufacturing process has many synergies with Polypeptides.

Growth drivers in detail

a. Continued growth of existing Semaglutide pharmaceuticals (including additional applications such as Arthritis etc)

One of the big attractions of Wegovy, Ozempic & Co for the pharmaceutical industry is that they are actually not a cure, but you basically have to take them for the rest of your life. If you get off Wegovy & Co, you quickly regain the weight that you lost and also the other health gains quickly disappear according to several studies.

Another interesting effect is that Semaglutide seems to have a lot of other positive effects. For instance it can help with Arthritis, Kidney problems, Liver issues, Cardiovascular risks etc. It also seems to help with getting of cigarettes and alcohol.

A lot of experts call it already a “wonder drug”. IAs I am not a medical expert, I have no conviction on this, but it looks that the “original” Semaglutide has clearly potential outside weight loss, which itself is already a huge application.

Just 10 years ago, having a drug that just reduces weight would have been pure Science Fiction.

Of course, Semaglutide has side effects and we will cover this under the risk section.

b. The “Demand Turbo Booster”: Significantly increased molecule demand boost through pills instead of injections

Up until recently, Semaglutide (same as Insulin) had to be administered by injection because Peptides usually don’t survive the digestive system of the body.

Since 2025 (Novo) and 202 6(Eli Lilly), there are now two Semglutide pills on the market that work quite similar to the injections but without the need to inject.

As a pill has to pass the digestive system, you need to put in more of the actual active ingredient. From some examples one can derive that the actual amount of Semaglutide you need to take via a pill is almost **10x of the injection**. This is the first booster.

The second booster is that you have to take the pill once a day instead of getting an injection once a week. This is another **7x booster of demand**.

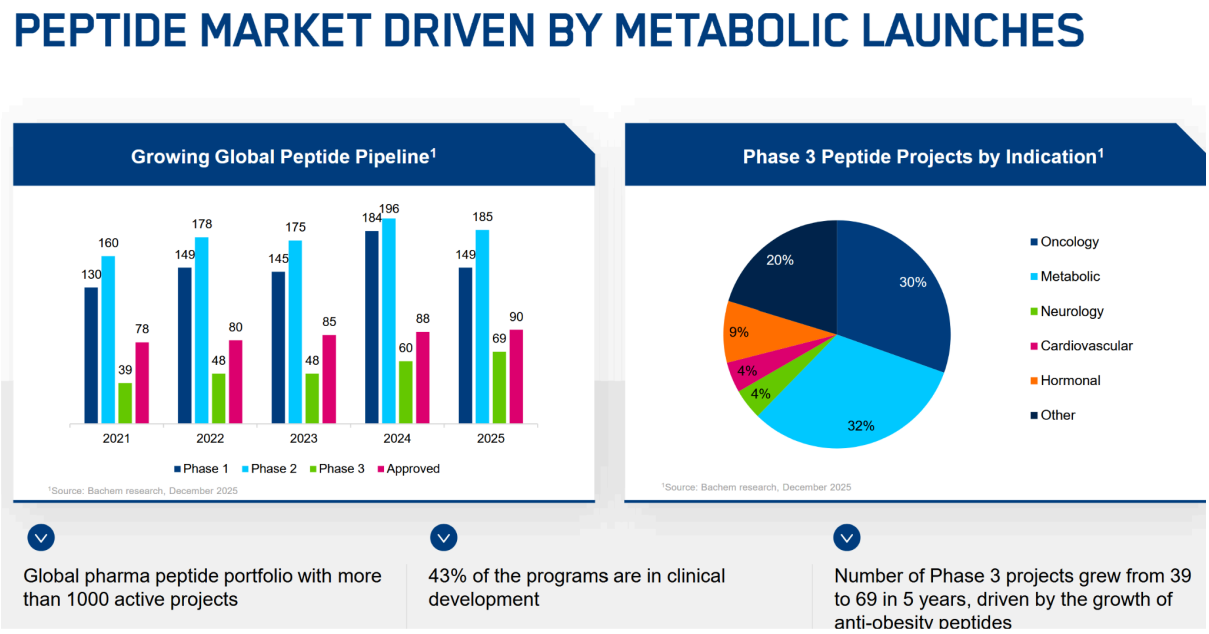
In total, if someone takes the pills instead of the injection, demand for the underlying API increases by 70x.

In a world where Semaglutide manufacturing is still a bottleneck, this will clearly be good for those who have the manufacturing capacities for many years to come.

Although it is still early for the weight loss pills, [it seems that they are rapidly gaining traction and not necessarily cannibalize injections].

c. New Polypeptide based medication for different applications (Oncology etc.)

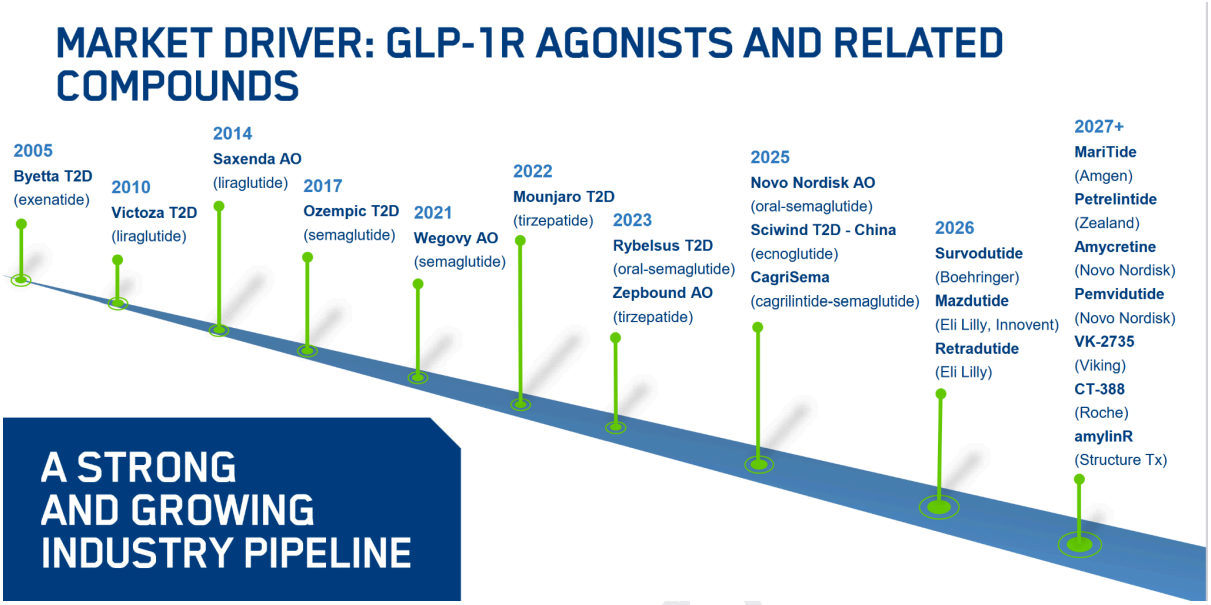
Here is an interesting chart from Bachem which shows the current pipeline of of new Peptide drugs that Bachem is currently supporting:



The interesting aspect is especially the continuous increase of phase 3 projects that might eventually progress to approved medication and high demand from manufacturers.

Bachem is also supporting the initial phases of drug development with smaller batches of new Peptides but the big money clearly comes with new, approved blockbuster drugs.

In the 2024 result presentation, Bachem showed this nice chart that indicates that there will be a lot of “action” in the Polypeptide pharmaceutical market in the next months and years:



Another large application for Peptides is cosmetics. This could be a huge market in itself.

The “hottest” new contenders are the socalled dual and triple agonist molecules, that trigger additional body reactions to the one that Semaglutide does.

Tirzepatide is an already approved Dual agonist molecule from Eli Lilly whereas Retatrutide, a triple Agonist from Eli Lilly is supposed to be approved in 2027 and is currently nicknamed “The Godzilla of weightloss”. ovo has similar molecules in various stages as have other big Pharma players.

Here is an interesting video explaining the preliminary results of Retatruide clinical trials.

I’m a Pathologist. Retatrutide is NOT Ozempic. It’s Biological Overdrive.

Overall, the future for Polypeptides looks exceptionally bright.

d. The new kids on the block Oligonucleotides

As we have seen before, Polypeptides seems to be an extremely interesting market “niche” in the API world, but this is not all.

Bachem is also the leader in a somewhat similar category of molecules called Oligonucleotides. To make it easier, Bachem calls both Molecule families simply “Tides”.

These molecules are chemically different from Polypeptides as they are DNA or RNA fragments but the important issue here is that the method of production has a lot of synergies with Polypeptides as they are synthesised pretty much the same way.

So the know how of manufacturing Polypeptides can be transferred to Oligonucleotides.

Bachem has teamed up with Ely since 2022 to develop these substances which is clearly a second potential growth engine for the future.

From the development itself, Oligonucleotides are a few years behind Peptides, i.e. we do not have any blockbuster drugs yet, but there seem to be man interesting applications under development.

For my 3-4 year business case, this si clearly less relevant bt it represents a nice “future option” for Bachem.

So as a summary for my Growth thesis I would conclude **that it is highly likely that Polypeptide demand growth will be strong for many years to come** and with the Oligonucleotides, Bachem has a second growth opportunity on top of that.

9. Growth Risks:

When market growth is the main thesis, than one needs to be carefully look at the risk factors, that could, despite the massive Tailwinds, endanger that growth trajectory.

From my perspective, the main risks are as follows:

a. Long term side effects of Semaglutide that are not known yet

What I like about the annual report of Bachem is that the mention the risks explicitly. Here is the section about side effects:

The peptide industry has grown significantly in recent years. This also brings risks. In your opinion, what are the biggest risks for Bachem?

KS: One major risk is certainly that GLP-1 therapies may not work as expected or that late side effects may emerge. If such a scenario were to occur, it would have negative consequences not only for us, but for all companies involved, from CDMOs to pharmaceutical companies. However, we consider this risk to be low and will continue to maintain a deliberately broad portfolio of peptides and oligonucleotides in the future.

Wegovy and Co, as every other drug, have some obvious short term side effects. However, as they mention there is a small risk that there are some potential negative side effects that would only show up after many years. So far it seems, that rather other positive side effects seem to pop up, but it is clearly a risk, but I would also say it is relatively small

b. Scale up risk

In the first 50 years of its existence, Bachem was rather a “small batch” producer as Polypeptides didn’t have significant applications apart from Insulin. Now, with the current expansion, the need to ramp up capacity significantly in order to support the “mass rollout” of Semaglutide.

In any production process, scaling up is not always straight forward. In the case of Bachem, due to the long production process, the risk of losing one or several batches at a much larger scale is clearly a risk. .

c. Insourcing from large Pharma Groups

In 2024, Novo Nordisk spent serious money (16 bn) to acquire US based Catalent (16 bn USD EV), a contract manufacturer for the Pharmaceutical industry. To my understanding, Catalent has not been in the Polypeptides business.

But it shows that some of the big players are willing to spend money for manufacturing. According to a Deep Research analysis that I ran with Gemini, ~64% of Polypeptide manufacturing is currently done inhouse, mostly by the two market leaders Eli Lilly and Novo.

Here is a table from Gemini of announcements from large Pharma companies about inhouse manufacturing projects:

Comparative Large Pharma CapEx and In-House Commitments

Company	In-House Focus Areas	Major 2024-2030 Investments	Strategic Objective
Eli Lilly	Peptides, Small Molecules, Oral GLP-1	USD 27B Global Expansion	Supply redundancy, oral obesity market.
Novo Nordisk	Peptides (GLP-1), Fill-Finish	USD 4.1B (NC Site)	Vertical integration, captive capacity.
AstraZeneca	Peptides, Oligos, mAbs	USD 4.5B (Virginia Site)	Multi-modality excellence, chronic care.
Novartis	siRNA, RLT, Biologics	USD 23B (USA Footprint)	100% end-to-end U.S. production.
Takeda	GI, Rare Disease, Peptides	USD 30B (USA R&D/Mfg)	Transformation for late-stage pipeline.
Sanofi	mAbs, Vaccines, T1D Peptides	USD 20B (USA Focus)	Digital biomanufacturing leadership.

But the conclusion of Gemini is as follows:

Conclusions and Future Sourcing Trajectory

The landscape of polypeptide manufacturing in 2025 is defined by a massive, high-stakes expansion of in-house capacity by Large Pharma, primarily centered on securing the supply of metabolic blockbusters. Eli Lilly, Novo Nordisk, AstraZeneca, and Novartis have all committed tens of billions of dollars to build "factories of the future" that internalize critical peptide API production and specialized R&D technologies.

However, this increase in insourcing does not equate to a decrease in outsourcing. Instead, the market is bifurcating:

- **Insourcing for Commercial Security:** Large Pharma is building in-house capacity to ensure 100% control over its highest-volume, highest-margin products, protecting them from market volatility and CDMO capacity bottlenecks.
- **Outsourcing for Innovation and Agility:** The industry continues to rely on CDMOs for clinical-stage development, niche synthesis technologies (like RLTs and PDCs), and "swing capacity" for established brands.

The "Great Reshoring" and the shift toward oral non-peptide alternatives represent the two most significant wildcards for the future. If companies successfully shift metabolic therapies into small-molecule chemical suites, the demand for massive peptide reactor capacity may peak and then stabilize. Until then, the industry will remain in a "Capacity Gold Rush," with both internal and external players investing at record levels to satisfy the global demand for these life-transforming medicines.

So in the longer term, one needs to have a critical eye on this topic but in the nearer future (3-5 years), the demand is so large that outsourcing is a pure necessity for the big Pharma players.

On the other hand, as we have seen with Novo and Catalent, the insourcing trend could maybe, at some point, also trigger a bit from a big Pharma company to acquire Bachem. As we will see with Polypeptide group, there is some movement in the market.

d. Chinese manufacturers

As everything else in manufacturing, China is a player, especially in pharmaceuticals. A lot of the drugs we buy in our pharmacies have their APIs produced in China. So far, China has focused on simpler molecules, but they are certainly a force with (Poly-)Peptides. Most of the grey/illegal Peptides popular in the US (more about that later) are from China.

However, a lot of Western countries have somehow woken up to this supply chain dependency to a certain extent. Not surprisingly, the US is leading the way here with the **U.S. BIOSECURE Act.**

This act was signed into law in January 2026 and basically says that if you use any input from “forbidden sources” which many of the Chinese manufacturers are or will be, you are not allowed to sell to the US Government. And the US Government, via different programs is the largest drug purchase globally.

There are grandfathering periods etc. but effectively this will give Western players a huge advantage in the US for some time to come.

So far, Europe or other countries have not implemented similar laws. However, especially for newer, more complex molecules, Western Pharma players will most likely not use Chinese manufacturers as they will risk that any IP gets stolen in a very short time.

However, according to several articles, Chinese players will clearly play a role in generics especially in poorer countries where price is the main issue.

So in a nutshell, there is significant protection in the coming years for the “prime market”, i.e. new patented drugs in the Western world, but the generics market will be competitive.

My understanding is that both Bachem's and Polypeptide Group’s projections cover only the prime market and do not rely on “second tier” generic sales.

Bachem itself also mentions in their report that they see a decoupling of the US and European markets from China in the longer term which would strengthen local Wesetern players like Bachem.

e. Biohacking with Chinese Peptides

For a European like me it is really difficult to understand how many Americans are against vaccination which have been tested for decades but have no problem injecting themselves with illegal “miracle peptides” that you can order online from China.

This Video from the Economist explains this with some British humor:

Peptides are not a miracle drug | The Economist

As always, Silicon Valley has been leading the way:

Silicon Valley's new miracle drug

You can search for yourself and you will find hundreds of more or less serious “peptide influencers” on Youtube who will recommend you the “Wolverine stack” and other wonder molecules.

All those substances are exported for “R&D use” only, but are actually used as drugs. No one knows what is really in them but no one seems to care.

MAHA master RFK jr himself is a big fan of peptides himself, so it is o wonder that the FDA seems to be willing to relax rules for those substances.

I am not 100% sure if this “shadow market” is good or bad for the “official” peptide drugs. On the one hand, it will clearly lower the risk that like for MRNA, especially the MAHA guys develop some kind of fundamental opposition against these drugs if they pump themselves full with the Chinese stuff.

On the other hand, there is clearly the risk that there will be some serious big scandals and when the shxx really hits the fan, this could have negative consequences for the legitimate drugs.

One instance where illegal Chinese molecules directly impacted the official market was when MoMo company “Hims and Hers” actually used Chinese molecules to “compound” Ozempic and Wegovy, but Novo managed to end this. More on compounding later.

f. Eventual Over-investment into manufacturing capacity

One very common risk in capital intensive sectors with a sudden big increase in demand is that over a longer period in time, the industry almost always over invests. This has been with railways, fiber and now most likely data centers.

There is clearly the risk that this might happen with Peptides, too. The only “protection” in my opinion is that building and commissioning a large Polypeptide manufacturing site is much harder than building a datacenter.

But in the longer run, this is clearly something to monitor very closely.

g. Alternative molecules (Small molecules) with the same effect

The final risk is that someone just finds or develops a “small” molecule that is much easier to manufacture with the same effect than Semaglutide.

Eli Lilly actually has a “small molecule” pill approved just a few days ago (Foundayo). To my understanding, however, Foundayo is a lot less effective than Wegovy & Co and there is already a next generation of more powerful Polypeptide drugs in the pipeline (Triple Atagonsists).

My assessment as a non-expert would be that at least for the next 3-4 years, iit is unlikely that we will see a full fledged Small molecule competitor.

10. The role of “Compounding”

In the pharmaceutical world, compounding in general describes the activity of someone other than a traditional Pharma company “mixing together” the components of an approved drug in order to individualize a treatment.

Typical applications are for instance cancer chemotherapies that have to be fine tuned to individuals.

Another famous example was that in the US , for some time, the FDA allowed compound ingweight loss drugs like Ozempic as they were deemed to be i “in short supply”.

A company that profited significantly form hat was Hims & Hers, a meme stock that went up a lot but then collapsed when this was disallowed again.

What’s important to understand is that these "Compounders" are not able to manufacture the relevant molecule itself. They have to buy it from a specialised manufacturer and then mix it with sterilized water or other additional substances.

By coincidence, I heard a (pretty bad in my opinion) pitch for Hms & Hers on a podcast with Peptides as the main driver.

Nevertheless, there were some interesting take-aways:

It seems that in the US, Peptides are somehow marketed not as drugs but rather like vitamins or supplements. I am not sure if this is correct, but that seems to be the basic selling argument

JFK jr, a known Peptide fan himself seems to intend to “legalize” compounding of simpler Peptides which would potentially reduce the “need” for Peptide fans to import the stuff from China.

I do not know to what extent Bachem would be impacted by this. I would assume that Bachem concentrates mainly on delivering patented molecules to the Big Pharma players as the demand from that side is enormous anyway.

11. Growth vs risk Wrap up

My very subjective wrap up of the growth drivers and the risks is that at least until the medium term (3--5 years), the growth projections for Bachem and Co seem to be quite “certain”. I cannot quantify it in detail. It’s clearly not 100% as there are risks but it is clearly above 50% that the reach solid 15-20% growth rates on average for the next 3-5 years in my opinion.

12. Bachem vs. Polypeptide Group

Interestingly, as mentioned before, there are two pure play Polypeptide API companies listed on the Swiss Stock market, Bachem and Polypeptide.

Bachem is a long established, Swiss Specialty Chemical company with a market cap of 5 bn CHF. The company is profitable and currently undergoing some massive capacity expansion projects.

Polypeptide in contrast is originally a Swedish company, has been loss making for the last 2-3 years and has been replacing management in the recent year and is looking for a turnaround. It only IPoed during the Covid boom where it made a profit but has been struggling since.

Recently, there was a rumor that several PE companies are interested in taking over PolyPeptides. This explains the recent outperformance of Polypeptides compared to Bachem:

Bachem Holding

Bachem is owned ~58% by the founding Grogg family. The founder, Peter Grogg passed away in 2025. Polypeptide is owned 56% by the Swedish “Entrepreneur” and Adventurer Frederik Paulson.

Polypeptides EPS estimates look as follows:

Actuals & Forward Estimates | TIKR.com	31.12.21 A	31.12.22 A	31.12.23 A	31.12.24 A	31.12.25 A	31.12.26 E	31.12.27 E	31.12.28 E	31.12.29 E	31.12.30 E	CAGR
% Change YoY		*(84,5 %)*	*(750,0 %)*	*62,2 %*	*8,5 %*	*197,6 %*	*97,7 %*	*63,7 %*	*31,8 %*		
EPS (GAAP)	1,47	0,24	(1,56)	(0,59)	(0,64)	0,50	1,18	2,00	2,67		
% Change YoY		*(83,7 %)*	*(750,0 %)*	*62,2 %*	*8,5 %*	*178,8 %*	*132,9 %*	*69,8 %*	*33,6 %*		

Unfortunately we have only 2029, but if we assume a 10% EPS growth in 2030, they would end up earning around 2,94 CHF. I would apply a 20x multiple in this case which gives us a target value of around 58 CHF plus maybe 1 or 2 CHF dividends in total.

When I started to look at both companies, Polypeptide’s share price was at around 23-24 CHF, indicating a potential 100% return. However now, it has shrunk to a 54% total return which over 4 years is not that much.

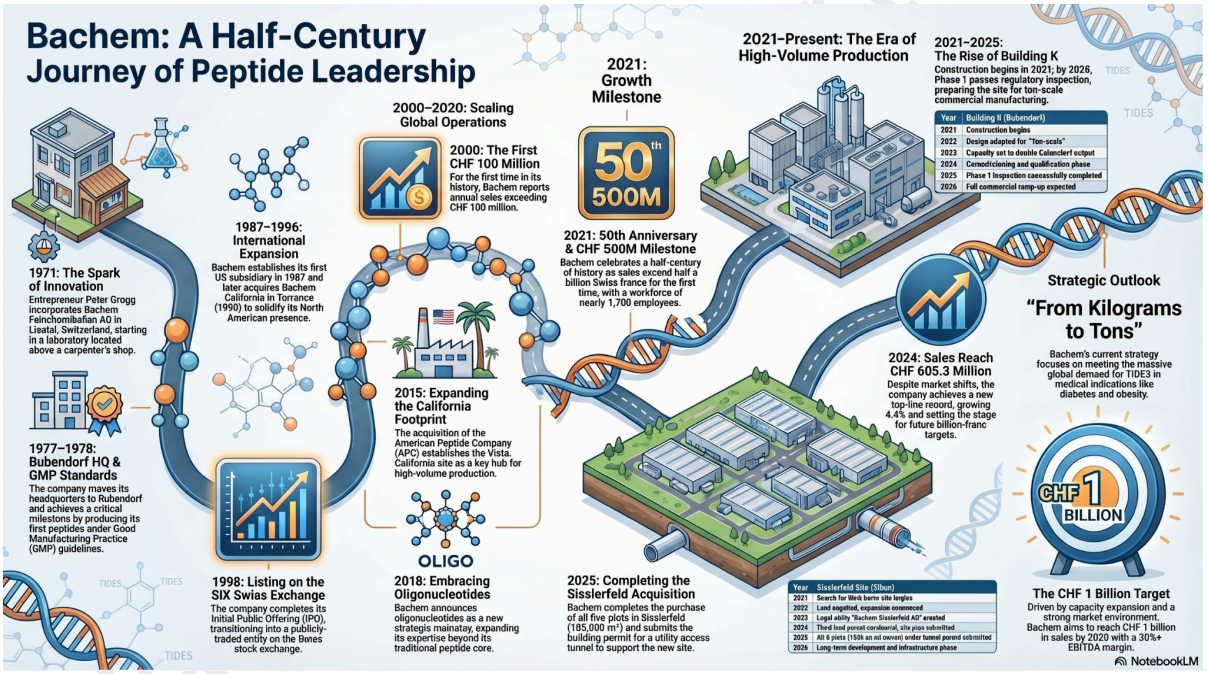
Polypeptide is clearly an interesting target for Private Equity as the like growth companies that they can leverage. Polypeptides most likely needs to raise equity at some point in time and this is where the majority owner of Polypeptides might want to team up with a PE player.

That's why I decided to just focus on Bachem for now.

13. Bachem history

The name Bachem comes from Basel, the hometown of the founder and Chemicals. BaChem.

This is an Infographic made by NotebookLM based on all available Bachem annual reports. I think it provides a good overview of the company history since its founding in 1971:



Here is a German article on its remarkable self-made founder Peter Grogg who died unfortunately in 2025 at the age of 81. Mr. Grogg for most of his life worked on Peptides which is quite remarkable.

14. Potential Impact of AI

These days, one always has to think of: How does AI and its rapid progress affect a business. In Bachem's case, it seems that AI has a very positive effect. According to Bachem, AI models allows to speed up R&D on these complex molecules and increasing the

amount of potentially interesting molecules that can then be manufactured by Bachem. This applies to both Polypeptides and Nucleotides.

Manufacturing as such might also benefit but is clearly not negatively impacted as we are here in the physical world, not the digital world.

15. Energy cost impact

According to the 2025 investor call, Bachem has only a mid single digit million CHF energy costs and many contracts allow passing on of rising costs. So no issues here. which is another plus from a portfolio construction perspective for me.

16. Management/ Supervisory board

Bachem exchanged its CEO in 2025. Thomas Meier, CEO for 6 years left and was replaced by Anne-Kathrin Stoller, a 20 year Bachem veteran.

I listened to the 2025 results presentation and had an extremely good impression from Ms Stoller. Same goes for the CFO.

I don't know why Meier, a 30 year Bachem veteran left, he is now heading up Medios, a much smaller German pharma/chemical company. There was some speculation that he might not have managed the capacity increase well, but so far nothing like that has been communicated. Maybe it had something to do with the death of foudner PEter Grogg a few years earlier. To be honest, here, just from the pictures, I do prefer the new CEO to the old one.

Google Gemini mentioned that the CEO change could be a risk factor after I asked it to review my write-up, but I don't think so.

The founding family is represented in the Supervisory board via the daughter of the founder. The founding family also holds smaller stakes in two other listed companies: Specialty Chemicals company Dotticon and Burkhalter, an Engineering company.

17. Capital Allocation/Management

Capital allocation currently is quite simple: They massively invest into growth Capex in order to capture the growth opportunities in the coming years. They also pay a dividend. The payout ratio based on GAAP EPS used to be around 50%. Currently it is a little bit lower.

They used to run on a net cash basis since the covid boom and are now leveraging up a little bit to finance the capacity increase. They ruled out any intent to issue equity. Interestingly, they received significant financing from clients in the form of prepayments.

Overall, capital allocation seems to be pretty OK. They could skip the dividend but maybe the family needs the cash ?

18. Momentum & Stock chart

The long term chart of Bachem is quite unusual. After the IPO in 1998, you didn't see much of a return for the first 20 years. During Covid, the stock saw a huge spike as they were able to participate in the production of the Covid vaccines. After Covid was over, the stock has been trading in a range between 50-90 CHF without a clear trend,

Momentum is clearly not the most important factor for me, but in Bachem's case, 12(-1) month momentum is positive, 6 (-1) month momentum neutral and the stock trades above the 200 day average. As mentioned, this is in itself not a criteria but an additional positive factor. It also diversifies against my many stocks with not so positive momentum

19. Valuation/Return Expectation:

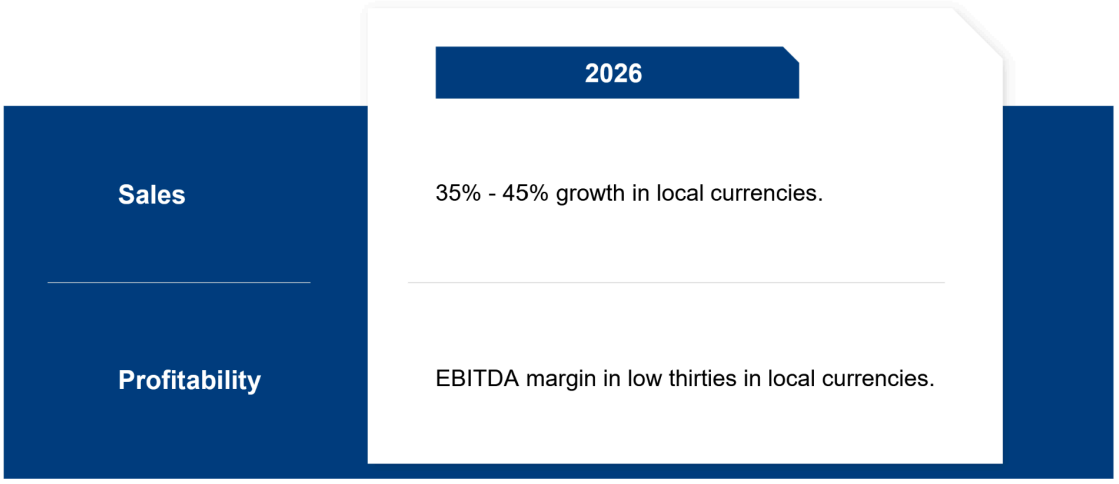
Sales in CHF increased by 15% in 2025 and EBIT by 24%,

KEY FIGURES 2025

	2025	2024	Change CHF	Change in local currency
Sales (in CHF million)	695.1	605.3	+ 14.8%	+ 19.2%
EBITDA (in CHF million) *in relation to sales*	214.7 *30.9%*	176.3 *29.1%*	+ 21.8%	+ 32.6%
EBIT (in CHF million) *in relation to sales*	167.3 *24.1%*	133.0 *22.0%*	+ 25.7%	+ 39.8%
Net income (in CHF million) *in relation to sales*	148.8 *21.4%*	120.2 *19.9%*	+ 23.7%	
Earnings per share (in CHF)	1.98	1.60	+ 23.8%	
Cash flow from operating activities (in CHF million)	271.6	146.3	+ 85.6%	
Number of employees (in full-time equivalents)	2 511	2 207		

For 2026, they expect sales to increase 35-45% and slightly improving EBITDA margins.

2026 OUTLOOK



In the 2025 earnings call the CFO mentioned that they expect a continuously increasing EBITDA margin in the coming years due to scaling.

According to TIKR, Bachem's EPS is expected to increase by around 20% p.a. until 2030:

Actuals & Forward Estimates | TIKR.com	31.12.21 A	31.12.22 A	31.12.23 A	31.12.24 A	31.12.25 A	31.12.26 E	31.12.27 E	31.12.28 E	31.12.29 E	31.12.30 E
% Change YoY	*45,0 %*	*(83,1 %)*	*9,8 %*	*6,4 %*	*23,7 %*	*22,6 %*	*24,4 %*	*15,6 %*	*17,3 %*	*25,2 %*
EPS (GAAP)	8,09	1,37	1,50	1,60	1,98	2,40	3,03	3,49	4,17	5,13
% Change YoY	*45,0 %*	*(83,1 %)*	*9,5 %*	*6,7 %*	*23,7 %*	*21,4 %*	*26,1 %*	*15,2 %*	*19,3 %*	*23,1 %*

Personally, I do think that EPS growth in 2026 should be higher than the 21% estimated there. But in any way, we do have a stock that will grow earnings with around 20% or more for the coming years with a pretty high certainty.

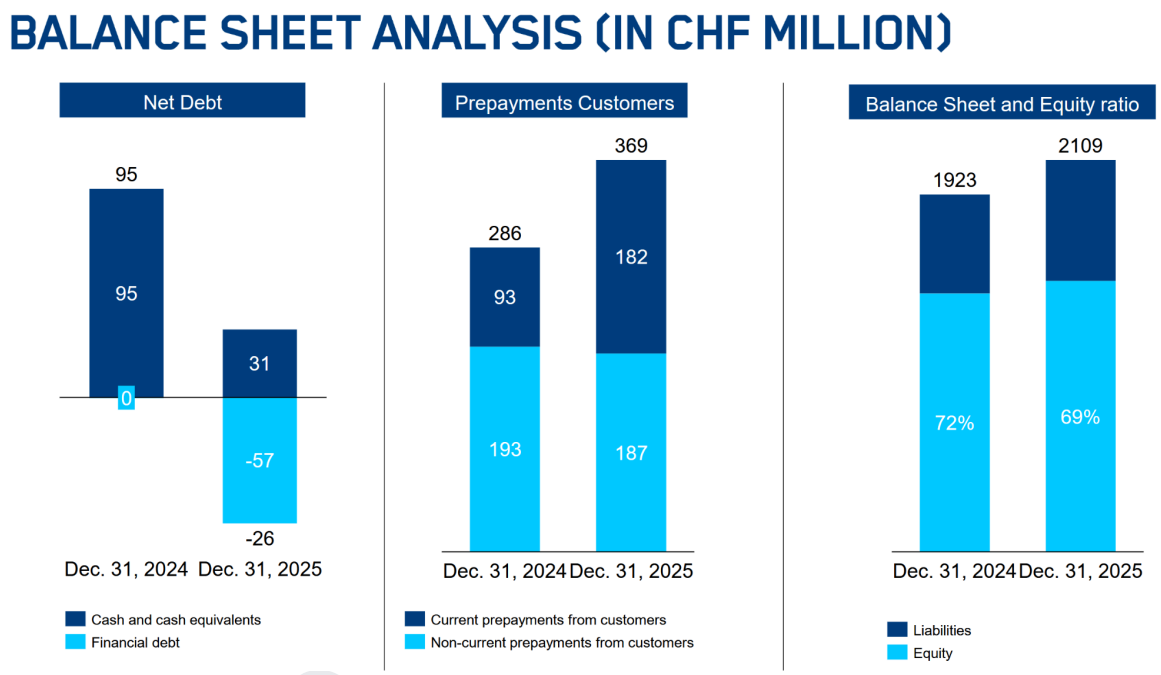
Using TIKR projections and assuming a 25x trailing P/E, this would imply a price target of 25*5,13 = ~128 CHF per share in 4 years time plus around 6 CHF in dividends in total. So at the time of writing, this would mean a 100% potential return over 4 years based on these assumptions.

The 25x P/E assumption sounds high but is actually a little bit lower than the current 2026 P/E (~26-27x) and in line with other successful Swiss Specialty Chemical companies like Lonza or Dottikon.

For me this looks attractive, especially as I think that a significant part of the future growth is "relatively certain".

20. Some selected financials: Prepayments & Capex

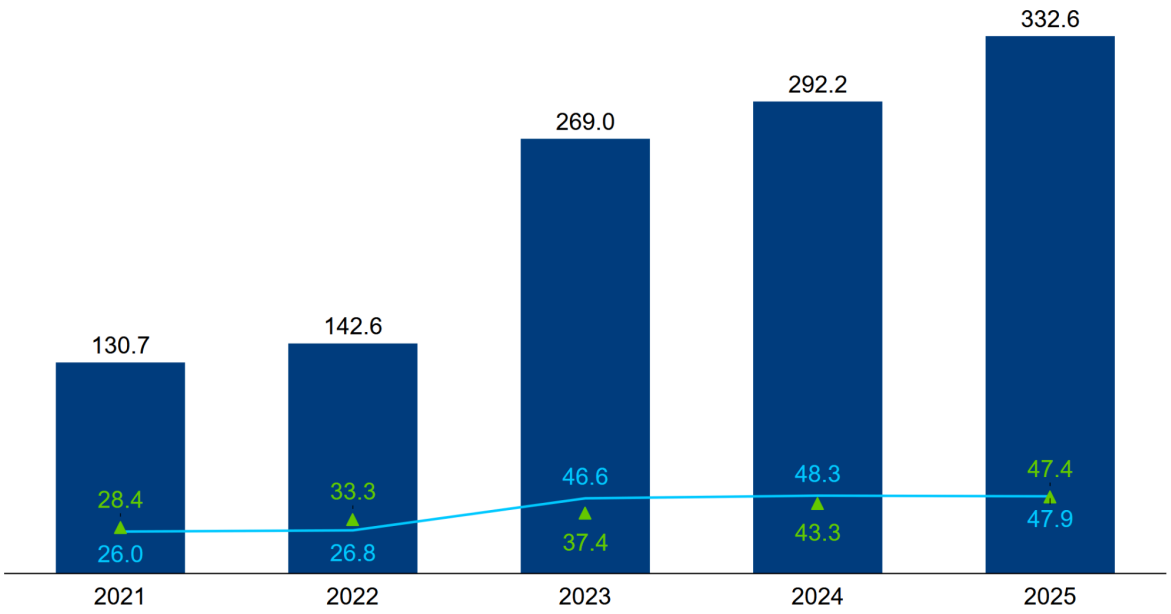
As many Specialty chemical/Pharma chemical companies, the business is capital intensive. This makes it clearly more difficult to achieve extremely high returns on capital. However, in Bachem's case, the expansion of Capex has resulted in only limited external financing requirements mainly for one reason: Prepayments from clients. They do have a little debt since year end but as we can see here, Prepayments (for future output) are a significant source of financing for Bachem:



Those prepayments will lower future operating cash flows but are clearly a very advantageous way of financing compared to bank debt and/or bonds.

According to this slide, Bachem has invested around 1,2 bn over the last 5 years mostly financed from cashflow and prepayments. And the plan to invest another 400 mn in 2026.

CAPEX OVERVIEW 2021 – 2025 AND OUTLOOK



Depreciation is only ~47 mn CHF, so it seems that the Capex is into growth assets that have a long life. In 2026, we will definitely see some financial leverage on their balance sheet.

21. V&O Portfolio view

One element that I haven't focused on a lot but have regretted later on is how an investment fits into a portfolio. While some pundits especially on TwiX say diversification is only for losers, in reality, most investors with the exception of very few outliers do benefit in the long term by diversification.

Diversification comes in many forms but for me the most important one is "risk factors". In the past, I had unknowingly had too much exposure for instance to rising energy prices and to the development of the local economies in Germany and France.

Other factors that I pay more attention to is momentum I don't want to own a portfolio only with cheap, negative momentum stuff) and the type of investment case (GARP, Deep Value, Special situation, Growth).

For Bachem, I do think that the risk factors are quite specific and not correlated too much to anything that I have in my portfolio which is a big plus.

I also don't have that many "expensive" growth stocks with the exception of Wise and Chapters and maybe Bombardier to some extent.

So overall, i do thin that Bachem fits nicely into my portfolio.

22. Non-rational view

One thing I have discovered over the years is that for some reason, the less people I can get excited about an idea, the more excited I become about it. I do discuss ideas at different stages with people that I know well to look for feedback.

I guess there is some irrational part of me who just wants to own a portfolio that looks very different from any other investor. At a personal level, I also don't like to be in big crowds.

Bachem is clearly an idea that most of the people that I talked to, did not get very excited about. It looks expensive, it's not an easy sector, it is capital intensive etc.

23. Why not invest in Novo Nordisk or Eli Lilly directly ?

Now a justified question would be: If you are so bullish, why don't you invest into Eli Lilly and/or Novo Nordisk directly ?

Looking at both stocks, we can easily see that after a pretty parallel development, Novo's share price got crushed whereas Eli Lilly seems to be unstoppable:

Especially Novo's share price looks cheap at around 12,6x 2026 P/E. Some readers might remember that I took a tiny position last year but sold it pretty soon.

I haven't done deep research into both stocks, but for now it seems that Eli Lilly is further ahead with next generation weight loss drugs and Novo is struggling in the US as a "non US" player.

What I do like at Bachem better is, that I don't need to bet on a specific drug pipeline but on the category as such. If I want to invest int Novo, I would need to understand how their pipeline looks in detail compared to the competitors plus I would need to think about tariffs and other regulatory issues.

To my knowledge, Bachem works with all the players, but especially also with Generic Drug companies. So for Bachem, it is less important which exact company has the lead or which patent expires, but for them it is important that the overall use is increasing and Chinese manufacturers can be kept out of Western markets.

24. Final Summary:

As I have laid out in the write-up, I do think that Bachem represents an interesting investment opportunity despite its relatively high valuation.

A stock that can grow earnings at 20%or p.a. or more for the next 5-7 years is not that common. Of course I would prefer to invest into something like this at a lower multiple, but as I outlined before, I still think I can get ~16-17% p.a. with relatively conservative assumptions.

As I am clearly not an expert in the overall space, I sized my initial position at 3% of the portfolio. As I partially follow Druckenmiller's strategy (Buy first, analyze later), I bought my 3% position at an average price of 65 CHF per share compared to the current ~70 CHF per share.

I know this is not a share for everyone and more than welcome constructive criticism of my assumptions. The only thing I cannot stand are obvious Ai generated comments.