MOATPEAK

$INDV Surpasses the Turnaround Phase and Enters High-Margin Quality

A temporary divergence between trailing optical weakness and forward economic reality creates a mispriced entry into a 51 percent margin monopoly-like asset.

Company	Indivior PLC ($INDV)
Sector	Specialty Pharmaceuticals
Publication Date	2026-07-11
Data As-Of	2026-07-11

Verdict	Current Price	Composite Fair Value	Upside	Quality Rating
Strong Buy	$40.50	$51.81	+27.9%	7.1 / 10

1. Executive Decision Summary

Indivior ($INDV) is a turnaround-to-quality opportunity in specialized pharmaceuticals. We believe the market remains anchored to historical volatility and legal challenges and is underestimating a structural improvement in the company's earnings power.

Indivior has transitioned from a legacy business exposed to generics into a high-margin franchise centered on Sublocade, its long-acting treatment for opioid use disorder (OUD). As the business reaches a critical profitability inflection point, we see a significant gap between the current valuation and the normalized cash-generating potential of the core assets.

Our view is Strong Buy. Our fair value estimate of $51.81 aligns closely with the Street target of $50.83 and sits within a tight internal valuation range: DCF at $52.57, multiples at $48.56, and probability-weighted value at $54.30. This alignment indicates that the view is not dependent on outlier assumptions.

Key metrics

Metric	Value
Current Price	$40.50
Fair Value	$51.81
Upside	+27.9%
Quality Rating	7.1 / 10
Verdict	Strong Buy

Key takeaway: At approximately 10.7x forward earnings, the market is offering a high-margin specialty pharma leader at a valuation that implies structural decline. We see a meaningful margin of safety driven by the disconnect between current pricing and the company's improving operational trajectory, which is still overshadowed by historical trauma.

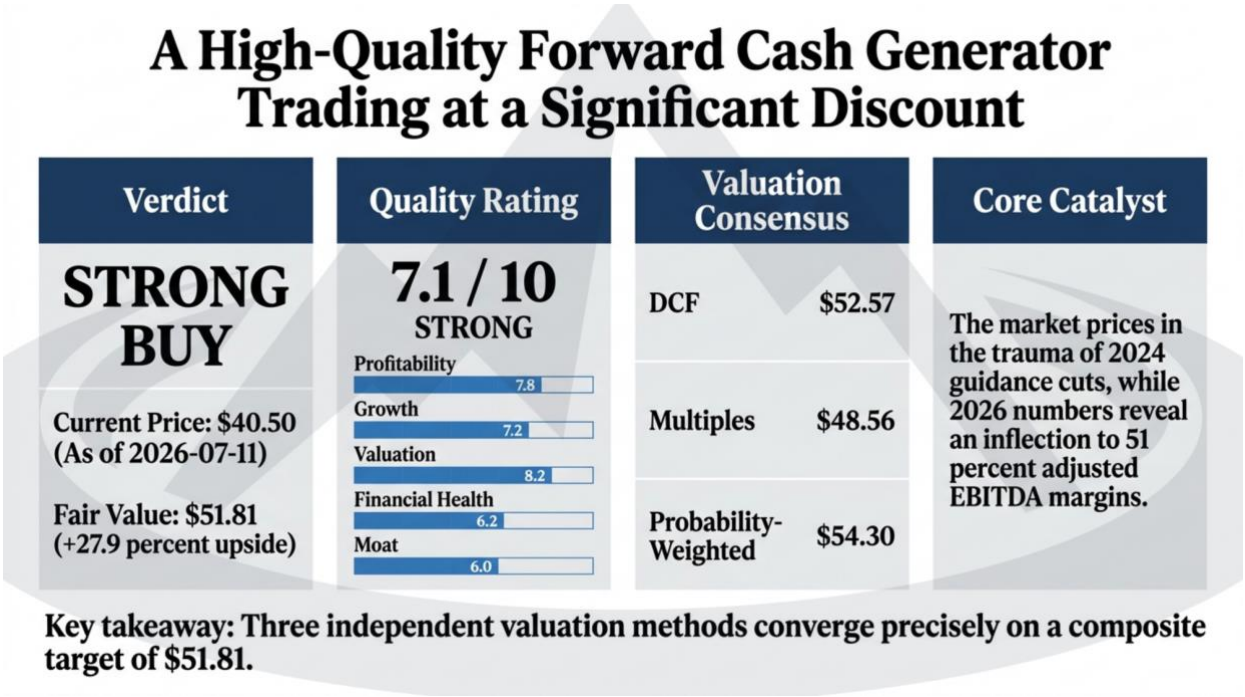


Figure 1. High-quality forward cash generator trading at a discount

Key takeaway: The slide consolidates the stance, quality rating, current price, fair value, and valuation outputs into a single decision frame. The composite fair value of $51.81 implies +27.9% upside from $40.50.

2. What Changed: From 2024 Trauma to 2026 Inflection

The current opportunity is rooted in the aftermath of 2024, a year defined by a severe guidance cut that drove the stock down by nearly half in a single day. That episode combined several adverse developments:

- Management turnover.
- Discontinuation of the Perseris product.
- A complex transition of the primary listing from London to Nasdaq.
- Continuing cash outflows for legacy opioid litigation.

These events created a broken narrative and reinforced a perception of instability. Many investors remain focused on this period and have not fully incorporated the underlying recovery into their view.

Beneath that narrative, the operating engine has fundamentally changed. Sublocade now accounts for 69% of total revenue. This shift effectively completes Indivior's move away from a legacy film business under generic pressure to a high-growth specialty pharma model.

While the market remains focused on the drama of 2024, the 2026 data show a business that has restructured its cost base and established a strong position in the long-acting injectable (LAI) market (see Figure 2).

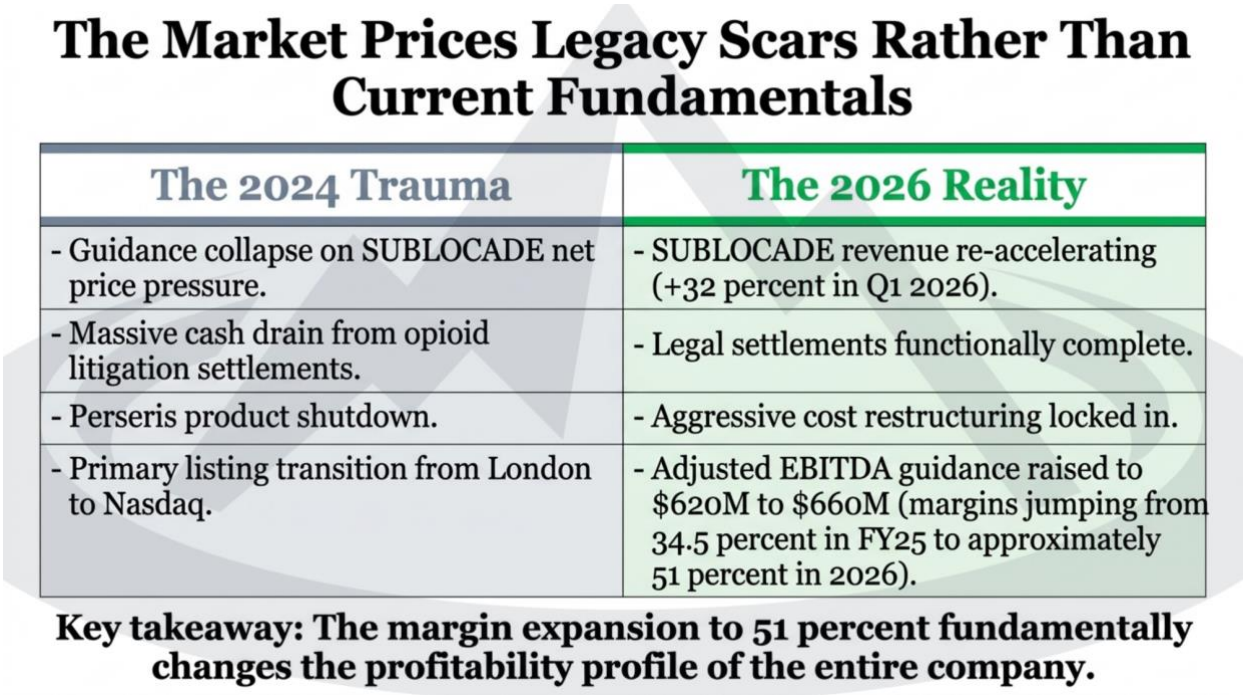


Figure 2. The market still prices legacy scars rather than current fundamentals

Key takeaway: The 2024 trauma explains the depressed narrative, but the 2026 reality is materially different: Sublocade is re-accelerating, legal settlements are functionally complete, and adjusted EBITDA margins are guided toward approximately 51%.

3. Why It Matters: The Profitability Inflection Point

We believe Indivior has reached a definitive profitability inflection point. The company has largely completed the heavy lifting of corporate restructuring, and this is visible in the emerging margin profile.

Based on current guidance of $620M to $660M, adjusted EBITDA margins are projected to rise to approximately 51% in 2026. This represents a sharp step up from 34.5% in 2025. The expansion reflects a streamlined cost structure and the operating leverage embedded in the Sublocade model.

We view the reported negative trailing twelve month (TTM) free cash flow of -$192M as an accounting mirage that misleads automated screening tools. The negative figure primarily reflects one-time legal settlements with the Department of Justice and various states.

Normalizing for these non-recurring cash outflows, we estimate underlying cash generation closer to $450M, which equates to a 9.5% free cash flow yield. As legal payments roll off, reported free cash flow should converge toward this normalized level. We expect that convergence to be a central catalyst for a valuation rerating (see Figure 3).

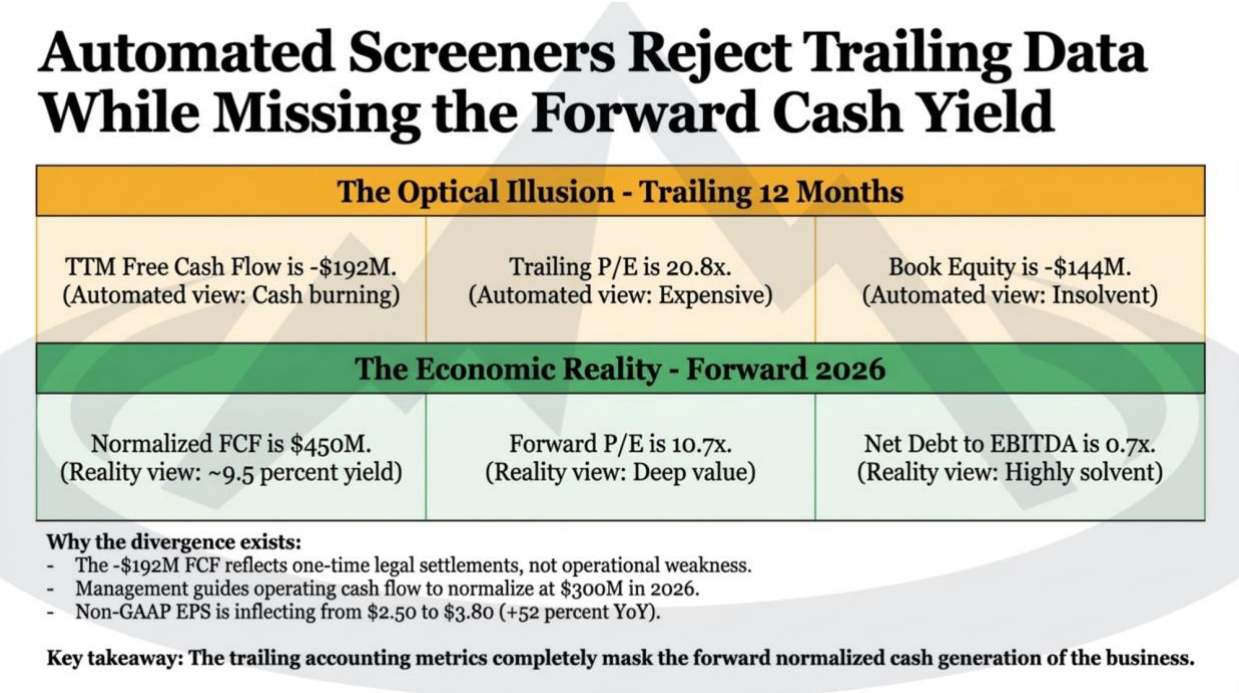


Figure 3. Trailing data obscure the forward cash yield

Key takeaway: Trailing accounting metrics screen poorly, but the forward 2026 profile shows normalized FCF of $450M, forward P/E of 10.7x, and net debt to EBITDA of 0.7x. The divergence is central to the mispricing thesis.

4. Central Thesis: The Sublocade Engine

Our central thesis is that Sublocade remains significantly under-penetrated in a structurally growing market. Sublocade is a long-acting injection administered by healthcare professionals for OUD. Relative to daily sublingual films such as Suboxone, we see several advantages:

- Higher treatment adherence because dosing is controlled in a clinical setting.
- A virtual elimination of diversion and abuse risk thanks to supervised administration.
- Strategic fit within organized medicine and the criminal justice system, where long-acting regimens are easier to monitor.

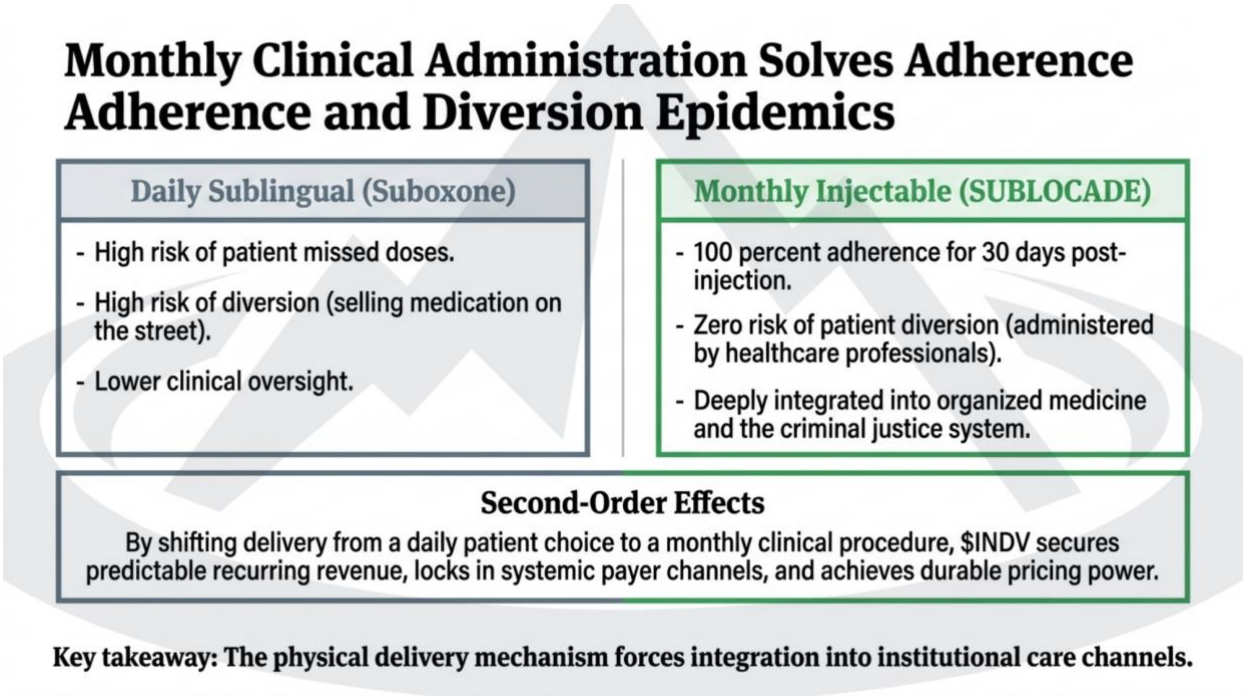


Figure 4. Monthly clinical administration changes the economics of adherence

Key takeaway: The product delivery mechanism shifts treatment from daily patient choice to monthly clinical administration. That supports predictable recurring revenue, payer-channel integration, and stronger pricing durability.

We view regulatory requirements around controlled substances, specifically Risk Evaluation and Mitigation Strategy (REMS) protocols, as a substantial barrier to entry that protects this niche.

Legacy engine vs. growth engine

Metric	Legacy Engine (Suboxone) vs. Growth Engine (Sublocade)
Revenue Mix	Suboxone is a declining legacy share; Sublocade is 69% of total revenue.
Growth Rate	Suboxone faces generic pressure; Sublocade grew 13% in 2025 and 32% in Q1 2026.
Strategic Focus	Suboxone functions as a cash cow; Sublocade is the core under-penetrated growth driver.

Key takeaway: The growth of high-margin Sublocade is now the dominant driver of Indivior's financial profile and more than offsets legacy product erosion.

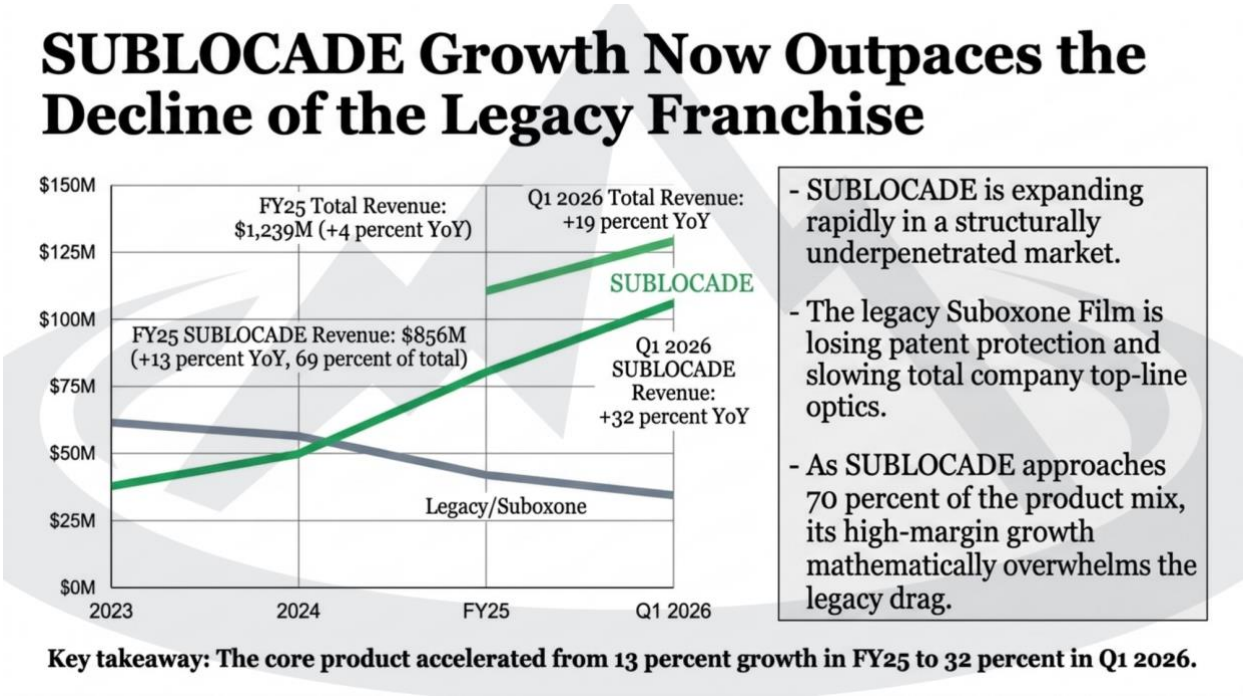


Figure 5. Sublocade growth now outpaces the legacy franchise decline

Key takeaway: Sublocade grew 13% in FY25 and 32% in Q1 2026, while the legacy Suboxone franchise remains under pressure. As Sublocade approaches roughly 70% of mix, its growth dominates total-company economics.

We characterize Indivior's moat as narrow, with a Moat Score of 6.0 / 10. This reflects the combination of high regulatory REMS barriers and entrenched clinical protocols on one side, and meaningful product concentration risk on the other.

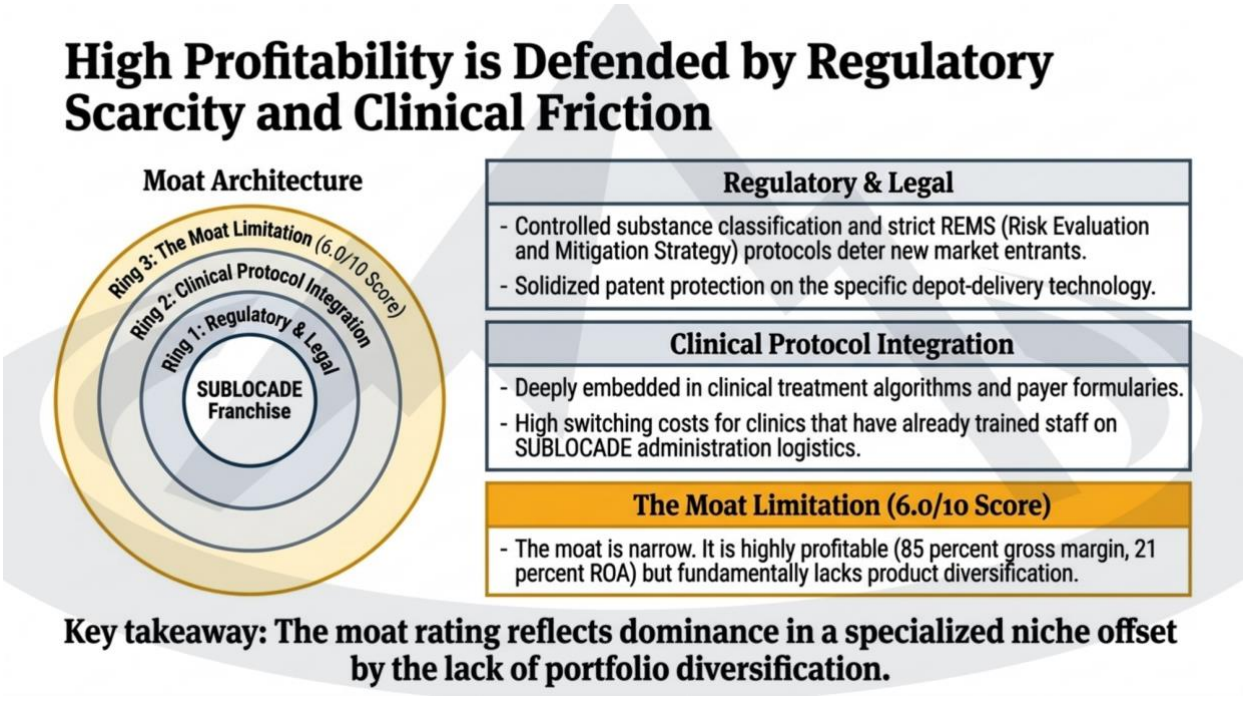


Figure 6. Regulatory scarcity and clinical friction defend profitability

Key takeaway: The moat rating reflects dominance in a specialized niche, supported by REMS protocols and clinical integration, but constrained by limited product diversification and concentration risk.

5. Evidence For: Operational and Financial Momentum

Our constructive view rests on three quantitative pillars.

First, Sublocade revenue growth is accelerating. Growth reached 32% in Q1 2026, which indicates continued share gains in an expanding OUD treatment market.

Second, the company is entering a period of substantial earnings per share (EPS) inflection. Non-GAAP earnings are projected to grow by approximately 52% in 2026 to $3.80 per share.

Third, management has authorized a $400M share repurchase program. We interpret this as a signal of confidence in the balance sheet and in future cash flows.

Our Quality Scorecard provides further support for the strength of the business:

- Profitability (7.8): High gross margins of approximately 85%, return on assets (ROA) of 21%, and a clear path to 51% EBITDA margins.
- Growth (7.2): Strong flagship momentum, reflected in a price/earnings-to-growth (PEG) ratio of approximately 0.2, partially offset by the drag from legacy products.
- Valuation (8.2): Shares trade at 10.7x forward P/E, a material discount to peers.
- Financial Health (6.2): Low leverage at 0.7x net debt to EBITDA and interest coverage of 7x, offset by negative book equity.
- Moat (6.0): Niche leadership backed by REMS requirements and patents, constrained by single-product concentration.

6. Evidence Against: Concentration and Competitive Pressures

The most important counter-argument to our thesis is rising competition from Brixadi, marketed by Camurus and Braeburn. Brixadi is also a long-acting buprenorphine injection and is a direct competitor to Sublocade.

The OUD treatment market is large enough to accommodate multiple players. However, Brixadi pressures net pricing in budget-sensitive segments, particularly in government-funded channels such as Medicaid and the criminal justice system. This pricing pressure could cap margins and reduce the economic upside of Sublocade.

Indivior also has structural vulnerabilities:

- Negative book value, with equity in a deficit position of -$144M.
- Extreme revenue concentration, with approximately 70% of sales tied to a single product.

The negative equity position is largely a byproduct of historical litigation reserves and aggressive share repurchases rather than a sign of operating distress. Even so, it reduces the company's balance sheet buffer against adverse clinical or regulatory events.

These factors help explain the market's current show-me stance toward the stock and the hesitancy to fully credit the improved earnings profile (see Figure 7).

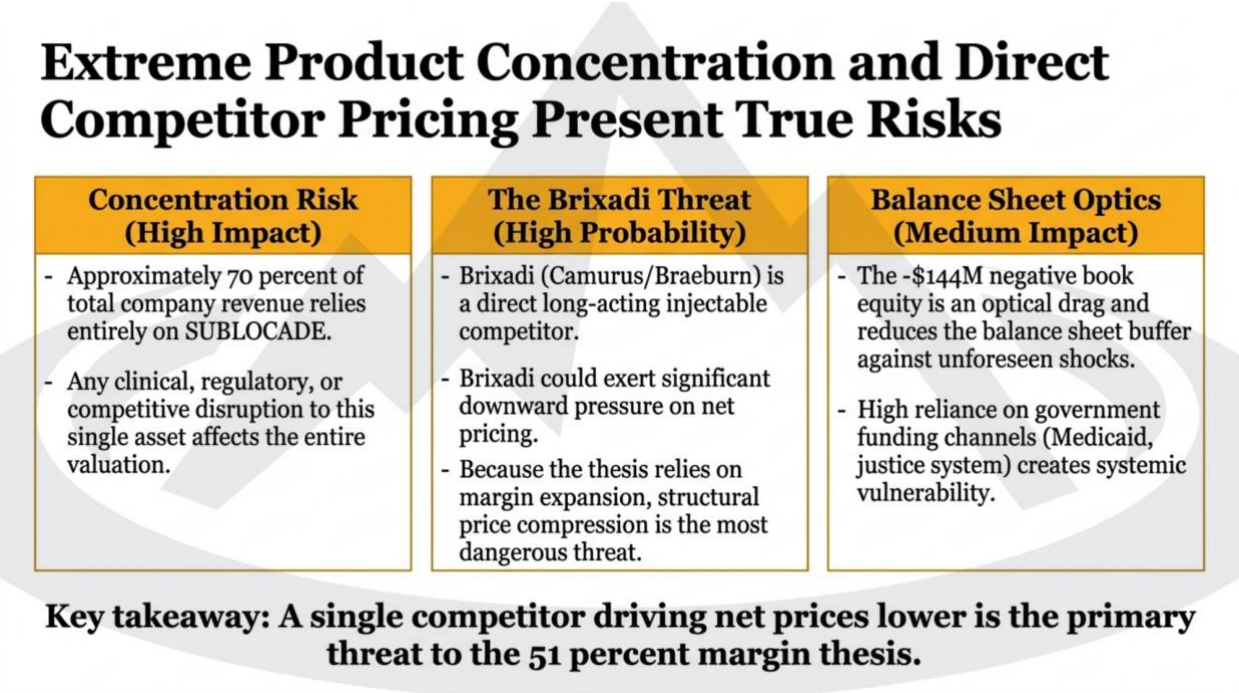


Figure 7. Concentration and Brixadi pricing are the primary risks

Key takeaway: The clearest risk is not generic balance-sheet weakness but structural price pressure from Brixadi. Because the thesis relies on margin expansion, a single competitor driving net prices lower is the primary threat to the 51% margin case.

7. Mechanism, Drivers, and Second-Order Effects

We see the main rerating mechanism as the completion of Indivior's capital cycle.

For several years, a meaningful share of cash flows has been diverted toward litigation and regulatory penalties. We describe this phase as legal punishment capital. As these costs roll off, the company is left with a restructured and lower-cost base.

At the same time, the OUD treatment market exhibits supply-side constraints because REMS compliance creates high barriers to entry for competitors. The combination of lower legal outflows and a restricted competitive field increases the value of the existing franchise.

The shift from writing checks for legal settlements toward reallocating capital to equity, via buybacks or other shareholder returns, is in our view the single most important driver of renewed institutional interest.

We also see a substantial second-order effect from automated investment algorithms. Many passive screeners and quantitative funds exclude Indivior because of its negative GAAP equity and negative TTM free cash flow. These data points, without adjustment for one-time items, cause the stock to fail basic quality filters.

This has created a liquidity and perception trap where valuation remains depressed largely for technical reasons. As reported free cash flow turns positive and earnings quality becomes more visible, we expect these technical headwinds to reverse and gradually turn into a tailwind.

8. Valuation Deep Dive: DCF and Multiples

Our composite fair value estimate of $51.81 is based on a blend of a discounted cash flow (DCF) model, a multiples-based approach, and a probability-weighted scenario framework. We use this blend to balance a fundamental view of long-term cash generation with prevailing market sentiment.

DCF model inputs and summary

Input / Metric	Value
Risk-free Rate	4.49% (10Y UST)
Beta	1.15
Equity Risk Premium	5.5%
WACC	10.38%
Terminal Growth Rate	2.5%
2030 EBITDA Margin	53%
DCF Implied Equity Value	$52.57 per share

Valuation bridge

There is a modest gap between our DCF-derived value of $52.57 and the blended multiples-based value of $48.56.

Indivior currently trades at 10.7x forward P/E. We compare this to peers such as Alkermes and Jazz Pharmaceuticals, which trade at an average of 14x. Applying a conservative 13x forward P/E multiple to our 2026 earnings estimates yields the multiples-based target.

The DCF suggests that as the market gains confidence in the durability of 50% plus margins, the stock should trade toward the higher end of the implied valuation range (see Figure 8).

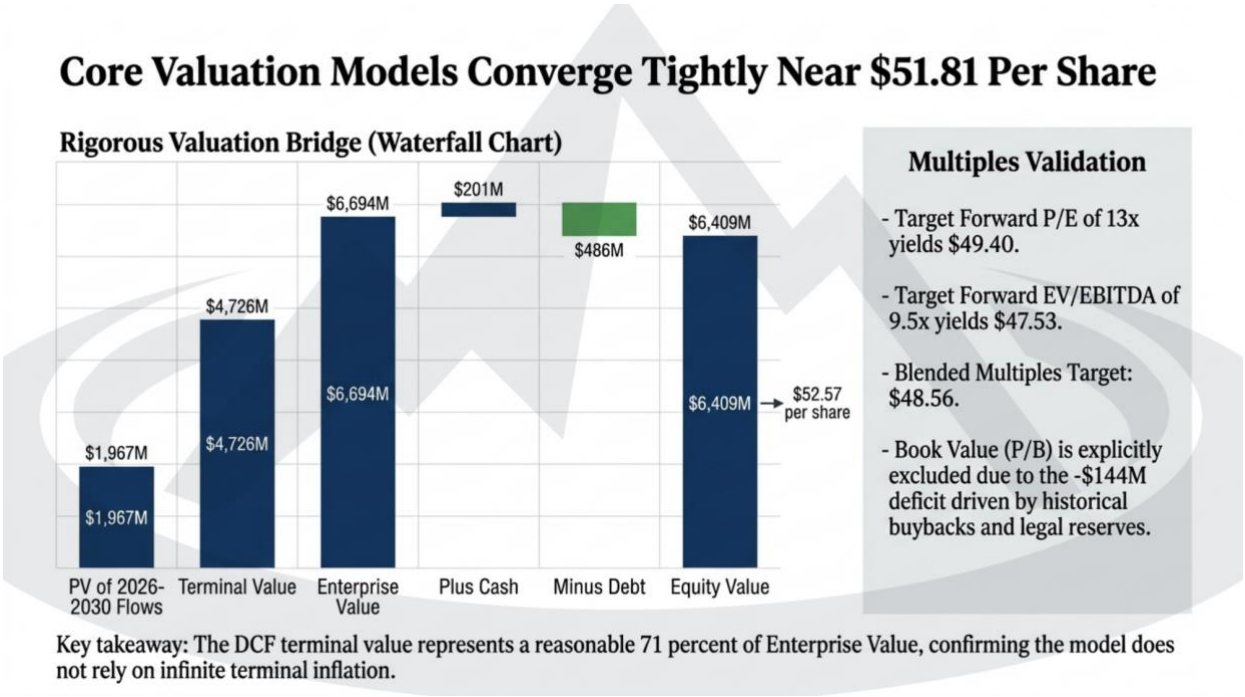


Figure 8. Core valuation models converge near $51.81 per share

Key takeaway: The DCF bridge produces $52.57 per share, while the multiples validation produces a blended target of $48.56. The tight convergence supports the composite fair value estimate rather than relying on one valuation method.

Reverse DCF analysis

At the current price of $40.50, the market is effectively pricing in a terminal growth rate of negative 0.7%. This assumption is sharply at odds with the double-digit growth we currently see in Sublocade.

We read this as an indication of a broad margin of safety: the market-implied expectations are materially more pessimistic than the current performance of the flagship asset (see Figure 9).

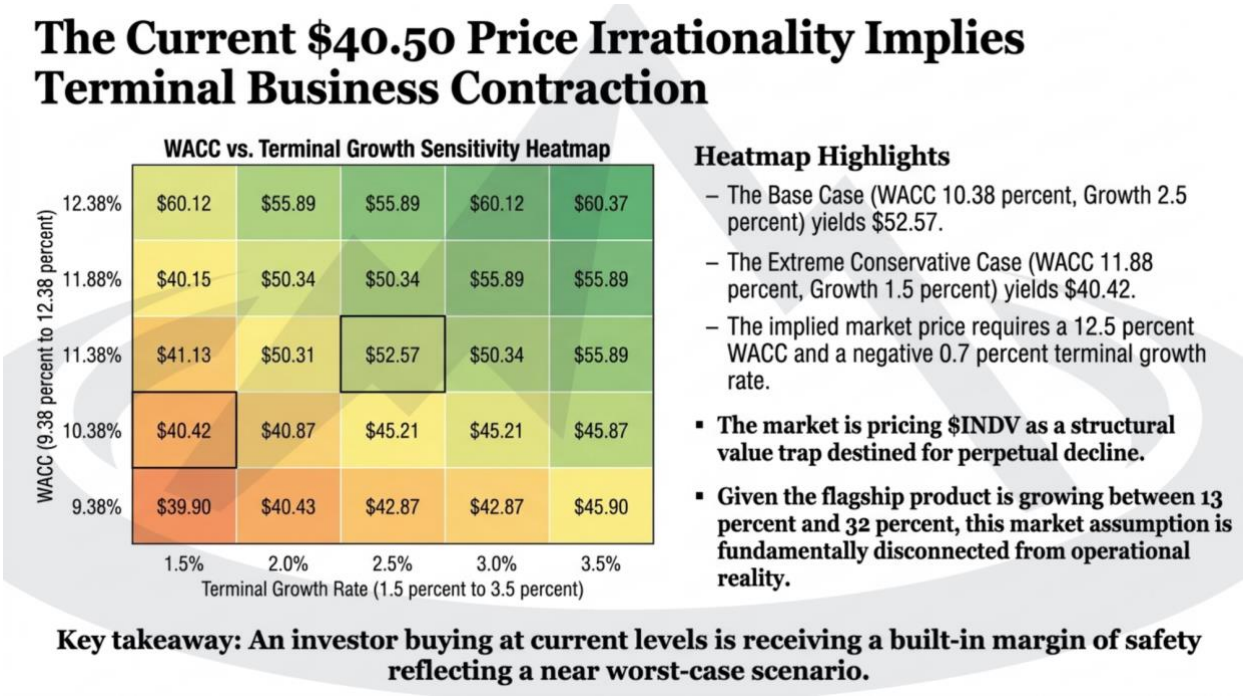


Figure 9. Current price embeds a near worst-case terminal-growth assumption

Key takeaway: The base case uses a 10.38% WACC and 2.5% terminal growth to reach $52.57. The market price requires far more pessimistic assumptions, despite Sublocade growth between 13% and 32%.

9. Scenarios and Qualitative Paths

We frame the next 24 months using three scenarios, each with an explicit fair value and set of assumptions.

Scenario framework

Scenario	Fair Value	Probability and Key Assumptions
Bull Case	$81.00	25% probability: 8.5% CAGR, margins expand to 55%, WACC falls to 9.13%, and Brixadi competition remains muted.
Base Case	$52.57	50% probability: 5% revenue CAGR, margins stabilize at 53%, WACC of 10.38%, and 2.5% terminal growth.
Bear Case	$31.01	25% probability: 2.0% CAGR, margins compress to 45%, WACC of 11.63%, terminal growth of 1.5%, and severe Brixadi price pressure.

Key takeaway: The probability-weighted fair value is $54.30 and expected return is +34%. The distribution is skewed to the upside because the upper tail meaningfully outweighs the lower tail, even after giving the bear case a 25% probability.

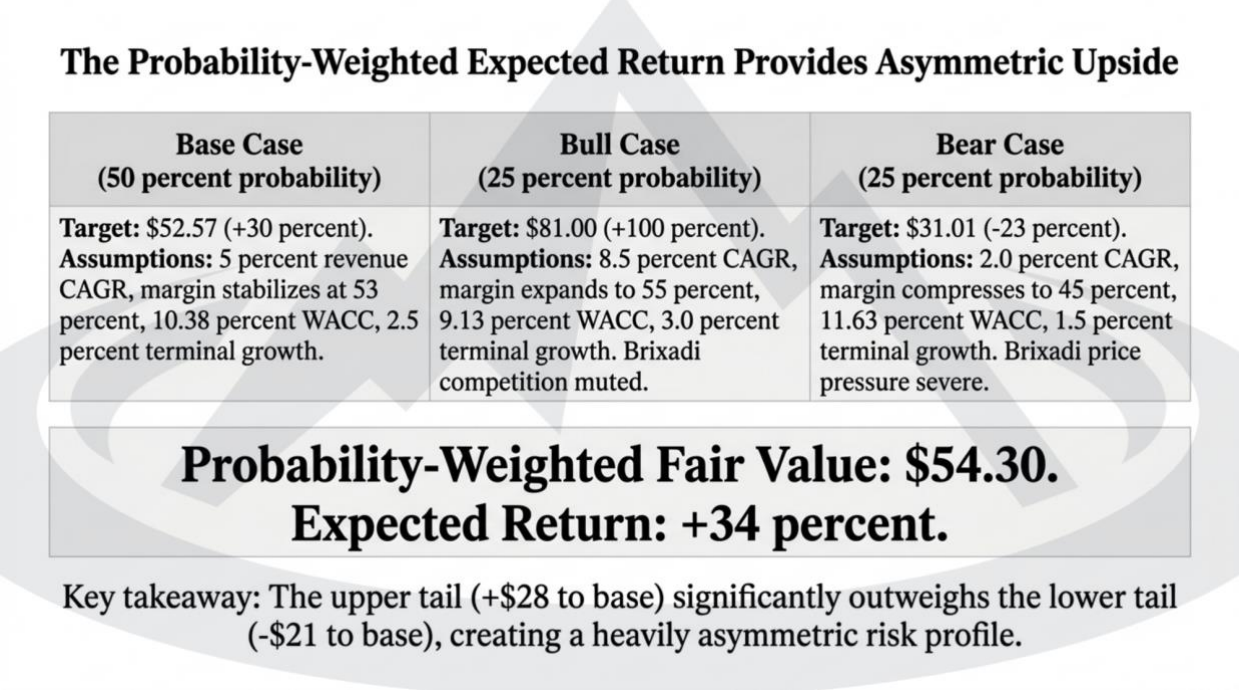


Figure 10. Probability-weighted expected return provides asymmetric upside

Key takeaway: The scenario distribution is asymmetric: base case fair value is $52.57, bull case is $81.00, and bear case is $31.01. The probability-weighted fair value is $54.30, implying +34% expected return from $40.50.

10. Invalidation: What Would Prove Us Wrong

We outline four concrete data points that would challenge or invalidate our thesis.

- Growth deceleration. If Sublocade volume growth falls into single digits, it would suggest either faster market saturation than we expect or a more pronounced share loss to Brixadi and other competitors.
- Pricing erosion. Clear evidence of substantial net price erosion driven by competitive bidding in Medicaid and criminal justice channels would undermine the 51% EBITDA margin target and compress our valuation framework.
- Margin failure. If the company does not reach the lower bound of the 2026 adjusted EBITDA guidance of $620M, it would call into question the effectiveness of the cost restructuring and the degree of operating leverage.
- Cash flow delay. If reported free cash flow does not turn positive by the end of 2026, it would indicate that legal or operational drains are more persistent than our base case assumes.

Any of these outcomes would require us to revisit the scenario probabilities and potentially reduce our fair value estimate (see Figure 11).

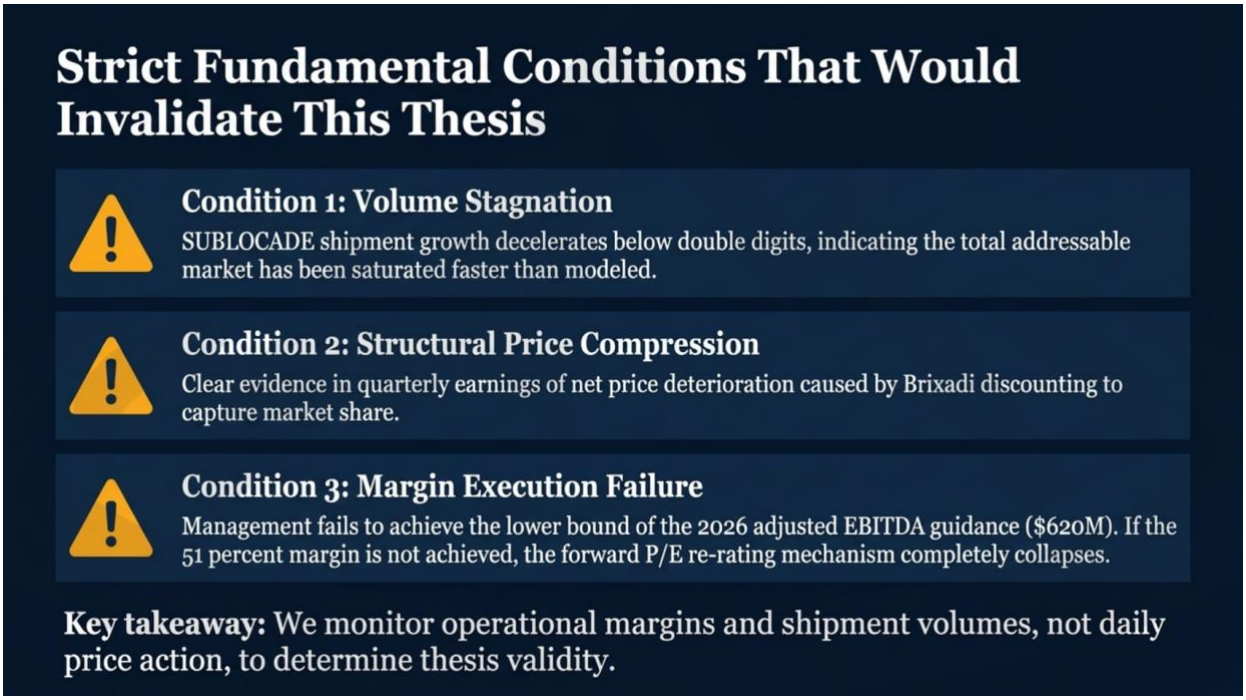


Figure 11. Strict fundamental conditions that would invalidate the thesis

Key takeaway: The operational invalidation triggers are volume stagnation, structural price compression, and margin execution failure. We monitor operating margins and shipment volumes rather than daily price action to test thesis validity.

11. Monitoring Framework and Next Verification Dates

We plan to track this thesis primarily through quarterly earnings and associated disclosures. Our monitoring emphasis is on:

- Sublocade shipment volumes, as a proxy for both demand and competitive dynamics.
- Adjusted EBITDA margins, to confirm that the projected step change in profitability materializes and is sustainable.

The most important verification point will be the first quarterly report that shows positive reported free cash flow. We expect that event to be a clear signal to the market that the legal overhang has materially diminished and that the earnings and cash flow profile have normalized (see Figure 12).

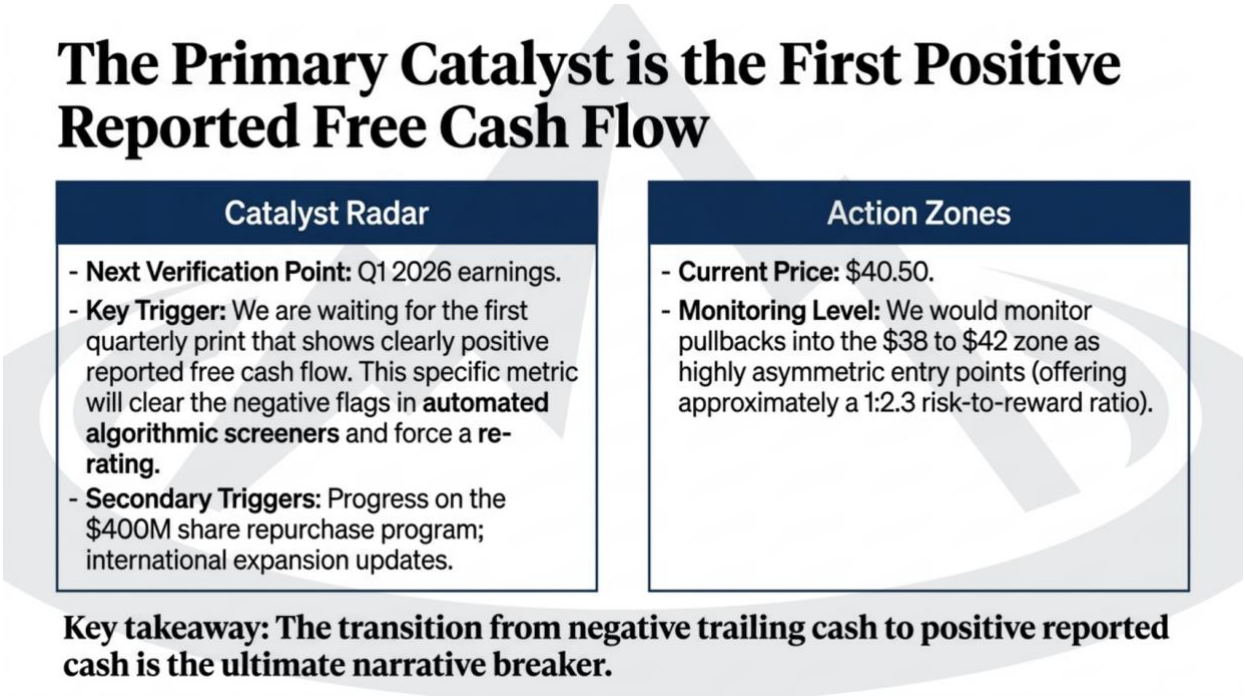


Figure 12. The primary catalyst is the first positive reported free cash flow print

Key takeaway: The transition from negative trailing cash to positive reported cash is the narrative breaker. The slide identifies pullbacks into the $38 to $42 range as a monitoring zone, not as personalized position-sizing guidance.

This is our first MoatPeak coverage of this thesis.

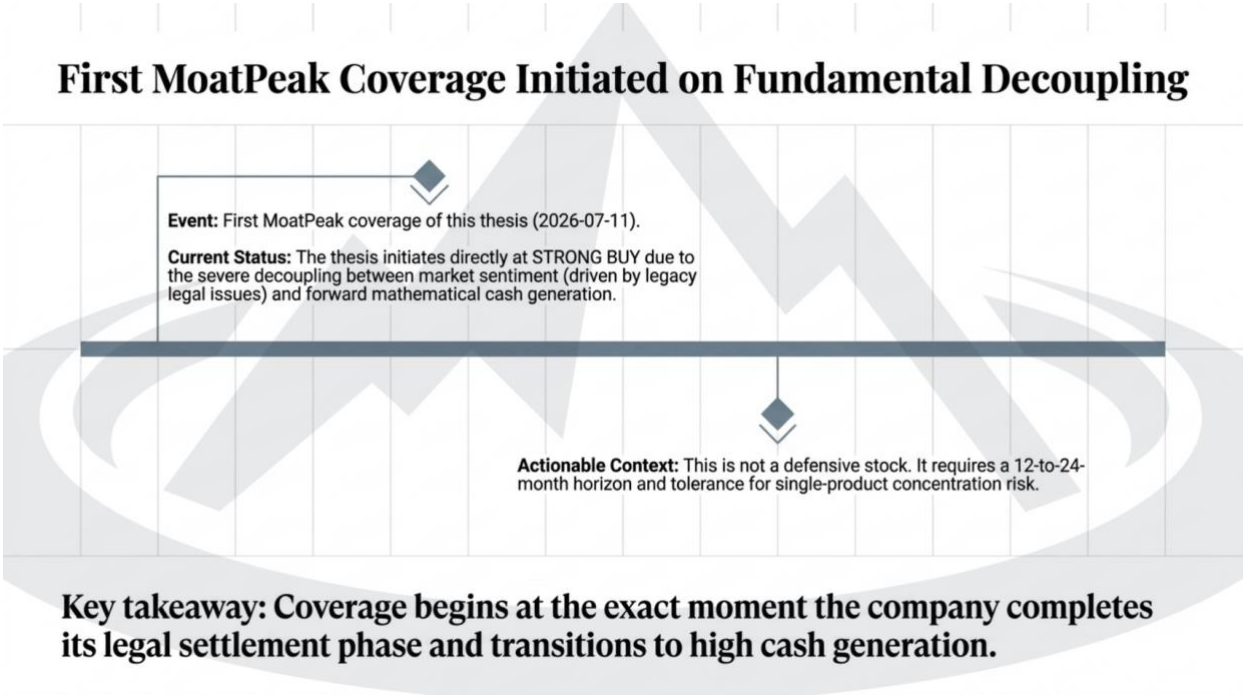


Figure 13. First MoatPeak coverage initiated on fundamental decoupling

Key takeaway: Coverage begins as the thesis transitions from legal settlement overhang to high cash generation. The action context requires a 12-to-24-month horizon and tolerance for single-product concentration risk.

Our analysis is based on Indivior PLC regulatory filings, Q1 2026 financial results, and management guidance for the 2026 fiscal year.

12. Sources and Data Basis

This deep dive is grounded in the following primary sources:

- INDV_Stock_Coverage.docx: MoatPeak Independent Research internal analysis, published July 11, 2026 (data as of July 11, 2026).
- Indivior PLC filings: Annual and quarterly regulatory filings from 2024 through Q1 2026, accessed via SEC EDGAR.
- MoatPeak valuation models: Proprietary DCF and scenario framework for $INDV, July 2026.

The source package does not specify target allocation sizes or position-sizing guidance. The slide package identifies the $38 to $42 area as a monitoring zone, which we treat as research context rather than personalized portfolio guidance.

13. Version, Update, and Correction Note

- Version: 1.0
- Date: July 11, 2026
- Notes: Initial deep dive publication.

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Appendix: Important Disclosures

MoatPeak – Independent Research

MoatPeak is an independent macroeconomic and sector-focused research platform dedicated to helping investors navigate complex market regimes through scenario-based analysis, institutional synthesis, and disciplined risk frameworks.

Our research integrates insights from global investment banks, asset managers, and macroeconomic data sources, translated into clear, actionable perspectives for long-term, strategic investors.

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