

Thermo Fisher (TMO US)

A promising year ahead

Thermo Fisher (TMO) delivered a strong performance in 4Q24, with revenue up by 4.7% YoY and adjusted EPS up by 7.6%, beating consensus by 1.0%/2.7%, respectively. This marks an acceleration in earnings growth, with sequential improvements across all business segments. Mgmt's 2025 guidance projects revenue growth of 1.4-2.6% YoY and adjusted EPS growth of 5.7-7.5% YoY.

- Robust demand outlook.** TMO experienced a significant resurgence in demand in 4Q24, driven by continued pharmaceutical innovation and a positive biotech funding environment. This momentum is expected to persist. According to mgmt's discussions with clients in early 2025, MNC clients are confident about future prospects, particularly those benefiting from GLP - 1 drugs, while biotech clients also maintain an optimistic outlook. Mgmt. is convinced that the industry will revert to long-term growth of 4-6%, while TMO can achieve organic growth of 7-9% through market share expansion. Notably, in order to meet the burgeoning demand, TMO plans to invest US\$1.4-1.7bn in capex in 2025, reflecting an 11% YoY increase (midpoint), the first YoY capex growth since 2021.
- Broad-based growth across all segments in 4Q24.** Life Science registered 5.5% YoY growth in the quarter, the first positive growth since 1Q22, driven by the bioproduction and biosciences businesses. Despite persistent headwinds in China, Analytical Instruments still managed to achieve 7.3% YoY growth in 4Q24. This segment has emerged as the fastest-growing segment within the Company, mainly driven by electron microscopy, chromatography, and mass spectrometry businesses. As the largest revenue source, Laboratory Products and Biopharma Services grew by 3.8% YoY, fueled by CDMO and research and safety market channels businesses. The clinical CRO business delivered low single-digit growth in 2024. We are confident that TMO will sustain an upward trajectory in 2025.
- China remains a strategic market.** In 2024, revenue from China recorded low single-digit growth, with a clear sequential improvement throughout the year. This represented a substantial recovery compared to the high single-digit decline in 2023, signalling stabilizing demand. Mgmt. noted that China's equipment stimulus policies began contributing revenue in 4Q24, with a robust inflow of equipment orders. As TMO's 2nd largest individual market, China remains a key strategic focus. Given the Chinese government's continued rollout of economic stimulus measures, we believe that market stabilization and potential recovery will serve as a critical catalyst for TMO's earnings growth moving forward.
- Maintain BUY.** We raise TP from US\$670 to US\$690, based on a 10-year DCF model with WACC of 7.32% and terminal growth of 2.0%. We forecast TMO's revenue to grow by 2.9%/ 5.3%/ 8.1% YoY and adjusted net income to increase by 5.6%/ 9.9%/ 10.6% YoY in 2025E/ 26E/ 27E, respectively.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	42,857	42,879	44,129	46,459	50,221
YoY growth (%)	(4.6)	0.1	2.9	5.3	8.1
Adjusted net profit (US\$ mn)	8,364	8,380	8,852	9,733	10,767
YoY growth (%)	(8.7)	0.2	5.6	9.9	10.6
EPS (Adjusted) (US\$)	21.67	21.94	23.38	26.06	29.24
Consensus EPS (US\$)	na	na	23.33	25.77	28.89
P/E (Adjusted) (x)	27.0	26.6	24.9	22.3	19.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$690.00
(Previous TP	US\$670.00)
Up/Downside	18.5%
Current Price	US\$582.38

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Stock Data

Mkt Cap (US\$ mn)	222,469.2
Avg 3 mths t/o (US\$ mn)	1,089.9
52w High/Low (US\$)	624.21/501.29
Total Issued Shares (mn)	382.0

Source: FactSet

Shareholding Structure

Vanguard	8.6%
BlackRock	7.6%

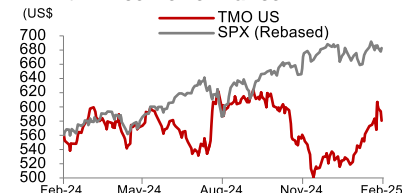
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	8.4%	6.9%
3-mth	4.1%	1.8%
6-mth	-3.3%	-16.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

US\$m	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	44,129	46,459	50,221	45,457	49,234	NA	-2.92%	-5.64%	NA
Gross profit	18,426	20,024	22,265	18,768	20,743	NA	-1.82%	-3.47%	NA
Operating profit	7,715	8,698	9,980	7,653	8,934	NA	0.81%	-2.64%	NA
Non-GAAP net profit	8,852	9,733	10,767	8,752	9,662	NA	1.14%	0.73%	NA
Non-GAAP EPS (US\$)	23.38	26.06	29.24	23.19	25.99	NA	0.83%	0.29%	NA
Gross margin	41.76%	43.10%	44.33%	41.29%	42.13%	NA	+0.47ppt	+0.97ppt	NA
Operating margin	17.48%	18.72%	19.87%	16.84%	18.15%	NA	+0.65ppt	+0.58ppt	NA
Net margin	20.06%	20.95%	21.44%	19.25%	19.62%	NA	+0.81ppt	+1.32ppt	NA

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$m	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	44,129	46,459	50,221	43,909	46,840	50,269	0.50%	-0.81%	-0.10%
Gross profit	18,426	20,024	22,265	18,730	20,071	21,669	-1.62%	-0.24%	2.75%
Operating profit	7,715	8,698	9,980	10,314	11,235	12,349	-25.20%	-22.58%	-19.18%
Non-GAAP net profit	8,852	9,733	10,767	8,840	9,659	10,709	0.14%	0.76%	0.54%
Non-GAAP EPS (US\$)	23.38	26.06	29.24	23.33	25.77	28.89	0.22%	1.15%	1.21%
Gross margin	41.76%	43.10%	44.33%	42.66%	42.85%	43.11%	-0.90ppt	+0.25ppt	+1.23ppt
Operating margin	17.48%	18.72%	19.87%	23.49%	23.99%	24.57%	-6.01ppt	-5.26ppt	-4.69ppt
Net margin	20.06%	20.95%	21.44%	20.13%	20.62%	21.30%	-0.07ppt	+0.33ppt	+0.14ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 3: DCF valuation of Thermo Fisher

DCF Valuation (in US\$bn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	7.7	8.6	9.9	11.4	13.1	14.9	16.9	19.1	21.5	24.1
Tax rate	11.5%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
EBIT*(1-tax rate)	6.8	7.8	8.9	10.3	11.8	13.4	15.2	17.2	19.4	21.7
+ D&A	3.2	3.1	3.1	3.5	4.0	4.5	5.0	5.6	6.3	7.0
- Change in working capital	(0.4)	(0.5)	(0.9)	(1.0)	(1.1)	(1.2)	(1.4)	(1.6)	(1.7)	(1.9)
- Capex	(5.6)	(5.7)	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)
FCFF	4.1	4.7	5.3	7.0	8.8	10.8	13.1	15.5	18.1	20.9
Terminal value										445.3
Terminal growth rate	2.50%									
WACC	7.32%									
Cost of equity	8.69%									
Cost of debt	5.30%									
Equity beta	0.86									
Risk free rate	4.40%									
Market risk premium	5.00%									
Target debt to asset ratio	35.00%									
Effective corporate tax rate	10.00%									
PV of terminal value (US\$bn)	219.8									
Total PV (US\$bn)	287.3									
Net debt (US\$bn)	26.1									
Non-controlling interest (US\$bn)	(0.0)									
Equity value (US\$bn)	261.2									
# of shares (mn)	379									
Price per share (US\$)	690.00									

Source: CMBIGM estimates

Figure 4: Valuation range based on sensitivity analysis

Price per share (US\$)		WACC				
		6.32%	6.82%	7.32%	7.82%	8.32%
Terminal growth rate	3.5%	1,221.22	1,006.83	849.19	728.58	633.43
	3.0%	1,050.85	886.28	760.38	661.08	580.86
	2.5%	925.11	793.65	690.00	606.27	537.33
	2.0%	828.48	720.25	632.85	560.89	500.68
	1.5%	751.91	660.65	585.52	522.69	469.41

Source: CMBIGM estimates

Figure 5: Global peer valuation

Company	Ticker	Rating	Mkt Cap	Revenue CAGR	Net income CAGR	P/E (x)			PEG (x)	PB (x)	ROE	Div. yield
			US\$bn	23-26E	23-26E	24E	25E	26E	24E	24E	24E	24E
Overseas												
Thermo Fisher	TMO US	BUY	221.1	2.7%	5.2%	24.9	22.3	19.9	4.8	4.1	16.5%	0.3%
Danaher	DHR US	NR	152.5	2.6%	3.3%	28.1	27.5	24.6	8.6	3.0	9.7%	0.5%
Samsung Bio	207940 KS	NR	53.5	19.9%	22.8%	76.3	60.7	48.7	3.3	7.1	9.8%	0.0%
Lonza	LONN SW	NR	49.0	8.4%	14.6%	45.0	37.1	31.1	3.1	4.7	9.4%	0.7%
IQVIA	IQV US	NR	38.9	4.3%	7.2%	19.3	18.1	16.3	2.7	5.7	29.1%	0.0%
LabCorp	LH US	NR	20.7	5.9%	7.1%	17.0	15.5	14.1	2.4	2.5	15.3%	1.2%
ICON	ICLR US	NR	16.4	3.2%	7.2%	14.2	13.9	12.3	2.0	1.7	9.9%	0.0%
Sartorius	SRT GR	NR	17.9	5.7%	8.8%	52.3	40.8	32.4	6.0	4.0	11.1%	0.4%
Medpace	MEDP US	NR	11.4	9.5%	17.4%	30.8	29.1	25.5	1.8	11.7	48.0%	0.0%
Charles River	CRL US	NR	8.6	0.2%	-0.5%	16.4	17.2	15.4	na	2.2	12.4%	0.0%
Bachem	BANB SW	NR	4.8	18.7%	18.9%	36.5	33.0	23.6	1.9	3.1	8.8%	1.5%
Overseas average				7.4%	10.2%	32.8	28.7	24.0	0.4	4.5	16.4%	0.4%
China												
WuXi AppTec	603259 CH	BUY	22.9	6.9%	7.5%	16.1	14.4	12.4	2.2	2.9	16.6%	1.7%
WuXi Biologics	2269 HK	BUY	11.2	12.0%	9.7%	17.0	15.1	13.0	1.8	1.7	11.8%	0.0%
Tigermid	300347 CH	BUY	5.5	6.5%	5.7%	44.4	40.2	32.3	7.8	2.6	5.8%	0.7%
Pharmaron	300759 CH	NR	5.8	9.7%	10.7%	25.8	24.7	21.3	2.4	3.3	13.1%	0.9%
Joinn	6127 HK	BUY	1.6	3.5%	-9.9%	80.8	31.2	19.8	na	0.9	1.0%	0.4%
Asymchem	002821 CH	NR	3.9	-0.8%	-11.5%	28.4	22.9	18.4	na	1.6	5.7%	1.0%
China average				6.3%	2.0%	35.4	24.8	19.5	3.5	2.2	9.0%	0.8%

Source: Bloomberg, CMBIGM

Note: Data of Thermo Fisher, WuXi AppTec, WuXi Bio, Tigermid and Joinn are based on CMBIGM forecasts, while data of other companies are based on Bloomberg consensus as of 6 Feb 2025.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	44,915	42,857	42,879	44,129	46,459	50,221
Cost of goods sold	(25,944)	(25,757)	(25,208)	(25,702)	(26,436)	(27,956)
Gross profit	18,971	17,100	17,671	18,426	20,024	22,265
Operating expenses	(10,578)	(10,241)	(10,334)	(10,711)	(11,325)	(12,285)
SG&A expense	(8,993)	(8,445)	(8,565)	(8,858)	(9,373)	(10,182)
R&D expense	(1,471)	(1,337)	(1,390)	(1,453)	(1,553)	(1,703)
Others	(114)	(459)	(379)	(400)	(400)	(400)
Operating profit	8,393	6,859	7,337	7,715	8,698	9,980
Interest income	272	879	1,078	769	642	490
Interest expense	(726)	(1,375)	(1,390)	(1,148)	(977)	(811)
Other income/expense	(104)	(65)	12	(60)	(60)	(60)
Pre-tax profit	7,835	6,298	7,037	7,276	8,303	9,600
Income tax	(703)	(284)	(657)	(837)	(830)	(960)
Others	(172)	(59)	(42)	(100)	(100)	(100)
After tax profit	6,960	5,955	6,338	6,339	7,373	8,540
Minority interest	(10)	40	(3)	(3)	(3)	(4)
Net profit	6,950	5,995	6,335	6,336	7,370	8,536
Adjusted net profit	9,159	8,364	8,380	8,852	9,733	10,767
Gross dividends	470	540	596	596	693	803

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	25,229	24,589	22,138	23,235	24,144	26,028
Cash & equivalents	8,524	8,077	4,009	4,699	5,015	5,875
Account receivables	8,115	8,221	8,191	8,445	8,891	9,611
Inventories	5,634	5,088	4,978	5,132	5,278	5,582
Prepayment	0	0	0	0	0	0
Other current assets	1,644	1,760	3,517	3,517	3,517	3,517
Contract assets	1,312	1,443	1,443	1,443	1,443	1,443
Non-current assets	71,925	74,137	75,184	77,523	80,047	82,781
PP&E	9,280	9,448	9,306	9,896	10,525	11,237
Intangibles	17,442	16,670	15,533	14,482	13,577	12,799
Goodwill	41,196	44,020	45,853	48,653	51,453	54,253
Other non-current assets	4,007	3,999	4,492	4,492	4,492	4,492
Total assets	97,154	98,726	97,322	100,758	104,192	108,809
Current liabilities	17,010	14,012	13,332	13,288	13,272	13,345
Short-term borrowings	5,579	3,609	2,214	2,114	2,014	1,914
Account payables	3,381	2,872	2,872	2,928	3,012	3,185
Other current liabilities	5,449	4,842	5,557	5,557	5,557	5,557
Contract liabilities	2,601	2,689	2,689	2,689	2,689	2,689
Non-current liabilities	36,112	37,990	34,438	33,838	33,238	32,638
Long-term borrowings	28,909	31,308	29,061	28,661	28,261	27,861
Other non-current liabilities	7,203	6,682	5,377	5,177	4,977	4,777
Total liabilities	53,122	52,002	47,770	47,126	46,510	45,983
Share capital	441	442	442	442	442	442
Capital surplus	16,743	17,286	17,286	17,286	17,286	17,286
Retained earnings	41,910	47,364	53,409	59,486	66,532	74,672
Other reserves	(15,116)	(18,357)	(21,577)	(23,577)	(26,577)	(29,577)
Total shareholders equity	43,978	46,735	49,560	53,637	57,683	62,823
Minority interest	54	(11)	(8)	(5)	(2)	3
Total equity and liabilities	97,154	98,726	97,322	100,758	104,192	108,809

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	7,835	6,298	7,037	7,276	8,303	9,600
Depreciation & amortization	3,381	3,406	3,108	3,211	3,125	3,066
Tax paid	(703)	(284)	(657)	(837)	(830)	(960)
Change in working capital	(1,049)	(537)	(379)	(351)	(509)	(850)
Others	(310)	(477)	(443)	36	70	107
Net cash from operations	9,154	8,406	8,666	9,336	10,160	10,963
Investing						
Capital expenditure	(2,243)	(1,479)	(1,400)	(1,550)	(1,650)	(1,800)
Acquisition of subsidiaries/ investments	(39)	(3,660)	(3,132)	(4,000)	(4,000)	(4,000)
Others	123	(3)	(1,309)	0	0	0
Net cash from investing	(2,159)	(5,142)	(5,841)	(5,550)	(5,650)	(5,800)
Financing						
Dividend paid	(455)	(523)	(583)	(596)	(693)	(803)
Net borrowings	654	(155)	(2,403)	(500)	(500)	(500)
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(3,000)	(3,000)	(4,000)	(2,000)	(3,000)	(3,000)
Others	(9)	56	195	0	0	0
Net cash from financing	(2,810)	(3,622)	(6,791)	(3,096)	(4,193)	(4,303)
Net change in cash						
Cash at the beginning of the year	4,491	8,537	8,097	4,009	4,699	5,015
Exchange difference	(139)	(82)	(91)	0	0	0
Cash at the end of the year	8,537	8,097	4,040	4,699	5,015	5,875
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	14.5%	(4.6%)	0.1%	2.9%	5.3%	8.1%
Gross profit	(3.4%)	(9.9%)	3.3%	4.3%	8.7%	11.2%
Operating profit	(16.3%)	(18.3%)	7.0%	5.2%	12.7%	14.7%
Net profit	(10.0%)	(13.7%)	5.7%	0.0%	16.3%	15.8%
Adj. net profit	(8.2%)	(8.7%)	0.2%	5.6%	9.9%	10.6%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	42.2%	39.9%	41.2%	41.8%	43.1%	44.3%
Operating margin	18.7%	16.0%	17.1%	17.5%	18.7%	19.9%
Adj. net profit margin	20.4%	19.5%	19.5%	20.1%	20.9%	21.4%
Return on equity (ROE)	16.4%	13.2%	13.2%	12.3%	13.2%	14.2%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.6	0.6	0.6	0.5	0.4	0.4
Current ratio (x)	1.5	1.8	1.7	1.7	1.8	2.0
Receivable turnover days	65.4	69.6	69.9	69.9	69.9	69.9
Inventory turnover days	75.2	76.0	72.9	72.9	72.9	72.9
Payable turnover days	44.0	44.3	41.6	41.6	41.6	41.6
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E (adjusted)	25.1	27.0	26.6	24.9	22.3	19.9
P/B	5.2	4.8	4.5	4.1	3.8	3.4
P/CFPS	24.9	26.7	25.7	23.6	21.4	19.6
Div yield (%)	0.2	0.2	0.3	0.3	0.3	0.4

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

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