

Thermo Fisher (TMO US)

Taking measures to counteract macro headwinds

Thermo Fisher (TMO) reported its 1Q25 results, with revenue rising 0.2% YoY to US\$10.4bn and adjusted EPS up 0.8% YoY to US\$5.15. Revenue and adjusted EPS exceeded Bloomberg consensus by 1.3% and 0.8%, respectively. Note that 1Q25 had two fewer selling days compared to 1Q24, negatively impacting growth across all segments by ~1-2%. Despite macro headwinds of tariffs and changes in US domestic policies (e.g., NIH funding), mgmt. maintained its full-year revenue guidance at the midpoint, projecting revenue growth of 1.0% to 3.1% for 2025. However, the Company revised its adjusted EPS guidance downward, expecting a range from a 0.6% decline to 4.4% growth, mainly due to the impact of tariffs.

■ **Steady underlying demand for most of TMO's businesses.** From an end-market perspective, the pharma and biotech end-market achieved low-single-digit growth, despite a 2ppts negative impact from declining vaccine and therapy-related revenues. Growth in this end-market was driven by pharma services (CDMO) and bioproduction, as well as research and safety market channel. Conversely, revenues from academic and government end-market declined by a low single digit, due to US policy changes which primarily affected equipment sales. Mgmt. anticipates this factor alone will reduce revenue guidance by US\$500mn. Geographically, North America and Europe recorded flat and low single-digit growth, respectively, while Asia-Pacific saw low single-digit growth, including a mid-single-digit decline in China market.

■ **Impact of tariffs.** 1) Elevated tariffs between the US and China are expected to significantly reduce bilateral trade, with mgmt. incorporating a US\$400mn reduction into revenue guidance. 2) However, broader US tariffs will lead to a weakening US dollar, positively contributing US\$600mn to revenue guidance. 3) Tariffs are expected to reduce the adjusted operating margin by 1.2 ppts. Adjusted EPS guidance has also been lowered by US\$1.0, with US\$0.7 of that directly attributable to tariffs. 4) Nevertheless, tariffs will create new mid-to long-term opportunities for TMO by leveraging its US-based manufacturing facilities.

■ **Strategic measures to navigate macro challenges.** TMO is actively implementing measures to address macro challenges, including supply chain realignment, active cost management, and appropriate price increases. Mgmt. emphasized TMO's global manufacturing footprint as a competitive advantage to enable faster capacity adjustments compared to smaller peers. To support long-term growth and expand market share, TMO announced plans to invest US\$2bn over the next four years in expanding its US manufacturing and R&D facilities, in response to growing customer demand.

■ **Maintain BUY.** Due to our concerns on the increasing macro uncertainties, we revise down forecasts on TMO. Now we forecast its revenue to grow by 2.2%/ 5.2%/ 8.1% YoY and adjusted EPS to increase by 2.5%/ 11.9%/ 13.3% YoY in 2025E/ 26E/ 27E, respectively. Hence, we cut our DCF-based TP from US\$690 to US\$526 (WACC: 7.45%, terminal growth: 2.00%). Bloomberg consensus are higher than our forecasts on revenue while lower on adjusted EPS, reflecting our conservative view on bottom-line.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	42,857	42,879	43,806	46,518	50,283
YoY growth (%)	(4.6)	0.1	2.2	6.2	8.1
Adjusted net profit (US\$ mn)	8,364	8,381	8,461	9,293	10,329
EPS (Adjusted) (US\$)	21.67	21.94	22.42	25.09	28.42
YoY growth (%)	(7.3)	1.5	2.5	11.9	13.3
Consensus EPS (US\$)	na	na	22.71	25.11	28.05
P/E (Adjusted) (x)	20.0	19.7	19.3	17.2	15.2
P/B (x)	3.6	3.3	3.1	2.8	2.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$526.00
 (Previous TP US\$690.00)
Up/Downside 21.9%
Current Price US\$431.64

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Stock Data

Mkt Cap (US\$ mn)	164,886.5
Avg 3 mths t/o (US\$ mn)	785.6
52w High/Low (US\$)	624.21/419.31
Total Issued Shares (mn)	382.0

Source: FactSet

Shareholding Structure

Vanguard	8.8%
BlackRock	7.6%

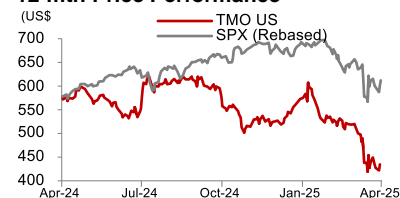
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-17.0%	-10.9%
3-mth	-24.9%	-14.8%
6-mth	-22.6%	-16.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

US\$mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	43,806	46,518	50,283	44,129	46,459	50,221	-0.73%	0.13%	0.12%
Gross profit	17,952	19,842	22,091	18,426	20,024	22,265	-2.57%	-0.91%	-0.78%
Operating profit	7,133	8,307	9,579	7,715	8,698	9,980	-7.55%	-4.50%	-4.02%
Non-GAAP net profit	8,461	9,293	10,329	8,852	9,733	10,767	-4.42%	-4.52%	-4.07%
Non-GAAP EPS (US\$)	22.42	25.09	28.42	23.38	26.06	29.24	-4.10%	-3.73%	-2.81%
Gross margin	40.98%	42.65%	43.93%	41.76%	43.10%	44.33%	-0.78ppt	-0.45ppt	-0.40ppt
Operating margin	16.28%	17.86%	19.05%	17.48%	18.72%	19.87%	-1.20ppt	-0.86ppt	-0.82ppt
Net margin	19.31%	19.98%	20.54%	20.06%	20.95%	21.44%	-0.75ppt	-0.97ppt	-0.90ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	43,806	46,518	50,283	43,740	46,482	49,720	0.15%	0.08%	1.13%
Gross profit	17,952	19,842	22,091	18,408	19,793	21,291	-2.48%	0.24%	3.75%
Operating profit	7,133	8,307	9,579	10,022	11,000	12,051	-28.83%	-24.48%	-20.51%
Non-GAAP net profit	8,461	9,293	10,329	8,613	9,421	10,383	-1.77%	-1.36%	-0.52%
Non-GAAP EPS (\$)	22.42	25.09	28.42	22.71	25.11	28.05	-1.26%	-0.09%	1.31%
Gross margin	40.98%	42.65%	43.93%	42.09%	42.58%	42.82%	-1.10ppt	+0.07ppt	+1.11ppt
Operating margin	16.28%	17.86%	19.05%	22.91%	23.67%	24.24%	-6.63ppt	-5.81ppt	-5.19ppt
Net margin	19.31%	19.98%	20.54%	19.69%	20.27%	20.88%	-0.38ppt	-0.29ppt	-0.34ppt

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	7.1	8.2	9.5	10.9	12.3	13.9	15.7	17.6	19.6	21.7
Tax rate	10.5%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
EBIT*(1-tax rate)	6.3	7.4	8.6	9.8	11.1	12.5	14.1	15.8	17.6	19.6
+ D&A	3.2	3.2	3.1	3.5	3.9	4.3	4.7	5.2	5.7	6.2
- Change in working capital	(0.4)	(0.6)	(0.8)	(0.9)	(1.1)	(1.2)	(1.3)	(1.4)	(1.6)	(1.7)
- Capex	(6.6)	(5.7)	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)
FCFF	2.6	4.4	5.0	6.5	8.1	9.9	11.8	13.8	16.0	18.3
Terminal value										342.1
Terminal growth rate	2.00%									
WACC	7.45%									
Cost of equity	8.90%									
Cost of debt	5.30%									
Equity beta	0.90									
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)	166.7									
Total PV (US\$bn)	226.0									
Net debt (US\$bn)	27.5									
Non-controlling interest (US\$bn)	(0.0)									
Equity value (US\$bn)	198.5									
# of shares (mn)	377									
Price per share (US\$)	526.00									

Source: CMBIGM estimates

Figure 4: Valuation range based on sensitivity analysis

Price per share (US\$)		WACC				
		6.45%	6.95%	7.45%	7.95%	8.45%
Terminal growth rate	3.0%	867.43	733.71	630.45	548.42	481.76
	2.5%	766.39	658.59	572.96	503.39	445.81
	2.0%	688.03	598.63	526.00	465.91	415.44
	1.5%	625.49	549.66	486.93	434.25	389.43
	1.0%	574.41	508.91	453.92	407.14	366.91

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	44,915	42,857	42,879	43,806	46,518	50,283
Cost of goods sold	(25,944)	(25,757)	(25,177)	(25,853)	(26,677)	(28,192)
Gross profit	18,971	17,100	17,702	17,952	19,842	22,091
Operating expenses	(10,578)	(10,241)	(10,364)	(10,820)	(11,535)	(12,511)
SG&A expense	(8,993)	(8,445)	(8,595)	(8,912)	(9,511)	(10,330)
R&D expense	(1,471)	(1,337)	(1,390)	(1,508)	(1,624)	(1,781)
Others	(114)	(459)	(379)	(400)	(400)	(400)
Operating profit	8,393	6,859	7,338	7,133	8,307	9,579
Interest income	272	879	1,078	779	471	337
Interest expense	(726)	(1,375)	(1,390)	(1,117)	(946)	(781)
Other income/expense	(104)	(65)	12	(60)	(60)	(60)
Pre-tax profit	7,835	6,298	7,038	6,734	7,772	9,076
Income tax	(703)	(284)	(657)	(707)	(777)	(908)
Others	(172)	(59)	(42)	(100)	(100)	(100)
After tax profit	6,960	5,955	6,339	5,927	6,895	8,068
Minority interest	(10)	40	(3)	(3)	(3)	(4)
Net profit	6,950	5,995	6,336	5,924	6,891	8,064
Adjusted net profit	9,159	8,364	8,381	8,461	9,293	10,329
Gross dividends	470	540	596	592	689	806

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	25,229	24,589	22,138	21,762	22,244	23,685
Cash & equivalents	8,524	8,077	4,009	3,251	3,049	3,467
Account receivables	8,115	8,221	8,191	8,383	8,902	9,623
Inventories	5,634	5,088	4,978	5,168	5,333	5,636
Prepayment	0	0	0	0	0	0
Other current assets	1,644	1,760	3,525	3,525	3,525	3,525
Contract assets	1,312	1,443	1,435	1,435	1,435	1,435
Non-current assets	71,925	74,137	75,184	78,502	80,987	83,688
PP&E	9,280	9,448	9,306	9,896	10,525	11,237
Intangibles	17,442	16,670	15,533	14,761	13,818	13,006
Goodwill	41,196	44,020	45,853	49,353	52,153	54,953
Other non-current assets	4,007	3,999	4,492	4,492	4,492	4,492
Total assets	97,154	98,726	97,322	100,264	103,231	107,373
Current liabilities	17,010	14,012	13,332	13,208	13,206	13,285
Short-term borrowings	5,579	3,609	2,214	2,114	2,014	1,914
Account payables	3,381	2,872	3,079	3,055	3,153	3,332
Other current liabilities	5,449	4,842	5,187	5,187	5,187	5,187
Contract liabilities	2,601	2,689	2,852	2,852	2,852	2,852
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	47,046	46,444	45,923
Share capital	441	442	444	444	444	444
Capital surplus	16,743	17,286	17,962	17,962	17,962	17,962
Retained earnings	41,910	47,364	53,102	58,765	65,331	72,990
Other reserves	(15,116)	(18,357)	(21,923)	(23,923)	(26,923)	(29,923)
Total shareholders equity	43,978	46,735	49,585	53,248	56,814	61,473
Minority interest	54	(11)	(33)	(30)	(27)	(23)
Total equity and liabilities	97,154	98,726	97,322	100,264	103,231	107,373

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	7,835	6,298	7,038	6,734	7,772	9,076
Depreciation & amortization	3,381	3,406	3,108	3,232	3,164	3,100
Tax paid	(703)	(284)	(657)	(707)	(777)	(908)
Change in working capital	(1,049)	(537)	(379)	(406)	(586)	(844)
Others	(310)	(477)	(443)	31	64	101
Net cash from operations	9,154	8,406	8,667	8,884	9,637	10,524
Investing						
Capital expenditure	(2,243)	(1,479)	(1,400)	(1,550)	(1,650)	(1,800)
Acquisition of subsidiaries/ investments	(39)	(3,660)	(3,132)	(5,000)	(4,000)	(4,000)
Others	123	(3)	(1,309)	0	0	0
Net cash from investing	(2,159)	(5,142)	(5,841)	(6,550)	(5,650)	(5,800)
Financing						
Dividend paid	(455)	(523)	(583)	(592)	(689)	(806)
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)	(3,092)	(4,189)	(4,306)
Net change in cash						
Cash at the beginning of the year	4,491	8,537	8,097	4,009	3,251	3,049
Exchange difference	(139)	(82)	(91)	0	0	0
Cash at the end of the year	8,537	8,097	4,041	3,251	3,049	3,467
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	14.5%	(4.6%)	0.1%	2.2%	6.2%	8.1%
Gross profit	(3.4%)	(9.9%)	3.5%	1.4%	10.5%	11.3%
Operating profit	(16.3%)	(18.3%)	7.0%	(2.8%)	16.5%	15.3%
Net profit	(10.0%)	(13.7%)	5.7%	(6.5%)	16.3%	17.0%
Adj. net profit	(8.2%)	(8.7%)	0.2%	1.0%	9.8%	11.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	42.2%	39.9%	41.3%	41.0%	42.7%	43.9%
Operating margin	18.7%	16.0%	17.1%	16.3%	17.9%	19.1%
Adj. net profit margin	20.4%	19.5%	19.5%	19.3%	20.0%	20.5%
Return on equity (ROE)	16.4%	13.2%	13.2%	11.5%	12.5%	13.6%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.6	0.6	0.5	0.5	0.5	0.4
Current ratio (x)	1.5	1.8	1.7	1.6	1.7	1.8
Receivable turnover days	65.4	69.6	69.9	69.9	69.9	69.9
Inventory turnover days	75.2	76.0	73.0	73.0	73.0	73.0
Payable turnover days	44.0	44.3	43.1	43.1	43.1	43.1
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E (adjusted)	18.6	20.0	19.7	19.3	17.2	15.2
P/B	3.8	3.6	3.3	3.1	2.8	2.6
P/CFPS	18.5	19.8	19.0	18.3	16.6	14.9
Div yield (%)	0.3	0.3	0.4	0.4	0.4	0.5

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

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