

Thermo Fisher (TMO US)

Strong 3Q25 performance; raising full-year guidance

Thermo Fisher (TMO) reported continuously improved financials for 3Q25, with revenue increasing by 5.0% YoY and adj. EPS rising by 9.7% YoY. Revenue and adj. EPS in 3Q25 beat BBG consensus by 1.8% and 5.4%, respectively. Despite ongoing macroeconomic uncertainties, TMO delivered strong operational execution, effectively mitigating the negative impacts of tariffs. The strong 3Q25 performance enabled mgmt. to further raise its full-year guidance, expecting full-year revenue to grow by 2.8% to 3.8% YoY (previously 1.7% to 3.1%), with adj. EPS growing by 3.4% to 4.6% YoY (previously 1.6% to 4.5%). Mgmt. also reiterated its long-term organic revenue growth target of 3%-6%.

- Continued to observe encouraging signals of improving demand.** In 3Q25, revenue from pharma and biotech customers delivered mid-single-digit YoY growth, extending the recovery trend in 2Q25, which was primarily driven by the bioproduction, analytical instruments, and research & safety channel businesses. The newly-launched bundled solution that combines its clinical CRO and CDMO capabilities continued to gain strong traction among biotech clients, and is increasingly attracting attention from big pharmas. As a result, the clinical CRO returned to low-single-digit growth in 3Q25, a sequential improvement over 2Q25. Encouragingly, in China's market, demand from academic and government benefited from stimulus measures, while pharma and biotech demand showed modest growth.
- Macro environment showing signs of stabilization.** In 2025, the global pharmaceutical sectors faced multiple policy disruptions, including the escalation of global tariff tensions and domestic policy shifts in the US. However, as the US government reached pricing agreements with certain big pharmas and global trade policy became more predictable, mgmt. of TMO noted that customers are now more confident in navigating the evolving environment. At the same time, greater budget clarity, such as improved visibility in NIH funding, is helping stabilize demand from government and academic clients in the US. This customer segment's revenue in 3Q25 remained stable compared to 2Q25, suggesting possible signs of recovery.
- Well-positioned to benefit from the trend of onshore manufacturing in the US.** Amid the current geopolitical environment, there is a clear uptick in building manufacturing capacity in the US. Whether greenfield or brownfield investments, TMO's businesses, such as bioproduction and analytical instruments, are expected to capture incremental demand from such trend. However, given the long lead times associated with facility construction in the US, the demand is expected to materialize in 2027-28. TMO's facilities in the US are playing a critical role in enabling clients to rapidly scale their onshore capacities. In September, TMO completed the acquisition of Sanofi's New Jersey facilities, aiming to expand TMO's US DP manufacturing capacity.
- Maintain BUY.** We raise our TP from US\$553 to US\$654 (WACC: 7.84%, terminal growth: 2.0%) to reflect our improved outlook on macro environment. We forecast its revenue to grow by 3.6%/ 5.2%/ 6.5% YoY and adjusted EPS to increase by 3.7%/ 8.7%/ 11.1% YoY in 2025E/ 26E/ 27E, respectively.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	42,857	42,879	44,442	46,751	49,772
YoY growth (%)	(4.6)	0.1	3.6	5.2	6.5
Adjusted net profit (US\$ mn)	8,364	8,381	8,552	9,164	10,035
YoY growth (%)	(8.7)	0.2	2.0	7.2	9.5
EPS (Adjusted) (US\$)	21.56	21.88	22.70	24.67	27.41
YoY growth (%)	(7.3)	1.5	3.7	8.7	11.1
Consensus EPS (US\$)	na	na	22.67	24.60	27.04
P/E (Adjusted) (x)	26.3	25.9	25.0	23.0	20.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$654.00
(Previous TP)	US\$553.00)
Up/Downside	15.3%
Current Price	US\$567.20

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Stock Data

Mkt Cap (US\$ mn)	213,670.4
Avg 3 mths t/o (US\$ mn)	339.2
52w High/Low (US\$)	606.74/390.26
Total Issued Shares (mn)	376.7

Source: FactSet

Shareholding Structure

Vanguard	9.0%
BlackRock	7.2%

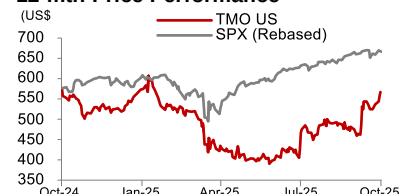
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	20.7%	20.0%
3-mth	21.5%	15.4%
6-mth	31.4%	5.4%

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	44,442	46,751	49,772	44,054	46,447	50,091	0.88%	0.65%	-0.64%
Gross profit	18,308	19,722	21,260	17,716	19,292	21,317	3.34%	2.23%	-0.27%
Operating profit	7,614	8,638	9,634	7,264	8,305	9,525	4.82%	4.01%	1.15%
Non-GAAP net profit	8,552	9,164	10,035	8,494	9,290	10,276	0.68%	-1.36%	-2.35%
Non-GAAP EPS (US\$)	22.70	24.67	27.41	22.42	25.00	28.42	1.25%	-1.31%	-3.56%
Gross margin	41.20%	42.19%	42.71%	40.21%	41.53%	42.56%	+0.98ppt	+0.65ppt	+0.16ppt
Operating margin	17.13%	18.48%	19.36%	16.49%	17.88%	19.02%	+0.64ppt	+0.60ppt	+0.34ppt
Net margin	19.24%	19.60%	20.16%	19.28%	20.00%	20.52%	-0.04ppt	-0.40ppt	-0.35ppt

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	44,442	46,751	49,772	44,195	46,394	48,913	0.56%	0.77%	1.76%
Gross profit	18,308	19,722	21,260	18,490	19,538	20,717	-0.98%	0.94%	2.62%
Operating profit	7,614	8,638	9,634	10,023	10,774	11,645	-24.03%	-19.83%	-17.27%
Non-GAAP net profit	8,552	9,164	10,035	8,584	9,220	9,996	-0.37%	-0.61%	0.39%
Non-GAAP EPS (\$)	22.70	24.67	27.41	22.67	24.60	27.04	0.15%	0.28%	1.38%
Gross margin	41.20%	42.19%	42.71%	41.84%	42.11%	42.35%	-0.64ppt	+0.07ppt	+0.36ppt
Operating margin	17.13%	18.48%	19.36%	22.68%	23.22%	23.81%	-5.55ppt	-4.75ppt	-4.45ppt
Net margin	19.24%	19.60%	20.16%	19.42%	19.87%	20.44%	-0.18ppt	-0.27ppt	-0.27ppt

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	7.6	8.6	9.6	11.3	13.4	15.7	18.4	21.4	24.8	28.7
Tax rate	10.1%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
EBIT*(1-tax rate)	6.8	7.7	8.6	10.2	12.0	14.1	16.5	19.3	22.3	25.8
+ D&A	2.9	2.8	2.8	3.2	3.7	4.2	4.8	5.4	6.1	6.8
- Change in working capital	(0.6)	(0.5)	(0.7)	(0.8)	(0.9)	(1.0)	(1.2)	(1.3)	(1.5)	(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	4.9	6.8	9.0	11.5	14.3	17.5	21.1	25.1
Terminal value										438.0
Terminal growth rate	2.00%									
WACC	7.84%									
Cost of equity	9.50%									
Cost of debt	5.30%									
Equity beta	1.00									
Risk free rate	4.50%									
Market risk premium	5.00%									
Target debt to asset ratio	35.00%									
Effective corporate tax rate	10.00%									
PV of terminal value (US\$bn)	205.8									
Total PV (US\$bn)	274.9									
Net debt (US\$bn)	28.6									
Non-controlling interest (US\$bn)	(0.0)									
Equity value (US\$bn)	246.4									
# of shares (mn)	377									
Price per share (US\$)	654.0									

Source: CMBIGM estimates

Figure 4: Valuation range based on sensitivity analysis

Price per share (US\$)		WACC				
		6.84%	7.34%	7.84%	8.34%	8.84%
Terminal growth rate	3.0%	1,040.24	891.02	773.25	678.08	599.68
	2.5%	930.33	807.38	708.05	626.24	557.79
	2.0%	843.10	739.40	654.00	582.57	522.01
	1.5%	772.20	683.04	608.47	545.28	491.11
	1.0%	713.43	635.57	569.60	513.06	464.14

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	44,442	46,751	49,772
Cost of goods sold	(25,944)	(25,757)	(25,177)	(26,133)	(27,029)	(28,513)
Gross profit	18,971	17,100	17,702	18,308	19,722	21,260
Operating expenses	(10,578)	(10,241)	(10,364)	(10,694)	(11,084)	(11,625)
SG&A expense	(8,993)	(8,445)	(8,595)	(8,881)	(9,202)	(9,697)
R&D expense	(1,471)	(1,337)	(1,390)	(1,454)	(1,482)	(1,528)
Others	(114)	(459)	(379)	(360)	(400)	(400)
Operating profit	8,393	6,859	7,338	7,614	8,638	9,634
Interest income	272	879	1,078	873	356	242
Interest expense	(726)	(1,375)	(1,390)	(1,327)	(1,068)	(901)
Other income/expense	(104)	(65)	12	(32)	(60)	(60)
Pre-tax profit	7,835	6,298	7,038	7,128	7,866	8,916
Income tax	(703)	(284)	(657)	(719)	(787)	(892)
Others	(172)	(59)	(42)	(24)	(100)	(100)
After tax profit	6,960	5,955	6,339	6,385	6,979	7,924
Minority interest	(10)	40	(3)	(12)	(13)	(15)
Net profit	6,950	5,995	6,336	6,373	6,966	7,909
Adjusted net profit	9,159	8,364	8,381	8,552	9,164	10,035
Gross dividends	470	540	596	605	662	751

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	25,229	24,589	22,138	20,884	21,122	22,172
Cash & equivalents	8,524	8,077	4,009	2,195	1,812	1,987
Account receivables	8,115	8,221	8,191	8,505	8,947	9,525
Inventories	5,634	5,088	4,978	5,224	5,403	5,700
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	78,858	81,708	84,706
PP&E	9,280	9,448	9,306	9,896	10,525	11,237
Intangibles	17,442	16,670	15,533	15,117	14,538	14,024
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	99,742	102,830	106,879
Current liabilities	17,010	14,012	13,332	13,242	13,247	13,323
Short-term borrowings	5,579	3,609	2,214	2,114	2,014	1,914
Account payables	3,381	2,872	3,079	3,089	3,194	3,370
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	47,080	46,485	45,961
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	59,200	65,869	73,427
Other reserves	(15,116)	(18,357)	(21,923)	(24,923)	(27,923)	(30,923)
Total shareholders equity	43,978	46,735	49,585	52,683	56,352	60,910
Minority interest	54	(11)	(33)	(21)	(7)	8
Total equity and liabilities	97,154	98,726	97,322	99,742	102,830	106,879

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	7,835	6,298	7,038	7,128	7,866	8,916
Depreciation & amortization	3,381	3,406	3,108	2,876	2,800	2,802
Tax paid	(703)	(284)	(657)	(719)	(787)	(892)
Change in working capital	(1,049)	(537)	(379)	(551)	(515)	(699)
Others	(310)	(477)	(443)	107	64	101
Net cash from operations	9,154	8,406	8,667	8,841	9,429	10,227
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)	(605)	(662)	(751)
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)	(3,000)	(3,000)	(3,000)
Others	(9)	56	195	0	0	0
Net cash from financing	(2,810)	(3,622)	(6,791)	(4,105)	(4,162)	(4,251)
Net change in cash						
Cash at the beginning of the year	4,491	8,537	8,097	4,009	2,195	1,812
Exchange difference	(139)	(82)	(91)	0	0	0
Cash at the end of the year	8,537	8,097	4,041	2,195	1,812	1,987
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	14.5%	(4.6%)	0.1%	3.6%	5.2%	6.5%
Gross profit	(3.4%)	(9.9%)	3.5%	3.4%	7.7%	7.8%
Operating profit	(16.3%)	(18.3%)	7.0%	3.8%	13.4%	11.5%
Net profit	(10.0%)	(13.7%)	5.7%	0.6%	9.3%	13.5%
Adj. net profit	(8.2%)	(8.7%)	0.2%	2.0%	7.2%	9.5%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	42.2%	39.9%	41.3%	41.2%	42.2%	42.7%
Operating margin	18.7%	16.0%	17.1%	17.1%	18.5%	19.4%
Adj. net profit margin	20.4%	19.5%	19.5%	19.2%	19.6%	20.2%
Return on equity (ROE)	16.4%	13.2%	13.2%	12.5%	12.8%	13.5%
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	0.5
Current ratio (x)	1.5	1.8	1.7	1.6	1.6	1.7
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)	24.4	26.3	25.9	25.0	23.0	20.7
P/B	5.0	4.7	4.4	4.1	3.7	3.4
P/CFPS	24.3	26.0	25.0	24.2	22.3	20.3
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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