Thermo Fisher (TMO US)

Strong 2Q26 results leading to raised guidance

Thermo Fisher (TMO) delivered an outstanding 2Q26, beating on both lines with raised guidance. Revenue grew by 10.5% YoY to US$11.99bn, with 5% YoY growth from organic business (vs 2025/1Q26： +2%/+1% YoY). Adj. EPS strongly grew by 12.5% YoY to US$6.03. The reported revenue and adj. EPS in 2Q26 beat Bloomberg consensus by 2.48%/ 5.49% respectively. Growth was broad-based: pharma & biotech grew by mid-single digits, academic & government returned to low-single-digit growth from a low-single-digit decline in 1Q26, and industrial & applied and diagnostics & healthcare both grew by mid-single digits. Mgmt. raised full-year guidance again, expecting revenue growth of 6.4-8.0% YoY (previously 6.2-8.0%) with organic revenue growth target set at the upper end of 3-4%, and adj. EPS growth of 9.0-10.8% (previously 7.7-9.8%).

- **Bioproduction and analytical instruments led portfolio growth.** Bioproduction delivered another quarter of above-market organic growth, broad-based across the biologics production workflow: leadership in cell culture media and single-use technologies, and a growing purification and filtration capabilities from the Solventum acquisition, where capacity is being added. DynaDrive single-use bioreactors are becoming increasingly standardized across the CDMO landscape, bringing in downstream demand going forward. Analytical Instruments grew 7% organically, led by electron microscopy which saw strong demand from semiconductor and advanced materials, with segment margin up 420bp to 23.0%. Academic & government revenue returned to low-single-digit growth in Q2, driven by chromatography and mass spectrometry. Mgmt. sees positive support from policymakers, but remains cautious about calling it a sustained trend.
- **Sustainable demand from pharma & biotech customers.** Clinical research (PPD) posted strong organic growth in both revenue and authorizations amid improving market conditions. Critically for early-stage demand, biotech activity in authorizations has risen for several consecutive quarters and is now translating into revenue, clear evidence that biotech funding recovery is passing through the value chain. The integrated Accelerator Drug Development offering (CDMO + clinical CRO) is resonating with biotech customers and driving authorizations, while Clario (consolidated late March) delivered a strong first full quarter with growing revenue-synergy opportunities. Pharma services (Patheon) grew modestly by low-single digits in 1H26, with a meaningful 2H26 step-up ahead on production schedules and customer campaigns. Note that several reshoring wins are already secured and embedded in the outlook, positioning the franchise well into 2027–28E, in our view.
- **Maintain BUY**. To reflect the net contribution of Clario consolidation and divesture of microbiology business and improved demand outlook, we raise forecast on TMO’s financials. We forecast revenue to grow by 7.8%/ 6.0%/ 6.8% YoY and adj. EPS to increase by 9.4%/ 5.9%/ 8.8% YoY in 2026E/ 27E/ 28E, respectively. Hence, we raise TP from US$620 to US$660 (based on a 10-year DCF model with WACC of 8.16% and terminal growth of 2.0%).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US$ mn)	42,879	44,556	48,036	50,924	54,410
YoY growth (%)	0.1	3.9	7.8	6.0	6.8
Adjusted net profit (US$ mn)	8,381	8,643	9,210	9,615	10,464
YoY growth (%)	0.2	3.1	6.6	4.4	8.8
EPS (Adjusted) (US$)	21.88	22.87	25.01	26.49	28.83
YoY growth (%)	1.5	4.5	9.4	5.9	8.8
Consensus EPS (US$)	na	na	25.03	27.42	30.29
P/E (Adjusted) (x)	26.0	24.9	22.7	21.4	19.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$660.00**
(Previous TP	US$620.00)
Up/Downside	**16.1%**
Current Price	**US$568.26**

Healthcare

Benchen HUANG, CFA
huangbenchen@cmbi.com.hk

Jill WU, CFA
(852) 3900 0842
jillwu@cmbi.com.hk

Stock Data

Mkt Cap (US$ mn)	214,234.0
Avg 3 mths t/o (US$ mn)	499.6
52w High/Low (US$)	639.45/438.34
Total Issued Shares (mn)	377.0

Source: FactSet

Shareholding Structure

Vanguard	9.2%
BlackRock	8.2%

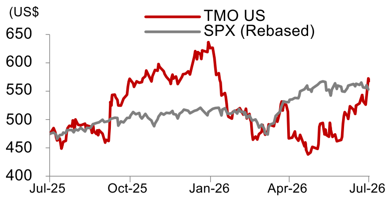
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	15.5%	14.6%
3-mth	21.0%	17.0%
6-mth	-9.2%	-15.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Financial forecasts update and valuation

Figure 1: Earnings revision

	New			Old			Diff (%)		
US$mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	48,036	50,924	54,410	47,506	50,602	53,995	1.12%	0.64%	0.77%
Gross profit	19,696	20,888	22,434	19,394	20,713	22,225	1.56%	0.84%	0.94%
Operating profit	8,634	9,175	10,111	8,385	9,164	10,090	2.97%	0.13%	0.20%
Non-GAAP net profit	9,210	9,615	10,464	9,076	9,504	10,349	1.47%	1.17%	1.12%
Non-GAAP EPS (US$)	25.01	26.49	28.83	24.63	26.25	28.58	1.57%	0.94%	0.88%
Gross margin	41.00%	41.02%	41.23%	40.82%	40.93%	41.16%	+0.18ppt	+0.08ppt	+0.07ppt
Operating margin	17.97%	18.02%	18.58%	17.65%	18.11%	18.69%	+0.32ppt	-0.09ppt	-0.10ppt
Net margin	19.17%	18.88%	19.23%	19.11%	18.78%	19.17%	+0.07ppt	+0.10ppt	+0.07ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
US$mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	48,036	50,924	54,410	47,792	50,274	53,333	0.51%	1.29%	2.02%
Gross profit	19,696	20,888	22,434	19,993	21,205	22,594	-1.49%	-1.50%	-0.71%
Operating profit	8,634	9,175	10,111	11,210	12,041	12,911	-22.98%	-23.80%	-21.69%
Non-GAAP net profit	9,210	9,615	10,464	9,316	10,089	10,969	-1.14%	-4.70%	-4.60%
Non-GAAP EPS (US$)	25.01	26.49	28.83	25.03	27.42	30.29	-0.07%	-3.39%	-4.80%
Gross margin	41.00%	41.02%	41.23%	41.83%	42.18%	42.36%	-0.83ppt	-1.16ppt	-1.13ppt
Operating margin	17.97%	18.02%	18.58%	23.46%	23.95%	24.21%	-5.48ppt	-5.93ppt	-5.63ppt
Net margin	19.17%	18.88%	19.23%	19.49%	20.07%	20.57%	-0.32ppt	-1.19ppt	-1.33ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: DCF valuation of Thermo Fisher

DCF Valuation (in US$bn)		2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT		8.7	9.1	10.1	12.0	14.2	16.7	19.6	23.0	26.8	31.0
Tax rate		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
EBIT*(1-tax rate)		7.8	8.2	9.0	10.8	12.7	15.0	17.7	20.7	24.1	27.9
+ D&A		3.1	3.2	3.2	3.7	4.2	4.9	5.6	6.3	7.2	8.1
- Change in working capital		(1.2)	(0.7)	(0.9)	(1.0)	(1.1)	(1.3)	(1.5)	(1.7)	(1.9)	(2.2)
- Capex		(12.0)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)
FCFF		(2.3)	4.7	5.3	7.4	9.8	12.6	15.7	19.3	23.3	27.8
Terminal value											**461.1**
Terminal growth rate	**2.00%**										
WACC	**8.16%**										
Cost of equity	10.50%										
Cost of debt	3.00%										
Equity beta	1.20										
Risk free rate	4.50%										
Market risk premium	5.00%										
Target debt to asset ratio	30.00%										
Effective corporate tax rate	10.00%										
PV of terminal value (US$bn)	210.4										
Total PV (US$bn)	280.0										
Net debt (US$bn)	37.0										
Non-controlling interest (US$bn)	0.0										
Equity value (US$bn)	243.0										
# of shares (mn)	368										
Price per share (US$)	**660.0**										

Source: CMBIGM estimates

Figure 4: Valuation range based on sensitivity analysis

Price per share (US$)		WACC				
		7.16%	**7.66%**	**8.16%**	**8.66%**	**9.16%**
Terminal growth rate	**3.0%**	1,039.27	893.93	777.45	682.16	602.87
	2.5%	934.59	813.00	713.54	630.80	560.99
	2.0%	850.19	746.36	**660.00**	587.15	524.96
	1.5%	780.70	690.55	614.51	549.60	493.63
	1.0%	722.50	643.11	575.36	516.95	466.14

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Revenue	**42,857**	**42,879**	**44,556**	**48,036**	**50,924**	**54,410**
Cost of goods sold	(25,757)	(25,177)	(26,318)	(28,340)	(30,037)	(31,975)
Gross profit	**17,100**	**17,702**	**18,238**	**19,696**	**20,888**	**22,434**
Operating expenses	**(10,241)**	**(10,364)**	**(10,491)**	**(11,062)**	**(11,712)**	**(12,323)**
SG&A expense	(8,445)	(8,595)	(8,732)	(9,353)	(9,813)	(10,376)
R&D expense	(1,337)	(1,390)	(1,397)	(1,462)	(1,499)	(1,547)
Others	(459)	(379)	(362)	(247)	(400)	(400)
Operating profit	**6,859**	**7,338**	**7,747**	**8,634**	**9,175**	**10,111**
Interest income	879	1,078	993	809	285	214
Interest expense	(1,375)	(1,390)	(1,419)	(1,425)	(1,166)	(959)
Other income/expense	(65)	12	(12)	44	(60)	(60)
Pre-tax profit	**6,298**	**7,038**	**7,309**	**8,062**	**8,235**	**9,307**
Income tax	(284)	(657)	(547)	(809)	(827)	(935)
Others	(59)	(42)	(41)	(46)	(60)	(100)
After tax profit	**5,955**	**6,339**	**6,721**	**7,206**	**7,348**	**8,272**
Minority interest	40	(3)	(17)	(21)	(22)	(24)
Net profit	**5,995**	**6,336**	**6,704**	**7,185**	**7,327**	**8,248**
Adjusted net profit	**8,364**	**8,381**	**8,643**	**9,210**	**9,615**	**10,464**
Gross dividends	540	596	600	719	733	825

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Current assets	**24,589**	**22,138**	**28,708**	**24,386**	**25,558**	**27,620**
Cash & equivalents	8,077	4,009	9,852	4,383	4,626	5,588
Account receivables	8,221	8,191	8,900	9,871	10,464	11,181
Inventories	5,088	4,978	5,425	5,601	5,936	6,320
Prepayment	0	0	0	0	0	0
Other current assets	1,760	3,525	2,865	2,865	2,865	2,865
Contract assets	1,443	1,435	1,666	1,666	1,666	1,666
Non-current assets	**74,137**	**75,184**	**81,636**	**90,572**	**93,406**	**96,252**
PP&E	9,448	9,306	10,565	11,464	12,277	13,012
Intangibles	16,670	15,533	15,838	16,875	16,097	15,407
Goodwill	44,020	45,853	49,362	56,362	59,162	61,962
Other non-current assets	3,999	4,492	5,871	5,871	5,871	5,871
Total assets	**98,726**	**97,322**	**110,344**	**114,958**	**118,964**	**123,871**
Current liabilities	**14,012**	**13,332**	**15,189**	**15,575**	**15,791**	**16,038**
Short-term borrowings	3,609	2,214	3,533	3,933	3,933	3,933
Account payables	2,872	3,079	3,622	3,608	3,824	4,071
Other current liabilities	4,842	5,187	5,324	5,324	5,324	5,324
Contract liabilities	2,689	2,852	2,710	2,710	2,710	2,710
Non-current liabilities	**37,990**	**34,438**	**41,740**	**43,140**	**42,940**	**42,740**
Long-term borrowings	31,308	29,061	35,852	37,452	37,452	37,452
Other non-current liabilities	6,682	5,377	5,888	5,688	5,488	5,288
Total liabilities	**52,002**	**47,770**	**56,929**	**58,715**	**58,731**	**58,778**
Share capital	442	444	445	445	445	445
Capital surplus	17,286	17,962	18,563	18,563	18,563	18,563
Retained earnings	47,364	53,102	59,156	66,964	73,933	81,768
Other reserves	(18,357)	(21,923)	(24,757)	(29,757)	(32,757)	(35,757)
Total shareholders equity	**46,735**	**49,585**	**53,407**	**56,215**	**60,184**	**65,019**
Minority interest	(11)	(33)	7	28	50	74
Total equity and liabilities	**98,726**	**97,322**	**110,343**	**114,958**	**118,964**	**123,871**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**6,298**	**7,038**	**7,309**	**8,062**	**8,235**	**9,307**
Depreciation & amortization	3,406	3,108	2,780	3,064	3,165	3,155
Tax paid	(284)	(657)	(547)	(809)	(827)	(935)
Change in working capital	(537)	(379)	(1,808)	(1,161)	(713)	(853)
Others	(477)	(443)	85	95	115	113
Net cash from operations	**8,406**	**8,667**	**7,819**	**9,250**	**9,976**	**10,787**
Investing						
Capital expenditure	(1,479)	(1,400)	(1,525)	(2,000)	(2,000)	(2,000)
Acquisition of subsidiaries/ investments	(3,660)	(3,132)	(4,037)	(10,000)	(4,000)	(4,000)
Others	(3)	(1,309)	1,515	1,000	0	0
Net cash from investing	**(5,142)**	**(5,841)**	**(4,047)**	**(11,000)**	**(6,000)**	**(6,000)**
Financing						
Dividend paid	(523)	(583)	(636)	(719)	(733)	(825)
Net borrowings	(155)	(2,403)	5,347	2,000	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(3,000)	(4,000)	(3,000)	(5,000)	(3,000)	(3,000)
Others	56	195	90	0	0	0
Net cash from financing	**(3,622)**	**(6,791)**	**1,801**	**(3,719)**	**(3,733)**	**(3,825)**
Net change in cash						
Cash at the beginning of the year	8,537	8,097	4,041	9,851	4,383	4,626
Exchange difference	(82)	(91)	267	0	0	0
Cash at the end of the year	**8,097**	**4,041**	**9,881**	**4,383**	**4,626**	**5,588**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	(4.6%)	0.1%	3.9%	7.8%	6.0%	6.8%
Gross profit	(9.9%)	3.5%	3.0%	8.0%	6.1%	7.4%
Operating profit	(18.3%)	7.0%	5.6%	11.4%	6.3%	10.2%
Net profit	(13.7%)	5.7%	5.8%	7.2%	2.0%	12.6%
Adj. net profit	(8.7%)	0.2%	3.1%	6.6%	4.4%	8.8%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	39.9%	41.3%	40.9%	41.0%	41.0%	41.2%
Operating margin	16.0%	17.1%	17.4%	18.0%	18.0%	18.6%
Adj. net profit margin	19.5%	19.5%	19.4%	19.2%	18.9%	19.2%
Return on equity (ROE)	13.2%	13.2%	13.0%	13.1%	12.6%	13.2%
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Net debt to equity (x)	0.6	0.5	0.6	0.7	0.6	0.6
Current ratio (x)	1.8	1.7	1.9	1.6	1.6	1.7
Receivable turnover days	69.6	69.9	70.0	75.0	75.0	75.0
Inventory turnover days	76.0	73.0	72.1	72.1	72.1	72.1
Payable turnover days	44.3	43.1	46.5	46.5	46.5	46.5
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/E (adjusted)	26.4	26.0	24.9	22.7	21.4	19.7
P/B	4.7	4.4	4.0	3.7	3.4	3.2
P/CFPS	26.1	25.0	27.4	22.6	20.7	19.1
Div yield (%)	0.2	0.3	0.3	0.3	0.4	0.4

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.
Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
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

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.
This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.
The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.
CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.
Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom
This report has been provided only to persons (I)falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time)("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.,) of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States
CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore
This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.