

Revvity Inc

FY24 outlook largely in-line, as industry headwinds offset transformation

Reiterate Rating: NEUTRAL | PO: 118.00 USD | Price: 107.18 USD

4Q23 better than preannounce; '24 guide a bit ahead

Revvity (RVTY) reported 4Q23 results that were modestly ahead of those preannounced in January ([see First Look for details](#)). FY24 guidance for sales of \$2.82bn (1-3% organic growth) and Adj EPS of \$4.65 at mid-points were a touch ahead of BofAe/Street.

2H weighted FY24 matches peers' views

FY24 guidance broadly matched investor expectations and the industry trends assumed in the guides of other LST vendors. Sales are anticipated to ramp through the year, with 1Q seeing the steepest declines (-MSD) and a return to growth in 2H, but largely as a function of easier comps. Adj. OpM is expected to remain flat at ~28.0% as RVTY faces headwinds from the return of variable costs. Mgmt. noted that without this cost dynamic, RVTY would still have seen some margin expansion despite lower organic revenue growth, though noted volume leverage remains key in their +75bps LT target.

Markets subdued, timing of Biopharma, China turn unclear

Activity in Biopharma (down mid-teens in 4Q) is expected to stay subdued through at least 1H24, as customers continue to deal with a muted funding environment, tight budgets, and the hangover from COVID-era overspending. Like peers, Mgmt. expects some stabilization in Biopharma in 2H, but the underpinnings for this assumption remain unclear given the lack of visibility across the tools industry. Demand from China remains choppy, particularly for instrumentation and newborn screening given the decline in birth rate. That said, immunodiagnostics in China is a bright spot (seen growing +MSD in FY24), and Mgmt. expects new screening assays to help offset the birth rate headwind.

Tweak ests; PO to \$118; Reiterate Neutral

Overall, RVTY's 4Q results, FY24 guide, and commentary held few surprises. While RVTY looks to be executing well after divesting the legacy PKI assets, it is still difficult to ascertain the company's ability to deliver on its new targets, and thus we reiterate our Neutral rating. We update our model and as our ests move a bit higher, so does our PO. Our new \$118 PO (was \$117) is still based on 18x FY25 adj. EBITDA forecast, in-line with peers.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	7.93	4.65	4.65	5.23	5.90
GAAP EPS	3.80	1.26	1.31	1.90	2.56
EPS Change (YoY)	-30.3%	-41.4%	0%	12.5%	12.8%
Consensus EPS (Bloomberg)			4.60	5.25	6.06
DPS	0.28	0.35	0.28	0.28	0.28
Valuation (Dec)					
P/E	13.5x	23.0x	23.0x	20.5x	18.2x
GAAP P/E	28.2x	85.1x	81.8x	56.4x	41.9x
Dividend Yield	0.3%	0.3%	0.3%	0.3%	0.3%
EV / EBITDA*	10.3x	19.4x	18.6x	16.8x	15.0x
Free Cash Flow Yield*	4.4%	0.1%	7.8%	4.3%	5.1%

* For full definitions of *IQmethod*SM measures, see page 4.

01 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	117.00	118.00
2024E Rev (m)	2,776.0	2,820.0
2025E Rev (m)	2,945.0	3,000.0
2026E Rev (m)	3,150.0	3,210.0
2024E EPS	4.55	4.65
2025E EPS	5.15	5.23
2026E EPS	5.85	5.90

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Stock Data

Price	107.18 USD
Price Objective	118.00 USD
Date Established	1-Feb-2024
Investment Opinion	B-2-7
52-Week Range	79.50 USD - 145.35 USD
Mkt Val (mn) / Shares Out (mn)	13,440 USD / 125.4
Free Float	99.6%
Average Daily Value (mn)	87.77 USD
BofA Ticker / Exchange	RVTY / NYS
Bloomberg / Reuters	RVTY US / RVTY.N
ROE (2024E)	7.7%
Net Dbt to Eqty (Dec-2023A)	29.2%

ESGMeter™

Medium

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MSD: Mid-single-digits

PKI: PerkinElmer

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Timestamp: 01 February 2024 05:21PM EST

iQprofileSM Revvity Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	8.1%	5.3%	5.5%	6.3%	6.8%
Return on Equity	13.8%	7.6%	7.7%	8.8%	9.3%
Operating Margin	30.0%	28.0%	28.3%	29.1%	29.9%
Free Cash Flow	587	10	1,054	584	692

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.7x	0.2x	2.0x	1.0x	1.1x
Asset Replacement Ratio	0.2x	0.2x	0.2x	0.2x	0.2x
Tax Rate	21.4%	18.6%	20.0%	21.0%	21.5%
Net Debt-to-Equity Ratio	53.4%	29.2%	30.6%	24.1%	16.8%
Interest Cover	12.7x	7.8x	9.5x	11.4x	13.2x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	4,611	2,751	2,820	3,000	3,210
% Change	-9.1%	-40.3%	2.5%	6.4%	7.0%
Gross Profit	2,629	1,692	1,731	1,855	1,996
% Change	-12.5%	-35.7%	2.3%	7.2%	7.6%
EBITDA	1,574	836	874	964	1,080
% Change	-22.4%	-46.9%	4.5%	10.2%	12.1%
Net Interest & Other Income	(106)	(27)	(47)	(25)	(1)
Net Income (Adjusted)	1,004	581	574	646	728
% Change	-24.3%	-42.1%	-1.2%	12.6%	12.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,790	893	879	1,052	1,243
Depreciation & Amortization	427	432	437	450	482
Change in Working Capital	(263)	(395)	535	(3)	(5)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(1,281)	(838)	(712)	(828)	(937)
Capital Expenditure	(86)	(81)	(84)	(87)	(90)
Free Cash Flow	587	10	1,054	584	692
% Change	-55.2%	-98.3%	NM	-44.6%	18.4%
Share / Issue Repurchase	(67)	(385)	(100)	(100)	(100)
Cost of Dividends Paid	(35)	(44)	(35)	(35)	(35)
Change in Debt	(559)	(518)	(722)	(50)	(529)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	454	1,603	1,012	1,312	1,240
Trade Receivables	613	633	649	690	738
Other Current Assets	2,221	765	786	830	884
Property, Plant & Equipment	483	510	34	69	105
Other Non-Current Assets	10,358	10,054	10,164	10,296	10,435
Total Assets	14,130	13,565	12,644	13,197	13,402
Short-Term Debt	471	722	50	529	529
Other Current Liabilities	1,074	729	1,299	1,382	1,479
Long-Term Debt	3,923	3,178	3,128	2,599	2,070
Other Non-Current Liabilities	1,279	1,064	1,090	1,160	1,241
Total Liabilities	6,747	5,692	5,567	5,670	5,319
Total Equity	7,383	7,873	7,077	7,527	8,083
Total Equity & Liabilities	14,130	13,565	12,644	13,197	13,402

* For full definitions of iQmethodSM measures, see page 4.

Company Sector

Healthcare Technology & Distribution

Company Description

Headquartered in Waltham, MA, the company formerly known as PerkinElmer was renamed Revvity in 1Q23 after divesting its analytical instruments portfolio. Revvity is a diversified provider of laboratory and diagnostic equipment, consumables, and services that address basic and applied research, as well as significant global health and safety issues, including maternal and fetal health and allergy and autoimmunity testing. Revvity operates in two segments: Life Sciences & Diagnostics.

Investment Rationale

Revvity (RVTY) is a diversified provider of scientific instruments, consumables, & services. We think that RVTY has tactfully pieced together numerous acquired assets since 2008 to form unique and comprehensive solutions for customers in niche markets. We are positive on RVTY's portfolio transformation and improving growth profile. However we see potential challenges in executing on RVTY's major ongoing corporate actions and comparatively rich valuation as limiting upside in the near term.

Stock Data

Average Daily Volume 818,865

Quarterly Earnings Estimates

	2023	2024
Q1	1.01A	0.94E
Q2	1.21A	1.15E
Q3	1.18A	1.20E
Q4	1.25A	1.35E

Price objective basis & risk

Revvity Inc (RVTY)

Our \$118 PO is based on an EV/EBITDA multiple of about 18x our FY25E EBITDA, a slight premium to most peers given the new Company's higher growth profile and margins.

Upside risks to our PO are better than expected organic sales growth or margin expansion, faster uptake of new products, capital deployment optionality, larger than expected tailwinds from COVID-19 testing, and the acquisition of the company.

Downside risks are deal integration risks related to several recent acquisitions, supply chain disruptions, global disruption and slowdown in purchasing due to customers affected by the Coronavirus outbreak, lower than expected demand for COVID-19 testing, competition, execution, a weaker macro environment, F/X swings, weaker demand from key Chinese customers, R&D funding cuts, slower than expected uptake of new products, and regulatory risks.

Analyst Certification

I, Derik de Bruin, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Life Science, Diagnostic Tools and Animal Health Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Avantor, Inc.	AVTR	AVTR US	Michael Ryskin
	Bruker Corporation	BRKR	BRKR US	Derik de Bruin
	Certara	CERT	CERT US	Michael Ryskin
	Charles River Laboratories	CRL	CRL US	Derik de Bruin
	Elanco Animal Health	ELAN	ELAN US	Michael Ryskin
	Exact Sciences	EXAS	EXAS US	Derik de Bruin
	Guardant Health	GH	GH US	Derik de Bruin
	ICON plc	ICLR	ICLR US	Derik de Bruin
	IQVIA Holdings Inc	IQV	IQV US	Derik de Bruin
	LabCorp	LH	LH US	Derik de Bruin
	Maravai	MRVI	MRVI US	Michael Ryskin
	Qiagen	QGEN	QGEN US	Derik de Bruin
	Qiagen N.V.	XQGNF	QIA GY	Derik de Bruin
	Quest Diagnostics	DGX	DGX US	Derik de Bruin
	Stevanato Group S.p.A.	STVN	STVN US	Derik de Bruin
	Thermo Fisher Scientific	TMO	TMO US	Derik de Bruin
	West Pharmaceutical Services	WST	WST US	Derik de Bruin
	Zoetis Inc.	ZTS	ZTS US	Michael Ryskin
NEUTRAL				
	10x Genomics, Inc.	TXG	TXG US	Michael Ryskin
	Agilent Technologies	A	A US	Derik de Bruin
	Danaher Corporation	DHR	DHR US	Michael Ryskin
	Evotec SE	EVO	EVO US	Michael Ryskin
	Hologic, Inc.	HOLX	HOLX US	Derik de Bruin
	IDEXX Laboratories	IDXX	IDXX US	Michael Ryskin
	Mettler-Toledo	MTD	MTD US	Derik de Bruin
	NeoGenomics Inc.	NEO	NEO US	Derik de Bruin
	Revvity Inc	RVTY	RVTY US	Derik de Bruin
	Schrodinger, Inc.	SDGR	SDGR US	Michael Ryskin
	Waters Corp.	WAT	WAT US	Derik de Bruin
UNDERPERFORM				
	Align Technology	ALGN	ALGN US	Michael Ryskin



US - Life Science, Diagnostic Tools and Animal Health Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Catalent, Inc.	CTLT	CTLT US	Derik de Bruin
	Fortrea	FTRE	FTRE US	Derik de Bruin
	Ginkgo Bioworks Holdings, Inc	DNA	DNA US	Derik de Bruin
	Illumina, Inc.	ILMN	ILMN US	Michael Ryskin
	Myriad Genetics	MYGN	MYGN US	Derik de Bruin
	Phibro Animal Health	PAHC	PAHC US	Michael Ryskin

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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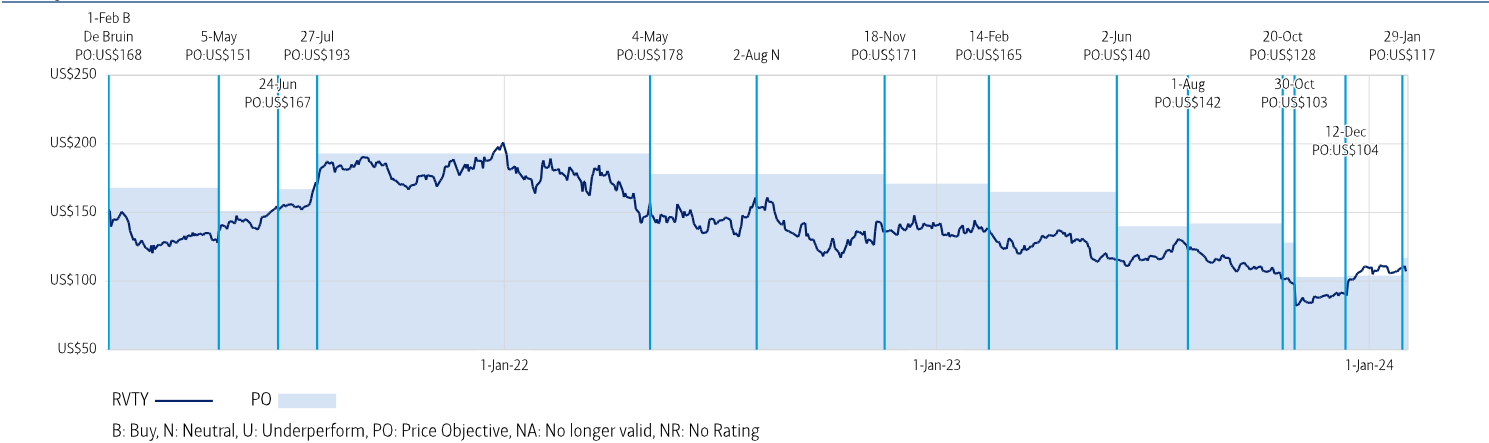
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Revvity (RVTY) Price Chart



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Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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