

## Waters Corp.

# 4Q23 First Look: Solid quarter; FY24 outlook largely in-line

Maintain Rating: NEUTRAL | PO: 328.00 USD | Price: 324.85 USD

## 4Q sales: -8% organic decline; Adj EPS + 2% ahead of st.

Waters (WAT) reported 4Q23 sales of \$819mn (-5% y/y) vs BofAe/Street \$805mn/\$815mn. Sales declined -8% organically, in-line with BofAe the and -8% to -5% guide. The Wyatt acquisition contributed +3% in the quarter (vs BofAe +4%), while F/X was less of a headwind (-1%) than our -2% est. Margins were ahead of our forecasts with GM at 61.2% (vs BofAe 59.0%) and Adj. OpM was 34.9 % (vs BofAe 34.0%). Adj EPS were \$3.62 vs BofAe/Street \$3.56/\$3.55.

## Soft Pharma & China, instruments -20%, recurring up +5%

By end market, core Pharma decreased -11% y/y organic constant currency (CC), Industrial decreased -4%, and Academic & Government fell by -9%. By geography, WAT saw -2% and -6% organic CC decline in U.S and Europe, respectively, while Asia was down -16%, with China declining -40%. Instrument sales declined by -20% organically (vs BofAe -18%), while recurring revenues increased +5% organic (vs BofAe +4%).

## FY24: -0.5% to +1.5% organic, Adj EPS 11.90 at mdpt

In 2024, WAT sees sales of -0.5% to +1.5% % on an organic CC basis, vs BofAe 0.0%. FX is a -0.8% headwind and M&A (4.5 months of Wyatt contribution) will contribute +1.3%, implying a reported revenue range of \$2.97bn-\$3.02bn, which brackets BofAe/Street \$2.98bn/\$2.95bn. This initial outlook for 2024 is largely inline with expectations given ongoing market challenges, though commentary regarding underlying assumptions and pacing will be key. On the bottom line, WAT sees adjusted 2024 EPS in the range of \$11.75-\$12.05 vs. our/Street ests of \$11.90/\$11.97. For 1Q, WAT sees -11% to -9% organic constant currency sales decline (-1% FX, +3.5% M&A; vs BofAe -5.3% organic), and Adj EPS of \$2.05-2.15 (vs BofAe/Street \$2.36/\$2.40)

## Conference Call at 8:00am EST

Overall, it was a better than expected end to 2023, and the initial 2024 core outlook was largely in-line with expectations. On the 8:00am EST call we look for updates end-market conditions, especially Pharma and China, and the moving pieces underpinning the 2024 guide. We maintain our Neutral rating on WAT as shares look fairly valued given end market dynamics.

06 February 2024

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### Stock Data

Price	324.85 USD
Price Objective	328.00 USD
Date Established	29-Jan-2024
Investment Opinion	B-2-9
52-Week Range	231.90 USD - 346.24 USD
Mrkt Val (mn) / Shares Out (mn)	19,169 USD / 59.0
Free Float	99.8%
Average Daily Value (mn)	119.60 USD
BofA Ticker / Exchange	WAT / NYS
Bloomberg / Reuters	WAT US / WAT.N
ROE (2023E)	58.9%
Net Dbt to Eqty (Dec-2022A)	216.9%
ESGMeter™	High

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Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Timestamp: 06 February 2024 07:57AM EST

## Price objective basis & risk

### **Waters Corp. (WAT)**

Our \$328 PO is based on about 18x our FY25 EV/EBITDA estimate, in-line with the average of the company's core life sciences tools peers.

Downside risks to our PO are slower-than-expected capital deployment, a weaker global economy, share losses to competitors, the failure of new products to deliver, lingering headwinds from the COVID-19 pandemic, unfavorable currency moves, geopolitical risk (e.g., Waters has above average exposure to China), and a slowdown in Pharma and biotech spending are downside risks to our price objective.

Upside risks to our PO are faster-than-expected capital deployment, faster-than-expected uptake of new products, and the acquisition of the company.

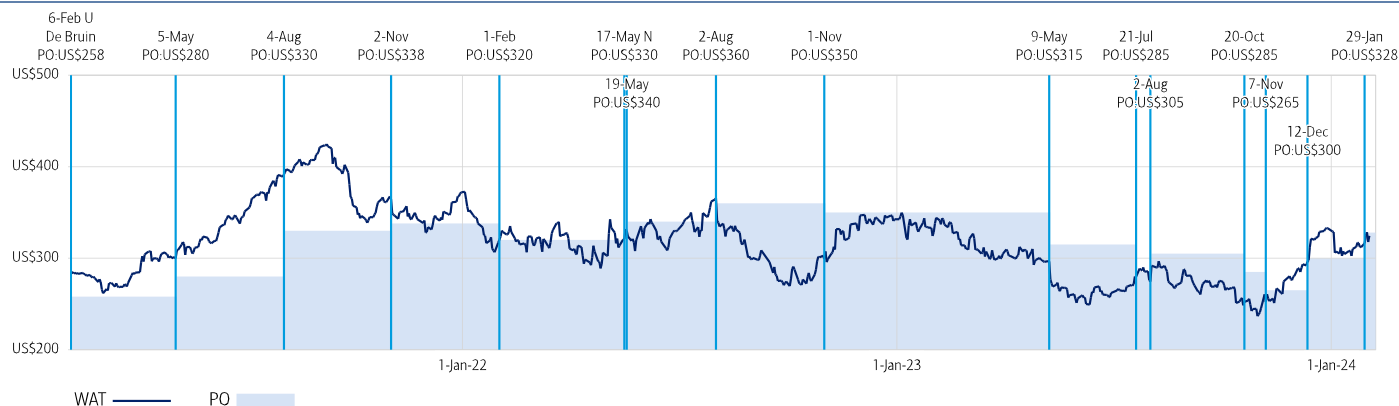
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### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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