

Bruker Corporation

A strong finish to 2023 as BRKR outshines peers in a tough environment

Reiterate Rating: BUY | PO: 95.00 USD | Price: 75.78 USD

4Q ahead, 2024 guide sees above peer growth continuing

4Q23 sales grew +16% organically (vs. BofAe+12%), and Adj EPS of \$0.70 were +8% ahead of consensus ([see our First Look for details](#)). For FY24, BRKR sees organic sales up 5-7% (vs. BofAe ~6%) & 5-7% adj EPS growth (vs. BofAe ~4%), topping most peers.

Pulls forward FY26 sales & EPS targets to FY25

We expected a solid '24 guide but were surprised to see BRKR pull forward the revenue and adj EPS targets given at the June '23 analyst day to 2025. As a reminder, BRKR's saw 2026 sales of \$3.4-\$3.6bn (with a 6-8% organic sales CAGR) and Adj EPS of \$3.40-\$3.70. This is due to a combination of strong core growth in 2023-24, as well as contributions from several recently completed acquisitions that become accretive in '25. Mgmt. did not accelerate their '26 OpM goal of 21-22%, which is still on track.

Geopolitical uncertainty a possible downside risk

While we see the accelerated targets as a positive, it also raises expectations at a time when concerns over geopolitical and funding uncertainty are rising. Although BRKR's sales are more heavily weighted to academic & government spending than peers, Mgmt. continues to see this end market as a source of strength. For China, while BRKR and its peers have limited visibility, Mgmt. does not expect to see significant headwinds from either local competitors or rising tensions with the US. That said, we've modeled our 2024-25 organic growth ests towards the lower end (~6%) of BRKR's sales CAGR.

Pending M&A offers incremental upside to forecasts

We note that the '24 guide and new '25 target do not include contributions from two recently announced deals that have yet to close: Chemspeed, which has ~\$50mn in est. '23 sales and is expected to close in 1H24, and ELITech, which has ~€150mn in est. '23 sales and is expected to close in 2Q24 (See Exhibit 1). BRKR noted that both of these assets are profitable, but did not elaborate. These would be incremental to our ests.

Raise ests; Increase PO to \$95; Reiterate Buy rating

We raise our FY24-FY26 ests. On higher adj. EBITDA forecasts, our PO increases to \$95 (was \$85), still based on ~18x our 2025 EBITDAe, in-line with peers. Reiterate Buy rating, as BRKR is outperforming peers & with one the best product portfolios in Tools.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	2.33	2.58	2.73	3.40	3.90
GAAP EPS	1.98	3.03	2.42	3.08	3.56
EPS Change (YoY)	11.0%	10.7%	5.8%	24.5%	14.7%
Consensus EPS (Bloomberg)			2.77	3.16	3.60
DPS	0.20	0.20	0.20	0.20	0.20
Valuation (Dec)					
P/E	32.5x	29.4x	27.8x	22.3x	19.4x
GAAP P/E	38.3x	25.0x	31.3x	24.6x	21.3x
Dividend Yield	0.3%	0.3%	0.3%	0.3%	0.3%
EV / EBITDA*	19.3x	17.3x	16.4x	13.9x	12.4x
Free Cash Flow Yield*	1.3%	2.2%	3.6%	3.5%	4.1%

* For full definitions of *IQmethod*SM measures, see page 5.

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Timestamp: 13 February 2024 03:53PM EST

13 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	85.00	95.00
2024E Rev (m)	3,170.0	3,245.0
2025E Rev (m)	3,350.0	3,440.0
2026E Rev (m)	3,585.0	3,680.0
2024E EPS	2.65	2.73
2025E EPS	3.05	3.40
2026E EPS	3.60	3.90

Derik de Bruin
Research Analyst
BofAS
+1 646 855 3100
derik.de_bruin@bofa.com

Michael Ryskin
Research Analyst
BofAS
+1 646 855 4373
michael.ryskin@bofa.com

Avantika Dhabaria
Research Analyst
BofAS
+1 646 743 0170
avantika.dhabaria@bofa.com

Wolf Chanoff
Research Analyst
BofAS
+1 646 954 8482
wolf.chanoff@bofa.com

John Kim
Research Analyst
BofAS
+1 646 855 3874
john.kim4@bofa.com

Stock Data

Price	75.78 USD
Price Objective	95.00 USD
Date Established	13-Feb-2024
Investment Opinion	B-1-7
52-Week Range	53.79 USD - 84.84 USD
Mrkt Val (mn) / Shares Out (mn)	11,193 USD / 147.7
Free Float	65.0%
Average Daily Value (mn)	54.46 USD
BofA Ticker / Exchange	BRKR / NAS
Bloomberg / Reuters	BRKR US / BRKR.OQ
ROE (2024E)	25.3%
Net Dbt to Eqty (Dec-2023A)	56.9%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating.

iQprofileSM Bruker Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	13.2%	13.5%	13.0%	14.8%	14.9%
Return on Equity	31.6%	30.1%	25.3%	25.5%	24.3%
Operating Margin	20.0%	18.4%	17.7%	20.3%	21.4%
Free Cash Flow	143	243	406	396	455

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.8x	0.9x	1.3x	1.1x	1.1x
Asset Replacement Ratio	1.4x	0.9x	1.1x	1.0x	1.0x
Tax Rate	27.7%	27.2%	27.0%	26.5%	26.5%
Net Debt-to-Equity Ratio	51.0%	56.9%	1.8%	-10.7%	-21.1%
Interest Cover	24.8x	24.1x	17.7x	23.6x	28.6x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,531	2,965	3,245	3,440	3,680
% Change	4.7%	17.1%	9.5%	6.0%	7.0%
Gross Profit	1,330	1,548	1,671	1,813	1,959
% Change	7.7%	16.4%	8.0%	8.5%	8.0%
EBITDA	594	661	696	825	925
% Change	6.1%	11.4%	5.3%	18.6%	12.1%
Net Interest & Other Income	(20)	(23)	(33)	(30)	(28)
Net Income (Adjusted)	349	380	400	494	563
% Change	8.7%	8.8%	5.2%	23.7%	13.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	349	380	400	494	563
Depreciation & Amortization	88	115	120	127	136
Change in Working Capital	(144)	(89)	62	(45)	(55)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(31)	(56)	(48)	(50)	(52)
Capital Expenditure	(119)	(107)	(127)	(131)	(136)
Free Cash Flow	143	243	406	396	455
% Change	-23.9%	70.2%	66.9%	-2.6%	15.0%
Share / Issue Repurchase	(189)	(143)	(20)	(20)	(20)
Cost of Dividends Paid	(30)	(29)	(31)	(30)	(30)
Change in Debt	(111)	(22)	20	20	20

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	646	488	1,149	1,426	1,752
Trade Receivables	473	492	489	518	555
Other Current Assets	995	1,185	1,084	1,149	1,229
Property, Plant & Equipment	487	600	606	610	610
Other Non-Current Assets	1,012	1,474	974	1,032	1,104
Total Assets	3,612	4,239	4,301	4,735	5,250
Short-Term Debt	19	121	0	0	0
Other Current Liabilities	896	1,070	1,027	1,077	1,138
Long-Term Debt	1,201	1,160	1,180	1,200	1,220
Other Non-Current Liabilities	365	474	325	344	368
Total Liabilities	2,480	2,826	2,532	2,621	2,726
Total Equity	1,126	1,395	1,769	2,113	2,523
Total Equity & Liabilities	3,606	4,220	4,301	4,735	5,250

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Life Sciences & Diagnostic Tools

Company Description

Bruker Corp. is a global manufacturer of high-performance scientific instruments for life science, industrial and materials research applications. The company has strong positions in the molecular and atomic spectroscopy and mass spectrometry markets. The company's products and services are primarily marketed to end users in government and academic research as well as the biotech, pharmaceutical, industrial, energy and applied sciences industries.

Investment Rationale

Bruker Corp. is a leading supplier of scientific & analytical instruments. The consolidation of the four Bruker family businesses and recent acquisitions to diversify the company have improved its competitive position and opened up new markets. Efforts to restructure the business, as well as management's focus on increasing profitability, are paying off, as both core growth and margins have improved. We still expect quarterly variability, but think BRKR will see accelerating growth overall.

Stock Data

Average Daily Volume 718,696

Quarterly Earnings Estimates

	2023	2024
Q1	0.64A	0.46E
Q2	0.50A	0.60E
Q3	0.74A	0.75E
Q4	0.70A	0.92E

Additional Information

Exhibit 1: BRKR's 2023 M&A deals

2023 sales estimate for assets acquired and pending by BRKR

PR Date	Acquisition Closing Date	Financial terms	Name of Asset	Details	Est 2023 Sales
1/3/2023	1/3/2023	Not disclosed	BiognoSYS	Mass spec data analysis for DIA. Bruker acquired >80% of Biognosys in January 2023. Biognosys 2022 revenues ~\$15M. Expect DD growth, strong synergies, accretive to EBIT in 3 years, double-digit ROIC in 5 years	\$18mn
1/5/2023	1/5/2023	Not disclosed	ACQUIFER Imaging	Big-data management solutions for bioimaging and high-content microscopy.	~5mn
5/8/2023	5/8/2023	Not disclosed	Zontal Inc	Data mgmt for full product cycle. Integrated digital laboratory and process data management, combining vendor-agnostic data storage and analysis	> \$5mn
7/3/2023	7/3/2023	Not disclosed	Interherence GmbH	High-end optical microscopy equipment for life sciences, material sciences and pharmaceutical research	N/A
8/17/2023	10/3/2023	\$108mn in cash (+\$14mn bridge loan)	PhenomeX Inc. (CELL)	Valuation ~2x; DD ROIC	>60mn \$0.12 dilutive 4Q23; slightly dilutive FY24 Accretive FY26
10/4/2023	10/4/2023	Not disclosed	Undisclosed Majority stake in MIRO analytical	Air quality monitoring ; TAM of greater than \$100 million annually.	~\$2.5mn
12/22/2023	1Q24	Not Disclosed	Phasefocus Holdings	Leading expertise in imaging and image processing algorithms	~\$2.8mn
1/3/2024	1/3/2024	Not disclosed	Nion	manufactures innovative high-end scanning transmission electron microscopes (STEM).	~\$8mn
1/4/2024	1/4/2024	Not disclosed	Tornado Spectral Systems	specializing in process Raman instrument (PAT)	\$10mn
1/25/2024	1H24	Not disclosed	Chemspeed	Lab automation, digitalization and scientific software solutions	>\$50mn
2/7/2024	2/7/2024	Not disclosed	Nanophoton	Raman microscopes, serving academic and industrial research customers, primarily in Japan.	\$5mn
12/23/2023	2Q24	Enterprise Value €870mn	EliTechGroup	Published 8K with definitive agreements. Additional details on deal unknown.	€150mn

Source: BofA Global Research, Company Filings, Factset

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Price objective basis & risk

Bruker Corporation (BRKR)

Our \$95 price objective (PO) is based on about 18x our 2025 EBITDA estimate, which is in line with the current life sciences tools peer group median multiple.

Downside risks to our PO are a weaker global economy, continued disruptions from the global Coronavirus outbreak, reductions in academic and government R&D expenditures, slower than expected expansion into new markets, slower-than-expected margin expansion, competition, and integration risks.

Upside risks to our PO are better-than-expected organic sales growth or margin expansion.

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
	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

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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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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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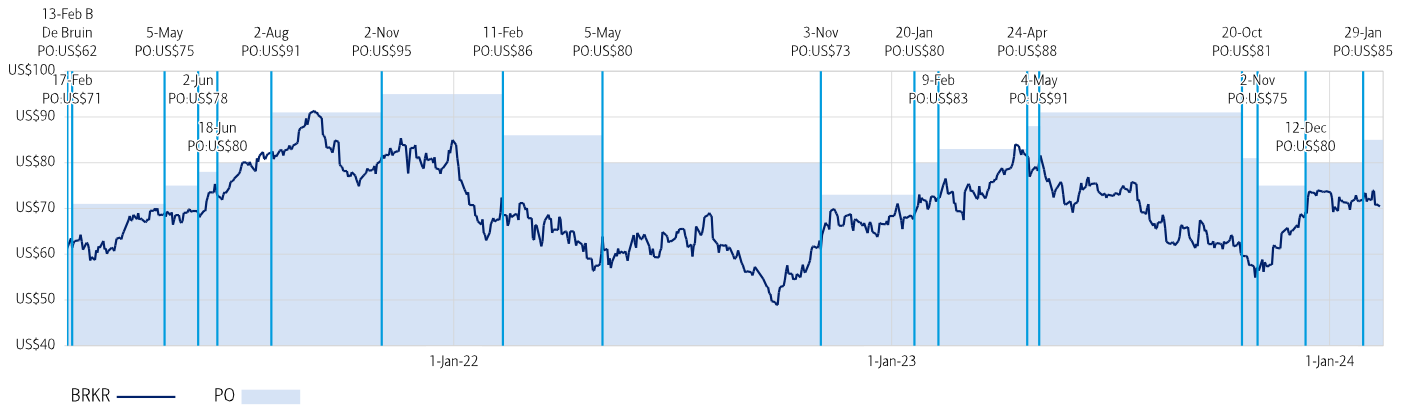
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Brucker Corp. (BRKR) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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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