

Mettler-Toledo

Updated FY24 guide reflects conservatism,
not worsening fundamentals

Reiterate Rating: NEUTRAL | PO: 1,325.00 USD | Price: 1,174.51 USD

No new surprises on 4Q, updated FY24 guide in focus

MTD reported 4Q23 after the close on 2/8 ([see our First Look note for details](#)). Results were in-line with 1/4/23 negative preannounce, with sales of \$935mn (a -13% LC decline) and Adj EPS of \$9.40. However, despite the pushout for ~\$58mn in “lost” sales from 4Q into 1Q, the updated guide FY24 guide was lower than expected, as the dollar amount of sales in the new guide is largely unchanged from prior. Here our takeaways from this morning’s conference call, which largely focused on the nuances of the guide.

End markets stable, MTD not seeing incremental weakness

Given MTD’s high exposure to China (~20% of sales) our first thought was that the new guide many hint at additional weakness in this region. However, Mgmt. refuted this claim, and still expects China to decline high-single digits in FY24, in-line with prior expectations. That said, in 1Q MTD sees China down low-to-mid 20% due in part to tough comps from last year’s stimulus. MTD noted normalized order patterns for pipette tips, albeit at lower volumes, which suggests that destocking for these products has waned. On the other hand, for single-use sensors, which are used heavily in biopharma, destocking will continue through the 1H24. Overall, Mgmt. stressed that the new guide was more of a reflection of conservatism rather than worsening demand trends.

Easy comps key driver of 2H growth vs. a market rebound

The 1Q EPS guide came in well-below expectations given the recapture of lost sales. This is largely due to F/X headwinds, incremental costs related to logistical issues, and the fact that despite the sales recapture, volumes were still low, and that the combination would drive ~235bps of OpM contraction y/y. That said, MTD now expects to expand FY24 OpM by ~50bps y/y, as comparisons become much easier as the year progresses. We asked during our follow-up call what the downside risk was to EPS if markets did not show significant improvement in 2H24, to which Mgmt. replied that they were still comfortable with the current guide in that scenario given the comps.

Tweak our estimates, PO to \$1325; stay Neutral

We raise ests, and our new PO is \$1,325 (was \$1,300), still based on 22x our FY25 EBITDAe. We reiterate our Neutral rating as valuation appears full given the macro backdrop.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	39.46	38.07	39.95	44.20	49.55
GAAP EPS	35.85	35.89	36.51	40.64	45.87
EPS Change (YoY)	16.5%	-3.5%	4.9%	10.6%	12.1%
Consensus EPS (Bloomberg)			39.58	44.23	49.74
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	31.0x	32.2x	30.7x	27.7x	24.7x
GAAP P/E	34.2x	34.1x	33.6x	30.1x	26.7x
EV / EBITDA*	28.3x	29.0x	28.6x	26.8x	24.7x
Free Cash Flow Yield*	2.1%	2.5%	2.4%	2.4%	2.6%

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

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09 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	1,300.00	1,325.00
2024E Rev (m)	3,785.0	3,847.8
2025E Rev (m)	3,921.0	4,035.0
2026E Rev (m)	4,167.0	4,285.0
2024E EPS	39.93	39.95
2025E EPS	43.94	44.20
2026E EPS	49.75	49.55

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Stock Data

Price	1,174.51 USD
Price Objective	1,325.00 USD
Date Established	9-Feb-2024
Investment Opinion	B-2-9
52-Week Range	928.50 USD - 1,615.97 USD
Mrkt Val (mn) / Shares Out (mn)	33,207 USD / 28.3
Free Float	98.6%
Average Daily Value (mn)	182.48 USD
BofA Ticker / Exchange	MTD / NYS
Bloomberg / Reuters	MTD US / MTD.N
ROE (2024E)	29,372.7%
Net Dbt to Eqty (Dec-2023A)	NA
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment

iQprofileSM Mettler-Toledo

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	40.1%	36.7%	36.0%	37.5%	38.9%
Return on Equity	920.8%	6,732.9%	29,372.7%	2,689.3%	930.1%
Operating Margin	30.4%	30.4%	30.8%	31.5%	32.1%
Free Cash Flow	738	861	845	838	916

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.0x	1.2x	1.1x	1.0x	1.0x
Asset Replacement Ratio	1.1x	0.9x	1.0x	1.0x	1.0x
Tax Rate	20.4%	20.9%	23.3%	23.2%	23.1%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	NM
Interest Cover	21.5x	14.9x	14.1x	14.7x	15.3x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	3,920	3,788	3,848	4,035	4,285
% Change	5.4%	-3.4%	1.6%	4.9%	6.2%
Gross Profit	2,308	2,241	2,300	2,423	2,584
% Change	6.3%	-2.9%	2.6%	5.4%	6.6%
EBITDA	1,305	1,273	1,292	1,380	1,494
% Change	12.0%	-2.5%	1.5%	6.8%	8.2%
Net Interest & Other Income	(58)	(94)	(81)	(83)	(87)
Net Income (Adjusted)	903	837	848	911	990
% Change	13.7%	-7.4%	1.4%	7.4%	8.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	903	837	848	911	990
Depreciation & Amortization	113	121	106	111	118
Change in Working Capital	(173)	51	67	(2)	(4)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	15	(43)	(68)	(68)	(68)
Capital Expenditure	(121)	(105)	(108)	(113)	(120)
Free Cash Flow	738	861	845	838	916
% Change	-8.3%	16.6%	-1.8%	-0.8%	9.3%
Share / Issue Repurchase	(1,067)	(881)	(850)	(850)	(900)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	360	30	20	20	20

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	96	70	235	243	279
Trade Receivables	709	664	685	719	763
Other Current Assets	570	497	459	478	505
Property, Plant & Equipment	779	803	869	937	1,010
Other Non-Current Assets	1,339	1,322	1,340	1,359	1,384
Total Assets	3,492	3,356	3,588	3,736	3,942
Short-Term Debt	106	192	192	192	192
Other Current Liabilities	1,042	839	1,039	1,089	1,157
Long-Term Debt	1,908	1,889	1,909	1,929	1,949
Other Non-Current Liabilities	411	436	442	464	493
Total Liabilities	3,468	3,355	3,582	3,674	3,791
Total Equity	25	0	6	62	151
Total Equity & Liabilities	3,492	3,356	3,588	3,736	3,942

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

Company Sector

Life Sciences & Diagnostic Tools

Company Description

Mettler-Toledo International Inc is a leading global manufacturer and supplier of precision weighing and analytical instruments for laboratory, industrial, and food retailing applications. With global headquarters in Greifensee, Switzerland, Mettler manages its US operations out of its Columbus, Ohio, headquarters.

Investment Rationale

Mettler-Toledo is a global provider of precision instruments for use in laboratory, industrial, and food retailing. The company has an impressive track record, having consistently delivered strong returns and above average organic sales and EPS growth. We believe Mettler will continue to extend its market leadership position but protracted weakness in the macro environment, especially in emerging markets such as China, as well as further contraction in the multiple, could be downside risks.

Stock Data

Average Daily Volume 155,366

Quarterly Earnings Estimates

	2023	2024
Q1	8.69A	NA
Q2	10.19A	NA
Q3	9.80A	NA
Q4	9.40A	NA



Price objective basis & risk

Mettler-Toledo (MTD)

Our \$1,325 PO is based on about 22x our 2025 EV/EBITDA estimate, which is in line with the company's historical premium to the Life Sciences & Diagnostics Tools peer group over the last three years. We think that this premium multiple is justified given the company's strong brand, growth profile, operational excellence, and strong track record of execution.

Downside risks to our PO are a weaker global economy (especially in Asia), trade disputes, slower than expected expansion into new markets, competition, a protracted global slowdown from the Coronavirus outbreak, and unfavorable currency swings.

Upside risks to our PO are stronger-than-expected global growth, more aggressive share repurchases, and operational efforts to support EPS growth.

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
	Marava	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

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

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

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

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

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

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

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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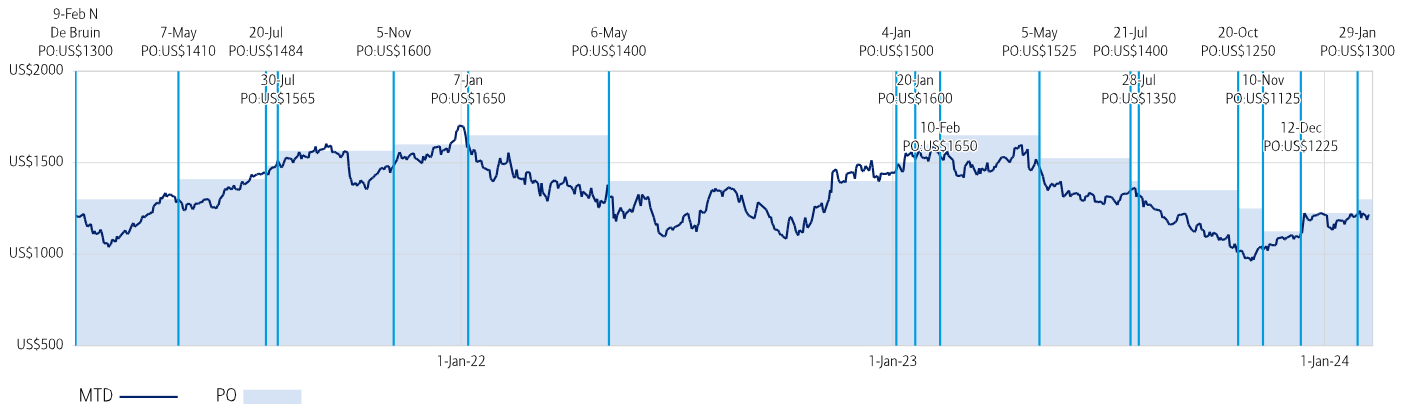
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Important Disclosures

Mettler-Toledo (MTD) 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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