

## Mettler-Toledo

## 4Q23 First Look: 4Q in-line with pre-announce, FY24 guide updated for 4Q miss

Reiterate Rating: NEUTRAL | PO: 1,300.00 USD | Price: 1,224.97 USD

## 4Q23: -13% LC sales decline; \$9.40 in Adj. EPS

On 1/4/23, Mettler-Toledo (MTD) negatively preannounced 4Q top-line results and pulled FY23 EPS guidance due to 3<sup>rd</sup> party logistical issues ([see our earlier note for details](#)). Today, MTD released full 4Q results after market close and updated FY24 guidance. Total 4Q revenues were \$935mn vs. our revised estimate of \$928mn, a -13% decline in local currency (LC), in-line with BofAe and the preannouncement. By segment, Industrial sales declined -7% LC (in-line with BofAe), Lab was down -18% (vs. BofAe -19.5%), and Food Retail was up +9% (vs. BofAe +15.7%). Geographically, Americas declined -7% LC, while Europe declined -16%, and Asia/ROW declined -18%. Gross margin decreased -80bps y/y to 59.0% (but +70bps above BofAe), while the Adj. OpM decreased -380bps y/y to 30.1% (-20bps below BofAe). Adj EPS were \$9.40 (-22% y/y) vs BofAe \$9.32 (consensus EPS were \$10.10 as some analysts had not updated their models).

## 1Q outlook lower than expected despite sales pushout

In the 4Q slide deck, MTD noted that the logistical issues negatively impacted sales by ~\$58mn and that the company expects to recapture most of these sales in 1Q24. That said, the company's 1Q guide for a -4% to -6% LC decline (BofAe -4%) implies that the guide would have seen sales down low-double digits without this pushout from 4Q. This was a bit lower than our -9% estimate prior to the preannouncement, but it follows the 1Q guide trend we've seen from other life sciences tools companies. However, the 1Q EPS guide of \$7.35 to \$7.75 came in well-below our revised \$8.60 estimate, even after factoring in a -4% hit from F/X. This could be due to a combination of tough comps and costs related to correcting logistical issues, but we need additional color.

## Higher FY24 guide, but are there incremental headwinds?

For FY24, MTD now sees LC sales growing +1% to +2% y/y vs. the prior guide for ~0%. However, as the 4Q 'miss' resulted in 2023 sales that were ~1.5% lower than expected, raising the FY24 guide by +1.5% simply gets total revenues back to the same level (in dollar terms) as the prior guide. Therefore, it's not clear if MTD truly is expecting to fully recapture the ~\$58mn of delayed sales, or if there is more conservatism elsewhere in the business. On the bottom line, MTD now sees FY24 EPS in the range of \$39.60 to \$40.30 (vs. \$39.10 to \$39.80 prior and BofAe \$39.93).

Conference call at 8:30am ET on February 9<sup>th</sup>

MTD will host a conference call at 8:30am EST. We look for an update on the logistical challenges, the end markets, and assumptions underpinning the revised FY24 outlook. We maintain our Neutral rating as we think MTD's valuation appears full given the current macro backdrop and higher exposure to China (~20% of sales).

09 February 2024

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## Stock Data

Price	1,224.97 USD
Price Objective	1,300.00 USD
Date Established	29-Jan-2024
Investment Opinion	B-2-9
52-Week Range	928.50 USD - 1,615.97 USD
Mrkt Val (mn) / Shares Out (mn)	34,633 USD / 28.3
Free Float	98.6%
Average Daily Value (mn)	184.56 USD
BofA Ticker / Exchange	MTD / NYS
Bloomberg / Reuters	MTD US / MTD.N
ROE (2023E)	2,762.4%
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter™	Medium

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Timestamp: 09 February 2024 12:26AM EST

## Price objective basis & risk

### Mettler-Toledo (MTD)

Our \$1,300 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.

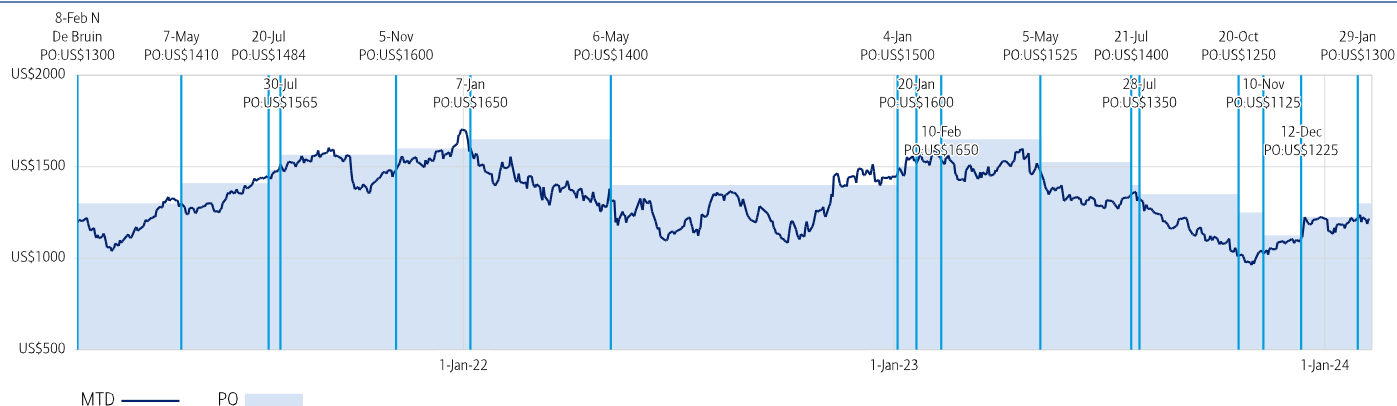
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### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

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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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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