

Thermo Fisher manufactures scientific instruments, consumables, and chemicals. It provides analytical instruments, lab equipment, software reagents, and supplies to pharmaceutical companies, hospitals, clinical diagnostic labs, universities, research institutions, and government agencies.

## Analyst's Notes

Analysis by David Toung, April 28, 2025

**ARGUS RATING:** **BUY**

- Buying opportunity on pullback in shares
- Excluding the academic and government sector, end market conditions are improving for the company as the biopharma industry develops new biologic medicines.
- Management expects organic sales growth to be 1%-3% in 2025, a step up from flat growth in 2024.
- Thermo Fisher is navigating headwinds arising from trade tariffs and policy changes from the U.S. administration.
- Our price target is \$470, revised from \$620.

## INVESTMENT THESIS

Our BUY rating on Thermo Fisher Scientific Inc. (NYSE: TMO), is supported by the company's superior sales execution, leading to market share gains and growth opportunities in its end markets. The company is investing its substantial cash flow in new product development, capacity expansions, and acquisitions. We believe that these investments, along with strength in the base business (excluding COVID-19 testing revenue), will drive growth in the post-pandemic period.

Despite current headwinds in both the U.S. and China, we anticipate the biotech sector will recover as researchers develop breakthrough cell and gene therapies and monoclonal antibodies. Thermo's tools and solutions support the development and production of these medicines. Our price target is \$470.

## RECENT DEVELOPMENTS

Thermo Fisher is navigating headwinds arising from trade tariffs and policy changes from the U.S. administration. To be sure, demand from customers (excluding the academic and government sector) is still strong.

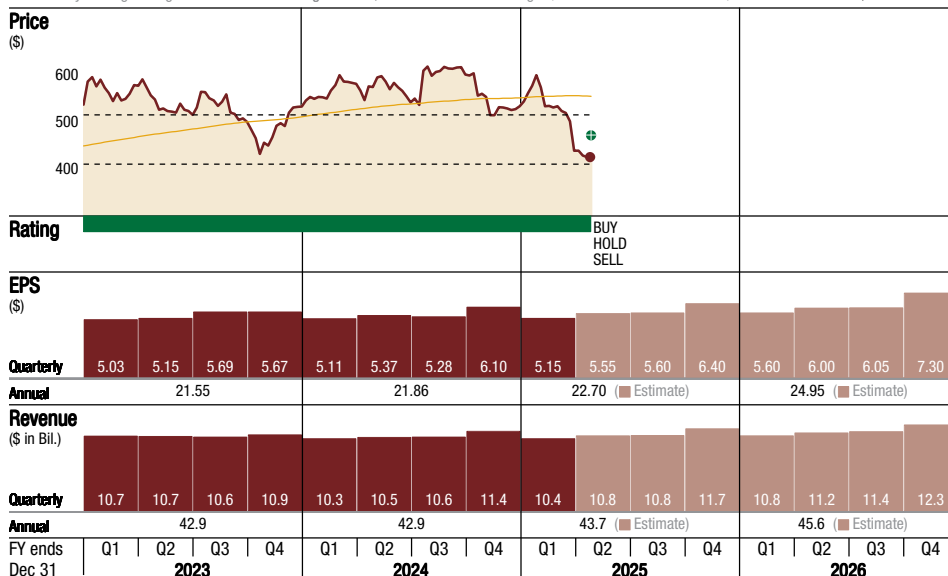
TMO reported 1Q25 results on April 23. Adjusted EPS was \$5.15, essentially flat compared to a year ago and beating the consensus estimate by \$0.04. GAAP net income was \$1.507 billion or \$3.98 per share, compared to \$1.328 billion or \$3.46 per share a year ago.

Revenue was \$10.364 billion, increasing 1% organically. Normalization for the impact

## Market Data

Pricing reflects previous trading week's closing price.

— 200-Day Moving Average — Target Price: \$470.00 — 52 Week High: \$513.37 — 52 Week Low: \$409.85 — Closed at \$424.24 on 4/25



## Argus Recommendations

Twelve Month Rating	SELL	HOLD	BUY
Five Year Rating	SELL	HOLD	BUY
Sector Rating	Under Weight	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 26% Hold, 0% Sell.

## Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

### Market Overview

Price	\$421.34
Target Price	\$470.00
52 Week Price Range	\$409.85 to \$627.88
Shares Outstanding	377.49 Million
Dividend	\$1.72

### Sector Overview

Sector	Healthcare
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	11.20%

### Financial Strength

Financial Strength Rating	MEDIUM-HIGH
Debt/Capital Ratio	39.8%
Return on Equity	17.8%
Net Margin	15.2%
Payout Ratio	0.08
Current Ratio	1.66
Revenue	\$42.90 Billion
After-Tax Income	\$6.52 Billion

### Valuation

Current FY P/E	18.56
Prior FY P/E	19.27
Price/Sales	3.71
Price/Book	3.22
Book Value/Share	\$130.83
Market Capitalization	\$159.05 Billion

### Forecasted Growth

1 Year EPS Growth Forecast	3.84%
5 Year EPS Growth Forecast	9.00%
1 Year Dividend Growth Forecast	10.26%

### Risk

Beta	0.84
Institutional Ownership	89.59%

## Analyst's Notes ...Continued

of two less selling days in 1Q25 versus a year ago and excluding COVID-19 related revenue, organic growth would be about 4%.

TMO updated its 2025 guidance to account for the impact of tariffs and of policy changes including funding reductions to NIH and academic research institutions. The impact of U.S.-China tariffs-considering only what has already been implemented-will reduce revenue by \$400 million and EPS by about \$0.70. The Trump administration policy changes, such as funding cuts at NIH and cancellation of grants to academic research centers, will reduce revenue further by another \$500 million and EPS by another \$0.30.

Thermo indicated it would offset the impact from tariffs through incremental pricing actions and adjustments to its supply chain.

During 1Q25, Thermo announced the agreement to acquire Solvatum's purification and filtration for \$4.1 billion.

### EARNINGS & GROWTH ANALYSIS

Accounting for the impacts of the U.S.-China tariffs and the U.S. administration's policy changes for funding to academic research, Thermo updated its 2025 guidance. It now expects revenue of \$43.3 billion-\$44.2 billion, organic growth in the range of 1%-3%, reduced from a prior view of 3%-4% organic growth, and adjusted operating margin of 22.0%-22.6%. The tariff-related changes to the guidance reduce adjusted operating margin by 120 basis points.

Thermo now expects adjusted EPS of \$21.76-\$22.84, reduced from \$23.10-\$23.50.

We are reducing our estimates for adjusted EPS to \$22.70 from \$23.30 for 2025 and to \$24.95 from \$25.80 for 2026.

We are also reducing our projected five-year EPS growth rate to 9% from 10%.

### FINANCIAL STRENGTH & DIVIDEND

We rate TMO's financial strength as Medium-High, the second-highest peg on our five-point scale. Thermo intends to invest its robust operating cash flow in technology upgrades, capacity expansions, and acquisitions - all contributing to future growth.

For returns to shareholders, the company assumes \$2 billion in share buybacks in 2025. It completed the share buybacks in January. It assumes returning \$600 million to shareholders through dividends.

Cash flow from operations was \$8.667 billion for 2024, compared to \$8.406 billion in the year-ago period.

The company increased its dividend 10.2% earlier in 2025, raising it to an annualized rate of \$1.72 per share, for a yield of about 0.4%. We are slightly raising our dividend forecasts. Our 2025 estimate is \$1.72 per share (raised from \$1.70) and our 2026 forecast is \$1.86 (raised from \$1.84).

### MANAGEMENT & RISKS

Marc Casper is chairman and CEO. Stephen Williamson is

## Growth & Valuation Analysis

### GROWTH ANALYSIS

(\$ in Millions, except per share data)

	2020	2021	2022	2023	2024
Revenue	32,218	39,211	44,915	42,857	42,879
COGS	16,214	19,573	25,944	25,757	25,177
Gross Profit	16,004	19,638	18,971	17,100	17,702
SG&A	6,930	8,007	8,993	8,445	8,595
R&D	1,181	1,406	1,471	1,337	1,390
Operating Income	7,893	10,225	8,507	7,318	7,717
Interest Expense	488	493	454	496	312
Pretax Income	7,230	8,841	7,835	6,298	7,037
Income Taxes	850	1,109	703	284	657
Tax Rate (%)	12	13	9	5	9
Net Income	6,375	7,725	6,950	5,995	6,335
Diluted Shares Outstanding	399	397	394	388	383
EPS	15.96	19.46	17.63	15.45	16.53
Dividend	0.88	1.04	1.20	1.40	1.56

### GROWTH RATES (%)

Revenue	26.1	21.7	14.5	-4.6	0.1
Operating Income	88.8	29.5	-16.8	-14.0	5.5
Net Income	72.5	21.2	-10.0	-13.7	5.7
EPS	74.0	21.9	-9.4	-12.4	7.0
Dividend	15.8	18.2	15.4	16.7	11.4
Sustainable Growth Rate	14.8	23.2	16.0	12.2	11.8

### VALUATION ANALYSIS

Price: High	\$532.57	\$672.34	\$664.27	\$609.85	\$627.88
Price: Low	\$250.21	\$433.52	\$475.77	\$415.60	\$493.30
Price/Sales: High-Low	6.6 - 3.1	6.8 - 4.4	5.8 - 4.2	5.5 - 3.8	5.6 - 4.4
P/E: High-Low	33.4 - 15.7	34.5 - 22.3	37.7 - 27.0	39.5 - 26.9	38.0 - 29.8
Price/Cash Flow: High-Low	31.0 - 14.6	26.2 - 16.9	32.3 - 23.2	29.0 - 19.8	26.5 - 20.8

## Financial & Risk Analysis

### FINANCIAL STRENGTH

	2022	2023	2024
Cash (\$ in Millions)	8,524	8,077	4,009
Working Capital (\$ in Millions)	8,219	10,577	8,805
Current Ratio	1.48	1.75	1.66
LT Debt/Equity Ratio (%)	65.7	67.0	58.6
Total Debt/Equity Ratio (%)	78.4	74.7	63.1

### RATIOS (%)

Gross Profit Margin	42.2	39.9	41.3
Operating Margin	18.9	17.1	18.0
Net Margin	15.5	14.0	14.8
Return On Assets	7.2	6.1	6.5
Return On Equity	16.4	13.2	13.2

### RISK ANALYSIS

Cash Cycle (days)	96.6	101.2	99.7
Cash Flow/Cap Ex	4.1	5.7	6.2
Oper. Income/Int. Exp. (ratio)	11.8	5.6	6.1
Payout Ratio	4.6	6.5	8.9

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## Analyst's Notes ...Continued

CFO.

There are risks in owning TMO shares. The company's growth is dependent on developing new products and adapting to technological change; economic conditions and related uncertainties; as well as the possibility that benefits related to recent or pending acquisitions may not materialize.

### COMPANY DESCRIPTION

Thermo Fisher manufactures scientific instruments, consumables, and chemicals. It provides analytical instruments, lab equipment, software reagents, and supplies to pharmaceutical companies, hospitals, clinical diagnostic labs, universities, research institutions, and government agencies.

### VALUATION

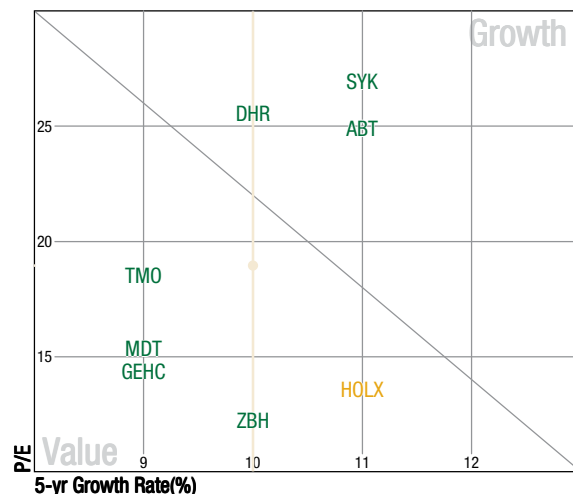
TMO trades at 17.0-times our 2026 EPS estimate, above the average multiple of 15.0 for our coverage universe of life sciences stocks. Despite near-term headwinds, the company has solid long-term growth opportunities in the U.S. and in overseas markets. It also has an enviable track record of integrating acquisitions that have added new technology and expanded its capabilities. Looking ahead, we expect TMO to continue to benefit from the launch of new products and services.

On April 28, BUY-rated TMO closed at \$421.34, down \$2.90.

## Peer & Industry Analysis

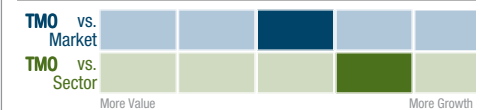
The graphics in this section are designed to allow investors to compare TMO versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how TMO stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how TMO might fit into or modify a diversified portfolio.

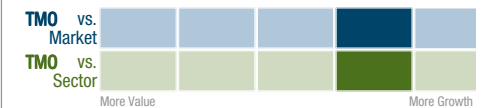


Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
ABT	Abbott Laboratories	224,647	11.0	24.9	31.9	9.2	BUY
TMO	Thermo Fisher Scientific Inc.	159,053	9.0	18.6	15.2	9.9	BUY
DHR	Danaher Corp.	140,207	10.0	25.5	15.8	12.1	BUY
SYK	Stryker Corp.	139,885	11.0	26.9	13.2	8.8	BUY
MDT	Medtronic PLC	107,785	9.0	15.4	12.8	7.3	BUY
GEHC	GE HealthCare Technologies Inc	31,165	9.0	14.4	10.1	10.8	BUY
ZBH	Zimmer Biomet Holdings Inc	20,132	10.0	12.3	11.8	6.6	BUY
HOLX	Hologic, Inc.	13,110	11.0	13.6	18.4	8.2	HOLD
<b>Peer Average</b>		<b>104,498</b>	<b>10.0</b>	<b>18.9</b>	<b>16.2</b>	<b>9.1</b>	

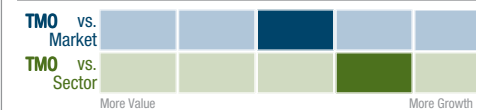
### P/E



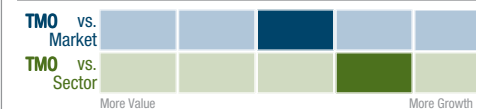
### Price/Sales



### Price/Book



### PEG



### 5 Year Growth



### Debt/Capital



## About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

### THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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