|  |  |
| --- | --- |
| **Key Credit Merits** | **Key Credit Risks** |
| Strong recurring revenue | Elevated leverage post-acquisitions |
| Robust global diversification | Integration and execution risk (large M&A) |
| Solid liquidity and cash flow | Exposure to macro/geopolitical volatility |

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| **WATERS CORP /DE/ - Capitalization Table** | | | | | |
| **Item** | **Amount** | **PPC Holdings** | **Coupon** | **Secured** | **Maturity** |
| Cash and Equivalents | 367,215 |  |  |  |  |
| Revolving Credit Facility | 200,000 | - | S + 80-112.5 | N | 2030 |
| Senior Unsecured Notes - Series K | 160,000 | - | 3.44% | N | 2026 |
| Senior Unsecured Notes - Series L | 200,000 | - | 3.31% | N | 2026 |
| Senior Unsecured Notes - Series M | 300,000 | - | 3.53% | N | 2029 |
| Senior Unsecured Notes - Series N | 100,000 | - | 1.68% | N | 2026 |
| Senior Unsecured Notes - Series O | 400,000 | - | 2.25% | N | 2031 |
| Senior Unsecured Notes - Series P | 50,000 | - | 4.91% | N | 2028 |
| Senior Unsecured Notes - Series Q | 50,000 | - | 4.91% | N | 2030 |
| (Less: Debt Issuance Costs) | -3,034 | - | - | - | - |
| **Total Debt** | **1,456,966** |  |  |  |  |
| Book Value of Equity | 2,159,812 |  |  |  |  |
| **Book Capitalization** | **3,616,778** |  |  |  |  |
| ***Key Financial Ratios:*** | | | | | |
| Total Debt To Adj Ebitda | - |  |  |  |  |
| Total Debt To Market Capitalization | - |  |  |  |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **WATERS CORP /DE/ - Historical Financial Analysis** | **Fiscal Year Ended** | |  |  |  | **YTD** | | **LTM** |
| **Metric** | **2020** | **2021** | **2022** | **2023** | **2024** | **03/31/24** | **03/31/25** | **03/31/25** |
| **Revenue** | **1,497,333** | **1,822,070** | **1,988,169** | **1,903,050** | **1,844,176** | **0** | **0** | **1,844,176** |
| ***% YoY Growth*** |  | 21.7% | 9.1% | (4.3%) | (3.1%) |  |  |  |
| Cost of Goods Sold | 638,033 | 752,514 | 836,209 | 766,374 | 747,920 | 0 | 0 | 747,920 |
| **Gross Profit** | **859,300** | **1,069,556** | **1,151,960** | **1,136,676** | **1,096,256** | **0** | **0** | **1,096,256** |
| ***% Margin*** | 57.4% | 58.7% | 57.9% | 59.7% | 59.4% |  |  | 59.4% |
| Operating Expenses | 705,062 | 802,469 | 840,582 | 943,517 | 920,265 | 0 | 0 | 920,265 |
| Adjustments | 169,171 | 161,598 | 172,987 | 202,773 | 236,534 | 0 | 0 | 236,534 |
| **Adjusted EBITDA** | **814,660** | **983,305** | **1,046,382** | **1,020,449** | **1,062,887** | **0** | **0** | **1,062,887** |
| ***% Margin*** | 54.4% | 54.0% | 52.6% | 53.6% | 57.6% |  |  | 59.4% |
| Interest Expense | 49,070 | 44,938 | 48,797 | 98,861 | 89,677 | 0 | 0 | 89,677 |
| Taxes | 89,343 | 113,350 | 130,091 | 94,009 | 117,034 | 0 | 0 | 117,034 |
| Change in Working Capital | 108,361 | 140,008 | 276,770 | (119,308) | (17,173) | 0 | 0 | (17,173) |
| *Other* | (2,955) | 12,038 | 2,228 | 807 | (10,792) | 0 | 0 | (10,792) |
| Capital Expenditures | 172,384 | 161,266 | 175,921 | 160,632 | 142,481 | 0 | 0 | 142,481 |
| **Free Cash Flow** | **618,123** | **586,008** | **435,740** | **442,177** | **619,642** | **0** | **0** | **619,642** |
| Acq. / Disp. | (59,683) | 218,084 | 77,993 | (1,280,584) | 3,676 | 0 | 0 | 3,676 |
| Change in Debt | (325,366) | 160,000 | 60,000 | 780,000 | (730,000) | 0 | 0 | (730,000) |
| Equity / Dividends | (130,376) | (593,287) | (583,260) | (40,485) | 16,825 | 0 | 0 | 16,825 |
| *Other* | (15,240) | (3,549) | (13,627) | (15,836) | (16,500) | 0 | 0 | (16,500) |
| **Change in Cash** | **100,980** | **64,539** | **(20,705)** | **(85,453)** | **(70,655)** | **0** | **0** | **(70,655)** |
| **Cash - End of Period** | **436,695** | **501,234** | **480,529** | **395,076** | **324,421** | **0** | **0** | **0** |
| **Total Debt** | **1,356,515** | **1,513,870** | **1,574,878** | **2,355,513** | **1,626,488** | **2,005,761** | **0** | **0** |
| **Book Equity** | **232,144** | **367,554** | **504,488** | **1,150,341** | **1,828,507** | **0** | **0** | **0** |
| ***Key Financial Ratios:*** | |  |  |  |  |  |  |  |
| EBITDA / Int. Exp. | 16.60x | 21.88x | 21.44x | 10.32x | 11.85x |  |  | 11.85x |
| Total Debt / EBITDA | 1.67x | 1.54x | 1.51x | 2.31x | 1.53x |  |  | 0.00x |
| Total Debt / Book Capital | 0.00x | 0.00x | 0.00x | 0.00x | 0.00x |  |  |  |
| Total Debt + Leases / EBITDA | 1.67x | 1.54x | 1.51x | 2.31x | 1.53x |  |  | 0.00x |
| Total Debt + Leases / Book Capital | 0.00x | 0.00x | 0.00x | 0.00x | 0.00x |  |  |  |
| EBITDAR / Interest + Rent | 6.28x | 8.08x | 8.26x | 5.97x | 6.88x |  |  | 11.85x |

## Income Statement

* \*\*Revenue\*\* for FY2024 was $2,958.4M, flat versus the $2,956.4M of FY2023 and down 0.5% from FY2022. FY2024 saw instrument product sales decline 3% (driven by weak demand in China, particularly in LC and MS instruments), while precision chemistry consumables rose 4% and service revenue was up 6%. Ex-China, sales grew 2%. For the LTM period ended Q2 2025 (LTM: July 2024 – June 2025), rolling twelve-month revenue was $3,090M, up ~4% over FY2024 (Q2 2024 LTM: $2,976M), driven by a rebound in instrument sales and strong growth in recurring chemistry and service revenues. \*\*Q2 2025 revenue was $1,433.0M YTD, up 7% YoY\*\* for the comparable period.
* Throughout FY2024, sharp declines in China (10% in 2024, 22% in 2023) offset steady growth elsewhere. The \*\*Wyatt acquisition\*\* (May 2023) contributed about 1% to total FY2024 revenue, helping expand into large-molecule and light scattering applications.
* The \*\*drivers of revenue\*\* into FY2025 LTM were: (1) Rebounding demand in Asia ex-China and Europe; (2) Double-digit expansion in chemistry consumables due to customer pull-forward ahead of US-China tariffs ($8M chemistry sales presumably pulled into Q2 2025 in China); (3) Ongoing services growth across installed base; (4) Lapping severe China declines in the prior year; (5) Modest contribution from M&A (Halo Labs acquisition in Q2 2025 for specialized imaging and aggregate detection tools).
* The \*\*EBITDA margin\*\* (approximated as operating margin) for FY2024 was 27.9%, up slightly from 27.7% in FY2023 and down from 29.4% in FY2022. Drivers for FY2024 included cost savings from workforce reductions, strong chemistry/service mix, and the absence of 2023’s severance costs. Offsets included higher annual incentive compensation, full-year Wyatt amortization, and increased wage/SG&A inflation. Margin pressure from declining high-margin instrument sales in China was partially offset by higher-margin recurring revenue. FX was a ~140bps margin headwind in 2024. For the LTM through Q2 2025, margins are tracking modestly higher due to stronger volumes, improved sales mix (recurring/chemistry), and lower incentive costs, partially offset by transaction costs (~$14M related to the pending BD Biosciences & Diagnostics acquisition), higher ERP/IT investments, and some recovery in instrument mix.
* Summary table: FY2024 Revenue $2,958.4M; Operating Income $826.4M (27.9% margin). LTM Q2 2025 Revenue ~$3,090M; Operating Income not disclosed, but Q2 YTD 2025 (first half): $340.0M on revenue of $1,433M (23.7% margin; Q2 24 = 26.7%, Q2 25 = 24.4%, reflecting increased costs/transaction expenses).

## Cash Flow Statement

* \*\*FY2024 Free Cash Flow (FCF):\*\* Operating cash flow $762M less capex/software $142M = $620M. FY2023 FCF = $603M – $161M = $442M. Q2 2025 LTM FCF is estimated at $800M – $185M = $615M (using 1H’25: $301M OCF, $48M capex, on track to $600M+ full-year). FCF conversion remains strong, recovering from 2023’s temporary impact from integration/acquisition costs, higher incentive payments, and working capital swings.
* \*\*Q2 2025 YTD\*\*: Operating cash flow $301M, capex/software $48M; FCF $253M for half-year.
* \*\*Major M&A:\*\* In FY2023, Waters acquired Wyatt Technology (~$1.3B cash, closed May 2023, full year of consolidation from 2024). The LTM period (Q3 2024–Q2 2025) also includes the acquisition of Halo Labs (closed May 2025) for $35M (net of cash acquired, $24M to goodwill; $13M to intangible assets; $2M in customer relationships, $2M in developed technology; negligible impact on financials). In July 2025, Waters also signed a transformative (pending/unsigned) $17.5B deal to acquire BD’s Biosciences & Diagnostics business (not closed; not reflected in LTM numbers). No other material acquisitions in LTM.
* \*\*Dividends:\*\* No dividends paid in FY2022, FY2023, FY2024, or LTM.
* Other key cash flow uses: Debt repayments of $900M in FY2024; $240M YTD Q2 LTM; ERP capex and software implementation ($130M projected through 2027; $7M spent YTD Q2 2025).
* \*\*Working capital:\*\* Q2-2025 cash flow reflects working capital normalization, with strong customer advances and deferred revenue building to $420M (up from $320M at FY2024); inventory rising to $541M due to tariff-related safety stock and higher sales volume.
* \*\*Summary Table:\*\* FY2024: OCF $762M, CapEx/software $142M, FCF $620M. FY2023: OCF $603M, CapEx/software $161M, FCF $442M. LTM Q2 2025 (estimate): OCF $800M, CapEx/software $185M, FCF $615M.

## Balance Sheet

* As of Q2 2025 (June 28, 2025), \*\*total debt was $1,457M\*\*, consisting of $260M current and $1,197M long-term debt. This is down from $1,627M at FY2024 and reflects accelerated debt repayment since the Wyatt acquisition. The \*\*leverage ratio (Total Debt + Capitalized Operating Leases / EBITDAR)\*\* at Q2 2025 is estimated at 1.6x–2.1x, assuming EBITDAR LTM ~$750–$900M (exact EBITDAR/LTM rent not disclosed; operating lease liabilities at $81M). This is an improvement from 2.2x–2.6x at the time of Wyatt closing. At FY2023, leverage was temporarily elevated (~2.8x–3.0x) due to the Wyatt transaction.
* Cash and cash equivalents were \*\*$367M\*\* as of Q2 2025 (up from $325M at FY2024).
* Revolver borrowing capacity as of Q2 2025 was $1.6B (total facility $1.8B, amended in May 2025). None drawn except $200M; up to $50M available for letters of credit.
* \*\*Liquidity\*\* (cash + undrawn revolver\*\*): $367M + $1,600M = $1,967M at Q2 2025.
* \*\*Stockholders’ equity\*\* at Q2 2025 was $2,160M, improved from $1,829M at FY2024 due to retained earnings growth and positive FX other comprehensive income.
* \*\*Dividends:\*\* Waters has not declared or paid any cash dividends in FY2022, 2023, 2024, or the LTM period, and continues to have a policy of no common stock dividends.
* \*\*Share repurchase:\*\* No open market repurchases in FY2024 or YTD 2025. Repurchases only for share-based compensation vesting ($13M in FY2024, $14M YTD Q2 2025). Board authorization for $1.0B remains through 2028.
* Balance Sheet Table: Q2 2025: Cash $367M, Total Debt $1,457M, Equity $2,160M | FY2024: Cash $324M, Total Debt $1,626M, Equity $1,829M

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **WATERS CORP /DE/ - Credit Comparable Analysis** | | | | | | | | | | | |
|  | **LTM** | |  |  |  |  |  |  |  |  |  |
| **Ticker** | **LTM Rev (000s)** | **LTM EBITDA (000s)** | **EBITDA Mrgn %** | **EBITDAR (Int + Rents)** | **(Tot Debt + COL) EBITDAR** | **(Net Debt + COL) EBITDAR** | **(Tot Debt + COL) Tot Cap** | **(FCF + Rents) (Tot Debt + COL)** | **3-Year Average Total Debt + COL / EBITDAR** | **3-Year Average Total Debt + COL / Total Cap** | **3-Year Average FCF + Rents / Total Debt + COL** |
| *WATERS CORP /DE/* | 1869042.0 | 1046160.0 | 56.0% | 13.34x | 0.08x | -0.14x | 1.02x | 0.00x | - | - | - |
| *DANAHER CORP /DE/* | 22874000.0 | 6272000.0 | 27.4% | - | 0.46x | 0.93x | 0.05x | 1.69x | 2.10x | 0.26x | 0.34x |
| *AGILENT TECHNOLOGIES, INC.* | 4700000.0 | 1854000.0 | 39.4% | 18.18x | 0.01x | -0.78x | 0.00x | 48.59x | 1.62x | 0.34x | 0.44x |
| *IQVIA HOLDINGS INC.* | 8519000.0 | 2097000.0 | 24.6% | 2.69x | 6.38x | 5.61x | 1.00x | 0.16x | 4.79x | 0.70x | 0.14x |
| *METTLER TOLEDO INTERNATIONAL INC/* | 3395796.0 | 1201825.0 | 37.2% | 15.14x | 0.00x | 0.00x | -0.00x | - | 0.00x | 0.00x | - |
| **AVERAGE** | **8271567.0** | **2494197.0** | **36.9%** | **12.34x** | **1.39x** | **1.13x** | **0.41x** | **12.61x** | **2.13x** | **0.32x** | **0.31x** |
| **MEDIAN** | **4700000.0** | **1854000.0** | **37.2%** | **14.24x** | **0.08x** | **0.00x** | **0.05x** | **0.93x** | **1.86x** | **0.30x** | **0.34x** |