

Thermo Fisher Scientific Inc.

US Satellite*

Recommended since 08.11.2022

27.06.2023



Country US	Market capitalization (bn) USD 202,6	Perf. since reco. (%)
Sector Health Care	Free float 99,8%	Thermo Fisher Scientific Inc. 6,1
Factset TMO-US	Closing price USD 522,03	Sector -1,1
ISIN US8835561023	ESG Risk score* 13,6 Low risk	



Profile
Thermo Fisher specialises in life science tools for research, medical analysis, environment, food safety. Four divisions: 1/ Life Sciences Solutions (37% of sales): equipment for biological and medical research (sequencing, genetic analysis, BioProduction...); 2/ Laboratory Products & Biopharma Services (35%): routine equipment for laboratories, contract development and manufacturing organization (CDMO); 3/ Analytical Instruments (15%): analytical instruments (chromatography, mass spectrometry, chemical analysis...) for the environment, food, research, industrial processes; 4/ Specialty Diagnostics (13%): diagnostic instruments/kits.

Strengths/opportunities

- ⊕ Solid fundamentals, with structurally strong trends in health, food safety and environmental issues.
- ⊕ Leading supplier, with the largest and most diversified range of instruments, consumables and services.
- ⊕ Strong track record and diversified end markets.

Weaknesses/threats

- ⊖ Academic research (15% of sales) is exposed to the risk of budgetary pressure. The Industrial part (<10%) is more cyclical.
- ⊖ Sensitive to the evolution of R&D developments/expenditure.
- ⊖ Competitive developments to be monitored, with market consolidation (still very fragmented) and technological evolutions.

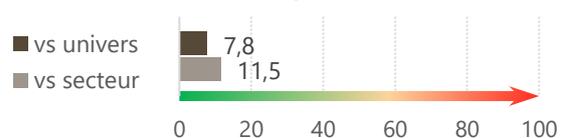
Investment case

- ⊕ The life science tools market is worth USD 225bn and is growing at 4-6%/year, driven by 1/ R&D investments in the biopharmaceutical sector, with a shift towards more equipment-intensive biological molecules/new generation therapies; 2/ food safety, environmental monitoring (soil/water/air contamination); 3/ the evolution of personalised medicine (targeted therapies based on biomarkers), requiring genomic analysis; and 4/ the expansion of the emerging markets. Thermo Fisher is the largest company and, thanks to its M&A strategy, has become a key supplier with a wide range of instruments (18% of sales), consumables (60%) and services (22%). Present in the contract development and manufacturing organization (CDMO) space since 2017, this segment has developed strongly over the last five years (organically and through M&A) and represents a growth area.
- ⊕ The end markets are diversified but with a predominant share of the biopharmaceutical sector (56% of turnover), benefiting from favourable prospects. The remaining 44% is divided between the Academic Research, Industrial & Application (food safety and environmental control) and Diagnostics/Health segments.
- ⊕ The normalisation of COVID testing is penalising 2023, but a recovery will be visible from 2024 onwards. 2025 targets imply organic growth of 7-9% and EPS of 15-16% per year over 2024-25.

Valuation

The valuation is reasonable, with a NTM PE of 21x, presenting a 8% discount to its peers.

ESG risk vs. universe & sector (percentile)*



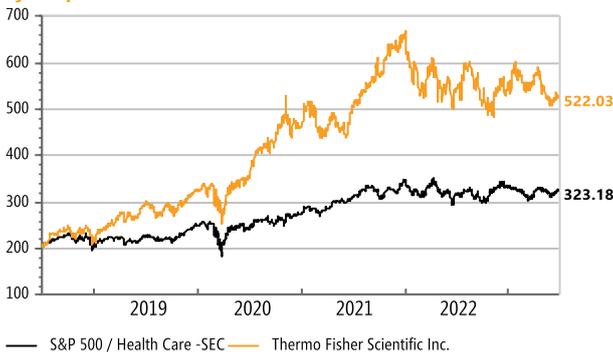
USD	12/2022	12/2023e	12/2024e
Sales revenue (mio)	44 915	45 278	48 925
Sales growth	14,5%	0,8%	8,1%
EBIT adjusted (mio)	10 985	10 734	11 935
% of sales	24,5%	23,7%	24,4%
Net income (mio)	9 159	9 183	10 164
Net income growth	-8,2%	0,3%	10,7%
FCF/Sales	15,4%	15,1%	17,4%
Net debt/Ebitda	2,3x	2,1x	1,8x
Dividend yield	0,3%	0,3%	0,3%
PE	22,5x	22,1x	19,7x
P/BV	4,7x	4,3x	4,2x

Factset estimates

ESG - risks and key points

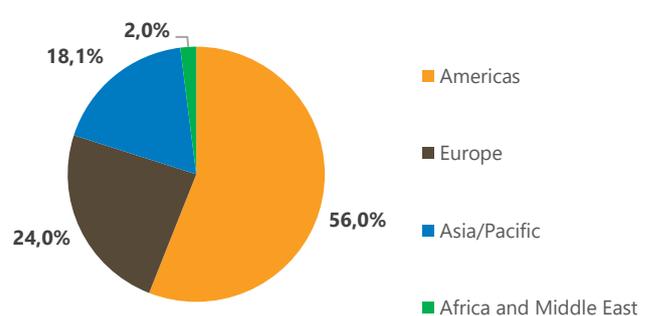
- ⊕ Thermo Fisher's ESG risk level is low, due to low exposure, good management of ESG issues and strong corporate governance performance. The company has nevertheless encountered a moderate level of controversy in the past.
- ⊕ Maintaining a high level of quality and safety of its products & services is essential to retain key clients and acquire new ones.

5-year performance vs sector



Source: FactSet

Sales breakdown - 12/2022



*: see overleaf

Source: Factset, Sustainabilitycs

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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