



**Research Analyst:**  
Dylan Baker and Marco Lima  
[dylan.g.baker@uconn.edu](mailto:dylan.g.baker@uconn.edu) and [marco.lima@uconn.edu](mailto:marco.lima@uconn.edu)

**ThermoFisher**  
SCIENTIFIC

# Student Managed Fund

## Thermo Fisher Scientific Inc.

November 30, 2021

(NYSE:TMO)

Target Price: \$797.73	Dividend Yield: 0.16%	P/E Ratio: 28.4
Current Price: \$640.93	Beta: 0.79	Relative P/E Ratio: 38.2
Stop loss: \$487.50 (25%) from	% Held by Institutions: 89.04%	EPS: \$4.79
52-Wk H/L: \$666.25-433.52	Financial Strength: BBB+	Book Value/Share: 63.41
Market Cap: \$249.37B		FCF/Share: 17.23

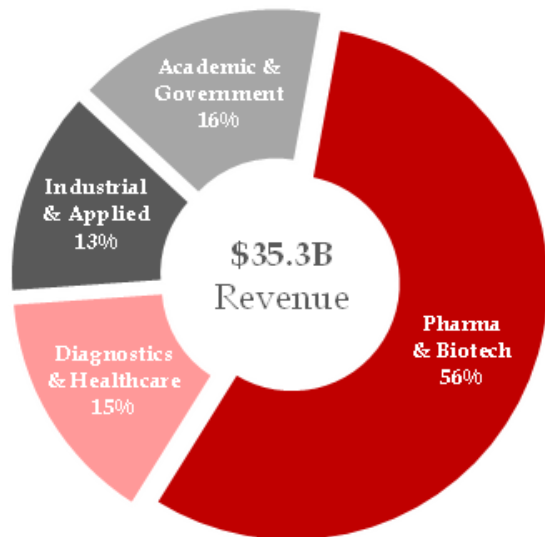
## Company Overview

Thermo Fisher Scientific is the world's leader in service science. Serves 400,000 customers in the pharmaceutical, biotechnology, hospitals, clinical labs, universities, and government agencies. Industry leading scale with exceptional commercial reach and a large global footprint, Breadth of capabilities range in four main segments that include Life Science Solutions, Specialty Diagnostics, Analytical Instruments, and Laboratory Products and Services. Focused on M&A and a variety of product offerings within the different segments they operate in.

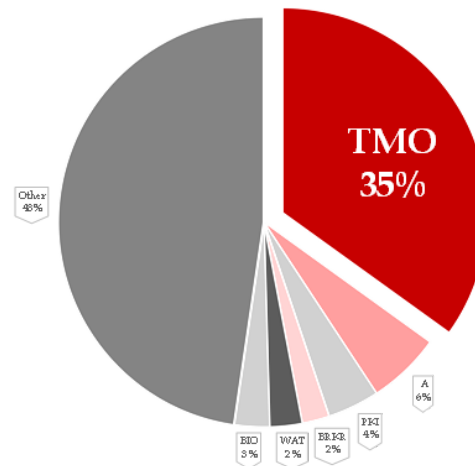
## Industry Outlook

Thermo Fisher Scientific is positioned well to capitalize on the fast growing biotech and pharma industries. The biotech and pharma industries are expected to continue to grow with an expected CAGR of 15% and 6% respectively. Their execution of their growth strategy through strategic acquisitions and R&D will help them to continue to compete not only in Biotech and Pharma but the other industries they operate in including Academic & Government, Industrial & Applied, and Diagnostics & Healthcare.

## Revenues By Industry



## Market Share



## Competitive Advantages

We identified a few competitive advantages that Thermo Fisher Scientific Inc. has over its peers. One is that they are a market leader both in the overall industry and in terms of direct comps. They have a wide Scale and Breadth of Services and were a leading responder in the COVID-19 Response for which they helped provide over 650M+ PCR Tests. Finally, they have been able to capitalize on the Biotech and Pharma exposure and are positioned well to continue to do so into the future.

## Investment Thesis

Thermo Fisher is an attractive company that we believe should be bought at this time. Between their increasingly dominant market share, strong financial track record of excellent performance, and increasing depth of capabilities, they have proven to be a consistent company. Their ability to innovate and acquire new companies especially in the fast growing pharma and biotech industries year after year will allow them to have continued success over the short and long term. Our DCF valuation projects a margin of safety of 20% looking into the future.

## Financial Performance & Projections

(\$ in millions)	Historical						Assumptions						
	TMO	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Net Revenues		18,273	20,918	24,358	25,542	32,218	37,107	43,044	49,070	54,958	61,004	67,104	73,143
%Δ YOY		0	14%	16%	5%	26%	18%	16%	14%	12%	11%	10%	9%
COGS		9,828	11,350	13,490	14,197	16,212	18,026	23,674	26,988	30,227	32,942	36,236	39,497
% of Revenue		54%	54%	55%	56%	50%	55%	55%	55%	55%	54%	54%	54%
Gross Profit		8,445	9,568	10,868	11,345	16,006	19,081	19,370	22,081	24,731	28,062	30,868	33,646
Gross Margin %		46%	46%	45%	44%	50%	51%	45%	45%	45%	46%	46%	46%
Operating Expenses		5,634	6,433	6,988	7,081	8,032	7,757	8,195	8,561	9,000	9,284	9,736	10,197
EBIT		2,810	3,135	3,880	4,264	7,974	11,323	11,175	13,520	15,731	18,778	21,132	23,449
% of Revenue		15%	15%	16%	17%	25%	31%	26%	28%	29%	31%	31%	32%
Tax Expense		(1)	201	324	374	850	1,300	971	1,175	1,367	1,632	1,836	2,038
Tax Rate		0.0%	6.4%	8.4%	8.8%	10.7%	9.3%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%
NOPLAT		2,811	2,934	3,556	3,890	7,124	10,023	10,203	12,345	14,364	17,146	19,295	21,411
% Growth YoY		0.0%	4.4%	21.2%	9.4%	83.1%	40.7%	1.8%	21.0%	16.4%	19.4%	12.5%	11.0%
D&A		1,758	2,033	2,267	2,485	2,549	3,273	3,797	4,328	4,848	5,381	5,919	6,452
% of Revenue		9.6%	9.7%	9.3%	9.7%	7.9%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%
Less: CAPEX & Acquis.		209	401	809	1,002	1,542	1,435	1,825	2,080	2,330	2,586	2,845	3,101
Less: NWC		1,369	1,038	2,375	3,297	1,328	2,969	-	-	-	-	-	-
FCF		2,992	3,528	2,639	2,076	6,803	8,892	12,175	14,593	16,881	19,940	22,369	24,762

In terms of financial performance, we are excited by the growth in revenue and margin spreads over the past few years on the balance sheet. As for our projections, please see the assumptions above.

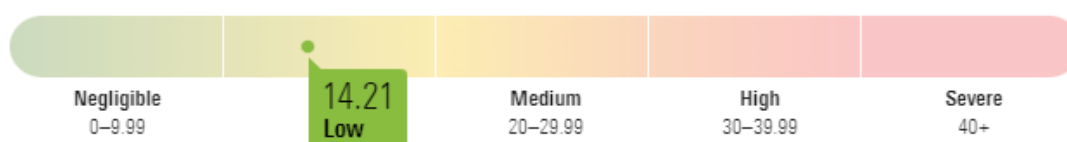
## Investment Risks

- (1) Thermo Fisher Scientific derives more than 50% of its revenues from the international market, which exposes it to fluctuations in foreign currency. In the past several years, the company's earnings were affected significantly by foreign exchange headwinds.
- (2) Thermo Fisher Scientific has a large amount of debt at roughly \$21 Billion. This can cause problems down the line if the Fed raises interest rates. With that said, they haven't had too many problems with debt thus far due to their large cash position of \$10B+ and ability to pay this low interest debt down in a timely manner. They have a strong credit profile at a BBB+ rating, and they will continue to deal with this risk in a professional manner.

## ESG Considerations

Thermo Fisher Scientific wields a "Low" ESG risk rating according to Morningstar and Sustainalytics. This is a score that has steadily been improving over the years as the company pursues its mission through its four key pillars: Integrity, Intensity, Innovation, and Involvement. They use these pillars to ethically interact with their customers, suppliers, and partners, and with each other. These four values are the very foundation of their culture and are fundamental to their CSR approach.

### ESG Risk Rating



### Top 3 Material ESG Issues

Human Capital  
Overall

Business Ethics  
Overall

Product Governance  
Overall