

Waters Corporation (WAT)

Price: 76.48 12/6/2007

Sector: Technology
Industry: Scientific & Technical Instruments

Market Cap (Large): 7.663 Billion
Recommended Price: 76.48

Analyst: Nicole Filipowicz



Business Description

Waters products are used by pharmaceutical, biotechnology, industrial, university, and government research and development, quality assurance, and environmental testing laboratories. Scientists use Waters liquid chromatography and mass spectrometry products to find new ways to treat diseases, keep the world's food and water safe, and monitor and control pollution. Two-thirds of Waters' sales come from exports while the pharmaceutical industry is the company's largest single market. Research and development is a large part of the company. Waters also stresses the importance of customer service shown by their fifth straight win of the Omega Northface Scoreboard Award for customer service in 2006.

Business Story and Recent Developments

Waters is the world's leading supplier of ultra performance liquid chromatography, high performance liquid chromatography, mass spectrometry, thermal analysis and rheology instrumentation and consumables. It is also one of the largest companies in the analytical instruments industry. The company's products are sold in more than 54 countries. One of Waters Corp. subsidiaries, TA Instruments, is the world's largest manufacturer of thermal analysis and rheological testing instruments. Waters sells its product direct in most countries it serves to maintain direct contact with them. It has been an independent company since 1994 with manufacturing facilities located worldwide. Waters' revenue in 2006 was \$1.28 billion.

Industry Outlook

S&P predicts positive growth for the scientific tools and instrument industry. Following previous years where sales have been sluggish, companies now need to update their equipment resulting in an increase in sales for the industry. There has also been a stable growth in the consumption of scientific products. The industry has recognized that the sale of consumables earn higher profits than the sale of instruments. This has resulted in a pick up in the production of consumables.

Financial Highlights

Sales rose 14.5% from last year and Net Income rose 27.4%. No dividends are paid out which means the company is reinvesting its money. Net Income has also steadily risen over the past few years. Sales rose 17% in the third quarter of 2007 and are expected to continue to increase. Current Ratio is 1.458 showing Waters is in a good position to pay off its obligations. Waters has the highest ROE in its industry. ROE of 54.6% compared to the industry ROE of 6%. ROA of 14% compared to the industry ROA of 3.7%. Debt/Equity Ratio of 1.998 compared to industry .5. Quick Ratio is 1.147, not as good as the industry Quick Ratio of 1.8

Valuation

PE is 31.5 compared to industry 26.2
Price/Cash Flow is 27.8 compared to industry 22.1
Price/Book is 16.8 compared to industry 2.4. This number is significantly higher than industry average, however, P/B ratio can be distorted by many factors.

Investment Thesis

BUY- Waters Corp is a leader in its industry with stability and growth. It is constantly researching and developing new products and services.