S & P, Moody's raise Thermo Fisher ratings

The Associated Press

Standard & Poor's Ratings Service and Moody's Investors Service both raised their credit ratings on scientific instrument maker Thermo Fisher Scientific Inc. on Monday, as the company's operations continue to recover from recession lows.

S&P lifted its corporate credit and senior unsecured ratings on Waltham, Mass.-based Thermo Fisher Scientific Inc. to 'A' from 'A-' with a stable outlook.

S&P said Monday it expects Thermo Fisher to keep making acquisitions to diversify its product portfolio, but leverage will remain in line with its modest financial risk profile. Thermo Fisher said in January it received antitrust approval for its $2.1 billion acquisition of laboratory equipment maker Dionex Corp., bringing it one step closer to completing the deal.

"The solid investment-grade ratings on Thermo Fisher reflect a strong business risk profile based on its leadership position in the life sciences industry; product service and geographic diversity; and a higher proportion of recurring revenues," S&P credit analyst Arthur Wong said in a statement.

Thermo Fisher earlier this month reported a 9 percent rise in fourth-quarter profit to $297.5 million, or 75 cents per share, as lower costs offset a drop in revenue. For the full year, the company earned $1.04 billion, or $2.53 per share, up from $850.3 million, or $2.01 per share, in 2009. Revenue rose to $10.79 billion from $10.11 billion.

Moody's also raised its senior unsecured ratings to 'A3' from 'Baa1' with a stable outlook. The new rating is six notches below the top 'AAA' grade. The agency assigned the same investment-grade rating to a debt offer that will help fund the scientific instrument maker's pending acquisition of Dionex Corp.

In addition to raising cash for the $2.1 billion Dionex acquisition announced Dec. 13, Thermo Fisher has said it will use proceeds from the notes offering for general corporate purposes.

Moody's said its ratings upgrade reflects Thermo Fisher's "leading position in the life sciences market," as well as its strong products and diverse customer base. Moody's also cited expectations that the company will generate more than $1 billion in free cash flow this year.

The biggest credit risk for Thermo Fisher is its appetite for acquisitions, Moody's said. However, Moody's believes the company could use its ample cash to rapidly repay debt from any further acquisitions.

Shares of Thermo Fisher fell 70 cents to close at $57.15 on Monday.

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