Analyst expects medical instrument sales pressure

The Associated Press

Uncertain government and university funding will pressure several medical instrument and device makers into next year, according to a Citi analyst who downgraded ratings on three companies and upgraded one.

Amit Bhalla downgraded Becton, Dickinson and Co.; Illumina Inc.; and Life Technologies Corp. to "Hold" from "Buy" and also lowered price targets for each company. Bhalla lowered his price target on Integra LifeSciences Holdings Corp., too, but upgraded that stock to "Buy" from "Hold."

Government and university budgets are tight because of the slow economy and push to balance budgets. In addition, the analyst said pressure in the biopharma and industrial markets also may limit growth opportunities.

"We remain cautious in our outlook and have reduced ratings, estimates and targets for several companies given the challenging environment," he said.

Bhalla reduced the price target on Franklin Lakes, N.J., medical device and equipment supplier Becton, Dickinson to $79 from $85. He said in a Thursday morning note the stock is viewed as a defensive investment in the sector, but there is a risk that it will cut its long-term revenue growth outlook.

The analyst chopped Illumina's price target to $44 from $90 on a lower price-to-earnings multiple and noted that the San Diego genetic-analysis instrument maker reliance on academic and government customers for most of its revenue will pressure growth through 2012.

This makes it more likely that the company will just meet or only slightly beat Wall Street estimates rather than beat them and raise guidance, he said.

Bhalla lowered his price target on Carlsbad, Calif.-based Life Technologies, a life sciences and medical research tools company, to $43 from $53.

The price target on Integra, a Plainsboro, N.J., medical device maker, was lowered to $42 from $54. Bhalla said the company's price-to-earnings ratio still justifies a positive risk/reward scenario.

Shares of Becton, Dickinson fell 76 cents to $72.16 Thursday morning, while the Dow Jones industrial average rose slightly. Illumina shares dropped more than 2 percent, or 88 cents, to $39.13; Life Technologies fell 43 cents to $38.55; and Integra LifeSciences was up 14 cents to $35.07.

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