

Bruker Corporation (NASDAQ: BRKR)

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Flash Note: Downgrading from Buy to Hold Following Recent Share Performance and a Cautious Tone at the 2026 JPM Conference

As we expected, Bruker beat Q4 2025 earnings after pre-announcing results at the 2026 JPM Conference. Revenue came in at **\$965–970M** (vs. consensus of **\$958M**, which previously implied -7% organic growth). Book-to-bill was encouraging at **>1.0x**. Management did not provide much additional color on the quarter, but did highlight that pharma spending picked up, while A&G remained mixed and choppy.

We believe this was largely priced into the stock, as since the last earnings call the stock was up 38% with no major news impacting performance. Expectations were high, and we believe buy-side analysts had already incorporated an earnings beat of a few % points of organic growth, similar to our view. No additional commentary on earnings or margins was provided.

2026 Outlook

For 2026, BRKR provided initial outlook comments of flat to LSD% organic revenue growth Y/Y, adjusted organic operating margin expansion of 250–300 bps Y/Y, and adjusted EPS growth in the double-digit range Y/Y.

We believe the organic growth outlook is disappointing for most investors who were expecting a cleaner 2026 with easier comparables. In our discussions with Gerald Herman (CFO) and Joe Kostka in early and mid-2025, we were expecting a much cleaner 2026. Management communicated a potential return to more normalized organic growth, using a framework of outgrowing the life sciences industry by 200 to 300 basis points (industry growth of ~5%), implying organic growth of approximately 7 to 8%. While limited commentary was provided at JPM, this suggests to us that the NIH funding situation remains uncertain, tariff impacts continue to persist, and that biopharma and biotech, while healthier, are still not driving outsized growth. Consensus was expecting ~1% organic growth, which we saw as conservative. In our view, a preliminary 2026 outlook that does not exceed consensus is disappointing to investors, now paying for a \$50 stock.

Moreover, Bruker announced guidance for operating margin expansion of 250–300 bps and double-digit EPS growth, which is slightly softer than prior commentary suggesting approximately ~300 bps of operating margin expansion even on flat growth. We believe this margin expansion was largely expected and priced into the stock following the recent run. In BRKR's slides, management reiterated \$120M of cost savings by 2026, as well as 2027–2030 targets of 200–300 bps organic growth above market, low- to mid-20s% margins, and double-digit EPS growth.

While we still like the long-term story, we expect the shares to trade largely sideways, with some downside risk, until a more constructive outlook potentially emerges in Q1 or Q2 2026. Following the strong recovery from

Rating (2026/01/20)	HOLD
Industry	Life sciences

Price Targets	
Share Price (2026/01/20)	\$49.8
1-Year Price Target	\$55.0
5-Year Price Target	\$103.0

Financial Overview (USD)	
Market Cap	8.55B
Net Debt / (Net Cash)	1.89B
Enterprise Value	10.44B
Dividend Yield	0.4%

Financials Estimates	
Sales (FY 2025E)	3.43B
EPS (FY 2025E)	\$1.90

Valuation Metrics	
P/E (NTM)	21.5x
EV/EBITDA (NTM)	13.4x



the stock's trough at \$29.0, we believe expectations now require a recovery in earnings and clear execution of sequential improvements throughout 2026. It will be important to monitor peers such as Thermo Fisher, whose instrumentation segments are highly correlated with Bruker's organic growth, based on our correlation analysis.

We believe the period of fear-driven multiple compression following the \$29 trough has passed, and that the stock now requires near-term execution to sustain its valuation. However, despite our short-term caution and until clearer visibility into H2 2026, we continue to view Bruker as an attractive long-term growth story.

Why We Continue to Strongly Favor the Long-Term Thesis and Aim to Re-Enter at a More Attractive Short-Term Risk/Reward

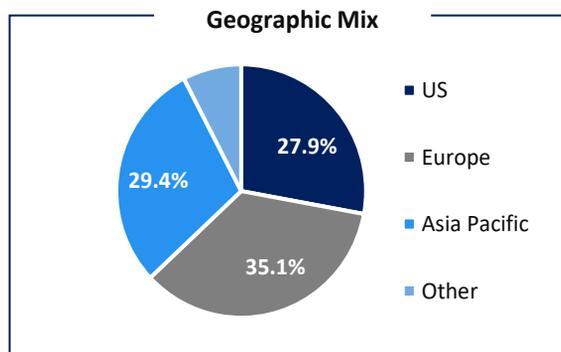
We believe Bruker is a rare, high-quality business presenting a textbook double whammy of depressed earnings and depressed valuation multiples.

Company Overview Summary

Bruker Corporation is a global leader in scientific instruments and analytical solutions used in life sciences, pharmaceuticals, and advanced materials. Its technologies power the tools behind drug discovery, molecular diagnostics, and semiconductor innovation. **Bruker has a clear moat:** it dominates highly technical niches, generating about 70% of sales from markets where it ranks #1.

The company developed steadily from a family-run physics business to a diversified global leader in scientific instrumentation. Founded in 1960 by Dr. Günther Laukien, Bruker began as a niche manufacturer of nuclear magnetic resonance (NMR) systems.

Under the leadership of CEO Dr. Frank Laukien, the founder's son, Bruker has broadened its scope to a full portfolio of solutions. Today, it employs more than 11,000 people across North America, Europe, and Asia, serving customers in over 100 countries.



Source: Aurelion Research, 2024 Annual Report

Investment Opportunity Driven by Temporary Margin Weakness

Bruker has compounded its earnings and share price effectively over the past decade. However, three factors have led to lower expected earnings for 2025 and decreased the valuation multiple (we look mainly at P/E ratio for BRKR), significantly reducing the share price.

These three negative points appear very worrisome at first, but we believe they will impact financials for a short period of time allowing for an attractive entry in this high-quality compounder.

1. **Announcement of large acquisition of unprofitable companies.**
2. **National Institutes of Health cuts, severely impacting U.S. Academia**
3. **U.S. Tariffs**

Bruker Corporation (NASDAQ: BRKR) Price Chart



1. Acquisitions Impacting Margins

Bruker’s recent margin compression is clearly temporary and linked to recent sizeable acquisitions. Following discussions with industry experts and Bruker’s management, we were able to model each of the company’s acquisitions. We have forecasted their financials and calculated what Bruker’s financials would look like without them to see if the core business is still intact as we argue.

Our analysis shows that margins excluding acquisitions are intact. Adjusted operating margins declined from 18.4% in 2023 to 15.4% in 2024, but the company’s normalized EBIT margin excluding acquisition-related impacts remains much higher at 18.9%. We calculate margins are currently more than 350 basis points lower due to the recent acquisitions, but this impact should diminish as the acquisitions are integrated.

2. National Institutes of Health (NIH) Cuts

Much can be said on this topic. We acknowledge that it should negatively affect investor sentiment and impact 2025 financials. However, we believe the market reaction is overblown for two reasons:

1. The percentage of Bruker's revenue affected is small.
2. Funding cannot be reduced much further, and Bruker should grow past this headwind by 2026.

2.1 What Happened

On February 7, 2025, the Trump administration pushed the NIH to introduce a 15% cap on indirect cost (overhead cost) for public US funded research. Indirect costs cover lab infrastructure, administration, utilities, IT, compliance, etc. Many institutions previously negotiated overhead rates at 25-50% of grants awarded, now they are being reduced to only 15%.

Since the initial announcement, the proposed NIH reimbursement cap has faced immediate legal challenges, including lawsuits by several states and a nationwide injunction issued by District Judge Angel Kelley. As a result, while the policy remains formally on the books, enforcement is effectively paused and subject to ongoing legal review. Importantly, recent industry and management commentary continue to point to a more stable U.S. Academic and Government funding backdrop into 2026, with NIH budgets for FY25 released in full and FY26 appropriations expected to be broadly flat, reducing near-term downside risk.

2.2 What's the Impact on U.S. Academia & Research

Many U.S. academic and research institutions continue to face funding shortfalls ranging from tens to hundreds of millions of dollars, though recent policy developments have reduced the risk of near-term disruption. These pressures have contributed to hiring freezes, deferred capital equipment purchases, and increased uncertainty in research planning. In response, some institutions may consolidate programs, delay grant activity, or shift a greater share of costs onto internal budgets, even as funding visibility is expected to gradually improve into 2026.

2.3 Bruker's Exposure

Bruker's management has stated that total NIH exposure (direct and indirect) is less than 8% of total revenue. We calculate the same number.

2.4 What Management Says & Actions

Management continues to characterize 2025 as a transitional year, with organic revenue expected to decline modestly before returning to growth in 2026. To offset ongoing U.S. academic and government softness, Bruker is leaning on improving demand from biopharma, strength in applied and industrial end markets, continued momentum in China, and robust ex-U.S. academic funding. Importantly, order activity remains resilient, with book-to-bill at or above 1.0x. Order wins continue, with large NIH and government-funded NMR systems, proving that demand has been deferred rather than lost.

3. US Tariffs

In mid-2025, newly introduced U.S. tariffs on European scientific instruments created incremental margin pressure for Bruker, with initial concerns centered on the potential application of duties of up to 39% on Swiss exports, where the company manufactures its highest-end NMR systems.

Subsequent clarification has reduced this risk. Management now expects the effective tariff rate to be closer to 15%, broadly in line with other European jurisdictions.

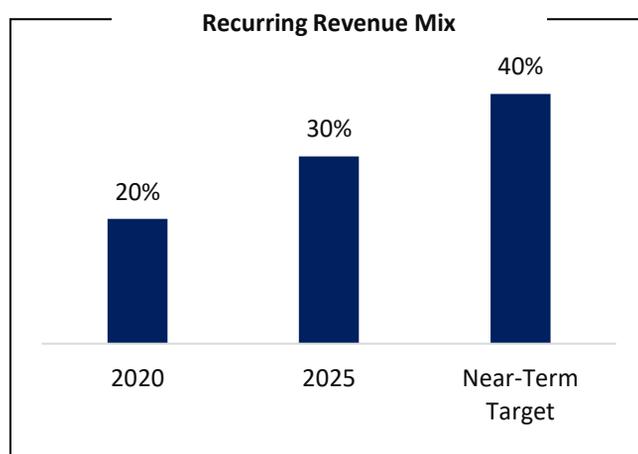
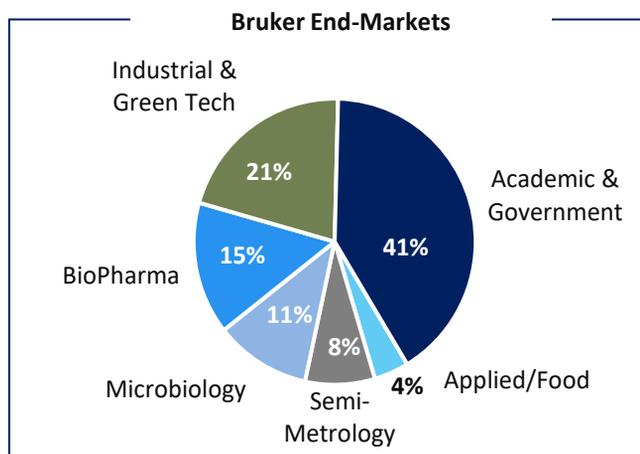
While tariffs and related supply-chain adjustments are expected to weigh on 2025 earnings, the impact appears manageable. Bruker estimates a margin headwind of approximately 80 to 100 basis points, which is being actively mitigated through manufacturing and sourcing actions. These include shifting incremental production toward Germany and France, rebalancing component sourcing toward the U.S. and Asia, and continued pricing discipline.

Importantly, Bruker has no manufacturing exposure to China, limiting geopolitical and tariff-related downside. Management continues to target its \$120M cost-reduction program by 2026 and pricing initiatives, which should more than offset the temporary tariff drag over the medium term.

Long-Term Investment Proposition

Diversified Growth Engines

Bruker’s end-market mix, spanning academia, defense, semiconductors, food safety, and diagnostics gives it higher resilience and long-term visibility than direct peers. Over the last decade, it has proven more resilient and has grown faster than its peers.



Bruker’s performance is driven by two key factors:

- Gaining market share, achieved through innovation in R&D and strategic acquisitions.
- Exposure to high-growth end-markets within the life science industry.

This diversification has allowed it to outgrow the broader life science tools market by 2–3% annually, steadily gaining share in applied and high-value research segments.

Emerging verticals such as semiconductor metrology (AI chip packaging and quantum materials) and homeland security detection are poised to become new growth drivers.

Management expects the defense detection business alone to double from \$50M to \$100M by 2028, supported by rising European R&D and defense budgets. This breadth enables Bruker to compound earnings even during research funding downturns, a key differentiator versus pharma-exposed peers.

R&D Leadership

Bruker consistently invests around 10% of revenue into R&D, outpacing most peers. This sustained commitment has enabled the company to develop superior technology in its niches and maintain its #1 position.

Following years of heavy investment in TimsTOF, Bruker is now entering the commercialization phase. Management believes this platform could double the segment's addressable market, potentially reaching \$200M if Bruker captures a 20% market share.

While Bruker's margins are temporarily lower than peers, we believe its decision to prioritize innovation and market share gains over short-term cost optimization will generate stronger long-term compounding.

Founder-Led Execution & Capital Discipline

Bruker's transformation over the past decade reflects the execution of a company led by both a scientist and a disciplined capital allocator: CEO Dr. Frank Laukien, a Harvard Ph.D. Operating margins have doubled, ROIC remains above 20%, and share count has declined by 12%.

In our view, the two most important financial drivers of long-term compounding are high earnings growth & high ROIC; Bruker delivers both.

Financials Estimates

All in, we expect earnings per share (EPS) to grow 14.3% over the next 5 years.

This is driven by organic growth, the dilution from recent acquisitions fading, slightly lower intangible amortization, and reduced interest expense.

- We forecast revenue to grow at 6% (low end of management's target of 6-8%)
- We forecast margin to reach a normalized level in 2030 at 19.7%.

The following outlines the basis for our confidence in margin improvement:

The margin expansion does not rely on an external recovery (e.g., biopharma spending) or macro factors; it is largely within Bruker's control.

- Good visibility on cost-cutting initiatives: substantial manufacturing restructuring, including the integration of acquired manufacturing operations, internalization of sales teams, and the divestment of an expensive headquarters.

- The management team has a proven track record of margin improvement.
- Management made a deliberate decision to pursue these acquisitions, fully aware that they would be initially dilutive. On an aggregate basis, they are tracking relatively in line with expectations.

We maintain our \$103 5-year PT based on \$5.41 of EPS in 2030 and a 19x P/E.

We also maintain our \$55 2026 PT.

Further updates are expected to be provided upon full release of Bruker's financial results.

Historical Rating

October 14, 2025 (\$36.52): Initiating Coverage with a Buy-Rating

January 20, 2026 (\$49.84): Downgraded to Hold

Bruker Corporation (NASDAQ: BRKR) Price Chart



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“Buy”: Aurelion Research believes the company will outperform the broader market.

“Hold”: Aurelion Research does not expect the company to outperform the market at this time, but continues to monitor it closely, as there may still be value to enter at a more attractive point.

“Sell”: Aurelion Research discontinues coverage, as the company’s characteristics no longer fit our investment framework and it is not an efficient use of research resources to continue following it.

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