

Initiated 2026-09-21 · Price \$511.65 (as of 2026-09-18, stockanalysis.com quote) · Mkt cap \$40.31bn · Health care / veterinary diagnostics · Model: verified

Rating: Sell — Conviction: Low

One of the best businesses in the market — 47% ROIC, ~85% recurring revenue, real pricing power — at a price that still assumes a discount rate the bond market isn't offering. The operating story is intact: diagnostic revenue per practice grows 6% even as US clinic visits shrink. But at 32.7x forward with the 10Y at 5.00%, all three cases land below the price, and Zoetis at 11.6x forward shows what happens when the market stops granting an animal-health premium. Conviction is Low deliberately: the stock has already de-rated 34%, and the bull case sits only 17% below the price, inside the margin of error on my exit multiple.

MODEL VALUE RANGE VS PRICE



Business overview

IDEXX sells veterinary diagnostics: in-clinic analyzers and their consumables, reference-lab services and practice software, plus small Water and livestock/poultry/dairy units. Q2 2026 revenue of \$1,216.6mm was 92% Companion Animal Group (\$1,118.2mm), 4.8% Water and 2.9% LPD. The economics are razor/blade: place an analyzer, earn consumable revenue for a decade. Three variables drive earnings: US same-store visit volume (currently negative), diagnostic frequency and price per visit (strongly positive), and placements, which size the future consumable base. Growth is capital-light — working capital a steady 19% of revenue, capex under 3%.

Bull case

- Utilization beats the visit decline** — CAG Diagnostics recurring revenue grew 10.3% organic against same-store visits of -1.3%: about 6% more diagnostic revenue per practice. Plays out if bloodwork inclusion keeps rising (~50bp a year) and an aging pet population lifts testing per visit. *Model: rev_growth*
- Installed-base flywheel** — inVue Dx installed base up 237% y/y, 1,602 placements in Q2 against a 5,500 target for 2026, each worth \$3,500-\$5,500 of recurring revenue a year; FNA broadens by year-end, proBNP on Catalyst in October, MultiQ Dx at VMX in January. Plays out as placements convert to consumable pull-through. *Model: rev_growth*
- Margin expansion is a repeated commitment** — 50-100bp a year, reaffirmed on 2026-09-20, with Q2 gross margin at 64.0% (up 140bp). Plays out if mix and price hold. *Model: ebitda_margin*
- Cash conversion funds the compounding** — FY2025 free cash flow was \$1,057mm on \$1,505mm of EBITDA; H1 2026 repurchases of \$703.7mm shrank the share count ~1.5% annualized. *Model: nwc_pct_rev*

Bear case

1. **The unit base is shrinking** — US same-store visits ran -1.3% with wellness at -3.4%, and management guides roughly -1.5% for H2. Every dollar of growth now has to come from doing more per visit, not more visits. *Model: rev_growth*
2. **The margin target assumes mix cooperates** — placing 5,500 analyzers a year puts lower-margin instrument revenue into the mix before consumables catch up, exactly when a 50–100bp annual commitment is hardest to keep. *Model: ebitda_margin*
3. **Price-led growth is borrowed from the future** — FY2026 embeds roughly a 4% net price benefit. On a shrinking visit base that is a one-way lever; when it normalizes toward 2%, reported growth nearly halves without anything going wrong operationally. *Model: rev_growth*
4. **Priced for a discount rate that isn't on offer** — 32.7x forward and 25.4x trailing EV/EBITDA with the 10Y at 5.00%, while Zoetis has de-rated to 11.6x forward. IDEXX is priced as though that repricing is someone else's problem. *Model: wacc, exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
Forward P/E (consensus EPS, NTM)	32.7x	n/a (unverified)	Mettler-Toledo ~28.2x · Zoetis ~11.6x	stockanalysis statistics / GuruFocus, 2026-09-21
EV/EBITDA (TTM, EV \$41.21bn)	25.4x	n/a (unverified)	Mettler-Toledo ~23.9x · Zoetis ~9.7–15.1x	stockanalysis statistics / peer pages, 2026-09-21
EV/Sales (TTM revenue \$4.55bn)	9.05x	n/a (unverified)	n/a (unverified)	stockanalysis statistics, 2026-09-21
EBITDA margin (GAAP op. income + D&A / revenue)	35.0% FY2025	30.0%–35.0%, 5y avg 32.5%	n/a (unverified)	SEC EDGAR XBRL, 2026-09-21
FCF yield (TTM FCF \$1.25bn / mkt cap)	3.1%	n/a (unverified)	n/a (unverified)	stockanalysis statistics, 2026-09-21

Model-implied value range (from `model-summary.json` ; generic module, DCF-Gordon and DCF-exit-multiple, midpoints): Bear \$184.40 · Base \$302.54 · Bull \$425.85 per share, i.e. implied returns of -64.0% / -40.9% / -16.8% vs \$511.65. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* Above the bull case, the price embeds the company's own targets — 10%+ organic growth, 100bp of annual margin expansion — capitalized at a lower discount rate than a 5.00% risk-free rate supports.

The two methods disagree by a lot, which is the honest centre of this call: the Gordon terminal value implies about 9x exit EBITDA and gives \$222 in the base case, while an 18x exit gives \$383. For a 47%-ROIC franchise 9x is clearly too low and today's 25.4x probably too high; the midpoint splits them, and the call is only as good as that judgment. That, not the operating forecast, is why conviction is Low.

Balance sheet: net leverage 0.51x FY0 EBITDA (gross 0.64x) against a 3.5x covenant, in compliance. Liquidity is \$196.9mm cash plus \$731mm undrawn on a \$1.25bn facility. The ladder is trivial: \$75mm of 3.72% notes matured 2026-09-04, \$75mm more due 2027-02-12, then \$100mm in 2029 and \$200mm of 2.50% notes in 2030. No agency rating retrieved this session.

Model note: built and LibreOffice-verified (3,188 cells matched; zero failing checks of any severity, no unverified inputs, no assumptions without a basis, no scenario CHECKS). Three judgment calls to flag. The base WACC of 11.0% is a deliberate ~170bp haircut to the CAPM-literal 12.7% (beta 1.54 on a 5.00% risk-free rate), on the view that this beta measures multiple volatility rather than cash-flow risk — the haircut *flatters* the valuation. The 20% cash tax rate is inferred from Q2, not disclosed. The revolver's drawn balance is sourced but its expiry was not, so its 2030 ladder placement is an estimate. Generator note (2026-09-24): in this module `share_change` , `capital_return_pct` and `cost_of_debt` move EPS and the net-cash path only, and `peer_pe` feeds a cross-check only; none changes the value range, so bull/bear tags no longer cite them. Scenario deltas were rebuilt after `multiple_pct` shocks were extended to the Gordon method (previously they moved only the exit-multiple half), and EPS now uses average diluted shares.

Scenario stress test

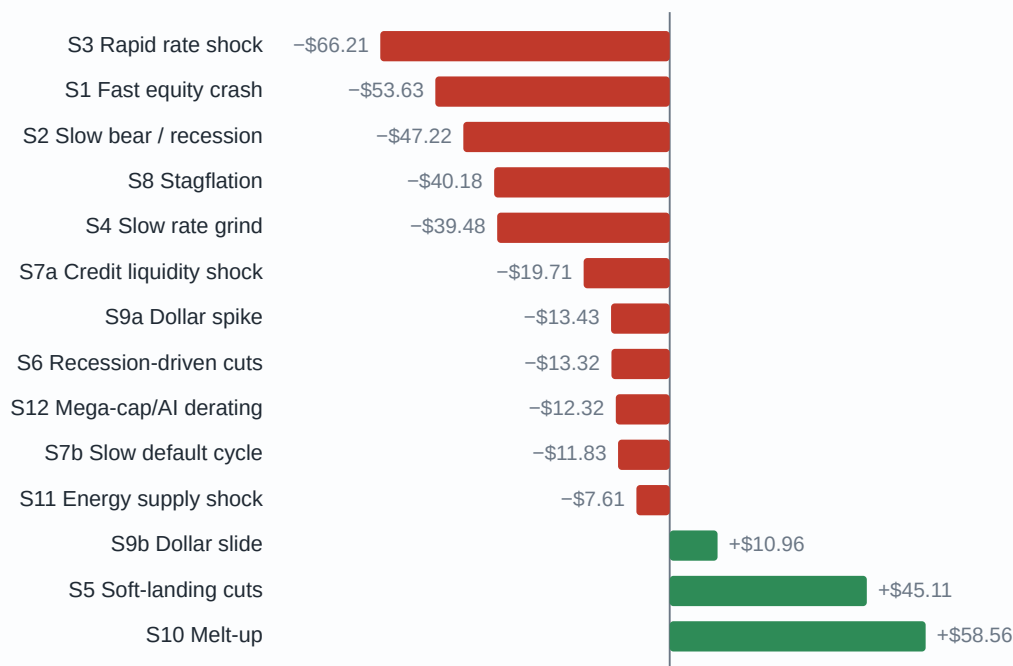
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	A 32x-forward stock de-rates, though defensive pet-care demand limits it versus cyclical	Med	–\$53.63
S2 Slow bear / recession	–	Owners defer wellness visits, clinics defer analyzers; consumables hold up	Med	–\$47.22
S3 Rapid rate shock	–	Long-duration compounder: the multiple carries the damage; the floating revolver reprices	High	–\$66.21
S4 Slow rate grind	–	Same channel, slower and shallower, across the horizon	Med	–\$39.48
S5 Soft-landing cuts	+	Falling rates with intact consumer spending is the ideal regime for recurring revenue at a high multiple	Med	+\$45.11
S6 Recession-driven cuts	–	Visit and placement weakness outweighs rate relief, but only just	Low	–\$13.32
S7a Credit liquidity shock	–	Limited: the exposure is a revolver-funded buyback, not a refinancing wall	Low	–\$19.71
S7b Slow default cycle	–	Private-equity-owned clinic consolidators are levered; debt stress there slows placements	Low	–\$11.83
S8 Stagflation	–	~4% net pricing passes inflation through, so the damage is the discount rate, not the margin	Med	–\$40.18
S9a Dollar spike	–	International is roughly a third of revenue and the faster-growing part	Low	–\$13.43
S9b Dollar slide	+	Translation tailwind on international revenue	Low	+\$10.96
S10 Melt-up	+	Quality-growth multiples expand with everything else, though this is not a leadership name	High	+\$58.56
S11 Energy supply shock	–	Freight and reagent input costs on a distribution-heavy model; no demand channel	Low	–\$7.61
S12 Mega-cap/AI derating	–	Not an AI name, and a rotation to non-AI quality partly favours it, but it still falls with the high-multiple complex	Low	–\$12.32

Magnitude labels re-ranked 2026-09-25 to match the model's dollar deltas (skill 3a-v-b item 7; the 2026-09-24 generator fix enlarged multiple-shock rows): S5 High → Med.

Currently active/on watch per the playbook: S3 partially active (10Y 5.00%, price leg met, pace legs short) — the single worst scenario for this name; S8, S10, S11 on watch, S11 escalated after the 2026-09-19/20 Houthi strikes on Riyadh and Yanbu.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: the price de-rates into the \$310–540 bull range while same-store visits stabilize above –1% and the margin commitment keeps landing; or a sustained fall in the 10Y. Given Low conviction, a move to Hold needs less than most: roughly a 20% lower price with the operating story unchanged. **Downgrades if:** conviction goes to High rather than the rating changing — visits past –2.5%, 2027 guidance embedding net price below 3%, or operating margin missing the annual target.

Watch items

- **W1:** US same-store clinical visits, –1.3% in Q2 with ~–1.5% guided for H2 — stabilizes above –1%, or worsens past –2.5% — Q3 2026 release — late Oct/early Nov 2026 — *Model: rev_growth*
- **W2:** inVue Dx placements against the 5,500 target for 2026, and the FNA application's broader launch — Q3 and Q4 releases — *Model: rev_growth*
- **W3:** Net price benefit, ~4% in FY2026 — what 2027 guidance assumes; below 3% confirms bear:3 — FY2026 results and 2027 guidance, early Feb 2027 — *Model: rev_growth*
- **W4:** Operating margin against the 50–100bp commitment, and whether buybacks keep outrunning free cash flow on the revolver (\$703.7mm vs \$556.8mm in H1) — quarterly — *Model: ebitda_margin*

Sources

- IDEXX Laboratories Announces Second Quarter Results (Q2 2026, 2026-08-04) — <https://ir.idexx.com/news-events/press-releases/detail/414/idx-laboratories-announces-second-quarter-results> — accessed 2026-09-21
- IDEXX Q4 and full-year 2025 results, Form 8-K exhibit 99.1 (2026-02-02) — https://www.sec.gov/Archives/edgar/data/874716/000110465926008904/tm264623d1_ex99-1.htm — accessed 2026-09-21

- IDEXX Form 10-Q, quarter ended 2026-06-30 (debt note) — <https://www.sec.gov/Archives/edgar/data/874716/000087471626000123/idxx-20260630.htm> — accessed 2026-09-21
- SEC EDGAR XBRL companyconcept, CIK 0000874716: RevenueFromContractWithCustomerExcludingAssessedTax, OperatingIncomeLoss, DepreciationDepletionAndAmortization, AccountsReceivableNetCurrent, InventoryNet, AccountsPayableCurrent — <https://data.sec.gov/api/xbrl/companyconcept/CIK0000874716/us-gaap/RevenueFromContractWithCustomerExcludingAssessedTax.json> — accessed 2026-09-21
- IDEXX Highlights Diagnostic Pipeline, Reaffirms Long-Term Growth Targets (Morgan Stanley Global Healthcare Conference, 2026-09-20) — <https://www.thestockobserver.com/2026/09/20/idxx-laboratories-highlights-diagnostic-pipeline-reaffirms-long-term-growth-targets.html> — accessed 2026-09-21
- IDEXX Q2 2026 slides coverage (same-store visits, inVue Dx placements) — <https://www.investing.com/news/company-news/idxx-q2-2026-slides-strong-growth-despite-clinic-visit-headwinds-93CH-4834952> — accessed 2026-09-21
- IDEXX quote and statistics pages — <https://stockanalysis.com/stocks/idxx/> and <https://stockanalysis.com/stocks/idxx/statistics/> — accessed 2026-09-21
- Peer multiples: Zoetis forward P/E — <https://www.gurufocus.com/term/forward-pe-ratio/ZTS> — accessed 2026-09-21; Mettler-Toledo statistics — <https://stockanalysis.com/stocks/mtd/statistics/> — accessed 2026-09-21
- Portfolio command center macro log, 2026-09-18 entry (10Y 5.00%) — <logs/macro-2026-09.md> — accessed 2026-09-21

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.