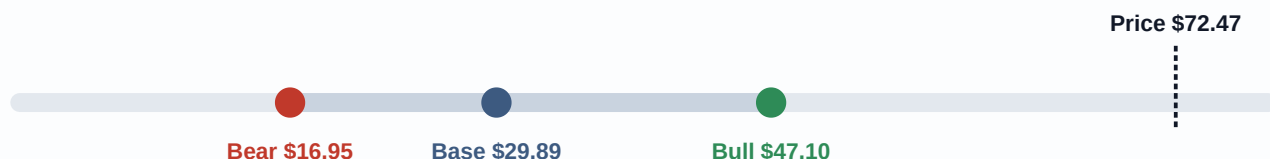


Initiated 2026-09-22 · Price \$72.47 (2026-09-21, stockanalysis.com) · Mkt cap \$11.36bn · Health care / life-science tools ·
Model: verified (standalone / deal-break value only)

Rating: Sell — Conviction: High

Bio-Techne stopped being an equity on 2026-06-25. It is now a fixed-price cash claim: Merck KGaA has agreed to buy the company for \$73.00 a share, the shareholder vote is set for 2026-09-23, German antitrust has cleared, and the stock closed at \$72.47. What remains is a 0.73% gross spread to a late-2026/early-2027 close — roughly 2.0–2.7% annualized — against fed funds of 3.75–4.00%. An owner accepts a below-T-bill return while carrying full deal-break risk, and that risk is large: the stock was \$58.87 the day before the announcement, and this model's standalone base case is well below even that. The business is fine; the security is a bond yielding less than cash with a 20-to-60-point left tail.

MODEL VALUE RANGE VS PRICE



Business overview

Bio-Techne sells the reagents, proteins, antibodies and assay instruments that biopharma, academic and clinical-research labs consume. Protein Sciences is 72% of FY2026 revenue (\$874.6mm) at a 41.1% segment operating margin; Diagnostics & Spatial Biology is the other 28% (\$336.4mm) at 11.2%. International is roughly 48% of sales, China included. Three things drive earnings: the research funding cycle (pharma R&D budgets, grants, and emerging-biotech venture financing — the swing factor), the consumables-versus-instruments mix, and margin recovery in the sub-scale D&SB segment. FY2026 revenue was flat at \$1.215bn, organically and reported — a third straight year of no growth.

Bull case

- The end-market trough is behind it** — Q4 FY2026 organic growth turned +3% (Protein Sciences +1%, D&SB +8%) against a flat year, consistent with instrument deferrals having bottomed. Plays out if biotech funding reopens as policy rates fall. *Model: rev_growth*
- Spatial biology and cell-therapy workflows scale** — the fastest-growing segment is the lowest-margin one, so incremental volume there carries unusual operating leverage. Plays out if D&SB compounds high-single-digit on a fixed cost base. *Model: rev_growth, ebitda_margin*
- Margin mean-reversion** — EBITDA margin was 36.0% in FY2022 and 28.7% in FY2026 on flat revenue; the gap is volume deleverage, not structural. Plays out if revenue grows at all. *Model: ebitda_margin*
- A strategic buyer has validated a far higher number** — Merck KGaA is paying ~32.4x FY2026 EBITDA against 11.7–21.4x for listed peers. A second bidder, or renewed interest after a break, re-anchors the name. *Model: exit_ev_ebitda*

Bear case

1. **No growth is the base rate, not an aberration** — revenue ran \$1,105.6mm → \$1,136.7mm → \$1,159.1mm → \$1,219.6mm → \$1,215.0mm across FY2022–FY2026. Plays out if academic and emerging-biotech funding stays tight and China stays weak. *Model: rev_growth*
2. **Protein Sciences margin erodes while carrying the company** — segment operating margin fell 42.6% → 41.1% in FY2026 on organic revenue of –1%. Plays out if mix keeps shifting toward the low-margin segment. *Model: rev_growth, ebitda_margin*
3. **Working capital absorbs the growth** — receivables plus inventory less payables climbed from 27.3% of revenue in FY2022 to 31.7% in FY2026, so incremental revenue converts to cash poorly. *Model: ebitda_margin, nwc_pct_rev*
4. **At a 4.96% risk-free rate the standalone cash flows do not support the price** — strict CAPM (beta 1.28, 5% ERP → 11.4% cost of equity) against a 2.3% FCF yield leaves a very wide gap. Plays out on any deal break. *Model: wacc, exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV / EBITDA (TTM, EBITDA = GAAP op. income + D&A)	34.09x	~26.5x at the 2026-06-24 undisturbed close; deal struck at ~32.4x	TMO 21.4x · DHR 17.3x · QGEN 11.7x	stats / peers, 2026-09-22
FCF yield (TTM FCF / market cap)	2.32%	2.85% undisturbed	n/a (unverified)	stats / quote, 2026-09-22
Forward P/E	35.91x (deal-inflated)	n/a (unverified)	TMO 23.8x · DHR 21.6x · QGEN 15.7x	stats / peers, 2026-09-22
Merger spread (\$73.00 fixed cash vs market)	0.73% gross; ~2.0–2.7% annualized to a late-2026/early-2027 close	n/a — deal signed 2026-06-25	Fed funds 3.75–4.00%	merger / quote / macro_log, 2026-09-21

Model-implied value range (from `model-summary.json`; generic module, DCF-Gordon and DCF-exit-multiple, midpoints): Bear \$16.95 · Base \$29.89 · Bull \$47.10 per share, i.e. implied returns of –76.6% / –58.8% / –35.0% vs \$72.47. *These ranges show how the bull and bear drivers translate into value; they are not price targets. Read them as deal-break recovery values, not a view on the \$73.00* — modelling this name exists to size the downside leg of a binary payoff. The market price sits above even the bull case because it is not a fundamental price: it is the deal price minus a spread. Two anchors bound the break downside — this model's \$17–47, and the undisturbed mark of \$58.87 on 2026-06-24, itself –19% from here and the more generous of the two. The gap between them is almost entirely the discount rate: an 11.0% WACC implies an 8.5% terminal cap rate, while \$58.87 implied a 2.85% FCF yield. The arithmetic does not depend on which is right — both sit well below \$72.47.

Balance sheet: net cash. Net leverage –0.19x FY0 EBITDA (\$200.0mm of debt against \$264.7mm of cash), gross leverage 0.57x, coverage not meaningful, current ratio 4.55x; the \$200.0mm drawn balance is placed in 2028 (analyst estimate — facility terms not retrieved); no agency ratings retrieved. Credit is a non-issue in every case; the balance sheet that matters is Merck KGaA's.

Model note: Built and LibreOffice-verified across all 3,188 formula cells; 0 failing error checks, 0 unverified inputs, 0 assumptions without a basis, no consistency CHECKs. It values the standalone business only and cannot express deal probability — do not read Base \$29.89 as a target while the agreement is live. FY2026 is FY0 without normalisation, and FY2025 EBITDA (\$212.2mm) is charge-depressed, so the history understates that year. Undrawn revolver capacity shows as zero because it was not disclosed, not because none exists. 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; the model column comes from the scenario overlays (Base + shock). **Every row describes the standalone business** — i.e. what a holder owns if the deal breaks in that regime. While the agreement holds, the traded price is pinned*

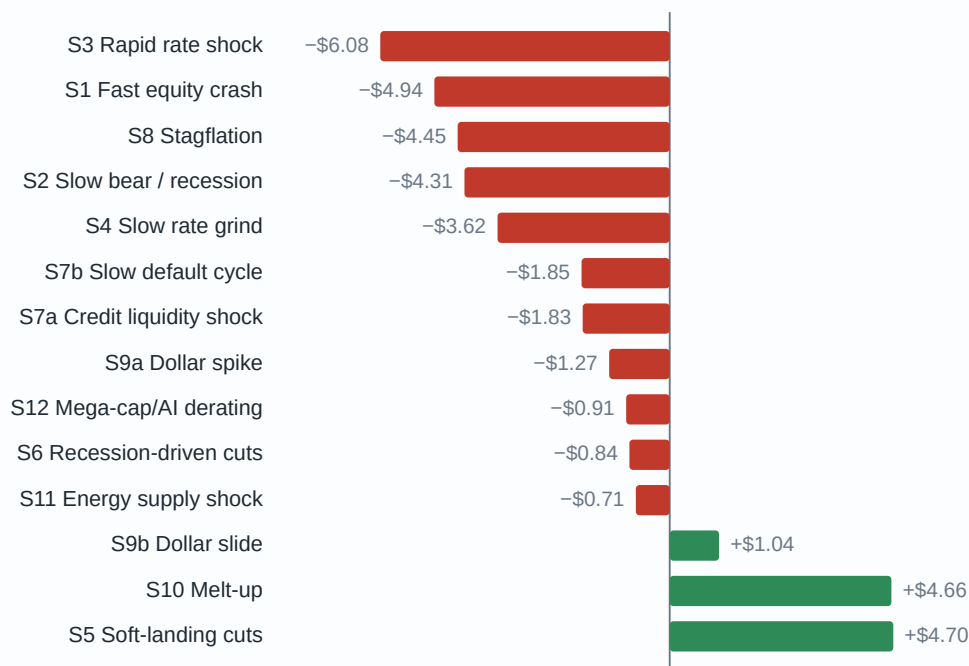
near \$73.00 and near-insensitive to all of them; macro reaches this security only through completion risk and the spread's opportunity cost.

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Standalone multiple de-rates with quality growth; while the deal holds this name would sharply <i>outperform</i> , being a cash claim	High	–\$4.94
S2 Slow bear / recession	–	Pharma R&D budgets and grant spending cut; instruments defer first, consumables follow — the exact FY2024–FY2026 pattern	High	–\$4.31
S3 Rapid rate shock	–	Long-duration multiple compresses; separately widens the gap between the 0.73% spread and risk-free cash, the live risk to the traded price	High	–\$6.08
S4 Slow rate grind	–	Same discount-rate channel, slower and across the full horizon	Med	–\$3.62
S5 Soft-landing cuts	+	The best regime: falling rates reopen emerging-biotech funding, the marginal buyer of reagents, while the multiple re-rates	High	+\$4.70
S6 Recession-driven cuts	–	Demand weakness outweighs discount-rate relief, but less than S2 because the cut supports the multiple	Low	–\$0.84
S7a Credit liquidity shock	–	Small standalone effect on a net-cash balance sheet; the material channel is Merck KGaA's ability to raise the new debt funding an \$11.3bn purchase — a completion risk, not a fundamental one	Med	–\$1.83
S7b Slow default cycle	–	Financing window shuts for cash-burning small-cap biotech customers, who cut reagent and instrument orders first	Med	–\$1.85
S8 Stagflation	–	Partial pricing power on proprietary reagents; grant-funded and reimbursed customers resist price, so margin gives ground and the discount rate does the rest	High	–\$4.45
S9a Dollar spike	–	International is ~48% of revenue; translation drag on nearly half the base	Med	–\$1.27
S9b Dollar slide	+	Translation tailwind on that same 48%; also makes the USD price cheaper for a euro-functional acquirer, marginally supporting completion	Low	+\$1.04
S10 Melt-up	+	Standalone multiple expands with the complex — though a fixed-price cash deal means the traded price would badly lag a melt-up	High	+\$4.66
S11 Energy supply shock	–	Cold-chain freight and petrochemical-derived consumable inputs on a globally distributed reagent business; no demand channel	Low	–\$0.71
S12 Mega-cap/AI derating	–	Not an AI name, and a rotation out of mega-cap tech partly favours it, but it still carries a high-multiple growth label	Low	–\$0.91

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): S7b Low → Med, S10 Med → High, S1 Med → High.

Currently active/on watch per the playbook: S3 partially active (price-level leg no longer met at a 4.96% 10Y as of 2026-09-21); S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: the merger terminates and the stock resets to where the standalone Base case implies a positive return, *and* organic growth confirms the Q4 FY2026 inflection (two straight quarters above 4%); or a competing bid above \$73.00 turns the payoff from a spread into an option; or the spread widens enough to clear the T-bill yield by a wide margin without completion odds deteriorating. **Downgrades if:** already Sell — conviction deepens on an HSR second request, an in-depth regulatory review, or doubt about Merck KGaA's financing, in any case without the price adjusting to compensate.

Watch items

- **W1:** Outcome of the 2026-09-23 special shareholder meeting — approved or not — 8-K/DEFA14A within days — expected 2026-09-23/24 — *Model: none (completion gate)*
- **W2:** HSR waiting period expiring or terminating, plus remaining antitrust and investment-screening clearances (German cartel office already cleared) — 8-K or merger-status disclosure — before the expected close — *Model: none*
- **W3:** Annualized merger spread vs. the 3-month T-bill yield, now ~110–200bp of negative carry. A swing to positive carry above ~300bp means completion odds have been repriced — re-underwrite then — daily quote vs. macro log — continuous — *Model: none*
- **W4:** Organic revenue growth in the first quarter reported after any deal break, against the Q4 FY2026 +3% exit rate — the only watch item touching the model — 10-Q, if independent reporting resumes — *Model: rev_growth, ebitda_margin*

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