ZIMMER BIOMET

NYSE: ZBH

Zimmer Biomet Holdings, Inc.

Fundamental Analysis

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Ben, MBA | Value Investing

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Introduction

GICS Sector: Healthcare

Sub-Industry: Medical Devices

CEO: Ivan Tornos
Tenure: 3.1 years
Zimmer Biomet Holdings, Inc.'s management team has an average tenure of **4.3** years. It is considered experienced.

Business Overview:

- Zimmer Biomet, a global leader in medical technology, develops, manufactures, and sells a comprehensive range of products to improve patients' mobility and health.
- Their offerings include orthopedic implants for joint replacements, sports medicine aids, trauma products, and surgical tools. They also leverage data and artificial intelligence in their innovative digital and robotic technologies.
- In 2022, Zimmer Biomet spun off its spine and dental businesses to create a new company, ZimVie.
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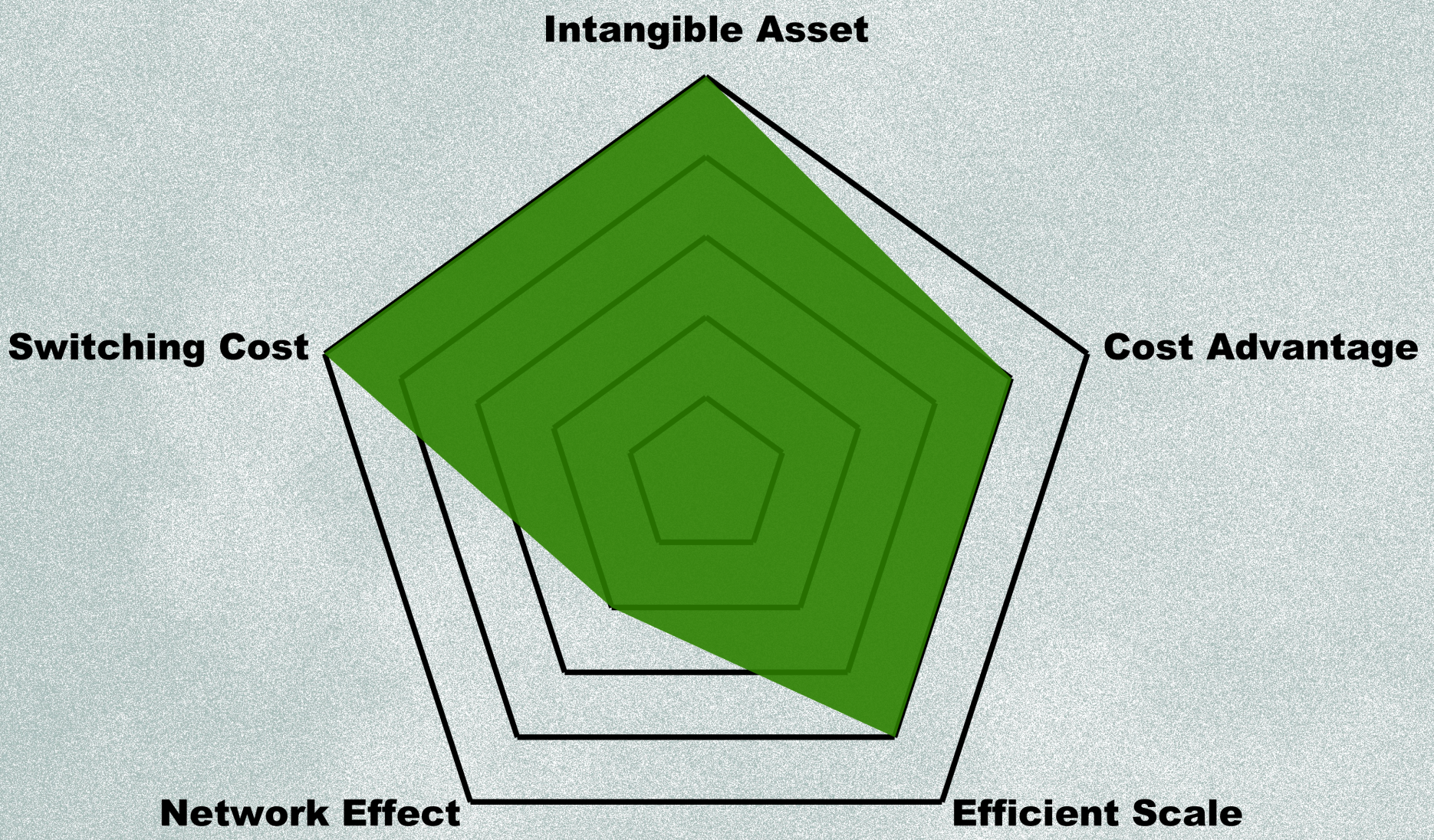
Economic Moat



Economic moat: **Wide**

There are many ways to identify a company's economic moat, but I focus on the above 5 types. The rating is purely subjective, and it is based on my in-depth understanding and analysis of the company.

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Performance

	Yes	Inconsistent	No
Revenue growing YoY for the past 5 years consistently?	☐	☑	☐
Net income growing YoY for the past 5 years consistently?	☐	☐	☑
Cash flow from operating activities growing YoY for the past 5 years consistently?	☐	☑	☐
Free cash flow is positive for the past 5 years?	☑	☐	☐
Gross margin % is consistent/ growing for the past 5 years?	☑	☐	☐
EPS growing for the past 5 years?	☐	☐	☑

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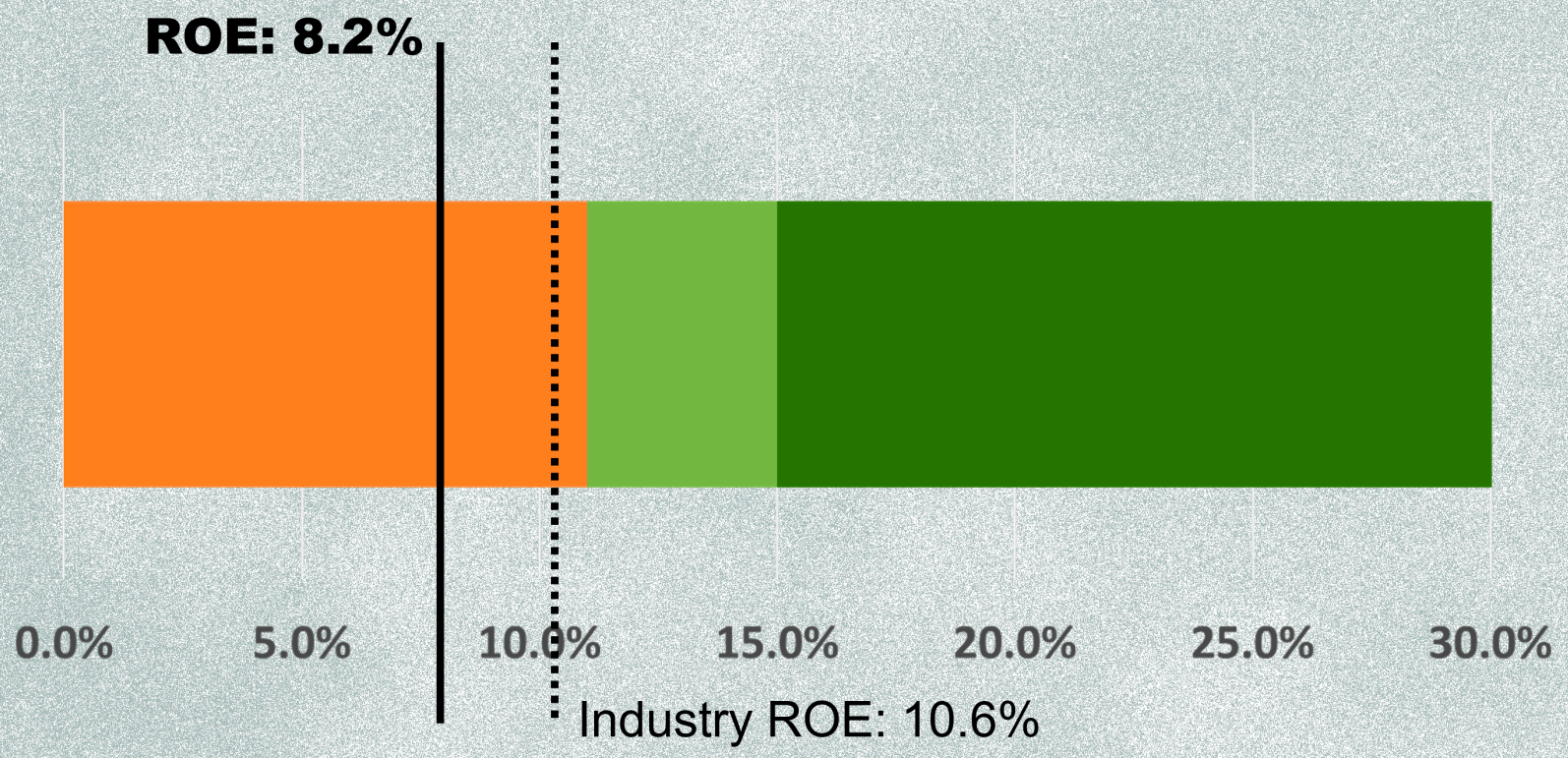
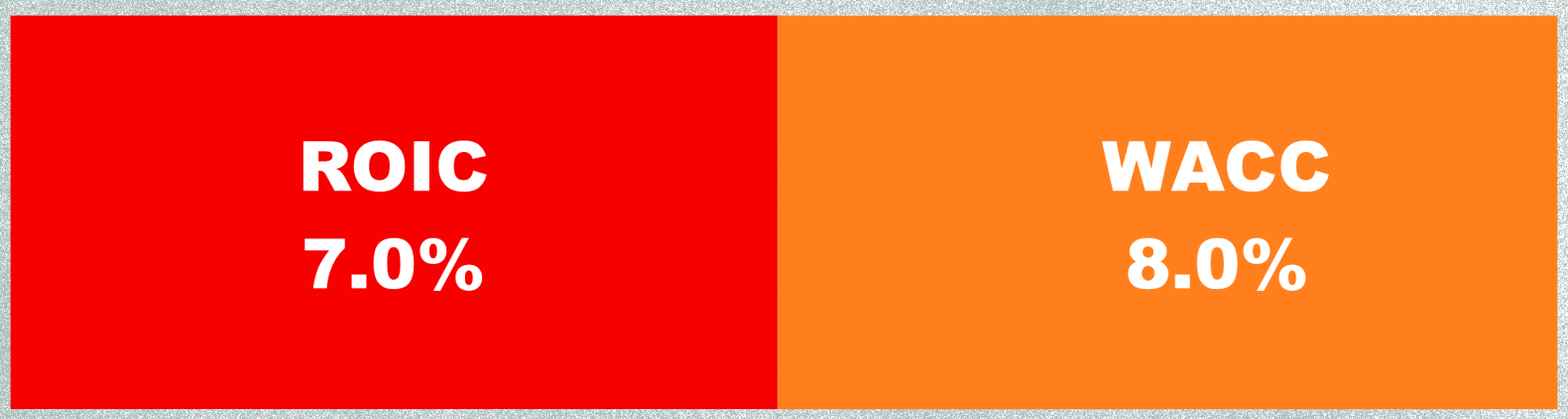
Management Effectiveness

	Yes	Inconsistent	No
ROE is consistently at 12%-15% YoY for the past 5 years?	☐	☐	☑



	Yes	Inconsistent	No
ROIC is consistently at 12%-15% YoY for the past 5 years?	☐	☐	☑



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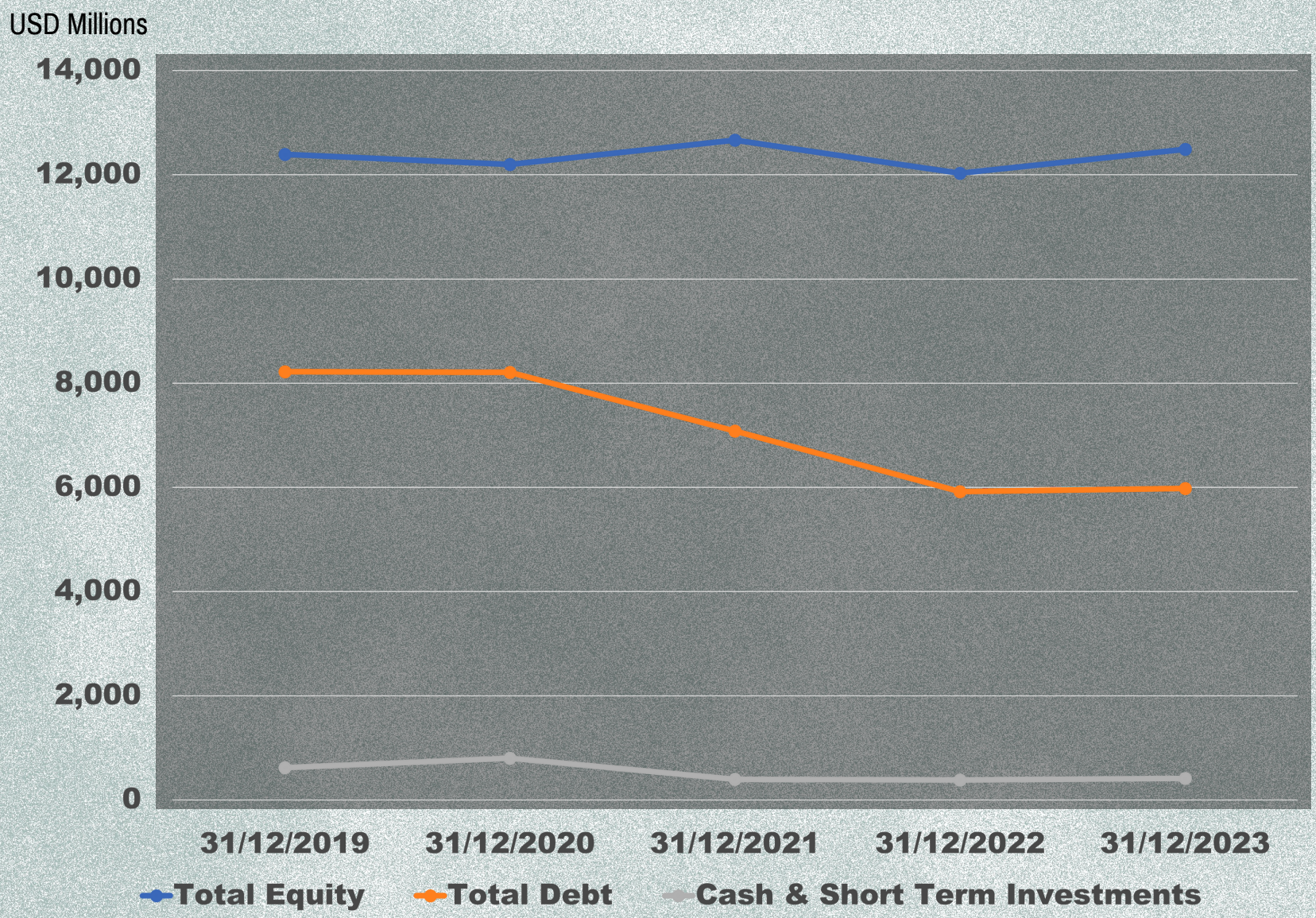
Financial Health



- ☑ Current Ratio: 1.6
- ☑ Debt-to-EBITDA: 2.7
- ☑ Interest Coverage: 7.1
- ☑ Debt Servicing Ratio: 12.7%

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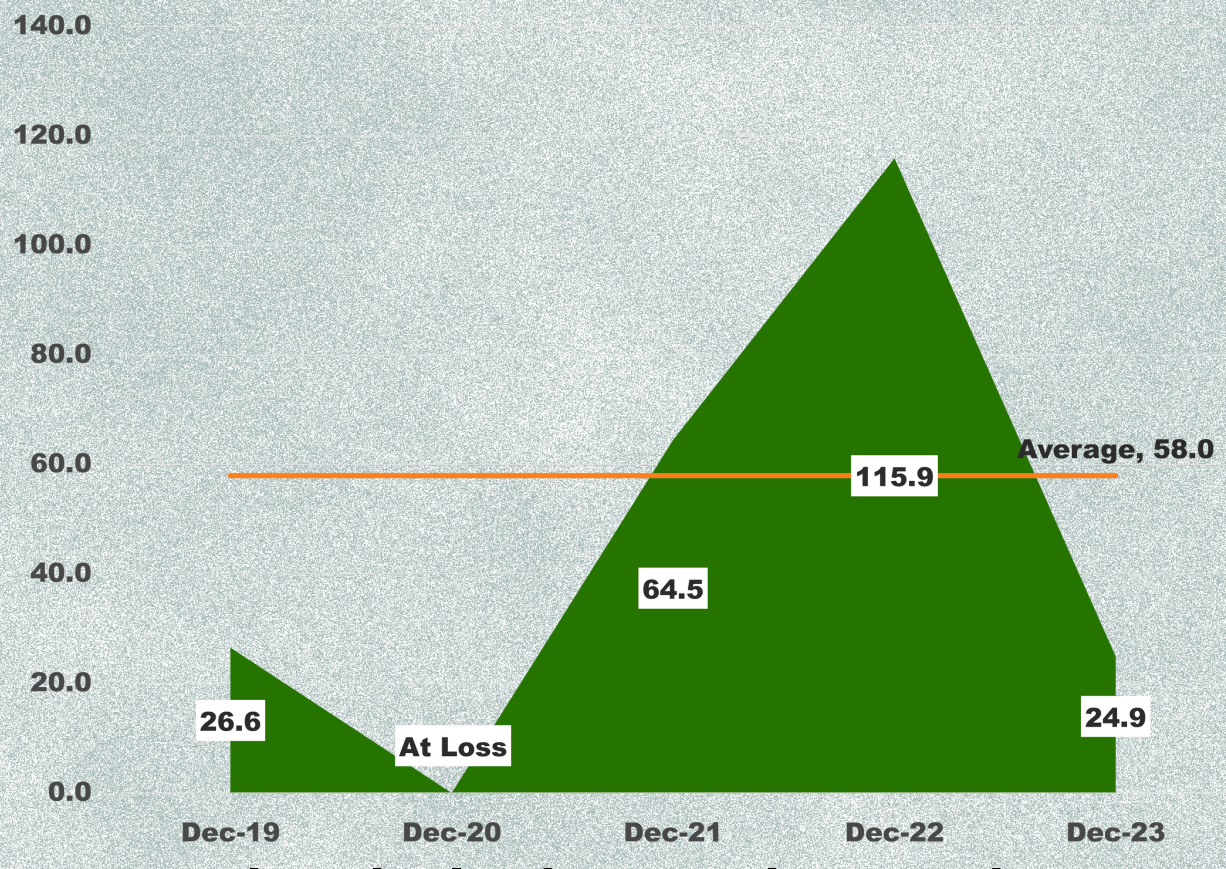
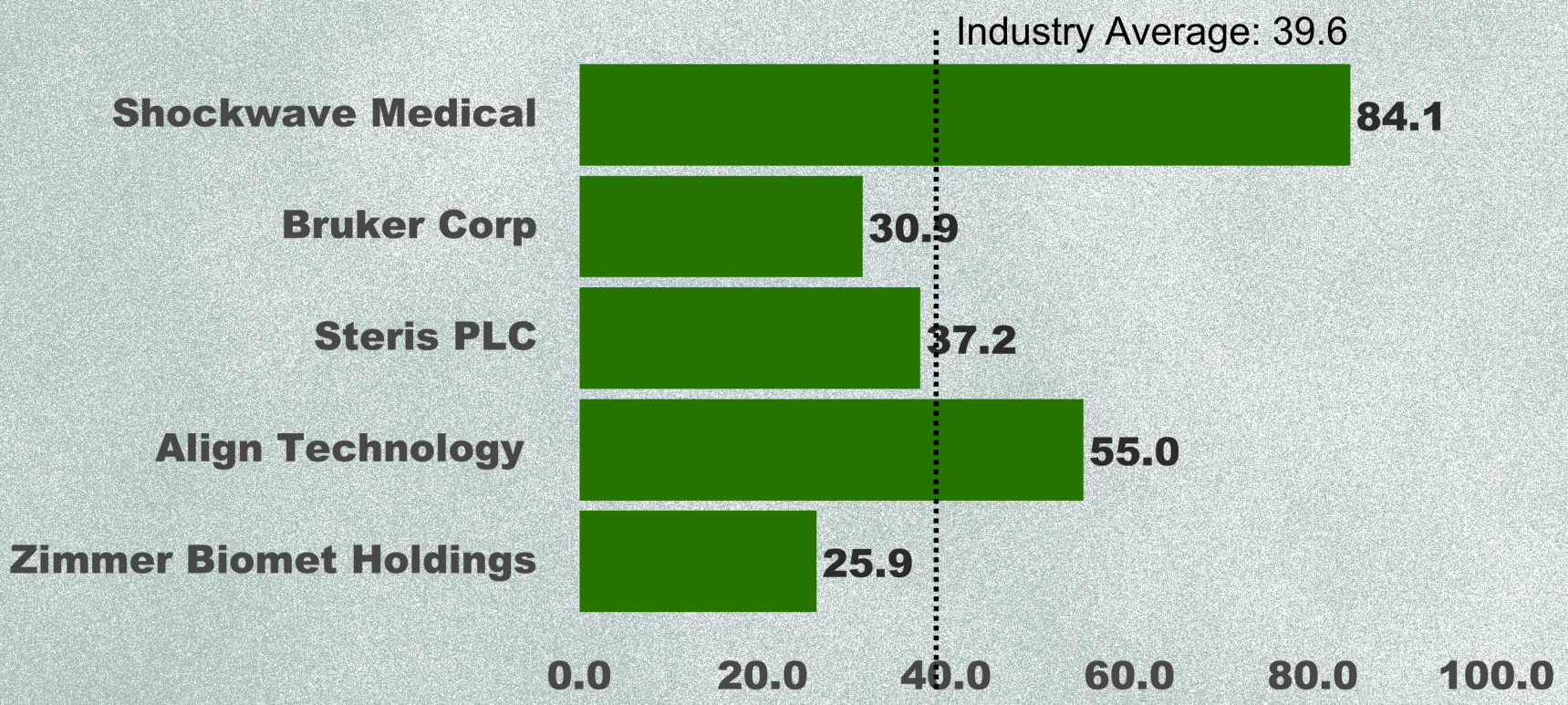
Relative Valuation



Historical Price-Earnings Ratio



Price-Earnings Ratio vs its Peers

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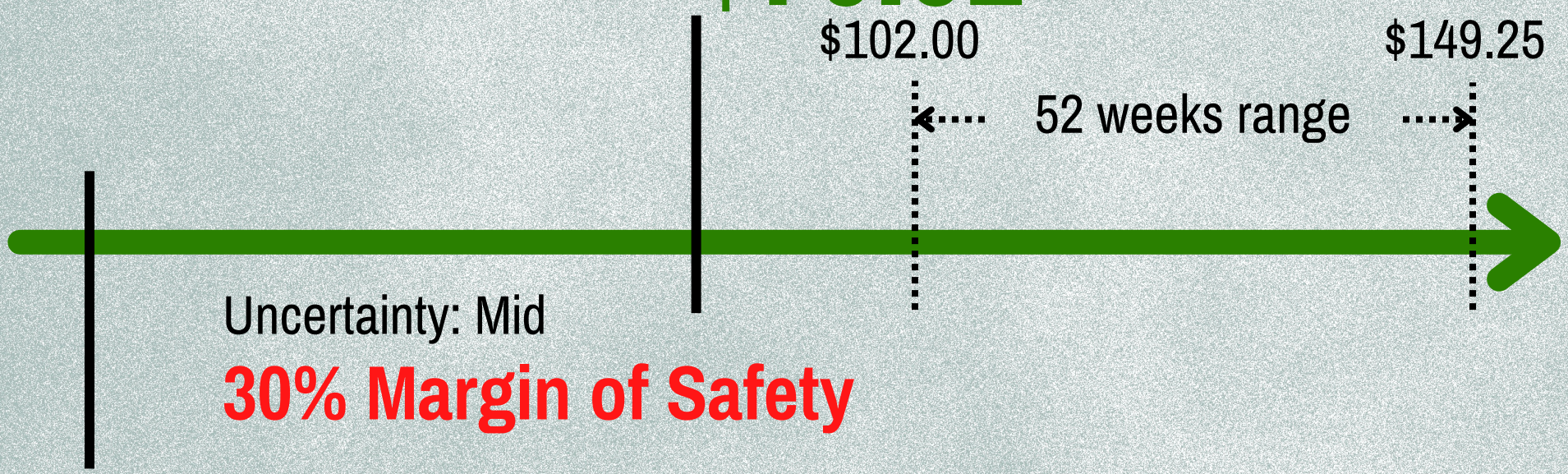
Intrinsic Valuation

Estimated intrinsic value: $79.02

Value is calculated using discounted cash flow method (taking into account their cash and debt) and scenario planning.
Average free cash flow used: USD$1,200M
Projected growth rate: 7%
Beta: 0.9
Discount rate: 7.5%
Date of calculation: 14 Apr 2024

Estimated intrinsic value of Zimmer Biomet

$79.02



Price range after the margin of safety

<$56.00

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