

QIAGEN N.V. (QGEN)

\$33.96 (As of 01/03/20)

Price Target (6-12 Months): **\$36.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 09/30/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: C

Growth: C

Momentum: F

Summary

QIAGEN has underperformed the industry it belongs to in the past three months. The company registered revenue growth across majority of its geographies and operating segments. We are also upbeat about the company's Sample to Insight portfolio progress in the quarter. Developments like QuantiFERON-TB's growth at 18% CER, and continued momentum of the QIAstat-Dx and QIAAsymphony are impressive. The recently-inked 15-year strategic partnership with Illumina is also encouraging. We are impressed with the strong international performance of the company. The company continued gaining traction from its collaboration with DiaSorin. QIAGEN put up a mixed performance in the third quarter, with earnings beating and revenues missing the estimates. However, a revenue guidance cut for the full year and contraction of both margins are concerning.

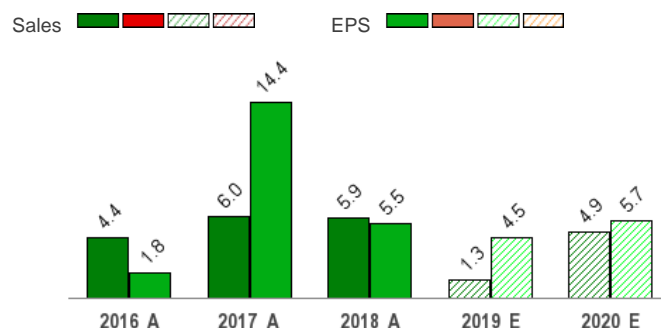
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$43.16 - \$25.04
20 Day Average Volume (sh)	2,798,338
Market Cap	\$7.7 B
YTD Price Change	0.5%
Beta	0.91
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical - Biomedical and Genetics
Zacks Industry Rank	Top 23% (57 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	2.9%
Last Sales Surprise	-0.3%
EPS F1 Est- 4 week change	-0.3%
Expected Report Date	02/03/2020
Earnings ESP	0.0%
P/E TTM	25.0
P/E F1	23.0
PEG F1	2.4
P/S TTM	5.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	357 E	394 E	401 E	430 E	1,596 E
2019	349 A	382 A	383 A	409 E	1,522 E
2018	344 A	377 A	378 A	403 A	1,502 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.29 E	\$0.36 E	\$0.38 E	\$0.46 E	\$1.48 E
2019	\$0.27 A	\$0.33 A	\$0.36 A	\$0.44 E	\$1.40 E
2018	\$0.26 A	\$0.33 A	\$0.35 A	\$0.40 A	\$1.34 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/03/2020. The reports text is as of 01/06/2020.

Overview

Based in Venlo, the Netherlands, QIAGEN N.V. is one of the world's leading providers of technologies and products for the separation, purification and handling of nucleic acids DNA/RNA. The company provides innovative technologies and products for pre-analytical sample preparation and molecular diagnostics solutions. It has developed a comprehensive portfolio of over 500 proprietary, consumable products, and automated solutions for sample collection.

Qiagen has subsidiaries in the United States, Germany, U.K., Switzerland, France, Japan, China, Australia, Canada, Norway, and several other countries with good sales potential.

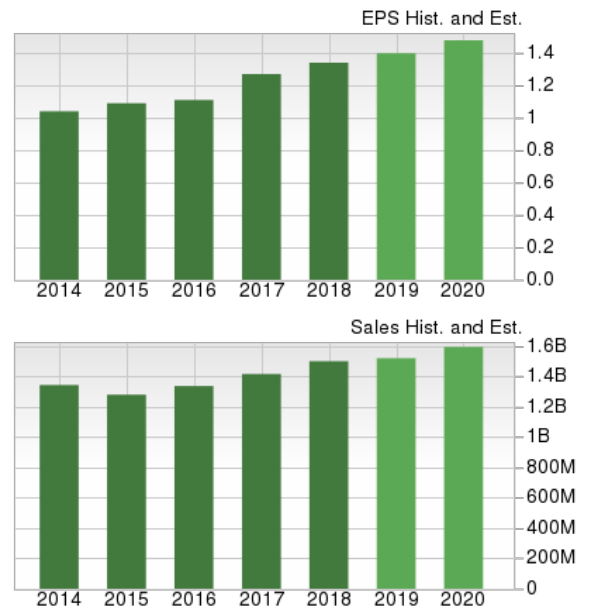
Segment Details

Consumables: These are typically sample preparation or test kits that contain all the necessary reagents and buffers, and a manual including protocols and relevant background information. Each kit is sufficient to support a number of applications, varying from one to over 1,000 tests.

Automated Instruments: These automate the use of Sample & Assay Technologies into efficient solutions for a broad range of laboratory needs. Products in this segment include QIA Symphony, Rotor-Gene Q, PyroMark, QIAcube, QIAxcel and ESE-Quant Tube Scanners.

Customer Classes:

QIAGEN focuses on 4 principal segments or customer classes for sample and assay technologies: Molecular Diagnostics (Healthcare providers supporting varied aspects of patient care), Applied Testing (Government or industry customers), Pharma (Government or industry customers) and Academia (Researchers exploring the secrets of life). In fiscal 2018, Molecular Diagnostics (49% sales in fiscal 2018), registered revenue growth of 7%, Applied Testing (9% sales) registered flat growth, Pharma (19% sales) registered growth of 6%, Academia (23% sales) registered growth of 6% from fiscal 2017.



Reasons To Buy:

▲ **Huge Potential in Molecular Diagnostics:** Despite a 2% decline during the third quarter of 2019, within QIAGEN's Molecular diagnostics, the company registered 18% CER sales gains for the QuantiFERON latent TB test. It also witnessed strong sales growth of QIA Symphony and QIAstat-Dx. In early 2019, the company reached a new milestone breaking through 60 million tests administered since the launch of QuantiFERON-TB. Currently, QIAGEN is perfectly in a position to deliver about 12 million tests annually. The company believes that, there is still significant market conversion opportunity among the 70 million latent TB tests done annually which can be converted to modern blood-based testing from the tuberculin skin test.

QIAGEN's business is expected to get a boost from its growing molecular diagnostic market, international expansion, expanded test menu and growth driving strategic collaborations.

Among other highlights, the company is optimistic about its key strategic collaborations with Hamilton Robotics and Tecan for the pre-analytical handling of blood tubes. The company continued gaining traction from its collaboration with DiaSorin for the readout of test results on their LIAISON platform. The launch of DiaSorin automation solution in the United States took place in September 2019. This apart, the company is also scheduling DiaSorin automation solution launch in China in 2020. These developments are expected to enhance growth and provide an impetus to the company in achieving the 2020 target of more than \$300 million in annual sales.

The company has expanded the market for QuantiFERON Plus to help developing countries in the fight against TB. QuantiFERON Plus was just added to the catalog of the global drug facility GDS, a global supply initiative from stock TB that is the largest provider to the public sector of WHO-recommended TB medicines diagnostic and laboratory supplies.

▲ **International Focus to Drive Growth:** QIAGEN currently markets products in more than 100 countries.

In the quarter under review, sales from Europe-Middle East-Africa (30% of revenues) rose 3% reportedly (up 7% at CER) to \$114 million. Further, revenues from Asia-Pacific/Japan (20% of revenues) fell 6% year over year on a reported basis (down 5% at CER) to \$76 million. Excluding China, the company registered 11% revenue growth at CER within the Asia/Pacific region. There was mid-single-digit CER revenue growth in Japan and Australia and double-digit CER sales gains in India and South Korea, during the third quarter.

▲ **Progress With Test Menu Expansion:** QIAGEN is progressing well with its testing menu expansion strategy. The company is currently establishing its European footprint for the QIAstat-Dx system, which is gaining recognition as the next-generation solution for providing accurate insights into complex disease syndromes, such as respiratory and gastrointestinal conditions. Further, it is working on new placements for the QIA Symphony automation platform and is set to reach more than 2,500 cumulative placements in 2019.

Of late, QIAGEN has been investing in product launches. These include the QIAstat-Dx system for syndromic testing that attained FDA approval in May and is now available in Europe and the United States along with other countries. The commercial launch of the integrated PCR system, NeuMoDx 96, is another impressive development. The company currently has currently 10 CE-IVD assays on NeuMoDx in Europe and has a goal to offer more assays by the end of 2020. Within the Life Sciences segment, the company has been seeing steady progress on the rollout of the new QIAcube Connect. Instrument sales in Life Science fell at a modest single-digit CER rate, but were supported by over 430 cumulative placements of the new version of the QIAcube Connect sample processing instrument.

The development of the new digital PCR system for 2020 launch is also well on track. The company also continues to witness encouraging placements of Sonora NeuMoDx system in Europe. QIAGEN now has 10 assays on this fully integrated PCR systems.

▲ **Strategic Collaborations to Drive Growth:** QIAGEN's long-term business strategy involves entering into strategic alliances as well as marketing and distribution arrangements with academic, corporate and other partners relating to the development, commercialization, marketing and distribution of certain of their existing and potential products. We are currently upbeat about QIAGEN's recently inked 15-year of strategic partnership with Illumina in NGS clinical decision-making. This partnership should enable the company to broaden the use of NGS in clinical laboratories. Further, QIAGEN's alliances with NeoGenomics in the field of cancer genetic testing services and with DiaSorin in automated TB testing are significant. Building on the DiaSorin partnership and management's aim to offer a series of QuantiFERON-based assays on the LIAISON system from DiaSorin, the company has signed a new agreement with DiaSorin to co-develop a QuantiFERON-based test for earlier diagnosis of Lyme disease on the LIAISON platforms.

Earlier in 2018, the company entered into a non-exclusive partnership agreement for clinical laboratory research services with SRL, Inc in Japan. Several tests co-developed by QIAGEN with pharmaceutical partners are also expected to enter registration in Japan in the future.

▲ **Solid Next-Generation Sequencing (NGS) Platform Projection:** QIAGEN has highlighted certain strategies to boost top-line contributions from the NGS portfolio to \$180 million in 2019 from more than \$140 million in 2018. Notably, the platform has been witnessing double-digit revenue growth over the past few quarters. Management aims to expand the NGS platform by rapidly scaling-up the new Enterprise Genomics Services. It also working on the launch of a range of proprietary Digital NGS technology-based new gene panels within the GeneReader system.

Despite discontinuation of the GeneReader NGS System joint venture, the company plans to continue selling the GeneReader NGS System which is designed for small targeted gene panels, thereby continuing to support customers globally. QIAGEN also aims to continue driving the growth of its universal NGS solutions portfolio, which includes the QIAseq line of products and its bioinformatics solutions.

The company has attained the rights to develop and globally commercialize companion diagnostic and IVD kits on Illumina's MiSeq diagnostic and NextSeq diagnostic systems. The company is also exploring opportunities to develop and market companion diagnostic based on Illumina's TruSight Oncology assays. It also plans to generate sales for the IVD kits for which it gained the regulatory approvals in Europe, the United States and other markets worldwide. Within NGS, QIAGEN has set a goal for 2019 sales of about \$180 million, fueled by recognition for differentiated universal NGS solutions, which can be used on any sequencer, as well as growth in placements in revenues for GeneReader NGS System.

Reasons To Sell:

▼ **Share Price Performance:** In the past three months, QIAGEN has underperformed the industry it belongs to. The stock has gained 5.9% compared to the industry's 19.6% growth. A major reason for the share price to underperform might be the company's decision to not pursue with its earlier announced plans of potential strategic alternatives. With the termination of the decision, QIAGEN's management has decided to continue with its current stand-alone business plan as it represents the best opportunity to drive future value creation. Also, QIAGEN is highly exposed to the risk of foreign currency movement and the fact that the company records more than half of its revenues from the international market adds to further woes.

QIAGEN faces tough competitive landscape. Besides, strong reliance on relationships with collaborative partners and foreign exchange headwinds are the other downsides.

▼ **Reliance on Commercial Relationships:** QIAGEN's personalized Healthcare business comprises formation of projects with pharmaceutical and biotechnology companies to co-develop companion diagnostics paired with drugs that those companies either market currently or are developing for future use. The future level of sales for companion diagnostics depends to a high degree on the commercial success of the related medicines for which the tests have been designed to be used for determining their use in patients. In addition, risks remain that the company may be unable to maintain these relationships and its collaborative partners may pursue or develop competing products or technologies, either on their own or in collaboration with others.

▼ **Competitive Headwinds:** Considering QIAGEN's huge gamut of services, the company is also susceptible to competitive headwinds. The company is facing increasing competition from firms that provide competitive pre-analytical solutions and other products used by QIAGEN's customers. The markets for some of the company's products are very competitive and price sensitive. Other product suppliers may have significant advantages in terms of financial, operational, sales and marketing resources as well as experience in research and development. Moreover, according to the company, customers in the market for pre-analytical sample technologies as well as for assay technologies display significant loyalty to their initial supplier of a particular product. As a result, it may be difficult to convert customers who have purchased products from competitors.

▼ **Foreign Exchange Uncertainties:** Recording more than 50% of its revenues from the international market, QIAGEN is highly exposed to the risk of foreign currency movement. The situation may worsen with the strengthening of the domestic currency against high-focus nations. Any unanticipated currency headwinds in high-focus markets may drag the top and the bottom line further in the future.

Last Earnings Report

QIAGEN Beats Q3 Earnings Estimates

QIAGEN N.V.'s third-quarter 2019 adjusted earnings per share were 36 cents, up 2.9% year over year. The figure beat the Zacks Consensus Estimate by the same magnitude. At constant exchange rate or CER, the quarter's adjusted earnings per share was 36 cents as well.

On a GAAP basis, net loss was 71 cents per share against the year-ago reported earnings per share of 26 cents.

Quarter Ending **09/2019**

Report Date	Oct 30, 2019
Sales Surprise	-0.26%
EPS Surprise	2.86%
Quarterly EPS	0.36
Annual EPS (TTM)	1.36

Revenues in Detail

Net sales at actual rates in the third quarter inched up 1% on a year-over-year basis to \$382.7 million (up 3% at CER). However, the top line missed the Zacks Consensus Estimate by 0.3%.

Geographical Revenue Update

In the quarter under review, sales from the Americas (50% of revenues) totaled \$192 million, up 3% on a reported basis (up 4% at CER). Revenues from Europe-Middle East-Africa (30% of revenues) rose 3% reportedly (up 7% at CER) to \$114 million. Further, revenues from Asia-Pacific/Japan (20% of revenues) fell 6% year over year on a reported basis (down 5% at CER) to \$76 million.

Segmental Details

As of the third quarter of 2019, QIAGEN has two major customer classes which are Molecular Diagnostics (that includes human healthcare including Precision Medicine and companion diagnostics) and Life Sciences (that includes Pharma and Academia/Applied Testing).

Molecular diagnostics (representing 48% of net sales) revenues were down 2% at CER to \$183 million.

Life Sciences (52% of total revenues) reported revenues of \$199 million, up 7% at CER. Sales derived from Applied Testing/Academia rose 6% at CER to \$122 million. Pharma sales climbed 10% at CER in the third quarter to \$77 million.

Operational Update

Gross profit in the quarter under review declined 1% to \$254.9 million. Gross margin contracted 133 basis points (bps) to 66.6%.

Adjusted operating income (excluding items like acquisition-related intangible amortization) fell 5.1% year over year to \$87.3 million in the third quarter. Adjusted operating margin contracted 153 bps to 22.8%.

Financial Update

QIAGEN exited the third quarter of 2019 with cash and cash equivalents of \$700.9 million, up from \$624.6 million at the end of the second quarter. Year to date, net cash provided by operating activities was \$221.4 million compared with \$248.9 million a year ago. Moreover, the company reported year-to-date free cash flow of \$135 million compared with \$176.7 million a year ago.

2019 Guidance

QIAGEN has updated its 2019 guidance. Total net sales growth is expected at about 4% at CER, indicating a decline from the earlier projection of 5-6% at CER. The Zacks Consensus Estimate for 2019 revenues is pegged at \$1.54 billion.

Adjusted earnings per share guidance for the full year is estimated in the band of \$1.43-\$1.44 at CER, compared to the earlier projection of \$1.42-\$1.44 at CER. The Zacks Consensus Estimate for 2019 earnings per share is pegged at \$1.38, which is below the guided range.

The company also issued the financial projection for the fourth quarter of 2019. Net sales are envisioned to grow around 3% at CER. Our consensus estimate for revenues is pegged at \$424.5 million. Adjusted earnings per share is predicted within 45-46 cents at CER on an underlying basis. The Zacks Consensus Estimate for earnings per share stands at 43 cents, below the guided range.

Recent News

On **Nov 27, 2019**, QIAGEN along with biotechnology major DiaSorin announced the commercial launch of QuantiFERON-TB Gold Plus (QFT-Plus) on DiaSorin's LIAISON platforms in the United States, following the FDA clearance. The LIAISON QFT-Plus Test developed by QIAGEN and DiaSorin will offer streamlined laboratory automation for latent tuberculosis (TB) screening.

On **Nov 20, 2019**, QIAGEN entered an agreement with Laboratory Corporation of America Holdings or LabCorp to extend their existing QIAGEN Clinical Insights (QCI) license.

On **Nov 6, 2019**, QIAGEN announced an expansion of its QIAseq NGS portfolio to offer a one-day workflow for simultaneous preparation of DNA and RNA libraries using next-generation sequencing (NGS) technologies.

On **Nov 5, 2019**, QIAGEN announced a suite of deals that will broaden its immuno-oncology portfolio for future commercialization of novel companion diagnostics, specifically based on the powerful next-generation sequencing (NGS) technology.

On **Oct 14, 2019**, QIAGEN launched a suite of QIAseq FastSelect technologies that will ensure swifter and simplified library preparation for next-generation sequencing (NGS) in the field of RNA research.

On **Oct 7, 2019**, QIAGEN and Illumina partnered to deliver sequencing-based IN-VITRO Diagnostic (IVD) tests.

Valuation

QIAGEN shares are down 14.7% in the six months period and down 3.5% in the trailing 12-month periods. Stocks in the Zacks sub-industry are up 5.9% while the Zacks Medical sector rose 4.2% in the six months period. Over the past year, the Zacks sub-industry is down 1.8% and sector is up 5.8%.

The S&P 500 index is up 9.3% in the six months period and increased 25.7% in the past year.

The stock is currently trading at 22.9X Forward 12-months earnings, which compares to 140.9X for the Zacks sub-industry, 21.3X for the Zacks sector and 18.7X for the S&P 500 index.

Over the past five years, the stock has traded as high as 29.2X and as low as 16.6X, with a 5-year median 23X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$36 price target reflects 24.3x forward 12-months earnings.

The table below shows summary valuation data for QGEN

Valuation Multiples - QGEN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.94	140.88	21.31	18.71
	5-Year High	29.20	143.46	21.31	19.34
	5-Year Low	16.57	20.82	15.91	15.17
	5-Year Median	23.04	39.29	18.98	17.44
P/S F12M	Current	4.79	2.81	2.79	3.47
	5-Year High	6.11	2.92	3.80	3.47
	5-Year Low	3.44	1.99	2.42	2.54
	5-Year Median	4.72	2.52	2.93	3.00
P/B TTM	Current	3.10	3.83	4.46	4.41
	5-Year High	3.94	5.68	5.01	4.45
	5-Year Low	1.79	2.41	3.42	2.85
	5-Year Median	2.81	3.24	4.27	3.60

As of 01/03/2020

Industry Analysis Zacks Industry Rank: Top 23% (57 out of 252)



Top Peers

BioMarin Pharmaceutical Inc. (BMRN)	Outperform
Alkermes plc (ALKS)	Neutral
SWEDISH ORP BIO (BIOVF)	Neutral
Exelixis, Inc. (EXEL)	Neutral
Horizon Therapeutics Public Limited Company (HZNP)	Neutral
Incyte Corporation (INCY)	Neutral
Roche Holding AG (RHHBY)	Neutral
SINO PHARMACEUT (SBMFF)	Neutral

Industry Comparison Industry: Medical - Biomedical And Genetics				Industry Peers		
	QGEN Neutral	X Industry	S&P 500	BMRN Outperform	HZNP Neutral	INCY Neutral
VGM Score	D	-	-	B	A	A
Market Cap	7.66 B	189.56 M	23.66 B	15.09 B	6.76 B	16.78 B
# of Analysts	7	2.5	13	10	6	6
Dividend Yield	0.00%	0.00%	1.79%	0.00%	0.00%	0.00%
Value Score	C	-	-	D	C	C
Cash/Price	0.11	0.24	0.04	0.05	0.13	0.10
EV/EBITDA	15.97	-3.51	13.88	-5,050.24	20.55	86.38
PEG Ratio	2.36	1.66	1.99	NA	1.66	0.73
Price/Book (P/B)	3.10	3.69	3.36	4.91	4.33	6.93
Price/Cash Flow (P/CF)	13.83	11.65	13.62	392.38	9.12	71.48
P/E (F1)	22.55	25.18	18.74	47.92	17.74	23.38
Price/Sales (P/S)	5.05	12.18	2.67	9.41	5.23	7.96
Earnings Yield	4.36%	-15.99%	5.32%	2.08%	5.65%	4.27%
Debt/Equity	0.68	0.02	0.72	0.27	0.87	0.02
Cash Flow (\$/share)	2.46	-1.07	6.94	0.21	3.96	1.09
Growth Score	C	-	-	A	B	A
Hist. EPS Growth (3-5 yrs)	7.59%	17.09%	10.56%	NA	13.57%	NA
Proj. EPS Growth (F1/F0)	5.72%	7.35%	7.41%	95.61%	8.63%	20.28%
Curr. Cash Flow Growth	3.23%	19.98%	14.83%	-246.03%	27.11%	26.38%
Hist. Cash Flow Growth (3-5 yrs)	4.46%	8.69%	9.00%	21.12%	78.04%	53.20%
Current Ratio	2.45	5.15	1.23	3.77	2.33	5.02
Debt/Capital	40.63%	3.95%	42.92%	21.53%	46.41%	2.01%
Net Margin	-1.68%	-196.01%	11.08%	-2.65%	5.25%	19.21%
Return on Equity	12.24%	-63.46%	17.10%	-1.35%	27.71%	20.07%
Sales/Assets	0.28	0.21	0.55	0.36	0.33	0.73
Proj. Sales Growth (F1/F0)	4.89%	15.19%	4.20%	15.19%	9.85%	15.31%
Momentum Score	F	-	-	C	A	A
Daily Price Chg	0.09%	-0.69%	-0.61%	-0.05%	-0.77%	-9.39%
1 Week Price Chg	-18.67%	0.83%	0.13%	0.99%	0.19%	-1.90%
4 Week Price Chg	-18.72%	2.47%	2.60%	4.90%	13.31%	-17.12%
12 Week Price Chg	24.67%	13.88%	8.87%	26.31%	37.05%	2.81%
52 Week Price Chg	0.53%	-0.58%	29.34%	-0.24%	85.22%	14.46%
20 Day Average Volume	2,798,338	221,436	1,603,615	1,105,956	1,415,394	1,392,059
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.29%	0.00%	0.00%	-2.02%	0.49%	0.00%
(F1) EPS Est 12 week change	-5.82%	0.82%	-0.57%	7.89%	1.17%	5.48%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-8.11%	0.00%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	C
Momentum Score	F
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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