

QIAGEN N.V. (QGEN)

\$35.75 (As of 02/06/20)

Price Target (6-12 Months): **\$38.00**

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:B

Value: C

Growth: B

Momentum: A

Summary

QIAGEN ended the fourth quarter on a solid note, as earnings and revenues beat estimates. It registered revenue growth across majority of its geographies and each of its operating segments. Of late, the company has been progressing well with its Sample to Insight portfolio. QuantiFERON-TB's high single-digit growth at CER and continued momentum of the QIAstat-Dx system are also impressive. The FDA approval of QuantiFERON-TB Gold Plus test is another highlight of the quarter. The expansion of the company's NGS solution portfolio also buoys optimism. Expansion in both the margins is encouraging as well. In the past three months, QIAGEN has outperformed the industry it belongs to. On the flip side, rise in operating costs and decline in APAC region revenues are concerning.

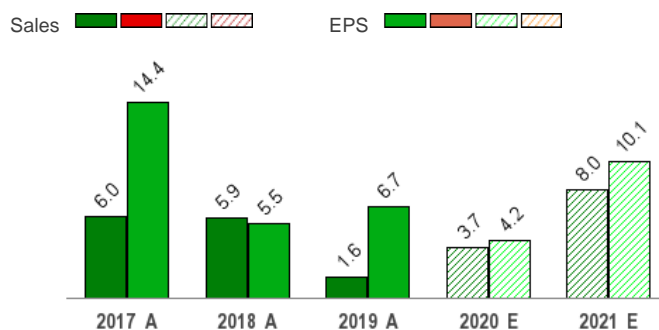
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$43.16 - \$25.04
20 Day Average Volume (sh)	2,657,239
Market Cap	\$8.1 B
YTD Price Change	5.8%
Beta	0.92
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical - Biomedical and Genetics
Zacks Industry Rank	Top 29% (74 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	9.1%
Last Sales Surprise	1.1%
EPS F1 Est- 4 week change	2.4%
Expected Report Date	05/04/2020
Earnings ESP	0.4%
P/E TTM	24.8
P/E F1	24.0
PEG F1	2.5
P/S TTM	5.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	373 E	417 E	424 E	459 E	1,709 E
2020	356 E	393 E	399 E	429 E	1,583 E
2019	349 A	382 A	383 A	413 A	1,526 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.33 E	\$0.41 E	\$0.42 E	\$0.49 E	\$1.64 E
2020	\$0.28 E	\$0.37 E	\$0.38 E	\$0.47 E	\$1.49 E
2019	\$0.27 A	\$0.33 A	\$0.36 A	\$0.48 A	\$1.43 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 02/06/2020. The reports text is as of 02/07/2020.

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.

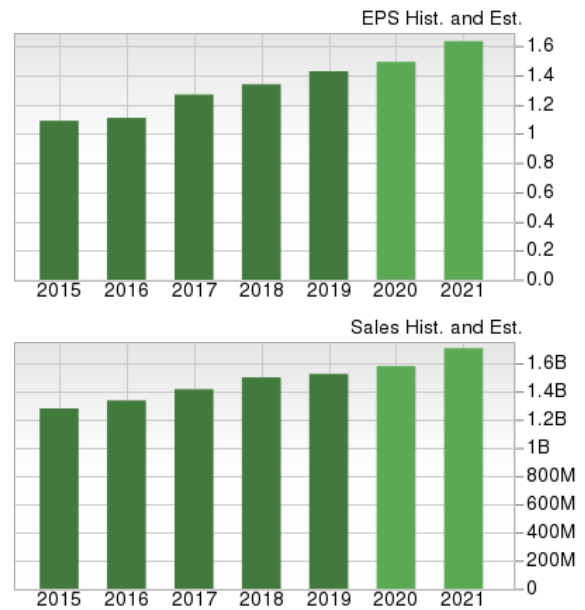
Segment Details

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 2019, Molecular Diagnostics (48% sales in fiscal 2019), registered revenue growth of 1%, Applied Testing (32% sales) registered 2% growth, Pharma (20% sales) registered growth of 4%, Academia (23% sales) registered growth of 6% from fiscal 2018.



Reasons To Buy:

▲ **Share Price Performance:** In the past three months, QIAGEN has outperformed the industry it belongs to. The stock has climbed 13.1% compared with the industry's 9.1% growth. In the fourth quarter, the company registered revenue growth across majority of its geographies and each of its operating segments. We are also upbeat about the company's Sample to Insight portfolio progress in the quarter. Developments like QuantiFERON-TB's high single-digit growth at CER and continued momentum of the QIAstat-Dx system are encouraging. The U.S. regulatory approval of QuantiFERON-TB Gold Plus test for the use of DiaSorin LIAISON system has buoyed optimism on the stock. The expansion of the company's next-generation sequencing solution portfolio has driven the stock up.

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.

▲ **Huge Potential in Molecular Diagnostics:** Despite a slight decline in QuantiFERON latent tuberculosis test sales during the fourth quarter of 2019, the company registered 10% CER sales gains from the test in 2019 overall. It also witnessed strong sales growth of QIA Symphony and QIAstat-Dx.

Within this segment, the gastrointestinal panel, which has already been commercially rolled out in Europe, was submitted to the FDA in December 2019 and is anticipated to hit the U.S. markets in the first half of 2020. 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.

QuantiFERON Access is expected to be launched near the end of 2020 as a CE-IVD solution, thus contributing to the company's QuantiFERON-TB's momentum.

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. Building on this collaboration, the company attained FDA approval in November 2019 for the automated workflow of the QuantiFERON-TB Gold Plus test on the DiaSorin LIAISON system in the United States. 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.

▲ **International Focus to Drive Growth:** QIAGEN currently markets products in more than 100 countries. In the quarter under review, sales from the Americas were up 6% on a reported basis (up 7% at CER). Revenues from Europe-Middle East-Africa rose 2% reportedly (up 5% at CER). The Europe, Middle East and Africa region saw 5% growth in revenues at CER in the fourth quarter. The company saw impressive trend in a number of Western European countries, in particular, France, United Kingdom and Germany as well as Turkey.

▲ **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. At the end of 2019, the company achieved a new milestone with more than 2,500 cumulative placements of the QIA Symphony automation system.

Of late, QIAGEN has been investing in product launches. The company recently launched an upgraded version of the GeneGlobe design and Analysis hub. This offering combines curated knowledge with content-based assays and analysis. A mid-2020 launch of the company's mobile instrument branded as QIAcuity is well on track. Other launches include the QIAstat-Dx system for syndromic testing that 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 10 CE-IVD assays on NeuMoDx in Europe and has a goal to offer more assays by the end of 2020. Further, the company has been seeing steady progress on the rollout of the new QIAcube Connect (reached over 660 placements since it was launched in early 2019).

The company also continues to witness encouraging placements of Sonora NeuMoDx system in Europe. QIAGEN now has 10 assays on this fully-integrated PCR system.

▲ **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.

During the fourth quarter, the company expanded its partnership with LabCorp regarding the use of QIAGEN Digital Insights solution. This builds on the existing seven-year collaboration between the companies to develop, launch and support new diagnostic test. The company also signed a deal with Amgen to develop tissue-based companion diagnostic to identify patients with cancer that has the KRAS G12C mutation.

▲ **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.

During the fourth quarter, the company launched the QIAseq multimodal panels to strengthen its universal NGS solution portfolio, which can

be used with any sequencing platform in the world. This is currently the only solution that can be utilized in the extraction and sequencing of DNA variance and RNA fusions as well as in the assessment of gene expression in a single workflow from a single sample.

Reasons To Sell:

▼ **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.

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

▼ **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 Q4 Earnings Beat Estimates, Margins Expand

QIAGEN N.V.'s fourth-quarter 2019 adjusted earnings per share were 48 cents, up 20% year over year (up 20% at constant exchange rate or CER as well). The figure beat the Zacks Consensus Estimate by 9.1%. At constant exchange rate or CER, the quarter's adjusted earnings was 48 cents as well.

Reported earnings for the quarter was 19 cents per share, down 26.9% year over year.

For 2019, adjusted earnings came in at \$1.43, up 6.7% from the year-ago tally. The figure beat the Zacks Consensus Estimate by 2.1%.

Quarter Ending **12/2019**

Report Date	Feb 04, 2020
Sales Surprise	1.12%
EPS Surprise	9.09%
Quarterly EPS	0.48
Annual EPS (TTM)	1.44

Revenues in Detail

Net sales at actual rates in the fourth quarter rose 2.6% on a year-over-year basis to \$413.5 million (up 4% at CER). Also, the top line beat the Zacks Consensus Estimate by 1.1%.

For 2019, revenues totaled \$1.53 billion, up 2% (up 4% at CER) from the year-ago tally. The figure beat the Zacks Consensus Estimate by 0.7%.

Geographical Revenue Update

In the quarter under review, sales from the Americas (44% of revenues) totaled \$180 million, up 6% on a reported basis (up 7% at CER). Revenues from Europe-Middle East-Africa (35% of revenues) rose 2% reportedly (up 5% at CER) to \$146 million. Further, revenues from Asia-Pacific/Japan (21% of revenues) fell 4% year over year on a reported basis (down 4% at CER) to \$87 million.

Segmental Details

As of the fourth 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 up 3% at CER to \$198 million.

Life Sciences (52% of total revenues) reported revenues of \$216 million, up 4% at CER. Sales derived from Applied Testing/Academia rose 3% at CER to \$138 million. Pharma sales climbed 5% at CER in the fourth quarter to \$78 million.

Operational Update

Gross profit in the quarter under review rose 5.6% to \$279.6 million. Gross margin expanded 195 basis points (bps) to 67.6%.

Adjusted operating income (excluding items like acquisition-related intangible amortization) rose 18.5% year over year to \$121.9 million in the fourth quarter. Adjusted operating margin expanded 397 bps to 29.5%.

Financial Update

QIAGEN exited 2019 with cash and cash equivalents of \$623.6 million, down from \$1.16 billion at the end of fiscal 2018. Cash flow from operating activities at the end of fiscal 2019 was \$330.8 million compared with \$359.5 million a year ago. Moreover, the company reported free cash flow of \$212.9 million at the end of fiscal 2019, compared with \$249.7 million a year ago.

2020 Guidance

QIAGEN has initiated its 2020 guidance. Total net sales growth is expected at about 3-4% at CER. The Zacks Consensus Estimate for 2020 revenues is pegged at \$1.60 billion.

Adjusted EPS guidance for the full year is estimated in the band of \$1.52-\$1.54 at CER. The Zacks Consensus Estimate for 2020 EPS is pinned at \$1.48.

Recent News

On **Feb 3, 2020**, QIAGEN announced the receipt of the CE Mark and launch of its *therascreen* PIK3CA RGQ PCR Kit in Europe as an aid in identifying breast cancer patients with a PIK3CA mutation.

On **Jan 16, 2020**, QIAGEN launched QIAGEN Clinical Insights (QCI) Precision Insights in Europe, with the inclusion of the European Society for Medical Oncology (ESMO) guidelines and European Medicines Agency (EMA) approved oncology drugs catalogue. The QCI fully integrates N-of-One product into portfolio.

On **Jan 13, 2020**, QIAGEN announced entering into a collaboration with Amgen to develop tissue-based *therascreen* test, paired with investigational treatment AMG 510, to identify patients whose cancers have KRAS G12C mutation.

On **Jan 9, 2020**, QIAGEN announced the 2,500th placement of QIAasymphony, the leading Sample to Insight workflow automation solution for molecular laboratories worldwide, in Tübingen, Germany.

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.

Valuation

QIAGEN shares are up 5.7% in the year-to-date period and down 2.5% in the trailing 12-month periods. Stocks in the Zacks sub-industry are up 0.6% while the Zacks Medical sector rose 3% in the year-to-date period. Over the past year, the Zacks sub-industry is down 0.7% and sector is up 5.3%.

The S&P 500 index is up 3.3% in the year-to-date period and increased 22.1% in the past year.

The stock is currently trading at 23.9X Forward 12-months earnings, which compares to 132.8X for the Zacks sub-industry, 21.6X for the Zacks sector and 19.1X 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 23.1X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$38 price target reflects 25.1x 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	23.91	132.75	21.55	19.08
	5-Year High	29.20	132.83	21.55	19.34
	5-Year Low	16.57	20.37	15.84	15.18
	5-Year Median	23.09	38.49	18.90	17.46
P/S F12M	Current	5.01	2.83	2.89	3.54
	5-Year High	6.11	2.96	3.82	3.54
	5-Year Low	3.44	2.01	2.44	2.54
	5-Year Median	4.74	2.55	2.95	3.00
P/B TTM	Current	3.27	3.89	4.64	4.54
	5-Year High	3.94	5.79	5.03	4.54
	5-Year Low	1.79	2.43	3.43	2.85
	5-Year Median	2.84	3.27	4.30	3.62

As of 2/6/2020

Industry Analysis Zacks Industry Rank: Top 29% (74 out of 255)



Top Peers

Alkermes plc (ALKS)	Neutral
SWEDISH ORP BIO (BIOVF)	Neutral
BioMarin Pharmaceutical Inc. (BMRN)	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 Neutral	HZNP Neutral	INCY Neutral
VGM Score	B	-	-	C	B	B
Market Cap	8.06 B	206.51 M	24.40 B	15.96 B	6.61 B	16.33 B
# of Analysts	7	3	13	10	6	6
Dividend Yield	0.00%	0.00%	1.75%	0.00%	0.00%	0.00%
Value Score	C	-	-	D	C	C
Cash/Price	0.11	0.23	0.04	0.05	0.14	0.13
EV/EBITDA	16.22	-3.58	14.17	-5,340.68	20.12	83.76
PEG Ratio	2.48	1.76	2.05	NA	1.48	0.72
Price/Book (P/B)	3.18	3.92	3.31	5.19	4.23	6.74
Price/Cash Flow (P/CF)	13.32	12.96	13.63	415.13	8.92	69.57
P/E (F1)	23.77	31.18	19.08	50.06	17.94	23.01
Price/Sales (P/S)	5.28	14.10	2.67	9.96	5.12	7.75
Earnings Yield	4.17%	-15.23%	5.24%	2.00%	5.58%	4.35%
Debt/Equity	0.56	0.02	0.71	0.27	0.87	0.02
Cash Flow (\$/share)	2.68	-1.08	6.89	0.21	3.96	1.09
Growth Score	B	-	-	A	B	A
Hist. EPS Growth (3-5 yrs)	7.59%	16.51%	10.80%	NA	13.57%	NA
Proj. EPS Growth (F1/F0)	4.50%	7.26%	7.23%	99.49%	4.99%	19.67%
Curr. Cash Flow Growth	9.25%	19.71%	9.51%	-246.03%	27.11%	26.38%
Hist. Cash Flow Growth (3-5 yrs)	4.46%	7.72%	8.55%	21.12%	78.04%	53.20%
Current Ratio	1.65	5.10	1.20	3.77	2.33	5.02
Debt/Capital	35.91%	3.95%	42.90%	21.53%	46.41%	2.01%
Net Margin	-2.72%	-200.17%	11.76%	-2.65%	5.25%	19.21%
Return on Equity	13.00%	-64.16%	16.98%	-1.35%	27.71%	20.07%
Sales/Assets	0.29	0.20	0.54	0.36	0.33	0.73
Proj. Sales Growth (F1/F0)	4.43%	17.19%	4.15%	15.20%	9.42%	15.09%
Momentum Score	A	-	-	F	D	C
Daily Price Chg	2.52%	0.00%	-0.11%	-0.15%	-0.79%	-0.25%
1 Week Price Chg	-3.38%	-3.24%	-2.60%	-3.08%	-4.35%	-4.78%
4 Week Price Chg	3.14%	0.00%	1.51%	-0.79%	-2.73%	-2.75%
12 Week Price Chg	-4.10%	15.33%	5.63%	17.58%	18.38%	-11.63%
52 Week Price Chg	-2.83%	-5.23%	17.01%	-5.22%	54.85%	-5.04%
20 Day Average Volume	2,657,239	210,526	1,961,054	1,256,267	1,450,422	1,317,188
(F1) EPS Est 1 week change	2.35%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	2.35%	0.00%	-0.00%	-0.23%	-2.96%	0.00%
(F1) EPS Est 12 week change	2.14%	0.00%	-0.16%	-0.23%	-3.88%	-0.18%
(Q1) EPS Est Mthly Chg	-0.35%	0.00%	0.00%	-5.88%	-8.33%	NA

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	B
Momentum Score	A
VGM Score	B

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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