

Repligen Corporation (RGEN)

\$92.50 (As of 12/31/19)

Price Target (6-12 Months): **\$107.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 12/31/19)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:D

Value: D

Growth: B

Momentum: D

Summary

Repligen is making good progress with its filtration and chromatography product franchisees, which recorded organic revenue growth of more than 40% each in the third quarter of 2019. In May, Repligen acquired C Technologies, which added a fourth franchise, — process analytics — which should drive revenues in the future quarters. The company raised its annual projection for revenues and earnings thrice this year. However, the bioprocessing market is highly competitive and is subject to a rapid change through product introductions. Moreover, the company is witnessing a slowdown in its proteins business as it is approaching the year-end after exceptional growth in the first half of 2019. This could be a matter of concern. Shares of the company have outperformed the industry in the past year.

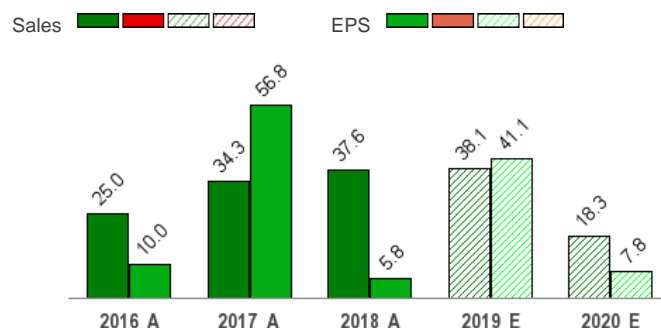
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$99.25 - \$49.07
20 Day Average Volume (sh)	394,724
Market Cap	\$4.8 B
YTD Price Change	75.4%
Beta	1.12
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical - Biomedical and Genetics
Zacks Industry Rank	Top 22% (56 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	30.0%
Last Sales Surprise	5.1%
EPS F1 Est- 4 week change	-0.0%
Expected Report Date	02/20/2020
Earnings ESP	0.0%
P/E TTM	87.3
P/E F1	89.8
PEG F1	5.1
P/S TTM	19.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	75 E	80 E	81 E	83 E	317 E
2019	61 A	71 A	69 A	68 E	268 E
2018	45 A	48 A	50 A	52 A	194 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.28 E	\$0.30 E	\$0.30 E	\$0.30 E	\$1.11 E
2019	\$0.28 A	\$0.31 A	\$0.26 A	\$0.18 E	\$1.03 E
2018	\$0.17 A	\$0.16 A	\$0.20 A	\$0.21 A	\$0.73 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 12/31/2019. The reports text is as of 01/02/2020.

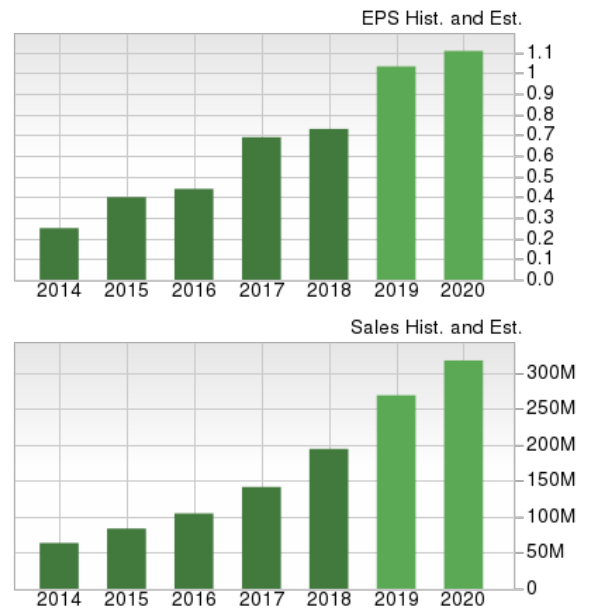
Overview

Waltham, MA-based Repligen Corporation is a leading provider of advanced bioprocessing technologies and solutions used by large biopharmaceutical companies and contract manufacturing organizations for manufacturing biologic drugs, such as monoclonal antibodies (mAbs) and gene therapies.

Repligen earns revenues from the sale of several products, which can be categorized mainly under three segments, namely Filtration, Chromatography and Protein products. The chromatography products include OPUS and OPUS PD chromatography columns, chromatography resins and ELISA test kits. Filtration products consist of XCell ATF Systems and consumables, KrosFlo filtration products and SIUS filtration products. Protein products comprise the Protein A ligands and cell culture growth factors.

In May 2019, the company acquired privately held bioprocess analytics company C Technologies for \$240 million in a cash-and-stock deal. The acquisition marks Repligen's entry into process analytics and adds its fourth franchise by the name Process Analytics products.

For 2018, the company generated total revenues of \$194.0 million, reflecting a year-over-year gain of 37%. Overall, organic revenue growth was 17% last year.



Reasons To Buy:

- ▲ **Shares Outperforming Industry:** Shares of Repligen have outperformed the industry in the past year. The stock has soared 87% compared to the industry's rise of 8.7%.
- ▲ **Encouraging Performance in First Nine Months:** In the first nine months of 2019, Repligen witnessed strong organic revenue growth. Following such encouraging results, the company raised its annual projection for revenues and earnings thrice this year. For 2019, it expects sales in the range of \$267-\$270 million, implying organic growth of 31-32%.

Repligen's two product franchises displayed strength in the first nine months of 2019 with filtration and chromatography business recording organic revenue growth of more than 40% each in the period.

Throughout the first nine months of 2019, order load remained strong and the company expects this momentum to continue in the upcoming quarters as well.

- ▲ **Biologics Drugs — A Fast Growing Area:** Repligen's end market, which constitutes biologic drugs, is one of the fastest-growing areas of pharmaceutical research. Only a small number of biologic drugs are approved from a few companies. This indicates the prevalence of an untapped market potential. The global biologics market consistently experiences strong growth and an expansion that has resulted in a need for advanced bioprocess technology, especially with rising demand for customized medicines. The company aims to be a trusted partner in bioprocess technology market for which the future looks promising.
- ▲ **C Technologies Acquisition Holds Promise:** The acquisition of C Technologies added a fourth franchise for Repligen, namely process analytics with focus on at-line and in-line protein concentration measurement. C Technologies is expected to add \$16-\$17 million to Repligen's revenues in about seven months of ownership in 2019. This is a huge positive for the company and to reflect the same, Repligen increased 2019 revenue guidance.

Repligen also has a strong cash position and therefore attractive acquisitions in this speedily-growing space cannot be ruled out.

Repligen's three product franchisees are generating significant revenues. C Technologies acquisition holds promise.

Risks

- **Protein Business Set to Slow Down:** Though Repligen had an encouraging first half of 2019, the company expects a slowdown in sales in its proteins business during the second half. It expects the proteins business to remain flat year over year as that has already secured substantial annual demand during the first half of 2019.
 - **Competition in Bioprocessing Market:** Repligen is likely to face fierce competition as many of its contenders may prove to be more successful in their production, marketing and commercialization activities. Bioprocessing products compete on the basis of quality, performance, cost-effectiveness and application suitability with numerous established technologies.
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Last Earnings Report

Repligen Beats on Q3 Earnings, Lifts 2019 Guidance

Repligen reported third-quarter 2019 earnings per share of 26 cents, beating the Zacks Consensus Estimate of 20 cents. The figure also surpassed the year-ago earnings of 20 cents.

The company's total revenues of \$69.4 million surpassed the Zacks Consensus Estimate of \$66 million. Additionally, the top line surged 40% year over year (42% at constant currency) on strong performance by the filtration and chromatography product franchises.

Excluding the impact of currency and acquisitions/divestitures, Repligen's revenues grew 28% organically year over year.

Quarter in Detail

In the reported quarter, adjusted research and development expenses were \$5.1 million, up 41.7% from the year-ago figure.

Adjusted selling, general and administrative expenses were \$18.7 million, reflecting an increase of 48.4% year over year.

As of Sep 30, 2019, Repligen had cash and cash equivalents of \$513.5 million compared with \$ 208.9 million at the end of Jun 30, 2019.

2019 Guidance

Repligen raised its previously issued annual forecast for revenues and earnings.

The company expects sales in the range of \$267-\$270 million, implying organic growth of 31-32%. Previously, revenues were expected in the range of \$ 264-\$268 million, indicating organic revenue growth of 29-31%.

Adjusted net income is projected in the range of \$50-\$52 million, lifted from the previous guidance of \$47-\$49 million. Adjusted income from operations is anticipated in the band of \$62-\$64 million, upped from \$60-\$62 million expected previously.

Adjusted EPS is envisioned in the range of \$1-\$1.04, raised from the previous view of 94-98 cents.

Quarter Ending 09/2019

Report Date	Oct 31, 2019
Sales Surprise	5.06%
EPS Surprise	30.00%
Quarterly EPS	0.26
Annual EPS (TTM)	1.06

Recent News

Completes Public Offering of Common Stock — Jul 19

Repligen announced that it has closed a public offering of 1,587,000 common shares at \$87 per share for a gross proceed of almost \$138.1 million and an aggregate \$250 million of 0.375% convertible senior notes due 2024.

Completes C Technologies Acquisition — May 31

Repligen announced that it has concluded the previously announced buyout of the privately held bioprocess analytics company C Technologies for a \$240-million cash-and-stock deal. The acquisition marks Repligen's foray into process analytics and the addition of a fourth franchise

Valuation

Repligen's shares are up 87% over the trailing 12-month period. Over the past year, the Zacks sub-industry and the sector are up 8.7% and 11.9%, respectively.

The S&P 500 index is up 30.7% in the past year.

The stock is currently trading at 4.61X trailing 12-month book value, which compares to 3.79X for the Zacks sub-industry, 4.59X for the Zacks sector and 4.41X for the S&P 500 index.

Over the past five years, the stock has traded as high as 12.36X and as low as 1.83X, with a 5-year median of 6.25X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$107 price target reflects 5.33X trailing 12-month book value.

The table below shows summary valuation data for RGEN

Valuation Multiples - RGEN					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	4.61	3.79	4.59	4.41
	5-Year High	12.36	5.68	5	4.42
	5-Year Low	1.83	2.43	3.47	2.9
	5-Year Median	6.25	3.24	4.26	3.6
P/S F12M	Current	17.93	2.46	2.94	3.51
	5-Year High	17.93	2.91	3.8	3.51
	5-Year Low	6.66	1.99	2.42	2.54
	5-Year Median	10.03	2.51	2.94	3

As of 12/31/2019

Industry Analysis Zacks Industry Rank: Top 22% (56 out of 253)



Top Peers

Agius Pharmaceuticals, Inc. (AGIO)	Neutral
Allergan plc (AGN)	Neutral
Amgen Inc. (AMGN)	Neutral
Danaher Corporation (DHR)	Neutral
Exelixis, Inc. (EXEL)	Neutral
ImmunoGen, Inc. (IMGN)	Neutral
MacroGenics, Inc. (MGNX)	Neutral
Puma Biotechnology, Inc. (PBYI)	Neutral

Industry Comparison Industry: Medical - Biomedical And Genetics				Industry Peers		
	RGEN Outperform	X Industry	S&P 500	DHR Neutral	MGNX Neutral	PBYI Neutral
VGM Score	D	-	-	F	F	B
Market Cap	4.82 B	191.92 M	23.93 B	110.24 B	532.66 M	340.91 M
# of Analysts	8	3	13	10	7	4
Dividend Yield	0.00%	0.00%	1.78%	0.44%	0.00%	0.00%
Value Score	D	-	-	F	F	D
Cash/Price	0.11	0.24	0.04	0.13	0.48	0.33
EV/EBITDA	103.57	-3.58	13.95	23.99	-1.88	-3.66
PEG Ratio	5.13	1.84	2.12	2.78	NA	NA
Price/Book (P/B)	4.61	3.77	3.33	3.49	2.08	19.81
Price/Cash Flow (P/CF)	82.61	13.34	13.67	23.84	NA	NA
P/E (F1)	89.81	24.86	19.66	32.32	NA	NA
Price/Sales (P/S)	19.06	12.41	2.69	5.39	9.72	1.22
Earnings Yield	1.11%	-16.69%	5.08%	3.09%	-31.25%	-24.46%
Debt/Equity	0.25	0.02	0.72	0.52	0.11	6.84
Cash Flow (\$/share)	1.12	-1.07	6.94	6.44	-3.86	-2.79
Growth Score	B	-	-	C	D	B
Hist. EPS Growth (3-5 yrs)	37.95%	17.09%	10.56%	2.97%	NA	NA
Proj. EPS Growth (F1/F0)	41.44%	0.00%	0.00%	5.30%	18.50%	32.11%
Curr. Cash Flow Growth	30.32%	19.98%	14.83%	10.54%	1,216.13%	-63.27%
Hist. Cash Flow Growth (3-5 yrs)	20.59%	8.69%	9.00%	6.62%	NA	-50.86%
Current Ratio	16.03	5.15	1.23	3.43	4.79	1.71
Debt/Capital	19.69%	3.95%	42.92%	33.25%	10.07%	87.25%
Net Margin	9.28%	-196.01%	11.08%	12.13%	-303.08%	-33.90%
Return on Equity	6.50%	-63.46%	17.10%	11.42%	-59.67%	-325.89%
Sales/Assets	0.25	0.21	0.55	0.38	0.15	1.06
Proj. Sales Growth (F1/F0)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Momentum Score	D	-	-	F	B	A
Daily Price Chg	0.66%	0.09%	0.33%	0.42%	3.82%	4.04%
1 Week Price Chg	-0.91%	0.83%	0.13%	0.02%	-1.19%	4.84%
4 Week Price Chg	5.37%	2.74%	3.67%	4.63%	16.99%	-6.42%
12 Week Price Chg	22.89%	15.04%	10.64%	13.17%	-5.56%	11.32%
52 Week Price Chg	75.39%	-0.17%	27.46%	48.84%	-14.33%	-57.00%
20 Day Average Volume	394,724	209,664	1,693,267	27,580,084	569,487	1,785,081
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.03%	0.00%	0.00%	-0.17%	-0.81%	0.85%
(F1) EPS Est 12 week change	6.08%	1.68%	0.14%	-0.76%	-4.81%	19.94%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-0.58%	-0.23%	6.15%

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	D
Growth Score	B
Momentum Score	D
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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