

Repligen Corporation (RGEN)

\$129.96 (As of 06/01/20)

Price Target (6-12 Months): **\$137.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 12/31/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:B

Value: C

Growth: B

Momentum: A

Summary

Repligen's earnings and revenues beat estimates for Q1. The company is progressing well with its filtration and chromatography product franchisees, which recorded organic revenue growth of more than 30% and 40%, respectively, in 2019. The May 2019 acquisition of C Technologies added a fourth franchise, process analytics, to Repligen's portfolio, which should drive revenues in the future quarters. C Technologies added substantial revenues in the first quarter of 2020 with strong demand in Europe and Asia. 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, which is a concern. Shares have outperformed the industry year to date.

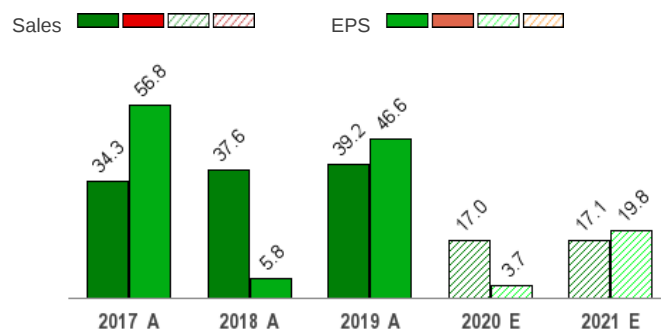
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$143.93 - \$68.50
20 Day Average Volume (sh)	519,340
Market Cap	\$6.8 B
YTD Price Change	40.5%
Beta	1.07
Dividend / Div Yld	\$0.00 / 0.0%
Industry	<u>Medical - Biomedical and Genetics</u>
Zacks Industry Rank	Top 10% (25 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	45.5%
Last Sales Surprise	5.8%
EPS F1 Est- 4 week change	9.8%
Expected Report Date	08/06/2020
Earnings ESP	0.7%
P/E TTM	119.2
P/E F1	117.1
PEG F1	6.7
P/S TTM	23.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	87 E	92 E	94 E	96 E	370 E
2020	76 A	79 E	79 E	83 E	316 E
2019	61 A	71 A	69 A	69 A	270 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.30 E	\$0.32 E	\$0.33 E	\$0.33 E	\$1.33 E
2020	\$0.32 A	\$0.28 E	\$0.26 E	\$0.28 E	\$1.11 E
2019	\$0.28 A	\$0.31 A	\$0.26 A	\$0.20 A	\$1.07 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 06/01/2020. The reports text is as of 06/02/2020.

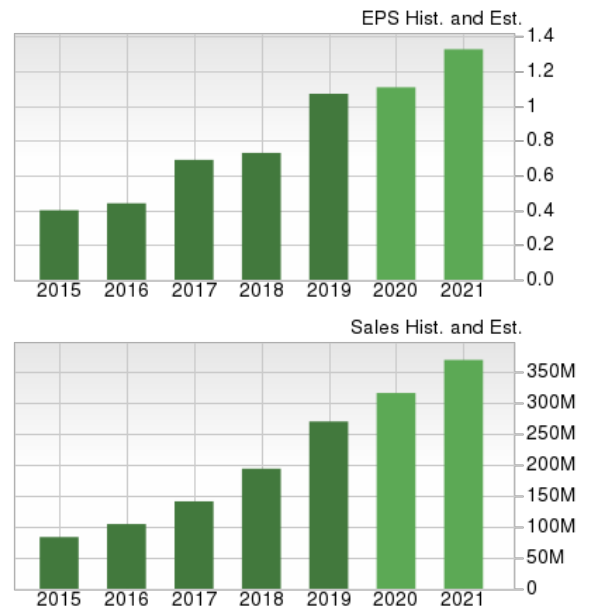
Overview

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 2019, the company's total revenues of \$270.2 million were up 39% year over year. Overall, organic revenue growth was 33% last year.



Reasons To Buy:

- ▲ **Shares Outperforming Industry:** Shares of Repligen have outperformed the industry year to date.
- ▲ **Encouraging Performance in 2019, 2020 Off to a Strong Start:** Repligen witnessed strong overall organic revenue growth of 33% as all three product franchises accelerated well in 2019. Based on such encouraging results, the company expects total revenues in the range of \$309-\$319 million during 2020, implying organic growth of 10-14%.

Repligen's two product franchises displayed strength in 2019 with filtration and chromatography business recording organic revenue growth of more than 30% and 40%, respectively, for the year.

In first-quarter 2020, Repligen saw continued growth in the filtration and chromatography businesses as customers continue to adopt these key technologies. With robust orders in the quarter, these businesses are well-positioned for an excellent performance in 2020.

- ▲ **C Technologies Acquisition Holds Promise:** The buyout 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 added \$16.4 million to Repligen's revenues in about seven months of its ownership during 2019. Per management, on a pro forma basis, this revenue represented year-over-year growth of 22% for C Technologies. Repligen expects C Technologies to generate approximately \$32 million of revenues in 2020.
 - ▲ **Favorable Debt Profile:** Repligen has a favorable debt profile. As of Mar 31, 2020, the company's total debt (current and long-term debt) was approximately \$267 million. The company's cash, cash equivalents and marketable securities worth approximately \$539 million at March-end should be sufficient to meet its debt obligations in case of insolvency.
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Repligen's product franchisees are generating significant revenues. C Technologies acquisition holds promise.

Reasons To Sell:

- ▼ **Protein Business Set to Slow Down:** Though Repligen's Protein unit saw decent sales growth in the first half of 2019, the same slowed down during the second half. The proteins business growth is set to decelerate (expected 4-5%) in 2020 compared to other franchisees. The company expects proteins business to be down annually. This remains a headwind for the current year.
- ▼ **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.

Stiff competition in the bioprocessing products market remains a constant worry for Repligen.

Last Earnings Report

Repligen Beats on Q1 Earnings and Sales

Repligen delivered first-quarter 2020 earnings per share of 32 cents, beating the Zacks Consensus Estimate of 22 cents. The bottom line also surpassed the year-ago earnings of 28 cents.

Moreover, total revenues of \$76.1 million exceeded the Zacks Consensus Estimate of \$72 million. Additionally, the top line improved 25% year over year (26% at constant currency) on strong performances by the filtration and chromatography product franchises.

Excluding the impact of currency and acquisitions/divestitures, Repligen's revenues grew 16% organically year over year in the fourth quarter of 2019.

Quarter in Detail

In the reported quarter, adjusted research and development expenses were \$4.4 million, up 22.2% from the year-ago figure.

Adjusted selling, general and administrative expenses were \$21.8 million, surging 47.2% year over year.

Adjusted gross margin was 58.5%, reflecting a 250-bps improvement from the 2019-level. Adjusted operating income was \$18.3 million, increasing 18% year over year.

As of Mar 31, 2020, Repligen had cash and cash equivalents worth \$529.5 million compared with \$528.4 million on Dec 31, 2019.

2020 Guidance

Repligen reiterated its revenue guidance for the full year.

The company expects total revenues in the range of \$309-\$319 million, implying organic growth of 10-14%.

However, adjusted net income is projected in the \$58-\$61 million band, indicating an increase from the previous guidance of \$57-\$60 million while adjusted operating income is anticipated within \$72-\$76 million, suggesting a rise from the past view of \$70-\$74 million.

Adjusted EPS is anticipated within \$1.09-\$1.14, implying growth from the earlier guidance of \$1.07-\$1.12 for 2020.

Quarter Ending **03/2020**

Report Date	May 06, 2020
Sales Surprise	5.76%
EPS Surprise	45.45%
Quarterly EPS	0.32
Annual EPS (TTM)	1.09

Recent News

Appoints Board of Director — Feb 27

Repligen announced that it has appointed Dr. Rohin Mhatre to its board of directors.

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.

Valuation

Repligen's shares are up 40.5% in the year-to-date period and 87% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Medical sector are up 9.5% and down 0.1% respectively, in the year-to-date period. Over the past year, the Zacks sub-industry is up 17.9% and the sector is up 7.1%.

The S&P 500 index is down 5.4% in the year-to-date period but up 11.1% in the past year.

The stock is currently trading at 6.35X trailing 12-month book value, which compares to 4.36X for the Zacks sub-industry, 4.28X for the Zacks sector and 4.17X for the S&P 500 index.

Over the past five years, the stock has traded as high as 12.36X and as low as 1.92X, with a 5-year median of 5.45X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$137.00 price target reflects 6.69X 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	6.35	4.36	4.28	4.17
	5-Year High	12.36	5.46	5.07	4.56
	5-Year Low	1.92	2.45	2.93	2.83
	5-Year Median	5.45	3.33	4.29	3.65
P/S TTM	Current	24.16	3.55	3.11	3.28
	5-Year High	26.11	4.69	4.09	3.68
	5-Year Low	8.07	2.16	2.29	2.43
	5-Year Median	12.73	2.67	3.22	3.19

As of 06/01/2020

Industry Analysis Zacks Industry Rank: Top 10% (25 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
AbbVie Inc. (ABBV)	Outperform	1
Agiros Pharmaceuticals, Inc. (AGIO)	Outperform	2
Puma Biotechnology, Inc. (PBYI)	Outperform	2
Amgen Inc. (AMGN)	Neutral	3
Danaher Corporation (DHR)	Neutral	3
Exelixis, Inc. (EXEL)	Neutral	3
ImmunoGen, Inc. (IMGN)	Neutral	3
MacroGenics, Inc. (MGNX)	Neutral	3

Industry Comparison Industry: Medical - Biomedical And Genetics				Industry Peers		
	RGEN	X Industry	S&P 500	DHR	MGNX	PBYI
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	2	-	-	3	3	2
VGM Score	B	-	-	D	F	C
Market Cap	6.80 B	231.82 M	21.80 B	115.35 B	1.04 B	416.87 M
# of Analysts	8	3	14	9	6	4
Dividend Yield	0.00%	0.00%	1.97%	0.44%	0.00%	0.00%
Value Score	C	-	-	D	F	C
Cash/Price	0.08	0.23	0.06	0.04	0.18	0.27
EV/EBITDA	115.81	-3.92	12.62	29.40	-6.33	-8.10
PEG Ratio	6.68	1.89	2.92	3.73	NA	NA
Price/Book (P/B)	6.35	4.29	2.98	3.91	5.44	44.43
Price/Cash Flow (P/CF)	92.18	15.41	11.85	26.61	NA	NA
P/E (F1)	116.83	28.48	21.45	33.88	NA	NA
Price/Sales (P/S)	23.79	15.65	2.30	5.94	15.20	1.86
Earnings Yield	0.85%	-13.32%	4.48%	2.95%	-15.64%	-7.93%
Debt/Equity	0.25	0.02	0.76	0.77	0.14	12.55
Cash Flow (\$/share)	1.41	-1.05	6.96	6.21	-2.88	-1.73
Growth Score	B	-	-	C	D	C
Hist. EPS Growth (3-5 yrs)	35.43%	16.29%	10.87%	2.50%	NA	NA
Proj. EPS Growth (F1/F0)	3.50%	7.89%	-10.79%	10.43%	-4.38%	56.92%
Curr. Cash Flow Growth	49.45%	13.18%	5.46%	1.84%	-13.61%	-36.43%
Hist. Cash Flow Growth (3-5 yrs)	43.17%	7.77%	8.55%	5.87%	NA	8.83%
Current Ratio	15.56	5.18	1.29	1.32	4.93	1.75
Debt/Capital	19.70%	4.34%	44.75%	42.26%	12.25%	92.62%
Net Margin	8.11%	-203.29%	10.59%	16.85%	-222.14%	-36.72%
Return on Equity	5.55%	-63.33%	16.29%	11.52%	-62.43%	-500.98%
Sales/Assets	0.22	0.20	0.55	0.32	0.21	0.96
Proj. Sales Growth (F1/F0)	17.01%	0.00%	-2.67%	2.71%	-5.22%	-11.28%
Momentum Score	A	-	-	D	A	A
Daily Price Chg	-0.78%	0.00%	0.80%	-0.74%	9.67%	3.72%
1 Week Price Chg	-6.12%	0.00%	4.60%	5.28%	-24.16%	-12.81%
4 Week Price Chg	14.06%	10.86%	8.94%	2.64%	195.10%	2.42%
12 Week Price Chg	42.06%	11.81%	8.65%	16.80%	222.63%	11.36%
52 Week Price Chg	87.01%	-0.66%	0.08%	25.36%	12.77%	-28.93%
20 Day Average Volume	519,340	283,037	2,465,511	3,507,177	8,294,579	1,150,555
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	9.79%	0.00%	-0.27%	-0.04%	0.95%	43.62%
(F1) EPS Est 12 week change	3.65%	0.31%	-16.20%	-10.40%	1.33%	43.05%
(Q1) EPS Est Mthly Chg	9.44%	0.00%	-0.83%	-13.53%	6.40%	37.40%

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	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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