Repligen Corporation (RGEN)

$142.93 (As of 08/12/20)

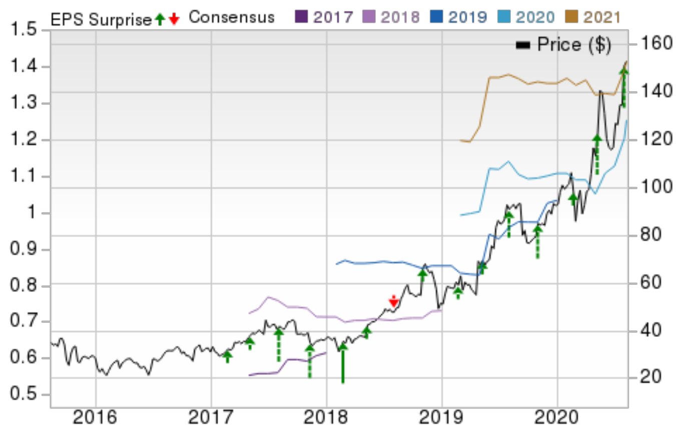
Price Target (6-12 Months): **$165.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 08/12/20) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**1-Strong Buy**
	Zacks Style Scores:	VGM:D
	Value: F | Growth: D | Momentum: A	

Summary

Repligen beat on earnings and revenues in the second quarter. The company is progressing well with all its product franchisees — filtration, chromatography protein and process analytics — performing well in the first half of 2020. The May 2019 acquisition of C Technologies added a fourth franchise, which is process analytics to Repligen's portfolio that is also driving revenues. However, the bioprocessing market is highly competitive and is subject to a rapid change through product introductions. Moreover, the company is expecting a sluggish proteins business in the second half, which is a concern. Shares have outperformed the industry year to date.

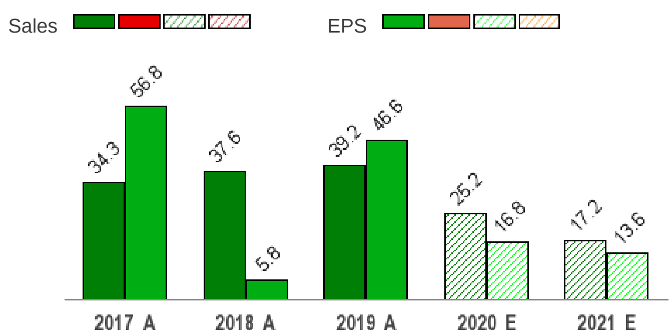
Price, Consensus & Surprise



Data Overview

52 Week High-Low	**$159.97 - $72.32**
20 Day Average Volume (sh)	**477,908**
Market Cap	**$7.5 B**
YTD Price Change	**54.5%**
Beta	**1.14**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Medical - Biomedical and Genetics**
Zacks Industry Rank	**Bottom 35% (164 out of 253)**
Last EPS Surprise	**50.0%**
Last Sales Surprise	**12.0%**
EPS F1 Est- 4 week change	**13.8%**
Expected Report Date	**10/29/2020**
Earnings ESP	**0.0%**
P/E TTM	**119.1**
P/E F1	**114.3**
PEG F1	**6.5**
P/S TTM	**24.8**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	90 E	101 E	102 E	103 E	396 E
2020	76 A	87 A	85 E	88 E	338 E
2019	61 A	71 A	69 A	69 A	270 A

EPS Estimates

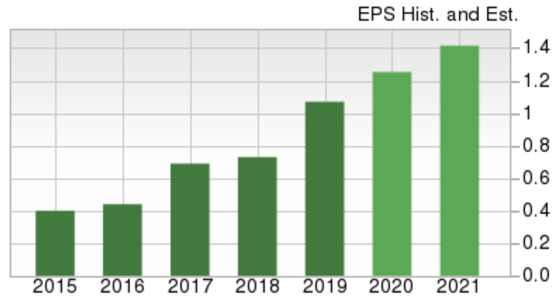
	Q1	Q2	Q3	Q4	Annual*
2021	$0.33 E	$0.37 E	$0.37 E	$0.38 E	$1.42 E
2020	$0.32 A	$0.42 A	$0.28 E	$0.27 E	$1.25 E
2019	$0.28 A	$0.31 A	$0.26 A	$0.20 A	$1.07 A

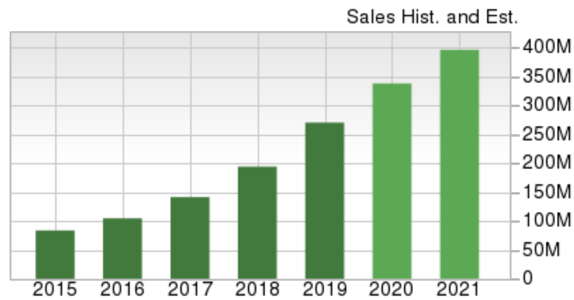
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/12/2020. The reports text is as of 08/13/2020.

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.

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%.

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:

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

▲ **Shares Outperforming Industry:** Shares of Repligen have outperformed the industry year to date.

▲ **2020 Off to a Strong Start:** Repligen witnessed solid overall organic revenue growth of 17% in the first half of 2020 as all the product franchises accelerated well. Based on such encouraging results, the company expects total revenues in the range of $332-$340 million during 2020, implying organic growth of 18-21%.

Repligen's all product franchises displayed strength with filtration, chromatography and specially protein doing extremely well in the first half

Filtration business is expected to deliver organic growth in the range of 25-30% while chromatography products are expected to achieve 15-20% organic growth during the second half of 2020. Process analytics franchise is expected to achieve 25% pro forma growth for 2020.

In the first six months of 2020, Repligen saw continued growth across all the product businesses as customers continue to adopt these key technologies due the ongoing COVID-19 pandemic. With robust orders during this time, these businesses are well-positioned for an excellent performance in 2020.

▲ **C Technologies' Acquisition Holds Promise:** In May 2019, Repligen completed the buyout of C Technologies to add a fourth franchise, namely process analytics with focus on at-line and in-line protein concentration measurement. Revenues recorded from C Technologies were $14.3 million for the six months ended Jun 30, 2020. Per management, on a pro forma basis, this revenue recognition represented year-over-year growth of 29% for C Technologies. Repligen expects C Technologies to generate approximately $32 million of revenues in 2020.

Meanwhile, in July 2020, Repligen acquired New York-based Engineered Molding Technology. The deal is likely to provide Repligen with core competency in silicone extrusion and molding, and strengthen the supply chain for single-use components.

▲ **Favorable Debt Profile:** Repligen has an favorable debt profile. As of Jun 30, 2020, the company's total debt (current and long-term debt) was approximately $268 million. The company's cash, cash equivalents and marketable securities worth approximately $560 million at June-end should be sufficient to meet its debt obligations in case of insolvency. Moreover, the company's debt to total capital ratio of 19.6 as of June-end reflects an improvement from 19.9 at March-end. A lower ratio indicates lesser financial risk.

Risks

- **Protein Business Set to Slow Down:** Though Repligen's Protein unit saw robust sales growth in the first half of 2020, the same is expected to decelerate during the second half. The proteins business growth is projected to register 40-45% revenue growth during the second half of 2020, indicating a fall from 55-60% revenues shipped in the first half of the year. This remains a headwind for the company.
- **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. Though the bioprocessing market is really strong right now, but competition looms large on Repligen

Last Earnings Report

Repligen Beats on Q2 Earnings and Sales

Quarter Ending	06/2020
Report Date	**Jul 30, 2020**
Sales Surprise	**11.98%**
EPS Surprise	**50.00%**
Quarterly EPS	**0.42**
Annual EPS (TTM)	**1.20**

Repligen delivered second-quarter 2020 earnings per share of 42 cents, beating the Zacks Consensus Estimate of 28 cents. The bottom line also surpassed the year-ago earnings of 31 cents.

Moreover, total revenues of $87.5 million exceeded the Zacks Consensus Estimate of $78 million. Additionally, the top line improved 24% year over year (25% at constant currency) on strong performances by all the product franchises with proteins being the major driver.

Excluding the impact of currency and acquisitions/divestures, Repligen's revenues grew 19% organically year over year in the second quarter of 2020.

Quarter in Detail

Adjusted gross margin was 58.2% in the second quarter driven by robust sales volumes across all franchisees.

In the reported quarter, adjusted research and development expenses were $4.1 million, down 19.6% from the year-ago figure.

Adjusted selling, general and administrative expenses were $21.2 million, surging 30.8% year over year.

Adjusted operating income was $25.5 million, increasing 27% year over year.

As of Jun 30, 2020, Repligen had cash and cash equivalents worth $560.4 million compared with $529.5 million on Mar 31, 2020.

2020 Guidance

Based on strong performance of all the product franchisees, Repligen raised its revenue guidance for the full year.

The company now expects total revenues in the range of $332-$340 million for the current year compared to the earlier projection of $309-$319 million, implying organic growth of 18%-21%.

Adjusted net income is projected in the $66-$69 million band, indicating an increase from the previous guidance of $58-$61 million. Adjusted operating income is anticipated within $81-$84 million, suggesting a rise from the past view of $72-$76 million.

Adjusted EPS is anticipated within $1.24-$1.29, up from the prior guidance of $1.09-$1.14 for 2020.

Recent News

Completes Acquisition of Engineered Molding Technology — Jul 13

Repligen closed the previously announced acquisition of New York-based Engineered Molding Technology, a silicone molding and tubing manufacturer.With this deal, Repligen is looking to enhance its single-use portfolio.

To Acquire Engineered Molding Technology – Jun 29

Repligen announced that it has entered into an agreement to acquire New York-based Engineered Molding Technology, an innovator and manufacturer of single-use silicone assemblies and components used in the manufacturing of biologic drugs. Financial terms of the deal have kept under wraps.

The transaction is expected to close in the third quarter of 2020.

Appoints Board of Director — Jun 15

Repligen announced that it has appointed Ms. Carrie Eglinton Manner to its board of directors.

Valuation

Repligen's shares are up 54.5% in the year-to-date period and 61% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Medical sector are up 2.5% and down 0.3% respectively, in the year-to-date period. Over the past year, the Zacks sub-industry is up 16.8% and the sector is up 9.3%.

The S&P 500 index is up 3.3% in the year-to-date period and up 17.5% in the past year.

The stock is currently trading at 6.82X trailing 12-month book value, which compares to 2.83X for the Zacks sub-industry, 4.35X for the Zacks sector and 4.64X for the S&P 500 index.

Over the past five years, the stock has traded as high as 10.46X and as low as 1.92X, with a 5-year median of 5.45X. Our Outperform recommendation indicates that the stock will perform better than the market. Our $165.00 price target reflects 7.87X 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	6.82	2.83	4.35	4.64
	5-Year High	10.46	6.01	5.07	4.68
	5-Year Low	1.92	2.06	2.94	2.83
	5-Year Median	5.45	3.87	4.3	3.74
P/S TTM	Current	25.19	3.37	3.06	3.73
	5-Year High	27.89	4.98	3.99	3.76
	5-Year Low	8.07	2.24	2.29	2.43
	5-Year Median	12.72	3.21	3.18	3.21

As of 08/12/2020

Industry Analysis **Zacks Industry Rank:** Bottom 35% (164 out of 253)

Top Peers

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

Industry Comparison Industry: Medical - Biomedical And Genetics

Industry Peers

	RGEN	X Industry	S&P 500	DHR	MGNX	PBYI
Zacks Recommendation (Long Term)	Outperform	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	2	3	3
VGM Score	D	-	-	D	F	C
Market Cap	7.50 B	261.38 M	23.75 B	146.08 B	1.44 B	393.59 M
# of Analysts	5	2.5	14	8	5	4
Dividend Yield	0.00%	0.00%	1.68%	0.35%	0.00%	0.00%
Value Score	F	-	-	D	F	D
Cash/Price	0.07	0.22	0.07	0.04	0.16	0.27
EV/EBITDA	128.01	-3.77	13.35	36.10	-8.77	-7.66
PEG Ratio	6.53	1.93	2.98	3.26	NA	NA
Price/Book (P/B)	6.82	3.99	3.20	4.43	5.82	16.69
Price/Cash Flow (P/CF)	101.38	16.95	12.97	33.14	NA	NA
P/E (F1)	114.34	25.34	22.17	37.97	NA	NA
Price/Sales (P/S)	24.81	16.08	2.54	7.47	18.53	1.63
Earnings Yield	0.87%	-13.50%	4.31%	2.63%	-13.01%	-9.17%
Debt/Equity	0.24	0.01	0.77	0.68	0.10	5.03
Cash Flow ($/share)	1.41	-1.07	6.94	6.21	-2.88	-1.73
Growth Score	D	-	-	C	F	B
Hist. EPS Growth (3-5 yrs)	33.20%	17.80%	10.41%	2.68%	NA	NA
Proj. EPS Growth (F1/F0)	17.13%	15.46%	-6.32%	22.71%	-9.81%	53.46%
Curr. Cash Flow Growth	49.45%	14.65%	5.22%	1.84%	-13.61%	-36.43%
Hist. Cash Flow Growth (3-5 yrs)	43.17%	7.73%	8.55%	5.87%	NA	8.83%
Current Ratio	15.48	5.69	1.33	2.20	5.67	1.68
Debt/Capital	19.38%	3.38%	44.59%	38.15%	9.38%	83.42%
Net Margin	10.23%	-201.60%	10.13%	17.73%	-214.06%	-17.25%
Return on Equity	5.93%	-59.21%	14.59%	11.88%	-72.15%	-246.80%
Sales/Assets	0.22	0.18	0.51	0.30	0.25	1.01
Proj. Sales Growth (F1/F0)	24.14%	5.03%	-1.40%	6.73%	11.19%	-14.11%
Momentum Score	A	-	-	C	F	F
Daily Price Chg	0.65%	0.00%	0.67%	2.95%	-0.26%	-1.10%
1 Week Price Chg	1.23%	3.55%	2.30%	0.79%	7.95%	-0.39%
4 Week Price Chg	9.13%	-1.64%	4.87%	9.33%	-7.40%	0.51%
12 Week Price Chg	2.77%	2.66%	13.54%	29.52%	3.33%	-18.76%
52 Week Price Chg	60.94%	12.67%	6.06%	51.01%	78.75%	-1.29%
20 Day Average Volume	477,908	346,642	2,006,991	2,387,378	406,397	968,512
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	-8.68%
(F1) EPS Est 4 week change	13.79%	0.00%	1.95%	10.94%	-12.96%	-8.04%
(F1) EPS Est 12 week change	12.95%	1.47%	2.72%	11.02%	-12.59%	3.46%
(Q1) EPS Est Mthly Chg	6.98%	0.00%	0.84%	7.54%	-6.56%	-188.24%

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	F
Growth Score	D
Momentum Score	A
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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