

Repligen Corporation (RGEN)

\$84.96 (As of 02/25/20)

Price Target (6-12 Months): **\$90.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 02/24/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: D

Growth: B

Momentum: D

Summary

Repligen beat on earnings and revenues in fourth-quarter 2019. 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. Last May, Repligen acquired C Technologies, which added a fourth franchise, process analytics, which should drive revenues in the future quarters. C Technologies added substantial revenues in the seven months of Repligen's ownership in 2019. 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 of the company have outperformed the industry in the past year.

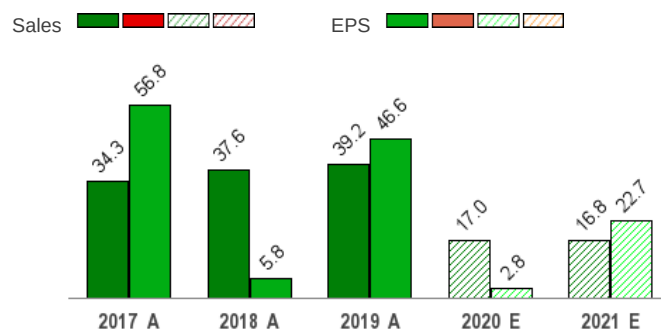
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$109.94 - \$52.87
20 Day Average Volume (sh)	398,985
Market Cap	\$4.4 B
YTD Price Change	-8.2%
Beta	1.25
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical - Biomedical and Genetics
Zacks Industry Rank	Top 38% (97 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	11.1%
Last Sales Surprise	1.8%
EPS F1 Est- 4 week change	-0.9%
Expected Report Date	05/14/2020
Earnings ESP	-6.1%
P/E TTM	80.9
P/E F1	77.2
PEG F1	4.4
P/S TTM	16.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	85 E	91 E	95 E	97 E	369 E
2020	73 E	79 E	81 E	84 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	\$0.33 E	\$0.34 E	\$0.35 E	\$1.35 E
2020	\$0.25 E	\$0.29 E	\$0.30 E	\$0.30 E	\$1.10 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 02/25/2020. The reports text is as of 02/26/2020.

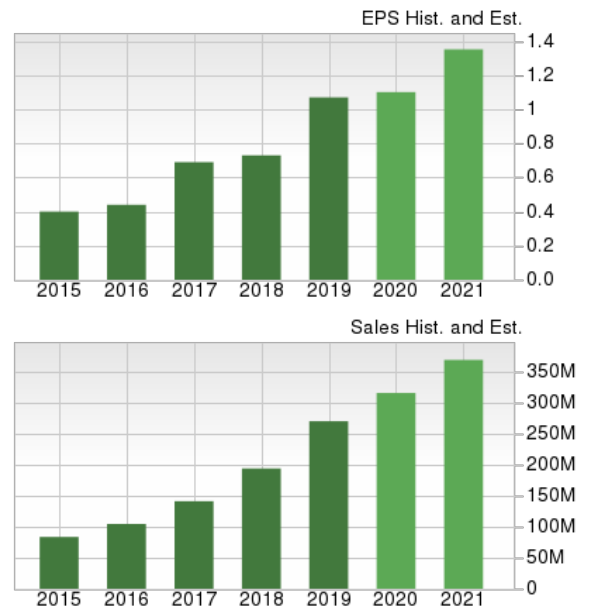
Overview

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 in the past year. The stock has rallied 42.3% against the industry's decrease of 7%.
- ▲ **Encouraging Performance in 2019:** Repligen witnessed strong overall organic revenue growth of 33% as all three product franchises accelerated well. 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.

For 2020, Repligen expects filtration franchise to grow approximately 25% while chromatography is expected to rise above 15% on strong customer demand.

- ▲ **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 added \$16.4 million to Repligen's revenues in about seven months of its ownership during 2019. Repligen expects C Technologies to generate approximately \$32 million of revenues in 2020.

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

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

Reasons To Sell:

- ▼ **Protein Business Set to Slow Down:** Though Repligen had an encouraging first half of 2019, the company saw a slowdown in sales in its proteins business during the second half. Compared to its filtration (expected growth of 25%) and chromatography (expected growth 20%) product franchises, the proteins business is set to see slow growth (expected 4-5%) in 2020. This remains a headwind for the company in 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 Q4 Earnings and Sales

Repligen reported fourth-quarter 2019 earnings per share of 20 cents, beating the Zacks Consensus Estimate of 18 cents. The figure also surpassed the year-ago earnings of 19 cents.

Total revenues of \$69.5 million also exceeded the Zacks Consensus Estimate of \$68 million. Additionally, the top line surged 34% year over year (35% 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 21% organically year over year in the fourth quarter.

Quarter Ending **12/2019**

Report Date	Feb 20, 2020
Sales Surprise	1.78%
EPS Surprise	11.11%
Quarterly EPS	0.20
Annual EPS (TTM)	1.05

Quarter in Detail

In the reported quarter, adjusted research and development expenses were \$4.9 million, up 63.3% from the year-ago figure.

Adjusted selling, general and administrative expenses were \$22.2 million, surging 54.2% year over year.

Adjusted gross margin was 57.2%, reflecting a 240-bps improvement compared from the 2018-level. Adjusted operating income was \$12.7 million, reflecting an increase of 15% year over year.

As of Dec 31, 2019, Repligen had cash and cash equivalents worth \$528.4 million compared with \$513.5 million on Sep 30, 2019.

2020 Guidance

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

Adjusted net income is projected in the range of \$57-\$60 million while adjusted operating income is anticipated in the band of \$70-\$74 million.

Adjusted EPS is anticipated within \$1.07-\$1.12 for 2020.

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 down 8.2% in the year-to-date period but up 42.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Medical sector are down 0.3% and 1.5% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 7% and the sector is down 1.4%.

The S&P 500 index is flat in the year-to-date period and up 14.7% in the past year.

The stock is currently trading at 4.23X trailing 12-month book value, which compares to 3.85X for the Zacks sub-industry, 4.48X for the Zacks sector and 4.66X for the S&P 500 index.

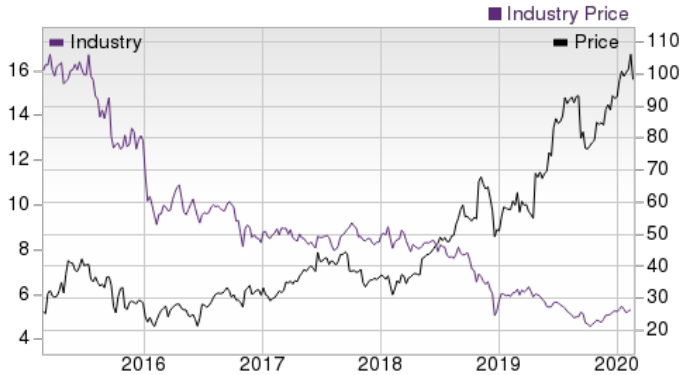
Over the past five years, the stock has traded as high as 12.36X and as low as 1.92X, with a 5-year median of 5.75X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$90.00 price target reflects 4.48X trailing 12-month book value.

The table below shows summary valuation data for RGEN

Valuation Multiples - RGEN					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	4.23	3.85	4.48	4.66
	5-Year High	12.36	5.8	5.05	4.9
	5-Year Low	1.92	2.44	3.44	2.85
	5-Year Median	5.75	3.28	4.32	3.62
P/S TTM	Current	16.66	2.8	3.1	3.58
	5-Year High	21.4	5.04	4.16	3.77
	5-Year Low	8.07	2.13	2.73	2.51
	5-Year Median	12.72	2.67	3.27	3.17

As of 02/25/2020

Industry Analysis Zacks Industry Rank: Top 38% (97 out of 255)



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 Neutral	X Industry	S&P 500	DHR Neutral	MGNX Neutral	PBYI Neutral
VGM Score	C	-	-	C	F	B
Market Cap	4.42 B	192.97 M	22.56 B	105.58 B	538.05 M	440.65 M
# of Analysts	8	3	13	7	7	4
Dividend Yield	0.00%	0.00%	1.88%	0.45%	0.00%	0.00%
Value Score	D	-	-	D	F	D
Cash/Price	0.10	0.21	0.04	0.17	0.45	0.21
EV/EBITDA	94.64	-3.33	13.36	23.63	-1.91	-4.70
PEG Ratio	4.47	2.31	1.94	2.39	NA	NA
Price/Book (P/B)	4.23	3.74	3.09	3.80	2.11	25.61
Price/Cash Flow (P/CF)	75.88	13.18	12.57	24.41	NA	NA
P/E (F1)	78.23	33.57	17.93	27.80	NA	NA
Price/Sales (P/S)	16.37	13.54	2.51	5.29	8.38	1.62
Earnings Yield	1.29%	-15.50%	5.55%	3.59%	-30.66%	-12.02%
Debt/Equity	0.25	0.02	0.70	0.75	0.11	6.84
Cash Flow (\$/share)	1.12	-1.07	7.02	6.21	-3.86	-2.79
Growth Score	B	-	-	C	C	B
Hist. EPS Growth (3-5 yrs)	37.89%	18.80%	10.85%	2.72%	NA	NA
Proj. EPS Growth (F1/F0)	2.93%	6.25%	6.86%	23.40%	-6.74%	30.51%
Curr. Cash Flow Growth	30.32%	16.68%	6.53%	-1.09%	1,216.13%	-63.27%
Hist. Cash Flow Growth (3-5 yrs)	20.59%	8.23%	8.38%	5.87%	NA	-50.86%
Current Ratio	16.03	4.98	1.22	5.19	4.79	1.71
Debt/Capital	19.69%	3.94%	42.37%	41.54%	10.07%	87.25%
Net Margin	7.92%	-220.78%	11.57%	15.09%	-236.51%	-27.76%
Return on Equity	6.18%	-64.46%	16.80%	11.50%	-52.33%	-275.17%
Sales/Assets	0.25	0.21	0.54	0.35	0.17	1.02
Proj. Sales Growth (F1/F0)	17.03%	15.18%	4.03%	6.62%	20.47%	-10.89%
Momentum Score	D	-	-	A	D	A
Daily Price Chg	-8.36%	-2.89%	-3.36%	-3.30%	-0.72%	-9.88%
1 Week Price Chg	-7.42%	0.70%	-0.94%	-2.45%	12.70%	11.02%
4 Week Price Chg	-16.43%	-5.70%	-5.65%	-7.40%	5.37%	35.69%
12 Week Price Chg	-3.22%	2.14%	-1.04%	3.38%	18.17%	20.96%
52 Week Price Chg	42.57%	-15.10%	8.00%	23.08%	-47.27%	-60.08%
20 Day Average Volume	398,985	185,143	2,073,853	2,223,840	299,480	2,908,055
(F1) EPS Est 1 week change	-0.95%	0.00%	0.00%	0.12%	0.00%	2.87%
(F1) EPS Est 4 week change	-0.86%	0.00%	-0.06%	0.82%	0.00%	2.87%
(F1) EPS Est 12 week change	-0.18%	0.00%	-0.19%	-2.01%	8.35%	12.20%
(Q1) EPS Est Mthly Chg	-10.91%	0.00%	-0.61%	5.64%	0.00%	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	D
Growth Score	B
Momentum Score	D
VGM Score	C

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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