

15th January 2016

Healthcare

**QIAGEN**

Price EUR20.47

Leverage would have to wait (ful report published today)

Fair Value EUR24 vs. EUR19.5 (+17%)

NEUTRAL vs. UNDER REVIEW

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	26.0 / 19.8
Market Cap (EURm)	4,907
Ev (BG Estimates) (EURm)	5,550
Avg. 6m daily volume (000)	366.8
3y EPS CAGR	6.0%

While the negative effect from the US-HPV franchise on the group's performance should fade away in 2015, the expansion of QIAGEN's five growth drivers is likely to be overshadowed by significant S&M investments over the first-half of 2016, postponing to late 2016 first signs of operating leverage from both the internalisation of the production of QuantiFERON latent TB test and the company's attractive comprehensive offer covering the full scope of molecular diagnostics. We reinstall coverage on QIAGEN with a NEUTRAL rating and EUR24 fair value.

	1 M	3 M	6 M	31/12/14
Absolute perf.	-12.4%	-6.5%	-14.4%	5.7%
Healthcare	-0.9%	0.3%	-12.8%	7.3%
DJ Stoxx 600	-2.9%	-4.6%	-14.8%	-0.9%

YEnd Dec. (USDm)	2014	2015e	2016e	2017e
Sales	1,346	1,281	1,329	1,415
% change		-4.8%	3.8%	6.5%
EBITDA	431	434	448	480
EBIT	312.5	315.5	329.5	361.5
% change		1.0%	4.4%	9.7%
Net income	241.6	252.8	257.4	280.1
% change		4.6%	1.8%	8.8%

	2014	2015e	2016e	2017e
Operating margin	23.2	24.6	24.8	25.6
Net margin	17.9	19.7	19.4	19.8
ROE	4.4	4.2	4.1	4.6
ROCE	22.2	17.9	16.0	15.3
Gearing	37.1	22.6	15.7	9.7

(USD)	2014	2015e	2016e	2017e
EPS	1.00	1.06	1.09	1.19
% change	-	6.7%	2.3%	9.3%
P/E	22.2x	20.8x	20.4x	18.6x
FCF yield (%)	5.9%	8.0%	6.9%	6.6%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	4.7x	4.7x	4.4x	4.0x
EV/EBITDA	14.6x	13.9x	13.0x	11.8x
EV/EBIT	20.2x	19.1x	17.7x	15.6x

ANALYSIS

- **Five growth drivers no longer restrained by the US-HPV drag anymore...** US-HPV headwind should fade away as we expect its contribution to be 3.4% of the group's sales (vs. 6% in 2014). While QIAGEN's five growth drivers represented 30% of total group's sales in 2014, we estimate that their (i) combined 19% 2015-2020 CAGR should fuel growth and (ii) contribution to the group's turnover should double over the same period. The company's in-depth relationship with pharmas and pioneering position in the liquid biopsy space should enable it to benefit from the raise in PHC. Having recently added its next generation sequencer to its portfolio, the GeneReader should allow QIAGEN to benefit from a comprehensive offering and help it become a major provider to laboratories.
- **...But operational leverage would have to wait.** Back-end loaded effect from the internalisation of the production of QuantiFERON latent TB test which should materialise in 2017e added to the growing contribution of bioinformatics' sales, with gross margin of 90% of sales, is expected to drive a 150bp improvement in the group's gross margin toward 2020e. Added to synergies in G&A, we see a 300bp increase towards 2020e. However, this combined effect are not likely to kick-in before the second half of the year with bulk of S&M expenses to support growth in H1.

VALUATION

- We reinstall coverage on QIAGEN with a NEUTRAL rating and EUR24 fair value

NEXT CATALYSTS

- Feb. 2<sup>nd</sup> : Q4/FY2015 results (note that the company pre-announced on Jan. 10<sup>th</sup>)

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BUY ratings 58%

NEUTRAL ratings 32.8%

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