

QIAGEN

Price EUR20.64

Q1 2016 outlook confirms bulk of investment, delaying earnings ramp

Fair Value EUR24 (+16%)

NEUTRAL

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	26.0 / 19.8
Market Cap (EURm)	4,946
Ev (BG Estimates) (EURm)	5,586
Avg. 6m daily volume (000)	382.9
3y EPS CAGR	6.0%

QIAGEN released full set of results consistent with preannounced FY2015 and outlook for 2016. As a reminder, 2015 numbers came short of estimates impacted by timing of milestones and weaker instrument sales from the molecular diagnostic division. Turning to 2016, FY guidance does not leave place for operational leverage and FX headwind should be slightly higher than previously communicated (300bp vs 200bp). Q1 2016 outlook confirms significant investments in H1, delaying to H2 2016 earnings ramp.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-17.8%	-10.0%	-19.2%	-17.8%
Healthcare	-7.4%	-7.9%	-13.8%	-7.4%
DJ Stoxx 600	-8.5%	-11.2%	-15.6%	-8.5%

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	22.5x	21.1x	20.7x	18.9x
FCF yield (%)	5.8%	7.9%	6.8%	6.5%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	4.7x	4.8x	4.4x	4.0x
EV/EBITDA	14.8x	14.0x	13.2x	11.9x
EV/EBIT	20.4x	19.3x	17.9x	15.8x

QIA (\$m ex. per share data)	FY16 guid	FY16 cs	Delta
Revenue	1332	1335	-0,2%
Adjusted Diluted EPS	1,07-1,08	1,11	-3,2%

QIA (\$m ex. per share data)	Q1 2015	Q1 2016 guid	y/y	Q1 2016 cs	Delta
Revenue	298	292,0	-2,0%	307,7	-5,1%
Adjusted Diluted EPS	0,22	0,18-0,19	-15,9%	0,23	-18,9%

Source : Company Data; Bloomberg consensus.

ANALYSIS

- FY2015 sales rose 3% CER (-5% reported) at USD1281.2m. As a reminder, the latter missed both guidance and consensus which were 4% CER growth and USD1291m respectively. It is worth mentioning that without US-HPV (-43% CER) which represented a 3pp headwinds to QIAGEN's CER sales growth, sales would have risen 6% CER. All divisions but the Molecular Diagnostic one contributed to the group's performance (Applied Testing +7% CER, Pharma +5% CER, Academia +5% CER). The MDx division has been negatively impacted by the US-HPV franchise all along 2016 (1% CER, 49% of sales) while Milestones from companion diagnostics as well as weaker instrument's sales further impacted the division's Q4 performance (see our comment [here](#)). 250 QIA Symphony have been placed and another 250 are expected to grow the installed base in 2016.
- Turning to 2016, major update come from FX headwinds now expected to be 300bp vs. 200bp previously. Hence, FY2016 are expected to grow 6% CER or 3% at actual rates while EPS are expected to be in the USD1.10-1.11 range at CER or USD1.07-1.08 at actual rates. Management mentioned that the negative contribution from the US-HPV division is expected to be marginal with ~3% of sales and a 1pp negative impact on sales growth (included in the guidance).
- As far as the first quarter is concerned, the outlook provided by QIAGEN confirms significant investments delaying to H2 2016 earning progressions. Sales are expected to rise 2% CER with EPS in the USD0.19-0.20 range at CER. 4pp FX headwinds should bring the group's growth to -2% and EPS in the USD0.18-0.19 range at actual rates vs USD0.23 as anticipated by the consensus. This confirms the thesis of front-end loaded investments to support QuantIFERON-TB sales (US and Europe), menu expansion alongside a slow constitution of a client base for GeneReader's, which is not expected to meaningfully contribute to sales in 2016.

VALUATION

- We would expect the share price to be under pressure today, reflecting adjustment in FX and delayed earnings ramp to H2.
- No changes to our estimates ahead of the conference call.

NEXT CATALYSTS

- Today 03.30pm CET: conference call on FY2015/2015Q4 results
- February 4th: Paris Roadshow

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