

30th March 2016

Healthcare

QIAGEN

Price EUR19.38

Small addition to QIAGEN's portfolio

Fair Value EUR22 vs. EUR24 (+14%)

NEUTRAL

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	26.0 / 17.8
Market Cap (EURm)	4,644
Avg. 6m daily volume (000)	426.1

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.6%	-23.4%	-14.3%	-22.9%
Healthcare	-2.7%	-13.6%	-6.4%	-12.8%
DJ Stoxx 600	0.9%	-8.9%	-0.7%	-7.9%

	2015	2016e	2017e	2018e
P/E	20.6x	19.8x	18.4x	16.6x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- QIAGEN has announced its intention to acquire Danish company Exiqon (EXQ:DC) for slightly less than USD100m or DKK18.00 per share (42% premium on yesterday's closing price, DKK/USD=0.15, x5 sales). Both boards have recommended the acquisition which is now conditional on the agreement of the Danish Financial Supervisory Authority.
- Exiqon is a small but nice addition to QIAGEN's portfolio which should enable the group to expand its expertise in NGS target enrichment. The Danish company recorded about USD20m last year. After taking into account overlap with QIAGEN's business, Exiqon should add USD15m growing in the low to mid-teens, to QIAGEN's topline which should grow at 5% CER in 2016 (BGe USD1,324m for 2016). This acquisition should have no impact in terms of margins and EPS.
- Interestingly, Exiqon's products are used by researchers in the academic or biopharma fields to study the relation between gene activity and cancer development. Moreover, we believe that collaboration agreements that QIAGEN has with pharma and diagnostic companies to develop molecular tests for the untapped oncology detection market could benefit from products developed by Exiqon with some products to be used with liquid biopsy. As a reminder, we estimate that Personalised Healthcare (PHC) represents 10% of QIA's turnover, set to rise to 16% of sales and growing at a double-digit rate

VALUATION

- The acquisition of Exiqon has no impact on our Fair Value. We reiterate our NEUTRAL rating as significant investments in S&M to support the launch of the GeneReader could impair the group's margins in this year, and are likely to delay until H2 the effect of reinternalizing QuantiFERON-TB.
- Changes in our risk free rate and equity risk premium assumptions which now stand at 1.6% and 7% respectively vs. 2% and 6.4% previously, have prompted a EUR2 decline in our Fair Value

NEXT CATALYSTS

- 27th April 2016: Q1 results

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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