

19th April 2016

Healthcare

QIAGEN

Price EUR20.58

Q1 Preview: consensus may be optimistic with regards to earnings ramps

Fair Value EUR22 (+7%)

NEUTRAL

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	26.0 / 17.8
Market Cap (EURm)	4,932
Avg. 6m daily volume (000)	420.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.9%	3.3%	-8.6%	-18.1%
Healthcare	6.0%	0.8%	-5.2%	-8.1%
DJ Stoxx 600	0.7%	4.7%	-5.2%	-5.9%

	2015	2016e	2017e	2018e
P/E	22.2x	21.3x	19.8x	17.8x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- QIAGEN will report Q1 results next Wednesday, April 27th in the evening. Our sales estimates stands slightly below the group's guidance at USD296m or 1.9%CER (guidance at 2% CER growth). With recent swings in currencies we believe that FX should have a 3pp negative impact on the top line vs 4pp as communicated on FY2015 publication. We anticipate MDx growing at 1%CER. On the Life Sciences business, Applied Testing should grow 6%CER, Pharma 3%CER and Academia at 2%CER. We do not see the latter benefitting yet from positive effects from increases in budgets with laboratories do not having cash in hand yet. While consensus expects margins decreasing by 225bp, our estimates points to a 362bp decline. BGe EPS USD0.20.

Vara consensus as of 18/04/2016	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
Consensus - SALES						295	327	330	370	1 322
BGe - SALES	298	319	315	349	1 281	296	326	330	373	1 324
% diff						0,5%	-0,3%	0,2%	0,6%	0,1%
Consensus - Op Income						59	80	84	102	326
Consensus - % margin						20,1%	24,6%	25,5%	27,6%	24,7%
Consensus - gain in bp (QoQ)						-225	-14	66	160	12
BGe - Op Income	67	79	78	91	314	56	73	86	105	323
BGe - % margin	22,4%	24,7%	24,9%	26,0%	24,6%	18,7%	22,5%	26,1%	28,3%	24,4%
BGe - gain in bp (QoQ)						-362	-212	123	233	-14
% diff						-6,5%	-8,5%	2,3%	3,1%	-1,1%
EPS						0,19	0,26	0,28	0,34	1,07
BGe	0,22	0,26	0,27	0,31	1,05	0,20	0,25	0,29	0,36	1,09
% diff						2,8%	-5,6%	3,6%	5,6%	2,3%

*may not foot due to rounding differences

- With regards to Q2 sales, recall that 1/ significant investments should occur in Q2 to help QIAGEN reinforcing its sales force while launching its NGS platform, 2/ Academia slow start to the year should prolong in Q2 (2% and 5% CER in Q1 and Q2 respectively). Despite US-HPV stabilizing (-5% vs -43% in Q2 2016), good placement trend anticipated in 2016 for QIAsymphony and migrant inflow supporting QuantiFERON TB sales trend. Net Sales ramp-up should come at around 3.6%CER growth in Q2 or USD326m vs. consensus at USD327m.
- For the second quarter to the year, main point of interest should be EPS guidance which we view at risk with regards to consensus's current level. Indeed our EPS estimates are 5.6% below consensus (BGe USD0.245 vs USD0.26) implying a slower than anticipated earnings ramp. In Q2, we still anticipate profitability of the group to be affected by heavy S&M investments. The positive effect from the internalisation of QuantiFERON latent TB test (150bp positive effect on gross margin) and G&A synergies should kick-in not before the second half of 2016 while positive effects from NGS sales leveraging sales force should be a 2017-onwards story.

VALUATION

- We stick to our NEUTRAL rating ahead of Q1 results.
- We do not view FY2016 guidance at risk at this stage. Should Q2 guidance may disappoint with regards to an overoptimistic consensus, we might find interesting entry points.

NEXT CATALYSTS

- April 27th: Q1 2016 results

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