

QIAGEN

Price EUR20.98

Q2 as a cornerstone of QIAGEN's "show-me story" (preview)

Fair Value EUR22 (+5%)

NEUTRAL

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	26.0 / 17.8
Market Cap (EURm)	5,028
Ev (BG Estimates) (EURm)	5,597
Avg. 6m daily volume (000)	428.6
3y EPS CAGR	7.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.6%	-1.0%	0.5%	-16.5%
Healthcare	6.2%	4.5%	2.7%	-3.2%
DJ Stoxx 600	-0.3%	-2.3%	0.6%	-7.0%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	1,281	1,324	1,404	1,509
% change		3.3%	6.0%	7.5%
EBITDA	438	446	472	511
EBIT	314.5	322.6	349.3	387.6
% change		2.6%	8.3%	11.0%
Net income	249.3	258.5	276.7	306.0
% change		3.7%	7.1%	10.6%

	2015	2016e	2017e	2018e
Operating margin	24.6	24.4	24.9	25.7
Net margin	19.5	19.5	19.7	20.3
ROE	5.0	4.8	5.1	5.7
ROCE	23.0	19.5	18.0	23.6
Gearing	38.8	21.9	15.5	8.9

(USD)	2015	2016e	2017e	2018e
EPS	1.05	1.09	1.18	1.31
% change	-	4.1%	7.5%	11.1%
P/E	21.9x	21.1x	19.6x	17.6x
FCF yield (%)	7.2%	7.3%	6.3%	6.8%
Dividends (USD)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	5.1x	4.6x	4.3x	3.8x
EV/EBITDA	14.9x	13.8x	12.7x	11.4x
EV/EBIT	20.7x	19.0x	17.1x	15.0x

QIAGEN is due to report Q2 earnings on July 28th 2016. Recall that Q1 publication was underlined by a somewhat disappointing Q2 guidance with a margin ramp-up back-end loaded towards the end of the year (please see [here](#)). Following significant downward adjustments in the consensus estimates, we would welcome results in-line with estimates as they should be a first positive sign of the group's ability to accelerate top-line growth and deliver operating leverage, with the aim of meeting its FY 2016 guidance (6% CER topline growth, EPS USD1.08-1.09 range inc. USD0.02 negative FX effect).

ANALYSIS

- For Q2, our estimates are pretty much aligned with the consensus as we expect a 4.3% CER topline growth rate at USD327m (consensus 3.9% CER at USD327m difference in FX ests. filing the gap). Note that group's guidance is 4% CER topline growth and EPS of USD0.22 (exc. USD0.01 neg FX impact). Performance should be driven by QuantiFERON TB test sales and continued demand for QIA Symphony (both placements and consumables of tests sold). MDx BGe 6% CER. Pharma 5% CER. While Applied testing sales decreased in Q1 (-5% CER), affected by instrument sales, we would anticipate a correction with the division returning to mid- to high-single digit growth rate in Q2 (BGe +5% CER). Budget increase for Academia, should materialize into QIA's topline in H2 2016. Academia BGe 3.5% CER. Geographically, we would expect NA and APAC sales to drive the group's performance. Profitability should still be impaired by strong Selling & Marketing expenses offsetting cost of the reallocation of QuantiFERON TB test production fading away.

Vara consensus as of 22/07/2016	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
Consensus - SALES		327	334	374	1 333
BGe - SALES	298	328	333	373	1 333
% diff		0,3%	-0,2%	-0,1%	0,0%
Consensus - Op Income		67	87	110	316
Consensus - % margin		20,4%	25,9%	29,4%	23,7%
BGe - Op Income	53	64	86	114	318
BGe - % margin	17,9%	19,6%	25,9%	30,5%	23,8%
% diff		-3,3%	-0,4%	3,6%	0,4%
EPS		0,22	0,29	0,38	1,08
BGe	0,19	0,22	0,29	0,39	1,08
% diff		-1,5%	0,2%	2,1%	0,6%

- Turning to Q3, good macro trends pinpointed in the publications of other Dx companies should also benefit to QIAGEN and support top-line acceleration throughout the end of the year, eased by HPV headwinds fading away (BGe -0.4pp impact on topline growth). Group's Q3 guidance that would point to 6% CER revenue growth and EPS at around USD0.29 per share should reinforce investors' sentiment on the group's ability to meet its FY2016 guidance. Note that although they appear challenging in CER terms, our numbers implies USD8m USD18m and USD24m sales progression in absolute terms for Q2, Q3 and Q4 respectively. Regarding profitability and considering that all significant investments would be behind in H2 we would expect adj. EBIT to rise sharply to around 26% and 30% of sales in Q3 and Q4 respectively.

VALUATION

- Our view is that results that would come in-line with consensus should be welcomed by investors as they might restore confidence towards the ability of the group to meet its FY 2016 guidance (sales growing 6% at CER, EPS in the EUR1.08-1.09 range inc. USD0.02 negative FX effect).

NEXT CATALYSTS

- July 28th: Q2 results (post-market)

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