

12th September 2016

Healthcare

QIAGEN

Price EUR23.54

US GeneReader's launch halted by a preliminary injunction

Fair Value EUR26 (+10%)

BUY

Bloomberg	QIA GR
Reuters	QGEN.DE
12-month High / Low (EUR)	25.3 / 17.8
Market Cap (EURm)	5,643
Avg. 6m daily volume (000)	398.8

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.1%	19.7%	19.8%	-6.3%
Healthcare	-4.7%	-2.1%	1.9%	-9.0%
DJ Stoxx 600	0.2%	1.3%	1.9%	-5.5%

	2015	2016e	2017e	2018e
P/E	25.1x	24.3x	21.1x	19.1x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- The US Court for the Northern District of California granted a motion for a preliminary injunction against QIAGEN, as part of Illumina's patent infringement lawsuit filed in May 2016. Note that this lawsuit has been filed against IBS (hence QIAGEN), asserting infringement on US patent 7,566,537 which describes a method of labelling nucleotides as part of the sequencing. IBS' patent which might infringe Illumina's one has been transferred to QIAGEN's patent estate following its acquisition of IBS (Intelligent Bio-Systems) in 2012.
- The decision of the US Court halts commercial activities of the company for the GeneReader in the US. Following a launch in late 2015, the company's sales guidance (6-7% CER growth) did not take into account any contribution from the GeneReader. Our estimates which included a conservative 25 placements for the year (i.e. USD6m in sales) are not impacted either. Looking to 2017, management does not expect any impact on its internal projections. QIAGEN has already started to work on an upgrade of the component under dispute which is expected to go around Illumina's '537 patent. A trial date has been set for November 2017.
- We believe that QIAGEN's due diligence at the time of IBS' acquisition has been made carefully and that this might also raise free competition issues in the NGS space should Illumina remain the largest provider of such solutions. Moreover, we do not rule that this move from Illumina has for purpose of slowing the GeneReader's penetration in clinical labs where Illumina's presence is weak at the moment. Indeed, the launch of the GeneReader NGS System opened a new window for Illumina to sue QIAGEN. Finally, we would note that Illumina dropped its previous claims against IBS following 1/ the invalidation by the USPTO or 2/ the non-responsibility of QIAGEN in IBS' action before it was acquired.

VALUATION

- We do not rule out that this news might put pressure on the share price.
- No impact to our estimates at this stage. However, should QIAGEN be unable to resume sales after the trial in November 2017, this would have a EUR3 to EUR4 negative impact on our fair value.

NEXT CATALYSTS

- H2 2016: roll-out of novel products in the LS
- Nov. 15th: IR Day in NYC

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