

Qiagen

4Q23 post-call model update: Where does QGEN go from here?

Reiterate Rating: BUY | PO: 55.00 USD | Price: 43.52 USD

4Q results beat, FY24 guide strikes a conservative tone

QIAGEN (QGEN) held their 4Q23 earnings call this morning after releasing results last night ([see our 4Q First Look note for more details](#)). Total sales of \$509mn were 2% ahead of the Street, while adj. EPS of \$0.55 were in line. The FY24 guide calls for sales of "at least" \$2.0bn and adj. EPS of "at least" \$2.10. Like peers, QGEN sees muted revenue growth in 1H24 and acceleration in 2H. The EPS guide was a bit lower than expected given ~100bps of adj. operating margin expansion, largely due to lower interest income and higher tax rate assumptions.

Thoughts on shares: A better story today, but in a rut

In comparison to 2019, QGEN has become a cleaner story. Mgmt. executed well during the pandemic, the core sample prep business has shown resilience, and new products, like QIAcuity and QIAStat, have gained traction. In FY23, QGEN delivered +8% organic sales growth in its non-COVID product portfolio, but growth should fall to ~3% in FY24 given the choppy end-market dynamics and as demand for some OEM product lines normalizes. Once markets return to normal, QGEN noted on the 4Q call that they see organic sales growth in the mid-single-digit plus range, which favorably compares to the ~3% average across 2015-19. Margins have also improved from 26.4% in 2015 to our est of 27.9% in 2024, with room for additional expansion to ~30%. Despite these improvements, QGEN shares have seen multiple compression and have underperformed peers. We reiterate our Buy rating given QGEN's strong franchise and attractive valuation, but we think management needs to articulate their strategy better. That said, the company will host an analyst day on 17 June 2023 where we hope QGEN will show investors a path to breaking out of this "funk".

Lower estimates and trim PO to \$55; Reiterate Buy

We trim our 2024-2026 revenue and EPS estimates. As a result, we drop our PO to \$55/€51 (was \$57/€53), which is still based on ~18x FY25e EV/EBITDA, in line with life sciences tools peers.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	2.45	2.12	2.10	2.30	2.50
GAAP EPS	1.89	1.51	1.64	1.83	2.03
EPS Change (YoY)	-10.3%	-13.5%	-0.9%	9.5%	8.7%
Consensus EPS (Bloomberg)			2.35	2.63	NA
DPS	0	0	0	0	0
EPS (XQGNF - EUR)	2.33	1.96	1.95	2.14	2.33
DPS (XQGNF - EUR)	0	0	0	0	0
Valuation (Dec)					
P/E	18.3x	21.1x	21.3x	19.5x	17.9x
GAAP P/E	23.7x	29.7x	27.3x	24.5x	22.1x
EV / EBITDA*	11.9x	14.3x	13.5x	12.4x	11.4x
Free Cash Flow Yield*	6.2%	3.1%	5.3%	5.1%	5.5%

* For full definitions of *IQmethod*SM measures, see page 4.

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Timestamp: 07 February 2024 07:30PM EST

07 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	57.00	55.00
2024E Rev (m)	2,024.7	2,000.0
2025E Rev (m)	2,150.3	2,120.0
2026E Rev (m)	2,300.0	2,260.0
2024E EPS	2.17	2.10
2025E EPS	2.37	2.30
2026E EPS	2.58	2.50

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Stock Data

Price (NYS / GER)	43.52 USD / 40.56 EUR
Price Objective	55.00 USD / 51.00 EUR
Date Established	7-Feb-2024 / 7-Feb-2024
Investment Opinion	B-1-9 / B-1-9
52-Week Range	34.77 USD - 50.82 USD
Market Value (mn)	9,735 USD
Free Float	99.6%
Average Daily Value	64.07 USD
Shares Outstanding (mn)	223.7 / 223.7
BofA Ticker / Exchange	QGEN / NYS
BofA Ticker / Exchange	XQGNF / GER
Bloomberg / Reuters	QGEN US / QGEN.N
ROE (2024E)	10.7%
Net Dbt to Eqty (Dec-2023A)	11.9%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to the ESGMeter methodology.

iQprofileSM Qiagen

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	10.1%	8.8%	8.8%	8.8%	8.7%
Return on Equity	16.7%	13.1%	10.7%	9.7%	9.5%
Operating Margin	30.6%	26.9%	27.9%	28.8%	29.5%
Free Cash Flow	620	310	531	507	554

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.4x	1.0x	1.5x	1.3x	1.3x
Asset Replacement Ratio	0.6x	0.7x	0.8x	0.8x	0.7x
Tax Rate	18.2%	18.4%	19.5%	19.5%	19.5%
Net Debt-to-Equity Ratio	12.8%	11.9%	-23.1%	-29.4%	-35.0%
Interest Cover	11.2x	9.9x	11.9x	15.2x	16.7x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,143	1,965	2,000	2,120	2,260
% Change	-4.8%	-8.3%	1.8%	6.0%	6.6%
Gross Profit	1,450	1,306	1,323	1,409	1,507
% Change	-5.2%	-9.9%	1.3%	6.5%	6.9%
EBITDA	772	645	680	739	806
% Change	-10.2%	-16.5%	5.4%	8.8%	9.0%
Net Interest & Other Income	13	56	30	30	28
Net Income (Adjusted)	547	477	473	515	559
% Change	-10.9%	-12.8%	-0.7%	8.8%	8.5%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	422	340	369	410	454
Depreciation & Amortization	208	205	206	215	224
Change in Working Capital	0	0	(27)	(17)	(20)
Deferred Taxation Charge	(10)	11	88	8	8
Other Adjustments, Net	128	(97)	54	55	55
Capital Expenditure	(129)	(150)	(160)	(164)	(168)
Free Cash Flow	620	310	531	507	554
% Change	28.7%	-50.0%	71.3%	-4.4%	9.1%
Share / Issue Repurchase	0	0	(1)	(1)	(1)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(109)	(400)	(4)	(4)	(4)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,418	1,058	1,674	2,151	2,673
Trade Receivables	324	382	466	494	526
Other Current Assets	652	708	560	573	588
Property, Plant & Equipment	662	765	0	0	0
Other Non-Current Assets	3,232	3,203	3,575	3,631	3,694
Total Assets	6,288	6,115	6,275	6,849	7,482
Short-Term Debt	390	588	0	0	0
Other Current Liabilities	585	491	400	424	452
Long-Term Debt	1,472	922	516	511	506
Other Non-Current Liabilities	375	306	336	338	341
Total Liabilities	2,821	2,307	1,252	1,273	1,299
Total Equity	3,467	3,808	5,023	5,576	6,183
Total Equity & Liabilities	6,288	6,115	6,275	6,849	7,482

* For full definitions of iQmethodSM measures, see page 4.

Company Sector

Biotechnology

Company Description

QIAGEN is a leading provider of technologies used in life sciences and molecular diagnostics. The company today offers hundreds of products, of which over 80% are consumables, for pre-analytical preparation of biological samples, diagnostic assays, informatics, and instruments for the automation of entire workflows.

Investment Rationale

QIAGEN (QGEN) has a strong presence in nucleic acid sample prep, but efforts to expand beyond this niche have often fallen short. A mixed track record for capital deployment and execution made the company vulnerable, but strong demand for COVID-19 related products, as well as an enhanced product portfolio, are an opportunity for the standalone QGEN to reinvent itself under a new CEO. We still see execution and market risks, but we also see upside potential if QGEN learns from past missteps.

Stock Data

Average Daily Volume	1,472,245
Shares / Common - Dual Listed	1.00

Quarterly Earnings Estimates

	2023	2024
Q1	0.52A	0.44E
Q2	0.53A	0.53E
Q3	0.51A	0.54E
Q4	0.55A	0.60E

Key Changes

(EUR)	Previous	Current
Price Obj.	53.00	51.00
2024E EPS	2.02	1.95
2025E EPS	2.21	2.14
2026E EPS	2.40	2.33

Price objective basis & risk

Qiagen (QGEN / XQGNF)

Our \$55.00/€51 PO is based on about 17x FY25e EV/EBITDA. in-line with LST peers. The company has made progress in revamping its business and the stronger core end-markets.

Downside risks to our PO are lingering COVID headwind, execution missteps, competition, changes in customer R&D funding levels or priorities, IP disputes, technology shifts, and F/X swings.

Analyst Certification

I, Derik de Bruin, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Life Science, Diagnostic Tools and Animal Health Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Avantor, Inc.	AVTR	AVTR US	Michael Ryskin
	Bruker Corporation	BRKR	BRKR US	Derik de Bruin
	Certara	CERT	CERT US	Michael Ryskin
	Charles River Laboratories	CRL	CRL US	Derik de Bruin
	Elanco Animal Health	ELAN	ELAN US	Michael Ryskin
	Exact Sciences	EXAS	EXAS US	Derik de Bruin
	Guardant Health	GH	GH US	Derik de Bruin
	ICON plc	ICLR	ICLR US	Derik de Bruin
	IQVIA Holdings Inc	IQV	IQV US	Derik de Bruin
	LabCorp	LH	LH US	Derik de Bruin
	Maravai	MRVI	MRVI US	Michael Ryskin
	Qiagen	QGEN	QGEN US	Derik de Bruin
	Qiagen N.V.	XQGNF	QIA GY	Derik de Bruin
	Quest Diagnostics	DGX	DGX US	Derik de Bruin
	Stevanato Group S.p.A.	STVN	STVN US	Derik de Bruin
	Thermo Fisher Scientific	TMO	TMO US	Derik de Bruin
	West Pharmaceutical Services	WST	WST US	Derik de Bruin
	Zoetis Inc.	ZTS	ZTS US	Michael Ryskin
NEUTRAL				
	10x Genomics, Inc.	TXG	TXG US	Michael Ryskin
	Agilent Technologies	A	A US	Derik de Bruin
	Danaher Corporation	DHR	DHR US	Michael Ryskin
	Evotec SE	EVO	EVO US	Michael Ryskin
	Hologic, Inc.	HOLX	HOLX US	Derik de Bruin
	IDEXX Laboratories	IDXX	IDXX US	Michael Ryskin
	Mettler-Toledo	MTD	MTD US	Derik de Bruin
	NeoGenomics Inc.	NEO	NEO US	Derik de Bruin
	Revvity Inc	RVTY	RVTY US	Derik de Bruin
	Schrodinger, Inc.	SDGR	SDGR US	Michael Ryskin
	Waters Corp.	WAT	WAT US	Derik de Bruin
UNDERPERFORM				
	Align Technology	ALGN	ALGN US	Michael Ryskin
	Fortrea	FTRE	FTRE US	Derik de Bruin
	Ginkgo Bioworks Holdings, Inc	DNA	DNA US	Derik de Bruin
	Illumina, Inc.	ILMN	ILMN US	Michael Ryskin



US - Life Science, Diagnostic Tools and Animal Health Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Myriad Genetics	MYGN	MYGN US	Derik de Bruin
	Phibro Animal Health	PAHC	PAHC US	Michael Ryskin

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	$\text{Cash Flow From Operations} - \text{Total Capex}$	N/A
Quality of Earnings	Numerator	Denominator
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	$\text{Net Debt} = \text{Total Debt} - \text{Cash \& Equivalents}$	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	Numerator	Denominator
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	$\text{Cash Flow From Operations} - \text{Total Capex}$	$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	$\text{Basic EBIT} + \text{Depreciation} + \text{Amortization}$

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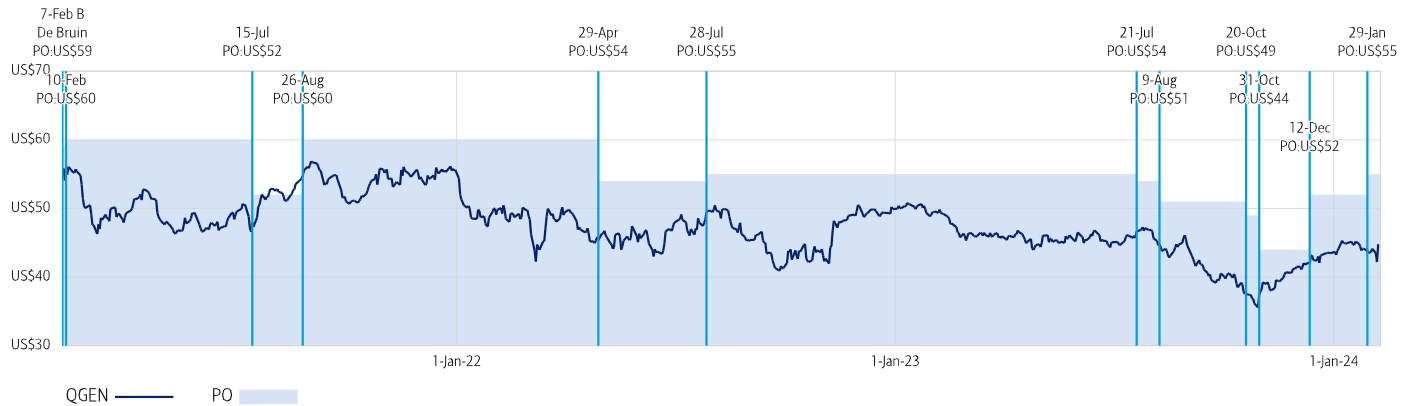
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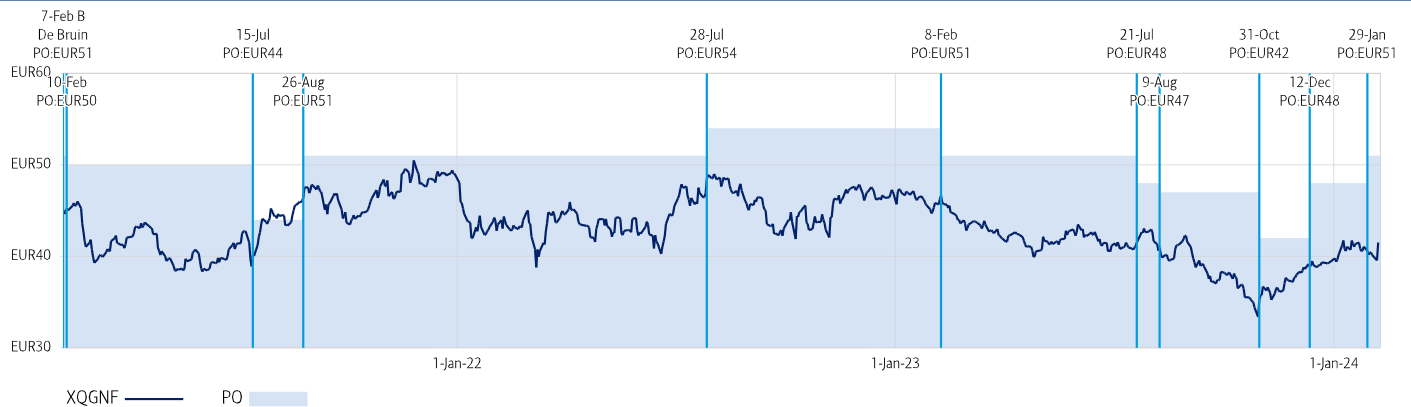
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Qiagen (QGEN) Price Chart



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Qiagen N.V. (XQGNF) Price Chart



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Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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