

10x Genomics, Inc.

Another back-half weighted year as TXG hopes to regain momentum in '24

Reiterate Rating: NEUTRAL | PO: 54.00 USD | Price: 48.07 USD

4Q preannounced; FY24 guide low, but widely expected

10x Genomics (TXG) reported 4Q revenues of \$184mn (+18% y/y), largely in-line to the January preliminary announcement (see our [01/08 note](#) for details on revenue composition). By region, Americas grew +21%, EMEA +18%, APAC +7% (China -28 %). GM came in at 63% (-1350bps y/y) due to mix shift toward Xenium instruments (lower margins). TXG also initiated FY24 guidance of \$670-690mn in sales, which came in below Street consensus, but was closer to expectations following mgmt.'s presentation from early January. Overall, there were few surprises in the 'headline' numbers.

Soft start to the year (in part due to 2H23 pull-fwd)...

As mgmt. had flagged in January, there was meaningful pull-forward into 2H23 – in Xenium shipments (1-1.5qtrs), Xenium consumables (which were packaged with the inst. Shipments), and CytAssist instruments sales that were accelerated in anticipation of VisiumHD. At the same time, the introduction of VisiumHD & GEM-X consumables ([see details in our AGBT recap note](#)) in 1H24 will likely lead to volatility in ordering patterns, as customers vet and slowly ramp on the new products. We think these factors will lead to a slow start to 2024, with 1Q expected to be only 20-22% of FY sales (\$136mn-\$150mn).

Leaves big 2H ramp, with few near-term catalysts

There's little to get excited about in TXG's 2024 model, especially in 1H. With a back-half weighted year, near-term headwinds from pull-forward, and all new products already built into the guide, we see few catalysts to jump-start shares. There are also a number of lingering questions we think mgmt. needs to address more directly – the role of competition in slowing single-cell growth in recent years, their ability to drive all 3 platforms (Chromium, Visium, Xenium) concurrently, and the stability of gross margins / ability to return to prior levels, once Xenium instrument ramp plays out.

Tweak ests; Reiterate Neutral rating, \$54 PO

We tweak our FY24-26 forecasts to reflect the 4Q result and guide update, but most of our estimates remain largely unchanged. We remain positive on TXG's technology and the longer-term single-cell and spatial biology market opportunities but reiterate our Neutral rating pending clarity on the trajectories for Xenium and Chromium. Our PO remains \$54, still based on 8.5x our FY24E EV/Sales.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(1.46)	(2.18)	(1.42)	(0.89)	(0.25)
EPS Change (YoY)	-175.5%	-49.3%	34.9%	37.3%	71.9%
Consensus EPS (Bloomberg)			(1.53)	(0.61)	0.13
DPS	0	0	0	0	0
Valuation (Dec)					
Free Cash Flow Yield*	-2.9%	-1.1%	0.8%	1.6%	3.2%

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

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Equity

Key Changes

(US\$)	Previous	Current
2024E EPS	-1.63	-1.42
2025E EPS	-1.13	-0.89
2026E EPS	-0.54	-0.25
2024E EBITDA (m)	-168.2	-158.8
2025E EBITDA (m)	-101.5	-87.8
2026E EBITDA (m)	-27.5	-6.3

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Stock Data

Price	48.07 USD
Price Objective	54.00 USD
Date Established	12-Dec-2023
Investment Opinion	C-2-9
52-Week Range	33.79 USD - 63.57 USD
Mkt Val (mn) / Shares Out (mn)	5,610 USD / 116.7
Free Float	91.3%
Average Daily Value (mn)	71.62 USD
BofA Ticker / Exchange	TXG / NAS
Bloomberg / Reuters	TXG US / TXG.OQ
ROE (2024E)	-21.7%
Net Dbt to Eqty (Dec-2023A)	-52.5%
ESGMeter TM	Low

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

iQprofileSM 10x Genomics, Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-16.1%	-25.8%	-17.0%	-9.0%	-2.0%
Return on Equity	-20.5%	-33.0%	-21.7%	-11.6%	-2.5%
Operating Margin	-32.5%	-42.9%	-29.5%	-18.1%	-7.6%
Free Cash Flow	(165)	(64)	44	92	178

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	5.2x	1.4x	1.0x	1.1x	1.1x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-53.4%	-52.5%	-50.1%	-50.2%	-51.9%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	516	619	680	755	835
% Change	5.3%	19.8%	9.9%	11.0%	10.6%
Gross Profit	396	409	443	519	603
% Change	-4.9%	3.4%	8.3%	17.0%	16.2%
EBITDA	(143)	(230)	(159)	(88)	(6)
% Change	-357.9%	-61.2%	30.9%	44.7%	92.8%
Net Interest & Other Income	6	17	34	34	34
Net Income (Adjusted)	(166)	(255)	(171)	(109)	(31)
% Change	-186.3%	-53.7%	33.0%	36.1%	71.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(166)	(255)	(171)	(109)	(31)
Depreciation & Amortization	25	36	42	49	57
Change in Working Capital	(39)	17	34	4	(7)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	146	187	184	202	222
Capital Expenditure	(132)	(49)	(44)	(54)	(64)
Free Cash Flow	-165	-64	44	92	178
% Change	-34.7%	61.4%	NM	107.4%	93.8%
Share / Issue Repurchase	21	19	19	19	19
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(5)	(6)	(6)	(6)	(6)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	430	389	417	523	714
Trade Receivables	104	115	112	114	126
Other Current Assets	101	92	71	73	75
Property, Plant & Equipment	289	280	377	491	638
Other Non-Current Assets	105	90	90	90	90
Total Assets	1,029	965	1,067	1,289	1,642
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	131	127	147	169	196
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	92	97	87	79	71
Total Liabilities	223	224	234	248	267
Total Equity	806	741	833	1,041	1,376
Total Equity & Liabilities	1,029	965	1,067	1,289	1,642

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

Company Sector

Healthcare Technology & Distribution

Company Description

10x Genomics (TXG) is an early-stage genomics tools company that provides integrated solutions for the analysis of single cells including its Chromium instrument systems, proprietary consumables, and related software. The company is a pioneer and the current market leader. Single cell analysis has the potential to revolutionize the study of biology with applications in virtually every field of research including cancer, immunology, stem cells, and neuroscience.

Investment Rationale

We are positive on the opportunity for single cell analysis and spatial genomics, & as a market leader we see TXG well-positioned to benefit. TXG has had a robust launch to the Xenium platform, but has struggled to reaccelerate growth in Chromium. In addition, execution has not been as strong as in prior years, leading to a number of commercial & logistical missteps. We think TXG is addressing these issues and slowly regaining its prior valuation, but see risk/reward as fair and rate TXG Neutral

Stock Data

Average Daily Volume 1,489,869

Quarterly Earnings Estimates

	2023	2024
Q1	-0.44A	-0.40E
Q2	-0.53A	-0.41E
Q3	-0.79A	-0.37E
Q4	-0.41A	-0.24E

Price objective basis & risk

10x Genomics, Inc. (TXG)

Our PO of \$54 is based on an EV/Sales multiple of 8.5x our 2024E estimates, which is in-line with the company's genomics peer group median.

Upside risks to our PO are the faster than expected uptake of new products (esp. Xenium) and single cell analysis methods, better than expected execution, a faster recovery in China, higher levels of R&D funding, and the acquisition of the company.

Downside risks to our PO are commercial, market, and execution risks related to Chromium and Xenium, increasing competition, and revenue volatility due to the often uncertain nature of academic and government R&D funding.

Analyst Certification

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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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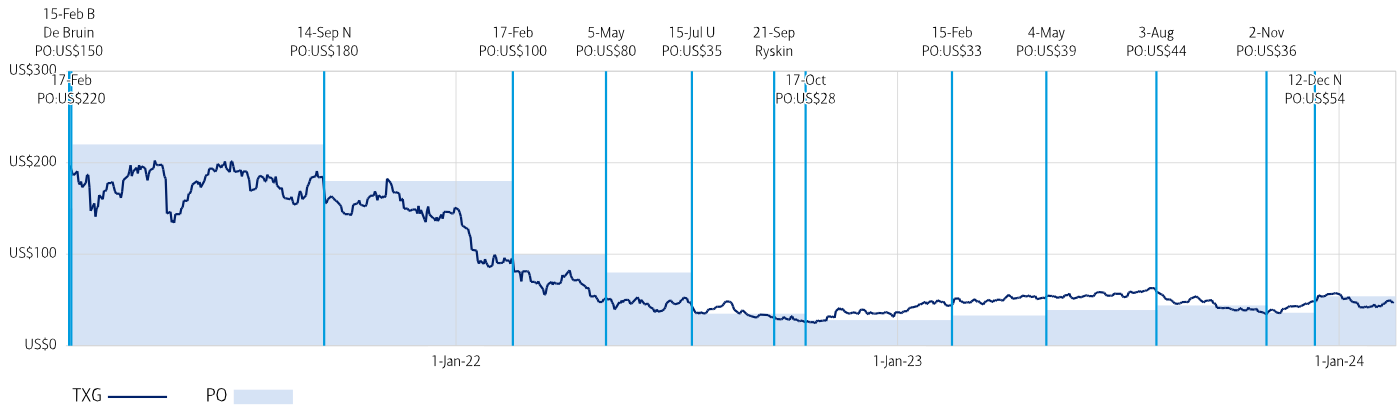
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10x Genomics (TXG) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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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