

QIAGEN: THE MOST UBIQUITOUS COMPANY IN MOLECULAR DIAGNOSTICS

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With over 500,000 customers, Qiagen's products are used in almost every molecular biology lab in the world. Qiagen's "Sample to Insight" mission aims to offer end-to-end solutions to clinical labs and life science companies. The company has the #1 market leadership position in sample technologies that are used in every application in molecular biology (e.g. liquid biopsy, CRISPR, AAV). Qiagen's strategy is to leverage its large client base to cross-sell its new solutions, including fully automated instruments and insights from bioinformatic software. Overall, Qiagen's market leadership position, combined with its growing portfolio of technology and automation solutions, make it a good fit for our **ROBO Global Robotics, Automation, and AI Index (ROBO)**, and our **ROBO Global Healthcare Technology & Innovation Index (HTEC)**.

Qiagen has four new platforms to go after a \$4B market opportunity

The first is Qiagen's top-selling product, QuantiFERON, which is a modernized tuberculin (TB) testing system and part of Qiagen's immune response franchise. This product is yet in its early life cycle stages of converting the world from the 120-year-old tuberculin skin test. Thus far, only 18% the \$1B global addressable market is using the system today. The product is now in its 4th generation, and approved in more than 75 countries, and Qiagen is currently partnering with Tecan and Hamilton (other adjacent market leaders in instruments and workstations), to offer increased technological efficiency. QuantiFERON grew by 20% last year, and with new guidelines for stronger TB controls, Qiagen expects continued double-digit growth for years to come, and is on track to achieve its target of \$300M in revenue by 2020.

Does this patient have the flu or not?

One of the reasons for long wait times in emergency rooms is that doctors are waiting for lab results before deciding what to do with patients, including how long to keep them in the hospital. QIAstat is a slightly-larger-than-a-breadbox-sized instrument that can sit on a table in emergency rooms, allowing technicians to run tests at the point of care. This speeds up results and can reduce unnecessary patient admissions. Part of Qiagen's infectious disease testing portfolio, QIAstat launched in Europe in 2018 and in the US in 2019, and presents another \$800M market opportunity. The company recently partnered with McKesson in the US to help facilitate sales growth in markets where Qiagen is currently less penetrated, particularly in the small hospital market (less than 200 beds).

The one-stop-shop instrument that puts a magnifying glass on DNA

The growing precision medicine world is driving increased demand for PCR-based testing, a process that enables labs to locate something microscopic in DNA in just a few hours. NeuMoDx is Qiagen's new fully integrated PCR-based platform that can provide a result in under an hour (vs. the industry norm of several hours). Being fully integrated means it can be combined with other solutions, thereby automating several processes into one and enabling a technician to walk away for up to eight hours to focus on other tasks. Qiagen launched NeuMoDx in Europe in 2018 and is on track for a mid 2020 launch in the US. NeuMoDx offers a \$2.7B market opportunity globally.

While Qiagen still has some wood to chop, several factors support growth targets

At its analyst day in June, Qiagen announced its plan to accelerate its mid-term revenue growth target to 8-9% CAGR, which is a steep climb from the recent FY19 guidance revision of 5-6% due to restructuring of a joint venture in China (from 7-8% growth in 2019). This acceleration will depend largely on successful execution of the platform launches, and given the long sell cycle of some of these newer platforms, slow adoption could be a risk.

That being said, we believe long-term growth acceleration is achievable for several reasons. First, there are many regulatory barriers that new entrants must overcome in order to run tests on humans. The end-market participants must also undergo extensive trials and validation processes before they can buy and use new instruments or tests on patients. Due to these constraints, potential new clients are often wary of brands that they've never heard of. Qiagen's brand is widely recognized in nearly 100% of its end-market. Additionally, Qiagen has been innovating over the past several years, and is launching new platforms that meet the changing needs of its clients. The company can leverage its leading market position to cross-sell these products into its existing base. In fact, the company is already seeing strong momentum with QIAstat, the new platform launched in 2018, which indicates that investments made in QIAstat are starting to pay off and that the company is able to successfully launch a new product.