

Investment Recommendation

Ticker	ILMN
Recommendation	HOLD
Investment horizon	12M
Current Price (USD)	415.0
Target Price (USD)	410.0
Discount Potential	-2.6%

Stock Performance (52W)



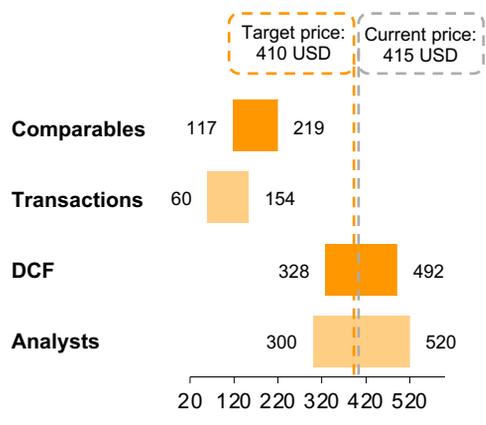
Performance (%)	1M	3M	12M
ILMN	-0.4%	2.1%	32.2%
NASDAQ	6.0%	3.5%	62.8%

Key Data

Market cap (bln USD)	61.4
EV (bln USD)	58.5
Credit rating (Fitch)	BBB

Multiples	2020A	2021F	2022F	2023F
P/E	90x	74x	60x	50x
P/S	18x	15x	13x	11x
EV / EBITDA	68x	52x	45x	40x
EPS	4.5	5.5	6.7	8.2

Football Field



Company description

Illumina is the **leader in genomics industry** with **75% of global market share**. It develops and manufactures advanced DNA sequencing instruments and detection kits for the analysis of genetic variation and biological functions. The products of Illumina are widely used by researchers and clinics in diseases studies, early disease determination and individual gene specific analysis.

Illumina currently focuses on the following areas: **oncology, non-invasive prenatal testing (NIPT), genetic diseases, population genomics and consumer genomics**.

Revenue consists of consumables, instruments and services, with each representing 71%, 13% and 16% of Illumina's total revenue in 2020 respectively.

Investment rationale

The company has significant growth prospects, taking into account **3 growth catalysts that we consider**: NIPT market penetration and expansions, increase in NGS-based oncology screening TAM by Grail acquisition, and clinical genomics segment expansion.

Driven by optimistic growth prospects, **DCF** valuation results in 410 USD implied share price, which is **in line with the current market estimations**.

However, basing on **comparable** analysis, **signs of overheat are traceable**. Attention of investors to biotech and medtech markets driven by COVID crisis and Illumina Grail acquisition news may have led to exaggerated capital inflow.

ILMN EV/EBITDA is the highest among the comparable companies (median 1Y FWD EV/EBITDA **21x** against **52x** of ILMN). **High multiples result from ILMN growth prospects**, which outperform the market (ILMN 7Y FWD Revenue CAGR of **22%** VS market 5Y FWD CAGR of **18%**)

Key risks

- There is a non-zero risk of **termination of the Grail acquisition deal**, which will reduce Illumina potential oncology diagnostics TAM by 40 bln USD
- **Increased competition**: despite high market share, Illumina is faced with cost-competitive peers (BGI, ThermoFisher, Roche, Agilent, etc)
- **Legal risks**:
 - Failure to successfully get regulatory approvals for NIPT tests (VeriSeq NIPT Solution v2) in 3 countries may limit Illumina's growth prospects on this market
 - Risk of failed FDA approval for Grail Galleri test may postpone the commercialization launch from 2021 to an undefined future

Financial summary

USD bn	2018A	2019A	2020A	2021F	2022F	2023F
Revenue	3.3	3.5	3.2	3.8	4.7	5.5
<i>growth</i>	21%	6%	(9%)	18%	22%	18%
EBITDA	1.1	1.2	0.8	1.1	1.3	1.6
<i>margin</i>	32%	33%	24%	29%	29%	28%
Net Income	0.8	1.0	0.7	0.8	1.0	1.1
Cash from operations	1.1	1.1	1.1	0.8	1.1	1.3
Capex	0.3	0.2	0.2	0.3	0.3	0.4
Debt/EBITDA	1.9	1.0	1.5	0.6	0.5	n/a
Asset turnover ratio	0.5	0.5	0.4	0.5	0.6	0.6
Quick ratio	2.2	6.0	3.2	5.1	5.4	4.6