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August 13, 2020

The Thermo-Qiagen saga comes to an end

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Qiagen is one of the few medtechs to do well out of the Covid-19 pandemic. From Thermo Fisher's point of view it has done too well.

Up for sale, not up for sale, selling to the obvious buyer, demanding more money, getting it, then then pulling out of the deal anyway – you can't fault Qiagen for entertainment. The drama's latest twist, in which the diagnostics group told its putative buyer Thermo Fisher Scientific thanks but no thanks, comes as a result of Covid-19.

This will not be the only deal stymied by the pandemic. But in this case it is not because a company has been badly affected, but because it has done too well. Qiagen's Covid-19 tests have been leaping off the shelves, and consequently a majority of its shareholders no longer believe that the $12.5bn Thermo Fisher has agreed to pay represents fair value.

The deal was initially arranged in early March, before the Covid-19 outbreak had become a pandemic and no lockdowns had yet occurred outside Asia, and valued Qiagen at $11.5bn. At the time the Dutch group was in trouble, having haemorrhaged sales, canned its outdated sequencing technology and seen its chief executive of 27 years walk away (*Storm-tossed Qiagen plots a course to higher growth, October 8, 2019*).

Its fortunes reversed spectacularly with Covid-19. Qiagen's molecular test for the virus was authorised by the US FDA at the end of March, and the group also makes the RNA extraction kits and other reagents used in Covid-19 assays sold by many other organisations – so many, in fact, that there was a shortage in March because Qiagen could not ramp up production fast enough.

The group's first-quarter revenue climbed 9%, much higher than guidance. By the second quarter sales were up 18% higher. Naturally Qiagen insisted that Thermo Fisher's €39 ($46)-per-share offer was inadequate, and in mid-July Thermo duly raised this to €43, adding nearly $1bn to the purchase price.

Not good enough was the verdict of the hedge fund Davidson Kempner, which has an 8% stake in Qiagen. This argument clearly resonated with the wider shareholder base: only 47% of them tendered their shares, falling short of the two-thirds threshold needed to get the deal done.

A neu deal

So what now? In the immediate future Qiagen will make a $95m payment to Thermo Fisher; this was part of the revised deal's terms, along with a lowering of the minimum number shareholders whose consent was required from 75% to 66.7%.

Beyond that, Qiagen has definite ideas about growth, and is acquiring the 80% of the private group Neumodx it does not already own for $234m. Neumodx specialises in molecular tests for infectious diseases; its Covid-19 assay received US authorisation on the same day as Qiagen's.

Qiagen is also moving forward with other kinds of coronavirus tests; an antibody and an antigen assay are both in development and expected to be launched by the year end.

Longer term, Qiagen's leadership will have to consider its future. The board continued to recommend the deal even as major investors railed against it, and that stance has now been shown to be out of step with most shareholders.

As for the other party in the case, Thermo Fisher might well start looking for a different company to buy – ideally one with more tractable shareholders.