QIAGEN
Q2 2018 CONFERENCE CALL TRANSCRIPT

August 1, 2018

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JOHN GILARDI: Thank you, and welcome to our conference call.

The speakers today are Peer Schatz, the Chief Executive Officer of QIAGEN, and Roland Sackers, the Chief Financial Officer. Also joining us is Dr. Sarah Fakih from our IR team.

Please note that this call is being webcast live and will be archived on the Investors section of our website atwww.qiagen.com. A copy of the press release is also available in the same section.

(SLIDE 2: FORWARD LOOKING STATEMENTS)

JOHN GILARDI: Before we begin, let me cover our Safe Harbor statement. The discussion and responses to your questions on this call reflect management's view as of today, Wednesday, August 1, 2018.

We will be making statements and providing responses to your questions that state our intentions, beliefs, expectations or predictions of the future. These constitute forward-looking statements for the purpose of the Safe Harbor provisions. These statements involve risks and uncertainties that could cause actual results to differ materially from those projected. QIAGEN disclaims any intention or obligation to revise any forward-looking statements. For more information, please refer to our filings with the U.S. Securities and Exchange Commission.

We will also be referring to certain financial measures not prepared in accordance with generally accepted accounting principles. You can find a reconciliation of these figures to GAAP in the press release and the presentation for this call.

So with that, I will now turn the call over to Peer.

(SLIDE 4: Q2 2018 OVERVIEW - PEER)

PEER SCHATZ: Thank you, John, and thank you to all of you for joining us for this call.

We are quite pleased with our results for the second quarter of 2018. These results show a solid performance and further progression toward achieving the goals we have set for another exciting year of growth. We are on track to achieve our targets for higher sales and adjusted earnings, and are building momentum as our growth opportunities across our Sample to Insight portfolio continue to create value.

I have these key messages for you today:

First, QIAGEN achieved the sales target set for the second quarter of 2018, and exceeded our goals set for profitability. Total net sales were 377.2 million dollars, rising a solid 6% at constant exchanges rates and at the high end of our guidance for 5-6% CER growth. As was the case in the first quarter, these results include a modestly negative impact from the disposals of several product portfolios announced in the second half of 2017. Total growth was 8% at actual rates due to two points of currency tailwinds

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We were particularly pleased with the improved profitability, as the adjusted operating income margin rose 2.2 percentage points at constant exchange rates, and was 27% of sales. Adjusted EPS was 33 cents per share, and the same at constant exchange rates, ahead of our guidance for 31 to 32 cents CER.

Second, we are advancing our Sample to Insight portfolio to address growth opportunities across the continuum from basic life science research to routine clinical healthcare.

Among the highlights were the QuantiFERON-TB test maintaining a dynamic double-digit CER pace at 20%, and we are on track with our target for 300 million dollars of annual sales in 2020. We saw very strong expansion in the United States and Europe, as we move toward completing the transition to the fourth generation of this test. At the same time, the comparison in the Asia-Pacific region reflects the significant contributions in 2017 from tenders in South Korea.

We have recently announced an important new partnership with Hamilton, which will further improve pre-analytical automation of the new single-tube blood collection option, and we are also moving ahead toward the start of our partnership with DiaSorin and embedding the read-out of the QFT test on more than 7,000 LIAISON systems worldwide. With these two solutions, we have a complete and powerful automation workflow for QuantiFERON-TB.

In next-generation sequencing, we are on track to achieve our goal this year of more than 140 million dollars from this portfolio, up from about 115 million dollars in 2017. We are seeing further placements of the GeneReader NGS System, along with ongoing solid growth of our universal solutions for use with any sequencer. The already optimal utility of the GeneReader system was further expanded for use into a range of hereditary diseases, and we saw a number of studies highlighting our liquid biopsy and tissue biopsy solutions on GeneReader at the American Society of Clinical Oncology Meeting in June.

We are also moving ahead with new placements of the QIAsymphony automation platform, and have full confidence that we can reach more than 2,300 cumulative placements by the end of this year. We are seeing double-digit CER growth in related consumables used on this system, which has become the most highly versatile and modular automation platform.

Third, QIAstat-Dx is off to a very successful start in Europe and rapidly gaining recognition as the next-generation platform to provide insights into complex disease syndromes. The first two QIAstat-Dx tests are already launched in Europe, delivering Sample to Insight processing of highly multiplexed PCR panels to evaluate respiratory and gastrointestinal syndromes. Teams are also working as planned toward the U.S. regulatory submission of this system in 2019. As a last point, we exhibited QIAstat-Dx at the ASCO conference to assess its potential for rapid interrogation of key oncology targets, and were very pleased with the feedback.

Fourth, we are reaffirming our guidance for 2018. We continue to expect about 6 to 7% CER total net sales growth. This outlook includes about 7 million dollars of first-time sales from QIAstat-Dx, weighted into Q4. It now assumes about one percentage point of headwind from reduced U.S. HPV test sales, and also absorbs the adverse impact of the recent product portfolio changes.

For adjusted EPS, we continue to expect about one dollar and 31 cents to one dollar and 33 cents per share at constant exchange rates.

So as a quick summary, we are pleased with the strong start to 2018 and are excited about the opportunities for the new year, and the progress we are making toward our mid-term 2020 targets.

I would now like to hand over to Roland.

(SLIDE 5: Q2 2018 FINANCIAL REVIEW - ROLAND)

ROLAND SACKERS: Thank you, Peer.

Good afternoon to those of you in Europe and good morning to those of you in the U.S. I will first review the financial results for the second quarter of the year and later provide some updates on our perspectives on the guidance for 2018.

This was a strong performance for the second quarter, marked by solid sales growth of both instruments as well as consumables, and further improvements in the adjusted operating income margin. And for the first half of the year we also had a 35% increase in free cash flow to 123 million dollars.

In terms of net sales, for the second quarter we reached the high end of our target with 6% CER growth, and net sales of 377.2 million dollars compared to 349.0 million dollars in the second quarter of 2017. Total growth was not meaningfully influenced by the launch of the QIAstat-Dx automation system as we just launched the system in this quarter.

As an additional point, organic sales growth excluding the business portfolio changes we announced in 2017 was modestly ahead of our total sales growth. These business portfolio changes reflect the divestment of a veterinary testing portfolio, as well as structural changes in China, where we stopped commercialization of certain PCR-based tests, and where we previously announced the transition to working with a distribution partner for HPV testing products. The currency benefits were about two percentage points of tailwind, resulting in 8% sales growth at actual rates. The currency contributions were at the low end of our expectations for about 2 to 3 percentage points, based on rates as of April 30, due to the strengthening of the U.S. dollar against the euro during the quarter.

Moving down the income statement, the adjusted gross profit margin improved by about 90 basis points to 71.5% of net sales from 70.6% in the second quarter of 2017. This was mainly due to product mix with the solid growth in consumables, particularly in Molecular Diagnostics, and also margin benefits from the strong growth in high-margin bioinformatics sales.

Adjusted operating income rose 15% to 101 million dollars, growing at a much faster pace than net sales thanks to the contributions of our efficiency and effectiveness programs. The adjusted operating income margin rose about 220 basis points at constant exchange rates, and was up about 160 basis points at actual rates to 26.8% of sales compared to 25.2% in the year-ago period.

Along with the increase in the adjusted gross margin, the efficiency programs and prudent cost actions are making an impact, as we had lower levels of Research & Development, Sales & Marketing and General & Administration expenses as a percentage of sales compared to the second quarter of 2017. As we have said, we expect about 100 basis points of improvement in the adjusted operating income margin for full year 2018 compared to 26.2% in 2017, which takes into consideration that we reinvest a significant portion of the gains into the development and commercialization of QIAstat-Dx.

Moving down the income statement, adjusted diluted earnings were 33 cents per share for the second quarter of 2018. The adjusted tax rate was 20% for the second quarter, which was in line with the rate for the first quarter of the year and also with our target for about 20-21% for the second quarter.

(SLIDE 6: Q2 2018: CUSTOMER CLASSES - ROLAND)

ROLAND SACKERS: I would like to now review our sales results for the product categories and our four customer classes.

Among the product categories, consumables and related revenues rose 6% CER to 333 million dollars in the second quarter, and represented 88% of total sales, on solid business volume expansion in the Molecular Diagnostics, Pharma and Academia customer classes.

Instrument and related sales were up 7% CER for the second quarter of 2018, providing 12% of total sales and delivering a significant improvement over the 1% CER year-on-year growth rate in the first quarter. Here, we saw an impact from a shift in the instrument revenue mix providing significantly lower contributions from third-party service contracts but demonstrating underlying instruments sales growth of 19% CER.

As mentioned earlier, we are pleased with the commercial start of the QIAstat-Dx system, but revenues in the second quarter of 2018 from this acquisition were not yet meaningful and we expect about 7 million in sales for the full year.

Molecular Diagnostics led the performance among our customer classes, rising 10% CER to 187 million dollars, and provided 49% of total sales. This came on a combination of robust double-digit CER growth in instrument sales along with high-single-digit CER gains in consumables. Highlights include the QuantiFERON-TB test, QIAsymphony consumables and co-development revenues from companion diagnostic agreements, which were up 81% CER in the 2018 quarter to 14 million dollars.

The Life Science customer classes provided 51% of total sales, and rose 3% CER in the second quarter of 2018. Applied Testing sales declined 3% CER, but rose at a modest single-digit rate when excluding the divestment of our veterinary testing portfolio earlier this year. Applied Testing is also facing a tough comparison during 2018 due to the extremely strong performance in 2017, as well as some larger tenders. We expect sales in this customer class to be under pressure as well in the third quarter of 2018, but to show modest improvements in the fourth quarter, as we put the divestment behind us.

On the other hand, the Pharma and Academia customer classes had ongoing strong growth rates. In Pharma, where sales rose 4% CER, the highest growth rate was in the Americas region, and overall sales growth came from consumables. Academia sales also rose 4% CER in the second quarter of 2018 on the back of double-digit CER growth in instrument sales and modest single-digit CER growth in consumables.

(SLIDE 7: Q2 2018: GEOGRAPHIC REGIONS - ROLAND)

ROLAND SACKERS: I would like to now review the performance among our three geographic regions. We saw similar trends as in the first quarter of this year across the regions. The Americas had the strongest year-on-year growth in the second quarter, rising 10% CER to 180 million dollars and providing 48% of total sales. This came on the back of double-digit CER gains in the U.S., Brazil and Mexico, and in particular from sales in Molecular Diagnostics.

The Europe Middle East Africa region again delivered 4% CER growth in the second quarter, with sales of 120 million dollars, representing 32% of the total. We saw improving trends in the United Kingdom, Italy, Turkey, the Netherlands and Switzerland, but encountered modestly weaker sales in France and Germany.

The Asia-Pacific Japan region grew 1% CER in the second quarter, providing 77 million dollars of sales and about 20% of the total. However, sales were up 5% CER for the region, excluding very tough comparison against the national QuantiFERON-TB tenders in South Korea in 2017.

In China we saw a very positive impact of the expansion program we announced last year and here sales rose about 20% CER outside the business portfolio changes.

(SLIDE 8: Q2 2018: BALANCE SHEET / CF - ROLAND)

ROLAND SACKERS: I would like to now give you an update on our financial position.

Thanks to the strong business expansion combined with operational discipline, net cash provided by operating activities rose 28% to 166.2 million dollars in the first half of 2018 compared to 129.5 million in the year-ago period. The results for 2018 even include the 30 million payment for prepaid royalties to Natera for the GeneReader partnership, showing the underlying strength of our business to generate cash flow.

Property, plant and equipment expenditures were 42.9 million dollars in the first half of 2018, representing less than 6% of total sales and growing at a slightly slower rate as a percentage of sales than expenditures in the same period of 2017. As a result, free cash flow rose 35% in the first half of 2017.

Cash flow for the first half of 2018 included payments for the QIAstat-Dx acquisition, and also approximately $21 million so far for the first tranche of our current commitment to return 200 million dollars to shareholders. Even taking these amounts into consideration, our leverage ratio stood at 1.7 times net debt to EBITDA, only slightly higher than the 1.6 times level for the same period in 2017.

We continue to have a healthy balance sheet and are maintaining our disciplined capital allocation strategy focused on value creation through targeted M&A deals and returns to shareholders.

I would like to now hand back to Peer for a strategy update.

(SLIDE 9: SUMMARY ON SAMPLE TO INSIGHT - PEER)

PEER SCHATZ: Thank you, Roland.

I am now on slide 9 to give you an overview of key developments in our Sample to Insight portfolio.

Our flagship QIAsymphony automation platform continues to show robust placement rates and solid consumable pull-through.

Our leadership in differentiated technologies continues to produce growth in areas like processing samples for microbiome research.

Now, let me go into more detail on the other four areas, including:

- QIAstat-Dx
- QuantiFERON-TB
- Next-generation sequencing, which includes our GeneReader NGS System and universal NGS solutions
- and our Personalized Healthcare franchise.

(SLIDE 10: QIASTAT-DX - PEER)

PEER SCHATZ: I am now on slide 10 to discuss QIAstat-Dx, our next-generation platform offering syndromic insights for a broad range of applications in a flexible range of near-patient settings.

The syndromic testing market has been growing rapidly based on the clear clinical benefits of highly multiplexed testing as a more efficient way to diagnose a complex syndrome compared to running one single test after another.

As shown here, QIAstat-Dx is a highly flexible, modular system, which makes it easily scalable for a broad range of clinical and laboratory settings and sample throughput needs. Each test kit is comprised of a self-contained cartridge, capable of detecting up to 48 molecular biomarkers, so the lab can run one test to home in on the specific pathogen – guiding the clinicians for a more precise and efficient treatment.

The system is a true one-step, fully integrated Sample to Insight solution delivering to customers what they have been looking for: A solution, which allows them to focus on the results and not the workflow. Ease of use, with less than one minute of hands-on time, is a key advantage that resonates strongly with our customers.

Following our launch in late April, along with CE-IVD marked panels for respiratory and gastrointestinal syndromes, we have achieved strong initial placements in Europe. Our first customers are now up and running already in routine testing mode.

We envision a deep pipeline of applications, which will add to the value of QIAstat-Dx instruments for hospitals and labs. We expect to add meningitis, positive blood culture and pneumonia panels, and we are already working on the implementation of a comprehensive oncology menu as well as the capability of running immunoassays.

QIAstat-Dx is a strategic addition to QIAGEN's portfolio of core molecular platforms, a third Sample to Insight system along with QIAsymphony RGQ and the GeneReader NGS. We look forward to reporting further progress in the coming quarters.

(SLIDE 11: QUANTIFERON - PEER)

PEER SCHATZ: I am now on slide 11 to give you an overview of key developments for QuantiFERON-TB, the market leading test for detecting latent tuberculosis from blood samples.

The substantial one billion dollar market opportunity is still only barely 20 percent converted from the 120-year old skin test, which is more time-consuming for healthcare providers and less accurate than modern lab-based blood tests. In other words, there is a very large opportunity ahead of us.

A number of recent guideline changes by national as well as global health authorities such as the WHO or CDC have reinforced the mandate for blood-based diagnostics for latent TB screening, particularly around issues with migration – in many cases, such as IPPA, recommending the use of QuantiFERON-TB.

In the second quarter the International Organization for Migration – the United Nations migration agency – specifically endorsed QuantiFERON-TB Gold Plus and adopted the test as the only blood test for the screening of migrants in a tender that covers 16 countries in Africa, Asia and the Middle East. This is part of IOM's 5-year *Global Plan to End TB, 2016 to 2020*.

To further serve the growing demand from national and global latent TB screening initiatives, we recently announced a new partnership with Hamilton Robotics to further improve workflow automation and scalability for TB control programs.

The collaboration adds Hamilton's Microlab STAR automated liquid handling workstation to the QuantiFERON-TB Gold Plus workflow to fully automate pipetting steps following single-tube blood collection. These steps are upstream to the read-out automation, for which we provide solutions, most notably through our partnership with DiaSorin. The advanced single-tube blood draw option is a unique feature of the fourth-generation test and represents a key driver for QFT-Plus adoption in large-scale screening programs. This is especially helpful for countries with high testing consolidation such as the U.S., China and Japan.

The additional automation, which will be available to customers in August, will:

First: Reduce overall hands-on time by at least 50%
Second: Provide greater ease of use, and

Third: Ensure consistency and standardization, also integrating seamlessly with the automated test read-out currently being established on DiaSorin's LIAISON-family analyzers.

(SLIDE 12: NEXT-GENERATION SEQUENCING - PEER)

PEER SCHATZ: I am now on slide 12 to review the progress on our next-generation sequencing portfolio. We are positioned to provide solutions for all segments of the NGS market with our Sample to Insight GeneReader NGS System and our platform-agnostic Universal NGS solutions.

Over the past few years we have created a strong NGS franchise, which is well on track to achieve the 140 million dollars set as a goal for 2018 based on superior Digital NGS technology integrated into a unique, comprehensive and highly differentiated menu spanning Life Sciences and clinical research, as well as a customized panel development service, offering customers almost unlimited content.

We are building up critical mass with GeneReader and successfully began the integration of non-invasive prenatal testing on the basis of the partnership with Natera, which was announced in Q1 2018. We have now announced a further expansion of the GeneReader platform into customized hereditary disease panels based on the Human Genome Mutation database, the gold-standard resource for human inherited disease mutations, which forms a part of our industry-leading clinical Knowledge Base and which is integrated into QIAGEN Clinical Insight, or QCI.

Our Universal NGS portfolio, supporting the entire installed base of third-party NGS instruments, continued to produce strong double-digit CER sales growth in the second quarter of 2018. A recent joint publication between the Mayo Clinic and QIAGEN to assess the prevalence of germline mutations among patients with pancreatic cancer is only one example of how our Universal NGS portfolio enables breakthroughs in clinical research.

(SLIDE 13: PERSONALIZED HEALTHCARE - PEER)

PEER SCHATZ: On slide 13, I would like to update you on our Personalized Healthcare franchise.

QIAGEN is a trusted partner to more than 25 leading pharma and biotech companies that rely on us to develop companion diagnostics for efficient patient stratification.

We further expanded the number of master collaboration agreements and saw significant increases in companion diagnostic development activities across NGS and PCR technologies, now further complemented by QIAstat. We have just entered into a new partnership with SRL, the largest clinical testing laboratory company in Japan, to enable simultaneous introduction of new drugs and corresponding companion diagnostics. The goal is to close the time gap between drug approvals and diagnostics testing, providing day-one availability of personalized therapies.

At the May ASCO conference, we also announced a new partnership with Freenome to accelerate the development of companion diagnostics in immuno-oncology. Freenome's unique artificial intelligence platform enables novel approaches to find new biological targets for precision oncology. The partnership will focus on a next-generation liquid biopsy assay to test for a patient's level of tumor mutation burden, a highly complex biomarker that critically determines drug response rate in immuno-oncology.

On a separate note, our *care*HPV Test, a unique assay to screen women in low-resource settings for prevention of cervical cancer, has just been added to the World Health Organization (WHO) list of prequalified in vitro diagnostics (IVDs). We already market *care*HPV in China for rural or underdeveloped areas, and the WHO endorsement should open up opportunities for additional sales to governments and NGOs active in many other emerging markets.

With this I would like to hand back to Roland.

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(SLIDE 14: FULL YEAR 2018 OUTLOOK – ROLAND)

Roland Sackers: Thank you, Peer.

I would like to now review our targets for the third quarter and reaffirm our outlook for 2018.

For the full year, we continue to expect total net sales growth of about 6-7% CER. This is based on the broad business expansion continuing into the second half of the year, along with about 7 million dollars of first-time contributions from the launch of QIAstat-Dx that are considered as an M&A contribution. This outlook also absorbs the changes announced in the second half of 2017 to our business portfolio, as well as the recent divestment of our veterinary testing portfolio, and also about one percentage point of headwind from reduced U.S. HPV sales.

For adjusted EPS, we continue to expect about one dollar and 31 cents to about one dollar and 33 cents. This includes our previous forecast for dilution of about 5 cents per share from investments in the launch of QIAstat-Dx, as well as benefits of about one cent from the new share repurchase program.

As for currencies, we saw a significant strengthening of the dollar during the second quarter, and primarily against the euro. So based on rates as of July 30, 2018, we expect a currency tailwind for the full year 2018 of up to about one percentage point, and this compares to our earlier estimate for about two to three percentage points of tailwind. As for adjusted EPS for the full year 2018, we now expect a currency headwind of up to one cent for the full year, compared to earlier estimates of about two cents of tailwind.

For the third quarter, our guidance is for total net sales growth of about 6% CER, and includes a rounded up one percentage point of M&A contributions from QIAstat-Dx. However, the contributions from QIAstat-Dx are essentially being offset by the revenues lost from the recent divestment of our veterinary testing portfolio. The guidance also takes into account expectations for sales of the QuantiFERON TB test to grow at a modestly slower rate than usual due to the year-on-year comparison against the South Korea tender, as well as lower contributions from companion diagnostic co-development deals. Adjusted EPS is expected to be about 33 to 34 cents per share, also at constant exchange rates.

In terms of currency impact, based on rates as of July 30, 2018, we expect currency headwinds of about two percentage points on net sales, and up to one cent of headwind on the official CER guidance for adjusted EPS.

In terms of adjustments, for the full year we expect charges on operating income for the amortization of purchased intangibles to be about 104 million dollars in 2018 from 112 million dollars in 2017. We also expect restructuring-related items to be considerably lower at about 9 million dollars, as we have completed the efficiency program started in late 2016. Business integration costs are expected to be about 30 million dollars, and this includes the STAT-Dx acquisition.

As for the adjusted tax rate, we continue to expect about 20 to 21% for 2018.

With that, I would like to hand back to Peer.

(SLIDE 15: SUMMARY - PEER)

PEER SCHATZ: Thank you, Roland.

Here is a quick summary before we move into Q&A. Let me review what we have announced:

- First, we had a second consecutive quarter of solid 6% CER growth, with adjusted operating income growing at a much faster rate than sales and leading to adjusted EPS of 33 cents per share, which was above our target.

- Second, we are advancing our Sample to Insight portfolio across the continuum from basic research to routine clinical healthcare, and delivering double-digit CER growth from our top products like the QuantiFERON TB test, our QIAsymphony automation system and differentiated technologies like liquid biopsy, microbiome and NGS solutions.

- Third, customer response has been very positive to the start of commercialization for the new QIAstat-Dx platform, which marks a new generation of syndromic testing insights and is set to become an important growth driver.

- Finally, we are on track to achieve the goals we have set for 2018, and are sharpening our focus on achieving the mid-term targets we have set for 2020.

With that, I'd like to hand back to John and the operator for the Q&A session. Thank you.

John Gilardi: With that, I would like to close this conference call and thank fou for your participation. If you have any questions or comments, please do not hesitate to contact us.

Thank you.