

2nd March 2016

Healthcare

bioMérieux

Price EUR117.25

Weak 2016 EBIT guidance provides buying opportunity

Fair Value EUR121 (+3%)

BUY

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	118.7 / 88.6
Market Cap (EURm)	4,626
Ev (BG Estimates) (EURm)	4,927
Avg. 6m daily volume (000)	39.40
3y EPS CAGR	13.9%

BioMérieux has published FY2015 results, after top-line data was issued in January (slightly above estimates). Contributive EBIT was below consensus estimates at EUR260m (vs EUR266m anticipated) albeit at the high-end of the company's guidance, while EUR46m in non-recurring items impacted earnings. Cautious contributive EBIT guidance has to be seen in the light of a window of opportunity left by GenMark as well as BioFire that should reach the group's profitability this year. We would buy on any share price weakness at opening.

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.1%	8.0%	16.1%	6.7%
Healthcare	-3.9%	-12.1%	-9.4%	-10.3%
DJ Stoxx 600	-2.4%	-13.4%	-8.0%	-8.7%

ANALYSIS

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	1,698	1,926	2,031	2,149
% change		13.4%	5.5%	5.8%
EBITDA	337	397	429	468
EBIT	226.8	271.5	296.5	328.7
% change		19.7%	9.2%	10.9%
Net income	134.8	158.7	176.3	199.0
% change		17.7%	11.1%	12.9%

- As a reminder, Biomerieux reported FY2015 sales on 21st January (please see [here](#)) with sales at EUR1965m (7.1% CER, 15.7% reported) driven by Biofire in NA, which contributed 6pp of growth on a reported basis. NA sales grew 19% CER. A good performance in western and northern Europe alongside a recovery in southern European countries was offset by consolidation of labs in France. EMEA sales grew 0.3% CER. APAC sales growing 3.3% CER were still impacted by weak Chinese sales despite a reorganisation of distributors in the region. Sales were dynamic in all LatAm countries 7.4% CER except Brazil.

	2014	2015e	2016e	2017e
Operating margin	13.4	14.1	14.6	15.3
Net margin	7.9	8.2	8.7	9.3
ROE	9.7	10.5	10.7	11.1
ROCE	8.9	9.1	9.7	10.5
Gearing	18.0	20.0	13.7	7.0

- Contributive EBIT in 2015 was slightly below consensus estimates at EUR260m but at the high-end of the company's guidance range of EUR240-265m. SG&A as well as R&D expenses were in line with last year's levels at 26.9% and 12% of sales respectively. Below the EBIT line, two non-recurring items impacted earnings. Firstly, a EUR33m non-deductible impairment loss related to the depreciation of the minority participation in bioTheranostic following the acquisition of bioTheranostic shares by private investors. As a reminder, bioTheranostic sells cancer tests to CLIA labs in the US, which has long been considered as a non-core molecular diagnostic activity (bioMérieux focuses on infectious diseases). Secondly, a EUR13m earnout linked to an employee retention plan. We would highlight that the latter implies that bioMérieux is ahead of its business plan for BioFire.

(EUR)	2014	2015e	2016e	2017e
EPS	3.42	4.02	4.47	5.04
% change	-	17.7%	11.1%	12.9%
P/E	34.3x	29.1x	26.2x	23.2x
FCF yield (%)	2.7%	1.2%	2.9%	3.5%
Dividends (EUR)	1.00	1.01	1.12	1.26
Div yield (%)	0.9%	0.9%	1.0%	1.1%
EV/Sales	2.9x	2.6x	2.4x	2.2x
EV/EBITDA	14.5x	12.4x	11.3x	10.1x
EV/EBIT	21.5x	18.1x	16.4x	14.5x

BIM (EURm ex)	FY14	FY15	y/y	FY15 cs*	Delta	FY16 Guid.	FY16 cs*
Sales	1 698	1 965	15,7%	1 965	0,0%	6,0%-8,0%	7,3%
contributive EBIT	227	260	14,6%	266	-2,3%	265-290	307
EBIT margin %	13,4%	13,2%		13,5%			
Net results	135	110	-18,8%	139	-20,9%		
Adjusted EPS	3,42	2,80	-18,1%	3,45	-13,8%		

- Organic sales growth guidance for 2016 is 6-8%, with the consensus already within this range at 7.3%. Cautious profitability guidance is for a contributive operating EBIT within the EUR265-290m range whereas the consensus was at EUR307m (BGe EUR296.5). This might put the share price under pressure at opening. However, this should be seen in the light of a window of opportunity left by GenMark as well as BioFire that should reach the group's profitability this year. Long term growth prospects intact.

VALUATION

- The share price could come under pressure at opening in view of the bottom-line miss caused by non-recurring items and we would use any weakness to add.

NEXT CATALYSTS

- Today 02.30pm CET : conference call on FY2015 results (FR +33 1 70 48 01 66, Europe +44 20 3427 1906, US +1 212 444 0896, code FR: 904 1545, code US: 514 5951)

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