

## bioMérieux

Price EUR101.10

BioMérieux still offers compelling growth profile

Fair Value EUR118 vs. EUR121 (+17%)

BUY

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	118.7 / 88.6
Market Cap (EURm)	3,989
Ev (BG Estimates) (EURm)	4,379
Avg. 6m daily volume (000)	42.80
3y EPS CAGR	26.7%

**BioMérieux reported FY2015 results yesterday which disappointed in terms of profitability for 2016, coming 10% below consensus expectations at mid-range. We have adjusted our estimates accordingly which translate into a EUR3 decrease of our fair value to EUR118. However, we still view yesterday's sell-off as excessive as investments around BioFire are necessary to 1/ take advantage of the window of opportunity left by GenMark, 2/ accelerate growth in international markets, and 3/ increase visibility on long term profitability. We reiterate our BUY rating.**

## ANALYSIS

- Previously communicated organic growth guidance of 6% to 8% growth was in-line with consensus (7.3%), but the 2016 contributive EBIT guidance range was quite disappointing (EUR265-290m) as it came 10% below consensus expectations and 6% below our estimates (BGe EUR296m) at mid range. We believe that increased investments in sales and R&D in 2016 brings confidence as to the company's ability to accelerate BioFire growth and long term profitability prospects.
- Investments to unlock FilmArray's potential in new markets and develop panels. >90% of BioFire sales are derived from the US. Europe is opening slowly for BioFire with the ME panel as a premium priced flagship panel which enables to trigger labs interest. Gaining KOL's acceptance is key in the European market and BioMérieux decided to invest into clinical studies to prove the clinical value added of the FilmArray. R&D investments should also support the future launch of new panels. As a reminder, the infectious disease diagnostic market is worth USD2.3bn (growing 20% CAGR) and BIM's available panels address 70% of the market with the following indications (in USD market size): GI (USD800m), Respiratory (USD250m), Sepsis (USD400m) and Central Nervous System (USD140m). While the respiratory panel should keep the lion's share of FilmArray's panel sales in 2016, management start to see traction from sales of the Gastro-intestinal (GI) panel. Moreover, management plans to increase its direct sales force to benefit from the window of opportunity left by Genmark. Note that no switch is expected to arise in the ST from the gradual launch of FilmArray Torch (large volume laboratories). FilmArray should continue to benefit from a leading position on the market and we do not expect GenMark to be on the market during the summer when hospital will place order for the 2016/2017 flu season. Finally, FilmArray's production is transitioning to automated lines which might further help gross margin (60bp progression in 2015)
- Immunoassays. US competition on VIDAS B.R.A.H.M.S PCT (immunoassays instrument; 7% of BIM's sales) should materialize in late 2016 and management is prepared. Sales for the platform are continuously growing in all regions where BIM faces competition. The company has been able to retain or even gain market shares.
- In China (8% of sales), the company is revamping its access to final customers and believes that it can go back to high single digit growth within 2 years. This statement has to be read cautiously as many diagnostic companies are struggling in the country. We believe that an acquisition bringing-in a local distributor network might be a pre-requisite. Our estimates are on the cautious side as we estimate that BIM should come back to the above mentioned levels in ¾ years

	1 M	3 M	6 M	31/12/15
Absolute perf.	-14.2%	-7.3%	2.1%	-8.0%
Healthcare	-1.7%	-11.1%	-5.9%	-9.0%
DJ Stoxx 600	1.9%	-11.2%	-3.6%	-6.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,965	2,056	2,186	2,315
% change		4.7%	6.3%	5.9%
EBITDA	388	417	459	515
EBIT	260.0	283.8	317.0	364.5
% change		9.1%	11.7%	15.0%
Net income	110.3	161.4	191.0	224.5
% change		46.4%	18.3%	17.5%

	2015	2016e	2017e	2018e
Operating margin	13.2	13.8	14.5	15.8
Net margin	5.6	7.9	8.7	9.7
ROE	7.3	9.9	10.8	11.6
ROCE	8.2	8.4	9.1	10.2
Gearing	14.9	24.1	19.0	11.0

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	4.09	4.84	5.69
% change	-	46.4%	18.3%	17.5%
P/E	36.2x	24.7x	20.9x	17.8x
FCF yield (%)	1.8%	NM	3.0%	4.8%
Dividends (EUR)	1.00	1.02	1.21	1.42
Div yield (%)	1.0%	1.0%	1.2%	1.4%
EV/Sales	2.1x	2.1x	2.0x	1.8x
EV/EBITDA	10.9x	10.5x	9.4x	8.2x
EV/EBIT	16.2x	15.4x	13.6x	11.5x



## VALUATION

- We have increased our OPEX for 2016 which decreases our contributive EBIT from EUR296 to EUR283.8m. While CAPEX are expected to peak to ~EUR285m in 2016, they should gradually go back to historical levels (8-9% of sales) from 2017 onwards (vs. 11% and 13.5% in 2015 and 2016 respectively).

## NEXT CATALYSTS

- April 21th: Q1 2016 sales

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