

bioMérieux

Price EUR116.65

Post-view Q1 results

Fair Value EUR122 vs. EUR115 (+5%)

BUY

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	118.7 / 92.2
Market Cap (EUR)	4,602
Ev (BG Estimates) (EUR)	4,998
Avg. 6m daily volume (000)	50.40
3y EPS CAGR	27.8%

BioMérieux' management was confident on LT growth prospect for the company's Immunoassays and Microbiology divisions. FilmArray is doing well and ramp-up of the GI panel should support growth throughout the year. We do not see further investments occurring in 2016 and profitability guidance looks somewhat conservative to us. In 2017 however, we do not rule out that sales force might need to be upsized.

ANALYSIS

- **Molecular Diagnostics.** Despite a small seasonality effect from flu this year, BioFire sales remained dynamic helped by 1/ an increased user rate and to a lesser extent 2/ the number of new clients opened. The full product range (FilmArray, FilmArray2.0 and FilmArray Torch) now allows the group to address all sizes of laboratories. Management stated that more than 1,000 clients are now opened, which would represent an installed base of 2,700 instruments vs ~760 clients or 2,300 instruments six months ago. Although a higher share of revenues is now derived from outside the US (8% vs. 4% QoQ i.e. EUR5m), we believe that BIM addresses 18-19% of the 5,000 US hospitals vs 15% six months ago. As such, we have lifted our estimates for FilmArray (see valuation). Outside the US, the dedicated sales force and the effect of clinical studies is starting to pay off.
- **Immunoassays.** Investors questioned us recently on the group's ability to maintain its market share notably in the US where we would expect competition to kick in in H2 2016 (exposure of 6% of the group's sales). Bear in mind that the 8.6% growth in Q1 was not only driven by the US, but more by EM and high value tests in all regions.
- **Microbiology.** Management was confident on its ability to deliver and maintain growth at least at the high range of 3-5% market growth following a strong start to the year (+6.7% in Q1). Note that our estimates are conservative at 3% in the long run.
- **Growth in China** was 12.5% and management prefers to remain cautious (note the false start in H1 2015). We would stick to our 5% growth rate for the year, 8% in 2017e.
- **Bottom line.** We remain confident on both the short and long term outlook for the group. It is likely that any further gain will leverage profitability in 2016 as the company will wait at least nine months to measure the full impact of its new sales force before potentially deciding to further reinforce it. As such, 2016 contributive EBIT guidance looks somewhat conservative (BGe EUR287m vs. guidance EUR265-290m). For 2017 note that this might raise the question of increased investments which might, again, slightly lower leverage opportunities.

VALUATION

- We welcome management's confidence in long-term growth prospects and have raised our LT estimates for the Microbiology and Immunoassays businesses. Our 2016 growth rate for the Microbiology BU is up from 4.5%CER to 5%CER. From 2017 onwards, our sales growth rate for both divisions now stands at 5%CER and 4%CER vs 4%CER and 3%CER respectively. This adds EUR6 to our fair value. With a dynamic Biofire division in Q1, albeit helped by seasonality from a mild flu season, we have increased our sales for the year from EUR191m to EUR205m (35%CER to 40%CER). Exiting the flu season, we believe that the ramp-up of the GI (USD800m market) should support sales growth. The latter change adds EUR1 to our Fair Value. As a result, our Fair Value is up from EUR115 to EUR122.
- Note that 1/ our CER growth rate for the year now stands at 8.1% or slightly ahead of the company's guidance (6-8%), and that 2/ our contributive EBIT stands at EUR287m, even closer to the company's high range (EUR265-290m).

NEXT CATALYSTS

- 18th July 2016: Q2 sales

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	1 M	3 M	6 M	31/12/15
Absolute perf.	19.0%	8.0%	15.8%	6.1%
Healthcare	6.3%	1.3%	-2.5%	-7.3%
DJ Stoxx 600	2.6%	6.4%	-3.6%	-4.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,965	2,078	2,220	2,366
% change		5.8%	6.8%	6.6%
EBITDA	388	422	466	527
EBIT	260.0	286.8	321.9	372.7
% change		10.3%	12.3%	15.8%
Net income	110.3	163.5	194.4	230.0
% change		48.2%	18.9%	18.3%

	2015	2016e	2017e	2018e
Operating margin	13.2	13.8	14.5	15.8
Net margin	5.6	7.9	8.8	9.7
ROE	7.3	10.1	11.0	11.8
ROCE	8.2	8.5	9.2	10.4
Gearing	14.9	24.3	19.3	11.3

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	4.14	4.93	5.83
% change	-	48.2%	18.9%	18.3%
P/E	41.7x	28.2x	23.7x	20.0x
FCF yield (%)	1.5%	NM	2.5%	4.2%
Dividends (EUR)	1.00	1.04	1.23	1.46
Div yield (%)	0.9%	0.9%	1.1%	1.2%
EV/Sales	2.5x	2.4x	2.2x	2.0x
EV/EBITDA	12.4x	11.8x	10.6x	9.2x
EV/EBIT	18.6x	17.4x	15.4x	12.9x



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