

## bioMérieux

Price EUR114.00

FilmArray growth prospects intact, it is all about value added

Fair Value EUR122 (+7%)

BUY

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	120.3 / 93.7
Market Cap (EURm)	4,498
Ev (BG Estimates) (EURm)	4,893
Avg. 6m daily volume (000)	47.80
3y EPS CAGR	27.8%

The sustainability of FilmArray growth prospects was the centre of interest during the group meeting with Alexandre Mérieux, bioMérieux's CEO. This seems intact as highlighted by 1/ clinical value-added of FilmArray (depicted in several 2016 ASM's abstracts) which is increasingly echoed by clinicians, 2/ a good performance by the respiratory panel accounting for 80% of FilmArray sales and 3/ ramp-up of other panels both in the US and in Europe (Japan as free upside). The tougher US reimbursement framework does not impact BIM.

## ANALYSIS

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.5%	14.9%	4.6%	3.7%
Healthcare	-0.5%	3.6%	-8.4%	-10.1%
DJ Stoxx 600	-0.1%	-1.2%	-6.5%	-7.7%

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	40.8x	27.5x	23.1x	19.6x
FCF yield (%)	1.6%	NM	2.6%	4.3%
Dividends (EUR)	1.00	1.04	1.23	1.46
Div yield (%)	0.9%	0.9%	1.1%	1.3%
EV/Sales	2.4x	2.4x	2.2x	2.0x
EV/EBITDA	12.2x	11.6x	10.4x	9.0x
EV/EBIT	18.2x	17.1x	15.0x	12.7x

- We hosted a group meeting with BIM's CEO, Alexandre Mérieux and IR, Sylvain Morgeau yesterday afternoon. Investor focus was directed at the sustainability of FilmArray growth prospects going forward. Back from the 2016 ASM microbe congress (Boston, 16 20th June), management seemed confident with clinical value added of the test being increasingly echoed by clinicians. Among other presentations, FilmArray's respiratory panel demonstrated its ability to significantly reduce the inappropriate use of antimicrobial and hence resistance alongside generating cost savings (abstracts #FRIDAY-505 accessible [here](#)). Note that the latter, launched in May 2011 continues to drive growth and represents 80% of FilmArray sales. Putting this in the perspective of a 55% growth in Q1 2016 despite 1/ strong comp basis in Q1 2015 and 2/ weak 2015/2016 flu season, we believe this translates not only BIM's ability to broaden its reach in the US but also an increasing user rate. We estimate that FilmArray's respiratory panel holds a 48% market share (volumes of test; BGe).
- Continuous growth of FilmArray sales should also be supported by the ramp-up of other panels and the launch of the FilmArray torch (high volume labs). Looking at available panels, the gastrointestinal (GI) one, launched in May 2014, represents the largest market opportunity in the infectious disease diagnostic market (~USD500m in 2014). An interesting abstract presented at the ASM congress (#MONDAY-201 see link above) highlighted the superior performance of FilmArray's GI panel vs. Verigene and Luminex'GI panels. The Meningitis –Encephalitis panel continues to be a door opener in Europe where ramp-up is expected to be slower (country by country negotiations). In the long run, BIM is working on expanding the panel of available tests (lower respiratory tract infections).
- Management does not see high pricing strategy under pressure with an ASP per test of USD140-150 vs USD5-10 for traditional and lengthy tests. In an election year, oncology and commodity tests (i.e. HPV, Vit. D) are under the spotlight. Turnaround time of BIM's system as well as performance of the results justify the price and we do not anticipate the latter to negatively influence utilisation rates, supported by a decrease of the use of high complexity LDT systems. Alere-I flu test with results in 15min not seen as a threat as do not support multiplexing.
- BIM is well on track with its investment plan, mainly with the aim of reinforcing its sales force before GenMark reaches the market next year in the US.

## VALUATION

- We stick to our BUY rating and EUR122 Fair Value, a month ahead of H1 sales.
- Our estimates point to a contribution from BioFire of 11.2% of sales or EUR233, of which EUR198 from FilmArray and EUR35 from BioFire Defense. Our top-line sales growth rate at CER is 8%, at the high end of the company's guidance (contribution from BioFire is 450bp). The division is expected to be breakeven this year.

## NEXT CATALYSTS

- 18th July: H1 sales
- 31st August: H1 results

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**Analyst :**  
Hugo Solvet  
33(0) 1 56 68 75 57  
[hsolvet@bryangarnier.com](mailto:hsolvet@bryangarnier.com)

**Sector Team :**  
Mickael Chane Du  
Eric Le Berrigaud

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15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
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	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
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