

bioMérieux

Price EUR125.80

H1 results topped expectations. Slight guidance stretch leaving limited upward revision.

Fair Value EUR127 (+1%)

NEUTRAL

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	127.9 / 93.7
Market Cap (EURm)	4,963
Ev (BG Estimates) (EURm)	5,366
Avg. 6m daily volume (000)	41.00
3y EPS CAGR	28.9%

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.7%	4.6%	7.3%	14.5%
Healthcare	-5.1%	-2.6%	2.6%	-8.0%
DJ Stoxx 600	0.4%	-1.8%	2.8%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	1,965	2,099	2,264	2,424
% change		6.8%	7.9%	7.1%
EBITDA	388	420	475	539
EBIT	260.0	283.4	328.3	381.8
% change		9.0%	15.9%	16.3%
Net income	110.3	161.2	198.7	236.2
% change		46.1%	23.3%	18.9%

	2015	2016e	2017e	2018e
Operating margin	13.2	13.5	14.5	15.8
Net margin	5.6	7.7	8.8	9.7
ROE	7.3	9.9	11.2	12.1
ROCE	8.2	8.4	9.4	10.7
Gearing	14.9	24.8	19.0	11.0

(EUR)	2015	2016e	2017e	2018e
EPS	2.80	4.09	5.04	5.99
% change	-	46.1%	23.3%	18.9%
P/E	45.0x	30.8x	25.0x	21.0x
FCF yield (%)	1.4%	NM	2.6%	3.9%
Dividends (EUR)	1.00	1.02	1.26	1.50
Div yield (%)	0.8%	0.8%	1.0%	1.2%
EV/Sales	2.6x	2.6x	2.3x	2.1x
EV/EBITDA	13.4x	12.8x	11.1x	9.6x
EV/EBIT	19.9x	18.9x	16.1x	13.6x

After releasing H1 2016 sales on 18th July, BIM published its H1 2016 results with contributive operating margin and net result significantly ahead of CSS expectations. We welcome this strong set of numbers. However, new sales and contributive EBIT guidance (i.e. at or above 6-8% CER topline growth and high range of EUR265-290 contrib. EBIT) point to a limited upward revision in CSS numbers in our view.

ANALYSIS

- As a reminder, BIM's sales kept up with the strong start to the year, rising 10.9% CER in H1 2016 (100bp ahead of CSS expectations) driven by NA (36% of sales) up 22.1% CER. NA sales were boosted by FilmArray (600 placements in H1 or 400 and 200 in Q1 and Q2 respectively) and an increasing ramp-up of VIDAS BRAHMS PCT test before competition kicks in during H2 2016. APAC sales accelerated on a sequential basis to end the semester at 12.5% CER growth (10.7% CER and 13.9% CER in Q1 and Q2 respectively). European sales were mixed, up 2.1% CER. In all, this strong set of results prompted an upgrade to the 6-8% CER FY2016 sales guidance announced today, as BIM revises its FY 2016 sales guidance which "could end the year at or above" the higher end of the previously targeted 6.0%-8.0% CER range (vs. BGe 9.4%). This revision could be viewed as shy and finds its source in numerous swing factors entering H2: 1/ high comparison basis, 2/ intensity of the flu season unknown with BIM's FilmArray sales relying on the respiratory panel, 3 /Roche's strategy in the US PCT space and 4/ uncertainty in China despite increase in reagent sales pointing toward a stabilisation in the region.

BIM (EURm ex /share)	H1 2015	H1 2016	y/y	H1 2016 CSS	Delta
Sales	933	1 001	7,3%	na	na
contributive EBIT	122	149	22,5%	132	13,2%
EBIT margin %	13,1%	14,9%		13,2%	
Net result	59	86	45,1%	76	12,6%

Source : Company Data; Bryan Garnier & Co. ests.

- From a profitability standpoint, higher sales of reagents and increasing sales of FilmArray alongside the end to the US Medical Device Excise tax and a drop in expenditure incurred at Durham to a lesser extent led to a higher gross margin. The latter came in at 51.8% of sales vs 50.8% in H1 2015. Note that this improvement is even more important as reallocation of IT costs weighed for EUR11m on gross profit. SG&A expenses (with BIM having boosted its sales effort to increase the penetration of FilmArray) were overestimated by the consensus and us as they came in at EUR265m (26.5% of sales vs. BGe 28.8%) which compared to EUR254m last year. R&D expenses with studies ongoing that aim to demonstrate the clinical value added of FilmArray to increase adoption stood at EUR125m vs EUR116m i.e. stable as a percentage of sales (12.5% vs. 12.4% YoY). Contributive EBIT margin came in at EUR149m or 14.9% of sales vs 13.1% last year and 13.2% as expected by the consensus. Bottom line, Net Income stood at EUR86m, helped by an EUR11 exceptional gain resulting from provision writebacks for biotheranostic. Diluted EPS stood at EUR2.17 per share
- There results prompt BIM's management to now target the high range of FY2016 EBIT guidance of EUR265-290m. With the consensus being already in the high range of this guidance, we see limited upward revision to numbers. Turning to H2, rebalancing of the reagent/instrument sales mix (lower margin) as well as the effect on two full quarters from increased SG&A and R&D efforts should negatively impact margins (please see [here](#)).

VALUATION

- We are reiterating our Neutral recommendation and EUR127 Fair Value. Our sales are already above the 6-8% CER range at 9.4% CER while our contributive EBIT ests. for the year stand at the high end of the previously communicated guidance, hence in line with the company's revised expectations.

NEXT CATALYSTS

- Today 2.00pmCET: conference call on H1 2016 results (FR +33 1 76 77 22 25, UK +44 20 3427 1905, US +1 646 254 3365; ID 108 344)
- Oct 20th : Q3 sales



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