

bioMérieux

Price EUR139.65

FilmArray on track but fairly valued

Fair Value EUR130 (-7%)

NEUTRAL

Bloomberg	BIM FP
Reuters	BIOX.PA
12-month High / Low (EUR)	140.5 / 98.0
Market Cap (EURm)	5,510
Ev (BG Estimates) (EURm)	5,910
Avg. 6m daily volume (000)	31.80
3y EPS CAGR	29.8%

BioMérieux hosted its conference call on Q3 sales. Management seemed confident in growth prospects for FilmArray, which we estimate should contribute 510bp to our 10.2% revised organic growth rate for the year (vs 9.4% previously). FilmArray's application in PoC is expected to be tested in the upcoming quarters. Slight changes to our estimates prompt no FV change. We see no major catalysts ahead and hence reiterate our NEUTRAL rating.

ANALYSIS

- FilmArray has been driving growth since the beginning of the year and contributed to 480bp of the group's 10.3% organic over the first 9 months. The company invested heavily in its sales force in H1 and the number of modules sold continued to increase sharply (200 in Q1, 400 in Q2 and another 400 in Q3 2016). Although 10% of sales is now derived from outside the US (approval by the China FDA earlier in the quarter), note that the utilisation rate remains low at the moment as over 90% of panels sold are for US customers. Competition from Genmark and Danahaer (following the acquisition of Cepheid for USD4bn in early September) is coming. However, BioMérieux' management seemed confident in maintaining its leadership position mentioning the ease of use of its platform as a key advantage for penetration.
- Having received the CLIA waiver for its FilmArray respiratory EZ panel, BioMérieux is now able to test the water in the Point-of Care market. The instrument features a simplified respiratory panel directed towards Integrated Delivery Network (IDN) which treats patients at different levels (e.g. urgent care centres, outpatient centres and community clinics) and might be willing to integrate multiplexing in their offering. BioMérieux sees sales synergies with these IDN structures that are already addressed by key account managers. Hence no significant sales force expansion is on the agenda. Note that a reimbursement rate as high as the one for the full FilmArray respiratory panel should be ruled out (simplified panel). Another reason for BioMérieux to share its excitement about new prospects with conservatism is Roche's competition. Indeed, Roche is launching its COBAS Liat system with should feature a lighter panel (influenza A/B) than BioMérieux FilmArray EZ' one but is expected to be broadened with the addition of the MRSA and C difficile. RSV and Strep A being already included. Roche is currently ramping up manufacturing.

VALUATION

- We reiterate our NEUTRAL recommendation. Minor changes to our estimates prompt no change in our EUR130 Fair Value.
- What to expect for Q4 2016 with organic sales growth guidance raised (exceed 8%):
 - FilmArray should contribute 510bp to FY2016 organic growth according to our estimates, with organic sales growth keeping up with the same trajectory i.e. 50% in Q4. Indeed, the flu season usually peaks in late Q4. Note that the intensity is hard to predict however.
 - We believe that momentum in China should slowdown with high comp basis. Also, reason for dynamic Q4 in APAC which benefited from previous price increases might be hard to maintain.
- Adjustments to our FY2016 estimates imply organic growth of 10.2% vs. 9.4% previously. A higher FX effect anticipated for the year offsets the increase in absolute numbers.

NEXT CATALYSTS

- 19th January 2017: Q4 and FY2016 sales

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Distribution of stock ratings

BUY ratings 56,7%

NEUTRAL ratings 31,2%

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