



24th April 2019

BIOMÉRIEUX

| Healthcare
| Life Sciences Tools & Services

NEUTRAL

Fair Value EUR70
Share price EUR74.05
EPS 3Y Cagr 10.8%

Very soft start to the year. Downside risk to FY'19 guidance

3.8% organic growth ... lower than our 4.6% est.

BioMérieux has reported Q1 sales up 3.8% in organic terms. Including 1/ a 1.1% scope effect from the acquisition of Hybiome and Invisible Sentinel as well as, 2/ a 2.9% positive FX effect, sales rose 7.7% to EUR632m. Organic growth was significantly below our estimates of 4.6%, which were the lowest of the consensus standing at 7.4%. On the back of these results, BioMérieux has not changed its FY2019 guidance i.e. organic growth in the 7-8.5% range.

Molecular Biology affected by a low/mild intensity flu season

The low-to-mid intensity flu season affected molecular biology sales, up 9.7% organic (+16.6% reported to EUR173m or 27% of sales). FilmArray sales rose by 13% to EUR157m compared with an historical growth rate of 30% y-o-y. The flu panel was clearly a drag in Q1, not totally offset by the ramp-up of the GI panel or the ME panel, sales of which are on the verge of exceeding the sepsis panel. The installed base grew by 700 systems to 8,900 in Q1, an acceleration vs Q4 2018 (600 placement, installed base of 8,200 systems).

Immunoassays still declining in the US, unexpected EU slowdown

Q1 immunoassay sales were not only still affected by pricing pressure from Roche in the US (see below) but also by an unexpected slowdown in volumes in Europe. In all, immunoassays sales were down 4.5% organic (+1.1% reported to EUR109m or 17% of sales). The weak flu season alongside continuous pricing pressure from Roche on PCT sales led to a poor performance by the North American business as a whole, which delivered flattish growth of 0.4% organic (9% reported to EUR262m or 41% of sales).

Healthy microbiology, high comp. basis for Industrial app.

Microbiology sales rose 4.4% organic (5.9% reported to EUR236m or 37% of sales) driven by BACT/ALERT and VITEK, the latter driving growth in APAC, where sales increased +11.6% organic (19% reported to EUR112m or 18% of sales).

After several quarters of high single-digit organic growth, Industrial application sales slowed with 2.9% organic growth in Q1 (5.8% reported to EUR107m or 17% of sales). While reagent sales drove growth, instrument sales were down.

We see downside risk to FY'19 guidance at current levels

Although the extent of the slowdown in Q1 was slightly worse than we expected, management reiterated its FY19 guidance i.e. 7-8.5% CER organic growth and EBIT in the EUR385-400m range. While this guidance reflects the low-intensity of the flu season, it does not take account of the impact on sales from recent adverse reimbursement decisions on the FilmArray RP and GI panels. Should they materialise, they could further impact topline growth and represent a downside risk to the investment case.

The very soft Q1 sales are likely to drive the share price down at opening, especially since BioMérieux is trading at a premium compared with its EU diagnostic peers.

Market Data

Bloomberg / Reuters	BIM FP/BIOX.PA
Market Cap.	EUR8,765m
E.V.	EUR8,921m
Free Float	47.7
Avg. Daily volume (6m)	96.10
12m high / low	81.9 / 53.1
Ytd Perf.	28.8%

EURM	12/17	12/18e	12/19e	12/20e
Sales	2,288	2,412	2,546	2,754
% Change		5.4%	5.6%	8.2%
EBITDA	483.4	509.0	559.2	635.7
% Change		5.3%	9.9%	13.7%
EBIT	334.7	350.5	393.7	456.6
% Change		4.7%	12.3%	16.0%
Net Income	238.1	244.5	271.7	324.2
% Change		2.7%	11.1%	19.3%
ROE	0.14	0.13	0.13	0.14

	12/17	12/18e	12/19e	12/20e
EV/Sales	3.9x	3.7x	3.4x	3.0x
EV/EBITDA	18.5x	17.3x	15.4x	13.1x
EV/EBIT	26.7x	25.2x	21.8x	18.2x
EPS	2.01	2.07	2.30	2.74
% change		2.7%	11.1%	19.3%
P/E	36.8x	35.8x	32.3x	27.0x
Div Yield	0.7%	0.7%	0.8%	0.9%

Next Catalyst: 4th August 2019 H1 results

Last rating Change:

2016-7-19, Sales guidance upgrade priced-in, limited upward revision ahead

Last FV Change:

2019-1-23, Positive risk-reward ahead of FY18 results

Last Reports:

2019-2-27, Strong FY18 and reassuring FY19 outlook

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Distribution of stock ratings

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SELL ratings 7.2%

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