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BIOX.PA - Q3 2021 Biomerieux SA Business Review Call

EVENT DATE/TIME: OCTOBER 21, 2021 / 1:00PM GMT

## CORPORATE PARTICIPANTS

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**Guillaume Bouhours** *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

## CONFERENCE CALL PARTICIPANTS

**Hugo Solvet** *Exane BNP Paribas, Research Division - Research Analyst*

**Maja Pataki** *Kepler Cheuvreux, Research Division - Head of Med Tech Devices Sector*

**Scott Bardo** *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

## PRESENTATION

### Operator

Good day, and welcome to the bioMérieux Q3 Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Franck Admant. Please go ahead, sir.

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**Franck Admant** - *bioMérieux S.A. - Director of IR*

Thank you, and good afternoon, and thank you for joining us to review bioMérieux performance for this third quarter of 2021. As usual, I am online with Alexandre Merieux, Chairman and CEO; as well as Guillaume Bouhours, CFO.

Before handing the call over to Alexandre for preliminary remarks, please note that this conference call will include forward-looking statements. I would like to remind you of the usual disclaimers saying that forward-looking statements are based entirely or partially on assessments or judgments that may change or be modified due to uncertainties and risks related to the company's environments, notably rules described in the 2020 universal registration document, including but not limited to economic conditions, financial exposure to currency exchange fluctuations, change in government policies or regulations, third-party investment policies, timing of the onset, length and severity of flu season and competition.

Accordingly, we cannot give any assurance as to whether we will achieve those objectives. I also remind you that today's call is being recorded, and a replay will be available on our website as soon as possible.

I now hand over the call to Alexandre Merieux, and then we will open the call to discussion and questions.

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**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

Thank you, Franck, and good day to everyone. I will start by giving you an overview of the activity for the Q3 for bioMérieux. So in Q3, we recorded strong sales of EUR 877 million as compared to EUR 789 million last year, which represents a nice organic growth of 11.6%. This remarkable growth has been driven by the strong demand for respiratory panels in the U.S. and also by a solid momentum in all other applications, with immunoassay at 7%. And double-digit growth displayed in both microbiology and industrial applications.

In Q3, looking at the molecular front, BIOFIRE FILMARRAY regions have enjoyed a solid organic growth at plus 19%. And this growth is mainly coming from a higher-than-expected respiratory panels demand in the U.S. linked to the delta variants and its associated spike of our hospital admissions. The growth in nuclear also been very solid in Asia Pacific and mainly coming from Japan. Worth to mention also as well that the nonrespiratory panel achieved a very robust growth at plus 17%. The installed base of FILMARRAY continue to expand significantly. We have now more than 1,300 units where this deployed during the last quarter, bringing the total installed base to around 21,400 units.

Looking at immunoassay, seeing that it has anticipated a growth of 7.3% at EUR 120 million compared to EUR 111 million in Q3 '20. The trends from a geographic point of view have been contrasted with a very solid performance in Asia Pacific, Africa and some countries also in Middle East. While in the U.S., we still continue to see price and volume erosion on the PCT marker creating a downward trend on overall -- do you say, on the overall U.S. immunoassay performance.

Immunoassay, again, the control launch of TB-IGRA went smoothly, and we move to full commercial launch where we have the right regulatory requirements. We are start to seeing also a good start of the VIDAS dengue test.

Now let's switch to microbiology, which showed a very good performance with a double-digit growth at 14% in Q3 to stand at EUR 270 million. And as it had been in the past, the growth was driven by our flagship ranges, VITEK and BACT/ALERT with very consistent reagent growth contributions from all the regions, worth mentioning performance in Asia Pacific, Latin America and Africa.

Under the 9 months, the microbiology sales are growing versus pre-pandemic levels by 8% like-for-like. Also, the recent launch -- control launch of VITEK MS PRIME went very well, and we moved as well to a full commercial launch according to regulatory requirements, is to say, mainly in Europe.

Looking at the industry application, we keep on growing at a robust pace, actually it has been the case since the beginning of this year. The Q3 sales grew by more than 10%, fueled by both businesses in pharma and food. And from a regional point of view, we saw double-digit growth in America and in Asia Pacific. And the microbiology line remained the key drivers associated also with a nice pickup of the molecular biology ranges in industry.

I would like to conclude this short introduction on our annual perspective. And as you know, within a volatile market, but also based on our year-to-date performance, we are raising our outlook for the year. We now expect the yearly sales to grow between 4% and 7%. And also, we now expect the contributive operating results before nonrecurring items to exceed EUR 700 million. Therefore, the 2021 performance will be remarkable. However, link to the context, it's going to be projectable beyond at this stage.

With this, I propose that we move on to the Q&A session.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) We will take our first question from Hugo Solvet of Exane.

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### Hugo Solvet - Exane BNP Paribas, Research Division - Research Analyst

I have 3, first one on the assumptions behind your new guidance, which implies a massive high signal to IT sales drop in Q4. Can you maybe share with us some of those -- the main moving parts that you have used to come up with this new guidance?

Second, can you maybe help us understand a bit the dynamic for 2022? And would it be fair at this stage to assume that roughly 20% of your installed base will not be utilized at all next year?

And third, in China, can you maybe give us an update on the value-based purchasing programs? And is that impacting the dynamic in the regions? Are you seeing pricing pressure?

**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

Good. Guillaume, do you want to start on the assumptions?

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

Yes. So assumptions for the new sales guidance, indeed, you're right. The guidance implies negative and pretty significantly negative Q4 versus Q4 2020, of course.

So the first element of explanation is that the baseline, especially on the respiratory panel in Q4 2020 was extremely high with, at that time, a very high level of hospitalizations, especially in the U.S., but not only. So of course, as hospitalizations are going down in the U.S. and also some other countries are getting better, you can mention India, Japan, relative to COVID, we don't expect the same results at the same level for Q4.

Second element is, let's say, the lack of visibility for us on the, let's say, respiratory season or we should say, winter season, very difficult to predict what's going to be the pattern. We used pre-pandemic to have a pattern of higher levels of sales in November, December to prepare winter season, especially for respiratory. Difficult to predict this year. So we actually are quite, let's say, cautious on this.

And final element, important to note, we anticipate a lower quarter for VIDAS in Q4.

'22? '22, yes, it's a bit early to discuss about the dynamic for '22. If your question was on the FILMARRAY installed base. Now it's a bit early to tell. Things will depend also on when and the intensity of the flu season, it could be a key parameter.

What we see today that there is more than one virus circulating because we have seen also an uptake of virus on the others, but still no way for it to be into our knowledge. But we'll see what is important also to note, we keep on saying that. FILMARRAY for us, it's also a menu player. It's not only respiratory. It's a gastrointestinal, meningitis, BCID, pneumonia and the rest. But too early to give you a dynamic for 2022. And as we said previously, the increase of the installed base for us, we believe, it's a good base to grow also on other parameters.

Your question on value based in China believe -- to my knowledge, we have an example in one region with 1 or 2 parameters. So that's something that we scrutinize. We are not today so much concerned with this -- with our ranges, but of course, we monitor this.

The results, just to be clear, with Anhui province, as you know, it's only one small province actually. And the results are not fully settled yet. I think the companies have responded. But the government, the local regional government has not yet exactly set how it will work based on the responses who can participate not, at which price, et cetera. So not -- again, not a lot of -- not impact for us and not a lot of visibility on how it will unfold exactly even in this province.

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**Hugo Solvet** - *Exane BNP Paribas, Research Division - Research Analyst*

Okay. Just maybe a quick follow-up on my question around the installed base and its utilization for next year. In other words, is there a risk? Or do you foresee any risk that -- of the write-off of part of the installed base next year?

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

No, (inaudible) to monitor. But for us, as mentioned, no, no, it will depend on the situation. And I think to see that installed base keeps increasing for BIOFIRE. It's a good news. It's a good -- it's a good recognition of value of the syndrome testing. So no, we'll monitor, of course, but not at this stage, no.

And from a financial point of view, if it was your question, no, we don't foresee a big risk of write-off installed base, as you know, was around 17% or even 18% some quarter of percent stalled. So it means it's not ours. (inaudible) placement, we can -- we have the right, of course, to get it back and to reuse for other customers. So if the question was on the financial point of view in terms of write-off, that's not something we foresee.

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**Operator**

We'll take our next question from Maja Pataki of Kepler.

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**Maja Pataki** - *Kepler Cheuvreux, Research Division - Head of Med Tech Devices Sector*

Yes. I'm actually also going to try to get a question in on 2022. And I understand it's far too early to give us any indication on where your top line is going to go next year. But can you help us to -- can you help us understand how we should think about the cost base going into 2022, so we can actually just come up with a reasonable assumption on the process development given your massive increase in guidance for 2021?

So please can you give us some label blocks, assuming your top line growth would be 0? So let's assume you're coming at 5% this year, flat revenue next year, more or less same business mix. What do we need to take into account from an operating cost perspective that comes on top, so we can start to do the math ourselves? That will be my first question.

Second question, you mentioned that you assume that the immunoassay revenues are going to be significantly weaker in Q4. Is that due to the fact that you see something happening on the PCT side of the market? Or is it because you assume that COVID-related tests are going to fall off or insignificantly come Q4 2021?

Last question on the BIOFIRE franchise. Can you tell us where you're seeing anything from a competitive standpoint that is cost pressure, GenMark has been more visible in the market or anything from that perspective?

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**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

So maybe we'll take the first one -- always take the last question. I've always remember -- regarding BIOFIRE, no, nothing specific yet with GenMark being required by Roche in terms of market dynamics or price pressure. We start to see some pressure, but I would say nothing significant regarding the range on the ASP, maybe a slight decrease, but nothing very, very much early at this time. So no, it's not -- nothing to report there regarding competition or potential uptake of the competition. So we are growing and that's what we are looking at. And the other question.

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

So cost base, so the -- first, the revised outlook for this year includes -- of course, the uptake on the revised outlook for CEBIT is first linked to the additional sales compared to our previous assumptions, but also to the fact that the cost upturn that we could have expected is not so strong yet at the end of this year than we would have thought. We restart some travel, some marketing activities, but it's still not a very strong restart. We believe that it will be much stronger and that's what we expect for 2022. That's what we said earlier that the -- again, the cost base right now is at a low level and cannot be sustained at this low level, again, in terms of Congress, marketing, travel cost. We should expect, you should expect as well an upturn and a significant upturn on the cost base for 2022. Your additional question was -- yes, please, Maya?

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**Maja Pataki** - *Kepler Cheuvreux, Research Division - Head of Med Tech Devices Sector*

I'm sorry. Did you -- I'm not sure whether I have that correctly on the mind, but I think that you said last year that the cost savings were amounting to around EUR 70 million. So, of course, that might have been a bit -- that might be now a bit more in 2022. But is there something like a catch-up effect that we need to say, let's say, EUR 70 million, plus 20% growth, plus another EUR 50 million on top because you want to use the opportunity

once you're back in the market to go and see as many people as possible? Or is it more like a gradual growth of the cost base that needs to be aligned to your top line growth?

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

So just to come back on the -- I think, what you referred to is that I said as part of the H1 results that we had several tens of millions of savings on the cost base linked to travel, marketing, Congress and even some small parts of R&D that could not, let's say, be executed as expected because clinical trials are delayed and things like that. So that's what you referred to. We didn't give a precise figure on the EUR 70 million you are referring to are maybe some (inaudible) is several tens of millions to really highlight that it's significant, and that was just H1. So that's part of the upturn that needs to be expected for next year.

And again, we expect this upturn to fuel also the growth, the medium-term growth for bioMérieux. On top of that, you should all keep in mind, of course, that the raw material environment is, of course, pretty complex. You see that everywhere, and that we have to cope with some, yes, inflation of some raw material as well as, let's say, tensions on the labor markets in some regions, typically pretty strong in the U.S. with a lot of restart of moves in the labor market in the U.S. And as a consequence, yes, salary may be a pressure that we -- and we need to be competitive on that front as well. It's too early to say, again, I'll try to give you some elements. We are right now looking at 2022 at our assumptions, at our budget, yet too early to precisely quantify.

Maybe I come back on your additional question, which, I think, was on immunoassays down in Q4. So just to mention that we have an [FCA] on VIDAS that needs to be, let's say, implemented and rolled out in Q4. It will have some revenue impact, but we have already included this in our guidance. So that's why I was commenting on this as part of our guidance. So nothing that is too difficult, and we are confident that it will be, let's say, rolled out over Q4.

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**Operator**

We will take our next question from Scott Bardo of Berenberg.

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**Scott Bardo** - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Sorry, I was on mute. Can you hear me okay?

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**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

Yes, Scott.

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

Yes.

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**Scott Bardo** - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Yes. Just a quick clarification as the first question, please. Did you say that the nonrespiratory panels were growing 17%, 1-7 percent this quarter?

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**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

Yes.

**Scott Bardo** - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Yes. So just on that point, because I read in your release that since the nonrespiratory panels were accelerating in growth. But as I look to your H1 performance, you grew 30% in nonrespiratory. So that seems actually some marked deceleration. I just wonder if you could help explain actually the sort of inter-quarter dynamic, please, there. That would be helpful.

The second question, again, a point of clarification, please. Is it possible to quantify how much of your immunoassay business you would deem as COVID-related? I know that's not easy, but perhaps serology or some abnormal demand in certain COVID-related markets just to get a sense of the potential, say, vulnerability of that business if the world normalizes.

And the third question, please. Obviously, we see some tremendous sort of upgrade in profitability this year. A little bit confused because you increased your top line guidance to basically where your top line guidance was at the beginning of the year, yet your profit guidance is materially above. And so I wanted to understand why that was. Is it just better gross margin or less ability to invest in new (inaudible) at the start of the year? I just want to understand why the top line outlook is kind of similar yet there is a material difference in the profit outlook.

**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

Yes. It's, again, the -- to your last question, Scott, it's, again, the OpEx operational cost savings that are significantly above even what we would have expected at the beginning of the year. Because again, the business did not restart in terms of, again, travel, sales, marketing, Congress did not restart as we would have expected. So we are -- from a pure financial point of view, it's a good news for this year. From a business point of view, it's not so good, not to be able to visit the customers and have customer activities at the right level, which we intend to have next year.

On your first point about the non-RP acceleration, so maybe it's the interpretation of acceleration, sorry for that. You are very right on the figures. It was more 30% in -- early in the year and definitely 17% in Q3. What we mean by acceleration is more the very strong dynamic, we did not mean any sequential quarter-on-quarter comparison. But we believe it's a very strong dynamic, significantly above 10%, 15% for these panels, which we think is a very good signal and a very good dynamic also for our range beyond the COVID times.

Immunoassay, COVID-related. So as usual, I try to give some data points, but it's very difficult for us to say what is COVID-related. You remember that we sell some parameters that are historic, D-dimer for thrombosis is a good example that we use this year massively for COVID patients. But we cannot say from our end, which exact figure has been used for COVID. So on the serology, what is really COVID purely the serology parameters. I can give you the figure that we sold about EUR 15 million in the first 9 months. Then we have, on top of that, had tailwinds, sorry, so positive on other parameters that are pretty significant.

**Scott Bardo** - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

That's very helpful. And I guess just a couple of quick follow-ups, if I may. Guillaume, you mentioned clearly that the several tens of millions in H1 operating costs that you would have otherwise looked to do, just so we're all roughly on the same page, are we right in saying that there would be some triple-digit million number on a full year basis? If you could confirm that, that would be helpful.

**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

Yes, we should be in that range, yes.

**Scott Bardo** - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Yes. Understood. And lastly, Obviously, it's an exciting prospect given you're expanded installed base of BIOFIRE instrument to really drive lots of uptake of your other panel. I know this is a big effort internally. So my question is, why do you think it's not growing above this sort of 17% level this quarter? Is it just a fluctuation? It feels to me that in the early stages of these products, we should be doing much better than that already.

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

No, we believe it's a very good dynamic actually. It's pretty well spread over the different parameters. Last year was already a good base in Q3. We see a very good growth. We also see -- and I think it's an important element. You remember that our strategy is actually cross-selling and menu player that Alexandre already highlighted earlier today. We see a good traction, a good dynamic on, let's say, yes, cross-selling from one-panel-only customers to several panels. For example, it's more anecdotal. But in Q3, we've been able to add more than 100 customers to -- in the U.S. to one additional panel than they used to have or to buy. So we believe the dynamic is pretty good actually on the non-RP panels.

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**Operator**

(Operator Instructions) We'll take our next question from (inaudible) of Societe Generale.

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**Unidentified Analyst**

A quick question on my side. Can you -- I don't know if you do remember correctly, but last year, gross margin, we had a massive lift from H2 to -- I mean, from H1 to H2, linked to the productivity gain; linked to expansion of the line; link, of course, with the COVID volumes. We are approaching the end of the year. We, at the end of the day, had 2 waves of COVID in the U.S. We had one on -- in 2020. So can we expect the same level of margin lift? Just talking about the gross margin in H2 versus H1. And any reason why not? First question.

Second question, dealing with the CapEx cycle. Just wondering where you are -- I don't know, Alexandre, if you do remember back in '19, you say, we target roughly 10% of revenue into CapEx. I was wondering if you stick with the figures. And what's going to be the next wave of investments whereabouts?

And finally, thirdly, regarding the BIOFIRE. And any change and especially to be back into the '17 growth ex-respi panel. Just wondering if you have a breakdown, which is a bit different per region than the regular pattern you've seen since the beginning of the year. So meaning, do you sell more in Asia and Europe? Or is it still very, very much driven by the U.S.

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**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

Okay. We'll start with the CapEx question. Yes, the around 10%, I believe, is a good standard for us, but most of our investments are linked to capacity to cope with demand and future demand. And there was a big wave, as you mentioned, linked to capacity expansion in -- to FILMARRAY. But we also have other ranges which are growing quite well. And as you know, also, we are also investing in China on some manufacturing activities. So yes, I believe to be around 10% is a good standard for ratio for us linked to the volume production on the capacity increase we have to bring. You take the one...

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

The first one was on the gross margin. So it's a bit precise, but I think that the trends on H2 should be quite similar to what we have seen for H1, yes, with the mix, that is what we are looking for. What we see for H2, we should be on a pretty similar levels.

The third question was...



**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

It was the growth on the non-RP panels. But then again, we are quite satisfied with the current growth. Again, it's only...

**Unidentified Analyst**

No, no, no. It's not a question of being -- yes, yes, no, it's more a question of thing you have more traction somewhere else than in the U.S.? And do you manage to sell more in Europe, in Asia than you used to at the beginning of the year? So just willing to know if there is a bit more globalization of our business outside U.S.

**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

The Q3 was very special because, of course, there was this COVID wave in the U.S., probably the U.S. wave was strong, if we just look at the math. But beyond that, if we look at the business dynamics, now we saw, for example, a good dynamic of non-RP in Europe this year and including recently. So that's why we are, again, quite pleased with the dynamic of non-RP.

**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

Yes, Europe aspects did very well also in RP and non-RP and then there is always the base effect of COVID, to be frank, the signals go in the right direction, more sales, more instruments and more mix of panels.

**Operator**

We will now take a follow-up question from Scott Bardo of Berenberg.

**Scott Bardo** - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Just a couple of quick ones. So I'm picking up a little bit that in a sense in Q2 in North America was almost the feeling that COVID was going away. So there was quite some destocking of consumables, if you like, in the channel. I wonder whether you have any sense that this third quarter, there has been a restocking in a sense, hospitalizations in the U.S. were not quite at the sort of historic peak level, yet you report a BIOFIRE number, which I think is a record in a quarter. So is there any stocking element that could unwind in your opinion? That would be very helpful to get some perspective there.

And second question for me, please. So Alexandre, I mean, the balance sheet, again, looking very strong, and I know you added some comments here in the last quarter. But now that you raised your expectation on profit, cash starts to accrue nicely. Has there been any movement at all in terms of potential targets or any progress in strategic thought for capital deployment?

**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

Okay. Your first question is there stocking with our customers, not so -- not obvious for me. I believe in Q3, at least in the U.S., it was very linked to the delta variant and again, when we see more utilization, FILMARRAY is very used and syndromic is very useful in hospital settings. There might be preparation of a potential flu season. But to my knowledge, maybe they're also discussing with the team, and I think it's overly significant on that front.

Balance sheet, yes, good results, good performance. We remain active in terms of scaling opportunities linked to technology. So these are things we are -- would say, we are used to do to monitor internally, but nothing, of course, as you understand, but it's nothing specific to announce that,

but we remain active in scaling technologies or companies which will have a benefit for the patient, for the industrial applications, and we remain active in that space, but nothing special to report there.

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**Scott Bardo** - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Very clear. And perhaps last one if I may. I know the provincial tender in China is just one province and a few parameters and so forth. But has this in any way triggered a reassessment or you accelerating plans to be a little bit more in China for China? Perhaps you could talk a little bit about your infrastructure, your domestic manufacturing capability in that region and whether you have any broader plans as a corporate to extend those.

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**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

Yes, we have a stronger -- first, China is important for us, and this is the second subsidiary for bioMérieux in terms of sales. But we are quite active already. We have -- we are present there commercially, but also now through R&D and manufacturing. As you remember, we have a majority stake in hydro, which is a Chinese IVD immunoassay company. So there, again, we have -- we are under manufacturing and capacity planning and we're currently building a site on this aspect. We are also delivering a new plant to produce locally our [number] future battles. So this is in line with our with our long-term view that we have for China. So we remain active there, I would say, it is and it will remain an area of focus for us.

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**Operator**

We will now take a follow-up question from Hugo Solvet of Exane.

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**Hugo Solvet** - *Exane BNP Paribas, Research Division - Research Analyst*

Just a quick follow-up on the gross margins. I recall that you had some automation works of FILMARRAY lines on growing at Sort Lake. Can you update us on that? And what's left to be done also when a positive impact from more automated lines could be felt on the gross margin, if any?

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

We find a progressive automation. We started from a full manual process several years ago. We have a kind of Phase I or step 1 that is completed, but completed means validated and needs to be deployed with additional -- once we have an automated machine, we need to have a second one, a third one, et cetera. So that's what we are deploying on Phase I.

And then we have a kind of Phase II part of the process that we are in the process of fine-tuning and validating that again we also need to be then deployed, let's say, line by line. So my point is that it's progressive, actually, because some parts are already automated and are ramping up. So it will be over time, it's not going to be a cliff effect of automation. They are already impacting our margins this year. There will be some next year and over time.

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**Operator**

And we now have a follow-up question from (inaudible) of Societe Generale.

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**Unidentified Analyst**

Yes. Just a follow-up regarding energy cost price. You're fairly stable in terms of energy consumption and same as energy renewable usage, roughly in the range of the 13%, 14%. How far are you concerned, and especially regarding China opening up, but mostly U.S. and Europe, where most of the infrastructure is being based? So do you have that in mind so far? And can we get your thoughts on that, please?

**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

No. We don't see that as a big issue or significant concern in our cost base. It's a difficult subject we are looking into in our CSR road map and our view to improve our environmental impact. We have significant plans to improve, let's say, renewable sources and energy consumption in the coming years. But in terms of cost, which I think was more on your question, there are, let's say, other subjects of, let's say, material increases or raw material prices that are a bit more significant for us here.

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**Unidentified Analyst**

Okay. And do you see -- and if we stick with these raw materials or any materials that are needed for the production, do you see some scarcity? Do you see inventory being very, very low so far and having some concern even for the rest of the year?

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

Yes, I think, we -- like every industrial company on the planet, we see difficulties, maybe not at the level of the automotive right now, but...

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**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

It's tensed but managed.

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

It's managed exactly, but still tense. So yes, tough for us. I think I mentioned last time, and I can confirm, for example, the PCs, the computers that are used for our equipments. I'm not talking about the computers for employees, but for our systems are pretty tense in terms of supply. We get some, but not as much as we need to, et cetera. So that's an example. There are others. So as Alexandre just said, managed but pretty intense.

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**Operator**

(Operator Instructions) There are no further phone questions at this time.

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**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

I have one question from the website. Can you give a split of respiratory versus nonrespiratory panel in Q3 as you did in H1? Do you believe that utilization of new respiratory panels higher test per system should be similar in 2022 to '21? Please give update on new opponents, pneumonia and joint infection.

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

Thank you for the question. So first on the respiratory nonrespiratory split. So in Q3, of course, with the U.S. wave, the percentage of respiratory was very high at actually 75%. Year-to-date, it's -- over the 3 quarters, it's 70%, 70 percent for respiratory and 30% for nonrespiratory.

In terms of updates, joint infection, I remind everyone, has been filed with the FDA. So we are looking for the, let's say, the final feedback and green light, not done yet. Pneumonia, I remind you, was launched probably 2 years ago now and has a very good track. We are pleased with the way it goes with pneumonia. And I think the customer feedback are very good as well. So it's progressive adoption as we said, because it's a complex panel and probably involve changes in medical habits to use this information. But we are very pleased with the feedback and the adoption.

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**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

Yes. On the consumption per system in '22.

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

Yes. Consumption per system in '22 is, again, that's the difficult one uncertainty on '22 there. We'll come back to that early next year.

Thank you.

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**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

Okay. No further question, I guess.

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**Operator**

We have one follow-up question over the phone from Scott Bardo of Berenberg.

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**Scott Bardo** - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

I'm sorry I'm making nuisance myself here. I just wonder if you can give us some sense here because of your BIOFIRE installed base, which has clearly been very impressive expansion over the last 18 months. And I think you're calling these numbers you report on in terms of modules, seeing the number of slots.

Can you help us understand of this significant expansion that you have seen essentially doubling really over the last 18 months, your number of slots? Can you give us some sense of how much of that comes from the tort system, which has multiple slots and how much comes from single BIOFIRE unit? I'm just trying to understand here in terms of, if you like, the amount of new machines out of that numbers you report, that would be helpful.

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

So TORCH is a big success. And actually, the vast majority of the increase since the last 18 months is really TORCH. It's really a well-adopted system.

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**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

I remember TORCH starts with 2 and can go up to 12. You can also have much.

Okay. No more questions?

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**Operator**

There are no further questions over the phone.

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**Guillaume Bouhours** - *bioMérieux S.A. - Executive VP of Purchasing and Information Systems & CFO*

Okay. Well, thank you to all for your participation and for your questions. Our next formal release will be on March 7, '22 with the webcast to present bioMérieux full year results. By then, we remain at your disposal if you have any more questions, and we are looking forward to meeting you to the next [10] conferences or virtuals. Thank you very much. Have a good afternoon. Good morning. Bye-bye.

**Alexandre Merieux** - *bioMérieux S.A. - Chairman & CEO*

Thank you.

**Operator**

Thank you. That now concludes the call. Thank you for your participation. You may now disconnect.

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