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PRESENTATION

Operator

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

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

Thank you. Good afternoon, and thank you for joining us to review bioMérieux performance of its third quarter of 2022. As usual, I am online with Alexandre Merieux, Chairman and CEO; as well as Guillaume Bouhours, CFO. Before handing the call over to Alex Merieux for preliminary remarks, please note that this conference call will include forward-looking statements. I would like to remind you of the usual disclaimer stating that forward-looking statements are based entirely or partially on assessments of regimens that may change or be modified due to uncertainties and risks related to the company's environment, notably those described in the 2021 registration documents, including but not limited to economic conditions, financial exposures, currency exchange fluctuations, change in government policies and regulations, third-party reimbursement policies, timing on the onset, length and severity of decisions and competition.

Accordingly, we cannot give any assurance as to whether we will achieve these objectives. I'd also remind you that today's call is being recorded and that a replay will be available on our website. I'll now hand the call over to Alexandre Merieux, and then we will open the call to discussion and questions.

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

Thank you, Franck, and good day, good afternoon to everyone. Thank you for joining the call. So we'll start with a short overview of the activity for the third quarter. So in Q3, we recorded sales of EUR 902 million, which represents an organic evolution of minus 5.3%. And this reported evolution was at plus 2.8%, mainly due to USD currency fluctuations year-on-year. So distribution has been driven by the solid performance in Industrial Applications, close to 8% in clinical macro, close to 9% and a very strong performance in the nonrespiratory panels at nearly plus 30%.

While the demand for BIOFIRE Respiratory Panel remain very firm in the context of circulation of multi-respiratory pathogens. The multiplexing offer shows our resilience and personalities even with the context of endemicity of COVID-19. And also, as expected, immunoassays sales are still suffering from PCT U.S. sales decrease and also profit-related (inaudible). On the molecular front, BIOFIRE FILMARRAY panel sales reached EUR 293

million over the quarter. And as I said already, Respiratory Panel demand remained strong in Q3, however, due to very -- however, due to a very high basis of comparison with the delta last year, the sales decreased by 20%, mainly in U.S. and Europe, Middle East, where it was still growing in Asia Pacific and LatAm.

On the non-RP side, the growth has been robust at almost 30% and robustness across all the regions and all the panels, and it's worth to mention that the latest (inaudible) panel, the joint detection 1 contributed as well to this performance. So still, our installed base kept on growing with plus 400 units with a well-balanced footprint of 50% in the U.S. and 50% outside of the U.S. And the total number of instruments now climbed to solid 23,200 units at the end of September 2022. In microbiology, we are very pleased with the very solid performance at about 9% growth in Q3, and this growth was fueled by a robust reagent sales growth in both VITEK and BACT/ALERT VIRTUO especially in LatAm and Asia Pacific.

Equipment sales also have been solid over the quarter at almost plus 10% and particularly in North America. As already commented, the Immunoassays sales have been suffering during this last quarter. However, routine testing recovered at plus 5%. Lastly, the industry unit keeps on maintaining a very firm performance on reagent sales growth over the quarter, such as the year-to-date reagent growth is reaching plus 8%, and it happened both in Healthcare and Food segments, which showed this growth. So as a conclusion, the sales performance of many key segments have been very robust over the quarter and as well year-to-date despite a very complex macroeconomic environment and the base effect from COVID. And at this stage, we confirm our provisions, and we are also pleased to take at the upper end of the respective ranges of our '22 outlook as stated in our EMEA communication on both sales, but also on EBIT. So with this being said, I think we can now open the floor for questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Maja Pataki of Kepler Cheuvreux.

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

Yes. Alexandre, 3 questions, if I may. The first one, you had very strong microbiology growth of close to 9% and you said it was broad-based. But can you indicate whether you're seeing already some meaningful impact from the launch of the new mass spec instrument. I think you mentioned something about the U.S., but any more color around that would be great.

The second question is on BIOFIRE. Your revenues are holding up really well. If we look at Q3, we obviously haven't had a lot of hospitalizations due to COVID. But when I look at your guidance, and I also look at what is being reported from various regions, we start to see an uptick in respiratory hospitalizations that are non-COVID, like, for example, U.S. is complaining an RSV outbreak in children and the high hospitalizations.

So just to understand, your move to the upper end of the guidance is a reflection of what has been reported so far and not taking into account a harsh respiratory season? Or is it already taking into account that respiratory season could be quite meaningful. And then the last question is, could you maybe talk a bit about what you've managed to do in this quarter on pricing?

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

Thank you, Maja. So maybe your question on the guidance. I think also we have targeted the upper end of the guidance, mainly because of what happened this last quarter, basically, the good, I would say, resilience of syndromic testing during the context on the good performance that you saw on microbiology and the industrial business, I don't think we have modelized at this stage what would be the impact of a big flu season. We see that, that was likely just starting, but it didn't enter into the model for that. It's more a reflection of the good performance we had on the nice -- the first 9 months.

Your question on microbiology at plus 9%, yes. So we are very pleased with this performance. I think it has been all across product ranges VITEK, BACT/ALERT. Mass spec is part of it. I'm not so sure I have the (inaudible) on the mass spec impact on number of instruments.

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

Yes, a very good start on the VITEK MS PRIME. So the new mass spec, and we have more than 100 customers already. So as we said several times, very good traction, very good start. And we think we gained market share in this field. So definitely, it helps on the microbial growth.

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

To your last point, Maja, pricing, of course, definitely an important question, and we are happy to report first on industry. You remember that we already said the half year that we have a good dynamic. So very similar after 9 months, about 2.5% of price increase already, let's say, in the book. So very good work by the team. And of course, they continue there. We need at least that. On the clinical part, we also made progress. After 9 months, we are close to 1% price increase over 9 months. And you remember that we were almost neutral after 6 months. In the close to 1%, I include, for the first time, I explained last time, the transport part, we are able to re-invoice in some regions the transport or part of the transport to our customers.

So of course, the increase pushed increase, let's say, re-invoicing to customers. So this is included the additional price of the reagents as well as the additional re-invoicing of transport. So it's a significant acceleration of our Q3. Obviously, not enough yet, and we are continuing to work on this. We'll continue over the next quarter, but it's nice to see this, let's say, new dynamic in the figures.

Operator

Our next question comes from Aisyah Noor of Morgan Stanley.

Aisyah Noor - *Morgan Stanley, Research Division - Equity Analyst*

I have 2, please. The first is on the immunoassay business. Are you able to quantify, as you did in August, how much of the decline in immunoassay was driven by China and PCT separately? And then the second one is more kind of a big picture question around the announcement by the U.S. government last week around $88 billion of funding to expand pandemic preparedness over the next 5 years. I understand it's early days, but any initial thoughts on how the plan could be relevant for you and how much of your group business could meet the capacity expansion projects they're talking about.

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

Yes. Thank you, Aisyah. So (inaudible) PCT is one of the topics. So among the decrease that we have in the quarter, Actually, about 50% is linked to COVID base effects. So the slowdown of demand for COVID-related effects where we had a strong demand last year in the same period. About 40% is linked to PCT, and there are mix actually PCT U.S. and PCT as well in China. So a big part, again, is really the PCT and the COVID explains almost everything. And if we take more by geography and not by type of assays, Asia Pacific alone is about 1/4 of the decrease. But when I say that, let me careful in the Asia Pacific, 1/4 of the decrease. You have a part of COVID decrease and a part of PCT decrease as well.

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

And to your question on U.S. funding. To be frank, at this stage, we'll see what happens in terms of potential needs of R&D support and manual support. But at this stage, we have not been totally in contact on this front, but we are -- and of course, we keep on investing on our front on the CapEx for capacity and also our R&D programs are quite ambitious also in the field of molecular and BIOFIRE.

Operator

And the next question comes from Odysseas Manesiotis of Berenberg.

Odysseas Manesiotis - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

I've got 3, please. First of all, could you give us some color on the SPOTFIRE progress on reimbursement and customer interest? Secondly, one on your VITEK MS PRIME franchise. I wanted to get a feeling of how far you are in converting customers from the Shimadzu based instruments has conversion so far been quicker than you expected? And when do you think we'll see the benefits of discount peak? And lastly, do you have any update on the runtime lines of your TB test.

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

Okay. So maybe I'll start with the mass spec question. As we mentioned, we told you that's a good start. It's quite recent. This launch was quite, quite recent, but good success, good traction in Europe and in the U.S. that this is LG approved. Of course, we will work on the existing customer base when we need to replace the current instrument we have. But we also believe that the VITEK MS PRIME is also a very competitive performer.

So the idea will be also to look at the competition. So early days, but very, very promising, and I would say good feedback from the users and from the customers.

Your question on SPOTFIRE is too early because the SPOTFIRE has not launched yet, and this is still under filing. So we will prefer to communicate at the time of launch when the market will be -- when we'll be more ready to communicate, in fact. I'm sorry, I forgot the first question. On TB, so as we mentioned in the call in the end of August, we are still investigating at this age, the root cause. We're making good progress, but there is no short-term would say, remediation being that we have to communicate. So still working on this, making good progress on the root cause analysis.

Operator

Our next question is from Peter Welford of Jefferies.

Peter James Welford - *Jefferies LLC, Research Division - Senior Equity Analyst & European Pharmaceuticals Analyst*

I've got a few, please go back to BioFire multiplexing. Firstly, I wonder if you could just talk a little bit about whether or not you think there was any stocking at all in the quarter, particularly near the end of respiratory panels, in particular, I'm thinking, given what we're looking to potentially quite a severe flu season or whether you believe all of the panels are being used. And perhaps you could talk about the inventory levels you think your lab customers.

Secondly, I just wondered if you could give us an approximate split for the BioFire reagents as sales for respiratory versus nonrespiratory, if that's possible in the quarter to give us some sort of idea of how that split worked out? And also then, could you comment at all on pricing? I think you made a comment in August that you're beginning to see some price pressure now in the BioFire business. I wondered if you could just comment at all an update on that. And then, sorry, just finally, just with the months of 3Q, I think you said in August -- July and August was similar demand to what you've seen before. There wasn't a summer decrease. What have you seen in September and October as you could possibly qualitative to describe the trends you're seeing there for the BioFire?

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

Okay. To your first question, so we see a steady demand. In fact, of course, we mentioned that we are, of course, less than last year because we had -- we were in the middle of the delta variance. But we have a good steady demand. I don't know if the customers are talking. That's not my impression, but it's difficult for us to know. But then again, maybe I'll come back to insist a bit on the non-RP panel we are also growing at 30% and this one is not linked to any flu season or getting dealing prepared.

So first, we're happy to see that the resilience of the RP and the strong demand for the non-RP but difficult to talk about the stacking or not. We're in the pricing. We have a little pressure so far on BIOFIRE. I think this is not something so much significant in our -- in the history that we follow. And we have not seen the trend moving downwards, I would say, so far. So it's something we are monitoring, but I think we are all defending the value of the syndrome and on multiplexing. I'm sorry, I don't remember the third question.

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

The last one was on the trends of September or October, which are very similar to July, August, so remaining very, very solid. Yes, very solid and of course, slightly up from July, August, probably preparing for the winter season, but very similar. And then there was an ask on the figure for the split of respiratory sales. It's 65% respiratory reagents sale on the year-to-date 9 months, 35% on nonrespiratory.

Operator

Our next question is from Hugo Solvet of BNP Paribas Exane.

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

I have 2. First, on the placement trend for 400 instrument placement for FILMARRAY. It seems that you are now back to about pre-COVID level. Do you see this trend sustainable? Or would you expect that to increase slightly or go down? I just wanted to get your thoughts on that. And on specific diagnostics, probably early days, but could you come back on the building blocks for the EUR 60 million in sales that you have set for 2027, which seems relatively cautious in light of what your competitors are communicating on in terms of total addressable market.

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

Okay. On the placement and the sales of instruments plus million which we believe is a good, is a good number because as you know, remember, we doubled the installed base of BioFire systems during the COVID pandemic time. So it's good to see that there is a need to buy more and more instruments. And also, it's important to notice also that we are really pushing the BioFire solution outside of the U.S. This is a part of it also part of our strategy to push more out of the U.S. and also work on the menu impact. So now that we're satisfied with the numbers, but we -- that's a trend we'd like to keep. Regarding (inaudible).

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

Yes, you mentioned the building blocks, you remember that the only panel or menu on the specifics but the most important is actually blood specimens or gram-negative, which are the most critical. So that's, of course, where there is the most medical value. But it also means that in terms of addressable market just for this one, it's about 5% of the AST samples, if you compare to the whole addressable market of Vitek, for example, where, as you know, we are a leader in AST testing.

So 5% of the market can be addressed by specific. And then we took some assumptions of ramp-up. Obviously, year 5 is not the end of the ramp-up. It's a milestone, but we took these assumptions of ramp-up, considering our past experience, so we will see. But again, I think it's important to keep

in mind the size of the addressable market. I also say that because, of course, we will see in the future, if we are able also to -- and we are working on that to add other panels, other tests to the specific review of the platform. But the number of communities are really one in this first application.

Operator

Our next question is from Del Le Louet of Societe Generale.

Delphine Le Louet - *Societe Generale Cross Asset Research - Equity Analyst*

Congratulations for the results. A few questions on my side. Alexan, how should we think in the future about the growth of the RP and non-RP panel, let's say, on the standardized manner, so meaning in the next few years? Or what's your vision regarding that? Back to the installation and the number of equipment, can we get the figure for how many labs as BioFire instruments today? Thirdly, I was -- you touched on a little bit regarding the pricing evolution that we have on BioFire for year-to-date. Can we have a breakdown between RP and non-RP. And a follow-up question from (inaudible) question on specific diagnostics. Can you let us know what are already the major synergy you've been implemented? Where are we in this process of integration? And how do you see the next 12 months?

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

Okay. So I will start by your last question. So the synergy that we see on specific is, of course, a very strong complementarity of the portfolio. It's a perfect fit between at BACT/ALERT BCID 2 and mass spec and also we complement the offer. So that's a full portfolio that we are aiming to develop. So that's the synergies side. Otherwise, we acquire a company that we need to ramp up that we need to grow. So that's -- it's still investment time for us to develop this company, work on the medical front and work also good to go through the FDA filing.

So the synergy is in the portfolio in the medical value that we bring, but there is work to be done, of course, on developing the company. So it's a growth story, more than a cost synergy story. Growth RP and non-RP projections, Difficult to tell you -- to give projections. But the later RP, we are, yes, of course, expecting to keep on growing at, I would say, double-digit growth, but it took so rationale to grow like this, mainly on the newest panel that we have launched. On the RP, there will be some dependence on COVID ups and downs. But also I insist on the fact that also we are really working to promote BioFire outside of the U.S., and it will remain a strong well of growth for us for the years to come. But I cannot give you a clear number and kind of expectations on that. And also, can you repeat to understand 2 questions.

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

You asked about the number of labs with (inaudible). So I think the estimate is about -- the estimate 2,000 to 2,500 in the U.S. And overall, probably around 5,000, I think, overall customers -- overall, right?

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

Yes.

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

Sorry, it's a difficult topic to count customers. I may say that way, you hear me a bit cautious on my answer. And you asked about RP and non-RP, it was about growth figures. So I just repeat and you correct me if it's not the right what you wanted. On the figures, 65% RP sales, 35% non-RP sales. And on the growth in Q3, we mentioned almost 30% growth, 29% growth for nonrespiratory and respiratory was down 25% in Q3. But again, the 25%, I just want to reemphasize, it's a very, very good, let's say, absolute level, much better than we were expecting. But of course, it's down

negative to last year, which was an exceptional demand last year due to the delta wave of COVID from end of July August, September, et cetera, that we were not forecasting in any way to redo.

Delphine Le Louet - *Societe Generale Cross Asset Research - Equity Analyst*

All right. Okay. Just a quick clarification regarding the number of, let's say, labs or structure, having the BIOFIRE. It's 5,000 globally. Does that include the 2.5% in the U.S.? Or is it 5 plus 2.5%, 7.5%?

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

No, it includes the U.S.

Operator

(Operator Instructions) Now we can go back to Maja Pataki of Kepler Cheuvreux.

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

Yes. On your comments around the pricing pressure in BIOFIRE, can you please be a bit more specific whether that is across all panels or whether it's only in respiratory and whether it is from your main competitors in the market or whether it is coming more from the low plex side? Just to understand what are the dynamics that we need to look out for?

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

So again, it's very, very limited pressure. I see on that at this stage, but we are monitoring. It's mainly coming from competition on (inaudible) respiratory and gastrointestinal, the rest is competitive pressure on the other panels that we have probative recently.

Operator

And we can go to Peter Welford of Jefferies.

Peter James Welford - *Jefferies LLC, Research Division - Senior Equity Analyst & European Pharmaceuticals Analyst*

It's actually just a really quick one following on from your interesting data on the customers in terms of the labs. I was wondering, do you have any data similarly for those labs, what proportion roughly of those labs are hospital labs versus on the other hand, perhaps sort of emergency room type or alternatively local sort of communities or otherwise the mega sort of speak labs that are dedicated mega labs for servicing a range of hospitals? Any sort of -- I guess, any sort of split on the type of lab would be really interesting.

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

Sorry, we have this available on the split or the categorization of customers.

Operator

(Operator Instructions).

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

So maybe by the time we have questions from the webcast.

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

A question on the potential of BioFire and top fire potential in terms of installed base, in terms of revenue.

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

So again revenues on reagents, we Alexan already answered that nonrespiratory, we expect to grow double digits. That respiratory will be, let's say, moving also with the strength of respiratory winter seasons, be it COVID or flu, et cetera, it's a bit more difficult to predict. And that on top, we will have an underlying growth of the out of U.S., let's say, penetration and customer adoption. On SPOTFIRE, we have not given a figure. I think One thing that we said just -- it's not a market figure, but it's not the size of the market figure, but that the number of sites typically in the U.S., just to give an idea that the total number of labs U.S. that could have syndromic are estimated around 5,000. We have the total number of sites that could have more emergency care clinics, et cetera, for point of care is above 10,000. So it's -- of course, it does not give the market because consumption per site is not the same. It's a much higher number of potential customers, so a nice possible addressable market, but we have not given the size...

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

And last question on BioFire. Do you have some plan to launch a (inaudible). I'm guessing it's BioFire/SPOTFIRE.

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

No, no. At this stage, the development we are doing and the filings we are doing are for the multiplex approach. Any other question from the web?

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

What is driving EBIT guidance in the upper hand over then review in the upper hand as well. So we answer all these questions.

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

Yes, clearly, the upper end of the guidance is relating to the sales line. We don't have any significant change in our OpEx or cost trends since we updated everyone early September, very similar trends on inflation, on cost, on our own spend. So it's really sales driven.

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

Any other question on the phone?

Operator

There are no questions at this time.

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

Perfect. Okay. Thank you.

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

Okay. Thank you very much.

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

Thank you for participating to this call and for your questions. Our next formal release will be on March 8, 2023, with a webcast to present our full year results. And by then, we may have this follow if you have any more questions. Thank you very much. Bye.

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

Bye, bye.

Operator

Ladies and gentlemen, that does conclude today's conference call. We thank you all for your participation, and you may now disconnect.
