

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

BIOX.PA - Q1 2023 Biomerieux SA Corporate Sales Call

EVENT DATE/TIME: APRIL 27, 2023 / 12:00PM GMT

CORPORATE PARTICIPANTS

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

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

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

CONFERENCE CALL PARTICIPANTS

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

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

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

Shubhangi Gupta *HSBC, Research Division - Equity Analyst*

PRESENTATION

Operator

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

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

Thank you, Ruth. Good afternoon, and thank you for joining us to review bioMérieux performance for this first quarter of 2023. 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 disclaimer 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 environment, notably those described in the 2022 Registration Document, including but not limited to economic conditions, financial exposure to currency exchange fluctuations, change in government policies or regulation, third-party reimbursement policies, timing of the onset, lengths and severity of flu season and competition. Accordingly, we cannot give you any assurance as to whether we will achieve these objectives. I also remind you that today's call is being recorded and that a replay will be available on our website. I now hand over the call to Alexandre Merieux, and then we will open the call to discussion and questions.

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

Thank you, Franck. Hello, everyone. Thank you for joining this call. So I will start by giving some highlights on the performance of bioMérieux in Q1. It was a good performance as we call it sales of EUR 906 million, which represents an organic evolution at plus 7.5%, very close to the reported one at 8.2%, with a limited currency effect this quarter. The evolution has been driven by a solid performance of the nonrespiratory sales at almost 9%, and this is totally in line with the objective of the full year guidance. As you remember, we said we would be growing between 8% to 10% on the nonrespiratory sales.

So for Q1, the pillars of this performance are, first, maybe industrial applications where we grew at a healthy 9% growth with a good performance of the health care business. Clinical microbiology grew at a nice double-digit growth of plus 12%. And also, we had a remarkable performance of the non-respiratory panels on BIOFIRE growing at plus 32%, which is a good news and in line with the push that we're having on this cross-selling of the panel. And this is also bringing the split between the respiratory and nonrespiratory from 64% respiratory to -- and 36% nonrespiratory. The demand for BIOFIRE respiratory panels in Q1 was strong in the beginning of the quarter, and you know that the flu stopped quite abruptly in fact.

But all in all, we are growing at plus 3% in Q1 on the respiratory panels on BIOFIRE. And we brought the installed base to now 24,000 units sold and placed worldwide.

On the immunoassay front, we saw a decrease of minus 7%, still suffering from PCT, while the routine parameters grew all in all, by close to plus 8%. So decreasing in Q1, but we still confirm that we want to be -- we're aiming it to be fresh on this trend for the whole year. Q1 was also an active quarter in terms of milestone that we reached in the product development, in R&D and commercial launches. Beginning of April, we officially launched VIDAS KUBE, which is CE mark. Regarding SPOTFIRE, we got in February, FDA runs for both 5(10K) and CLIA waiver for our first panel, which is a 15-plex respiratory panel. At the same time, we saw the RP mini panel, which is 5 plex that we got clear mid-April, and we submitted for the CLIA waiver, that we should hopefully get before the flu season.

Specific diagnostics important also, you know that this is a CE-marked launched in Europe, but we find that during March to the FDA now it's in the process of getting the FDA filing. Lastly, we were pleased also to announce recently R&D partnership with Oxford Nanopore in the field of infectious disease, looking forward to work together with this very, say, good company in the field of sequencing and to bring ideally the sequencing technology to the diagnostic market. So with this short introduction, maybe I will leave the floor to the questions.

QUESTIONS AND ANSWERS

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

Can you get the first question, please?

Operator

(Operator Instructions) First, we'll go to Aisyah Noor with Morgan Stanley.

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

My first one is on the microbiology growth of 12% in the quarter. Could you clarify how much of this was driven by pricing and volume growth, please? And then the second question is on the immuno business, where you mentioned that routine assays have returned to growth in the quarter, but the organic growth figure was minus 7%, which would imply on my estimate, double-digit declines in PCT around 25% to 30% decline. Can you confirm this or if there was other drivers of the decline here like COVID or China?

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

Thank you. The microbiology actually, on the pricing, we are pleased to say that we are in line with what we announced and targeted this part of our guidance. We are close to plus 4% as an effective price overall net price for all the ranges and regions in the clinical applications, which again, is in line with our overall target. So 4%, almost 4% out of the 12% growth that Alexandre mentioned for microbiology clinical. And by the way, as we are talking about pricing, I can also mention that on the industry side, industrial applications, which is the other part you remember, we were, let's say, ambitioning to have a stronger push on the pricing to pass through inflation, of course. We are also pleased to report that we are slightly above 4% in terms of price effect in the industry, in line with our target. Then back to your second question about immunoassay and the different effects inside the portfolio. So yes, PCT was down strong double digit, actually around 20% decrease between the volume and -- mainly volume effect, whereas routine as Alexandre mentioned, was up 8%. And then the third part is now the emergency parameters, which were actually on a slightly high base last year, Q1 was COVID impacted. So some emergency sales driver.

Operator

We'll go next to Maja Pataki with Kepler.

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

Yes. This is Maja. Two questions from my side as well. First of all, could you give us a bit of an indication on the BIOFIRE local currency growth or the total franchise on the reagent side. Are we on the double -- on the low-teens side? That's what I calculate, but I'm not sure if it's correct? And then my second question is when we look at the SPOTFIRE, the 15 pathogen panel that you have gotten the approval. Are you in discussions on the reimbursement already? How is it going? Any feedback on early input from clients and regulators would be great.

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

Thank you, Maja. It's Guillaume again. So on BIOFIRE in terms of local currency to actually organic growth, the overall range is up 10% in Q1 with the mix of respiratory -- nonrespiratory (inaudible) growth and equipment. And when we look only at the reagents, the mix of the plus 3% respiratory and plus 32% nonrespiratory is actually a plus 12% of BIOFIRE agents only Q1 okay. On the SPOTFIRE respiratory 15, yes, the reimbursement is one of the topics. As I think we mentioned in the annual results and further discussions, it's a challenge. It's -- the coverage in the U.S. is different from one region and type of population from another. But overall, not very strong coverage outside of the hospital for outpatients. And this is the exact -- in fact one of the reason for us wanting also to launch the RP5 that was approved a few weeks ago and that we expect to have approved and CLIA waived later in this year because definitely, the reimbursement for the RP5 will be much broader in coverage and much more solid in terms of reimbursement.

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

But maybe what we can say that there is a -- we think we officially launched on April 6. There's good traction so far coming from the customers in terms of interest on the SPOTFIRE range. And a reminder to the people that are -- one of the key attributes of SPOTFIRE to be CLIA waived, so to be aiming at the point-of-care market. And one of the key features also is the fact that we have a time to result close to 15 minutes, which is a very strong, I would say, technical performance.

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

And can you say -- have you seen any discussions with existing customers that are looking at the 15 pathogen panel and hospitals starting to say, like, okay, maybe this is sufficient for us? Or is there no potential cannibalization discussions ongoing?

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

No, they are not the primary target for SPOTFIRE. And again, the menu on BIOFIRE is quite large, quite adapted to the hospitals. And so far, SPOTFIRE is only with -- targeting only respiratory. So there is no big discussion at this stage to my knowledge with some bigger lab hospital wanting to switch.

Operator

Well come next to Hugo Solvet with BNP Paribas.

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

First on the split respiratory versus nonrespiratory. Can you maybe give us a bit more details on what the split was at the end of March which is probably a best indicator for what we should expect for the remainder of the year between respiratory and non-RP? And second, on Tuberculosis tests, latency test, you've identified the program for the first positive. Can you update us on the path to resuming launch activities? And third, on margins, probably more longer term here, but can you maybe talk to the moving part for the margin and the, say, EBIT margin longer term and update us also on where you are in terms of automation of the manufacturing line for BIOFIRE?

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

Okay. To your first question, I think the -- I think that said it the peak 64% respiratory and the 36% nonrespiratory. So better balanced linked to the strong performance we had on non-RP in this Q1. Regarding Tuberculosis IGRA. So we said it's still, I would say, in decision work on this. We identified the root cause. We need to make sure that we have the right process in place. So no date to give you, but I think that's good progress and working on it, both in terms of R&D and the decision with good progress, but no date to tell you when we'll come back on the market. And to your last question, long-term margin, I'm not sure it's something we do give or...

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

Not really. We can -- maybe to your question on margins, where we can give some elements about this year for our interest because we mentioned a lot of topics about the cost inflation as many companies for 2023. In terms of update, we start to see a bit less pressure, a bit -- and even positive trends on some of the raw materials also on the transport cost. It starts to get to decrease in terms of headwinds, so better. Yet the global inflation environment is still pretty intense in many countries. And therefore, on the salary part and compensation part for our teams, we still see there pretty solid inflation going forward. And for BIOFIRE, which was also a part of your question on the manufacturing and overall cost of goods. So we are making progress on the automation still planned for the very significant milestone of Phase II evaluation at the end of this year in H2, which will help in the coming years between automation, volume and some also, I would say, purchasing savings to continue to improve the cost of BIOFIRE.

Operator

(Operator Instructions) We'll go next to Shubhangi Gupta with HSBC.

Shubhangi Gupta - *HSBC, Research Division - Equity Analyst*

So I have a couple of questions. So first, can you maybe talk about pricing and margins between BIOFIRE, SPOTFIRE, 15 plex and mini panel? And also regarding your collaboration with Oxford Nanopore, can you maybe talk a little more about it? So what kind of test is that? And is it low plex or multi plex? And would it work on the existing platforms?

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

Okay. I will take the one on the collaboration with the results for the Nanopore. So yes, we have a collaboration we announced an R&D partnership with Oxford Nanopore. Actually, the question is doesn't high plex actually Oxford, it's a company with a very strong technology in the field of sequencing. And sequencing today, it's a very promising technology, very active in the field of life science, but also in oncology, in prenatal screening, and we -- our job in bioMérieux to make sure that we work on the next promising technologies to improve patient care and improve our time to results. And we are really quite, I would say, interested by the Oxford Nanopore technology, which has proven to be developing very well. And so the goal of this partnership is to work together to put on the first its R&D collaboration and the idea is to be able to bring to the market to fully some test and diagnostic in routine use. And we are aiming to work on the 3 type of activities. First one is around epidemiology. Second will be on

tuberculosis. And we also work on sepsis on steroid [feeds]. So that's the 3, I would say, topics of this R&D collaboration, which is just starting, but it would say we so far, have a good connection between our respective teams. The first question?

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

First question was on pricing margins for BIOFIRE, SPOTFIRE. So obviously, we don't give details of margin by product. So what we have said in the past is not the relative, let's say, profitability, a range that BIOFIRE was in the top -- not the only one, but amongst the top margins in our range. And then the second part, BIOFIRE versus SPOTFIRE, definitely, the content and -- of high plex and BIOFIRE are different from possibly low plex on SPOTFIRE. So we'll be priced also differently. I take we have just said that we will be, of course, competitive on the low plex point of care against players that are already established such as (inaudible) or others.

Operator

There are no other questions over the phone lines.

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

There is one on the on the web. I mean do you want to read it?

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

Yes, there is a question from investors. So what was the respiratory growth in Q1 to Q4 2022 and has been on the 2022 comps (inaudible). So the comps are very special when we think with BIOFIRE respiratory Q1. You have to remember that last year, Q1 '22, demand was high, but we were on back order due to very high demand back order for I think for January and February last year. Where this year, we were able to get out of that order at the end of January. So it's not -- our revenues don't really mirror the demand due to the back order situation last year. And Q1 versus Q4, so broadly it was around EUR 300 million of RP in Q4 '22 and around EUR 200 million in the Q1 of '23. So I don't have it exactly in terms of organic growth. I'm sorry, we look at a sequential quarter-on-quarter growth and maybe not so comparable in Q1 versus Q4 but it gives you an idea the difference throughout the winter season. EUR 300, Q4, EUR 200 Q1 (inaudible).

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

The second one is on specific diagnostics, settlement date and when to launch in Europe?

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

Okay. So good traction maybe more in some specific countries like Spain and on Germany. So I think the technology is well recognized. Last week, there was a big event in Europe called the ECCMID Conference, where bioMérieux was really well present. Of course, we're now with the partnership with Oxford, we introduced for the first time on the booth SPOTFIRE. We'll also introduced VITEK REVEAL. So good traction. It's a different selling process because we -- of course, we deal with biologists, but also with physicians, but all in all, we are going on track.

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

Another one, both...

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

Is the same effect...

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

M&A strategy.

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

We remain as we are with stay open to looking, targeting some type of technologies, which would have a good impact on the fast time to results, also watching what is happening in the field of industrial applications. So I would say, classic work that we do. You know that we invest in R&D, but at the same time, it's a fast-moving environment. So we look at what's on the market, and we are also lucky -- I wouldn't say lucky, because we work for this, but we are a debt-free company, so we have some room of maneuver if we find something interesting and strategic.

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

So a question on the chat about the (inaudible) chemicals, the opportunity possibly for bioMérieux industry application. So just to remind everyone, we are very focused on the infectious disease diagnostics, and we apply this to the industrial applications for our food customers and our pharma customers, but really more testing on let's say virus and bacteria not at all on the chemicals detection. So it's not toxic. Yes.

There's another question on the chart and then we can also take questions from people online. SPOTFIRE launch contribution we expect in 2023 and the ramp-up after that. So I think we have mentioned also because it's due to the approval and the start that it will be minor overall not so big contribution in terms of revenues this year in 2023, that will be the target has announced 2 months ago to be above EUR 400 million in year (inaudible). Any questions from the room or from the line, Ruth any questions on the call?

Operator

Yes. We do. We have a follow-up question from Hugo Solvet with BNP Paribas.

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

Two quick ones on respiratory panel test sales for BIOFIRE, did you observe any stocking effect in January and February? And Guillaume, you mentioned the split RP, non-RP was 64%, 36% but that's on Q1. But in March and -- or let's say, the evolution of that split from January to March, can you maybe talk to that?

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

Okay. Thank you, Hugo. Stocking effect, always difficult to measure, and we don't have any fixed KPIs so we are talking to customers every day, but yet, it's difficult to tell you anything. I do believe so.

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

No fixed KPIs, and I'll try to find the answer to your specific question on the March. We actually non-RP is slightly above 40% in March, which depleted, right, gives you an idea of what it will be more on the Q2, Q3, more looking like a Q2, Q3 season which is good. And we are very pleased again to have such a success on nonrespiratory. As Alexandre mentioned, it's what we had told you for a long time about our strategy to cross-sell

on the large installed base from customers who had entered for RP and that are now convinced on the technology and that use in the other parts of our large menu. We are very pleased with the dynamics.

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

Yes. And all in all, we are growing at plus 7.5% in Q1. So it's showing I would say also the impact of the full portfolio of bioMérieux with nice growth. And the resilience we have -- that we had already last year in a declining COVID environment. But in this Q1, where COVID was almost not present, I think it was good to show this overall growth for bioMérieux.

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

And there's a question on the can we maintain -- yes. Thank you. Can we maintain the momentum on microbial and Industrials? But definitely, we had announced that we see a strong growth. And in both these domains also with some price effect, of course. We had announced around high single digits for micro, high single digits for industrial. That's what we deliver, even a bit more than that for micro and we expect to maintain this dynamic.

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

To be high single digits on the.

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

Yes, on the guidance effect. I don't if there are other questions coming from the audience.

Operator

We do not have any other questions from the phone lines at this time.

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

Okay. So if it's fine with you, we can we can stop there. Okay. Thank you. Thank you very much on the nice communication will be on September 1. With H1 sales and results.

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

Exactly.

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

Thank you very much.

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

Thank you very much attending to the call.

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

Bye. Bye-bye.

Operator

This does conclude today's conference call. Thank you for your participation. You may now disconnect.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All Rights Reserved.