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BIOX.PA - Q3 2023 Biomerieux SA Corporate Sales Call

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## PRESENTATION

### Operator

Good day, and welcome to the bioMérieux Third Quarter 2023 Sales Release Conference Call. Today's conference is being recorded.

At this time, I'd like to turn the conference over to Aymeric Fichet. Please go ahead.

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### Aymeric Fichet

Thank you. Good afternoon, everyone, and thank you for joining us to review bioMérieux performance for the third quarter of 2023.

I am online with Pierre Boulud, CEO; as well as Guillaume Bouhours, CFO.

Before handing the call over to Pierre for preliminary remarks, please note that this conference call will include forward-looking statements that may change or be modified due to uncertainties and risks related to the company's environment. Accordingly, we cannot give 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, [www.biomerieux-finance.com](http://www.biomerieux-finance.com).

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

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### Pierre Boulud - bioMérieux S.A. - CEO

Thank you, Aymeric, and good day, everyone. Very glad to be with you to share the latest update on bioMérieux and a very strong performance in Q3 that I'm happy to further share with Guillaume.

So the third quarter of 2023, as you've seen, with display year-to-date, a very strong 8% organic growth that comes together year-to-date with close to 11% of sales growth, excluding BIOFIRE RP panel. As you remember, we guided between 8% and 10% for our sales growth for the full year, excluding BIOFIRE RP panel.

As we explained for the performance in the first half of the year, we are benefiting from 3 sales growth pillars that are still very much consistent in the third quarter of the year. Molecular application, microbiology applications, and finally, industrial applications. So let me go through each one of them rapidly.

Molecular, the striking element again this quarter is a very strong performance from -- coming from a nonrespiratory panel. In Q3, we are growing 24% versus Q3 2022. And we still benefit from a very resilient performance on RP panels, even though, as you all know, very low COVID flu season. So we are actually very happy and I'm very satisfied with a very strong resilience that is also demonstrating the medical value of RP panel beyond flu and COVID. So that's for molecular.

The second growth pillar is microbiology. We were reporting very strong performance at the end of H1. Q3 is still growing double digits. Strong performance on (inaudible), strong performance on hemoculture, strong performance and continued success on VITEK MS PRIME, so very much in line with the performance that we've seen until now.

And finally, industrial application. We have a good business, especially coming from reagents with a 9% sales growth, a slowdown in instruments. That is not a worrying factor, more or less anticipated. So very -- very confident with the good performance for industrial applications, and still good performance on price increase that Guillaume will further share.

Immunoassay, we are guiding on a flattish performance. Q3 was slight sales growth, actually, the good news coming from immunoassay is the launch of VIDAS KUBE is still doing well. We have more than 160 VIDAS KUBE installed as we speak. And we've also very recently communicated on the CE marking for a new high medical value markers, traumatic brain injury, which is a blood test that allows to identify risk for traumatic brain injury and avoid CT-scan. So interesting market that will further complement the menu that we have on VIDAS.

Finally, SPOTFIRE, that was a hot topic when we communicated our results at the end of H1, very much in line with our plan with 3 pieces of good news. The first one is commercially, in the U.S., good growth of our installed base. We are reaching close to 400 instruments installed in total even though we don't have yet a distributor. And good consumption of the installed base that we have from a reagent's perspective. So commercially, very much on track.

We also shared that we want to develop the menu. As you know, we have a mini RP and a large RP panel. We have filed to the U.S. FDA, another panel for sore throat that will further complement the menu. And as you know, this is important in strategy deployment that we complemented the menu that we have on SPOTFIRE.

And three, we are moving forward in terms of geographic expansion beyond having the approval in Japan. Now we have installed in Japan first instruments. We have also launched in Hong Kong. We have also launched in Germany, where we have point of care and the physician office labs market. So we are starting to leverage the launch of SPOTFIRE in the different geographies.

So that's for the sales part, and Guillaume will give you more details in a minute. 2 pieces of additional positive news coming from the last few months. The first one -- last a few weeks actually. The first one is investment in Oxford Nanopore. As we communicated last week, we acquired 3.5% due to a capital raise at Oxford. As we shared also, we have acquired additional shares in the secondary market. We now own 6.8% of the equity of Oxford Nanopore.

We are very glad with this investment that has been discussed and agreed together with Oxford that will further strengthen the collaboration, the research and development collaboration. And in the context of our investment, we are implementing specific governance, an IVD board that will allow bioMérieux and Oxford Nanopore teams to work together on optimizing the development for IVD solutions, with Oxford Nanopore's promising technology. That's the first piece of good news.

The second piece of good news I want to share with you. Coming from the other side of the planet, we got manufacturing plant in China recently approved, actually last week. It's for hemoculture. As you know, we have a strong growing microbiology business in China. So we are now in a position to sell products manufactured in China for China, so that will further consolidate our presence in China and strengthen our capacity to

grow in China. It also gives a nice capacity increase globally because our primary manufacturing comes from the U.S. And as you know, it's a very dynamic segment that is enjoying a very significant growth in the last few months.

So with all of this, we confirm a 2023 full year guidance. We are doing very well. But as you know, we have a Q4 2023 that is very much depending on the RP season. And as you know, we have a very high Q4 2022 sales on our RP panel related to the triple-demic last year, where we had a significant supply of new sales. So it's still a significant element of risk.

However, as we speak, we're seeing a very average respiratory season, not below expectations, not above expectations, but a very average respiratory season as we're seeing it.

And with this, I hand over to Guillaume, who will be able to share with you more details on our sales performance.

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

Thank you, Pierre. Hello, everyone. So a few additional details. So as you have read, the Q3 revenues are almost at EUR 900 million, with an organic growth over Q3 of 7.1%. To be noted, a very significant negative foreign exchange impact on sales in Q3 of EUR 66 million negative again. The main reason is that the euro actually in appreciation against many currencies, actually, most of the world currencies, against, we can mention China, Japan, U.S. and a lot of currencies.

Going back to some details on the molecular. So as Pierre mentioned, one of the big growth drivers is the growth on nonrespiratory panels, plus 24% growth in the quarter. The good news is that this growth is actually very well balanced again between our different panels, so the nonrespiratory BCID, gastro, meningitis, pneumonia, and the latest, joint infection. So very balanced growth across the panels as well as a very balanced growth across the regions. So it's not one growing much faster. We have strong growth in all our different regions.

As Pierre mentioned, RP is proving very resilient. We had a slight decrease in RP in Q3 of 5%, mainly coming from the U.S., of course, our biggest base, as well as Asia Pacific, which was strong in Japan last year at the same time. But still growing actually on the respiratory panel in Europe in the quarter and Latin America.

In Q3, respiratory represented 56% of the reagent sales of BIOFIRE versus about 63% at the same quarter last year. As you know, we always measure the cross-selling. So I give you the figure. The way we measure it is the number or the share of customers that actually consume, buy and consume 2 panels or more in our menu, and we are now at 75% of BIOFIRE customers, with 2 or more panels in the portfolio.

SPOTFIRE, as Pierre mentioned, very promising launch. So at the end of September, we were at 375 instruments. I just mentioned that this 375 are on top of the 24,800 instruments that we mentioned in the press release, for the, let's say, usual BIOFIRE, so especially our TORCH instruments.

These SPOTFIRE instruments are very mainly placed. It's part of the model in the point of care. And in terms of sales, they represent about EUR 4 million of sales in reagents in the last quarter. So of course, it's a start of these products.

Now turning to microbiology, plus 11%. So still a very high growth and very satisfactory growth, double digit in both the VITEK identification, AST franchise, as well as BACT blood culture franchise. The price increase in microbiology is very satisfactory. Year-to-date, we are at 4%, and we also had a nice growth, actually double digit for instruments, equipment, driven by our VITEK MS PRIMES or our new mass spectrometry instruments.

Immunoassay, flat, actually very slight organic growth with the mix trends. So we continue to decrease on procalcitonin, PCT, about 11%. I'll remind you that PCT is now only 25% of the whole immunoassay reagent sales, which are decreasing. Whereas we were able to increase, have a nice growth, double digit, for the rest of the portfolio on VIDAS, especially strong in, of course, the more emerging like Latin America, Asia Pacific, Africa.

Industrial applications, on top of what Pierre mentioned for the 6% growth in Q3, I can mention that the price increase are very satisfactory. We are at 6% price increase. And the reagent growth is at 9% that Pierre already highlighted.

So as you can deduct, the lower part is actually on the equipment where we were negative compared to last year, especially from U.S. and China equipment.

To beat on Pierre's comments on the guidance, and maybe give a slight more color, and maybe at this moment in the year, the way we look at our range of guidance. So in sales, on the range, which is a 4% to 6% organic growth, the way we see it today is at the lower end of the range is less likely. It's possible, but less likely, clearly. Again, with the flu season, that starts very average, as Pierre said.

On the contributive EBIT, the way we look at the range, which is the EUR 600 million to EUR 630 million, that the lower end, which might be your question, is possible at this stage, which, by the way, would be in line with consensus because we have the respiratory season uncertainty. And on top of that, important to note that the FX, as you see on the sales, is also pretty strong negative on the bottom line as we can see with the euro appreciation.

And with that, we can move on to the Q&A session.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) We go to our first question from Hugh Solvet with BNP.

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

I have 3. First on the SPOTFIRE placement. Could you maybe help us understand looking forward, what could be a good run rate based on customer feedback you are getting? Or even what competition is doing and what we should see if we -- if the 300 placements in the quarter is something sustainable, or if you could get higher than that?

Second, some of your peers have reported a pull-forward in demand for respiratory testing. Is that something that you are also seeing?

And lastly, on microbiology, you mentioned, Guillaume, that you would have new capacity coming online. Should we understand that it should help support double-digit growth into 2024 for the microbiology portfolio?

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#### Pierre Boulud - bioMérieux S.A. - CEO

Okay. Thank you very much for the question. Maybe I'll start with the first one on the run rate for SPOTFIRE. I mean, very early days for us. It's very complicated to extrapolate because we are just entering the respiratory season. So what we said when we were sharing the launch, actually at the end of H1, was that probably a good moment to step back and look at the performance of SPOTFIRE, and start thinking about extrapolation was probably at the end of this respiratory season, so Q1 '24. When we have the results of SPOTFIRE, we'll better understand the mix, we'll better understand the consumption, the competitive attractiveness.

So far, very much in line with our plan, as I said, very consistent. We're hearing a lot of positive feedback. But too early to give you extrapolation (inaudible).

I can take the second one. I'll let you answer, Guillaume, the third one, respiratory demand. Yes, we've seen a little bit of competition talking about early flu season. What we are seeing from CDC, actually, is that the respiration has barely started, which is normal.

So very -- on other side, we don't believe we're in a position to say it's going to be stronger or lower than an average respiratory season. So that's basically what I can share with you, but we have access to the same data as you. And the epidemiology doesn't show at this stage, an earlier start than usual.

And the last question on microbiology. Guillaume?

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

Yes, it's my pleasure. So definitely, new capacity with nice growth on equipment sales as well as installation. We -- so again, it's a market that is growing probably around 5%, where we already have a strong leadership position. So we are very, very glad to be double digit this year, but we are not committing and we are not forecasting to remain double digit already being, let's say, faster than the market. As already a strong leader with strong position would be a great performance. So we are more looking at being, let's say, high single digits than double digit.

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**Operator**

(Operator Instructions) Next, we go to the line of Maja Pataki with Kepler.

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

Let me start with SPOTFIRE. You mentioned during the call that you did not sign yet with a distributor. Is that -- does it prove more difficult, more complicated? Or could you just share some thoughts around that and whether that would provide a meaningful boost to place the numbers?

The second point is, when we look at the pricing impact, which was still strong for micro and industrial in Q3, how should we think about the pricing impact going into Q4?

And then, if we look at the distribution of SPOTFIRE placements, where you talk about the U.S., you talked about Germany, I believe, and Japan. Is it evenly distributed? Or is there a market where you see stronger demand?

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

Yes. Thank you for the question. So with regards to the distributor, no specific orders expected. It's actually more a matter of making the right agreements and the right conditions, and it's a kind of long-term partnership that we want to sign. So no specific concern on this side.

With regards to the pricing impact, maybe I can start and Guillaume, maybe you want to elaborate. But complicated to anticipate the price increase that we are going through in Q4. But what we know is that last year, we actually started to increase a little bit stronger the prices in microbiology in Q4. So we have a higher base impact. So kind of expecting that this very nice 3%, 4% that we've been seeing at some point will evolve.

And with regards to distribution -- your last question was geographic distribution of SPOTFIRE?

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

Yes. Yes.

**Pierre Boulud** - *bioMérieux S.A. - CEO*

Yes. Very good and relevant question. I'm going to sound a little bit of a broken record on this one. Very early days. We are launching, again, in Japan, in Germany, in Hong Kong. We have a little bit more history in the U.S., but we're talking a few months. And you remember the mini panel was actually approved in very recently in June.

So nothing meaningful that is worth sharing at this stage in terms of distribution of placement from a geographic perspective. But yes, hopefully, we can share more in the next few months.

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

That's great. Just 2 follow-up questions on that, please. With regards to signing on a distributor, would -- could that have a meaningful impact on the quarterly placements? Like how should we think about that? Would that mean, like if you have a larger distributor, you sign a contract, you could certainly have fix on the placements in a quarter? Or is the capacity not there? Or does it take longer? That's my first follow-up question.

My second follow-up question is you're guiding for 8% to 10% growth (inaudible). And you're above 10% for the 9 months, right, close to 11% for the 9 months. What is it that makes you cautious or didn't make you give us an indication that you expect to see the organic growth (inaudible) around the upper end of the guidance?

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

Yes. Thank you, Maja. So I take -- I'll start with the first follow-up question on the distribution potential acceleration of placements. I mean, that's the whole purpose, right, that we can benefit from the commercial footprint of distributors. It's particularly relevant in the U.S.

Again, it comes together with capacity to supply and making sure that we have solid agreements. But the whole idea is that we can benefit from it. So it should have been improved.

The other follow-up question was?

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

The guidance, extra...

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

On the guidance for the 8% to 10%, and any specific point of attention. I don't know, Guillaume?

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

As mentioned, clearly, the main uncertainty now is on the respiratory season in Q4. And as I mentioned, it's still -- there's still some probability, but a low probability that we would be on the sales on the low end of the guidance, definitely. Yes, if the season continues normally, we should be more on the sales on the higher part of the guidance range.

And as mentioned...

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

Also for the 8%? Sorry, sorry, Guillaume.

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

No. I'm talking about the full guidance. Yes, yes, the full 4% to 6%.

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

Okay. And (inaudible).

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

It's looking good as well for the 8% to 10%, definitely, yes.

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

Okay. And just my very last follow-up, and then I swear I'll go into the queue again. Is there a limitation from a capacity on your side, how much SPOTFIRE instruments you could place per quarter? I mean, of course, there is a capacity limitation. But I mean, can you give us a bit of a feeling how much?

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

Yes, not for Q4. The short answer is no. We are capable to supply reagents and instruments as the demand comes. I mean, we may be overwhelmed by the demand, that would be a good problem to have. At this stage, we feel we are totally capable to supply what we plan to supply.

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

At least for the foreseeable quarters, or the next 1, 2, 3 quarters.

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**Operator**

Next, we go to the line of Aisyah Noor with Morgan Stanley.

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

My first question is on SPOTFIRE as well. Obviously, it looks quite encouraging, based on the 275 systems you've placed this quarter. Again, I understand it's early days, but what mix -- what is the mix in demand you're seeing between the RP 5 and the 15? And why do you think customers are picking one over the other?

And if, I guess, you don't have enough sales data yet, then maybe how are your salespeople kind of positioning one against the other, and why?

The second question was just a technical one on the EBIT guidance. In light of the stronger-than-expected FX headwind you saw in Q3. On my calculations, you could be looking at close to double the currency headwind you initially assumed for EBIT for the full year of around EUR 40 million.



Is that the right way to think about it, Guillaume, and if not, what makes you confident in the EUR 600 million to EUR 630 million EBIT guidance you've provided?

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

So maybe I'll start with the positioning, and Guillaume can come back to the numbers part.

The positioning of in RP 5 and 15, very clearly complementary to us, and that's the beauty, actually, of the offering that we have.

So RP 5, we are very much positioning it from a frontline testing perspective in the U.S. because the coverage is significantly better than 15-plex. So that allows to position ourselves in a very competitive manner in frontline testing for respiratory.

15-plex is the traditional, BIOFIRE amazing success on syndromic testing. Well, when you really want to know, and you need to know because you are dealing with immunodepressed patients or emergency cases, then you don't take a risk with 5-plex, you go for 15-plex directly. And that's the way we position the 2 products.

In terms of mix, as we speak, what we are -- what we're seeing, but obviously, early days, is something along the lines of 75% 5-plex, 25% 15-plex, which is how we're seeing the sales developing as we speak. But again, very early days.

And what's a little bit complicated to measure is, as you know, there was a timeline between 15 and 5. So the 15 was marketed before. So in our sales numbers, we're actually above in 15-plex, but the projection are more 75, 25. And maybe...

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

So second question on FX. Yes, there is some in headwind you very rightly understood. FX is not going the direction. Doubling is, no, I'm not sure you calculated that, I don't have a doubling. So we said possibly around EUR 40 million on EBIT impact for the full year. I think, now it could be EUR 50 million as a difference. So more of this kind of magnitude.

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

Okay. That's perfect. If I could ask a follow-up then around China. I mean it sounds like it was a little bit weaker on the industrial segment for China. If you could give some color as to how long you think this weakness lasts, and when you expect a recovery?

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

I think it's mostly related to the fact that we had a bit of strong sales in Q3 last year, so where the base impact in China related to government orders that we're making the sales baseline very high. So it doesn't look like we're having a slowdown from a time dynamic perspective. It's more a bit of an artifact related to a base effect that we had in Q3 2022. So nothing that we believe should last too much.

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**Operator**

(Operator Instructions) Next, we go to Peter Welford of Jefferies.

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

I think I've just got 3 roughly. First of all, just on BIOFIRE. I wonder if you could actually give us the sales in euros actually for the third quarter, if possible? And if you could possibly break that down as well by geography, if you can, U.S., ex U.S., that will be helpful for 3Q.

Secondly, then just on VITEK MS PRIME. Have you managed to debottleneck at all the manufacturing? You mentioned instruments double digit. Is this still a very much constrained supply? And is there any risk, I guess, the inventories are running short? Or are you very much still shipping as you manufacture, and it's going to be not until the end of next year before we see any sort of further acceleration in that?

And then just thirdly, on the Oxford Nanopore collaboration. Curious, what is the main current focus of the IVD solutions for the development work from the Board you set up in terms of what is the sort of highest priority areas that you're currently looking into with that collaboration?

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**Pierre Boulud** - bioMérieux S.A. - CEO

Yes. Thank you, Peter. Maybe I'll start with the VITEK MS PRIME question and Oxford Nanopore. And Guillaume will answer your question on BIOFIRE sales.

So VITEK MS PRIME we have -- yes, 2 answer to your question. The first one is we still could sell more than we supply. We have, as we said, very strong demand, very positive feedback from the market, and yes, a very strong commercial success. So we could deliver more. We are still limited by supply.

The second part of the answer is we are making good progress in terms of increasing the manufacturing output together with our partner, KMC. We have actually people from bioMérieux together with KMC. The KMC teams are also investing and doing more to be able to cope with the demand. So we are seeing an increase in our capacity to supply. Not yet, unfortunately, to the point where we are capable to fully cover the demand. So that's to your question on manufacturing of VITEK MS PRIME.

For Oxford Nanopore. I guess your question was on what is it we expect from the IVD advisory board, right? What we really want to do together with Oxford is make sure that beyond the research and development of new solutions, we have forum where we can share in a very transparent manner. What are the challenges and opportunities in IVD. And obviously, it's a different market for Oxford. And for us, the technology is also new. So we need to learn together and work together on making sure that we have a system that can be used from a routine perspective for infectious disease applications. And that takes from a market access perspective, regulatory perspective, but also R&D perspective. A lot of working together.

So we felt it was a good way to strengthen the partnership and make sure we maximize the value of the collaboration between the 2 parties.

With regards to first applications, I mean, by working together, we may come up with new ideas. But at this stage, the first topic that we're really working on relates to tuberculosis, TB, where, as you know, secondary testing and antibiotics, the diagnosis for antibiotic resistance to tuberculosis is an important component, both in developed and developing settings. So that's the first application that we're seeing an opportunity to leverage the technology of Oxford and the footprint at expected from bioMérieux.

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

Regarding BIOFIRE sales. So just the figure is EUR 312 million, all included reagent equipment for the quarter, and 71% of the reagent sales is in the U.S.

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

That's great. Sorry, just going back, you mentioned tuberculosis. Could I just ask, is there an update at all on relaunching the immunoassay. You'd expect that (inaudible) immunoassay, which I think you've been trying to rectify the issues, or any sort of update you can give on that relaunch?

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

So TB-IGRA, on immunoassay, it's -- we are progressing very well. We are actually -- we've basically completed all the investigations and remediation plans. We're in the process of resubmitting the dosage to the authorities in the next few weeks that the products will be available as soon as possible. We are targeting, obviously, it depends now the feedback from the authorities. But we are expecting to be able to be back to the market, and we are very confident that we should be able to be back in the market first half of 2024.

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**Operator**

Next, we go to the line of Odysseas Manesiotis with Berenberg.

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

Just one microbiology first, just to know about how to think going into next year. So do the VITEK MS placements come with a material consumable revenue pull-through? I mean, there's an expectation that with MS, you realize most of the value on the instrument placement. If that's the case, does it make sense to think that the consumable sales in 2024 coming from your 2023 placements for VITEK MS won't be, let's say, more than the price of the instrument on an annual basis?

And secondly, could you remind us your China exposure per division? And what percentage of your group sales you're exposed to be -- would you expect to be exposed to VBP coming through next year?

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

Thank you for your question. So VITEK MS PRIME success, I guess your question is what is the impact for the kind of reagent sales for the future.

So as you know, there is no specific dedicated reagents related to VITEK MS PRIME placements. There are 2 elements that need to be factored in. The first one is, when we sell instruments, we also sell service contracts, especially for those competitive machines. So that translates into regular revenues.

And we sell disposables, not at the level of the other solution that we have, for instance, on ID/AST, where reagents stands for 90% of the sales. But there is a significant amount of sales that relate to disposables. So that's more or less the pull-through that you can expect with regards to VITEK MS PRIME sales.

China exposure, total sales, Guillaume, what...

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

7% of our total sales.

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

So that's a big country for us, and it's 7% of the total sales revenue.

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

And the vast majority of it is actually microbiology, where we have a strong position, as Pierre said earlier, and good growth this year, actually.

At this stage, VBP, yes, will likely come. So for everyone, volume-based pricing, with a new push by China authorities. It's actually reference for reference, and by, let's say, block of provinces. So we have no visibility yet on when it could come for microbiology typically, yes. We understand that at this stage, it's more on the chemistry side and immunoassay side.

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

And on selected parameters. So for selection of provinces, so it's -- and definitely not yet in microbiology.

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

And may I squeeze one more, please. Could you remind us what the life of your average BIOFIRE instrument is after placement? I mean, assuming the customer is not signed up on a recurring service contract.

I'm just thinking, given that you nearly doubled your installed base in '22 -- 2020 and '21, is there a risk that many of these placements, let's say, come to their end of life at a similar time?

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

So BIOFIRE is a concept in terms of equipment, where as soon as there is -- whenever there is a failure, we actually have what we call a swap model. So we replace very quickly for the customer, which also means that compared to some other instruments that could last for maybe 10 years, 15 years, I mean, the customer always has a running -- a well-running instrument.

And then, yes. So the question then -- of course, there are some that stopped using the equipment, but we net that out of the install base that we report. So when we tell you 24,800 instrument, it's actually netted of the reports we can get of instruments that are not used anymore.

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

I don't know if -- maybe I missed it, but we have installed 500 more BIOFIRE instruments, (inaudible) you mentioned this, on top of the SPOTFIRE instruments. So we are still seeing very good dynamics in terms of new installations on BIOFIRE.

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

Very clear. And just to make a more clarification. So the swap model that you mentioned, does it apply to all your customers or just the ones that have the recurring service contract?

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

Everybody.

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

Everybody. Yes.

**Pierre Boulud** - *bioMérieux S.A. - CEO*

We don't prepare BIOFIRE instruments. So it's a model where we swap them. We exchange with the one that is working. So that's how it works for 100% for customers.

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

And it's proved to be a high customer satisfaction driver.

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

And we have 3 repair centers, 1 in Salt Lake City, 1 in Firenze, Italy, and 1 in Tokyo, Japan.

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**Operator**

Our next question or comment comes from the line of Shubhangi Gupta with HSBC.

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

So my first question is related to Oxford Nanopore. So the partnership that you're doing with them is one of the applications would be the drug registered TB. So where would Oxford's technology fit into that workflow, would it be to determine mutations in the infection? And do you have any timeline for that?

Second, related to the softness in China, is it related to the anticorruption pro, due to which several companies have flagged they have been destocking?

And third, on the respiratory season. So do you expect an average respiratory season? Some of the U.S. large names have flagged strong respiratory testing revenues in Q3. Or do you think there could be a potential upside risk to it?

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

Thank you for the question. I'll start with the TB question. So as I said, it's first application where we're kind of testing the partnership and the quality of the collaboration. We haven't communicated yet date because we are working on it. It could well start with a product in research use model and then moving into IVD. But we are still working -- I mean, the teams are actively working on it. But we're still working on refining the timing, and we'll share with you tentative date when we have finalized the assessments, and we have something solid to share.

Softness in China on instrument, just to make sure that you have an accurate perspective. Actually, the only softness that we're seeing from an instrument perspective is coming from industrial application. It's actually not a renewal softness. It's more in the comparison with Q3 2022. When we look at instruments sales and placement for the rest of the business, it's actually still going very well. So no specific impact of the anticorruption campaign to your question.

And actually, we're seeing it fading away as we speak. So no specific concern on that side with regards to China for this specific topic.

Guillaume? (inaudible)

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

Respiratory season. So yes, we commented already. But to repeat, yes, we saw some of our competitors mentioning the early start of the season. That's not at all what we see in the statistics of the CDC, which are showing, let's say, usual start quite a medium season. No early pickup yet.

So at this stage, we don't see any reason to state that the [res] season would be high or low or early or late. It starts like medium season. We will see probably better in the next 3, 4 weeks.

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

Just a follow-up on Oxford Nanopore. So the test would be for active infections, not for latent TB infections, am I correct?

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

Yes, it would be for active infection, but for the cases that are secondary level. So the first level of screening, probably we don't expect, maybe we'll actually come there later. We don't expect the screening for TB to be relevant for sequencing.

However, for complicated tuberculosis with drug resistance mechanisms, yes, sequencing is a very strong solution, and we believe that being capable to bring an IVD solution using sequencing will be a significant game changer. So this is the application we are looking for.

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

We can take a few questions from actually the investors online.

The other question on update on VITEK review in the U.S. and contribution on European sales. So I remind everyone that VITEK reviewed, we filed with the FDA back in March. We have been back and forth a normal one with questions and answers on our side. We could expect an approval probably for Q1 or early 2024.

Contribution to European sales is still very small, but we are gaining customers. We are around 25 customers at the end of Q3. So going on the right track, maybe a bit slower than we would have expected, but going in the right direction.

There's a related question on the specific diagnostics. Let's say, the contributive loss, actually, still on track, yes, for the EUR 20 million, EUR 25 million loss in '23, which is included in our guidance and in our confirmation of the guidance. And yes, looking to be breakeven by 2025.

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**Operator**

And we go to our next question from Delphine Le Louet with SG.

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

Delphine speaking here. A follow-up on Odysseas' question, please, regarding the maintenance revenue on the on the VITEK side. Can we assume that to be in the range of 25% to 30%, 35% from a -- on a global envelope on a yearly basis? Is that the right assumption? First question.

Second question regarding SPOTFIRE. I was wondering, when do you plan, and if you do plan, but I think it would be very useful, to get the full figure for SPOTFIRE? And so far, when you look at the revenue made, can we have a breakup between the instruments and the reagent? Also very useful.

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

So on SPOTFIRE, no problem to share the figures. I mentioned, we are close to EUR 4 million reagent sales in Q3, and about EUR 1 million in terms of sale of instrument.

But I remind you that the vast majority, more than 90% of the installations were actually placements and not sales, but still some sales.

And on the mass spectrometry, which I think is your follow-on question, when we look back at our former platform of mass spectrometry, yes, having about, (inaudible) as you mentioned, 30%, 35% of sales from reagents is definitely the type of business model you can look at.

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**Operator**

And we go back to Hugh Solvet with BNP Paribas.

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

A quick follow-up on my end. Just on the growth trajectory for the non-RP panel. Should we assume next year that you guys should be able to grow that for BIOFIRE in the mid-teens as you guided initially for 2023, or probably above around 20%, 25%, which is what you are delivering this year?

Second, on SPOTFIRE. You guide for EUR 400 million by 2027, but that, if I remember well, only includes sales from respiratory panel. You will be adding shortfalls in H1 next year. So will this help to lift the EUR 400 million target up? Or will it be in marginal contribution? And more generally, could you please discuss the pipeline for the menu of tests and the menu expansion plan?

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

So I can start with the SPOTFIRE. I'll let Guillaume answer on the growth trajectory. So SPOTFIRE, no, actually, the EUR 400 million that we were talking about was including development of the menu, and especially sore throat because as you -- I'm not sure we've communicated (inaudible) in the U.S., we have only RP, but actually, in Europe, we have already respiratory panels and sore throat. So actually, it's very much part of the target that we have.

And even in the EUR 400 million, I think we're including not that much, but additional sales coming from even other panels. So that's a full franchise for SPOTFIRE that we are targeting with EUR 400 million. Growth Trajectory?

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

So non-RP growth trajectory, very good reminder on the mid-teens prospect, and we confirm, this is more in line with our prospects and, let's say, forecast. We are very glad this year that we are above that, but it will, of course, make the base more challenging for the future.

We are very successful on our cross-selling, continuing to sell the syndromic value beyond respiratory. And mid-teens is definitely a good trajectory.

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**Operator**

And we go next to the line of Maja Pataki with Kepler.

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

Yes. Could you talk a bit about the trends that you're seeing in the end market for industrial applications? How is the -- what are the underlying trends, pharma versus food? That will be my first question.

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

So for industrial applications, in our case, you need to dissociate between the food industry and the health care industry. Food industry, we're seeing dynamism, which is relatively low because there is a significant impact on food testing in the market, even though Q3 was actually better on the food front. So we are seeing, this year, overall, relatively less dynamic segments, but it seems that it's recovering in Q3. So that's what I can say on food.

With regards to pharmaceutical control. We're actually seeing very strong dynamics on this one. As you know, we're also benefiting from a presence in the segment of cell and gene therapy and different pharma segments. So far, we are seeing good traction from a volume perspective in terms of demand.

So, yes, I need to give a little bit of color on the (inaudible) answer your question, Maja.

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

Yes, sure. And just to clarify, to better understand the EUR 4 million revenues that you have reported for SPOTFIRE. Are they included in the 5% decline of respiratory for BIOFIRE? Just to understand how you're reporting.

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

No.

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

No? Okay. So this is separate.

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

Yes, it's separate.

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

Separate because it's comparing apples with apples, right? So we're looking at our RP panel on BIOFIRE, and that's the one that we are isolating because that's the one that benefited from COVID, and the triple-demic last year. So that's why we put it aside.

But you're right that SPOTFIRE revenues are also related as going forward to respiratory season.

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

At this stage, it's small, but of course, it's an important question for the future on how we report both.



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**Pierre Boulud** - *bioMérieux S.A. - CEO*

It's a very relevant question.

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

Maybe taking some questions also on the chat, and thank you very much to investors for that.

There is a question about the approach of customers and on SPOTFIRE, how we placed or maybe which segments, if I -- more about the pipeline, if you want to...

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

Yes. So I mean yes, there is a question on how we approach them, where the clients approach a few months ago, more recently. Actually because of -- for compliance reasons, we could not really have a commercial effort before the product was approved. So it's very much related to commercial efforts in the last few weeks and months.

We are seeing 2 different types of segments for SPOTFIRE. We're seeing what we call the pure point of care, which is really small point of care, centralized setting, but we're also seeing a level of interest from IDNs, integrated distribution network.

We also have, beyond the centralized testing facilities, a lot of small clinics, family clinics with decentralized testing, and that are very interested in making potential deals with point-of-care solutions. And we have those 2 segments.

The second one brings more volumes, if you wish, because when you sign a deal with an IDN, you bring 10, 15, 20 SPOTFIRE in one go. However, they also take a little bit more time. So we have a good pipeline of opportunities that are being discussed. But for most cases, obviously, the purchasing process is a little bit more lengthy. You go through purchasing, finance and so on and so forth. So -- but we're seeing those 2 segments with actually a relatively high level of interest.

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

We have a question online, on the Phase II of process, the manufacturing process, implication, automation at BIOFIRE and the impact on margin.

So this process is continuing to make progress. We are in the final validation phase. And actually, in terms of the impact on the margin, it should start, but of course, modestly next year, and ramp up over the next few years because we have to install one line and then the second line and then the third line.

But progressively, we have more and more of our manufacturing that gets more automated, but it's -- of course, it's a step-by-step approach. But definitely, with some help on the margin.

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

And the last question on the chat is on Oxford Nanopore. I understand the industrial collaboration around tuberculosis, et cetera. Why did you need to take a stake to collaborate? And what type of returns do you expect on that investment?

So for us, the rationale for the investments was to really position R&D partnerships that we signed a few months ago with Oxford as more like long-term partnerships than a onetime R&D agreement.

We are convinced that the 2 teams working together can bring very attractive solutions in the diagnostic field. And we really sat together with Oxford colleagues that by strengthening the collaboration and making an equity investments, we would maximize the value of the collaboration between the 2 companies and really make these agreements actually a long-term partnership between the 2 companies. So it was -- it is a way to solidify this agreement.

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

Is there any other question on the call?

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**Operator**

And we have no further signals.

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

Okay, and with that...

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**Pierre Boulud** - *bioMérieux S.A. - CEO*

Thank you very much for your questions and listening. And looking forward to the next meeting that we have together. Thank you. Bye-bye.

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

Thank you.

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**Operator**

Thank you. This does conclude today's conference. We thank you for your participation. You may disconnect your lines at this time.

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