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PRESENTATION

Operator

Good day, and welcome to the H1 2024 results conference call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Mr. . Please go ahead.

Unidentified Company Representativ

Thank you, Jennifer. Good afternoon, everyone, and thank you for joining us to review the bioMérieux for this H1 2024 financial performance review. I am online with Pierre Boulud, CEO, together with 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 assurances 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. I now hand the call over to Pierre, and then we will open the call to discussion and question.

Pierre Boulud - Biomerieux SA - Chief Executive Officer, Member of the Executive Board

Thank you, [Enrique]. Good morning. Good afternoon, everybody. So well, on the agenda for today, I'll start by sharing with you a quick reminder on August 28, plan. Then we'll go through the business highlights for the first half of the year. I hand over to Guillaume, who will share with you the details, the financial performance, and I'll close the first part of the call on the business outlook, the perspective for the full year of 2024 so that we can open for Q&A.

Enrique has already shared the disclaimer on forward-looking statements. So if we move directly to the August 28 strategic plan that we shared with you on April 9. A quick reminder on the four pillars that we shared with you. First pillar relates to going for growth. So the sales growth ambition that we have for the next five years. The second dimension relates to our cost of goods and your operational efficiency improvement.

The third pillar relates to our teams and the engagement and the -- engagement for teams and enhancements of our operating model. And finally, the CSR agenda that is part of our August 28 strategic plan, growing responsible.

In numbers, what this plan is all about is delivering a profitable and sustainable growth. So we've indicated an ambition, a target of growing 7% year on year organic release in the years to come to also generate an improvement of at least 10% of organic CEBIT growth at constant exchange rates, allowing us to reach 20% in 2028. And while we maintain our investments for the future, the results and developments at 12%, we will keep strengthening our cash flow generation.

So where do we stand? Obviously, we'll spend some time on the numbers today for H1, but super high level. The sales growth ambition, H1 is showing very good traction with a 10% sales force versus a 7% annual guidance. And with 10% sales growth comes together with also product launches in Q2. SPOTFIRE, upwards growth 5 plex and 15 Plex and VITEK REVEAL will be approved by the FDA in the US. So additional growth drivers moving forward.

Growing simple. We have made significant progress with regards to products improvements. We have three examples here that we wanted to mention, BIOFIRE automation moving forward with the Phase 2 of the automation for respiratory panel now in place. Internalization of various cartridges manufacturing, also delivering cost improvements. And the book value molecule in-sourcing from BIOFIRE is also getting started.

With regards to growing stronger, we have introduced new [genre] engagement survey that demonstrate super high level of employee engagement. Very glad to report that back. So our teams are fully engaged with our GO28 ambition and the goal that we had yesterday approved the alignment of the long-term incentive plans together with the GO28 target. And finally, on the CSR path, we are on track with the 2024 CSR targets.

And very quickly on this one, as you know, there is a set of indicators we've just highlighted here. Greenhouse gas emission. We have reduced as of June 2024 by 14%, our greenhouse gas emission, that is 2019. Very much in line with the objective for 2024. We have a diversity ambition in terms of gender diversity, we are also improving and very comfortable with the ambition for 2024.

And finally, as a vehicle of bioMérieux business model, obviously, making sure that we provide more results supporting our antimicrobial stewardship ambition. A significant increase, very much in line with the 2024 ambition.

So overall, very much in line with the GO28 targets. But I think it's a good moment now to deep dive into H1 performance. So I'll share with you the business highlights. Sales growth, as you've seen, H1, we are posting 9.9% sales growth, very much driven by a GO28 growth engine, BIOFIRE non-respiratory panels, SPOTFIRE, microbiology and industrial applications. Altogether, they are growing 11.4%, so (inaudible) the rest of the franchises.

I will skip it. Guillaume will come back to that, it's significantly scaling, 20% like-for-like to be compared with a 10% sales growth, twice as fast. Robust performance, however, negatively impacted by foreign exchange headwinds, 44 million.

And finally, I said a word about this, we have launched new products to support the growth for the future. [Soft Core Finance] is obviously a significant project in terms of complementing offering in point of care. being now available in the US and Traumatic Brain Injury on VIDAS. All three are now available in the US.

So if we go into the different growth engines, the first one, as you all know, is non-respiratory panel. We are very glad to report H1 sales growth 19%, which is significantly above guidance for GO28, which is at 10%. As we shared during the Capital Market Day, what is supporting this sales growth is on the one hand, our cross-selling efforts which are further trading since December of 2023. We have now 50% of the customers, 2 additional percentage points using at least three panels worldwide.

We have also increased our installed base with customer expansion. We have managed to have 700 new instrument installation in H1, which is striking, is that it's similar to H1 2023. So a very strong competitiveness for either new customers or customers that increased their capacity.

And finally, we keep internationalizing the sales outside of the US. As you know, historically, it was a 20%-80% kind of split. We have now 40% of the install base installed outside of the US. The second growth engine is SPOTFIRE.

As you all know, we are still on track to reach our EUR80 million sales target in 2024. I won't comment a whole slide, but a big news for us is, as planned, the approval of the respiratory support panel, which close to now detect (inaudible) which was missing in our panel, is also bringing to the market with SPOTFIRE not only a nasal swab but also a throat swab, which is a little bit easier to use. Both available in 5 plex, so many panel and 15 plex.

So we are very happy also in terms of timing because it's coming perfectly on time to prepare for the respiratory season that is coming for '24, '25. We keep growing the install base. We have now close to 1,500 instruments installed in one year, 250 in Q2. And the (inaudible) cells are very well balanced between 15 plex and 5 plex, a question that we've had in the past in the investor Q&A, which actually is 50-50, the split between 15 plex and 5 plex.

Final piece of good news on SPOTFIRE is the commercial agreement with McKesson is now running full speed. They are dealing with what we call, pure point of care, while we are doing direct sales for the hospital. We are also seeing very good traction in Japan, which has a market for point of care, it's now 15% of the installed base. And SPOTFIRE is available in 16 countries in most geographies.

Microbiology, very strong performance in H1 again, 9%. Ahead of expectations, to be fair. We were expecting 6% to 8%. The growth is not only driven by volume expansion, but we keep increasing pricing while pricing power is delivering again in the first half of 2024 and we have a similar price increase in the first half of 2024 with 4% that we had in 2023.

VITEK REVEAL, I already commented, was good and we are now in a commercial launch. And finally, VITEK MS PRIME, that was launched 18, 24 months ago now is still helping us with more than 500 instruments in the market.

Finally, industrial applications. Specially, a little bit on the low range of the target with 7% growth in H1, whereas we have a GO28 target that is a little bit higher. However, our reagents are growing very nicely, 11% or a little bit soft on instruments in the first half. Very good traction in the food segments, which was slower in the first half of the year. A very good price increase, strong testimony to the quality of the solutions and the efforts made by the team with 6% price increase in the first half of the year.

If we go to the next slide, there are two additional segments that are not growth driver, but we want to obviously comment to share with you the perspective for H1. Respiratory panel, that was expecting to be relatively flat, slightly decreasing, had been growing 14% in the first half of the year. Super impressive performance, definitely leveraging the install base. We are by far the market leader. Also demonstrating -- I mean, as you all know, it's -- by far, respiratory panel is a panel where we have the most intense competition.

So in the context of the relatively current epidemiologic reason, we -- I think we demonstrated in the first half of the year, the [silicon] competitiveness of BIOFIRE system. And we have posted very limited price erosion, which, again, is a testimony to the competitiveness of the solution.

Immunoassays is probably the one that is softer. It's been the case in Q1. Q2 is slightly better, but as you can see, that absolute recover from a low Q1. Still working on the launch of the new instruments, the next generation of the instrument, VIDAS KUBEE. Still working and complementing the portfolio with Traumatic Brain Injury, but we don't see the traction yet, and we're seeing a bit of softness on VIDAS.

And with this, I'm happy to hand over to Guillaume, who will go a little bit more granular on sales and on financial performance.s

Guillaume Bouhours - Biomerieux SA - Chief Financial Officer, Executive Vice President - Purchasing and Information Systems, Member of the Executive Committee

Thank you, Pierre. Hello, everyone. So maybe kind of a recap overall on what Pierre commented on the trends by range. So overall, you see here how the split of the EUR1.9 billion sales of H1 and 10% organic growth looks at the group level. So overall, when we take BIOFIRE overall, [and the top key] non-US portfolio, this overall range is now close to 40% of group sales, very close to 40%.

I would not, let's say, recommence on the RP at 14%. Non-RP continuing to be super strong at 19% and SPOTFIRE on track with EUR33 million sales in H1. Microbiology is obviously our second range contributing to 33% of the sales.

As Pierre mentioned, the 9% growth is actually 13% on regions and some related softness on the equipment. And overall, important to say that on the price increases, we are able to pass about 4% still in H1 on microbiology ranges of all.

Immunoassay are now only representing 9% of group sales overall. Industrial applications, same effect of a stronger growth -- organic growth of 11% on regions and softness on equipment a bit more of the same as was mentioned for microbiology. And as Pierre mentioned, it's good to highlight again a superb -- a good performance on price pass-through at slightly above 6% actually.

So with that, maybe if we look it by region. So these are the major of our regions. So overall, Americas total is 13% growth. You see slightly above 50% of bioMérieux sales overall. North America was a 10% organic over H1. This is driven by BIOFIRE respiratory and non-respiratory performance as well as industrial applications.

Latin America was reported at 35% growth. This overall organic growth is boosted by the fact that we have price increases in Argentina to offset or to compensate for the significant currency devaluation. Without this effect, LatAm is actually at plus 11% over H1. And I mentioned that because we'll come back on FX and including the -- especially Argentina.

EMEA overall at 9% organic growth as you can see. This is great performance on BIOFIRE, non-RP, on BIOFIRE respiratory as well as a solid performance on microbiology, industry applications. Asia-Pacific is at 4% organic growth, so slightly lower than the other regions.

China, which is, of course, our first country and based in Asia Pacific, is doing very well. Actually above the regional average. India was on a high base of sales, it was actually slightly negative, but on a higher comp base from last year.

Japan is doing very well and industry is a bit softer and maybe a bit difficult in this overall figure, is actually negative in Asia Pacific with especially the FX maybe stronger in Asia Pacific of equipment, I'd say, the softness.

With these comments, I propose we move to P&L. I will comment mainly on the last column, which is the organic change on the P&L. So like-for-like, at constant exchange rate and constant perimeter, even though perimeter-wise, we don't have a neutral effect. So with the 10% organic growth on the sales, you see that we are able to deliver 12% organic growth on gross profit.

So it reflects the fact that gross profit margin on the concentrate basis improved by 100 basis points, thanks to the price increases that we mentioned earlier, especially on Microbiology and industry applications and as well as a favorable mix effect, which includes the -- it's a quite of this effect -- less equipment which have less a lower margins on say on sale of equipment and more reagents in the overall revenues, so favorable mix effect.

Now moving to SG&A, you can see that the whole line of sales, marketing, general and administrative costs are up 9% on an organic basis. And this mainly reflects the investments in our sales forces as well as in our marketing and marketing capabilities overall to support GO28 obviously.

R&D, plus 6% on an organic basis and you see that we remain at let's say, solid 12.7% overall sales invested in research and development and in innovation powerhouse as we said in GO28. So with that, overall, our contributed CEBIT stands at EUR306 million for H1, 16% margin, but actually a 20% increase on an organic basis versus H1 2023.

So significantly above on our guidance, let's say, in the growth of this CEBIT as well as the organic improvement of CEBIT margin, which is 150 basis points. There comes the negative exchange rate, and I'll come back and zoom on this negative ForEx impact of minus [44]. And despite this minus 44, CEBIT on a reported basis is up 5% overall in H1.

Below EBIT, CEBIT to net income, we have the main effect comments section in this line of amortization of intangible assets. Pretty simple, last year this line was heavily impacted by the write-off of the valuation of Hybiome acquisition. The chinese immunoassay company and our design is coming back to, let's say, the normalized level of recurring depreciation of intangibles at minus 18.

Net financial expense is slightly more negative than last year. We had some, let's say, favorable one-off on the hedging of internal cash positions that we had last year and we don't have this year and income tax is, let's say, excluding the effect last year Hybiome write-off is very similar around the 24% effective tax rate. So with all of that, net income at EUR215 million and up -- including everything, up 33% versus last year.

Let's move to the cash flow statement. Our EBITDA stands at EUR424 million, 22.3% of sales and actually up, on a reported basis, 8% versus last year. We had a working capital consumption of EUR107 million mainly driven by a further increase of our inventories in H1.

Why do we increase inventories? Because first, we need to build up -- continue to build up some inventory for new instrument launches, especially for SPOTFIRE. And also on the reagent side, we need to support the growth of BIOFIRE reagents on non-RP, non-respiratory panels, as well as building the inventory for the coming winter season that will start from November, December for respiratory panels, so -- this seasonal effect on top.

Receivables were pretty good and especially, on the US collection of Q4 last year sales. On the CapEx, so investment line, you see we are [EUR147] million or 8% of sales in CapEx. We mainly invested in our US manufacturing sites to increase capacity and automation. Just to really mention that Pierre highlighted that we have validated the Phase 2. So of the automation test of the BIOFIRE respiratory reagents manufacturing, and we will invest, now that it's validated, in the deployment of automation capacity for this in the coming years.

We also invest in the new placement of instruments, especially SPOTFIRE, as let's say the point of care segment is traditionally more with placements. So overall, a free cash flow of EUR50 million, significantly better than neutral last year and a net debt position for bioMérieux at EUR286 million, which remains very low overall 0.3 times EBITDA for the group.

Specific kind, we wanted to, let's say, zoom in a bit together to try to give you a bit more color as we can on this complex topic of foreign exchange impacts. So just to split, the EUR44 million negative FX impact on CEBIT in H1 can be split in two categories. The first category is on the hyperinflation countries. And there, we specifically account for Argentina, Turkey, and we also included Egypt and Nigeria. So four countries, only these four countries. And the rest for all the other countries of bioMérieux exposure, accounts for EUR23 million, as you can see at the bottom.

Now, when we zoom in on the hyperinflation or currencies, the very good news is that we are able to increase prices in those countries to compensate for the local hyperinflation and [grain] with it, of course, the huge currency devaluation. What impact does it have in our accounts? So first, these price increases mean that we have a very strong positive impact on the top-line sales organic growth as well as the organic. So same concentrate CEBIT growth in our accounts.

It also means that then when we look at the foreign exchange impact, we have a very negative impact due to the devaluation in those countries. And I'll come with an example. And let's say, the real good news is that when we look overall with a plus of the price increases, the negative of the cost and the currency effect, we are involved in those countries to report and tell you that we have a neutral net impact on the reported CEBIT.

So I will not go into all the calculation below, but we wanted to give you all the figures. But you should see the illustrative example on Argentina typically. It means that on an organic basis, we are able to increase prices representing EUR31 million. And you have the figure for this example. The CEBITs on an organic constant currency basis is at EUR13 million. But then we have a very massive negative effect in foreign exchange, minus [13]. And the net is actually zero. So on a reported CEBIT, was EUR4 million last year and EUR4 million the year after.

Last comments on the EUR23 million from the other currencies, what do we do? So first, we increase prices also when we can in those countries, especially as we highlighted before, microbiology and industrial applications. We tried to have some localization actions, and we can mention China where we have a new plant for BACT bottles. Japan, where we have a repair center for BIOFIRE instruments. And of course, most importantly, we work and to drive organic growth overall of profits in both countries.

And with that, I hand over back to Pierre.

Pierre Boulud - *Biomerieux SA - Chief Executive Officer, Member of the Executive Board*

Thank you, Guillaume. So 2024 outlook, as you could see in the press release, we have decided to review our guidance. From the right-hand side, you see the initial guidance. On the left hand side of the slide, you see updated guidance.

So we are comfortable based on the H1 performance, based on the innovation launches that we've done to forecast between 8% and 10% sales growth organic for the full year 2024. Profitability improvements, building again on a very strong achievement of H1 and a good progress of GO28. We'll review across -- between 12% and 17% increase at constant exchange rate. So unfortunately, as Guillaume was explaining and as you could see in H1, EUR45 million already in H1 of exchange rate impact. We have reviewed also the negative impact of exchange rates to EUR70 million.

With regards to capital expenditures, we are reviewing carefully the progress of the investment that we make. And we are now in a position to say that the [1011] that we were giving is probably going to be between 9 and 10 for the full year 2024.

Final slide before we open for Q&A. Qualitative slide, but just to share with you a very -- very comfortable with where we stand. As you could see, growth engines are delivering growing 11.4%. As you could see here, organic profitability improvement is very good at the end of H1, 100 basis points.

We are also very satisfied with the complex (inaudible) progress that we are making with greenhouse gas emissions reducing by 14%. And obviously, we've launched the GO28 plan in April, so we are very much in the process of deploying based on actions and initiatives that we are going to deliver in the next few months.

But I'm glad to report back that 75% of the GO simple initiatives are already started that we benefit from a very high employee engagement level, I shared with you a few minutes ago. And an innovation powerhouse is not slowing down. We keep delivering. And as you know, we give you visibility on what we expect to deliver in the next few years, very much in line with our plans to keep bringing innovation into the IVD market, to support our growth and profitability ambition is the next few years.

And with this, I hand over to Enrique to the questions.

QUESTIONS AND ANSWERS

Unidentified Company Representativ

Directly to the question. Jennifer, if you want to -- if you can open the question session.

Operator

(Operator Instructions) Hugo Solvet, BNP Paribas.

Hugo Solvet - *BNP Paribas - Analyst*

Hi. Thanks for taking my questions. I have three, please. First on the CEBIT growth guidance. When we look at it at constant exchange rates in play, no margin extension in H2. So could you please discuss the moving parts behind that and what would basically hold back margins progression in H2? Or does it just confirms that conservatism from your end?

Second on SPOTFIRE, there is still EUR47 million left to deliver for you to achieve your '24 target of EUR80 million. So should we think about phasing in Q3 and Q4? I guess, and everyone would be interested to see it's possible that you deliver another quarter of below EUR20 million, which you had in Q1. And also within that target, can you give us a bit more detail on the expected contribution from these?

And lastly, on respiratory season, have you seen any impact on your sales in Q3 from the flu COVID wave? And a quick word on current trading would be helpful. What's reflected in your guidance in terms of intensity of the flu season?

Pierre Boulud - *Biomerieux SA - Chief Executive Officer, Member of the Executive Board*

Maybe, Guillaume, you start with the first question on CEBIT growth of H2.

Guillaume Bouhours - *Biomerieux SA - Chief Financial Officer, Executive Vice President - Purchasing and Information Systems, Member of the Executive Committee*

Yeah, I understand the fairness value in the question, it's about comparing the margin of H2 versus H2. Yeah, we saw this, and actually we looked at it and recalculate, for sure. It's a bit technical, but it's back to FX. Unfortunately, it's linked to the FX-- you might see, if you do on a constant rate calculation in H2, that seems lower in margin than H1, actually I think it's a technical effect due to average rate of the period H1, H2 versus average rate for the year.

When we look at it, even looking at it at current rates or even at our internal budget rate, H2 margins are the same in our forecast than H1. On your separate --

Hugo Solvet - *BNP Paribas - Analyst*

Just a quick follow-up, sorry, on that. That means generally you're expecting 17% margin at constant exchange rate on (inaudible) in H2, which is no margin extension H2 '23 or H2 '24 or H2 '23. So just wondering what you know the about margin, excluding FX?

Guillaume Bouhours - *Biomerieux SA - Chief Financial Officer, Executive Vice President - Purchasing and Information Systems, Member of the Executive Committee*

H2 '24 versus H2 '23. I will recalibrate for me. We are expanding the margin at -- on an organic basis, of course, yeah. There will still be some expansion of margin in H2 '24 versus H2 '23 in our forecast.

Hugo Solvet - *BNP Paribas - Analyst*

Thanks for clarifying.

Pierre Boulud - *Biomerieux SA - Chief Executive Officer, Member of the Executive Board*

Question on SPOTFIRE. So as I said, we have complemented renew on SPOTFIRE. We have now SPOTFIREs, respiratory 5 plex, respiratory 15 plex. So 25 plex of 15 plex. Our commercial setup is in place with McKesson in the US. So that -- the teams of McKesson are working together with the teams of bioMérieux.

Q2 is very low quarter in many regards for obvious reasons because there is very limited respiratory season. So it's the end of the respiratory season, it's usually weakest quarter in terms of installations, in terms of sales. So what we're actually seeing is (inaudible) and we are very comfortable with confirming our target for EUR80 million.

Because in Q4 -- Q3 and mostly in Q4, talking about phasing, you will start to see the respiratory season continue. And obviously, our installed base in Q4 '24 is going to be significantly bigger than what we had in Q4 2023. So that's -- yeah, we expect Q3 to be better, Q4 to be even better because mostly respiratory, so to reach EUR80 million target for the end of the year.

And last question on epidemiology, actually, we are seeing respiratory season that has been relatively strong this year versus 2023. 2023 was actually very high in December, January, but then fell in February, March. And we are seeing a good dynamic that full translate in respiratory session, again, 14%. And actually, what we're also seeing, which is really not showing, that -- which is confirming what we've been seeing in the last few months is that -- the traction on respiratory panel, that's internal at the expense of SPOTFIRE update. They are complementary segments, and they are both doing very well. I hope that answers your question.

Operator

Maja Pataki, Kepler.

Maja Pataki - Kepler-Chevreux - Analyst

Hi. Good afternoon. Thanks for taking my question. I have two, please. One on BIOFIRE, you have remarkable results in Q2. I was wondering if you could share some feedback from yourself in the field, whether you can see the step up in competition in the US with your competitors now offering also additional panels and DiaSorin in the market with respiratory? That's my first question.

And the second question maybe, maybe it's a bit of a weird question, but I'm nevertheless surprised that in Q2, you did not manage to place more SPOTFIRE instruments, given the fact that you're in a ramp-up phase. I understand the seasonality impact and everything, but it's not like you have very mature position in the market already. I guess there are a lot of people you can be talking to, is it that people are just or the hospitals are just not doing investments right now? Or how do I -- how do I think about that? Thank you.

Pierre Boulud - Biomerieux SA - Chief Executive Officer, Member of the Executive Board

Good afternoon. Let me start with your first question, BIOFIRE Q2. Like you, we're hearing a lot of the competitive noise, right? And like you, what we're seeing is a very strong performance of BIOFIRE. So it's probably early days to assess the impact of DiaSorin lounge on GI panel in the US.

What I can say on our side is we are still getting a very positive feedback of the competitiveness of our solution. And what I can say is when there is epidemiology, we are massively using our solution. And what I can say is, as I shared earlier, we managed to install as many (inaudible) in H1 as we installed in H1 2023. Now, we don't see a massive disruption from a competitive perspective. That's the way I would phrase it. And of course, we are watching it, and we are looking at it, but we don't see it.

The second question on SPOTFIRE. No. It's not a weird question, good question actually. Yeah, the number of additions in Q2 is lower. It's actually very consistent with what we expect. Q2, by construction, the market is slow.

So even though, we believe we have a very attractive offering and there are very few clinics that equip themselves with respiratory instruments in Q2, just exiting the respiratory season, so the installation come back, especially -- as you can hear with my French accent, we are not a -- I'm not a US citizen, but with the go back to school, it's really starting in August, September and Q4.

While we had maybe a lower level of installations, we keep building a very strong pipeline for '24 and '25. So it's not so much a white flag, or even a yellow flag, it's just a normal process. And as I said earlier, the line with our plan is very comfortable with target of 18 million sales by the end of 2024.

Maja Pataki - Kepler-Chevreux - Analyst

Thank you very much.

Pierre Boulud - *Biomerieux SA - Chief Executive Officer, Member of the Executive Board*

And the sonar installations will commence in Q2, the sonar installations are included.

Maja Pataki - *Kepler-Chevreux - Analyst*

(multiple speakers) Okay.

Operator

Aisyah Noor, Morgan Stanley.

Aisyah Noor - *Morgan Stanley - Analyst*

Hi, good afternoon. Thanks for taking my question. Aisyah Noor from Morgan Stanley. I had three questions. My first one is on microbiology. Are you able to confirm if you won additional share of VITEK's placements in the quarter due to the competitor supply shortages and has this impact, if any, continued into September?

The second question is on the industrial business. So some of your peers have seen a slowdown in order trends from large pharma companies in the quarter. And I noticed your equipment growth was down 17% in the first half of the year.

Just wanted to know if you've seen any signs of slowdown or R&D budget tightening in the Pharma segment of your industrial business and whether you've had to take lower pricing or discounting in this segment in the period.

The third one is a bigger picture question on 2025. I appreciate it's early days but if you think about the positive market dynamics you're seeing right now, 14% respiratory sales is quite extraordinary. Pricing growth of 4% is quite strong. And your new sales guide implies you will exit the year at around 9% organic growth, which puts you well ahead of this go to target of 7%. Which of these elements do you think are sustainable into 25? And could we be looking at a similarly elevated growth for next year versus the midterm target?

Pierre Boulud - *Biomerieux SA - Chief Executive Officer, Member of the Executive Board*

Thank you for your questions. So I'll start with microbiology. So yeah, as you point out, we have a competitor that has been dealing with supply chain challenges. Obviously, we have been confronted with that. We share actually a supplier for (inaudible) in blood pressure. The benefit that we have is that we have multiple stocking, so we have additional vendor, help us to cope with the demand.

As we shared, we have a very strong dynamic. So we are -- and we've confirmed that with our clients, we are in a position where we can definitely supply the increased demand that we are seeing and we are watching the situation to make sure that we don't put our customers at any point in time at risk. On other side, we are very comfortable with the capacity to supply the customers.

Industrial applications. Yeah, we still -- to your point, we've seen a little bit of a slowdown in pharma. We had a very, very strong performance in 2023. So it's a little bit of a big impact, but we are seeing a little bit of slowdown. It shows in instruments.

As Guillaume was mentioning earlier, we see a little bit of softness in instruments overall, not only pharma. And we are seeing good traction on the re-agents, including in follow-up. So to your question, we don't anticipate massive significant slowdown that would be noticeable to you guys for pharma applications.

And third question, that's an easy one. 2025, obviously, it's very early days as you point out. We've just communicated a GO28 ambition in April. Very glad to report back a very strong H1 and it will be definitely anticipated to make any change to the GO28 ambition. But let's say, we start with strong foot and the right foot to be able to deliver the GO28 ambition that we have.

Operator

Kavya Deshpande, UBS.

Kavya Deshpande - UBS - Analyst

Thanks for taking my questions. I've got three, please. The first one was just on the share of SPOTFIRE installations this quarter by sitting. I think in Q1 you said it was 75% of inflation growing outpatient sides. Would you be able to provide a similar update for this quarter by any chance? And then my second question is on the VITEK REVEAL. I was just wondering if you could give us a sense of how you're going to be approaching distribution, please? Whether you'll be leveraging your existing sales reps and any kind of update on the early demand that you're seeing? Thank you.

Pierre Boulud - Biomerieux SA - Chief Executive Officer, Member of the Executive Board

Sorry. Can you say -- can you repeat your question on SPOTFIRE, what was your question exactly?

Kavya Deshpande - UBS - Analyst

It was just the percentage installations that were in outpatient settings this quarter. I think you've said in Q1, it was 75%.

Pierre Boulud - Biomerieux SA - Chief Executive Officer, Member of the Executive Board

So I'm not sure we showed that level of sales. But overall, we still have a blend of outpatient and we still have a majority, but it's actually very well split between pure outpatients and lab settings. So no significant change in Q2. And again, Q2 is a bit of a low basis for -- because we have a fewer patients.

But a more general answer to your question is we're still seeing an opportunity of SPOTFIRE in both segments, point of care, and we -- sitting within the hospital.

On your second question for VITEK REVEAL, it's actually a beautiful complementary solution into microbiology offering. So we definitely want to leverage our commercial go-to-market. It comes together VITEK REVEAL with VITEK MS PRIME with (inaudible), with VITEK. So it's very much the same team, very much the same marketing. And the overall plan, as we are launching, is to leverage the (inaudible) that we have already in place to market the product in the US.

There is a written question.

Guillaume Bouhours - Biomerieux SA - Chief Financial Officer, Executive Vice President - Purchasing and Information Systems, Member of the Executive Committee

There is a written question. So from Arnaud Cadart, CIC. So one question, please, on the (inaudible) trial running on the US activities. What is the problem and what should we expect management changes month versus years? Pierre?

Pierre Boulud - *Biomerieux SA - Chief Executive Officer, Member of the Executive Board*

I can -- happy to take it, and give a little bit of color and context. So during the summer, while we were closing our accounts in the US, we have identified internally shortcomings on internal control and compliance matters.

So we figured immediately internal verifications obviously -- for obvious reasons, but also in the context of the closing of the accounts. We have identified only non-material impact on our media accounts. We have been fully integrated into our financial statements and they were obviously reviewed by our external auditors.

So moving forward, while we -- general investigations are ongoing, we feel confident enough to revise the guidance across as we just commented and stated in the press release. And then the overall, I should say, spirit of transparency and trustworthy financial communication with our shareholders, which is very much in the DNA of bioMérieux, we felt it was appropriate to mention it. So obviously, no comment on what we should expect because we need to fund what is the issue.

(inaudible) written question?

Guillaume Bouhours - *Biomerieux SA - Chief Financial Officer, Executive Vice President - Purchasing and Information Systems, Member of the Executive Committee*

No written question. Maybe one on VITEK REVEAL. You give a bit of an update on all detail, but it's -- the question is would you confirm the P&L you are expecting for VITEK REVEAL following FDA's decision, i.e., EUR20 million losses and equilibrium in 2026? What I can mention -- but we do follow a channel for REVEAL. What I can mention is we continue to invest in this solution.

And yeah, the EUR20 million is approximately the amount of R&D that we spend to continue to support and develop the fast AC solution. We are very glad to have the FDA approval this year, which definitely offers a full US market, of course, being the main one for this solution. But it's just been opened now for commercial launch. So we'll see how we developed. We had given a target around 60 million in 2027 back at the Capital Markets Day for the sales ambition.

Any other questions from the call?

Operator

[Ana Bain, Barclays].

Ana Bain - *Barclays - Analyst*

Firstly, I guess, if we could just dig down a little bit in terms of business line, previously you were guiding to respiratory panels being slightly down this year and non-respiratory panels being up 15%. Just wanted to confirm whether the bulk of the upgrade of your guidance was being driven by BIOFIRE? And additionally, within industrial applications, your previous guidance of 9% growth this year, is it fair to expect that you're now looking at a slightly lower growth level this year? And that would be my first question.

The second question really is around price increases in micro and industrial. You've obviously continued to have pretty strong pricing here. And just wondering how sustainable you view this as into the end of the year and into next year? Thanks very much.

Guillaume Bouhours - *Biomerieux SA - Chief Financial Officer, Executive Vice President - Purchasing and Information Systems, Member of the Executive Committee*

So on guidance, by business line, so basically, our upgrade -- I think we mentioned it in the slide, without being resetting each of the different scales that we said where is the upgrade to 8% to 10% coming from. Obviously, as we said, we are surprised by the very good performance of RP beyond our expectation for this year.

So definitely respiratory BIOFIRE, we see today higher than we thought a few months ago. The second non respiratory as well is performing very well and slightly above expectations. And our expectations for the year were around 15%, and we are significantly above.

Microbiology, as Pierre mentioned already, we are also slightly above expectations. These are only positive. We should mention also a negative. VIDAS, we have said that we would be flat. Now, we see probably slightly negative for the year. So VIDAS are the immunoassays for everyone, and it's a blend of all these slightly better on those and just a small effect, but immunoassays that make this a breakthrough, 8% to 10% range for the organic growth.

Second question was on prices.

Pierre Boulud - *Biomerieux SA - Chief Executive Officer, Member of the Executive Board*

So the second question, can you say again what was exactly your question on industrial application price increase?

Ana Bain - *Barclays - Analyst*

Yeah. It seems like micro and industrial base continues to see quite strong pricing dynamics. I'm just wondering how sustainable you view this through the second half of the year and into next year? And maybe if I could just tag on one more, is there a repricing? I think that's also held up pretty well and being pretty strong by -- to any sort of any thoughts around how you expect respiratory pricing in molecular to evolve going forward, especially given sort of increased competition would be great?

Guillaume Bouhours - *Biomerieux SA - Chief Financial Officer, Executive Vice President - Purchasing and Information Systems, Member of the Executive Committee*

Okay. On micro and industrial application prices, I would say, at least for H2, we see similar trends to be pursued. And on respiratory pricing, I can mention that we said -- we expect it below 1%, so let's say, close to 1% negative overall. Even the US alone for RP is about -- is between 1% and 2% negative. So which is basically what we were saying for already several times, a switch to similar, not less, not more.

Operator

Jan Koch, Deutsche Bank.

Jan Koch - *Deutsche Bank - Analyst*

Good afternoon. Thanks for taking my questions. I also have three if I may. The first one is coming back to your new guidance, which implies a deceleration of sales and adjusted CEBIT growth in H2. It's not your typical conservatism or is there anything we should consider here?

And then secondly, on the increased FX headwinds to earnings, it seems like the situation doesn't really improve. Are you willing to exit some of your smaller countries where you faced hyperinflation such as Egypt. And I understand that your margin profile in Argentina is quite attractive, how attractive is it in other countries where you are facing a hyperinflation?

And then lastly, on M&A. There are some concerns in the market that you could go for a bigger acquisition in an area where you currently do not yet operate in. Could you remind us of your M&A criteria and what exactly are you looking here forward?

Pierre Boulud - *Biomerieux SA - Chief Executive Officer, Member of the Executive Board*

So I will start with your first question on the new guidance. I won't qualify your level of conservatism, but what you need to understand is that H2 is very much impacted by the respiratory season. We have significant share of our sales that is impacted by the magnitude of the respiratory season. And as I was sharing earlier, actually November to January was very strong last year.

So it creates a bit of a baseline that is a bit of a comparison factor and we assume a normal respiratory season for H2. So obviously, and that's why we give a range of -- if the respiratory is stronger, we would be in the higher range of the range. If the respiratory season is lower, then a normal season, which honestly, at this stage of the year, is possible. We would be in the lower range. So that's the way we approach it. And you have to take that into account, significant stakes in Q4 and actually to be even -- in a way, even more painful. It's really November, December that is moving the needle in terms of sales dynamic.

Second question on FX headwinds and consequences in terms of geographic footprint, Guillaume?

Guillaume Bouhours - *Biomerieux SA - Chief Financial Officer, Executive Vice President - Purchasing and Information Systems, Member of the Executive Committee*

On inflation, so for us, it's important that we monitor all that closely. It's important that we are able to, especially on the hyperinflation countries, to actually be able to increase prices to offset the local cost inflation as well as the imports from our US and European plants or products, which, of course, are much higher liquidity with the devaluation.

So that's why we monitor. As long as we are able to, let's say, compensate and therefore maintain overall, at least on a reported basis, a profitable business. We will maintain. But again, we keep open eyes and open mind if there is a country where we see that it's not possible to actually have a reasonably profitable business, we could take other decisions. But at this stage, nothing to report in this category.

Pierre Boulud - *Biomerieux SA - Chief Executive Officer, Member of the Executive Board*

And on your third question, on M&A. Obviously, always a little bit challenging to comment on the M&A agenda to this call. But I understand your question, we have very ambitious strategic plan as you know. So obviously, we are looking at any M&A opportunity in the spirit of it needs to make sense from a strategic perspective as in the spirit of which we described on the entry line.

It also needs to make sense from a financial perspective impact on the sales growth, impact on the profitability, impact on our debt level. So those elements are definitely in our mind and this is pretty much where we are.

And maybe just to add to that in the spirit of what I said, because there's a little bit the question on April 9, as the CEO of the company, my very first priority is to execute properly GO28 plan. So we are very happy to look into M&A opportunities if and when the contributes to what we want to do from a strategic perspective.

Operator

Marianne Bulot, Bank of America.

Marianne Bulot - Bank of America - Analyst

Thank you very much for taking my question. I have two, please. The first one is, I just wanted to double check that your midterm guidance of at least 10% CEBIT growth is still valid for next year. Asking simply because you raised the guidance for this year, so it makes it a bit of a tougher comp for 2025. And then the second question, I just wondered if you could talk a little bit more about the SPOTFIRE opportunity in Japan and what are the expectations you have for this market? Thank you.

Pierre Boulud - Biomerieux SA - Chief Executive Officer, Member of the Executive Board

Guillaume, you want to talk about the first one and your guidance at least 10% for 2025 of the (inaudible).

Guillaume Bouhours - Biomerieux SA - Chief Financial Officer, Executive Vice President - Purchasing and Information Systems, Member of the Executive Committee

Yeah. And again, it's our commitment to go for this, at least 10%. So we do confirm, of course. Yeah. It's a year on year improvement that we will target.

Pierre Boulud - Biomerieux SA - Chief Executive Officer, Member of the Executive Board

So you're right, we have a higher basis, and we're still committed to deliver at least 10% year-on-year. On your second question on Japan, good question, it's actually -- it's already the second biggest market in the world for point of care. There is a point of care market, which is reimbursed, which is organized. So -- and we -- I think it's fair to say that teams have been very successful in getting both BIOFIRE, value add for BIOFIRE.

Japan is second biggest market after the US. We've been very successful in getting SPOTFIRE approved for respiratory, not yet [elsewhere]. We are getting (inaudible) in Japan. We are seeing a good level of traction, as I said, significant share of installed bases, and we have some -- good pipeline with some deals coming up in Q3 and Q4. We haven't communicated on specific target for Japan, but definitely a geography that is an opportunity for us to deploy a SPOTFIRE solution internationally.

Operator

Okay. Thank you very much.

Pierre Boulud - Biomerieux SA - Chief Executive Officer, Member of the Executive Board

There is a written question on SpinChip. I will read. Could you please give some color on your recent investment in the capital SpinChip diagnostics. And so we've acquired 20% of the capital SpinChip. It's a company from Norway that is developing a point of care immunoassay system that we see as very promising, very competitive. We've looked at multiple companies and technologies in the field of point-of-care immunoassays.

As you know, in point of care, you don't only have molecular. You have also a lot of immunoassay solution. So back to the strategy, M&A question that we had, we obviously look at this field with high level of interest because complementing our SPOTFIRE solution together with an immunoassay point-of-care solution would make tremendous sense.

We are very glad with the progress that is being made by SpinChip. They are running a clinical trial as we speak. We have one Board member and we follow up very well. We have very close relationship with the team. So it's a financial investment, but very much a strategic investment. Nothing much more to comment at this stage. But very glad with the investment that we made and very excited actually by what we could bring to the market.

Maybe one last question, Jennifer, if you have one?

Operator

Shivangi Gupta, HSBC. Your line is open.

Pierre Boulud - *Biomerieux SA - Chief Executive Officer, Member of the Executive Board*

Maybe left the call. We -- anyway, I have to confess, we're running late. We'll stop there. So thank you very much. Thank you for the good discussion and the good questions. We'll follow-up some of you in the next few days in the context of the roadshow. Looking forward towards future interactions and have a good day. Bye bye.

Operator

This does conclude today's conference. We thank you for your participation.

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