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BIOX.PA - Q3 2024 Biomerieux SA Corporate Sales Call

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**Aisyah Noor** *Morgan Stanley - Analyst*

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## PRESENTATION

### Operator

Good day and welcome to the bioMérieux third-quarter sales performance conference call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Ameli Fisher. Please go ahead.

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### Aymeric Fichet - Biomerieux SA - Head of Investor Relations

Thank you, Melissa. Good afternoon, everyone, and thank you for joining us to review bioMérieux's performance for this Q3 2024 sales performance. I'm online with Pierre Boulud, CEO; together with Guillaume Buohours, 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 the replay will be available on our website, [www.biomerieux-finance.com](http://www.biomerieux-finance.com)

I will now hand over the call to Pierre, and then we will have some additional comments from Guillaume, and then we will open the call for our discussion and questions. Pierre?

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

Thank you, Aymeric, and good day, everyone. So I'm very glad to share with you a review of our commercial performance in Q3 for bioMérieux.

So as you could see, we had another solid sales performance in Q3, reaching EUR969 million, an organic growth accelerating at 11% over the quarter, so slightly improving our year-to-date growth to 10.3% organically.

So a few messages, first of all, on the growth drivers that we've selected in the context of GO28, and they are all very positive. So let me start with SPOTFIRE. Very happy with the installations with SPOTFIRE. There was a little bit of a concern in the past quarter on the 250 installations.

We are very glad to report 600 installations, which is the record number of installations we have done in any quarter since the launch in Q3. So very positive performance together with a very strong support from a partnership for (inaudible) which is now full speed. So a very positive outcome for Q3, obviously positioning us very well at the very beginning of the respiratory season with what we believe is the most comprehensive respiratory panel on the market. I'll come back to that.

The second growth driver, non-respiratory panels for BIOFIRE is also showing again in Q3, and it's a little bit less sensitive to epidemiology and respiratory panel. Very good performance in Q3. Guillaume will come back to the detailed numbers, but I'd like to share with you a data point which is also very positive, which will increase the proportion of BIOFIRE customers using at least three panels.

It is now 51% and improving from 48% at the end of 2023, so 3 additional percentage points, again demonstrating the benefits of having a very comprehensive menu of panels available in the market.

And finally, the two additional growth drivers, microbiology and industrial applications. We are seeing for both a very solid demand that translate into good volume growth. But also, for both microbiology and industrial applications, we keep passing good price increase, so pricing power is again demonstrated in Q3. It's very positive in our commercial performance.

Now if I follow on with the rest of the elements, maybe less financially speaking, but our capacity to deliver innovation in the market, which is very important, we call it an innovation powerhouse. Three pieces of good news that happened in Q3. SPOTFIRE, again -- we are now -- following the FDA approval in August in the US, we launched the source road panel which gives us three elements of differentiation.

Again, a 5-plex and 15-plex panel that allows to cover the needs in a very broad way from the physicians. Two, it allows to have Strep A into a mini panel, which is, as you know, highly valued by the clinicians in terms of selection of antibiotic treatments. And finally, it also gives us the opportunity together with SPOTFIRE to propose to the patient a throat panel, not a nasopharyngeal panel. So that's also a benefit in terms of complementing a SPOTFIRE solution.

It's being launched in August, right in time for the respiratory season. We're also launching, following the FDA approval, VITEK in the US, so a busy day. It will now be marketed in the US. We're starting a commercial launch in in August -- in, sorry, September.

And finally, VIDAS B12. As you know, we have, with VIDAS, two businesses, PCT business that is going down in the routine business that is going up, and B12 will allow to complement the menu of more than 100 assay that we have and hopefully fulfill medical needs in many geographies. So that's for the innovation powerhouse, good, simple. We keep seeing good traction, and we are in the implementation phase of many of the initiatives that we have identified and shared with you.

Corporate social responsibility, very much on track to reach our 2024 target. So we expect to fulfill the expectation there. And finally going stronger, the engagement of the teams. Just to report back that we have now fully updated the long-term incentive plans so that they are fully aligned with the GO28 objectives. And they are now shared with the senior leaders in the organization.

So with all of that and based on those good Q3 numbers, we are very confident to reach the 2024 annual guidance that we revised across September 5. There is a slight improvement on FX impact that we also wanted to share with you as we are sharing our Q3 commercial performance.

And with this, I hand over to Guillaume, who will share with you more details on our Q3 performance.

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

Thank you., Pierre. Hello, everyone. And now, let me provide you some more details on the Q3 sales performance.

So overall, EUR969 million, an organic growth of 11% in the third quarter. You can note that we have a negative currency effect, EUR26 million, on sale over the quarter that make up to EUR76 million year-to-date negative effects on the sales.

In the quarter, it was driven by Argentina peso, Turkey, Asian currencies, and I would say to a lesser extent, the US dollar. The organic performance was driven really by our GO28, four growth drivers that together were up 10% as well as by the BIOFIRE respiratory panel.

In details and talking about organic growth, BIOFIRE non-RP delivered -- non-respiratory panels delivered a robust performance, plus 16% in the quarter on a pretty high income basis. Double digit growth in every region, notably strong in the EME and the Asia Pacific, and all the panels were growing double digits. So actually, a very balanced -- strong and balanced growth. Non-RP panels represented 44% of the BIOFIRE region sales during the quarter.

SPOTFIRE now, as you saw, EUR20 million sales in Q3. As Pierre mentioned, it's the key news so I can repeat it, strong acceleration in instrument placement, instrumentation, with 600 new installations at customers over the quarter with our install base now reaching 2,100 instruments. McKesson partnership actually delivered the large majority of this instrument installations in Q3 in the US.

And now, we have the SPOTFIRE instrument that are installed in nine countries. So it's not only a US story, it's beyond that. We believe we are on track to reach our year-end sales target for SPOTFIRE, which I remind everyone is EUR80 million for 2024.

Turning to microbiology, a very nice 10% organic growth in Q3. Prices increases by 4% points during this quarter. And overall, reagents were really strong overall, plus 12%, notably on our VIDAC ID/AST as well as our blood culture BACTI product line. Both have double digit on reagents.

Fourth gross driver of GO28 are the industrial application. The quarter was dynamic for industry application with sales at 12%. Both segments, which means pharma segment as well as the food segment, grew double digits. As Pierre mentioned on the prices, this is also a segment where we are able to pass prices through with the 5 percentage points of price increases.

And so overall, a very strong dynamic on reagents plus 14% and positive, back to positive, on instruments even though, of course, less positive than reagents. On top of our fourth growth driver of GO28, the BIOFIRE respiratory panel delivered a very good performance at 14% over the quarter.

And of course, this is thanks to the high epidemiology, the number of cases of these different respiratory pathogens compared to 2023 at the same period. And I come back to that when talking about the guidance.

Finally, immunoassays, we're slightly negative performance with mixed trends. We continue to see a pretty negative trend on our procalcitonin, PCT, sale, down 11%. They represent about 25% of the immunoassays sales. And about flat performance for the other assays and equipment for the rest of the immunoassay portfolio.

So overall, this really solid the Q3 performance on top of a solid H1 makes us confident, as Pierre mentioned, in achieving our '24 revised guidance. As a reminder, this guidance that was revised at early September includes sales growth between 8% and 10% on an organic basis, EBIT growth at 12% to 17% on an organic basis.

Of course, to be at these levels, the main uncertainty are the respiratory sales in Q4. And we assume at this stage a slight decrease in respiratory sales in Q4 '24 versus Q4 '23. So just a reminder that Q423 was actually high start of the winter season at the end of last year.

So far, it's a bit too early. We have no indication yet on what will be the respiratory season. So these are really assumptions. They are not derived from what we could see here in the last few weeks.

A comment on the foreign exchange impact So on EBIT that we slightly revised, so it's an improvement in the region of minus EUR60 million for the full year. The previous estimate was around minus [EUR70 million]. We saw many in the last few months, moves on the US dollar, on the Japanese yen, on the UK pound, as well as we implemented internal actions to reduce our exposure on intercompany positions.

And I just mentioned sales FX impact that I mentioned already, EUR26 million, negative, in Q3. And we estimate more or less the same impact, around minus EUR25 million, on sales in Q4 to help in your modeling.

And with this, I propose we move to the Q&A session.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Hugo Solvet, BNP Paribas.

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### Hugo Solvet - BNP Paribas Exane - Analyst

Hi, guys. Thanks for taking my questions and congrats on the prints. I have a few bits. First, on the guidance. The low end of your 2024 sales growth guidance implies 2% gross early in Q4 despite these income basis. So Guillaume, I'm fully aware that you mentioned the ICOM base for respiratory sales in December in particular last year.

But could you maybe help us understand if that lower respiratory sales only implies BIOFIRE sales? Because to me, there should be an offset from SPOTFIRE coming in strongly in Q4. So just keen to have your view here.

Going on SPOTFIRE, how sustainable do you see the [600] placement number? Is it -- should we expect this to accelerate in Q4? And what would be the run rate?

And also, a follow up on that in terms of pull through, which is obviously optically lower, given the higher placement number this quarter. What would be a good pull through going forward?

And sub question on BIOFIRE, 150 placement is a bit soft or softer than what we are used to. Can you maybe elaborate a bit here on the different dynamics, if it's competition, cannibalization, deactivation? Or can you be sure that there is no increased competition? Thank you.

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

Thank you, Hugo. Thank you very much. So on the guidance, yes, definitely, the uncertainty is the strength of the winter season in the Q4 and the respiratory final sales. On the rest, we have no -- we are very confident and we have no major topic.

So we try to factor in this range the uncertainty. You're right. It's quite a broad uncertainty. Our median assumption is a decrease again, because last year, decrease of respiratory panel sales in Q4 because last year was a very strong season.

So we can -- we don't assume it will be a strong season. Let's see. And it's -- yeah, it's probably, I think, around minus 5% to minus 20% on respiratory panel sales in Q4, probably, let's say, a factor of the upper part or lower part of the guidance.

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

Okay. And I take your -- good day, Hugo. I'll take your two additional questions. So SPOTFIRE, we don't communicate on the projections for SPOTFIRE.

So we are seeing -- what we commented in September is still very true. There is a seasonality dimension for us in both the reagent consumption and installations. So we were not at all worried with the Q2 installations, and we are very happy with the installations in Q3. But we don't comment for the future quarters.

And on TORCH placements, so you're right to say it's a little bit lower than it was in Q2. Maybe a general comment first, we are seeing overall a little bit of the softness in the new instruments in general for us. It's true in microbiology, VIDAC, BACTI. It's true in VIDAS immunoassays. It's true in industrial applications.

And the TORCH is not immune to that. We're seeing a little bit of softness, which may be due to the fact that 2023 was actually a very strong year in terms of new installations. So there is a bit of a general softness in the market in terms of new installation that we're seeing a little bit more in Q3.

With regards to TORCH, more specifically -- I mean, I know you know, it, but I still remind it. When we say 150, it's net net. It means it's the sum of the customers we win together with the customers we lose. So it means that in Q3, we actually increase our installed base by 150 units, which by the way is 850 year-to-date on a total install base of 25,000 instruments.

So it's still an increase of install base that bodes well for our future reagent sales. In terms of reagents, we're seeing very strong consumption of reagents on our install base. So Guillaume was mentioning a 16% growth on non-respiratory panel. It's the highest quarter ever in the history of bioMérieux with BIOFIRE of non-RP sales.

So we're seeing actually an improvement in terms of use rate of the install base beyond the addition of new installment to the install base. So we are seeing more a bit of a market softness, but overall, a very strong competitive position. And we think we're holding it. We don't have any negative sign on that regard.

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**Hugo Solvet** - *BNP Paribas Exane - Analyst*

Okay. Thank you very much.

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**Operator**

Marianne Bulot, Bank of America.

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**Marianne Bulot** - *BofA Global Research - Analyst*

Thank you very much and good afternoon. I was wondering if I could follow up on the question that Hugo just asked. On the BIOFIRE placements, you mentioned a net number. I was wondering if you could maybe provide a little bit of color on -- in terms of new machine this quarter versus last year and the one that maybe you lost this quarter versus the last one.

And then the second question, you had some other peers in your space mentioning a pull forward of demand for respiratory from Q4 to Q3, saying that maybe some of their customers order a bit more into this quarter to make sure they had a security of supply for the next respiratory season. So just wondering if it's something that you have seen as well and, if you have, if you could provide a bit more color in terms of contribution to your growth for this quarter. Thank you.

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

Thank you for the question. So I'll take your two questions. So the first one, we don't give the details between the new installation, the customers who will, the customers we lose. We give the net net, which I think is actually -- among the payers, I'm not sure everybody is giving that much information.

So we're very happy to share the information, but it's actually a significant piece of information. We feel it's very useful for you and for us from a transparency perspective, but we don't go into more details. Obviously, we'll look into it internally, but it's not something we disclose externally. Sorry for that.

And with regards the potential stocking impact, respiratory, Q3 into Q4, we don't have evidence of that. We haven't seen it to be -- I mean, even though we are discussing Q3 numbers today, we don't see in October any impact of stocking in September, to be transparent with you. So no impact from our perspective in our Q3 performance for RP related to stocking.

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**Marianne Bulot** - *BofA Global Research - Analyst*

Okay. Thank you very much.

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**Operator**

Maja Pataki, Kepler.

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**Maja Pataki** - *Kepler Cheuvreux - Analyst*

Yes, good afternoon. I'm going to go back and dig into the same -- spoken to the same question that Huge asked and Marianne asked before. I fully understand that you don't want to give us the exact data on how many clients you lost and how many clients you signed on.

But can you just tell us maybe from a sentiment perspective whether you've seen, this quarter, more customers that you've lost versus quarters before or whether it's just more of a softer placement quarter for instrumentation? Because that would help us understand how much you're seeing competition.

And also, when you are kind of losing the instruments or the customers for BIOFIRE, is it something where you say like, oh, actually, we're placing some of our SPOTFIRES in there? Or is it really going to competitive accounts? Because as we know, there is increased competition in the US and will be very helpful for us to understand that point.

Second point is, could you clarify, please, for the group level, how much was pricing contribution to growth in Q3 and what you're expecting for Q4? And then lastly, Guillaume, could you just remind us of the absolute euro million number of respiratory sales in Q4 2023? Thank you.

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

Okay. I'll start with the first question. Maja, good day. And Guillaume will follow up with the pricing impact and your first question. So no, I can give you a more qualitative perspective. I was actually in the US two weeks ago. We spent a bit of time together with the teams.

It's a qualitative answer, but we don't see, to your point, the competition dynamics changing in the US or, by the way, outside of the US versus what we've seen and experienced in the previous quarters. We don't see it from a pricing perspective in our numbers. We don't see it from an installation perspective.

So it's really not that we are losing more customers. It's more that the overall movement of installation was softer. So obviously, we want to be very careful. It's early days, but we don't see major customer losses. Is that your question?

And that's basically where we stand with regards to the competitive environment with BIOFIRE. We're, again, seeing very positive traction and very -- we're seeing the BIOFIRE solution on RP and non-RP as holding a very strong competitive situation in the US and outside of the US.

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**Maja Pataki** - *Kepler Cheuvreux - Analyst*

Great. That's very helpful. Pierre, maybe just to follow up. Are you seeing some of your customers that are saying, okay, instead of taking one additional BIOFIRE instrument, we're going to add a SPOTFIRE? Is that -- Well whether it is cannibalization or maybe just a different way to -- ultimately, it probably is cannibalization.

But are you seeing some where they say like, this makes sense for us to have the full range of covering all patients that walk in from the easy one to the to the immunocompromised? Is that something that you're seeing happening a lot in the US or elsewhere?

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

So what we're seeing is really a segment of frontline testing which comes together with the point of care where you have solutions that allow to do patient triage at the entry of the hospital patients who are not necessarily very sick and where there is a need for a respiratory testing.

And that's the significant segments where BIOFIRE is not very significantly present because with our 22 RP panel, we're actually mostly in patients for patients who have comorbidities, who are very sick. And that's very much a second line testing, which is the bulk of the sales we're doing with BIOFIRE.

So what we're seeing when we are selling SPOTFIRE into IDNs or into hospitals is that it is positioned in front line testing. And what makes it an attractive opportunity in front line testing is time to result, 15 minutes. It's having a lower plex -- five-plex panel and the ease of use.

Those are the element that we see that help us be competitive in this segment of the market. There are some clients who actually asked for both front line and second line testing. So we are seeing very much the two segments obviously being consistent and connected, but as two segments in the market.

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

On pricing, so contribution to growth is actually the same in the Q3, very close to 2.5%, 2% to 2.5%, which was exactly the same level at the end of June. So actually the quarter is in exactly the same trend as the H1 was.

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**Maja Pataki** - *Kepler Cheuvreux - Analyst*

And that's what you're expecting to be able to go through in Q4 as well.

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

Again, globally, the trends should remain quite similar. We don't give an exact guidance on this, but--



**Maja Pataki** - *Kepler Cheuvreux - Analyst*

No, no, no, of course. But whether there is an analyzation or something like that.

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

It should remain in the same ballpark, of course.

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**Maja Pataki** - *Kepler Cheuvreux - Analyst*

And RP sales?

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

Respi sales, as mentioned -- so I don't know if the question is that, but the respiratory panel is 56% of sales versus 44% for non-RP sales. So respectively, (inaudible) EUR180 million without (inaudible)

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**Maja Pataki** - *Kepler Cheuvreux - Analyst*

For Q4 '23, I'm sorry, last year. The tariff base.

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

Sorry. What's your question?

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**Maja Pataki** - *Kepler Cheuvreux - Analyst*

I was wondering if you could share with us the absolute number of respiratory sales in Q4 2023, the comparison base that we're looking at for '24.

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

We need to check, but we will come back.

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**Maja Pataki** - *Kepler Cheuvreux - Analyst*

Okay, great. Thank you.

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

You're good then, Maja?

**Maja Pataki** - *Kepler Cheuvreux - Analyst*

Perfect, yeah.

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**Operator**

Ayesha Noor, Morgan Stanley.

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**Aisyah Noor** - *Morgan Stanley - Analyst*

Hi. Good afternoon. Thanks for taking my question. My first one is on the BIOFIRE mid-term guidance of 10% non-RP sales growth and flat RP sales growth. What level of placements did that guidance assume? And can you still deliver if your BIOFIRE placements remain at 150 or lower per quarter going out to 2028? Just some broader thoughts there would be useful.

The second question is a bigger question on the flu season. So for the nine-month period this year, your respiratory growth is now tracking at 14%. This is meaningfully above the mid-term guidance of flat. If we look at the CDC WHO data, flu cases are not trending significantly above average and your competitors are also growing quite well. So no one appears to be losing share.

So my question for you is what do you think is going on? Are we overtesting? Are volumes just shifting very quickly to the hospital setting just based on your utilization levels, customer ordering patterns? Just trying to get a read of how sustainable this mid-teens growth is going out to -- and how much we can extrapolate for 2025.

My final question is just on SPOTFIRE. Could you provide the sales mix between 5 plex and 15 plex and how that shapes your views on the gross margin outlook for 2025? Thank you.

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

Thank you. So I think I'm the one who's going to take your questions. So the first one on the mid-term guidance, you're right to say we -- our mid-term guidance for non-RP 10%; for RP, 0%. We didn't share guidance on install base.

To be honest with you, we don't have a very detailed number of that. So we've made some assumptions, but there are many components into the calculation. So we don't -- this is not the number that we communicate from a guidance perspective. But the 10% for non-RP and the 0% for RP obviously very clearly the guidance that we confirm for the years to come.

Your second question on respiratory, you're totally right. I think most players are reporting good numbers with regard to respiratory testing. Our understanding of the situation is related -- is really an epidemiology answer. What we're seeing is more cases, more patients, so more tests.

So the good news is we don't believe we're losing any market share. But the hard truth is I'm not sure we are getting much market share with that 14%. It's really what's driving the performance, very happy to have it.

And your related question to that is in terms of extrapolation. It's actually unfortunately very much related to epidemiology that the market has not move that much. And that's the reason why we have a Q4 that we assume to be softer because we -- at this stage.

And it's -- again, as Guillaume was saying, it's a pure assumption and we don't have a crystal ball on what the respiratory season is going to look like in Q4. But we assume that the respiratory in Q4 would be lower. And hence, as it would be lower, we would have lower fees in Q4 than in Q3.

And the team is still looking into Q4 respiratory health. We have it. But before we -- maybe we give it. But before we give it to you, I can give you the split, 15 plex and 5 plex. So in value, it's around [5,050] the 15 plex and the 5 plex year to date and very similar to what we've seen so far. So 5,050 the high plex, 15; and the low plex, 5 plex

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

So Q4 respiratory sales in 2023 were around EUR240 million.

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**Operator**

Kavya Deshpande, UBS.

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**Kavya Deshpande** - UBS Equities - Analyst

Good afternoon. Thank you for taking my questions. I've got two, please. So the first is on SPOTFIRE installation. So 600 instruments, obviously very impressive.

Based on our discussions, people were expecting quite a bit less than that. And so just curious to see with McKesson running at full speed this quarter, were there any device stocking effects here or any one offs that you'd like? Is this sort of -- did this truly reflect in quarter demand? That's my first question.

And then my second question would be, when you look at the placements and where they're going, are these mainly going to settings that have never had a point of care instrument before, so like true white space?

Are they going to settings that maybe use your competitor, the competitors' devices, and are looking to add capacity in the gaunt SPOTFIRE? Or is this active share taking, where these settings are actively replacing your competitive devices with SPOTFIRE? Thank you.

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

Thank you for your questions. So on your first question on potential one-off in Q3 with regards to 600, no, there is no -- the deal we have with McKesson, they don't stock, actually. We directly place at the customer. It's a direct shipment to the customer.

So there is no stock impact with McKesson and, for obvious reasons, the clients don't want to stock the instrument that they don't use. So they're actually -- as soon as they're placed and they're properly calibrated, they run reagents in a matter of days. So it's -- the 600 instruments are, by now, all up and live and running reagents. So that's the answer to your first question.

The second question, is it market share or is it growing the market? It's mostly market share. It's -- the immense majority of the placements and the sales made with SPOTFIRE are actually competitive wins. So very, very, very few customers starting with point of care. The whole -- I don't want to say 100%, but most of them were actually using point of care solutions.

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**Kavya Deshpande** - UBS Equities - Analyst

Thank you. That's very clear. And if I could ask a quick follow up, please, just in terms of the regional split of your 600 instruments placed this quarter. When you think of how many went to US and how many went to Japan, is that split broadly similar to what we've seen in previous quarters? Anything to flag there?

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

Yeah, we don't give the numbers generally, but it's fair to say that Japan is the second biggest geography for us. And we had a good performance year-to-date, Q2 and Q3. So I don't -- we don't have the exact numbers here, but definitely, Japan is the second biggest market for us after the US.

And we have now live in seven countries with SPOTFIRE -- nine, sorry, nine countries with SPOTFIRE. So we expect to see some traction outside of the US and Japan in the coming months.

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**Kavya Deshpande** - *UBS Equities - Analyst*

Thank you very much.

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**Operator**

Dylan Van Haaften, Stifel.

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**Dylan Van Haaften** - *Stifel Europe - Analyst*

Hi, guys. Thank you for taking my questions. So just firstly, another follow up just on BIOFIRE versus SPOTFIRE.

So are there any differences in the pricing structure between the two, for instance, with some older BIOFIRE contract structures versus the newer SPOTFIRE contract structures, mostly because you mentioned they were competitive? Just want to get a sense of things shift if you have structurally higher SPOTFIRE installed base growth.

Maybe second question would then just be, could you give us a flavor for the respiratory season so far, what are you seeing? Are you, let's say, somewhat enthused by what we're seeing in terms of the start, even though it's starting in two days? That'd be great.

And just a final question, could you just remind us just on procalcitonin, when the downtrend started and what percentage of immunoassays it is today? Thank you.

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

Okay, I start with BIOFIRE versus SPOTFIRE. So we are very much trying to make them non competitive. It's important to us because, as I was saying before, SPOTFIRE, most of the installation that we see is actually in point of care where there is competition. So it's really not against BIOFIRE.

The pricing, I think we shared \$100 -- around \$100 for the 15 plex and around \$70 for the 5 plex panel. And very much, the spirit of the positioning and what we believe is really a winning combination is to have SPOTFIRE for point of care/front-line testing for patients who actually need a diagnostic solution with a very short time to resolve. Very easy to use and allows to orient the patient.

And the BIOFIRE solution, I'm talking RP here, is really for the second-line testing for the patients who are hospitalized, who are sick and you don't want to take a chance in terms of making sure that you have the right treatment for both patients. So we are seeing the two segments of the business, very complementary actually. Even from the software solutions, we are connecting them so that the labs have a full access to the data and not much competition.

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

The main contract difference is that SPOTFIRE is obviously the vast majority of placement market. So it's the investment for us and CapEx for us, whereas the BIOFIRE, especially in the US, was actually majority sold market. So that's, I would say, the main difference in terms of structure of the contract as you were asking.

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

To your second question on respiratory season. As we said, it's a bit of the pain of having a fiscal year that is -- that ends at the end of December, which is actually in the middle of the respiratory season. We don't have a solid, reliable projections for respiratory season.

So basically, we are making assumptions every year. That's also the reason why we revised the guidance at the end of Q2 because we knew that at the end of Q3, we would not know much more or much better. Honestly, at this stage, it could still be an average respiratory season, a very high respiratory season, or a very low respiratory season.

And that's why we give this range of 8% to 10% of the sales growth. We assume a normal respiratory season, a bit lower than we had last year, in the period October to December. And to be totally honest, we may be wrong, but we believe that 8% to 10% gives us a very range -- gives us a very solid forecast for the three months to come.

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

Regarding PCT competition, we entered in the US back in 2017, around. And so from there, we started to lose market share to the highest throughput platforms and competition. And today, PCT program, it is about 25% of our immunoassay sales.

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

Immunoassay sales are 10% of the total -- around 10% of the total sale.

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**Dylan Van Haften** - *Stifel Europe - Analyst*

Excellent. Thank you very much.

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

Thank you.

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**Operator**

Jan Koch, Deutsche Bank.

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**Jan Koch** - *Deutsche Bank - Analyst*

Good afternoon. Thanks for taking my questions. I also have three, if I may. I would like to come back to your 2024 guidance.

I'm assuming that your growth drivers continued the strong performance in Q4. The midpoint of your sales guidance implies that your respiratory business in Q4 is on a slightly lower level than in Q3 or Q2 in absolute numbers. I understand that there are still some uncertainties regarding the flu season, but do you think it is likely that Q4 could be lower than Q3 and Q2?

And secondly, on SPOTFIRE and here on your guidance as well. Your guidance implies only EUR27 million of revenue in Q4 compared to EUR60 million last year. In the meantime, you have tripled your installed base and you expanded your test menu. And we're wondering if there could be some upside potential here as well.

And then lastly, how's the launch of your MS PRIME progressing? What are your thoughts here for the next year? There has been some noise in the market, so any color would be helpful.

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

So on the '24 guidance, thank you for this opportunity to clarify. So yes, we have included RP slightly lower than Q4 last year again on a high basis. But I'm not sure about the calculation. It's not lower than Q3 this year. I think that's what you said.

We don't expect RP to be lower in Q4 than in Q3. And just to give the figures again, in Q3, we sold 180 million of RP panels and last year Q4 was a base of around [240]. So that's really significant gap. Okay

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

The second question, it's a fair comment. SPOTFIRE, we have a significantly bigger install base than we had a year ago and we have two more panels, so 45 plex and 15 plex.

The challenge with SPOTFIRE Q4 sales is beyond the install base, beyond the offering. Again, the epidemiology is going to play a big role, right? If there is no epidemiology, there will be little consumption.

So there may be an opportunity for an upside if the respiratory season is high, given the install base that we have, but probably too early to call it. And we'll report that back at the end of the respiratory season when we close the year.

And your third question, MS PRIME and the dynamics in VITEK MS PRIME. There was a bit of noise because we are in the process now of internalizing the manufacturing of VITEK MS PRIME. It was outsourced, actually, some elements of the development together with the manufacturing based on the success that we've seen and based on the capabilities that we have.

And it's also, on our side, part of the GO28, the good, simple plan to actually reduce our cost. We have decided to accelerate the internalization of the manufacturing of VITEK MS PRIME. It will be actually manufactured on two sites of bioMérieux, (inaudible) Italy and St. Louis in the US.

It will come together with, we hope, improvements from a supply chain perspective and also cost of goods reduction. So that led to a reduction of ordering to our existing supplier, TMC. And the dynamics are still very positive.

We're seeing very good traction in the market. And we expect a very solid performance in 2025. And we are building actually a manufacturing plan internally to complement the KMC offering in 2025.

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**Aymeric Fichet** - *Biomerieux SA - Head of Investor Relations*

Okay. Melissa just we have some written questions. So the first one from Arnaud Cadart, when will you be able to communicate on the conclusion of the audit of the US activities? Maybe for you, Pierre?

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

Yes. So first of all, nothing new on this one. As you know, we've actually already communicated in the subsequent events for H1 press release. So we have basically done a copy and paste of that information into a Q3 press release because it's now a Q3 element.

The verifications are ongoing. We are working also on remediation plans for internal control. It's progressing very well, and we are very confident to reach the revised guidance that we communicated for fiscal 2024. What we said is we plan to be in a position to reach conclusions on the verifications before the closing of 2024, and we're very much on track to do so.

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**Aymeric Fichet** - *Biomerieux SA - Head of Investor Relations*

Okay. Thanks, Pierre. Another question from Thibault Voglimacci. Regarding microbiology, did you see any positive impact during the quarter of the Becton Dickinson supply problems that appeared to be solved at the end of September? Could you give us more color on VITEK REVEAL sales?

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

Yeah. So blood culture supply -- so first element, most contracts with the clients are multi-year contracts, so it's not changing from one year to another. The second element of contract is we're actually sharing, for raw materials, one supplier together with Becton Dickinson. We have diversified our sources of supply with additional suppliers.

So we are significantly less exposed than BD as they were in the context of supply. So we are very confident that we keep supplying our customers. We -- as we mentioned and Guillaume highlighted, we are very strong. We have dynamic volume growth and the pricing improvements in microbiology.

So we are working out to make sure that our clients are still happy with us. And hopefully, if we can take some share, we'll take some share. But no change of dynamics as we speak.

With regards to VITEK REVEAL, we're very excited with the launch in the US. Obviously, it's a big event for us, a significant share of the market in the US. As I said, we've just launched commercially, so it's a little bit early to give you more color. But probably -- I don't know, we need to give ourselves a few months.

But in the next six to nine months, we should be able to give you a bit more perspective on the update on VITEK REVEAL and where we stand with regards to new instruments and the uptake of the laboratories and clients.

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**Aymeric Fichet** - *Biomerieux SA - Head of Investor Relations*

Okay. And maybe one last question. Can you give more colors on actions taken to reduce FX negative impact at EBIT level? Is there more to come to be less dependent on FX devaluation in some countries? So maybe for you, Guillaume.

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

Yeah, of course. So we took action on what is actually a small part of our FX exposure, which is inter-company outstanding payables. And so we -- notably through capital increase of local subs that then can repay inter-company payables, it gives less volatility -- viability on those outstanding, which is good.

Yet the big exposure -- the biggest exposure is not on this. The biggest exposure is a conversion of contributed EBIT of foreign entities into euro accounts. And that cannot be hedged and is a bit structural in our accounts in the structure of bioMérieux being an exporter from US dollar and euro base into many, many countries in the world.

So we'll keep a significant exposure, but we are trying to work on the different possible levels to reduce it as much as much as possible.

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**Aymeric Fichet** - *Biomerieux SA - Head of Investor Relations*

Okay. Coming back to you, Melissa.

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**Operator**

Wonderful. Hugo Solvet, BNP Paribas.

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**Hugo Solvet** - *BNP Paribas Exane - Analyst*

Hi, me again. Thanks for taking my follow up. Just -- Pierre, you mentioned the majority of placements for SPOTFIRE are being market share gain. Just -- can you elaborate please a bit on that, whether it's from Roche, Abbott, any other players? That would be helpful.

So, Guillaume, I think back on the Q2 call, you committed to deliver the long-term guide, 7% sales growth and above 10% EBIT growth even next year despite the higher starting point. With Q3 in the bag, the starting point is even higher now. So do you still commit to deliver that into next year? Thank you.

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

So market share games, I start with this. Guillaume can do the guidance question. Market share gains on SPOTFIRE. So yes, again, we are -- it's actually a market with a formidable player, Roche with Liat. We are seeing Abbott with (inaudible) and we are seeing Danaher/Cepheid with GeneXpert.

And I'm glad to say that we have actually competitive wins against all three players. We see our solution attractive, we're very positive feedback to be honest. What's resonating very well is the 5 plex -- being capable to diagnose five plex instead of two to four.

In the competition, it's perceived as very valuable. The opportunity to have the 15 plex, I shared earlier that for us, it's a positive -- close to 50% of our sales with 15 plex. It's also showing that the opportunity to have not only 5 plex, but a broader plexing option is very valued.

And the third element which we see getting traction is the time to result, 15 minutes. It's close to half the time for GeneXpert. It's also perceived as very valuable from a workflow perspective for the point of care clinic, but also in front-line testing.

So those elements help us to get share. But it's definitely -- I mean, I don't know if it's good or bad. It's really building on the market that is already existing. We are not shaping the market as we used to do with BIOFIRE RP and non-respiratory panels. The guidance, Guillaume.

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

Yes, on our commitments. Of course, we are fully committed to what we -- what was our target in the Capital Markets Day, which is a mid-term target as part of our GO28 plan. So let me rephrase the financial targets of GO28.



We committed to a 7% compounded annual growth rate on the sales on an organic basis over the five years, which means, because it's compounded, that it's not exactly every year. It can be slightly higher a certain year and slightly lower other years. That's on the sales.

On the EBIT, our commitment is to improve the margin from 16.5% to 20%, which -- on an organic basis. And as it's not so easy to follow year on year on year with the -- how do I say -- the starting average rate, we committed on top to have every year -- so this one is every year -- a minimum of 10% organic growth of our contributive.

So we can confirm that for next year -- again, we are committing to the 7% CAGR on sales and the minimum 10% annual on EBIT.

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**Hugo Solvet** - *BNP Paribas Exane - Analyst*

Thank you for the clarification.

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**Operator**

Marianne Bulot, Bank of America.

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**Marianne Bulot** - *BofA Global Research - Analyst*

Thank you very much, and thank you for taking a follow up. I just wanted to come back quickly on your comment of the overall softness in the market for new instruments.

If you look at the BIOFIRE placements, do you think that was the reason for the lower placement versus history? Or would you say that was maybe more because you had some customers that didn't renew the contracts? Like if you had to pick a bigger driver between the two, if there is one that would be useful. Thank you.

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

No. Thank you for your question. It's -- our analysis of Q3 is definitely the former. It's more a market that has been a little bit slower in Q3. We don't see any reluctance from customers renewing contracts or, as I said earlier, enhanced competitive environment.

We are not seeing that. Obviously, to be followed in the context of multiple activities from the competition. But Q3 numbers actually reflect, from a commercial performance perspective, a very competitive position for BIOFIRE, both in the US and outside of the US.

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**Marianne Bulot** - *BofA Global Research - Analyst*

Okay. Thank you very much.

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**Operator**

And it appears there are no further questions over the phone.

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**Aymeric Fichet** - *Biomerieux SA - Head of Investor Relations*

Okay, Melissa. Some very short one, one coming from Christophe-Raphaël. Would it be possible to think about expanding geographically your deal with McKesson in LatAm, for example?

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

So the short answer is no. McKesson is a very strong player in the US. Outside of the US, we actually believe we have what it takes to commercialize SPOTFIRE. We don't need a distributor.

Of course, it could be a case by case basis. But the plans, as we speak, are to only use McKesson in the US, which, by the way, as we said, we are very happy with the collaboration and moving in the very right direction into. We are good?

**Aymeric Fichet** - *Biomerieux SA - Head of Investor Relations*

Okay. So thanks a lot, everyone. And our next call will be on the March 7 next year for the full year 2024 results. Thanks a lot. Have a nice afternoon and good day for our US colleagues and the US investors .

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

Thank you very much, Bye-bye.

**Operator**

This concludes today's call. Thank you for your participation. You may now disconnect.

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