

# Business Review for 2013

Paris - March 19, 2014



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## ▶ Introduction

2013 Sales

2013 Financial Results

Molecular Biology Strategy and BioFire Integration

Objectives and Conclusion



# 2013 major achievements

## ▶ bioMérieux delivers:

	2013 objectives	FY 2013 achievements	
Organic sales growth	3 - 5%	4.6%	✓
Operating income before non-recurring items	€255 - 270m	€262m	✓

▶ Solid cash flow generation: €109m ✓

▶ Build a strong position in molecular diagnostics for infectious diseases: BioFire acquisition in the U.S. ✓

# 2013: an important, constructive year in bioMérieux's 2015 roadmap

## 2012 - 2015 ROADMAP

## 2013 MILESTONES

Drive growth for selected positions

**Growth in sales up 4.6% like-for-like at the top end of the target range**

- ▶ North America faster growth
- ▶ Emerging markets up 12% (like-for like)
- ▶ Industrial applications up 6.8% (like-for-like)
- ▶ Southern Europe stabilization

Continuous rollout of innovation

**VIDAS® 3 CE-marked and VITEK® MS FDA-cleared**

- ▶ 18 new products launched in 2013
- ▶ Virtuo™ expected launch by mid-2014
- ▶ Incubator with imaging technologies: installations in H2 2014

M&A and partnerships

**BioFire, a major acquisition in the U.S.**

- ▶ In infectious disease molecular diagnostics
- ▶ **FilmArray®: a unique PCR system**
- ▶ 2 other partnerships
  - Gilead Sciences Inc.
  - Veolia Environnement

Cost control

**EBIT\*: €262m in line with the objective**

- ▶ Strict financial discipline
- ▶ Strong cash generation
- ▶ Sustained investment
- R&D: 11.7% of sales
- Capital expenditure: €127m

# Overview



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Molecular Biology Strategy and BioFire Integration

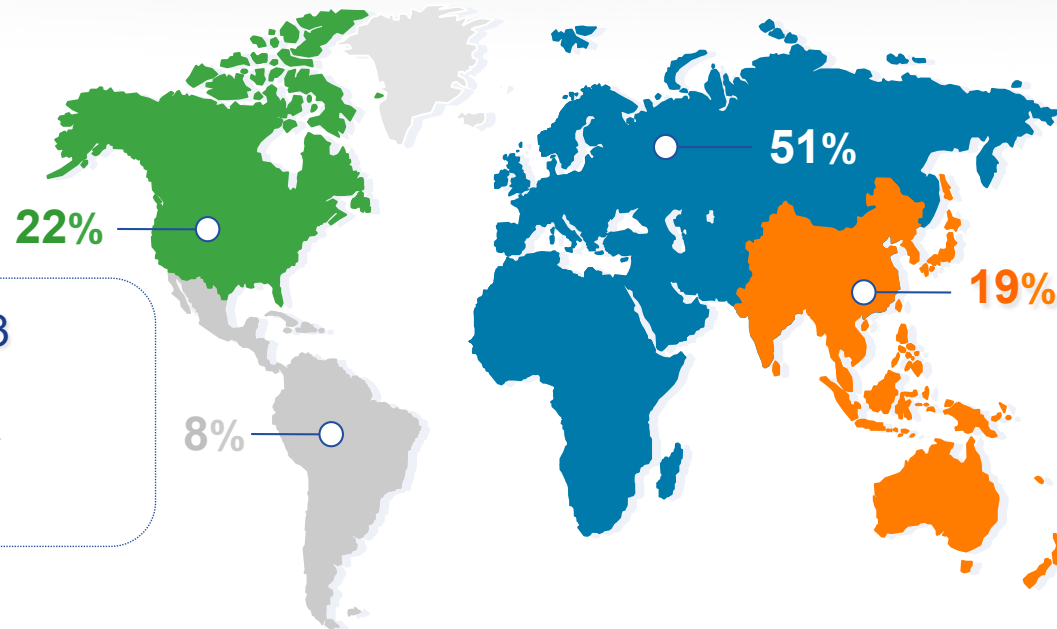
Objectives and Conclusion

# Solid organic growth in sales, at the top end of the target range

North America: + 4.8%

Europe, Middle East & Africa: + 0.9%

Europe: - 1%  
Metera\*: + 11%



Sales at Dec. 31, 2013  
€1,588m  
+ 4.6%, organic growth\*\*  
+ 1.2%, in euros

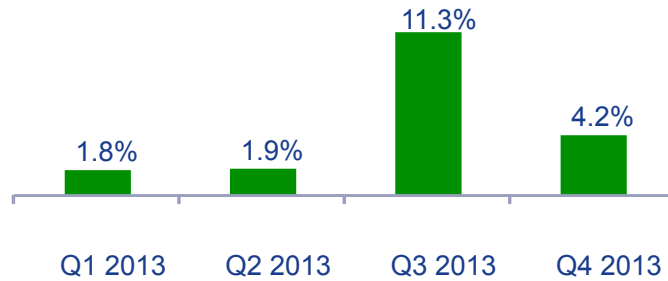
Latin America: + 6.2%

Asia-Pacific: + 11.6%

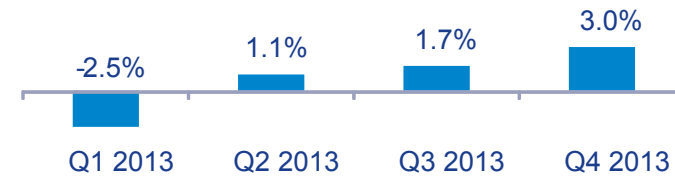
A well-balanced geographic footprint

# Faster organic growth in North America

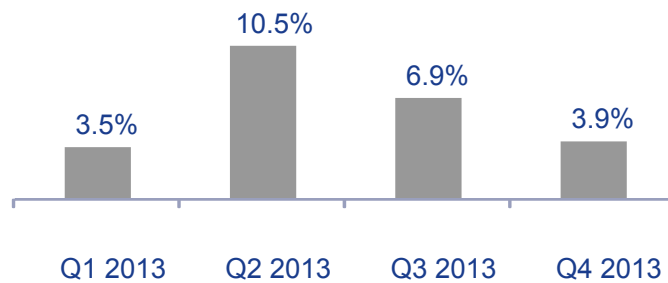
## Very attractive dynamics in emerging markets



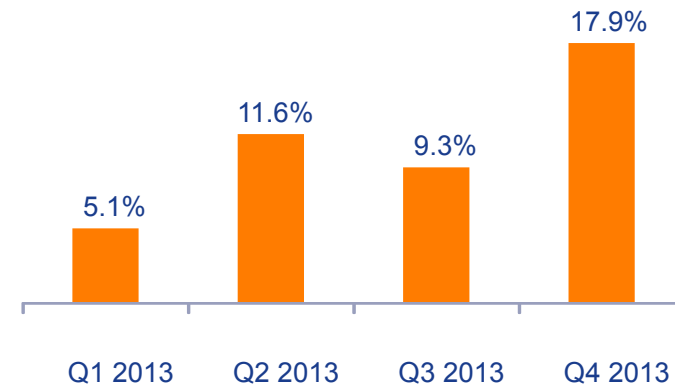
North America: + 4.8%



Europe, Middle East & Africa: + 0.9%



Latin America: + 6.2%



Asia-Pacific: + 11.6%



# A robust portfolio of technologies with leadership positions

- ▶ Fast growth in industrial applications and molecular biology:
  - ▼ 2 areas recently reinforced with respectively AES and ARGENE acquisitions
  - ▼ Thus driven by commercial synergies

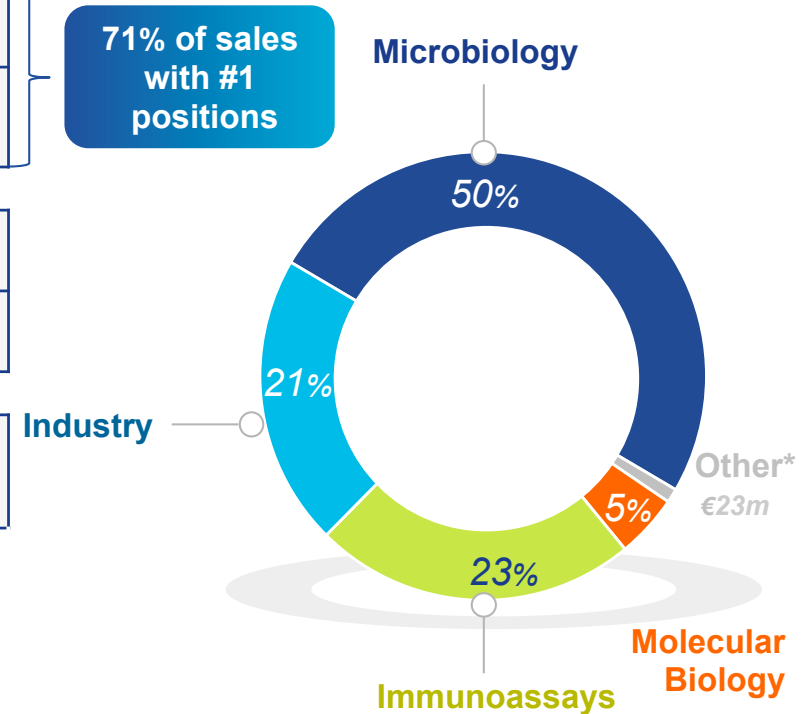
Sales per Technology	2013 (€m)	% Change	Highlights
Clinical Microbiology	793	+ 2.9%	Reagents: + 4.5%
Industrial Applications	330	+ 6.8%	Emerging countries: + 22%

Immunoassays	364	+ 3.5%	VIDAS®: + 5.8%
Molecular Biology	78	+ 9.0%	ARGENE®: + 31%

<b>PER TECHNOLOGY</b>	<b>1,581</b>	<b>+ 4.1%</b>	
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R&D-Related Revenue	7	
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<b>TOTAL</b>	<b>1,588</b>	<b>+ 4.6%</b>
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# AES and ARGENE, 2 successful integrations delivering strong synergies

## ▶ Product offering fully integrated

### ▼ Industrial applications: a complete offering



### ▼ Molecular biology: high medical value solutions



## ▶ Successful pooling of commercial sales forces

## ▶ Optimization of our manufacturing operations with 2 additional, high-quality sites



Combourg (France)



Verniolle (France)

## ▶ Drive positive synergies

## ▶ Create strong momentum

- ▼ Industrial applications  
+ 9% in North America (2013)
- ▼ ARGENE® range  
+ 28% in EMEA\* (2013)

# #1 world positions in clinical and industrial microbiology

## ▶ Clinical microbiology (2013)

- ▶ Estimated market size: €1.9b
- ▶ Est. market annual growth rate: 3 - 4%
- ▶ Est.  market share: ~ 42%

PIONEERING DIAGNOSTICS

*bioMérieux estimates based on internal analysis and on a report from a major U.S. independent diagnostics consulting firm*

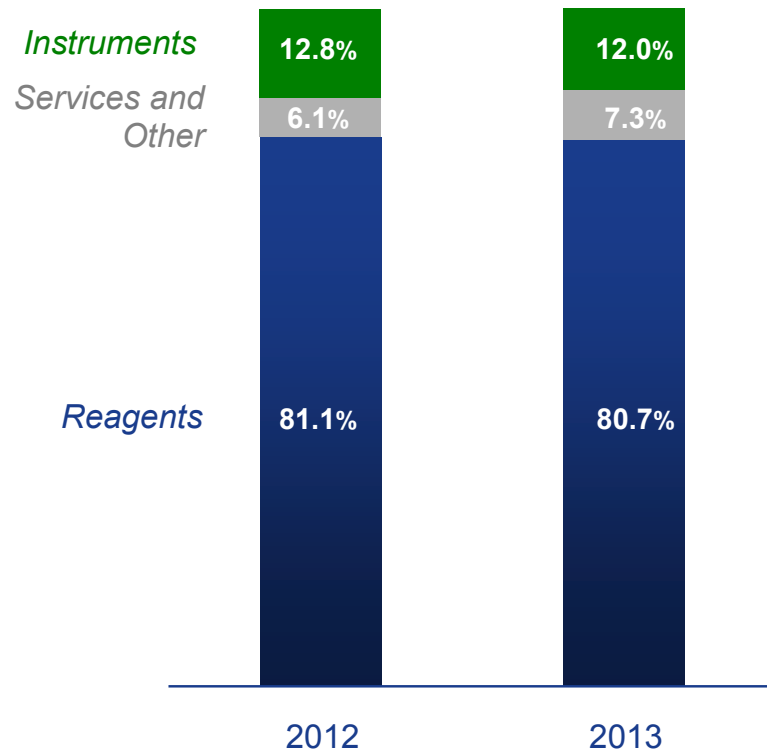
## ▶ Industrial microbiology (2013)

- ▶ Estimated market size: €1.6b
- ▶ Est. market annual growth rate: 4 - 6%
- ▶ Est.  market share: ~ 21%

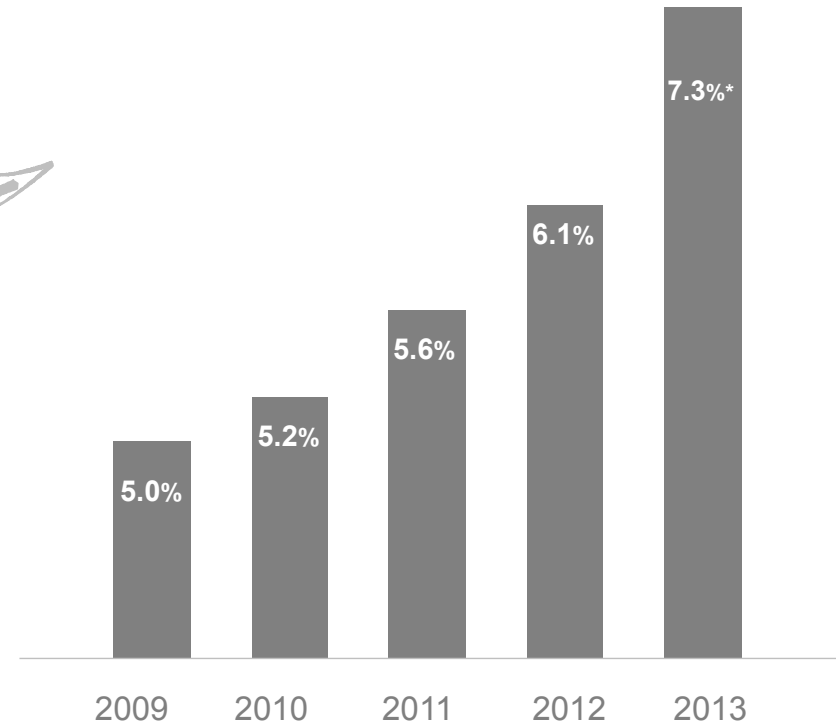
PIONEERING DIAGNOSTICS

*bioMérieux estimates based on internal analysis and competitor reports*

# Reagents and services drive sales growth, demonstrating the effectiveness of our business model



*Rapid development of our service offer*



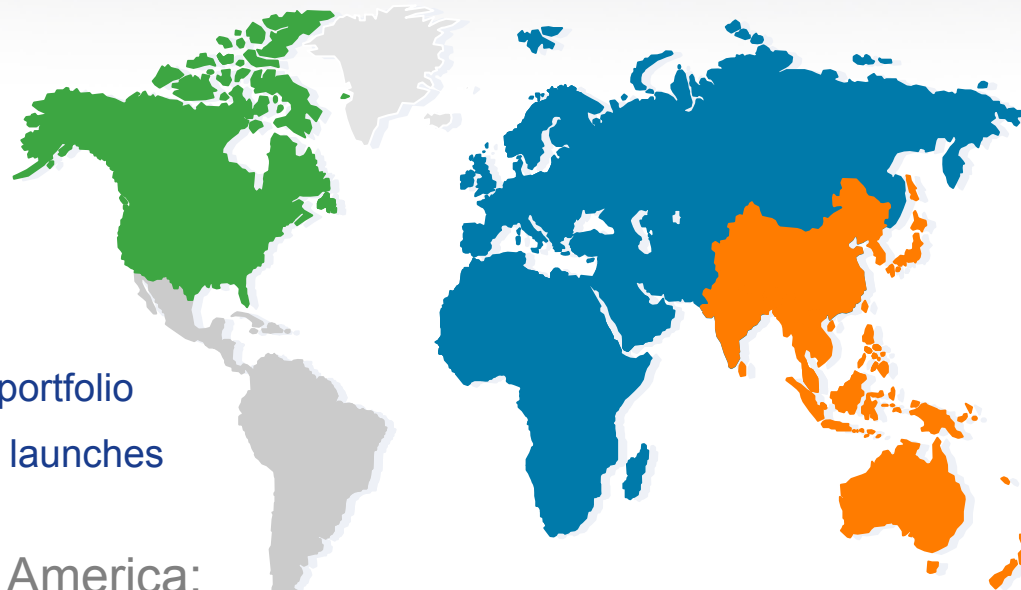
Reagents and services: **88%** of sales  
 Mainly driven by our global installed base  
 of ~ **74,000 instruments**

# Our sales growth drivers are in place and effective

## Our vision from 2014 onwards per region

**North America:**  
Mid single digit growth

**Europe, Middle East & Africa:**  
Resist in a still highly contrasted environment  
Europe: low single digit growth



► Based on:

- ▼ Our worldwide reach
- ▼ Our diversified product portfolio
- ▼ Our ongoing / imminent launches

**Latin America:**  
Continue to expand

**Asia-Pacific:**  
Remain the primary contributor to consolidated sales growth

# Our sales growth drivers are in place and effective

Our vision from 2014 onwards **per technology**

## Clinical microbiology

Launch Virtuo™ and the incubator integrating imaging technologies  
Fix production difficulties at Durham

## VIDAS® line

Accelerate the launch of VIDAS® 3  
Extend geographic coverage  
Focus on recently launched assays



## Industrial applications

High single digit growth

## Molecular biology

Incl. FilmArray®  
Low double digit growth

# Overview



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▶ **2013 Financial Results**

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## Consolidated data (in € millions) At December 31, 2013

<i>In €m</i>	2013	<i>As a % of sales</i>	2012	<i>As a % of sales</i>	<i>% Change 2013 / 2012</i>
Net sales	1,588	100%	1,570	100%	+ 1.2% <sup>(1)</sup>
Gross profit	825	51.9%	814	51.9%	+ 1.3%
Operating income before non-recurring items <sup>(2)</sup>	262	16.5%	260	16.6%	+ 0.8%
Operating income	257	16.2%	235 <sup>(3)</sup>	15.0%	+ 9.6%
Net income	165	10.4%	134 <sup>(3)</sup>	8.5%	+ 22.7%
<i>Earnings per share (€)</i>	€4.16		€3.41 <sup>(3)</sup>		
Free cash flow (€m)	109		134 <sup>(4)</sup>		

(1) Organic growth: + 4.6%

(2) Profit on ordinary activities (before tax, net financial expense and non-recurring items)

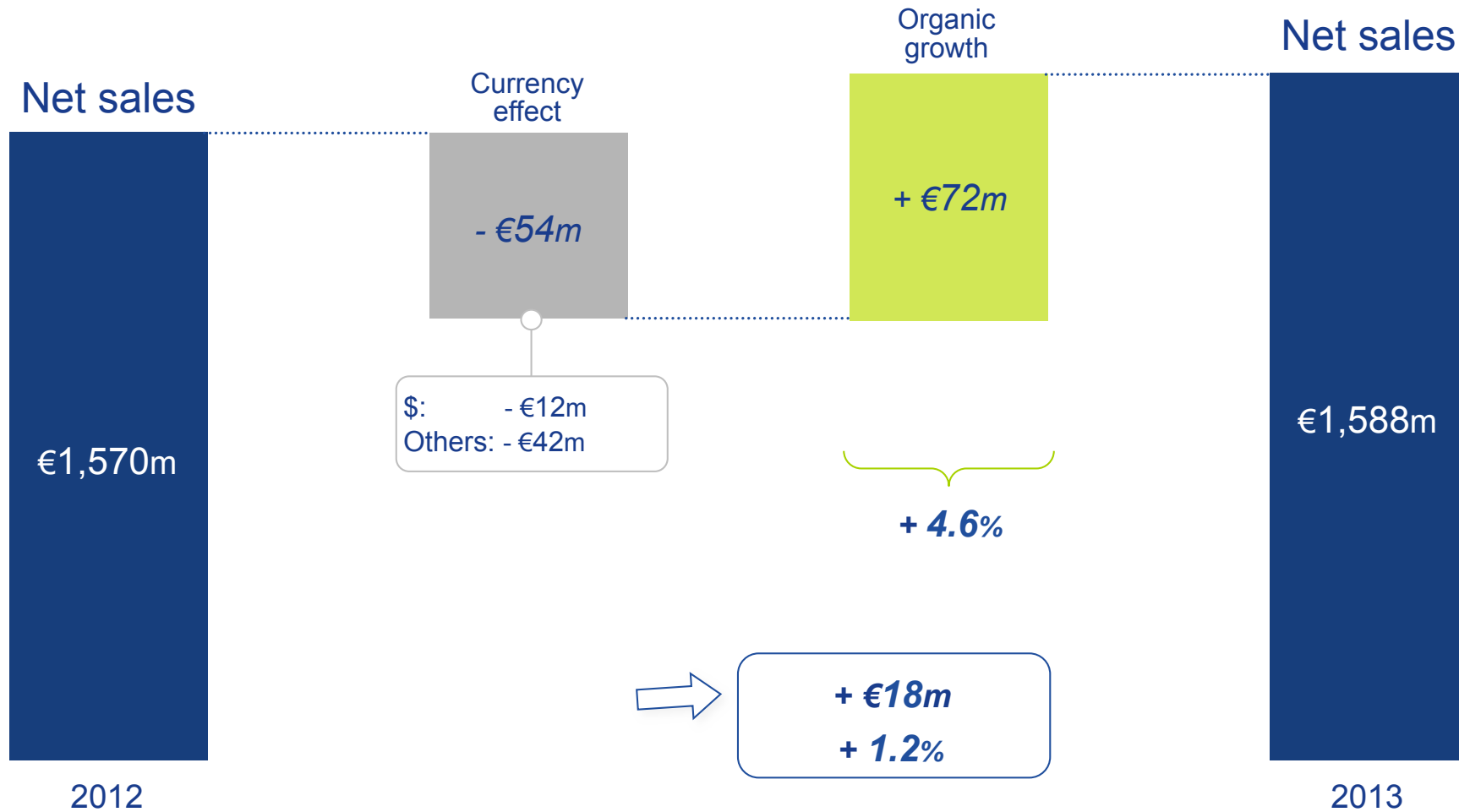
(3) Of which bioTheranostics impairment loss (€21m)

(4) Incl. €35m in payments collected on past-due public-sector receivables in Spain and Portugal in 2012



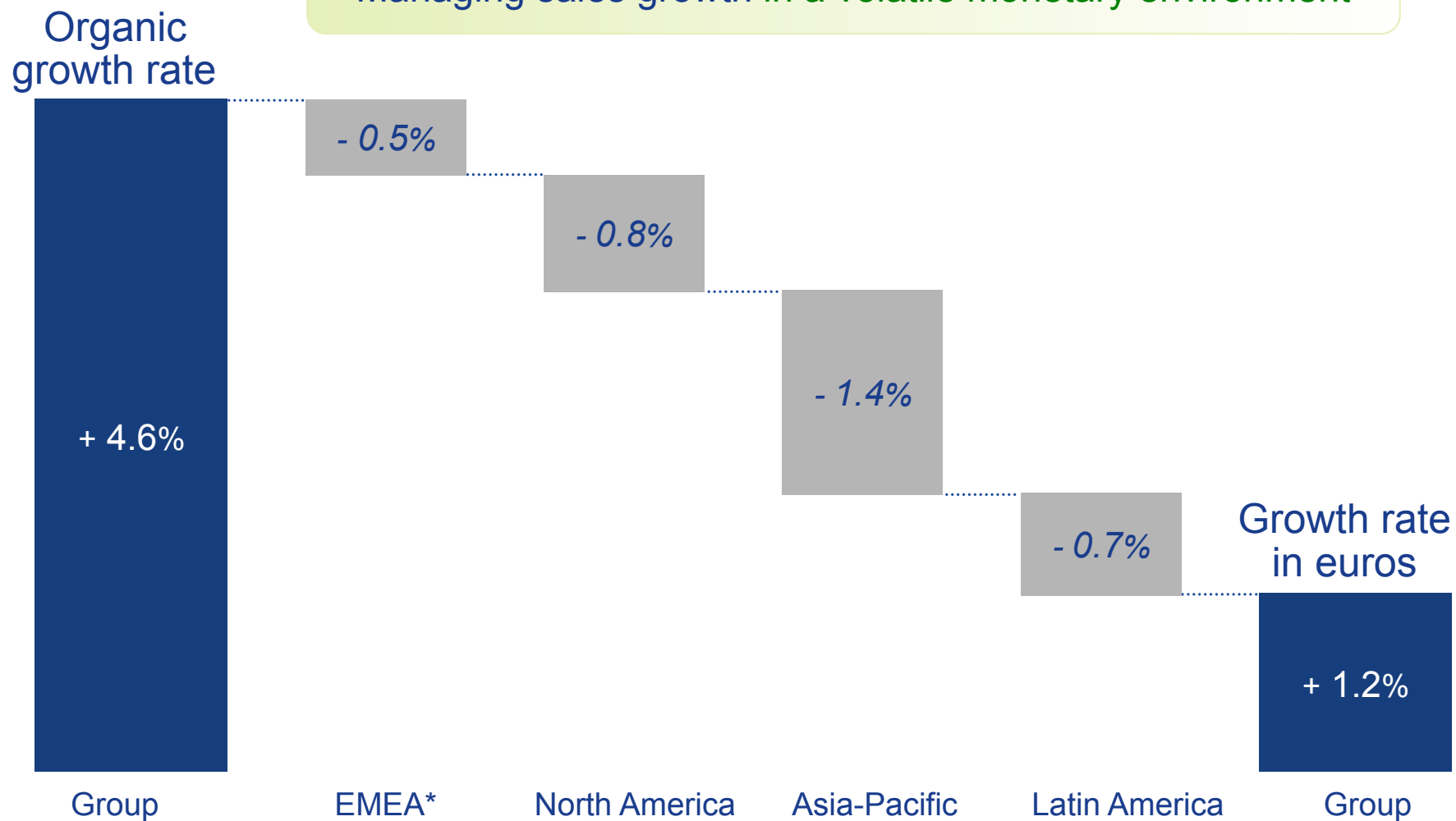
# Net sales

## Robust organic sales growth

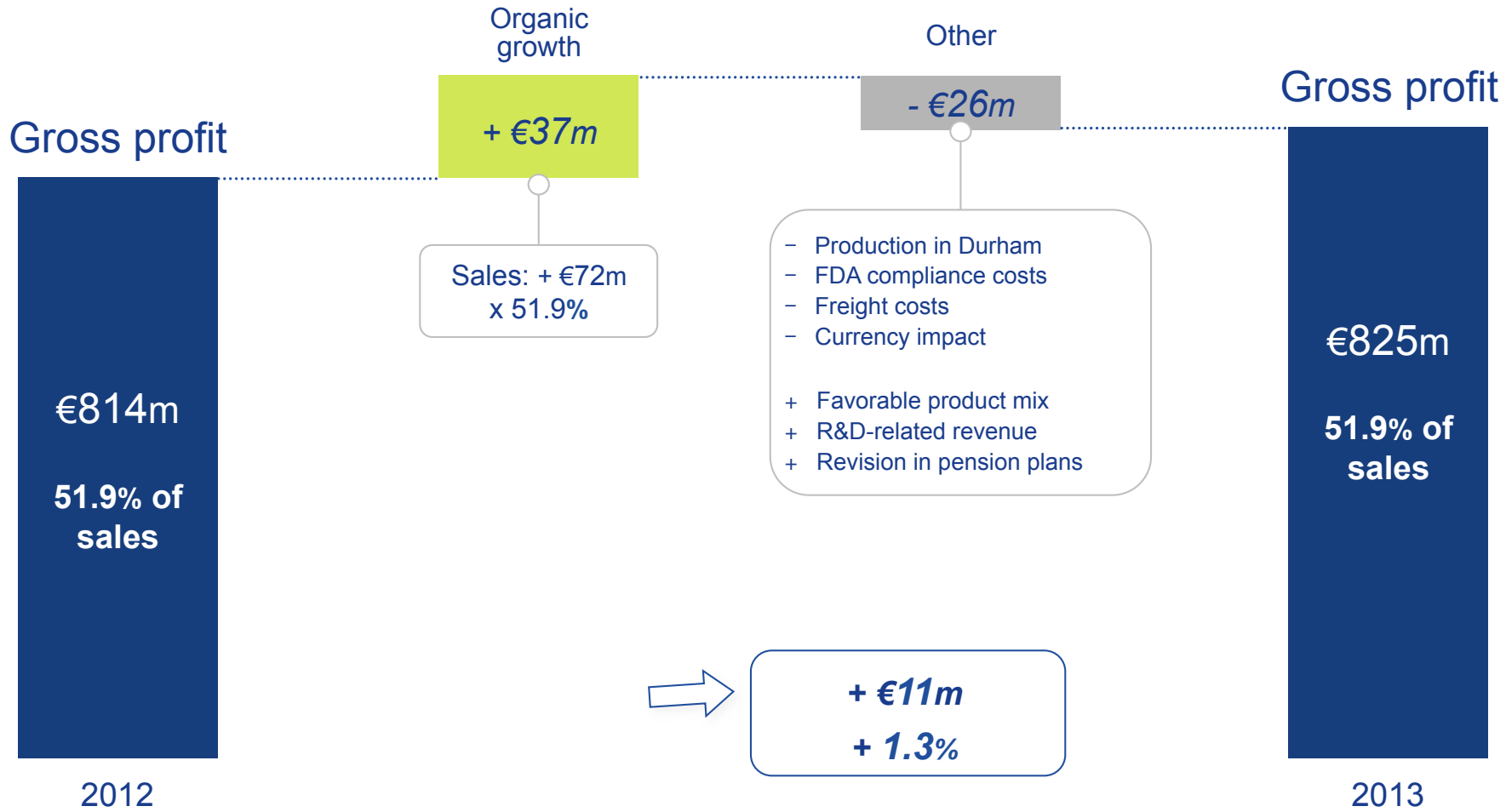


# 2013 strong currency effect but Group's fundamentals are intact

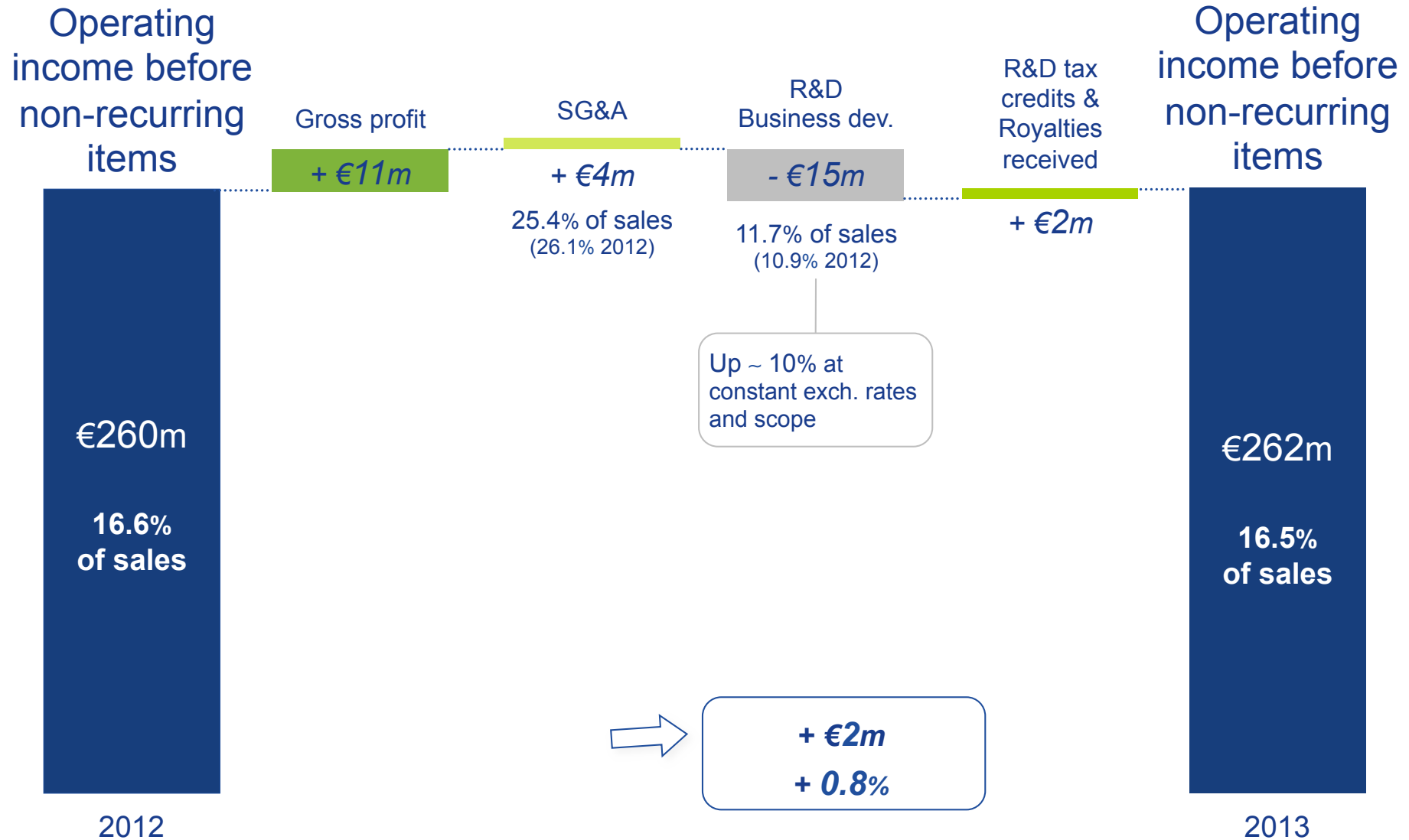
Managing sales growth in a volatile monetary environment



# Gross profit At December 31, 2013



# Operating income before non-recurring items At December 31, 2013



## Net result (in € millions) At December 31, 2013

<i>In €m</i>	2013	<i>As a % of sales</i>	2012	<i>As a % of sales</i>	<i>% Change 2013 / 2012</i>
Operating income before non-recurring items	262	16.5%	260	16.6%	+ 0.8%
Non-recurring items*	- 5	- 0.3%	- 25	- 1.6%	
<b>Operating income</b>	<b>257</b>	<b>16.2%</b>	<b>235</b>	<b>15.0%</b>	<b>+ 9.6%</b>
Net financial expense	- 14	- 0.8%	- 11	- 0.7%	
Income tax ( <i>effective tax rate</i> )	- 78	32.2%	- 90	40.0%	
<b>Net income</b>	<b>165</b>	<b>10.4%</b>	<b>134</b>	<b>8.5%</b>	<b>+ 22.7%</b>

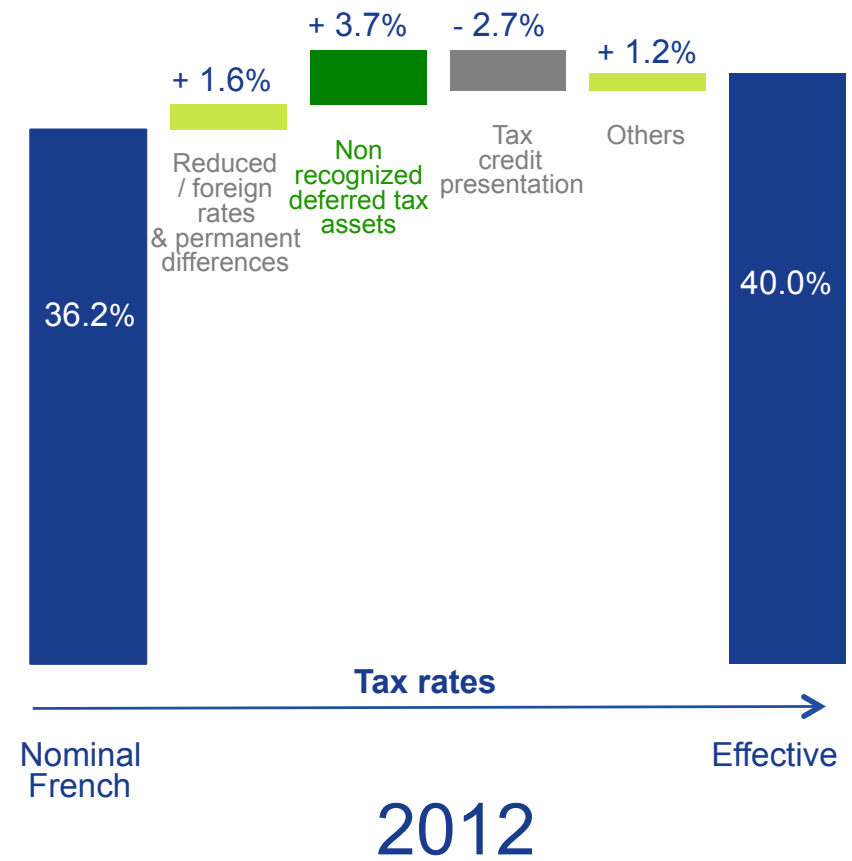
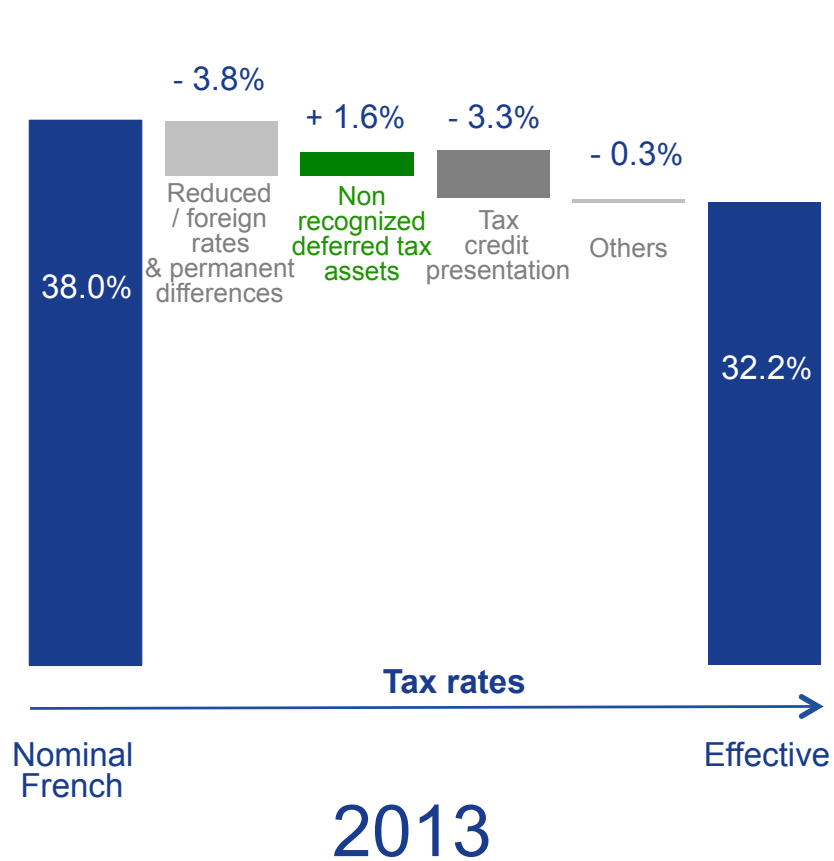
**Recommendation: increased dividend €1.00 / share (€39.5m)**

\* Including

In 2013: write-down of Biocartis technology rights (€6m), BioFire transaction costs (€1.9m), reversal of a prov. for depreciation of Greek A/R (€5.5m)

In 2012: €21m impairment loss recognized on bioTheranostics

# Effective tax rate At December 31



# Cash flow statement (in € millions)

## At December 31, 2013

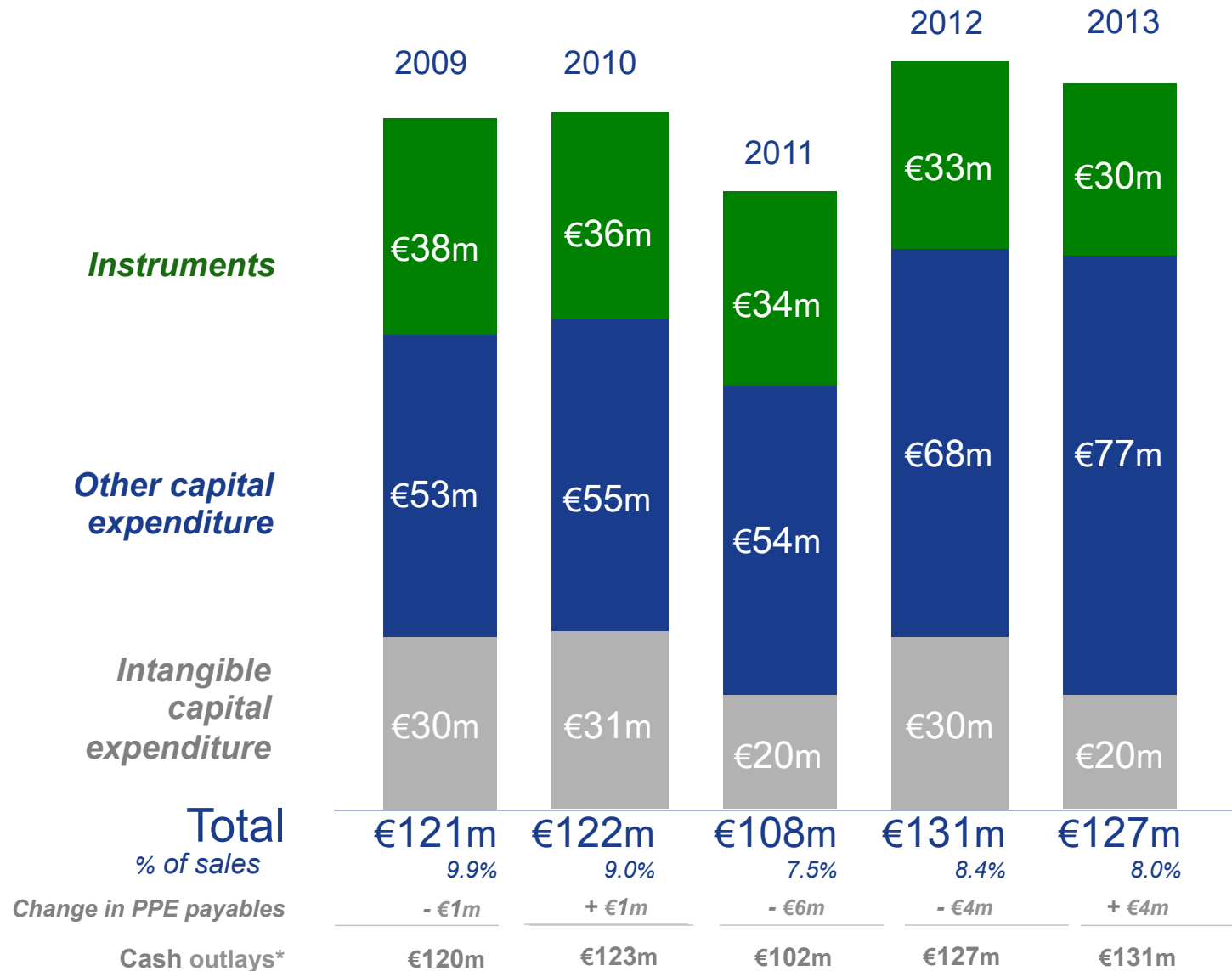
<i>In €m</i>	2013	2012
Operating income before non-recurring items	262	260
Depreciation and amortization	91	95
<b>EBITDA <sup>(1)</sup></b>	<b>353</b>	<b>355</b>
Operating working capital requirement	- 40	- 26
Other cash flow from operation (mainly income tax paid)	- 72	- 70
<b>Cash flow from operation</b>	<b>241</b>	<b>259</b>
Capital expenditure	- 131	- 127
Other flows in investment activities	+ 3	+ 8
<b>Net cash flow used in investment activities</b>	<b>- 128</b>	<b>- 119</b>
Others	- 4	- 6
<b>Free cash flow <sup>(2)</sup></b>	<b>109</b>	<b>134</b>
Acquisition of shares	- 1	- 12
Dividends	- 39	- 39
<b>Net cash flow</b>	<b>69</b>	<b>83</b>
<b>Opening net cash (debt) position</b>	<b>- 48</b>	<b>- 131</b>
Net cash flow	+ 69	+ 83
Effects of exchange rate changes	+ 4	
<b>Closing net cash (debt) position</b>	<b>+ 25</b>	<b>- 48</b>

In 2012: incl. €35m in payments collected on past-due public-sector receivables in Spain and Portugal

Acquisition cost (net of acquired cash at date of acquisition) and equity stakes: in 2012 RAS and Quanterix

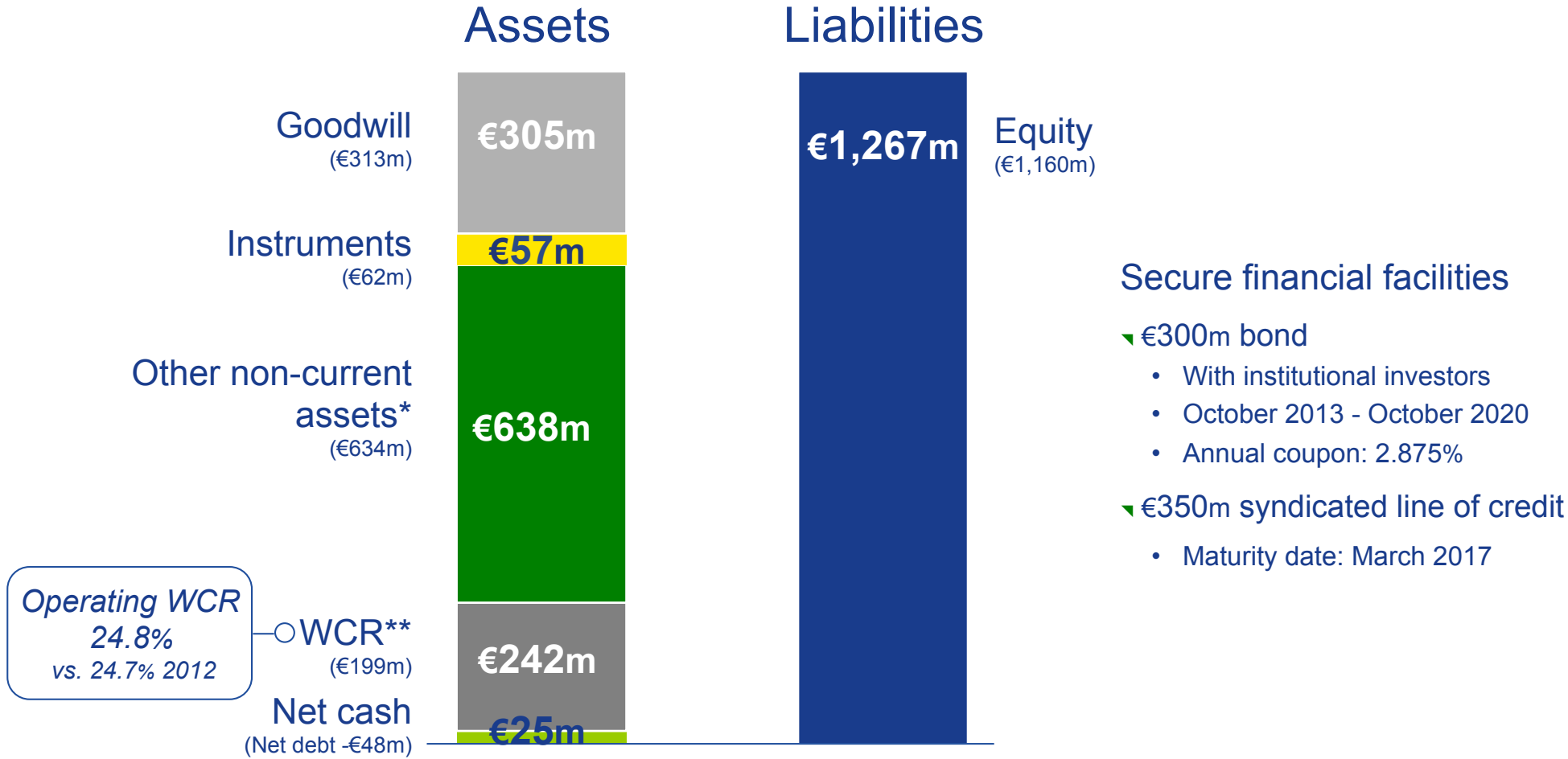
(1) Operating income before non-recurring items, depreciation and amortization  
(2) Before financial investments and dividends

# Capital expenditure At December 31, 2013





# Summarized balance sheet At December 31, 2013



Opening figures are presented in brackets and after IAS 19 restatement

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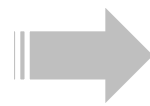
▶ **Molecular Biology Strategy and BioFire Integration**

Objectives and Conclusion



# Our high medical value strategy in molecular biology

- ▶ From manual products to automation  
From culture to molecular biology



Infectious disease diagnostics  
remain our main priority

⇒ Molecular biology: a growing area for bioMérieux

- ▼ Leverage and maximize our 2 complementary solutions
- ▼ For hospital labs: FilmArray®
  - Differentiated, comprehensive “syndromic” panels
  - Fast, near-to-patient diagnosis of critical infections
- ▼ For central labs: easyMAG® + Life Technologies thermocyclers + ARGENE®
  - Flexible
  - High throughput

- ▶ Personalized medicine

⇒ Molecular biology will help sustain our development

# bioMérieux: molecular infectious disease testing for large and small labs



Highly centralized settings



- easyMAG® /  
Life Technologies thermocyclers /  
ARGENE®
- ▶ Efficient modular workflow
  - ▶ Easily integrated into existing lab structures
  - ▶ Adapted to large and flexible batches



Specialist / decentralized settings



- FilmArray®
- ▶ Easy-to-use
  - ▶ Results in 1 hour
  - ▶ Accurate and comprehensive

# FilmArray® is adapted to strong market need for just-in-time and syndromic molecular testing



A **revolutionary** molecular biology system for **hospital labs**

- ▶ **Accurate, high multiplexed testing**  
**Syndromic approach:** determine the cause of respiratory infections, sepsis and other infections, whatever the agent and in one hour
- ▶ **Unmatched user-friendliness:** two minutes of hands-on-time
- ▶ **Lower cost, better treatment**
  - ▼ Allowing the right patient treatment faster
  - ▼ Shorter hospital and emergency department stays
  - ▼ Labor savings



**FilmArray®**

*The fastest way to better results.*

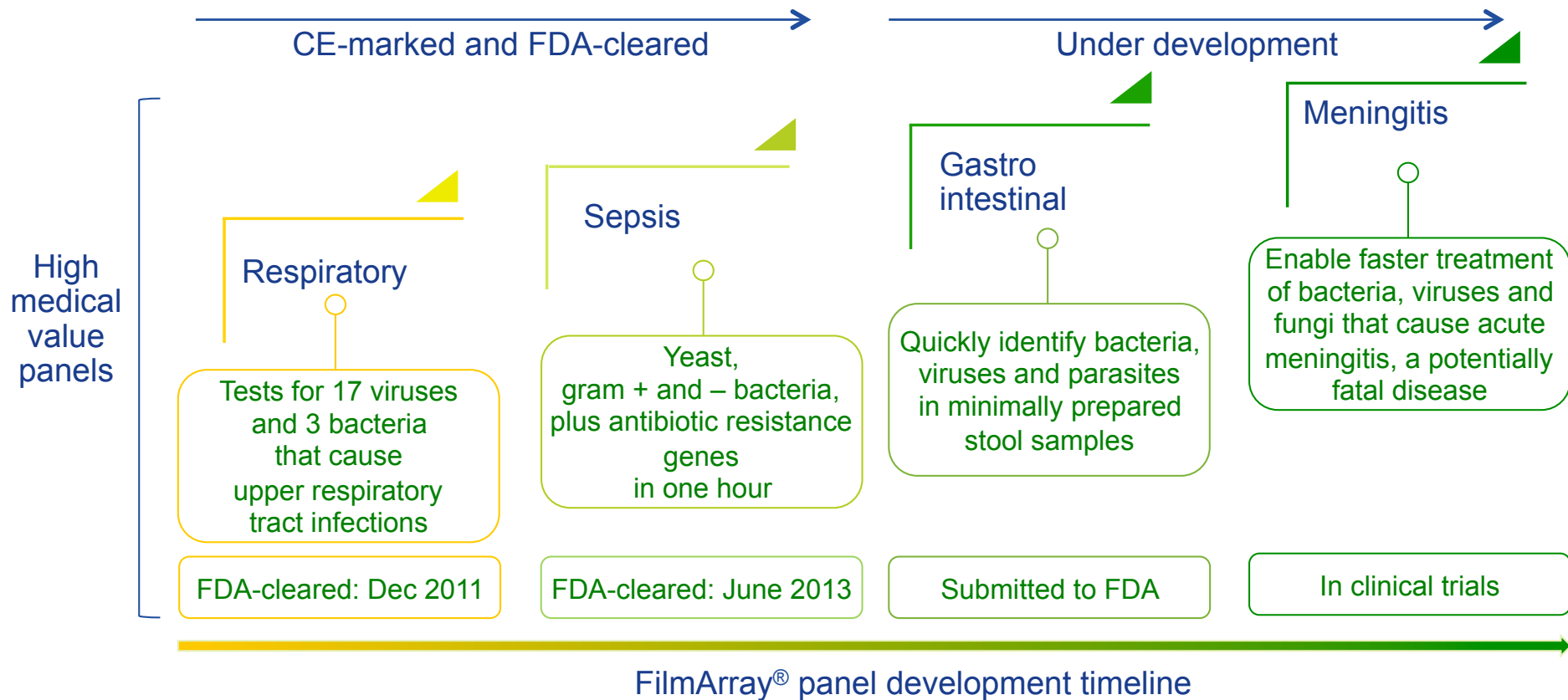
- ▼ 2013 sales: \$42m
- ▼ Current installed base:  
~ 600 instruments

Targeted U.S. market:  
~ 4,800 U.S. hospitals  
that do not perform molecular tests internally

# Make FilmArray® the standard for fast and easy syndromic approach to infectious diseases

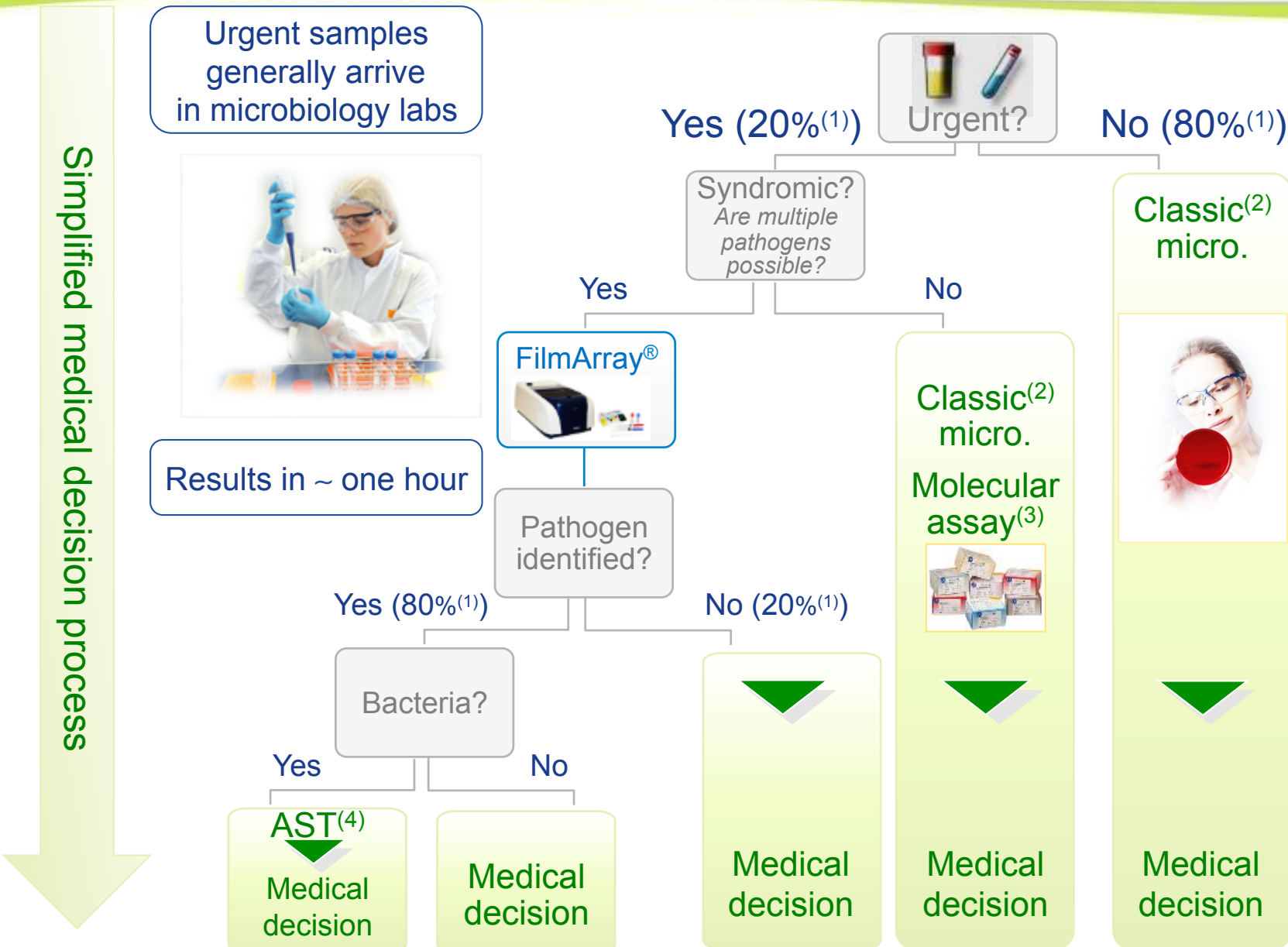
- ▶ Providing physicians with a quick answer to their number one question:

“What is making my patient sick?”



Be able to detect 70+ pathogens by 2016

# bioMérieux: the only provider able to answer all microbiology lab needs



(1) Based on internal analysis (2) Culture, phenotypic methods and mass spectrometry (3) Of which easyMAG® / Life Technologies thermocyclers / ARGENE® (4) Antibiotic Susceptibility Testing

# FilmArray<sup>®</sup> will ideally complement our microbiology offer

- ▶ **Classic microbiology** will remain at the heart of microbiology testing
  - ▼ **Low cost:** up to ~ 10 x less than molecular testing<sup>(1)</sup>
  - ▼ **AST<sup>(2)</sup>:** definitive guidance for antibiotic prescription
  - ⇒ **The pillar of our FMLA<sup>®</sup> offer,** which will increase efficiency and throughput of classic microbiology
- ▶ **Molecular biology: fast and comprehensive**
  - ▼ **Critical situations:** where a fast answer matters
  - ▼ **Comprehensive:** for “syndromes” where the cause can be bacterial, viral, fungal or parasitic
  - ▼ **Favorable reimbursement** for highly multiplexed tests
- ▶ **Our molecular biology will be based on 2 different approaches**
  - ▼ **Specialist / decentralized** hospital labs: FilmArray<sup>®</sup> for urgent and syndromic cases
  - ▼ **Centralized settings:** easyMAG<sup>®</sup> / Life Technologies thermocyclers / ARGENE<sup>®</sup> for flexible, high throughput, “à la carte” testing

**Antibiotic Susceptibility Testing (AST)**  
based on an efficient isolation  
of a bacteria colony in a *Petri* dish

(1) Based on internal analysis (2) Antibiotic Susceptibility Testing



# BioFire integration

## Make FilmArray® a success all over the world

- ▶ Our **action plan for 2014**: 3 privileged dimensions focusing on positive synergies
  - ▼ Marketing
    - Integrate **U.S. commercial sales forces**
    - Take advantage of bioMérieux's **direct sales force in Europe**
  - ▼ Manufacturing
    - Start **manufacturing initiatives** to automate reagent production
  - ▼ Innovation
    - Salt Lake City: to become bioMérieux's **hub for molecular biology innovation**
    - Optimize the launch of the 2 **new panels** under development
- ▶ **2 major milestones already achieved in February 2014**
  - ▼ **FilmArray® Gastrointestinal (GI) Panel** submitted to FDA
  - ▼ **BioFire Defense, LLC**:  
NGDS\* Technology Development Contract awarded by the U.S. Department of Defense

\* NGDS: Next Generation Diagnostic System

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# 2014 organic sales growth objective

## 2014 ORGANIC SALES GROWTH OBJECTIVE

Organic sales  
growth objective:

3 - 5%

At constant exchange rates  
& scope of consolidation

**Reported** sales growth  
in euros will also include:

**Forex** (USD, BRL, INR, ARS,TRL)  
negative impact  
~ €50m

**BioFire net sales**  
positive impact  
~ €60m

# 2014 objective for contributive operating income before non-recurring items (contributive EBIT)

## 2014 OBJECTIVE FOR CONTRIBUTIVE OPERATING INCOME BEFORE NON-RECURRING ITEMS\* (CONTRIBUTIVE EBIT)

Contributive EBIT objective:  
between **€220 - 245m**,  
at current exchange rates

Including:

- Negative currency effect:  
~ > €25m, based on currently observed exchange rates
- BioFire's recurring operations
- Improvement in quality and production at Durham (~ \$30m)
- New platform launch and continued geographic expansion

# bioMérieux operational initiatives to take full advantage from market growth\*

- ▶ Major operational initiatives, currently underway
  - ▼ Clinical microbiology: launch of game-changing systems
  - ▼ Services: new engine for growth
  - ▼ Durham site: investment to return to a more stable situation for production and quality system
  - ▼ Operational efficiency program:
    - Installed base: increased attention on consumption
    - Spare parts: organization and inventory optimization
    - Product references: dynamic rationalization
  - ▼ “Global ERP”: finalization of worldwide deployment
  - ▼ Strict SG&A cost management

\* In the absence of any new, exceptional event

# bioMérieux long-term structural drivers to take full advantage from market growth\*

- ▶ **Resilient profile**, reaffirmed in 2013
  - ▼ Robust organic sales growth with a well-balanced geographic reach
  - ▼ Financial solidity and sustained investments in manufacturing and innovation
- ▶ **Clear strategy with 4 sustainably-strengthened pillars**
  - ▼ Clinical microbiology leadership
  - ▼ Industrial application #1 position
  - ▼ Immunoassay long-term assets
  - ▼ Molecular biology reinforced position

*“Backed by our sound, long-term strategy and our operational initiatives, we will be capable of taking advantage of our markets' profitable growth and thus satisfy all stakeholders”*

\* In the absence of any new, exceptional event

# Appendices



## ▶ Financial metrics

# Main financial metrics At December 31

	2013 <i>Before BioFire acquisition</i>	2012
EBIT <sup>(1)</sup> (€m)	262	260
EBIT / Sales (%)	16.5%	16.6%
EBITDA <sup>(2)</sup> (€m)	353	355
EBITDA / Sales (%)	22.2%	22.6%
Free cash flow <sup>(3)</sup> (€m)	109	134
Cash conversion <sup>(4)</sup>	30.9%	37.7%
Gearing <sup>(5)</sup> (%)	- 2%	4%
Leverage <sup>(6)</sup> (%)	- 0.1	0.1

(1) Operating income before non-recurring items

(2) Operating income before non-recurring items, depreciation and amortization

(3) Free cash flow before financial investments and dividends

Including €35m one-off payment received from Spanish and Portuguese authorities in 2012

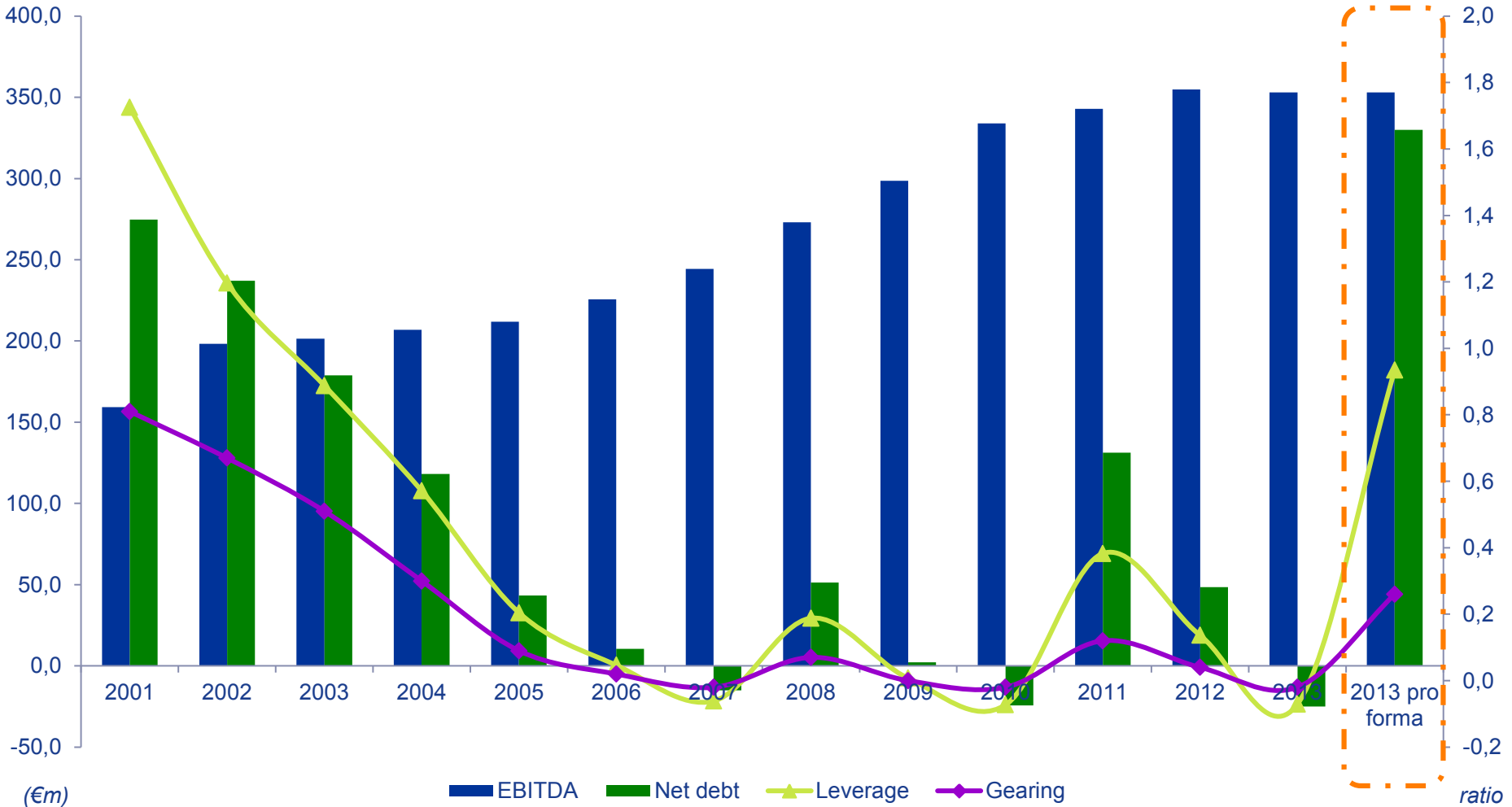
(4) Free Cash-Flow / EBITDA

(5) Net debt (cash) / Equity

(6) Net debt (cash) / EBITDA



# Sound financial situation and historical, rapid deleveraging



↑  
Acquisition  
Organon Teknika  
Diagnostics

↑  
Acquisition  
AES and  
ARGENE