

DIASORIN

Sector: Consumers

OUTPERFORM

Price: Eu90.24 - Target: Eu117.00

Mixed Results, FY Outlook Confirmed, Focus Moves to Next BP

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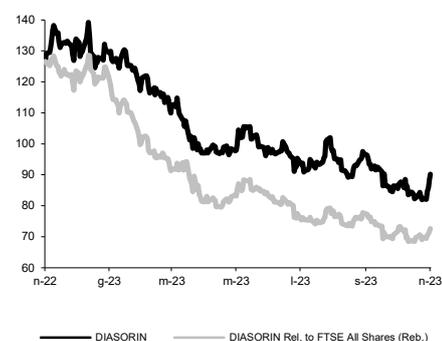
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 123.00 to 117.00		
	2023E	2024E	2025E
Chg in Adj EPS	0.3%	-5.8%	-5.5%

Next Event

2024-27 Investor Plan out 15 December'23

DIASORIN - 12M Performance



Stock Data

Reuters code:	DIAS.MI		
Bloomberg code:	DIA IM		
Performance	1M	3M	12M
Absolute	5.5%	-7.7%	-28.7%
Relative	1.3%	-7.2%	-52.9%
12M (H/L)	139.20/82.00		
3M Average Volume (th):	143.82		

Shareholder Data

No. of Ord shares (mn):	56
Total no. of shares (mn):	56
Mkt Cap Ord (Eu mn):	5,044
Total Mkt Cap (Eu mn):	5,044
Mkt Float - Ord (Eu mn):	2,133
Mkt Float (in %):	42.3%
Main Shareholder:	
FINDE SS (G. Denegri)	45.0%

Balance Sheet Data

Book Value (Eu mn):	1,589
BVPS (Eu):	19.39
P/BV:	4.7
Net Financial Position (Eu mn):	-753
Enterprise Value (Eu mn):	5,802

■ **3Q23 results.** Overall, 3Q results were a mixed bag: revenues and adj. EBITDA a bit softer (-1%/3% vs. our exp.) while adj. net profit was stronger. At constant ForEX and scope, 3Q sales fell double-digit (3Q: -11%, 2Q: -8%, 1Q: -20%), but were up single-digit excluding Covid (3Q: +2%, 2Q: +5%, 1Q: +3%). In particular, excluding Covid and ForEx, ImmunoDX trends were resilient (3Q: +6%, 2Q: +8%, 1Q: +8%), MolecularDX still under pressure (3Q: -7%, 2Q: -8%, 1Q: +9%) and LTG trends were volatile (3Q: -4%, 2Q: +10%, 1Q: -11%) but flattish overall in 9M. Covid sales were down 77% in both 3Q (€11mn, our exp. €6mn) and 9M (€46mn, 5% of sales, 9M22: 19.9%). The adj. EBITDA margin came in at c.33% at CER (-4.8pp YoY, our exp. 33.2%, consensus 33.9%) due entirely to lower Covid sales resulting in reduced operating leverage. Despite a decline in 3Q (-6pp YoY), the gross margin was broadly flat in 9M (at c.65% of sales), thanks to efforts to contain inflationary pressures and synergies with LMNX. Reported figures were dented by the announced disposal of ARIES business (c.€14mn one-off cost, of which €13mn non-cash) now integrated on the existing MDX platform. 9M FCF was stronger at €160mn (our exp. €157mn), while net debt was quite a bit higher (€832mn, our exp. €772mn, cons. €810mn).

■ **Feedback from conference call:** ImmunoDX trends are performing well in Europe and USA, with the rest of the world affected by some contingent issues (postponement to 4Q of shipping of instruments to IRAN) and China (pricing/volume pressure, no visibility on new government volume-based procurement policy to kick-in next year). Bullish tone on MeMed (currently on trial with >200 hospitals in US) and QuantiFERON (opportunity to expand Latent-TB market in China, technology migration from skin test to blood test). MolecularDX is performing in line with expectations, while the ARIES consolidation on the existing MDX platform should provide a run-rate EBITDA benefit of €5-10mn from next year. Finally, on LTG, trends are flattish so far (royalty-based business), the company expects de-stocking to be almost completed by 4Q and is not seeing the level of decline anticipated by some partners.

■ **Estimates update.** FY23 guidance confirmed both for revenues (-14% at CER, -11% at constant scope and CER) and adj. EBITDA margin (c.34%). The latter implies a strong margin rebound in 4Q: we now estimate 36.8% in 4Q (38.5% previously) reducing the FY23 margin to 33.8% (34.5% previously) without any major impact on adj. EPS. For FY24-27, assuming a 9%/12% CAGR, we are lowering our top line/adj. EBITDA by 2%/5%, leading to a 6% EPS cut. We now assume FY24 sales of €1.26bn (€1.62bn in FY27) and a 35.6% margin (37.5% in FY27).

■ **OUTPERFORM confirmed; new target €117 (from €123).** Overall, an unexciting set of results, as widely expected, but in line with the FY23 outlook. The real catalyst for the stock is the upcoming Virtual Capital Markets Day in mid-December, in which management should provide an update on medium-term guidance (2024-27) and give more visibility on various moving parts, especially delays in FDA approval of Liaison NES and PLEX, an area of recent disappointment on the stock. Upside risks could come from M&A (we see €0.5-0.7bn firepower) to strengthen the US positioning, especially in MolecularDX (particularly POC) and/or Life Science (xMAP platform). After the 33% sell-off year-to-date, the stock is currently trading at 24x/21x P/E '23/24 broadly in line with sector and well below its historical average. If the new BP can set a floor for consensus expectations, with no further downside risks, and if interest rates have indeed already peaked, the DIASORIN stock is poised for a significant re-rating as a lasting growth story, rather than just a defensive asset.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,238	1,361	1,163	1,261	1,374
EBITDA Adj (Eu mn)	543	514	393	448	504
Net Profit Adj (Eu mn)	357	319	211	243	284
EPS New Adj (Eu)	6.379	5.696	3.778	4.344	5.068
EPS Old Adj (Eu)	6.379	5.696	3.766	4.610	5.363
DPS (Eu)	1.050	1.100	1.150	1.200	1.250
EV/EBITDA Adj	19.1	15.9	14.8	12.5	10.7
EV/EBIT Adj	22.3	19.6	19.6	16.4	13.6
P/E Adj	14.1	15.8	23.9	20.8	17.8
Div. Yield	1.2%	1.2%	1.3%	1.3%	1.4%
Net Debt/EBITDA Adj	1.8	1.8	1.9	1.2	0.7