Intermonte

Milan, 10 May 2023

Italian Equity Research – 1Q23 Results

DIASORIN

OUTPERFORM

Sector: Consumers

Price: Eu102.20 - **Target: Eu123.00**

Guidance Confirmation Suggests Improving Path from Next Qs

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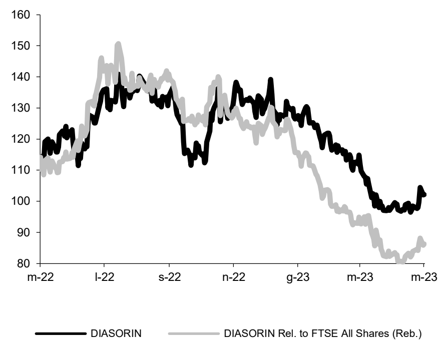
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 119.00 to 123.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event
2Q23 Results Out 27 July

DIASORIN - 12M Performance



Stock Data		
Reuters code:		DIAS.MI
Bloomberg code:		DIA IM

Performance	**1M**	**3M**	**12M**
Absolute	5.3%	-13.6%	-10.5%
Relative	4.8%	-12.8%	-29.0%
12M (H/L)			140.90/96.46
3M Average Volume (th):			158.36

Shareholder Data	
No. of Ord shares (mn):	56
Total no. of shares (mn):	56
Mkt Cap Ord (Eu mn):	5,713
Total Mkt Cap (Eu mn):	5,713
Mkt Float - Ord (Eu mn):	2,416
Mkt Float (in %):	42.3%
Main Shareholder:	
FINDE SS (G. Denegri)	45.0%

Balance Sheet Data	
Book Value (Eu mn):	1,628
BVPS (Eu):	19.39
P/BV:	5.3
Net Financial Position (Eu mn):	-713
Enterprise Value (Eu mn):	6,431

- **1Q23 results.** Headline figures were generally in line with our expectations (+1%/0% on top line /adj. EBITDA; net debt in line), showing a 21% decline in top-line at CER mainly due to COVID sales (-78% as expected) and Licensed Technologies (deconsolidation of flow cytometry business, expected delay in instrument sales and order pattern from strategic partners), while showing 6% progress in both ImmunoDX (good performance in Europe and the US offset by negative trend in China) and MolecularDX (positive trend for both respiratory and non-respiratory panels, 9% and 4% respectively). At constant perimeter, excluding Covid business and the effects of the respiratory season, revenues grew 3% at CER, suggesting an improving trajectory in the coming quarters (FY target +4%/+6%). The gross margin ratio grew 66% (+61pbs YoY) thanks to Luminex integration synergies and cost reduction initiatives, while the adj. EBITDA margin was 33.6% (-8pp YoY), mostly due to lower Covid revenues, resulting in lower operating leverage. Net debt €829mn, -€58mn vs YE22, due to proceeds from the sale of the Flow Cytometry business (€39mn) and softer FCF generation (€28mn), as well as higher NWC absorption due to some non-recurring events (such as the consolidation of US ERP systems and higher Italian VAT credits related to corporate restructuring in FY22), which are expected to unwind in the coming quarters.
- **FY23 guidance confirmed: no room for meaningful changes in current consensus.** Total revenues expected to fall by c. -14% at CER (our exp. -12.8%) and c.-11% at constant perimeter (our exp. -10%). Within the mix: ex-Covid revenues, net of molecular respiratory business +4%/+6%; Molecular respiratory business revenues -20%; COVID revenues: about €60mn (-75% YoY) vs our exp. €45mn. Adj. EBITDA margin c. 34% (in line with our exp).
- **Neutral feedback from the call.** Operations show growing trends in ImmunoDX and MolecularDX (good recovery in non-respiratory panels, while FY guidance still envisages a 20% drop in respiratory panel due to a tougher comp with a strong 4Q22 season and the expected loss of the cystic fibrosis contract from 2Q23). Management still confident on the strategic initiatives' timeline (Liaison Plex and NES) and more bullish on the chances to speed up adoption of MeMed test (strong efforts in US to make physicians aware through dedicated salesforce and digital campaign). Interesting update on Luminex cost synergies: run-rate above $40mn already achieved since the acquisition (targets: $55mn by YE23 and $60mn by YE25).
- **No change in estimates.** We only capture higher one-off items at reported P&L level.
- **OUTPERFORM confirmed, TP raised at €123 (from €119).** FY23 outlook represents a decent floor with limited room for further downside risks and implies an improving path from next Qs, while the stock remains a rare defensive name (exposure to US, low impact on cost inflation, secular growth trends) in an increasingly recessionary environment: this prompts us to stick to our OUTPERFORM rating, while we raise our TP to €123 (from €119) to reflect higher terminal growth (1.9% vs prior 1.7%). For the near future, we believe the equity story will still feature, on the one hand, the unpredictability of Covid trends, and on the other, progress on execution of the integration process with LMNX, and the launch of new initiatives that will enable and support growth in the years to come. Upside risks could come from M&A (we see €0.5-0.7bn firepower) to strengthen the US positioning, especially on MolecularDX (particularly on POC) and/or Life Science (xMAP platform).

Key Figures & Ratios	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Sales (Eu mn)	1,238	1,361	1,166	1,284	1,409
EBITDA Adj (Eu mn)	543	514	402	470	529
Net Profit Adj (Eu mn)	357	319	211	258	300
EPS New Adj (Eu)	6.379	5.696	3.766	4.610	5.363
EPS Old Adj (Eu)	6.379	5.696	3.766	4.610	5.363
DPS (Eu)	1.100	1.150	1.200	1.250	1.300
EV/EBITDA Adj	19.1	15.9	16.0	13.2	11.3
EV/EBIT Adj	22.3	19.6	21.7	17.3	14.4
P/E Adj	16.0	17.9	27.1	22.2	19.1
Div. Yield	1.1%	1.1%	1.2%	1.2%	1.3%
Net Debt/EBITDA Adj	1.8	1.8	1.8	1.1	0.5