

DIASORIN

Sector: Consumers

NEUTRAL

Price: Eu105.55 - Target: Eu120.00

Estimate Revision on Further Covid De-Risking and Disposals

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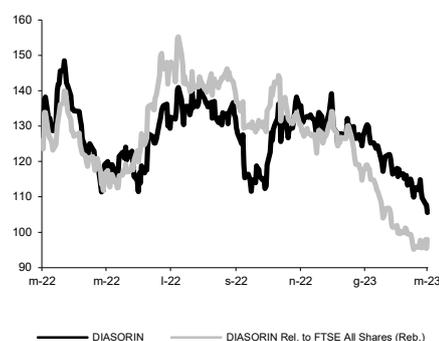
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 135.00 to 120.00		
	2022E	2023E	2024E
Chg in Adj EPS	0.0%	-5.7%	-8.5%

Next Event

Results Out 27 March

DIASORIN - 12M Performance



Stock Data

Reuters code:	DIAS.MI		
Bloomberg code:	DIA IM		
Performance	1M	3M	12M
Absolute	-8.8%	-21.5%	-16.2%
Relative	-1.7%	-29.0%	-24.0%
12M (H/L)	148.45/105.55		
3M Average Volume (th):	123.93		

Shareholder Data

No. of Ord shares (mn):	56
Total no. of shares (mn):	56
Mkt Cap Ord (Eu mn):	5,900
Total Mkt Cap (Eu mn):	5,900
Mkt Float - Ord (Eu mn):	2,495
Mkt Float (in %):	42.3%
Main Shareholder:	
FINDE SS (G. Denegri)	45.0%

Balance Sheet Data

Book Value (Eu mn):	1,578
BVPS (Eu):	19.39
P/BV:	5.4
Net Financial Position (Eu mn):	-671
Enterprise Value (Eu mn):	6,577

■ **New 2023-25 Estimates.** Diasorin will publish FY22 results on 27 March: we still expect FY numbers broadly in line with guidance revised in November to reflect a mix of higher Covid sales (from €200mn to €225mn) and lower ex-Covid top-line growth (from 24% to 22% at CER), but a stronger margin (from 38% to 38-39%). On the other hand, since our recent downgrade report ([Sharper Drop in COVID Volumes Exacerbates Downside Risk](#)), we have further reduced Covid sales (from €73mn to €45mn this year) following later competitor comments (Bio-Rad now expects Covid-related sales to be immaterial beginning in 2023); reflected the recent sale of the Flow Cytometry & Imaging Business to Cytek Bioscience for USD46.5mn (Eu40-45mn impact on 2023-24 sales, i.e. c. 20% of licensed technology business, growing at 7% CAGR although running at a low single-digit margin); and slightly revised growth prospects on ImmunoDX and MolecularDX on top of China headwinds (new volume-based procurement policy by government could imply the re-shoring of c. 75% of the overall production of medical devices by end of 2025) and ongoing concerns on payback in Italy (potential run-rate impact of €5mn on revenues if confirmed for next years). Overall, these changes prompt us to trim EPS'23-25 by 6-9%.

■ **Mixed updates on ImmunoDX, while visibility on launch of new molecular tests still low in US.** We note mixed developments at ImmunoDX: a) the loss of exclusivity on the contract with MeMed, which announced a partnership at the end of January with Danaher's Beckman Coulter Diagnostics. Paradoxically, this new deal could even speed up adoption of the MeMed BV test to distinguish bacterial infections from viral ones; usage could soon be included in US hospital guidelines after very encouraging feedback from the medical community on its efficacy. b) exclusivity discussions with QIAGEN on the latent TB test: considering this is a royalty-based business for Qiagen and the need to assure a good return on prior investments, we believe it is in Qiagen's best interest to select new partners with a rational rather than aggressive pricing approach. On the other hand, we cannot rule out these new developments affecting DiaSorin's long term growth potential. In the short term, pending FDA approval (timing still uncertain, launch likely delayed to 2024) on new molecular products (Liaison PLEX and NES), visibility is unlikely to improve significantly.

■ **NEUTRAL confirmed, TP cut to €120 (from €135).** Pending new FY23 guidance and management comments, we confirm our NEUTRAL stance considering the faster-than-expected fall in Covid volumes (associated with higher profitability), short-term headwinds (namely China), recent news on loss of exclusivity on the MeMed test, still uncertain timing for FDA approval of molecular products (Liaison Plex and NES), and the lack of near-term catalysts. In addition, the current valuation looks broadly in line with the sector (looking at P/E) while new estimates lead us to trim our DCF-based TP to €120 (from €135) with 15% upside on the current price. For the next 1 or 2 years, we believe the DiaSorin 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 to our estimates could come from M&A (we see €0.5-0.7bn firepower) to strengthen US positioning, especially on MolecularDX (particularly on POC) and/or Life Science (xMAP platform).

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	881	1,238	1,375	1,214	1,317
EBITDA Adj (Eu mn)	389	543	528	440	488
Net Profit Adj (Eu mn)	251	357	311	245	273
EPS New Adj (Eu)	4.482	6.379	5.552	4.381	4.887
EPS Old Adj (Eu)	4.482	6.379	5.552	4.648	5.343
DPS (Eu)	1.000	1.050	1.100	1.150	1.200
EV/EBITDA Adj	21.5	19.1	15.4	14.9	13.0
EV/EBIT Adj	25.7	22.3	19.0	19.2	16.6
P/E Adj	23.5	16.5	19.0	24.1	21.6
Div. Yield	0.9%	1.0%	1.0%	1.1%	1.1%
Net Debt/EBITDA Adj	-0.8	1.8	1.7	1.5	0.9