Intermonte

Milan, 18 March 2024

Italian Equity Research – FY23 Results

DIASORIN

OUTPERFORM

Sector: Healthcare

Price: Eu91.72 - **Target: Eu110.00**

Upside Risks on FY24 Despite Confirmation of Guidance

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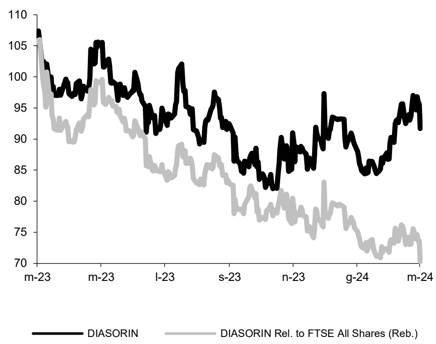
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 109.00 to 110.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	1.3%	-1.1%	-1.3%

Next Event
1Q24 results out 10 May 2024

DIASORIN - 12M Performance



Stock Data			
Reuters code:			DIAS.MI
Bloomberg code:			DIA IM
Performance	**1M**	**3M**	**12M**
Absolute	2.6%	-0.2%	-13.1%
Relative	-4.1%	-11.4%	-43.5%
12M (H/L)			107.35/82.00
3M Average Volume (th):			164.29

Shareholder Data	
No. of Ord shares (mn):	56
Total no. of shares (mn):	56
Mkt Cap Ord (Eu mn):	5,127
Total Mkt Cap (Eu mn):	5,127
Mkt Float - Ord (Eu mn):	2,168
Mkt Float (in %):	42.3%
Main Shareholder:	
FINDE SS (G. Denegri)	45.0%

Balance Sheet Data	
Book Value (Eu mn):	1,647
BVPS (Eu):	19.39
P/BV:	4.7
Net Financial Position (Eu mn):	-619
Enterprise Value (Eu mn):	5,750

- **4Q/FY23 results.** FY23 performance was broadly in line with guidance and consensus on key metrics, although the top line/EBITDA were a bit weaker, while adj. net profit was much better, mainly thanks to lower financial charges. At constant ForEx and scope, 4Q sales fell double-digit (4Q: -12%, 3Q: -11%, 2Q: -8%, 1Q: -20%), but were up mid-single-digit excluding Covid (4Q: +5%, 3Q: +2%, 2Q: +5%, 1Q: +3%) with a 4% increase in FY23 (tgt: 4-6%). In particular, excluding Covid and ForEx, ImmunoDX trends were resilient (4Q: +10%, 3Q: +6%, 2Q: +8%, 1Q: +8%), MolecularDX still under pressure (4Q: -17%, 3Q: -7%, 2Q: -8%, 1Q: +9%) and LTG trends were stable QoQ (4Q: -4%, 3Q: -4%, 2Q: +10%, 1Q: -11%). Covid sales were down 68% in 4Q (€13mn) and 75% in FY (€59mn, 5% of sales, tgt. €60mn, our exp. €55mn). The FY adj. EBITDA margin came in at 32.7% at CER (-5pp YoY, our exp. 33.5%, cons. 32.9%, tgt c. 34%) due mostly to lower Covid sales resulting in reduced operating leverage. The FY gross margin (c.65% of sales) was broadly flat thanks to initiatives to contain inflationary pressure and synergies with LMNX. Reported figures were dented by the announced dismantling of ARIES business (c.€15mn one-off cost, mostly non-cash) which will be consolidated on the existing Liaison MDX platform. FCF was stronger at €209mn (our exp. €214mn), while net debt was a bit higher (€776mn, our exp. €745mn). DPS proposed at €1.15, in line with our forecast.
- **Conference call feedback.** 2024 guidance remains unchanged, despite the earlier approval of Liaison PLEX, with expected launch in May-June and ongoing clinical studies. MolecularDX revenues are still projected to remain flat (c.€200mn) due to challenges related to converting ~70% of ARIES clients to Liaison MDX, as well as different assumptions on the PLEX launch (timing and adoption) and Verigine1 (limited cannibalisation risk from PLEX on respiratory panel).
- **Updated estimates.** Minor tweaks to FY24-27 estimates lead to neutral changes in adj. EPS. We do not expect consensus to change materially after FY results.
- **OUTPERFORM confirmed; new target €110 (from €109)** following the rollover of our DCF model by one year**.** The company reported a neutral FY23 release and there were no real surprises from the conference call to justify the negative market reaction on Friday (-4%). Despite enhanced visibility on execution of the 2024-27 BP from earlier approval of Liaison PLEX, we would have expected a very small improvement in FY24 numbers (€10-20mn higher sales at MolecularDX division), on the other hand we were aware that this will have no major upside on FY25-27 numbers (being already factored into current guidance and consensus). Even though the stock is currently trading broadly in line with the sector (26x P/E'24, 23x P/E'25), we believe the market is ready to take a fresh look at a success story driven by structural, long-term growth - especially if the coming quarters can provide more visibility on top line acceleration and the contribution of new initiatives (namely the launch of Liaison PLEX, execution on MeMed with faster-than-expected adoption by physicians). Upside risks could stem from M&A activity, as the group is looking at potential targets in the growing LTG space to acquire adjacent and complementary technologies. Additionally, in the event of a normalisation of interest rates in 2H24, Diasorin is poised for a significant re-rating as a long duration asset.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	1,361	1,148	1,163	1,254	1,364
EBITDA Adj (Eu mn)	514	375	381	431	486
Net Profit Adj (Eu mn)	319	224	203	232	272
EPS New Adj (Eu)	5.696	4.004	3.628	4.155	4.859
EPS Old Adj (Eu)	5.696	3.738	3.581	4.202	4.923
DPS (Eu)	1.100	1.150	1.200	1.250	1.300
EV/EBITDA Adj	15.9	16.8	15.1	12.9	11.0
EV/EBIT Adj	19.6	22.3	20.4	17.1	14.2
P/E Adj	16.1	22.9	25.3	22.1	18.9
Div. Yield	1.2%	1.3%	1.3%	1.4%	1.4%
Net Debt/EBITDA Adj	1.8	2.1	1.6	1.0	0.5

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.
Frequency of research: quarterly.
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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.
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BUY: stock expected to outperform the market by over 25% over a 12 month period;
OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;
UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;
SELL: stock expected to underperform the market by over 25% over a 12 month period.
Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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