

# DIASORIN

Sector: Consumers

## NEUTRAL

Price: Eu85.16 - Target: Eu97.00

## BP Preview: Another Transitional Year Ahead, Move to Neutral

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### Stock Rating

**Rating:** from OUTPERFORM to NEUTRAL

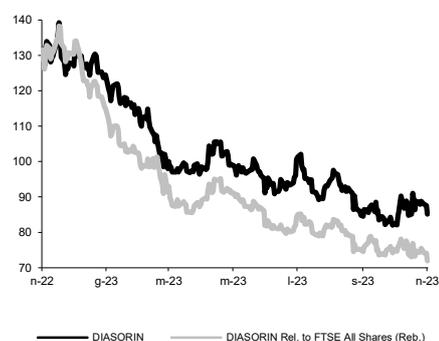
**Target Price (Eu):** from 117.00 to 97.00

	2023E	2024E	2025E
<b>Chg in Adj EPS</b>	-1.3%	-15.5%	-15.3%

### 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	3.3%	-10.1%	-35.3%
Relative	-4.6%	-12.7%	-53.7%
12M (H/L)	139.20/82.00		
3M Average Volume (th):	153.85		

### Shareholder Data

No. of Ord shares (mn):	56
Total no. of shares (mn):	56
Mkt Cap Ord (Eu mn):	4,760
Total Mkt Cap (Eu mn):	4,760
Mkt Float - Ord (Eu mn):	2,013
Mkt Float (in %):	42.3%
Main Shareholder:	
FINDE SS (G. Denegri)	45.0%

### Balance Sheet Data

Book Value (Eu mn):	1,586
BVPS (Eu):	19.39
P/BV:	4.4
Net Financial Position (Eu mn):	-756
Enterprise Value (Eu mn):	5,520

- BP preview:** the company is set to unveil its 2024-27 Business Plan targets on 15 December. Focus should mainly be on 2024, which could prove to be another transitional year after a particularly complex 2023, when the company had to deal with a faster-than-expected Covid cliff and delays related to the approval of the two molecular tests on Liaison Plex and NES. We expect FDA approval no earlier than 4Q24, with the tests only playing a significant role as of the 2024-25 respiratory disease season (clinical studies for NES have already been completed in Australia, and we anticipate US submission soon, while for Plex, we also expect increased production plant investments to support the launch of the test). This points to the lack of any meaningful contribution in 2024.
- Divisional highlights:** MolecularDX to grow 3% in 2024 (previously +20%) mostly thanks to existing business and the ARIS platform, then accelerate at a 15% 2025-27 CAGR (old BP: +23%) thanks to the initial contributions from Plex and NES. On ImmunoDX we are trimming 2024 top line growth (from 9.5% to 5.5%) to reflect a mix of factors. In the past, Diasorin used to launch 7-8 tests per year, whereas with value-based care the company now seems more focused on large, transformational projects (such as MeMed) which require more time to generate explosive revenue. On MeMed, reimbursement from US private insurance and unbundling are still pending, but the test has already received \$260.50 coverage per test from the federal CMS agency. We also reflect the potential impact of China's volume-based procurement (VBP) policy adding pressure on prices (we see 1-2pp impact on local growth). For the remaining initiatives we expect management to go into more detail on its US hospital strategy and on further opportunities related to QuantiFeron (Lyme and Latent TB tests). In Licensed Technologies, we remain cautious for early 2024, assuming bumpy trends (still some de-stocking effect cited by other players), while in the medium to long term, the business model should continue to offer good visibility (being royalty-based) with the potential for new commercial partnerships: we expect 3.5% growth in 2024 and a 7% 2025-27 CAGR (in line with the previous plan).
- Estimates update.** We now expect FY24 sales of €1,188mn (-6% vs. previous exp.) including €28mn from Covid, and adj. EBITDA of €399mn, a 33.5% margin (35.6% previously), while we assume FY25-27 CAGRS of 9% in sales (€1,524mn in FY27) and 12% in EBITDA (€564mn in FY27), with the margin closing in on 37%. For 2024-27, we now expect FCF generation of €1.07bn (c.€270mn/year) and leverage to fall from 1.5x in FY24 to cash neutrality in FY27. These estimate changes drive a 15% cut in 2024-27 EPS.
- Downgrade to NEUTRAL; new target €97.** Our revised estimates prompt us to cut our DCF-based target price from €117 to €97, with limited upside on current prices. It's too early to say whether the new BP will receive a positive response from the market: we believe the stock remains a quality growth story, but there needs to be a reality check on short-term prospects. Indeed, if next year turns out to be the second consecutive transitional year, we anticipate a more significant revision to consensus estimates. Pending better visibility on 2024's moving parts, we believe any upside is mostly clustered in the medium term, while in the short term we would only see some external upside from the potential spread of child pneumonia cases outside China. After the 33% sell-off year-to-date, the stock is currently trading at 23x on 2024, broadly in line with the overall sector.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,238	1,361	1,163	1,188	1,282
EBITDA Adj (Eu mn)	543	514	389	399	453
Net Profit Adj (Eu mn)	357	319	209	205	240
EPS New Adj (Eu)	6.379	5.696	3.730	3.672	4.294
EPS Old Adj (Eu)	6.379	5.696	3.778	4.344	5.068
DPS (Eu)	1.050	1.100	1.150	1.200	1.250
EV/EBITDA Adj	19.1	15.9	14.2	13.5	11.5
EV/EBIT Adj	22.3	19.6	18.9	18.4	15.4
P/E Adj	13.3	14.9	22.8	23.2	19.8
Div. Yield	1.2%	1.3%	1.4%	1.4%	1.5%
Net Debt/EBITDA Adj	1.8	1.8	1.9	1.5	0.9

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