

DIASORIN

Sector: Healthcare

OUTPERFORM

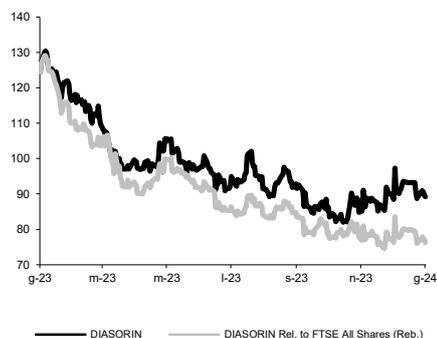
Price: Eu89.24 - Target: Eu109.00

Restarting from a De-risked Floor, Upside Risks on Execution

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

Next Event
 FY23 results out March 2024

DIASORIN - 12M Performance


Stock Data			
Reuters code:	DIAS.MI		
Bloomberg code:	DIA IM		
Performance	1M	3M	12M
Absolute	0.2%	3.4%	-28.3%
Relative	-0.5%	-4.0%	-45.3%
12M (H/L)	130.40/82.00		
3M Average Volume (th):	188.98		

Shareholder Data	
No. of Ord shares (mn):	56
Total no. of shares (mn):	56
Mkt Cap Ord (Eu mn):	4,989
Total Mkt Cap (Eu mn):	4,989
Mkt Float - Ord (Eu mn):	2,109
Mkt Float (in %):	42.3%
Main Shareholder:	
FINDE SS (G. Denegri)	45.0%

Balance Sheet Data	
Book Value (Eu mn):	1,692
BVPS (Eu):	19.39
P/BV:	4.6
Net Financial Position (Eu mn):	-585
Enterprise Value (Eu mn):	5,578

- Restarting from a de-risked floor in 2024 after massive 2023 sell-off.** In recent meetings the Group confirmed the 2024-27 outlook presented in the December CMD (see our [report](#)). For this year, the company expects 5-7% top line growth excl. Covid, resulting from a high single-digit rise in ImmunoDX, flattish MolecularDX and mid-single-digit growth in Licensed Technology (LTG), with Covid sales at c.€30mn, half the Eu60mn posted in 2023. The adj. EBITDA margin is foreseen at c.32-33%, -1pp YoY, due to potential volatility from various factors: timing for LIAISON NES and Plex, VBP policy in China (exposure now down to c.3-4% of group sales), inflationary pressures that are yet to be fully offset, a step-up in commercial investments for MeMed and the new Liaison PLEX and NES platforms, with no significant top line contribution before 2025, and the costs associated with the need to gradually manage the customer transition from ARIES to the MDX platform (in 2024-25).
- Short-term outlook implies possible renewed growth acceleration.** 5-7% sales growth in 2024 implies a renewed acceleration of growth compared to the 4-year CAGR of 2.5% between 2019 (no Covid, pro-forma sales including Luminex) and 2023. We believe this is feasible considering some upside risks, in particular a stronger respiratory season in 4Q (especially in the event of an earlier launch of Liaison Plex) and faster penetration of the US market. The company aims to expand its critical mass in the US, the world's largest IVD market and the sole market that rewards innovation. In the USA, which currently accounts for 50% of 2023 sales (c.55% expected by 2027), DIA serves 300 hospitals (twice as many as in 2019) and is very confident of reaching 600 hospitals by 2027, i.e. 30% of the total accessible market.
- Medium-term upside risks could materialise even earlier.** The Lyme test was submitted for approval in December as planned, the launch of the Liaison PLEX (FDA submission last October) is expected by the 2024 respiratory season, with a material impact on sales from 2025. Development of the partnership with Qiagen and the MeMed reimbursement/unbundling process could drive the stock in the short/medium term. In particular, in US the MeMed test has already obtained very high public reimbursement at US\$260/test (typically US\$80) comfortably covering lab costs (we estimate c.30% of the refund). This emphasises that the test is considered highly effective and worthy of adoption. Negotiations are also underway with US private insurers and on the possibility of unbundling the MeMed reimbursement from the national DRG budget, which is generally set at \$2,000 in total for each US hospital outpatient, regardless of the number or nature of tests and/or treatments performed.
- Upgrade to OUTPERFORM (from Neutral); target still €109, estimates unchanged.** After a CMD that provided reassuring messages and a decent floor for the new outlook, we believe the main execution risks are fully priced in at current stock levels. The stock fell 30% in 2023 (in line with the EPS revision) and significantly underperformed the FTSEMIB (-60pp). This leads us to adopt a more constructive stance, upgrading Diasorin to OUTPERFORM (from Neutral), with an unchanged TP (already reflecting a risk-free rate at 4%) that implies 22% upside. On the other hand, we are fully aware that 2024 will be a transitional year. At these attractive entry levels, we believe the market is now 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. 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 2024, Diasorin is poised for a significant re-rating as a lasting growth asset.

Key Figures & Ratios	2022A	2023E	2024E	2025E	2026E
Sales (Eu mn)	1,361	1,163	1,185	1,279	1,392
EBITDA Adj (Eu mn)	514	389	388	440	496
Net Profit Adj (Eu mn)	319	209	200	235	275
EPS New Adj (Eu)	5.696	3.738	3.581	4.202	4.923
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	16.1	14.4	12.3	10.4
EV/EBIT Adj	19.6	21.5	19.8	16.3	13.5
P/E Adj	15.7	23.9	24.9	21.2	18.1
Div. Yield	1.2%	1.3%	1.3%	1.4%	1.5%
Net Debt/EBITDA Adj	1.8	1.9	1.5	0.9	0.4

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