Intermonte

Milan, 18 December 2023

Italian Equity Research – Company Update

DIASORIN

NEUTRAL

Sector: Consumers

Price: Eu91.90 - **Target: Eu109.00**

Balancing Temporary Challenges and Slightly More Expensive Growth

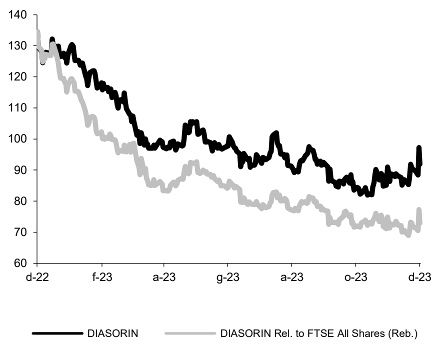
Giorgio Tavolini +39-02-77115.279
giorgio.tavolini@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 97.00 to 109.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.2%	-2.5%	-2.1%

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	2.8%	-0.2%	-31.6%
Relative	-0.5%	-5.5%	-57.6%
12M (H/L)			132.15/82.00
3M Average Volume (th):			178.45

Shareholder Data	
No. of Ord shares (mn):	56
Total no. of shares (mn):	56
Mkt Cap Ord (Eu mn):	5,137
Total Mkt Cap (Eu mn):	5,137
Mkt Float - Ord (Eu mn):	2,172
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:	4.7
Net Financial Position (Eu mn):	-745
Enterprise Value (Eu mn):	5,887

- **BP targets:** overall, FY24-27 targets broadly align with our sales estimates, albeit 0.5-1.0pp lower on profitability compared to our revised assumptions. The new Diasorin 3.0 BP (now fully based on 3 pillars: ImmunoDX, MolecularDX and LTG) essentially shifts the old BP two years forward (FY27 consistent with old BP targets set for FY25). Meanwhile, as we argued, FY24 is poised to be a transitional year - although we were a bit surprised seeing a 32% floor for margin - due to potential volatility arising from various factors: the timing of LIAISON NES and Plex, China's VBP policy, and lingering inflationary pressures that haven't been fully offset yet. Looking ahead, trends for FY25-27 suggest an improving outlook, driven by a stronger technological position and a more diversified footprint, especially in the US. The range for the 3-year sales CAGR, from high single digit to low double digit, seems quite ambitious at the upper end and perhaps too wide compared to the +10% CAGR target in the old BP. However, we acknowledge that it is heavily dependent on the timing of new projects (launching 3 new platforms and 10 new products) and the pace of their adoption: non-recurring sales amount to c. €150-160mn, roughly 10% of FY27 sales (stable mix vs 2019), slightly exceeding the €150mn upside from new strategic initiatives (NES, Lyme, MeMed). Meanwhile, profitability is expected to rebound to 36-37%, returning to pre-pandemic and pre-Luminex levels, although slightly below our previous estimate of 37% and the old BP target of around 38%.
- **Conference call feedback**: management commentary seemed consistent with the hints provided in the last quarterly results. The presentation wrapped up extensive and interesting insights into the strategy, and we welcomed the long-term commitment expressed in the introductory speech by Michele Denegri, chairman and major shareholder of DiaSorin. Management emphasized a strategic imperative: the expansion of critical mass in the US, the world's largest IVD market and the sole market that rewards innovation. The USA currently accounts for 50% of 2023 sales. DIA presently 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. We believe this strategy is the right one but has a cost. On potential risks, management highlighted higher investment in medical education to accelerate the adoption of products. Conversely, upside risks could stem from M&A activities. DIA continues to explore potential targets in the growing LTG space and is keen on acquiring adjacent technologies that could complement its existing portfolio. In his concluding remarks, the CEO emphasized DIA's historical ability to surprise the market, even during periods perceived as less active, and urged everyone to stay tuned for developments on the M&A front.
- **Estimates update.** We are making small revisions to better align our estimates to the BP targets, leading to a 2% cut to '24-25 EPS.
- **Rating NEUTRAL confirmed; new target €109 (from €97).** Following the new BP, we confirm our NEUTRAL rating: we believe the stock remains a quality growth story, but there needs to be a reality check on short-term prospects. Furthermore, the new BP hints at more costly top-line growth, considering the less robust profitability compared to the previous BP, which might not stem solely from the external macro environment. Pending better visibility on the moving parts for 2024, which could still require a couple of quarters, we believe any upside risks are mostly clustered in the medium term, unless any opportunity in M&A arises earlier. Despite the minor revisions to our estimates, we increased our DCF-based target price from €97 to €109 to reflect a reduction in the risk-free rate (from 4.5% to 4%) in our DCF model.

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	3.730	3.672	4.294	
DPS (Eu)	1.100	1.150	1.200	1.250	1.300
EV/EBITDA Adj	15.9	15.1	14.7	12.6	10.7
EV/EBIT Adj	19.6	20.1	20.3	16.7	13.8
P/E Adj	16.1	24.6	25.7	21.9	18.7
Div. Yield	1.2%	1.3%	1.3%	1.4%	1.4%
Net Debt/EBITDA Adj	1.8	1.9	1.5	0.9	0.4