DiaSorin S.p.A.

"First Quarter 2021 Conference Call"

Friday, May 14, 2021, 17:00 CET

MODERATORS: CARLO ROSA, CHIEF EXECUTIVE OFFICER

PIERGIORGIO PEDRON, CHIEF FINANCIAL OFFICER

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the DiaSorin First Quarter 2021 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Mr. Carlo Rosa, CEO of DiaSorin. Please go ahead, sir.

CARLO ROSA: Yes, thank you operator. Good afternoon, welcome to the Quarter 1 DiaSorin conference. As usual, I am going to make some general comments about the business, and then I will turn the microphone to Mr. Pedron, the CFO of the company who is going to drive you…going to take you through the numbers.

Let me first start to say that as usual, I am going to comment numbers at constant exchange rate, because as you know, dollar variation has been significant and the FOREX effect is fairly significant in Quarter 1, and I will talk about the COVID business and ex-COVID business to give you a view about how we see the market developing.

Let me start for once, from the ex-COVID business. I believe that the company performed extremely well in Quarter 1 as you have seen plus 6% versus Quarter 1 last year. We introduced a couple of adjustments to understand the various trend, the first one we took out the effect of some one-off regarding the Vitamin D contract with Quest, that, you know, was there last year, it's not any longer in our revenue this year, and then the Siemens effect meaning that last year manufacturing the Siemens ELISA was stopped as per contract, and therefore whatever was converted to CLIA, was converted and the remaining ELISA revenues have been

dissipating throughout the last 2 quarters and now are almost nil, because of the pandemic problem is not there.

So if you take out these 2 effects and you look at how the business performs, the growth is 6% which is an indication that in several geographies notwithstanding pandemic, the Life business and the hospital business is returning to a relatively normal. Of course, as far as specialties are concerned, as you know we…our revenues are skewed towards Specialty.

We suffered last year, because non-elective surgeries were actually not performed, and now with the clinical sessions going back to get tested and to be monitored, then we see again the use of specialties going back to where they were.

So extremely comfortable with the way the businesses is doing specifically from a geographical point of view as we have discussed few times. U.S. is actually the lion's share of the growth and this is because of the fact that the hospital strategy is staying out, the TBE [ph] product line T-cell together with Qiagen is working very well, as we also have seen from Qiagen comment on the tuberculosis business, and that goes together with the clinical specialties, primarily gastrointestinal that we have launched in the U.S. and they follow suit together with TB on the same customer.

Europe, same thing notwithstanding pandemic is clearly a stronger year at the time, notwithstanding that in all the main countries, the base businesses are returning to normality, and again we are gaining from the fact that some of the TB business that was developed together with Qiagen now with all the install base and customer gain is providing traction to our traditional ex-COVID business.

Now, let's talk about [indiscernible] COVID, and as you know, as far as, COVID is concerned, we look at COVID in 3 different technologies, and I am going to comment the 3 technologies from molecular, serology and COVID antigen high throughput testing.

Now, let's talk about molecular, and we look at molecular, we need to actually comment U.S. and the Europe separately. As far as, the U.S. is concerned, public data shows that molecular testing significantly decreased, volume wise from peak time which was actually Q4, say around December/January this year. Public data show that daily testing peak is 1.6 million around December, and now we are closer to a million and the projection is that by the summer, it's going to plateau at 750,000 PCR test per day.

We see in the U.S. the tempo [ph] of our business to follow pretty much the path, all driven by the fact that there is less request for the time being of testing volume. We don't see any effect of our on pricing also, because if you know the reimbursement scheme, under the emergency situation is still in place allowing customers good reimbursement for all their testing which is performed.

Now, if you look at molecular, Europe we see a completely different trend. We see a little bit of softening, but really not so remarkable, and this is…has to do with 2 effects, first one certainly it has to do with the fact that pandemic is still in place, strong demand in the major geographies where we play, I remind you that during COVID time, when there was a shortage of systems and reagents we elected to give a priority in Europe to certain countries namely, Italy, Spain and partially in France, and therefore we set an installed base primarily in hospitals in these 3 countries. Because of the fact that again, testing volume in these countries

continue to be strong, because of the positioning of our platforms, which have been typically used in emergency room or hospital admission of…admission of patients.

We don't see today any decline, to the contrary we see an expansion of the installed base, because there is more need of smaller system and conversely less need of high throughput system in these hospitals, because decentralization of testing now is becoming the relevant part of the COVID testing adoption. So in combination of Europe holding and the U.S. declining according to market volume, we have now developed a certain view vis-à-vis the year end guidance that I am going to describe later, but you understand from a time being molecular wise, this is what we see.

Let's comment on serology. Serology for us is what we always say the part of the business that we believe is going to take longer, as a necessity to monitor vaccine response, not necessarily in the general population, but in certain very specific population, lots of publications have been now…are now demonstrating that in the immunocompromised patients, in dialysis patients, and in certain populations, their response to vaccine is different from the normal population, and therefore we see adoption of that thing, of serology testing and monitoring, that is for us significant.

We have, as you know, an extensive installed base of the LIASION XL, and we see this volume growing on a monthly basis, high single-digit. We also have serology used in secondary countries like in Brazil and India, where there are still growing number of cases and lack of solutions…molecular solutions. Therefore we see in these countries also the adoption of serology still growing. And we continue to be positive about the fact that serology adoption will continue, and especially in those countries like the U.S. where we believe eventually monitoring is going to

be as part of the physical check…annual physical checks provided by insurance company, so very positive about that product and very confident about the opportunity of that product.

Last but not least, high throughput antigen testing, high throughput antigen testing has been developed by DiaSorin in light of the fact that we believe high volume of an expensive molecular testing was going to become an economic issue in several situations, and we thought that a sensitive high throughput antigen test could provide a solution. For the time being, we have not seen that shift. We have seen antigen testing clearly being decentralized as shown by many of our competitors, who play in that field.

By the same token, it's public knowledge that we are participating as a primary supplier of Labcorp to the national tender in the U.S., for returning to school. You know the tender has been postponed already a couple of times. The opening of the tender we are enrolled in the tender, as LabCorp, so depending when Labcorp is going to be awarded, we are going to get or not…or we are not going to get certain volumes. But clearly, we are all waiting; I think everybody is waiting to understand what the Biden administration is going to do vis-à-vis implementing testing for school reopening. You know in the U.S. now, we are towards the end of the school season, so we are talking about adopting this kind of testing starting from all those when school reopens in the U.S.

So, now, if we look at our guidance for the second half, it's very clear that what we built-in is uncertainty vis-à-vis COVID, we are confident about our base business, but when it comes to COVID, we design 2 fundamental scenarios. One scenario,, which is…which correspond to the high level of the guidance is that we are going to be repeating H2, so the COVID revenues in second half is similar to what we'd experienced in H1. And that entails 2 things, that entails that we are going to have some

participation, some revenues coming from the school contract, the LabCorp and a combination of a robust [indiscernible] which means that COVID and…COVID and flu and differential technologies will be needed in 2021 winter time, when clearly you know symptomatic patients are going to show up, still there are going to be debates about efficacy of vaccine…long term efficacy of vaccine, and so adoption of molecular testing will be done. That's the best case scenario.

Then we have a base case scenario and the difference between 2 is roughly €80 million, €90 million, where we are not going to get pretty much contribution, significant contribution from the school reopening program. And together with that, the season, the respiratory season is going to be lighter than what's expected, because vaccine will prove to be extremely efficient and therefore need of COVID testing adoption is not going to be as strong as somebody can foresee. I believe you will appreciate the fact that this uncertainty is clearly shown by all diagnostic companies. And so I think we're going to get better visibility when we enter into the second half.

One more comment…2 more comments before I turn the microphone to Piergiorgio. First one has to do with an announcement we made over the fact that we have initiated a collaboration with Lumos. Lumos is, I remind everybody an American company that provides what I would call second generation laminar flow technology. We are in the process of launching 2 COVID products, COVID serology and COVID antigen testing in some target European countries mainly focused on the Italian market. And we are testing the pharmacy settings, because we believe that as you know, we have a strategy of the essential [ph] assessing with LIAISON MDX [ph] for molecular and now the LIAISON IQ for antibody or antigen testing. And therefore, we are deploying this system through a set of large distributors in Italy.

Italy has 19,000 pharmacies and we are…we want to understand how the system is perceived, what story is behind COVID testing, we clearly using the COVID time opportunity to deploy an installed base. So for the time being, we've not built financial expectations because we want to see what the contribution will be. But this is a program that to me is very important for the company because this is the first step into a segment that we said it before we want to play a strategic role in the near future.

Last comment I want to make is that I would like everybody to remember is the fact that we have a series of initiatives with new products coming [technical difficulty] with different level of diagnostics, vis-à-vis the viral versus the bacterial infection, which is largely through the dominating space of clinical needs.

And last but not least is the China plans. And the China plan to me which is on-time. And I would like to remind everybody that strategically, companies today have to develop a China for China strategy because the message sent by the Chinese government over the COVID pandemic is that they clearly want to be independent from European or American technology when it comes to diagnostics. And the strong indication that if you want to be a player, you need to be a player perceived as a Chinese true contributor and not necessarily an exporter to China.

So keep a note on that, clearly this is going to affect short-term numbers but mid-term numbers. I believe any company that want to bet on the fact that growth will continue to come from China and to find a smart strategy to now move their setting into China. And I remind you that the way I define as smart for a company that DiaSorin is the fact that we are operating in China through a joint venture with the Chinese government

that guarantees us visibility of what's strategic for China these days and moving forward.

Having said that, I'm going to leave the mic to PG and then I am going to take it back for Q&A. Piergiorgio…

PIERGIORGIO PEDRON: Thank you, Carlo. Good morning and good afternoon, everybody. In the next few minutes, I'm going to walk you through the financial performance of DiaSorin during the first quarter of 2021. As usual, I would like to start with what I believe are the main highlights of the period. We closed the quarter with an increase in revenues at constant exchange rate of around 60%. Q1 confirms a steady recovery in the ex-COVID business as just discussed. In spite of the previously…in view of loss of the Vitamin D business in Quest and the termination of the distribution of the Siemens ELISA products. COVID-19 sales accounted for €102 million in the quarter, slightly better than the last quarter of 2020 at constant exchange rate, vis-à-vis Q4…vis-à-vis €4 million in Q1, '20.

Q1 gross margin at 69.4% of revenues is a touch better than Q1, '20 which closed at 69.1% and marked an improvement compared to the last quarter of 2020 which closed at 67.6%. Q1 adjusted EBITDA at €130,000 recorded an increase of €65 million or 101% compared to Q1, '20 with a margin of 48.6% on the revenues compared to 36.9% of 2020. The growth at constant exchange rate is 110% with a margin of 49%. Q1, '21 reported EBITDA is €118 million and the difference vis-à-vis the adjusted EBITDA is due to €12 million one-off costs related to the Luminex acquisition.

Lastly, we keep confirming our ability to generate a very healthy free cash flow, €80 million in the quarter with an increase compared to Q1, '20 of €40 million euro or 100%. The net financial position is positive for €394

million with no debt and €430 million cash, the difference between the 2 being driven by the right of use introduced by IFRS 16.

Let me now go please to the main items, the main lines of the P&L. Q1, ’21 revenues at €267 million grew by 53% or €92 million compared to last year, which was at constant exchange rate as we said its 60%. The weakening of the U.S. dollar against the euro is the main reason behind these FX headwinds. Increase in revenues [indiscernible] as we see…as we saw of the steady recovery of the export business and of the COVID contribution. Q1, ‘21 gross profit at €185 million grew by 54% compared to last year closing the third quarter with a ratio of revenues of 69.4% compared to 69.1% of the same period of 2020. The margin increase compared to Q1, ’20 is the result of the higher operating leverage, driven by higher volumes partially offset by different product mix, mainly more COVID molecular sales which enjoys slightly lower margins.

I believe it is also worthwhile to underline the gross margin increase compared to Q4,‘20 which recorded a similar level of revenues, €271 million versus €267 million of Q1,‘21 and the lower marginality €67.6% versus 69.4% of Q1, ’21. This variance is mainly driven by a favorable CLIA product mix and lower instrument sales and more importantly, by some efficiency coming from cost reduction initiatives implemented in the molecular manufacturing processes towards the end of last year, which are now bearing fruits.

Total operating expenses at €68 million or 25.4% of revenues have increased by 3.3% compared to last year. During the quarter, all of our subsidiaries have experienced a general slowdown in some activities, mainly travel driven by the lockdown measures implemented by the government for most of the geographies in which we do business.

Q1, ‘21 other operating expenses at €14 million increased by €9 million or 150% compared to last year. This variance is entirely driven by the one-off expenses related to Luminex acquisition, which accounted for about €12 million in the quarter. As a result to just describe Q1, ‘21 EBIT at €103 million or 38.7% of revenues is increased compared to 2020 by 109% or €54 million. The tax rate at 23.8% is slightly higher than what we recorded in 2020, 23%. This increase is mainly driven by the fact that some one-off costs driven by Luminex acquisitions are not tax deductible. Q1, ‘21 net results at €78 million or 29.3% of the revenues is higher than previous year by €40 million or 107%.

Lastly, Quarter 1, ‘21 adjusted EBITDA at €130 million or 48.6% of revenues is higher than 2020 by 101%. The variance at constant exchange rate is positive by 110% with a ratio of revenues of 50%. This result is mainly coming as we saw from the good gross margin and the operating leverage delivered by the increasing revenues amplified by [indiscernible] operating expenses, which in the quarter accounted for about 25% of total sales vis-à-vis 38% of Q1,‘20. As we have discussed, the only difference between adjusted EBITDA and reported EBITDA is that the mentioned one-off costs related to the Luminex acquisition.

Lastly, let me just cover 2021 full year guidance already been explained by Carlo. So, as usual, at previous year constant exchange, total revenues to increase between 15% and 25% out of which the business ex-COVID represents an increase of around 15%. And the adjusted EBITDA margin between 44% and 47%. And this addition of adjusted EBITDA remain without considering Luminex acquisition related one-off expenses that we will book from here till the end of the year on top of the one we booked in Q1. Please, like always, consider that DiaSorin financials are highly exposed to the U.S. dollar and given more so now that the United States represents about 40% of the total Group sales and therefore, as a usual

rule-of-thumb, consider that for every $0.01 movement of the dollar against the euro, the extraordinary revenues moved by about €3.54 million on an U.S. basis.

Now let me please turn the line to the operator to open the Q&A session. Thank you.

Q&A

OPERATOR: Excuse me; this is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone, to remove yourself from the question queue, please press "*" and "2." Please pick up the receiver when asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Maja Pataki with Kepler. Please go ahead.

MAJA PATAKI: Yes, hi, good afternoon and thank you very much for taking my question. I have 2, right now, and then I'll go back into the queue. Could you please provide us a rough split of the COVID-19 revenues how much was you know, roughly molecular and serology, just as you did in Q4. That's my first question.

With regards to the Lumos Partnership and rollout of the LIAISON IQ in Italy, I understand it's early days and therefore nothing is included in your guidance. But could you provide us maybe just a rough indication on how pricing is positioned and how we should you know, how we could think about the financial impact. Thank you.

CARLO ROSA: I will…hi, Maja. I'm going to take the second question, and then I'll let PG take the first one. Look here the business model in the pharmacy business is completely different, because you go through distribution, right. And then, so you don't have pretty much a lot of costs under, let me say the transfer price to the distributor. Okay, so between the transfer price to your distributor and your pre-tax there isn't much. So what I'm learning, is that you are going to be…will you, I mean, good product should really leave you a margin say between 25% and 35%. Okay. The difference is that all that then goes pretty much down to your bottom. And so, we are again not in this space, but my sensation is that, if you have a product that is generating that kind of margin it's leaving the rest fundamentally to the wholesaler and to the pharmacist that actually is taking the lion share of the margins when it comes to these diagnostic products, but [technical difficulty] they are also taking the lion share of the cost, because they must now hire specially in Italy, they have to have a biologist or a physician coming for some tests. So my expectation is that we are going to have that kind of margin, but contribution, then to your bottom is going to be not bad.

PIERGIORGIO PEDRON: Yes, I believe. Hi Maja. I believe you asked about the breakdown of COVID phase in Q4. So we never…

MAJA PATAKI: I asked Q1, just like you did it in Q4.

PIERGIORGIO PEDRON: Oh, in Q1, okay.

MAJA PATAKI: Yes.

PIERGIORGIO PEDRON: Okay, cool. Not a big difference there. I mean, a serious [indiscernible] breakdown, but I believe we saw…we discussed a few times that the contribution of the immunodiagnostic COVID products so the GM [ph] in

the antigen was between €5 million to €7 million per month. So I believe you can use that as a ballpark number to get you know, the Q1 sales of the immuno bucket let me say and all the rest is molecular.

MAJA PATAKI: Okay, great. Maybe just quickly, a follow-up. Carlo, thank you very much for the scenario analysis or you know, the base case and best case scenario that you've given us with the guidance. And I do understand the difference, but just to double check. So you're not in your best case scenario, high level scenario, you're not assuming to see an acceleration in serology testing? So you basically think it's…whatever is coming from serology or antigen test is basically, you know, what we're seeing in Q1 throughout the year, and not that there is a higher adaptation of the antibody tests with regards to the vaccine immunity?

CARLO ROSA: Okay. [Indiscernible] for one second, so serology human antibodies vaccine.

MAJA PATAKI: Sorry, antibodies sorry.

CARLO ROSA: Yes, because then we have the antigen testing. So I believe that we will continue to see this business trailer. But I think that, what is going to move…and it's not a bad business for the…for the time being as you are seeing by what PG is saying. Certainly, it is dwarfed by the molecular opportunities. But I believe that you're going to…you will see a change in this when 2 things happen. First more data are going to be generated with different vaccine vis-à-vis the long lasting, I mean, how relevant it is to monitor the antibody response, because if long term studies and I'm saying about now 12 to 18 months are going to show that there is a response and the response pretty much stays up. Then you know, the need for monitoring…it's going to be less.

But the second thing…the second element you need to consider is that the initial clinical data is setup demonstrating that, that may be true for general population, but then you have lots of sub populations relate to clinical certain clinical disease that where certainly the vaccine response has not been as strong and not related, clearly to a clinical situation, but when you talk about the old age group, where you know, the immuno response is not strong as in younger people than…and but those are the ones that are susceptible to the infection, and we need to understand, how long that response will last.

The second element you need to consider as it happened…and I already I think comment…did comment on this one, as it happened with Vitamin D in the U.S. specifically, which is going to move the needle, because it provides immediately 40 million, 50 million test per year, is the fact that the tests [ph] cost to serology is introduced into the yearly check provided by the insurance company. I believe all this is going to be more a 2022 effect price, because by year-end you're going to have more studies to understand immuno responsive vaccine, and then decisions about monitoring is going to be taken next year.

As far as we're concerned, as PG is saying, is a business that is fluctuating between €5 million, €7 million per month that we expect to continue to trail up between now and the end of the year.

MAJA PATAKI: Okay. Thank you. And PG just last question on the guidance, on the EBITDA margin guidance that you're providing, the range of 44% to 47%. Is it as straightforward as to think that if you hit 15%, we're going to be at 44% and if you hit 25%, you are going to be at 47% or there is several layers of cost savings that could you know, put you anywhere in the range [indiscernible] of the fact where revenue is coming?

PIERGIORGIO PEDRON: I mean, you know, there are many moving parts. There are projects considering initiatives, which, I mean, as I said for which we are already seeing the results, some others are going to be kicked off very soon, but there are many moving parts, think about OPEX for example right, so we need to make some assumptions in terms of [indiscernible] because you know, people will start to go back and you know, go and see customers and so on and so forth. So, at ballpark a short answer is, yes, but with some flexibility.

MAJA PATAKI: Okay. Thank you very much for that.

CARLO ROSA: Maja, if I may make a comment, which I think is a general comment about this, which to me is fascinating, is the fact that, think about our overall industry that was able within 12 months' time to express a testing capacity of 4 billion test rate. I think that there are…that the estimate today is that worldwide today there is manufacturing capacity of roughly 4 billion tests. All that capacity came with investment and hiring people, right. And I think what is going to be interesting vis-à-vis margins, is that you're going to have now all the costs that if you are not…if you are not building that cost as a variable cost, then it's going to eventually hit your P&L.

And as far as [indiscernible] is concerned, I believe we've been extremely careful and disciplined about making sure that, that cost is a variable cost and we are taking out that cost when we see manufacturing volume going down. But just reflect on the fact that, I see, I'm…is incredible, you see companies' saying that they have been investing hundreds of millions into infrastructure. And I really want to understand what is going to happen to all that cost when the volume, and we hope is going to happen…is going to pretty much go back to almost zero, just a reflection.

MAJA PATAKI: Thank you very much, Carlo.

OPERATOR: The next question is from Peter Welford with Jefferies. Please go ahead. Mr. Welford, your line is open.

PETER WELFORD: Hi. Sorry, I was on mute. Thanks for taking my questions. And can I just ask whether you are sticking with the outlook, just to understand the base outlook the base business of 15%. Is that on the same basis as the 6% number that you provided this quarter? So in other words, excluding the Siemens ELISA, the flu business obviously volatility and the Quest contracts, or is that 15% on an absolute reported basis for 2020 numbers?

Secondly, then if I could just ask, just with regards to antigen testing in particular, I know, you've commented about the economic alternative in LabCorp in the U.S. which I think is fascinating. But I would if you comment at all on the emerging markets, are you seeing in places for example like Brazil and India, are you seeing any adoption of antigen testing there as an alternative to the sort of more costly and intrusive [ph] intensive PCR testing, or is that really not materialized to a significant extent either so far this year.

And then thirdly, if I could just ask just on the Lumos product again, just [indiscernible] is Italy a test market because that's obviously the market you know, well, but I guess just thinking beyond this today. Can you just give us some thought into which other countries and I guess, in Europe could be attractive, but equally which ones, perhaps, are the unique challenges that we need to consider just to consider them longer-term. Thank you.

CARLO ROSA: Okay, I'll take the question about the antigen and then the question about Lumos. As far as, antigen is concerned, the only market today has been engaging on high throughput antigen test is Russia where we do have an

extensive installed base. And there has been adoption as in the other what we call primary market where we…as we serve direct of antigen testing. We come to India, and Brazil, I believe that these markets have been flooded by cheap Chinese made products, rapid antigen testing. And there has been a very interesting, I don't know if you didn't follow it, but one of the last flights that actually flew into Italy from India, carrying 200 and some passengers, 90 and they were all with…they all had results done with an antigen test in India that showed that they were negative. I think 90 of them, eventually when they were retested over here, they were positive. That tells you a lot about the quality of some of the stuff that unfortunately goes round the world, when it comes to this antigen testing, but in the secondary market, you are facing with the reality of markets where you know, they don't have the FDA one side or they don't have the European authorities for the quality of some of these products and not about the price which is totally cheap. So, positioning high throughput quality products like the LIASON XL has been complicated.

To the contrary, what we have seen though is that in some country can, India is a good example, we are having a good success in serology as you see in India, because those steps have been adopted on a high throughput scale, it's to monitor patients because now are becoming more monitoring tools in some of the clearly Class A larger institutions. But, as I said, antigen testing is unfortunately today all cheap stuff in these geographies.

The second question is which other markets? Look, we said in '19 already that we would follow decentralization we started the LIAISON, LIAISON XL molecular development together with TTP [ph]. We then had COVID test, and the major issue pre-COVID about decentralization in testing, in setting outside the lab, was the fact that in many countries, it was not legal to do such steps, and so pharmacists did not have a license to performance these test. Italy was not an exception, but with COVID they made an

exception. In the US, it was also complicated, but I don't know if you follow then recently a week ago, a bill has been filed to allow CMS reimbursement for diagnostic testing in pharmacy, okay.

So we believe that why are we starting from Italy, because we don't understand that market and because of proximity, Italy is a good place where we can learn and I'd say to learn how to market, learn the distribution. But I keep saying that strategically the U.S. is a place to be, because in the U.S. it's the only country in the world where there are 71% of the pharmacy business which as know, is private business between [indiscernible] and CVS. They have understood that business with Amazon competing on home delivery is doomed. And they are thinking about transforming their business model from, you know, a generic supplier of drugs and food, as any pharmacy is today in the U.S. into a health service qualified provider, and in that model then diagnostic will play a role especially now if government is opening to reimbursements. So, long story short, Italy a good way to understand, strategic it's certainly considering itself in the U.S market.

PIERGIORGIO PEDRON: And Peter, I guess, I will take the question on the 15% guidance, it's all-in, so is considering the all ex-COVID business of 2020 and we project we are going to reach in 2021. Please remember that Q2, Q3, Q4 of 2020 and in the ex-COVID business of those of course 2020 was affected by a decrease in volume caused by COVID. Just on the top of my head, I believe that Q2 for example, the ex-COVID business was down give or take 35% and not only for us, but for your industry. I believe this is going to give you more ground to understand why we think 15% is a sensible guidance for the ex-COVID business in 2021.

PETER WELFORD: That's great. Thank you very much.

OPERATOR: The next question is from Scott Bardo with Berenberg. Please go ahead.

SCOTT BARDO: Yes, thanks very much indeed to taking my questions. And thank you for and providing some guidance framework for the full year which I think is helpful. And first question on the Group level guidance of 15% to 25%, I just want to understand this a little bit better. I think I understood your comment that at the upper end of the range, you are assuming that COVID remains broadly stable? So, with that in mind, I think you are suggesting that both serology and antigen compensate for the anticipated decline in molecular. I want to understand a little bit and please, with respect to this LabCorp tender, can you give us some sense of potential magnitude for the size of this opportunity and whether you include all of this opportunity within the upper end of your guidance framework or just partially, that would be helpful.

And secondly, and underneath this your routine business or your normal business growth that you are highlighting to be around 15%, I just wonder if you could help us better understand the first start…the start at the beginning of the start for this year, a 6% adjusted growth seems relatively low in the context of the sort of recovery growth that we have been seeing in the context of the rest of the industry.

So, I wonder if you could talk to any specific special items that would remain mean even adjusted growth where it is right now. And lastly, then on this 15% growth guidance for the routine business, help us to understand whether this is also including recovery from the declines last year or whether you are now starting to embed any material contribution from new product launches like LIAISON XS and others. Thank you.

CARLO ROSA: Okay. I will try to take the first question, I am not sure I understood the second question to be honest with you. But, we come to the first question

and at upper range of the…the upper range of the forecast here, I think that as said, what we are saying is that we now have a visibility on H1. And the upper range means that we don't have H2 in line with H1. I think this is undeniable that you are going to have, you are not going to go back to…unless this has to happen, right, but you are not go back to 1.6 million tests per day in H2, okay.

So we are going to have…we forecast that the molecular is not going to be as a strong as in H1, but we believe that you are going to have still a growing demand over the what they are projecting of 750,000 tests per day, which is what the consensus says about the current volume driven by [indiscernible] authority. Certainly, not going back to the 1.6 million, the delta there would be actually filled by tenders that as you know, has been public information, if the tender asking for 25 million tests per month, you have to divide in four quarters and last quarter clearly is looking for us.

The chunk of this business they are going to be providing solutions and combination of molecular and antigen and so in the upper range of the curve of the guidance, we see that we are not going to have a same contribution of molecular, same as H1, but what is going to bring you to the same level of overall COVID revenues is the fact that antigen will fill in. Hopefully, I cannot tell you what to expect, because then I will be actually…I would be talking about last quarter numbers, which I cannot do, okay. But, that is the way I interpreted or we tried to figure out the…of the range.

Second question, you are saying 6% is low? Well, let me tell you that it is very…I am reading I think the same thing you are reading about what other competitors, other companies are reporting. And I think it's very difficult to compare notes between companies, because in my opinion, if you look at last year in Q1, you had to asses, you have a relatively stable

U.S business, because U.S was not in the same situation as Europe. You had Europe growing especially in certain geographies because of stock effect, customers, especially pharma labs were buying lots of goods expecting a disaster in delivering and moving forward, because remember, we are closing borders, there were no flights and so forth in Europe which was not experienced in the U.S.

And then you have China, and China was actually thinking pretty much that in already from February and March, so depending on the weight of revenues of the different companies in this 3 environments, you would actually notice…you would see that you have a different effect on what is called [indiscernible], okay. This is why I am not trying to compare that we do versus others you know, because I don't understand how they define base or compare it on vis-à-vis their base business.

But let me just give you a grain of…let me just give you a number which is to be very interesting, if I now look at, look at '19, okay, 2019 Q1, and you look at 2000 and you look at now 2021 Q1, now we are talking about an improvement on the base business around 6% to 8%, okay [indiscernible] so don't the carve out, so the 6% in 2021 versus 2020 is different from the 6% to 8% improvement I am talking about versus 2019, which is all-in, and if I look now at that number, now I am saying that my base business is actually doing not bad.

SCOTT BARDO: I see that's great. Thank you. And given you…

CARLO ROSA: Does that make sense"

SCOTT BARDO: That makes sense. And given your 15% growth guidance to the base business, is just purely recovery Mr. Rosa, or are you expecting contribution from new launches already in that number?

CARLO ROSA: No, I believe that…look, we look at…you look at new launches, you are talking about the lean season, which we have the effect, you know we are launching the products in Europe and we ourselves had a lot of uncertainties about adoption guideline and so forth. So we don't see the effect this year. Now we have…and the new launches we are talking about mean at year end that the contribution in 2021 is going to be very low. The 15% is built on the fact that as I told you, the U.S is doing fantastic for us.

And on the LIAISON business with the gastroenterology and to play [ph] with QIAGEN and the fact that now, last quarter has started to use our own LIAISON XL solution for TB [ph] for which us and QIAGEN are extremely found of. So the growth is…the growth that is coming is actually coming from the current business and current programs that are actually taking place, especially in the U.S and with lots of emphasis on the hospital strategy that is staying, staying out as I said before.

SCOTT BARDO: Understood. Thank you. And very last quick one from me, just to be entirely clear. Is your new guidance framework now still proceeding your previous guidance of 40% or so growth in H1, or you still confident that you can achieve the sort of 40% H1 expectation within the context of your new guidance?

PIERGIORGIO PEDRON: Of course, this is Piergiorgio speaking, superseding, this is the new guidance, even though you know, back of an envelope calculation, and I guess H1 will land very close to what we said in the previous guidance.

SCOTT BARDO: Thank you. Thank you, guys. I will hop back in queue.

OPERATOR: Gentlemen, Mr. Rosa, there are no more questions registered at this time. I will turn the conference back to you for the final comments.

CARLO ROSA: Okay. Thank you, Operator. Thank you. Bye-bye.