DiaSorin S.p.A.

"First Quarter 2024 Results Conference Call"

Friday, May 10, 2024, 16:30 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 2024 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: Thank you, operator. Good afternoon, and welcome to the Q1 results. As usual, I'm going to make few comments…qualitative comments on the business, and then Mr. Pedron, our CFO, is going to take you through the numbers. As usual, I'm going to make my comments at the constant exchange rate.

So let's start saying that I believe we are leaving COVID behind. I feel that this has been the first quarter where from a business perspective, so not only from a revenue perspective, we really enter into the post-COVID world and the good, bad and ugly about it, but COVID is not a factor any longer.

As far as the DiaSorin is concerned, Quarter 1 was a great quarter. If I exclude the COVID revenues and same scope of consolidation, meaning that if you remember, last year we sold after Q1, our CF business. The business grew 7%. So it's in line with the higher range of the '24 guidance.

So what happened? Why is the business so good? I think what is very reassuring that the business is good in all the 3 legs that, as you know, we

cover. Our immuno franchise, continues to grow very strong, 9% quarter-to-quarter.

We're going to make some quantitative comments by geography. But fundamentally, as you well know, the reason why immuno is so strong is because we do have a menu that is a specialty menu that works very well in all the geographies and it's keeping us away from the path of the very large competitors. And by the same token, we do in a specific geography like the US, we do have, I believe, a very solid win in strategy when it comes to developing our business in the hospital segment. That continues to be the driver of the growth in the US together with some success in the large commercial labs, but primarily our growth in the US is coming from the strategy, and I'm going to add more color later.

Molecular is back to growth is plus 2%. This is due to the fact that certainly, there was a good flu season in Q1. By the same token, when it comes to a different quadrants that we used to depict the business, we are doing fine in all the technologies that we offer. And certainly, we are ready for the launch of the LIAISON PLEX that as everybody knows, will happen by June 01st.

Finally, LTG, which is 4% up which is almost incredible when it comes to…if you listen to comments coming from our customers that do play in life science, that are still experiencing soft quarters. As we, I think, discussed a few times, our LTG business is a combination of diagnostic and life science. So yes, we do experience some softness in life science, but certainly, more than compensated by the growth in the…of the partners business in the diagnostics. So all-in-all, LTG back to growth.

And then COVID as said, you know, we have expectations of hitting €30 million by year-end. We are at €9 million in Q1. So we believe that we

should get to the €30 million by end of the year. But again, from business perspective, COVID is becoming irrelevant these days.

Now, let's go back by technology first, and I would say, or better. Let's discuss about geographies. I think is more telling. Now, let's talk about North America and again, ex-COVID. We had an excellent performance of our immunodiagnostic business. There has been growth of 15% and this is, again, driven by the success of the hospital strategy. When it comes to molecular plus 4%, and again, this is notwithstanding the fact that we are still in Q1 affected by the loss of the cystic fibrosis business. This is, by the way, the last quarter where we had been last year. So starting from Q2 is going to be a clean comparison. Without the CF business, growth is high-single-digit when it comes to molecular. So it's good growth.

And primarily, this growth is coming from what we call the targeted segment, which means less than, so mono-PLEX or less than 3 PLEX. And this is a traditional molecular business that came from DiaSorin is based on traditional products in certain niches of molecular testing. Have in mind, HSV, for example, for transplantation or some other application.

And it's also…a chunk of it is ASR-related, and again, ASR notwithstanding you know, the recent discussion about the regulations, our business of ASR, which is serving the LDT customers in the US. We believe it's going to be shielded whatever the decision is going to be, because of 2 effects. The first one is that, the new regulation on the discussion is grandfathering in every application. It is on the market today. And by the same token, where the FDA is trying to impose to the industry is the fact that if there is validation by some of these technologies and this validation is submitted to some agencies that do actually regulate LDT testing.

That's okay. And the vast majority of the DiaSorin US customers are large commercial labs or very large hospitals, they do actually follow this regulation. So just to present a question that I know has been coming our way. We don't expect that whatever happens to the LDT, we don't expect that to affect necessarily our business. So when it comes to the US, as said, immuno very strong and molecular strong and ready for the launch of the PLEX.

When it comes to Europe, again, our European business is primarily an immunoassay business. As you know, traditionally, we have not developed our molecular business significantly, and we don't intend to launch the PLEX in Europe is a US play for Phase 1 for DiaSorin. So if we look at the European business, the growth of 6% is actually primarily driven by our immunodiagnostics franchise, which is growing 8 overall, driven by continuous volume improvement and add-on strategy to a very vast installed base of XL that we do have in the European market.

Now if you look at ex-Europe ex-North America, that together do represent 85% of our business. And we look at the rest of the world, the business is slightly declining 3%. But it's actually a combination of 2 things. Very good performance in China, |the very good performance in China means that in Q1, China did plus 13%. And although I want to caution everybody, that doesn't mean that all of a sudden, China is back in business, it means that there is an effect of favorable comparison to last year where still Q1 was relatively soft due to COVID.

And also, there is another effect on pricing, and this is because notwithstanding the fact that we have been awarded lifting in the VBP. So we now have access to thousands of hospitals that did follow the VBP tender. The tender is which we anticipated to start in Q1 really has been

postponed to end of Q2. And so, there is an effect of price cutting or price decrease that we were expecting that is delayed.

Notwithstanding all of this, you know, China over the last…during COVID times has always been a detractor to growth for DiaSorin. And when I made my comment at the beginning of this call, and I said COVID is back, it is finished. I think that also in China, now we're back to a regular business. That doesn't mean that again, it's not going to be challenging, but at least the market in terms of volume growth will provide a positive trend to our immunoassay business.

Then before we get to the numbers…let me just finish up…when it comes to the rest of the world, the negative…actually a constant perimeter it will be actually flat. Then we are not growing, because we do experience delaying revenues in the Middle East, because of the current situation. And I think it came up already a couple of years ago. We do have a significant business…a relatively significant business in countries that today, they're not formally under embargo, but clearly shipping products is becoming more complicated. And therefore, this is the effect that you see there. All the other geographies where we are direct Australia, Mexico and Brazil are actually growing high-single-digit or low-double-digit, okay? So not a real worry as far as we are concerned.

Last comment, as said, gearing up for the launch of the LIAISON PLEX, all the manufacturing activities have been completed. Inventory, now we have in inventory all the products that we need to launch. All the training activities have been completed and our US sales force is now eagerly out working with a very interesting customer base that is waiting for a reasonable solution for multiplexing you know, that the strategy of DiaSorin, I remind everybody is relatively simple. PLEX does allow

customers to achieve cost savings…significant cost savings vis-à-vis. The use of other technologies, Point #1.

And Point #2, which is also relevant, it does allow customers to being able to counter some of the issues that they are experiencing more and more with reimbursement because of the fact that more and more insurance companies are denying use of full panels and actually asking customers to adhere more to the guidelines, which restrict the use of the target that are actually reimbursed depending on a certain patient population. So we are positive about the technology, positive about the launch, and I think we're going to be then talking about it in Q3 and Q4.

Now PG please go ahead and take then to the numbers.

PIERGIORGIO PEDRON: Thank you, Carlo. Good morning, good afternoon, everybody, and thank you all for joining DiaSorin Q1 '24 earnings call. In the next few minutes, I will make some remarks on the financial performance of DiaSorin in the first quarter, and then I will turn the line to the operator for the usual Q&A session.

Q1 '24 total revenues at €289 million are substantially in line with last year, despite the expected decrease in COVID sales and the different perimeter of consolidation coming, as you might remember, as Carlo just reminded us from the carve-out of the flow cytometry business in Q1 2023.

The business ex-COVID is growing in the quarter at constant exchange rate by 5% which becomes 7%, excluding the flow business, therefore, in line with the higher range of the full year guidance. COVID sales in the quarter accounted for €9 million vis-à-vis, €21 million in 2023, thus recording a decrease of €13 million confirming our 2024 outlook, which is

calling for nearly €30 million. The FX impact in the quarter is not material.

First quarter adjusted gross profit at €191 million or 66% of revenues is substantially the same of last year. The carve-out of the flow cytometry business and all the initiatives aimed at improving operation processes and containing costs alongside a more structured approach to pricing allowed us to preserve margins, despite the inflationary pressure experienced in the last 18 months now muted and the manufacturing costs we are incurring into to set up our new plant in Shanghai, which has not started the production yet according to our plan. I believe this to be a remarkable indicator of the success of our efforts to safeguard profitability.

Q1 '24 adjusted operating expense is at €114 million, decreased by 1% compared to 2023 with a ratio of revenues of 40%, in line with last year. The fact that operating expenses have not increased despite the investment we have already discussed about it few times to support the MeMed acceleration program in the US. And the physiological yearly labor cost increase is a clear demonstration of our discipline in managing the cost base and the result of the synergies delivered after Luminex acquisition. Adjusted operating expenses negative for €3 million, substantially equal to 2023.

As a result of what we just described, adjusted EBIT at €74 million or 26% of revenues is largely in line with last year. Adjusted interest income at €2 million is slightly better than last year, mainly because of improved yield on our cash investment, whereas the adjusted tax rate at 23% is the same of 2023.

Net result at €59 million or 20% of revenues is once again very similar to last year. Lastly, adjusted EBITDA at €97 million or 34% of revenues is

in line with the 2023 and represents a very strong start of the year, considering that 2024 guidance is calling for a profitability between 32% and 33%.

Let me now move to the net financial position. We closed March '24 with a net debt of €749 million vis-à-vis €776 million at the end of 2023. This improvement has been mostly driven by the free cash flow generated in the fourth quarter, €42 million vis-à-vis €28 million in 2023. Therefore, recording an increase of 50% or €14 [ph] million. The variance with last year is mostly due to the fact that in 2023, we had some negative phasing issues that have not repeated in 2024.

Lastly, we confirm 2024 guidance, which is calling the previous year exchange rate for an increase in revenues ex-COVID of 5% to 7%. With COVID sales at about €30 million and an adjusted EBITDA margin of 32% to 33%.

Please remember that as discussed during 2023 year-end call, the guidance does not include any possible negative impact from the payback in Italy, consistently with the position we took last year at the light of the latest legal development.

Regarding this matter, let me please remind you that DiaSorin as many other, I would say, almost all the other diagnostic companies in Italy decided to continue its legal dispute, which might take 3 years before reaching its conclusion. We will keep on monitoring the evolution of this complex and changing situation and update investors as soon as something happens.

With that said, let me please turn the line to the operator to open the Q&A session. Thanks.

Q&A

OPERATOR: Thank you. 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." We kindly ask to use the handset when asking questions. Anyone who has a question, may press "*" and "1" at this time.

The first question is from Marianne Bulot with Bank of America. Please go ahead.

MARIANNE BULOT: Thank you very much. Thank you for taking my question. Maybe the first one, can you please provide some color on what drove the 34% EBITDA margin in this specific quarter? And obviously, if you compare it to the guidance range, 32% to 33%, that's a bit above. So maybe could you comment on the phasing you're expecting for the rest of the year? Thank you.

PIERGIORGIO PEDRON: Hey Marianne, this is PG speaking. Yes. So we were expecting in our budget to have, let me say, a little bit better Q1. If I think about the phasing of our budget, so Q1 was slightly better than the following quarters. But actuals are a little bit better than our expectations, you know, the remaining moving part is not that easy to forecast variances of less than 1 percentage point. But nevertheless, I think Q1 came stronger than our expectations, considering a budget in which Q1 is anyway a little bit higher than the remainder…the other quarters of the year. And this is mainly because of the phasing of our operating expenses. If you go back and look at the phasing of our OPEX by quarter in the previous year, so you would see that usually, there is an increase towards Q3 and Q4, which

is in our projection. That's how we built our projection. Nevertheless, once again, Q1 came in a little bit stronger than what we originally projected.

MARIANNE BULOT: Okay, Thank you. And maybe if I can squeeze a second question, maybe more for Carlo. Could you provide a little bit of an update on the LIAISON PLEX and kind of what you're expecting into this year?

CARLO ROSA: As you know, I can't. Again, the only comment I can make is that, I think we did our homework. I believe that we have a strong positioning, which I think, should be understood very well, especially for people that have been following DiaSorin for many years. We have always positioned the company as a specialty company and pointing on the technical performance of our product. That was the immunoassay in a way also we continue…we followed that positioning with our MDX products, right, where we go specialty, and this is where they're growing very…that franchise by the way, including ASR is growing very nicely. In this case of PLEX, it's way simpler, because it's a financial consideration by the customer that can verify very simply, simply looking at the prevalence of the disease in their population of patients.

And again, second element is usability, it's a modern system than some other the platforms that are out there, simply for aging reason you know, some of those were launched 10 years ago. This is simply 10 years later. And I think is a no-brainer, if I may define it. It's a no-brainer positioning, okay. So I think we'll talk about it in Q3 and Q4 after launch, and I'll give more color about what's happening in the US.

And again, please let's make clear everybody to understand is a US launch because we do not intend to dilute our efforts outside the US. And we believe that Europe is going to be our second priority, but it's a 2025 story.

The whole company is focused on a successful US launch that as everybody know thus represent 70% of the syndromic market.

OPERATOR: The next question is from Andrea Balloni with Mediobanca. Please go ahead.

ANDREA BALLONI: Yes, good afternoon and thank you for taking my question. My first one is a follow-up on PLEX. If you can give us an update in terms of the feedback you are receiving from your clients?

And my second question is another follow-up again on margin. I understood your point, that Q1 was expected to be anyway stronger compared to the rest of the year, but I also understood that it was even stronger compared to your expectations. So I was wondering if we can assume for full year profitability closer to the top range of your guidance, which is in the region of 33%?

And my very last question is on the immuno division, now that has reported a quite impressive trend in Q1. If you could elaborate a little bit on this growth and the main driver in terms of test in case you have experienced any other strong performance for some specific products? Thank you.

CARLO ROSA: Andrea, will take the last question, right, on immuno, and the PLEX and then I think PG is going to elaborate on the rest.

Look, immuno, I define immuno as a carrier in the fleet because it's big is solid. It's based on complete menu, is working off an installed base of thousands of systems, very much appreciated by our customers. And it continues to be the result of a strategy that was devised 15 years ago and always been very successful, as I think we discussed many times, for a

very simple reason, we've been extremely careful to stay away from the path of the Gorilla, and very focused into specialty areas, which do provide interesting opportunities if, again, you are global, you have an installed base and you have a credibility with your customers.

More specifically, I believe that if I may name some QuantiFERON has been a very successful partnership with our friends at QIAGEN. They've done a phenomenal job in building a franchise on quality and the fact that they transition to a recognized quality platform clearly is providing to customer easy access to products…our product that is still growing in terms of demand worldwide. So it's making a very good test, very much simpler.

Second is a stool franchise that is growing even more than our QuantiFERON, they go quite often together because it's part of this set of specialties that customers want to see, perform together in a platform, and that's great. And so, also there with the competition that we have is pretty much our ability to continue to supply good quality and work with customers to provide clinical data to support the adoption of this assay.

Last, that I want to comment, you know, we never discussed about it, but at the end of the story, similar size of business is our infectious disease franchise and the hepatitis, and you know, if you look at our hepatitis menu together with our HCV menu, because of the fact that, for example, hepatitis C, it does today because of the viability of treatment, the use of it is increasing dramatically around the world, and testing clearly is important for the diagnosis. We do enjoy a very nice growth as well in this…what you would call Me Too [ph] product line, Me Too meaning that the Gorilla…all the Gorillas have it. But as we have indicated several times, we are not only a specialty company. We drive placements through

the specialty and then we get customers also to use some of our high-quality infectious disease products.

So long story short, I believe that together with the hospital strategy in the US, we've been talking about it. We've been executing on it. We have been investing on it now for many years. And the fact that we now bring to the market innovation like MeMed, for example, which I keep saying has a very tangible and very much intangible value for DiaSorin, because it's a door opener for the SA and others to come on the same box.

And to come, we have the LymeDetect, which is very exciting for me because of the fact that it does solve a clinical problem for customers. And more than that, I believe, we were able in the US to find special relationship with some of the major operator's that are going to help us actually to diffuse and educate the customer. So all in all, I'm very, very comfortable with the position of the franchise.

When it comes to PLEX, Andrea, I believe I said enough, right? Now jury is out, is a simple message. I'm…sometimes I'm saying, as it happens in many cases, with technologies, you get to a point where you need to democratize technology, meaning that…and that typically happens through either an effect of price. We've been there with Vitamin D, by the way, many years ago, but it happens all the time.

And the second way to do it, if it's not prices, just make it for the customer, reduce the cost in use, which is what we are trying to do. So I believe that the business, which has been developed in an incredible way by BioMérieux [ph] they did a phenomenal work educating people and explaining syndromic, getting reimbursement now is big enough that it requires sort of innovation, both, I would say, from smaller panel, yes, although we all know that the vast majority of the business is respiratory

or by innovation in the way that the test is performing. And I think we're bringing to the table a new concept in terms of the way to use it, okay, flexibility to customers. That's it.

PIERGIORGIO PEDRON: Hi, Andrea. This is PG speaking, going back to the margin question. You really need to allow us some flexibility here. It's just the first quarter. What I can say, I guess, is that I feel very comfortable with our guidance, which let me remind you, it's calling for 32% to 33%. I think its early days to say if it will be more close to 33%. But certainly, it has been a good start of the year and a little bit better of what we expected, which is encouraging. And then we see, we have 3 quarters in front of us, but once again, happy with how we started 2024.

ANDREA BALLONI: Thank you PG. And just follow up on the margin, clearly understand your point. Just wondering, if you see anything that could go wrong in the next 3 quarters that could affect your profitability?

PIERGIORGIO PEDRON: The big question mark, I've already discussed about the payback thing, right? But there, you know, it's going to be long. It's going to take 3 years or so. I don't think it's going to be an issue over the next 3 quarters. And then it's very difficult to say. I mean from the visibility I have now, I would say, difficult to imagine some material headwind. But again, you know, more than that, I don't have a crystal ball, right? So I cannot tell you everything that we think might happen has been incorporated in our guidance. Let me put it differently.

ANDREA BALLONI: Okay very clear. Thanks a lot.

OPERATOR: The next question is from Giorgio Tavolin with Intermonte. Please go ahead.

GIORGIO TAVOLINI: Hi, good afternoon and thanks for taking my questions. The first one is on the ARIES conversion. I was wondering how is progressing, if you have already withdraw most of the platform. So basically, you migrated most of the 70% of the client that you were targeting on the…to the LIAISON MDX?

The second one is on the QuantiFERON, I…we saw some headlines very recently regarding a launch of a new automated…fully automated product for the diagnosis of tuberculosis testing by a US player. So I was wondering if you had any comment on this competition if you saw any competition from this product. And if you are still targeting the registration in China for the QuantiFERON in 2024. So when we should expect some update on that? Thank you.

CARLO ROSA: Giorgio, I will take the QuantiFERON one. I think what you are referring to when it comes to the new launch of new automated assay is the Oxford, which is an attempt to, let me see automate, and I say that fundamentally is for…is a very, very nice research tool, but it's very difficult for it to become a real product to the market. In fact, if you look at where the assay is used today, to my knowledge, the only significant volume done with that assay is at Quest. And Quest is actually using for half of their business, I believe the QuantiFERON…traditional QuantiFERON assay, and half of the business is with this technology. But they offer it as using an LDT that they develop. So using a product that fundamentally they bought is a facility, a lab where they performed this assay because it's extremely complicated. So it is very difficult to be decentralized. So not a worry, to be honest with you.

When it comes to QuantiFERON in China, yes, we are doing clinical studies, you know, that these days, the registration in China takes forever. But yes, we are doing clinical's with QIAGEN to get the registration of the

of the LIAISON product in the Chinese market. The Chinese market is vast in terms of clinical issues, meaning that TB is an issue in China. It's a relatively small market when it comes to testing because still they do…either they don't test or they do a lot of skin test and/or they do x-rays. Okay. So it's certainly an opportunity. It's a market to be developed, but nothing comparable to what we see as an opportunity clearly in the US and in more established markets.

DRS conversion, yes. DRS conversion is said ongoing. We made the last manufacturing lot in April, distributed to customers and proceeding to the conversion, I think that we're going to achieve easily the target that we indicated. But from a revenue perspective, it's a relatively small business. I think that it is needed for us. The real added-value is that we reduce complexity in manufacturing and service and so forth, because we expect that the uptake of the PLEX will clearly need those resources. And this way, we actually did it. Okay? And it is our intention to kill it as fast as possible exactly for this reason.

GIORGIO TAVOLINI: Thank you, Carlo.

OPERATOR: The next question is from Kavya Deshpande with UBS. Please go ahead.

KAVYA DESHPANDE: Hi, guys. This is Kavya from UBS. Thank you for taking my questions. I've got 2, please. The first is on the immunoassay business. So I was wondering if you could provide any color on the number of US hospitals that you've added to the customer base. Just how much progress you've made on the target outlined at the Investor Day, I think it was 600 by 2027, and you were around 300 at the end of last year. So that would be great.

And then my second question was around reimbursement pressure in multiplexing. It's been picking up a lot of press as well. And you said that you're also seeing increased cost sensitivity driving more interest in the PLEX. Is this budget pressure affecting mainly smaller labs in the US or is it more broad-based? Thank you.

CARLO ROSA: Hello Kavya. No, it's…actually, the concern is nothing to do with small or big, because it has to do with the payers. And therefore, pressure is on, and it makes sense to rationalize testing because honestly, if you look at clinical data, it doesn't make sense to use a multiplexing with '17, '18, '20 target is a screening…screening, meaning everybody is showing up with a symptom you are on 20 test, it doesn't make sense. And you start to see rejections because there were…there was a very specific reimbursement scheme that will allow you to do perform up to the full panel to a certain population. And I think my sense is that hospitals and commercial labs have been actually using it outside these boundaries until recently, there was not…nobody was paying too much attention, but then starting from the Palmetto moving forward, there has been increasing attention because it's a lot of money in terms of reimbursement. And so, yes, I think this is the right time to bring a product like PLEX to the market because you're providing an answer to a concern okay?

On the immunoassay, on the hospital strategy, look, I think we've said it a few times, we have mapped the US opportunity in terms how many hospitals out there would fit with the DiaSorin product offering, right? And we said around 2,200 hospitals, give or take, would actually be the available market in the US for the kind of the system we offer, kind of menu we have and so forth. And today, we have roughly 350, right, roughly that we are offering, that we are serving. And we have fundamentally an objective, a target to have add 100 per year, right? And

we do have…and this is what we have been experiencing when we started this program, and we continue.

We continue to see requests and we have a backlog actually. We have a backlog of 2 months of installation in the US, because as I said, we are…you know, you've been sent to work with the DiaSorin recently, but we are known to be cautious when it comes to OPEX. And so, we have, what we would believe is the right infrastructure to serve the business at a reasonable cost to the business, right?

So long story short, we have a runway. We have, I think, a very positive response from customers now for a few years. |We have the menu and we are adding to the menu. To me, what is very relevant, Kavya, is that we're not leaving…we're not arriving the way we are getting ready for the next wave with assays that do go to the same account. So now you're going to feed the base. And this is the LymeDetect. This is what we discussed about the Calprotectin 3.0 plus a series of products. We don't talk about, which is interesting, which goes back to the DiaSorin 2.0, so the Phase II of DiaSorin life, which every year, we continue to launch 2-3 products that we call fillers, and these fillers are actually they go on the installed base. So they don't revolutionize diagnostic, but they go back to the basic principle of making diagnostic simple for these customers, right, which you do contribute certainly to the growth and to the appreciation of our product offering.

KAVYA DESHPANDE: Sure. Thank you very much. That's very helpful. Thank you.

OPERATOR: The next question is from Gaurav Jain with Barclays. Please go ahead.

GAURAV JAIN: Hi, Thank you. This is Gaurav Jain from Barclays. So I have 2 questions. One is on your organic growth rate, so we have seen from a lot of your

competitors that pricing and hyperinflationary countries like Argentina, Egypt, Turkey, flatters the organic growth rate. So would you be able to quantify for us you know, how much would be the benefit to your organic growth rate from this dynamic?

And second, my question is you know, again on the margin questions that were asked. So correct me if I'm wrong, but I think your immunodiagnostics business is lower margin because you have the royalty payment to QIAGEN. So despite the fact that your lower margin business is growing at a higher rate, your margins are still expanding, which would mean that your underlying margins are expanding even more than what we see on the first page of your results. So is that the right way to think that your underlying margin expansion is happening despite an adverse mix shift?

CARLO ROSA: Gaurav, listen I'm a little bit embarrassed because immunoassay is actually not dilutive. It's actually the franchise that traditionally is pushing the highest margin. And so, the fact that in the mix immunoassay grows, it actually pushed the margins in the right direction. Then we have discussed about the fact that within immunoassay the fact that we pay royalties to QIAGEN is dilutive to what the margin should be. But the growth doesn't come only from QIAGEN from TB. And therefore, overall, certainly, QIAGEN would be dilutive if we would represent 100% of the growth, but it does not represent clearly 100% of the growth. Okay.

I'm a little bit lost in the first question because Argentina…can you just repeat it, just one second, what the question was about?

GAURAV JAIN: So see what has happened with some of your peers, let's say you have you know, just for numbers purposes, let's say you have a business of 100 in Argentina and the currency is depreciated by, let's say, 50% for everyone,

and then what a lot of companies have done is that they increased prices by 100%. [Multiple speakers] but on the organic growth rate, you are essentially showing 100% revenue growth rate in Argentina, but practically it's zero. So can you just remind us how do you account for these hyperinflationary currency?

CARLO ROSA: Listen, fortunately, most of the business by choice, is 85% of our business is US, beautiful US and in Europe. Unfortunately, for us, Turkey and Argentina, all these lovely countries are not a market. We are actually working in markets like Mexico and Brazil and India where you don't have this problem. So long story short by geography, by the mix we have we don't experience this effect of having to increase pricing or opportunity depending on you see it, increasing pricing in markets where you have a very high inflation, which I thought was your question, right?

GAURAV JAIN: Yes, that's exactly what I was trying to…

CARLO ROSA: Okay. Thank you.

GAURAV JAIN: Thank you so much.

OPERATOR: The next question is from Shubhangi Gupta with HSBC. Please go ahead.

SHUBHANGI GUPTA: Hi. Thanks for taking my question. So my first question is on your guidance of 5% to 7% ex-revenue growth. So if...especially related to the life sciences business or the LTG business, so if we think about the larger life science peers, most of them are talking about H2 weighted recovery. So what are your assumptions about license recovery? And if...and what are the assumption that's built into the guidance?

Second, on the margin phasing, so you mentioned that you haven't seen VBP impact, which was anticipated in Q1 and you expected from end of Q2. So should we think about Q3 and Q4 having like a headwind from this VBP impact on margins? Thank you.

CARLO ROSA: Hi, Gupta. Listen, let me start first from VBP. It's very marginal. Let me put it this way. I think we were talking about €3 million annualized right. And now, what we're seeing, which was embedded in a number in our forecast. And now, we see that you know, the €3 million are not going to be there, simply because VBP has been pushed, right, to second half of the year. But we are talking about very small numbers in terms of effect. By the same token, I believe that the fact that we are in a VBP list. So now we have been granted access to thousands of hospitals that are in that list, and now they can buy from us is providing an opportunity. My comment was more related to the fact that plus 13% in China in Q1, which is a great result, should not be taken by anybody like saying, hey, you know, China is back to double-digit growth because we continue to see that China is...we need to watch out. China is an opportunity long term. Short terms there are a lot of question mark on that business, which, again, for us, overall, is less than 3% of our turnover. So again, not marginal.

When it comes to the guidance LTG. Look, we said that it is going to be...now in fundamentally, the 4% that you saw is a combination of decline in life sciences. Everybody is reporting, because don't forget we fundamentally, we sell to the companies that eventually sell to the life science customers. And so, what they report is fundamentally reflected on our numbers. So our life science business is declining. So by the same token, you know, as everybody, not only DiaSorin, but several companies are reporting good numbers on the immunoassay side, our diagnostic franchises does benefit from this success. If in the second half, we will see a recovery from life science, certainly, we could have a positive

impact on our LTG business, right? That is a fair determination. But at this stage, I think we should really be waiting and seeing what happens in the summer.

SHUBHANGI GUPTA: Thank you. And if I could just squeeze in one quick question. So regarding the immunodiagnostics business, can you give a sense of what part of it is QuantiFERON?

CARLO ROSA: Gupta, I'm afraid. I would love to give it to you, but I would give to every competitor that is listening to this call. So I'm not. I cannot disclose that number.

SHUBHANGI GUPTA: Okay. Fair enough. Thank you.

CARLO ROSA: Thank you.

OPERATOR: The next question is from Odysseas Manesiotis with Berenberg. Please go ahead.

ODYSSEAS MANESIOTIS: Hi. Thanks for taking my questions. Firstly, Carlo, I understand most of your license tech customers may include larger labs and they have gotten LDTs cleared already hence not quite impacted by the ruling. But wouldn't the FDA ruling on LDTs affect new business by making it more difficult for customers working and you help using your xMAP platform?

CARLO ROSA: Again, we're talking about our ASR…we are talking about…we are talking about our ASR business, right? Okay, the ASR business actually goes on the MDX platform is not an LTG business per se. And as I was saying, so that is a business that DiaSorin had prior to the Luminex acquisition, nothing to do with Luminex. And as said, I don't see this

honestly an effect on this one, because the customers that we serve do already go for licensing and certification for their LDT applications.

The ASR business is being a molecular business. Initially, 10 years ago, it was fundamentally very much widespread in the US with large and mid-hospitals. What happened because of the fact that there has been an increasing pressure on technicians an experienced technicians and PhDs that are actually needed to develop these assays. Fundamentally today, the business is concentrated with a few very large customers.

And yes, talking about Quest Lab Corp, Sonic, Kaiser Permanente, the major teaching institutions in the US, which do have resources to actually do validation and submit for licensing. So this is why I'm saying we are going to have an impact...that is going to have an impact there regulation is going to have an impact specifically on our business.

ODYSSEAS MANESIOTIS: Understood. So from what are you saying for your regulatory business on the license tech side that's not marketed as an LDT?

CARLO ROSA: No, they are not. Actually, what we...and now I understand your concern…your question. The diagnostic side of our business…of the LTG business, okay, it's actually made of companies…diagnostic company, very reputable companies. I cannot name them, but you can…mainly if you look at the product category, you know who they are, that actually have 510(K) products. So you're talking about legit [ph] diagnostic IVD products that are registered and sold in Europe, the US and China, all across different geographies and register. So that is not touched at all by any LDT because it's not on the LDT business.

ODYSSEAS MANESIOTIS: Understood. Thank you so much. And one last follow-up, if I may. So on QuantiFERON pricing, given the lower competition here,

would it be fair to assume that that is your most profitable immunoassay, and to help with modeling with potential competition. Would a 20% price cut here be very material to margins. Is there any metrics you could help us with?

CARLO ROSA: Again, as said before, I can't. But I can make a statement. It's certainly not the most profitable assay that we carry. In this business, the margins come from things that you make that you spend money in R&D, you develop, you register, you manufacture yourself? And we have our immunoassay portfolio is, what…€600 million, give or take…€600 million, €700 million and the vast majority of it is DiaSorin made. QuantiFERON is a product that adds value to the platform, certainly because of the increasing use of it. It does carry satisfying gross margin but is not to the level of everything else we make and does not represent if you compare it to our overall business, such as significant business that price increase would be significant for DiaSorin…price decrease…not increase…decrease.

ODYSSEAS MANESIOTIS: Thank you for taking my questions.

OPERATOR: The next question is from Maja Pataki with Kepler Cheuvreux. Please go ahead.

MAJA PATAKI: Hi, good afternoon. Thank you for taking my questions. I have 3, please. Thank you very much for clarifying on China, the €3 million. Could you remind us what kind of pricing impact you were embedding in these €3 million that would be my first question?

My second question, Carlo. Could you elaborate a bit on how the sales process is going to work for the PLEX, because you have the panel price, but then you also have the credits? So is it going to be basically all the

products will be the basic panel prices like whatever it is, whether it's 60% or 70% of the entire panel? And then there will be just a continuous credit system filled up on at the client side, which they then can use just to understand a bit the billing process, how that works, that would be very helpful.

And then my second question, also to you, Carlo, please. Prior to COVID, the outpatient part of the syndromic market was around 20%, was hotly debated back then when the first Palmetto cut came. Where do you think or how big do you think your outpatient part of the syndromic market is today in the US? Thank you very much.

CARLO ROSA: Okay. Let me start from the last, the last for the best. From our current business is 50:50 give or take, right? So we do have a syndromic business, as you know. And today, we see 50 outpatients 50 in patients.

Second question, which I love, the PLEX credit. It's a very simple concept. So you buy a basic panel, which is made of 7, 8 results, right, which are the most common prevalent viruses bacteria that you experience in your population. And you pay a price. Then you run your assay, and if you are on a certain account or certain patient, you really want to...you run the basic panel and its negative, right, is negative. Now you suspect that, well, it's not one of the prevalent ones, this one of the most rare one. Then you have a credit that you buy. And just for reference, okay? And it's not the actual price. It's just a simple number, it's $1. So you buy 1 credit is $1, okay? You buy…the hospital buys 500 credits and is a QR Code. Right?

And now, they want on that specific patient, they want to open up results. So they download from the credit they bought $1, and then they open a result. And they want to do another one, another $1, another result and so

forth. It's a very simple one, it's managed through the software of the system, and it's very intuitive and very simple, because you buy fundamentally 2 things, right, as a customer. You either buy the kits and that comes with the basic panel and then you buy a credit, right? It's like your telephone, if you think about it, when you were buying the cards to be used on the phone is the same story.

MAJA PATAKI: And then just other…can I just have a quick follow-up here, Carlo. The credits, I guess, they can be down…they can be purchased immediately online 24 hours, right? That's super easy. So in case it's not possible that your customers will run out of credits and they didn't notice. In such a case, they could just go online and immediately download credits like with a computer game or something?

CARLO ROSA: No. Actually, it's different. Since you expect that you may have an emergency and you don't have credit, we do allow them to have a certain number of not negative credit, but…they can actually overuse, right? And then next morning, they can buy and fill it, right? So it's not that if you are at zero, you're locked out, right?

MAJA PATAKI: Okay. Got it. And just 2 clarification questions, please. You referred to your split outpatient/inpatient 50:50 for the existing Luminex business. Do you think this is a representative of the market or do you think it is ore, you know, was very Luminex specific?

And the second question, the 7 to 8 pathogens that you were giving us as a basic, I guess, that was just a reference, it's not 7, 8 pathogens that you will have in the basic package?

CARLO ROSA: Listen, no don't forget, I'm a CEO of $1.2 billion Company. I don't remember the details about the market. So outpatient/inpatient, I can refer

to what it is. And certainly, I'm going to get myself educated and come back to you with a better number. But today, keep in mind that our business in the US, the VERIGENE I business is fundamentally midsized hospitals and commercial labs. So I would expect that what we see is fairly representative of what the market is today. But Maja please on this one, don't quote me because...

MAJA PATAKI: No, I won't. Okay, I was just wondering.

CARLO ROSA: Yes, I think you had a question…

COMPANY REPRESENTATIVE: VBP.

CARLO ROSA: Yes, i am sure it is 50%, this is what...

MAJA PATAKI: Sorry 5 0 or 1 5? I didn't...

CARLO ROSA: No, I wish it's 5 0. This is true for…it is true for everybody. Fundamentally, this VBP has been issued for this. And but you're talking about 8. So the VBP was taking care of 17…around 17 products, right.

COMPANY REPRESENTATIVE: 23 provinces

CARLO ROSA: Hepatitis and some of the thyroid, some [indiscernible] Me Too products high volume. And it was pretty much everybody, I think, participating and being awarded had a price cut in the range between 50% and 60%.

MAJA PATAKI: Okay. Great, thanks a lot.

OPERATOR: The next question is from Aisyah Noor with Morgan Stanley. Please go ahead.

AISYAH NOOR: Hi, good afternoon Carlo [indiscernible]. Just 3 quick questions. The first one is where are adoption levels today for MeMed? And do you think it's growing at a level where it could be a significant contributor to growth in 2024 or 2025?

Second one is also on MeMed. There was announcement from MeMed this week that they chose Beckman Coulter to distribute the MeMed test on their MeMed key platform, which is FDA-cleared. Do you think this might compete for your volumes among the hospital customers you currently have or will it be complementary to your approach?

And then the third one, just a clarification question on China. Did I hear correctly, it was 13% growth in Q1, and you are expecting a positive growth for China in 2024, because this would be somewhat more optimistic than what your peers are expecting from China this year? Thank you.

CARLO ROSA: You know, I'm not an optimistic guy, so difficult for Me Too be optimistic. China, I'm saying that 13% was a great result in Q1, but I don't think I said nobody should get overexcited, because I share concern. And actually, I was one of the first to say, hey, watch out on China. I share the concern that the market is a difficult market. So Q1 was a surprise. It was though a favorable comparable because last year Q1 was still very light in terms of volume, because of the tail end of COVID. I'm saying moving forward, I expect that 13% to be diluted because now you are comparing to a normalized situation and also you are back to where everybody is, price cuts and so forth. So at the end of the…I believe that we may end up closing the year flat or modest growth. But certainly, there is no reason why we should continue to grow double-digit.

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MeMed, okay, let me start with Beckman. I think, listen, first, I always stated that good news, there are more people in this…playing in this field because the major hurdle today in developing the business is educating people. So the more you educate, the better it is. The announcement about the strategic relation and MeMed and the key distribution, we do have the key distribution ourselves, so it's the beginning, right? And why is it? Because...and this is what Beckman will not be able to offer. When it comes to this test, you always have a 'hub and spoke' strategy, because you go to these hospitals. You know these hospital networks in the US quite often. There were core lab…central core lab and then you have the actually smaller clinics where they shut down all the labs and the left emergency, right. So when you go to this hospital network, you need to be able to provide in the center a higher throughput machine and in the periphery. For emergency, a smaller platform. And we adopted since the beginning, the key is clearly the element that allow us to provide a full solution for the customer that Beckman today doesn't have, and will have when they're going to be launching on their high throughput platform, the product, okay.

MeMed, overall, as said, we will, I think, make a comment on MeMed at the end of the year because we are going to have enough experience with the uptake in terms of transforming the adoption into guideline. I think I made a comment saying that the problem with MeMed is nothing to do with the clinical validity now has been validated to the moon. There are publications on New England medicine lancet; MeMed itself did a great, great job. We're doing that.

The problem again is for a busy doctor to go and say and take it and put it in the guidelines so that such that when the patient comes in, the patient is actually tested as part of the algorithm of the hospital. And what does it mean? And why is it so difficult to everybody is saying? It's very simple

because either you say, everybody walks in with a certain symptom and get tested, which it doesn't happen or the doctor should say, okay, if you walk-in and you are a pediatric, you always get tested or you are immunosuppressed and you always get tested, and with an assay that has a certain cost, they don't test everybody that walks in the room, okay.

And this is what I call education. So maybe to better qualify it, the education is not a clinical education. I feel these days because and some of you call hospitals and call doctors and said, "hey, what do you think about MeMed." And everybody said, "yes, we know it is a great product." So the door is open these days. Is more put it in practice, make it part of our guidance and then start testing. And again, as I said, we're going to comment on it by year-end. But I think I reiterated this concept several times.

For DiaSorin specifically, that is not a one-trick pony, but we make our living in immuno with 120 different products we offer. MeMed is a phenomenal door opener, because it's an innovative assay and customers and hospitals really want to hear us talk about it. And when you open the door, you opened the door with also the traditional products, right that we can offer. And this is why I'm saying there is an immediate value that is intangible, meaning that open the door and start selling tool, while the doctor is working on actually getting the guideline ready, so that on that box that we are placing now and also MeMed. I hope it's clear.

AISYAH NOOR: That's very clear. Thank you.

CARLO ROSA: Thank you, Aisyah.

OPERATOR: The next question is from Hugo Solvet with BNP Paribas Exane. Please go ahead.

HUGO SOLVET: Hi, guys. Thanks for taking my question. I'm left with 2. First on the US launch for the PLEX. Just a clarification, is it something that could move the dial-in 2024 relative to your guidance and what is actually baked into your guidance in terms of installed base or sales if you can clarify a bit here. Thank you.

Second, just a follow-up on MeMed, are you able at this stage to maybe give us a bit more detail on how you guys will split market access with Beckman. I'm not sure I quite understood your earlier comment, Carlo, and maybe if you can give us a better understanding on what's the overlap between your installed base and that of the other partners of MeMed. Thank you.

CARLO ROSA: Hugo, sorry I am…I don't understand actually, the second question on Beckman on MeMed. Let me and then PG is going to take the one on PLEX. I'm saying today that what was announced yesterday by Beckman, if this is your question? What really they announced? They announced that they took distribution of the MeMed key. MeMed key I gave it for granted, but it is a small…very small system, is a mono test that MeMed has in the US, they don't distribute, they try to distribute it themselves and then they fail because they didn't have a commercial organization. And it's one test at a time and is very good for the emergency departments, so very small labs, as soon as…because it's one test at a time. As soon as the volume goes up, then it is honestly worthless.

In a hospital system where…the hospitals system organize with 1 core lab serving 10 hospitals and then 10 emergency small labs in the periphery of the hospital in the smaller clinics and so forth. It is very relevant to provide a combined offer where you offer the MeMed key for the small clinic emergency rooms. And in the core lab hospitals, you put your high

throughput analyzer. So DiaSorin, since the beginning, had the ability to take the key and take key is the name of the MeMed assay and take the DiaSorin assay and offer to the hospital hub and spoke, right? I place both, core labs, the XL [ph], the key in the small lab.

What Beckman announced yesterday they did the key, so they're going to go out and work with the key, which is to me is great, because they are going to be working and educating, but they're missing the hub component. I don't know when it's going to come because they never ever, I think they never gave any indication of expectations in terms of approval in the US. And I hope that this is answer your question.

HUGO SOLVET: Yes, it does. Thank you.

CARLO ROSA: Okay. And then regarding PLEX, PG?

PIERGIORGIO PEDRON: Yes, the PLEX guidance, certainly, in our guidance, we made some assumptions in terms of the PLEX contribution, so it is baked into our guidance. That's the short answer.

HUGO SOLVET: Okay. Thank you.

PIERGIORGIO PEDRON: Thank you.

OPERATOR: Mr. Rosa, there are no more questions registered at this time.

CARLO ROSA: Thank you, operator. Bye-bye.