Diasorin S.p.A.

"Full Year 2023 Results Conference Call"

Friday, March 15, 2024

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 Full Year 2023 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 morning, good afternoon to everybody. Welcome to the 2023 full year results. As usual, I'm going to make some initial strategic remarks, and then the Chief Financial Officer, Piergiorgio, is going to take you through the numbers.

As a general comment, let me say that 2023 was a very busy year. It was the second year after the acquisition of Luminex and has been…we completed our integration plan with the company. And I would like to say that by December of last year, integration is done. The strategic role of Luminex has been defined. The senior leadership team has been set in place. The branding of Luminex has been defined. And today, Luminex is a brand that we are using just for our LTG products, whereas all IVD products, molecular and immuno goes under Diasorin.

From an operation point of view, we have invested heavily in our quality system. And I think it's noteworthy that we have closed the warning letter with the FDA. And we have completed our investment in manufacturing in Chicago plant, and we are on the way to complete also the California plant where the NES manufacturing will happen.

And as a consequence of a lot of good work from a lot of people, we achieved, I think, a milestone for the company, which has been the approval of our LIAISON PLEX instrument together with the respiratory panel.

This is clearly a milestone because we got the instrument approved. And therefore, from now on, it's going to be just assay. We already filed our second panel for the sepsis for the blood. And then by Q3, we're going to submit the other 2 blood panel and we're going to complete with the GI early next year.

So it took longer than originally expected. But I think as we discussed during the presentation on the long-term plan, we decided to hold on until the quality of the product and the platform was guaranteed. And we…and also the quality system of Luminex was set in place properly. And I would like to say results achieved.

When it comes to the immuno, 2023 has been…as we will see later, a very successful year. We had double-digit growth in all the main geographies. Clearly, US, has been over exceeding expectation. Europe has been growing solid growth in the European market, which we have been discussing few times, is certainly for Diasorin in a more mature market, but notwithstanding that the strategy is working in Europe.

And Notwithstanding the fact that China has been a drag, we will discuss about it later. In China, I think we achieved 3 strategic goals. First one, we have local Chinese leadership…senior leadership in place.

Second thing, we have initiated…we have started manufacturing of the LIAISON reagents for the Chinese market to follow the China for China

strategy, and instrument with our parallel stratec [ph] on site, and we're going to have then the instrument clear for the Chinese market soon.

And the third element, which is fairly important, we have been approved under the VBP and therefore, we'll be able to sell in several provinces, our…some of our initial menu. So notwithstanding, the fact that China has been a drag in 2023, we believe that 2024 is going to be the business. We expect it to be stabilized and possibly in the second half to start to see growth.

So if now we get to discuss in more specific the numbers and we start from revenues. As usual, I'm going to comment my results in…at constant exchange rate. If we look at the total revenues, net of COVID and net of respiratory, the overall business grew 4%, which is in line with the guidelines, notwithstanding the fact that, as we discussed in the last quarters, we had softness in our LTG business. And as we have discussed, headwinds in China. But all of this has been offset by a significantly better performance on the immuno business and the molecular-based business compared to expectations.

When it comes to COVID, €60 million in 2023, which clearly is a very sharp reduction compared to previous year, minus 75%, I think, in line with what everybody says. We see that the COVID business continues to decline. We expect roughly €30 million in 2024. At that point, and then we're going to stop talking about COVID and start talking about COVID's part or the respiratory panel, which I believe is what is going to happen to this virus.

Now, if we look at the 3 legs, and let's start from immunodiagnostic. As you understand immunodiagnostic is a combination of legacy technologies like ELISA. We have instrumentation revenues inside, but…and then we

have clear, which is live share of the revenues. So if we look at the overall immunodiagnostics business, ex-COVID, it grew 8%. So very strong growth.

If we look at CLIA, both in the quarter and for the full year, the CLIA business grew 10%. So double-digit growth in our CLIA franchise across all the geographies, and this is in spite of, as we discussed, China headwinds…in China, our revenues are primarily CLIA revenues.

So…why is this? This is clearly because as far as the US, we have a combination of a very successful hospital strategy together with critical mass in the commercial organization that we have reached in the US. Thanks to the investment and the Luminex acquisition. And when it comes to the European market with strong, strong growth in volumes in Europe, it certainly pushed the business.

If we now look at the immunodiagnostic in the region, to me, US is remarkable, because full year is 14% growth for immuno and 14% [ph] with CLIA. If we look at Quarter 4 in North America, we had an acceleration when the business has been growing 18%, with a CLIA growth of 16%. So it means that not only in the US, the business has been doing well, but the growth has been accelerating towards the end of the year.

If we look at Europe, immunodiagnostics full year growth, 8%, Q4 growth 8%. So it's fundamentally Q4 is in line with what we have seen for the previous quarters. If we just look at the CLIA component, overall, it has been growing between 9% and 11%, so, full year 11% and 9% in Q4. Again, when it comes to Europe, most of the growth has been driven by increased volumes of pull- through our very large installed base.

Ex-Europe, ex-North America, which is a combination of many different markets, as said, negative performance in China. Solid growth in other geographies like Brazil, Mexico, Australia and India, which are countries where we perform…where we have a direct presence, with the overall rest of the world has been growing 7%, which is good. As said, this includes also the Chinese drag, which has been more than compensated by the solid growth everywhere else. And I said before, to me, it was very relevant in immunodiagnostics is the VBP we are in. And at this point, we have access to all the tenders that are covered…and all the provinces that are covered by the VBP.

Now, if we move to molecular diagnostic, and again, I look at molecular diagnostics is a little bit more complicated here, because you have a 3 components. You have the COVID, which we exclude. We do have a respiratory that I want to deal separately, because, as we discussed a few times, the seasonality has been fairly awkward. So comparison '22 to '23 is complicated, and then the rest of the business.

So…and sorry, one more element. As we discussed, we have lost a contract with…for Cystic Fibrosis for what one of the major labs and the effect of this contract has been felt in 2023, and now slightly in Q1 2024 and then at that point, it's going to be completely even out. So, if I now look at the molecular base business, net of respiratory, net of COVID is a net of cystic fibrosis, okay. So the business is very resilient, it grew 6% with an acceleration in Q4, in Q4, the growth was actually double-digit, 10%.

What's behind this? We do have our low PLEX offering that is…which is the traditional Diasorin MDX business, which is growing double-digit. And we do have, the VERIGENE I technology holding pretty well. As we have discussed few times, this business for the VERIGENE I that we

inherited through the acquisition is primarily non-respiratory. And in that…and clearly, it's primarily US based, and it is holding up very well.

As a consequence of one factor, which is the fact that as we discussed, we are already using the Flex concept on VERIGENE I, although the management of the Flex credits is more complicated than what we expect on the VERIGENE II, and this is providing clearly a very attractive proposition for a segment of the market. And this is why we are extremely comfortable and confident that once we're going to be providing with LIAISON PLEX, the full automation, the hands-on time, which is practically zero, because everything is fully loaded into a cartridge and Flex, we expect this to be a very interesting proposition for customers.

If we now look at molecular respiratory, minus 12% versus 2022, but a big dive in Q4, minus 29%, as expected because of the seasonality of the flu season in 2023 compared to 2022, okay? So well, actually, if we look at the budget, we've been doing better than we expected in Q4 of 2023.

So when it comes to our molecular franchise, if I can summarize it, VERIGENE I base holding up nicely. Great opportunity for respiratory that today makes a relatively small part of our revenues. Confirmation that the Flex concept, even if it's a little goofy, if I may say today on the VERIGENE I platform is an interesting proposition for customers. I've been reading some of the commentaries from the market about the fact that there could be ethical problems about this. And honestly, I don't understand where the comments are coming from. The market does accept the Flex is an opportunity, and we don't see any ethical issue with allowing the customer to elect which I would say they want to run on their patients.

If we now move to the LTG, briefly, on the LTG, as I said, it has been a difficult 2023, because of the destocking. Overall, the business is relatively stable declined 4%. But we have seen that the destocking has been pretty much completed with H2 last year, and we're already seeing starting in 2024 light at the end of the tunnel. So, this business is now more stable. We see our partners gaining business, and this is reflected by the royalty rate and royalty increase that…the increase of royalties that we see as part of the contracts we have. And therefore, we are more optimistic about 2024. This destocking life science event, I think, is behind us, and we are more positive about the future.

I'm going to make a few specific comments about 3 programs, MeMed, Lyme and QuantiFERON. When it comes to MeMed, the JUPITER study is ongoing. I remind you that the JUPITER study is the study that is intended to guarantee access to the private payers. And the study is ongoing, it's conducted by MeMed on time, and we expect the study to be completed sometime by the end of this year, beginning of next year. So we are on track there. We continue to build momentum on MeMed. We have a very strong funnel of hospitals that have been testing the product and we start to see the adoption of the product.

As said, I believe we will draw some initial conclusions about this business by the end of 2024. To me, when it comes to the clinical validity of the product, we continue to see that whatever has been claimed by MeMed has always been delivered by all the clinical studies we have conducted. So clinically, the product makes a ton of sense. And as discussed few times in the past, what's very relevant now is the effort of education that where we have decided to invest heavily in the US and we start to reap the benefits of this program.

When it comes to Lyme, that is another key program for the Diasorin and is part of the alliance with QIAGEN clinical study completed last year, as promised, has been…the filing has been done in December 2023. And we expect this product to be approved in 2024. We are also discussing with partners in the US about the possibility of co-marketing this product because, again, this is going to be another situation where it's going to be key to education in this case of GPs. And therefore, learning from what we had to do with MeMed, I think that we are better prepared now to work on the online.

The third program is the QuantiFERON, reflecting on what QIAGEN has been reporting. Clearly, this is a very successful program. It is a very important product for us…for our hospital strategy, and is working very well together with the rest of the menu we have on our systems. And we are working with QIAGEN on the registration of the LIAISON in China. The product has not been launched in China yet. And so, we are going to be working with our partner, QIAGEN to get the registration in China in 2024, and start commercializing the product as well in this very relevant market.

So I'm going to leave now the podium to Mr. Pedron, who is going to take you through the numbers, and then I'll take questions at the end of PG presentation. PG, please.

PIERGIORGIO PEDRON: Thank you. Thank you, Carlo. Good morning, and good afternoon, everybody. As usual, in the next few minutes, I will walk you through the financial performance of Diasorin in 2023. And I will also make some remarks on the contribution of the fourth quarter. Please let me remind you that consistently with what we did over the last earning calls to better understand the performance of the business, I will mainly refer to adjusted P&L items.

So that I would like to start with what I believe are the main highlights of the period. 2023 total revenues at constant exchange rate decreased by 14%, whereas the reduction at constant perimeter of consolidation, which means without the contribution of the flow cytometry business, which was carved out in February 2023, has been 12%. This result is a combination of the expected fall in COVID sales down by €195 million, partially offset by growth in the ex-COVID business.

To be more precise, this growth is a result of a combination of a very good performance, as we heard of the Immuno franchise, which grew 8% in the year and 10% in the quarter, despite, as we said, the weak performance in China because Immuno sales in 2023 decreased mid-single-digit, compared to 2022.

A slightly negative result of the licensed technology business which recorded a decrease of 1% in the year and 4% in the quarter for the known issues of the destocking of consumables implemented by some major partners, and also because of a generalized softness of the life science business as reported by most of the players in this space. And the negative trend of the molecular franchise, the third leg down by 8% in the year and 17% in the fourth quarter.

2023 adjusted EBITDA closed at €375 million or 33% of revenues. Q4 '24 margin at 32% of sales has been impacted by some extraordinary one-off manufacturing costs, and an unfavorable sales mix. 2023 full-year EBITDA reduction compared to 2022, €140 million or 27% is attributable to the drop in COVID sales, and therefore, to the corresponding worsening of the operating leverage. Lastly, Diasorin generated almost a €210 million free cash flow in 2023, down €107 million compared to last year. Once again, this variance is driven by the fall in COVID sales.

Now, if we move to the P&L lines. As said, the 2023 total revenues at €1.148 billion, decrease 16%, compared to 2022. This variance is driven by COVID and the flow cytometry business. During 2023, we recorded some €24 million FX headwind mainly driven by the US depreciation against the euro.

Full year adjusted gross profit at €749 million decreased by 17%, compared to last year with a ratio over revenues of 65%, broadly in line with 2022, which closed at 66%. The curve out of the flow cytometry business alongside all the initiatives aimed at improving operation processes and containing costs allowed us to preserve margins despite the reduction in revenues…COVID revenues, and the tail of the inflationary pressures.

Q4 adjusted gross margin at 65% has been…as I said before, negatively impacted by some extraordinary one-off manufacturing cost, which we are not expecting in 2024, and by an unfavorable sales mix, mainly lower sales of consumables in the LTG business.

2023 adjusted operating expenses at €466 million decreased by 1% compared to 2022 with a ratio of revenues of 41% vis-à-vis 35% of last year. The worsening of the operating leverage ratio is entirely owed to the reduction in COVID sales.

Moving to Q4 '23 adjusted operating expenses decreased, compared to last year by 2%, with a ratio of revenues aligned with the full year at 41%. Full-year adjusted other operating expenses are better than 2022 by €16 million. The difference with last year is mainly driven by the combined effect of some positive one-off elements booked in 2023 and even much more relevant, I would say some negative non-recurring expenses booked

last year, such as the payback provision booked in Q4, you might remember of, the cost of the hive [ph] down project, some negative effects, and severance costs. As a result of what just described, year-to-date adjusted EBIT €283 million or 25% of revenues has decreased compared to 2022 by 32%.

Adjusted interest income at positive €5 million is better than last year by €8 million, mainly because of improved yield on our cash investment. Whereas, the adjusted tax rate at 22% is in line with 2022. Year-to-date, adjusted net result at €224 million or 20% of revenues is lower than previous year by €95 million.

Let me now move to the net debt position. At the end of 2023, the net debt was negative for €776 million vis-à-vis €907 million at the end of 2022, thus recording an improvement of €130 million or almost 15%. This variance has been mostly driven by the operating cash generated during the year, and by the proceeds of the sales of the flow cytometry business, partially offset by the payment of just short of €60 million dividend to our shareholders in May 2023 and €28 million treasury share buyback.

Lastly, let me move to 2024 guidance, as usual expressed at previous year exchange rate. The guidance confirms what we presented in December 2023 during the Capital Market Day, and it is calling for an increase in the revenues ex-COVID of 5% to 7% with COVID sales at €30 million, and an adjusted EBITDA margin of 32% to 33%.

Please note that we have built in our assumption an average respiratory season. Moreover, please consider that 2024 guidance does not include any possible additional impact from the payback in Italy. Consistently

with the position taken by the company during fall of 2023, at the light of the latest legal development.

Regarding this matter, let me please remind you that Diasorin, as many other diagnostic companies, I would say, as most of other diagnostic companies, decided to continue its legal dispute, which might take 3 years to 4 years before reaching its conclusion. We will keep on monitoring the evolution of these complex and ever-changing situation and update investors as soon as something will change.

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

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." 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 Aisyah Noor of Morgan Stanley. Please go ahead.

AISYAH NOOR: Hi, good afternoon. Aisyah Noor from Morgan Stanley. Thanks for taking the question. I have 2. The first one is just on your 2024 guidance. So, you've reiterated the growth guidance despite a somewhat earlier than expected approval of the LIAISON PLEX platform. Is this just conservatism? And could you comment on your revenue contribution expectations from this platform for 2024 and 2025?

CARLO ROSA: You said…Aisyah; you said you have 2 questions or just one?

AISYAH NOOR: I can ask the second one as well, if you like.

CARLO ROSA: Yes, please.

AISYAH NOOR: So the second one, I think is just, how do you plan to share your progress on the LIAISON PLEX with the market? Would you be open to, for example, providing installed base figures, sales contribution, et cetera?

CARLO ROSA: Okay. We reiterate 2024 guidance, notwithstanding the fact that we got a couple of months early approval. I don't think that the number…a couple of months of approval or time to market will change at all the 2024 contributions. We continue to expect launch of this platform in the May/June timeframe. And this is to do with the fact that we are gearing up the manufacturing of the equipment, the blades, we are conducting post-approval clinical studies to generate enough publication to support the product. As you know, when the product is not FDA approved yet, you are limited in your ability to run this marketing studies. So we continue as planned.

As far as, how do we plan to share with the market? To be honest with you, I don't know yet, because in the past we have been reporting plan [ph] in different ways, number of platforms installed, revenues and so forth. But as soon as you know, H2 comes we will give to the market enough visibility to allow investors to understand the progress of this platform. By the same token, we don't want to give competition any head up. So, it's going to be a balance, but certainly you will have a visibility on how the program goes.

AISYAH NOOR: Understood. Thank you so much.

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

MAJA STEPHANIE PATAKI: Hi, good afternoon and thanks for taking my question. Carlo, just if we look at the replacement…the stopping of the ARIES platform, and you know, replacing it with ELISA MDX platform. If we look back the last few years, when you were…for example, when you were taking in the Siemens ELISA business and converting it to CLIA, you always had an expectation of percentage of clients that you were able to convert, and you never assumed 100%. I was wondering if you would be willing to share with us what your expectations for the conversion are from the ARIES to the LIAISON MDX platform.

Then I was wondering if you could give us a bit of a understanding of what the share of revenues that you're currently generating on the VERIGENE I platform are with regards to how many of your customers or how much of revenues is generated on, let's say, 50% of the panel, and how much on 100%. Just so we have a bit of an understanding how that could translate into the LIAISON PLEX.

And then just lastly for just to understand what you mean when you say by the end of the year we should have an initial conclusion about the MeMed business. Are you talking about whether you think that the long term potential could be greater or whether it's going to take you longer? Just some clarification on that will be super helpful. Thanks a lot.

CARLO ROSA: Hi Maja. Look, ARIES, first you need to understand that the ARIES was a relatively small business, so the replacement that we expect is around 70%. But if you know, we are taking away the ARIES from the market

for a different reason, because it's adding complexity without adding any meaningful contribution to revenues and/or profitability. So, it was…it has been a non-successful platform that we had to retire from the market to focus our people on the many platforms that are actually coming to the market from Diasorin. So, 70% replacement, but don't lose sleep out of it.

When it comes to VERIGENE I, look, if the question is how much is respiratory? No, more than 20%. Traditionally, this business was respiratory at the beginning, but you need to understand something and sorry for the technicality. The VERIGENE I platform was originally very successful for the sepsis. And for…and maybe I already explained this once, but no, it doesn't hurt to repeat it. It was very successful as a platform for sepsis, because the blood panel is not using PCR, its direct detection. And one of the controversies of using PCR in blood for sepsis is that you have ton of false positives that are creating a slew of problems.

And the appreciation of this technology has always been that it does have the sensitivity needed for the…provide clinical information…viable clinical information to the clinician. And by the way, the PLEX is going to be exactly the same. So, for the blood product, it's going to be non-PCR based, but direct detection. Initially, when it was launched, it did had great success in respiratory, but then because of the fact that respiratory nothing to do with COVID but the respiratory volume went up, BioMérieux was pushing a lot, rightfully so, for the development of the respiratory market. Then the platform per se became obsolete for that application. And this is why today most of the business is non-respiratory, it's more GI and blood-related.

And this is why we say that the launch…and this is why we have been focusing on the respiratory panel for the PLEX first, because to the contrary of BioMérieux, for example, public data for them, respiratory is

70% of the business for us it's very limited. But the market…the vast majority of the market today is respiratory. And let me say that conceptually I disagree with the comment that there is no space for a respiratory box. There is ton of space for our respiratory box, because that is the bulk of the market.

Last but not least, MeMed. I think you heard me saying this comment before. MeMed is an incredible product and clinically is a very relevant product and it does provide a helpful tool. What is the problem? The problem, as said, is that it's not a reimbursement issue, because today you are reimbursing the DRG, you know, they got a beautiful CPT code of $280, but that doesn't mean anything. If not, it's going to be…$280 is going to be the reference for the private insurers, right? But in the seal market today, it's DRG money. The problem is educating physicians, and educating physicians takes time and effort. And the question to me is not how big, because the market is enormous.

The problem is how long does it take for these physicians that are overworked…overwhelmed to get into their head the fact that they need to use this new algorithm, right? And how do you do that? Through ton of publication and ton of visits in the hospital segment to explain to them why MeMed, and you know, the digital marketing campaign, you know, I feel like a dinosaur when I'm talking about this, but you know, it's all digital these days.

All said and done, Maja, this is why I'm saying very pragmatically, you know, Diasorin is a very pragmatic company. By year-end, we're going to draw conclusions about the time it takes, not the opportunity. And I keep saying I would welcome another player on this market that would join forces to educate, because this market requires education. And then it will

really generate interesting opportunity for the few players that will be present on the market.

MAJA STEPHANIE PATAKI: Okay. Carlo, just a quick follow-up. What I was trying to understand, actually, but super interesting background on VERIGENE I, was just more how much of the sales that you're generating today with VERIGENE I comes with customers using 50% of the panel. And how much is it like full panel run, I guess, you do have some data on how much it's used. If you could share that with us.

CARLO ROSA: Listen, most of the customers today that we have are using a single panel. Single panel meaning blood…don't forget, the blood is three panels. So it's three different multiplexing. And then, the respiratory…few respiratory customers we have are respiratory. They just use resp. And then we have a subset which is doing GI as well. But I disagree with the view, and the view is the fact that customers today, you lock this business with providing multiple panels, because in every lab I've seen, I've seen more than one box.

So, I see today that our VERIGENE I is co-existing with some competitor systems. I've seen competitor system actually in labs coexisting where the lab is using the Roche system for one panel and the BioFire system for a different panel. And last but not least, when it comes to respiratory also, you need to understand the usage. I mean, why are you using inpatient, outpatient and so forth? And this is also dictating some of the use of the technologies. I think that we will introduce a different concept that today is there with VERIGENE I but limited because we have a very small market share.

We're not going to introduce the concept of spending, okay. So…and I would expect that customers may elect to use BioFire for certain set

of…in certain set of patients and use a cheaper technology that makes more sense for a certain subset of patients. So, I believe there's going to be a fragmentation of the market. But it's not that it has happened already few times in the immunoassay business, as you know, we know very well.

MAJA STEPHANIE PATAKI: Great. Thank you very much for the explanations.

CARLO ROSA: Yes.

OPERATOR: The next question is from Hugo Salaun, BNP Paribas Exane. Please go ahead.

HUGO SOLVET: Hi. Hello. Thank you for taking my questions. Maybe just a quick follow-up on Maja's question. Can you remind us the contribution of MeMed to your 2027 targets, please?

Second, can you elaborate a bit more on the capacity of your Chicago plant and California plant? I guess here I'm just trying to get to how many of your VERIGENE I customers will need to be upgraded in 2024, '25 and whether that will prevent you or not from addressing new customers for a couple of quarters.

And lastly, do you think that LIAISON PLEX could be in a more head-to-head competition with, for example, the spotfire from BioMérieux with 15 PLEX, very short turnaround time? Thank you.

CARLO ROSA: Hugo, I'm not going to share capacity numbers because I…to be honest with you, that's supported by information. So, I think we have enough capacity, clearly, otherwise we would be foolish to make our numbers. So capacity is not an issue. When it comes to PLEX, I just want to make sure

you're asking the question whether PLEX is going against the Spotfire. Do you mean PLEX or NES?

HUGO SOLVET: No, the PLEX. The PLEX. Sorry, if I were not clear on the PLEX. Yes.

CARLO ROSA: Okay. No. PLEX Spotfire is a beautiful system that goes into a different segment of the market. The PLEX is a traditional platform for hospital use. So it goes against those platforms like the BioFire or the Roche platform or the QIAGEN platform. The NES is the competitor, natural competitor for the Spotfire when it comes to the 5 PLEX or 4 PLEX, if you like it with the flu, RSV and COVID.

Sorry, Hugo, I don't remember…

PIERGIORGIO PEDRON: MeMed contribution.

CARLO ROSA: Now, the MeMed contribution as said, no, we don't give MeMed contribution because we are monopolistic, in a sense, on the market today. So sharing the information of the market, the opportunities is pretty much diffusing confidential information. So we don't.

HUGO SOLVET: Now, okay, that's fair enough. And just going back on the second question, how long do you think it will take you to upgrade all of the VERIGENE I installed base and how many clients are left here?

CARLO ROSA: How many clients, again, can't share, but I'm not really sure, as said before, we do have a business which is GI and blood, and blood is the full panel, it's coming next year and GI is coming in 2025. So, at the end of the story, year one and year two are not necessarily big cannibalization, because again, we start from a very small respiratory business, and therefore, I see that this would be incremental contribution. Yes, we may

cannibalize some of the existing base for respiratory, but it's new customers, new customer, meaning that they…you may go to…it maybe be a VERIGENE I customer to get a PLEX, and now he's doing a respiratory also with us in that sense. So I'm talking about new placements and not necessarily new customers. But this is not going to be cannibalization at the beginning simply because we don't have the assays on the PLEX. So the VERIGENE I base is built on different panels.

HUGO SOLVET: Okay, that's very helpful. Thank you.

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

SHUBHANGI GUPTA: Hi, thanks for taking my question. I have two, please. So first on licensed technology business, so there has been destocking of consumables. And you mentioned you are optimistic about the consumables in 2024. Could you maybe talk about the phasing of this for 2024? And second on MeMed, currently it has been launched in the US. Do you have a plan to expand it into other countries? Thank you.

CARLO ROSA: When it comes to…okay, let me start from MeMed. No, the short answer is, we believe that the opportunity for many reasons is in the US and we are going to be…we're focusing all our support to the US market with one single exception, which is the Italian domestic market. And that has more to do with sentimental reasons, right? I mean, we are an Italian company, so we decided to invest in our own country. But then it's just the US Everywhere else it's more opportunistic.

When it comes to the LTG, you know, we will be talking about it when we will talk in May, when we will be discussing Q1. But what I'm seeing is that the horrific numbers that were coming in 2023, horrific in a sense that

eventually we did minus four and some of the life science player were minus double-digit. What I see already in H1, some better numbers.

And this is why I'm saying I'm more optimistic about this franchise which clearly did impact Diasorin in 2023 because we were expecting single, high-single-digit growth and we ended up with low-single-digit decline. And that's very unfortunate, because of the Immuno's super performance, a regular LTG business would clearly…would have taken the overall Diasorin business to the high end of our forecast. But again, in 2024, I'm more positive. So, let's wait and see in…at least I'm more positive for one simple reason, the destocking has been stopped. So the stock is empty, and therefore customers now are buying on a regular basis.

SHUBHANGI GUPTA: Thank you.

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

ODYSSEAS MANESIOTIS: Hello, thanks for taking my questions. I had one on [indiscernible], I mean, so in view of potential competitive launches in this market, coming from a diagnostic major, from your point of view, how sticky are the contracts you have here with your partner and the clients and the end user, basically? What makes you confident that you'll be able to maintain your competitive position? And I'll ask a couple of follow-ups after.

CARLO ROSA: Look, our business is made of contracts with platforms and on the platform you have more than one product, right? I don't know if you were in the business back in the vitamin D days, but the vitamin D days were very tough, because, I remember the definition one troponin vitamin D was DSA that Diasorin was selling at the time. And so, all of a sudden

eight different competitors showed up within two years. We had volume growth and price decline. And today, we're still holding to 30% market share worldwide. This is not a vitamin D story. It's a complete different story, Diasorin is a complete different company. And I'm saying that we do have a business together with QIAGEN that sits on multiple placements, very fragmented business. So, with the exception of a couple of very large private customers, where we have long term contracts, it's a hospital business. And therefore, this hospital business is linked to the fact that there is a system there that is generating a good chunk of revenues with ten different products, okay?

Then, whenever Roche, because we can name the gorilla by name, whenever Roche, and if Roche is going to show up, let's see what they have, which assay they have, three tubes, four tubes, I heard ten different stories on the market about the product. Let's see the product, let's see the strategy, and then…and let's see how we're going to react to that strategy. But today, I cannot bang my head against the wall against a competitor that doesn't exist.

ODYSSEAS MANESIOTIS: Thanks for that. Very clear. Secondly, on the JUPITER study, the sample seems for the study quite a bit wider than the pediatric indication you were initially targeting. Is it right to think that you're going wider to begin with when taking into account recent feedback from, I'm guessing, your additional US salesforce here, or is the plan to still start in pediatrics?

CARLO ROSA: The…but first, you need to understand the study is a MeMed study, right? So, I want to make sure, and we have a confidentiality agreement with MeMed. So there are certain things that I cannot say. However, the target is not just pediatric, and by the way, what we are seeing today from the…you know, we started, as we have discussed, looking at the pediatric as a first end opportunity because of all the reasons that make ton of sense.

But eventually, when it come to the use, usage, today we see that we have a good mix of pediatric and also typically pediatric and elderly, okay? The JUPITER study is not restricted just to pediatric, by the way, okay? And again, what we are learning on the market, as we discussed I think last time, is that once the physicians see the value, they expand the usage clinically, okay? Expand meaning, expand the population. This is the first point, which is very relevant.

The second one, which is even more relevant is that we are having more success with mid-sized hospitals than with very large institutions. And I think we did comment on that as well. And this is because in the mid-size hospital is where there is a severe need for technologies, whereas the very large institutions have plenty of technology that they can use to assess the status of these patients. So as said, and as I was commenting with Maja, we are learning on the way, it's a journey, right? It's a new assay introduction, it's a new concept, and we are learning that the market is taking the product and using it to the best way clinically and also in their clinical practice.

ODYSSEAS MANESIOTIS: Thanks, Carlo, that's very clear. And a question for Piergiorgio. So, could you please update us on what our R&D capitalization looked like this year and last year, just to get a sense of whether that busy pipeline has had a big change here or a big impact?

PIERGIORGIO PEDRON: So overall, our CAPEX in 2023, and we have a similar number plan for '24 and '25 is around €100 million, €110 million, and that number includes everything from the installed base that we place, which as you know, stays on our books, because we operate a reagent rental business model like most of the players in the space. Your point is valid. We are currently investing a lot to bring all of those new platforms and products to the market. So off the top of my head, I mean, once you take out

installed base, which as I said, remains on our book, once you take out the investment for the Chinese manufacturing plant, Chicago, and so on and so forth, I believe we're talking about, let me say €40 million to €50 million share of CAPEX out of the €100 million that I was mentioning.

ODYSSEAS MANESIOTIS: Thank you very much.

PIERGIORGIO PEDRON: Thank you.

OPERATOR: The next question is a follow-up from Maja Stephanie Pataki, Kepler Cheuvreux. Please go ahead.

MAJA STEPHANIE PATAKI: Yes, thanks. And I'll keep it short. Carlo, just quickly, can you help me square your guidance on molecular ex-COVID for 2024, which seems to be quite conservative. If I remember correctly, you're guiding for flattish revenue development. But as you have elaborated in the beginning of the call, you're seeing really strong growth in your base business. VERIGENE I is holding up well. You should see some additional revenues from the respiratory panel on LIAISON PLEX. Is it the uncertainty around how quickly you can convert the ARIES clients onto the LIAISON MDX or where do I take this…how do I square it?

PIERGIORGIO PEDRON: So my…This is PG. Hi.

MAJA STEPHANIE PATAKI: Hi.

PIERGIORGIO PEDRON: I will try to take it. So the guidance for 2024 is total topline, when we said 5% to 7% ex-COVID and then we said COVID revenues of €30 million that is the official guidance. Then I think you are referring to the document we put together for the Capital Market Day back in December where we are directionally also giving some indication on where we see

the business developing amongst…how we see the business developing amongst the three legs, so the Immuno, the life science and the molecular. And there what we said is a flattish Molecular business excluding COVID. So, I guess just to make sure I understand your question, I guess this is the number you're referring to, right?

MAJA STEPHANIE PATAKI: Yes, exactly.

PIERGIORGIO PEDRON: Okay, cool. So there, as you just said, there are several moving parts. One, the ARIES business…we need to start, understand that we…the starting point is give or take €200 million worth of business, right, without COVID. You had there, ARIES is not big, by all means, we're going to convert, as Carlos said, 70% of the business. So there you have a little bit of a headwind. Then we made some assumptions on the contribution of the PLEX, obviously. We made some assumption on when the PLEX was going to get to the market. We made some assumptions on what would have happened to VERIGENE I and the so called non-automated assays.

So when you put all of those elements into our mixer, let me say, what came out, it's a flattish kind of a directionally growth of the business. Is it conservative? I don't know. I believe it's the guidance. It's an estimate we feel comfortable with, let me put it that way. And then if it will be better, we will comment along the year during the quarter-end calls.

MAJA STEPHANIE PATAKI: Great. Thank you very much.

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

PIERGIORGIO PEDRON: Thank you, thank you. Thank you, all. Thank you, operator.