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DiaSorin Investor Day 2021

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Carlo Rosa: [Italian, 0:00:54 – 0:01:57]. So now I will switch to English.

Welcome to everybody who is connected in streaming. I will give a presentation today, where I'm going to be discussing the strategic setup of the company, market conditions. And then our Chief Financial Officer, Mr Pedron, is going to join me on the podium and is going to take you through the numbers.

So I would like to start talking about who we are. And if you remember the last meeting we had was in 2019. And in 2019, we confirm the fact that this company to survive, thrive and be successful has to be a specialty company. We need to be a specialty company because competition is very tough because the environment is very complicated and because with this space is actually consolidated by companies which are ten times the size of DiaSorin.

The only way for a company like ours to thrive and continue to be successful is to stay focused in areas that are complicated that do require innovation and innovative technologies. These four areas has been for the last 20 years. What we are saying here when we say specialist times three, it means that the Luminex acquisition did not dilute at all the spirit but actually DiaSorin with Luminex has technologies that will allow us to be specialist again for the future.

So what's the new DiaSorin after the acquisition? Well, it's a company that fundamentally has 50% of its business in the US market, which does represent 40% of the worldwide market for diagnostic. We are very well-balanced today. 50% of our business is Immunodiagnostic, which is a traditional business that we have developed over the last 20 years. Thanks to the Luminex acquisition, now we have 36% of the business in Molecular Diagnostic.

Then we have a third leg, which is Life Science, which does represent 14% of the business, very profitable, and we're going to be discussing next what does Life Science carry for DiaSorin. Overall, over 3,000 people employed worldwide, of which half of them are today located in the US.

So if we go back to 2019 pre-pandemic, we were in Milan presenting our 2019-2022 plan. Now, understandably, we had no idea what was coming our way. It was June 2019, so six months before the world really changed. But when we met with investors, we said that we had certain deliverables. So let's understand how we are scoring against those deliverables.

If you remember, we talk about value based care. Value based care initiative means that the healthcare systems is actually moving towards products that are not only clinically relevant but they also provide the benefits in terms of cost cuttings and less expenses to the healthcare system.

In fact, in the last three years, we launched four initiatives, three of which were actually in the funnel, the QuantiFERON with QIAGEN, the Lyme detector for borreliosis and Calprotectin. And one that was an opportunity that we encounter along the way is the alliance with MeMed. And during this presentation, I'm going to leave the podium to the CEO of MeMed, who joined us here today and is going to explain to you what the technologies and what the alliance is about.

The second thing we were talking about is the fact that we had to continue to develop products. And, in fact, as Mr Denegri said, we have developed 30 products in the last three years, 20 in Immunodiagnostic and nine products in Molecular Diagnostic. So this continuous path of innovation and development has been proven again to be very, very valid for DiaSorin as a

company. It's the one that really allows the company to continue to grow in a market that pre-COVID was just really growing no more than 2-3% per year.

We were also talking about decentralisation. You will see today that decentralisation actually is really speeding up and continuous. We said back then that it was important to develop technologies and system for decentralisation. And today, you've seen there to the left of the room, you've seen that now we have the LIAISON NES for Molecular Diagnostic. We have the LIAISON IQ for lateral flow second generation and the LIAISON XS for small hospitals access and improve diagnostic. So we also delivered on the platforms.

We – then we talk about China. And China, back then we already said in order to be really present in China what we have to do is to be perceived as a Chinese company. And we were talking about opening up the manufacturing site. What you see over here is a picture of the manufacturing site. We are on track to start validations next year and start introducing products – Chinese made in China starting from 2023.

And last but not least, we were talking about M&A and partnership. Well, easy to say we deliver on M&A after the Luminex acquisition, certainly. But also we continue with our policy of finding partners with content and providing to these partners our install base and access to instruments worldwide. And again, MeMed is a very good example we're going to be discussing later about the way we partner with other companies to bring innovation to the market.

So overall, I would say, if I go back to 2019, and notwithstanding pandemic, I think this company has delivered what we promise to shareholders we would have been delivered in the plan.

Now, let's talk about the market and let's talk about trends. This is a slide that we presented back then and we said when it comes to diagnostic market, there are two opposite forces that are shaping the market. One is consolidation and one is decentralisation. The point is always the same. The point is that the healthcare system that today is extremely onerous for our society is finding ways to be more efficient.

Consolidation makes – means bigger hospitals, bigger labs and looking for efficiency through critical mass. Decentralisation means getting closer to the patient and then getting rid of all these costs associated with dealing with patients in the hospital. And this certainly requires technology.

So what's happening today after the pandemic about these trends? Well, certainly the decentralisation is accelerated. And amusing as an example, two months ago I was in New York, you go to Columbus Circle on the corner of Central Park and you find the iconic Falafel stand that is always there selling hotdogs. Next to it, you find a minivan providing antigen test for COVID.

Well, that to me is the example of how the pandemic really changed the way we perceive diagnostic. It would been – it would've been unthinkable two years ago. Probably is a model that is not going to be repeated after the pandemic is over. But certainly has demonstrated that well, first, what diagnostic is and what is the value of decentralising diagnostic when you really need a quick answer to address a concern, a clinical concern.

But not only decentralisation has accelerated because of the pandemic. It has accelerated also because the governments now have decided to put real money through the infrastructure that

is actually fuelling decentralisation. And so, if you think about it, even Italy that over the last 20 years have clearly not spent enough on the – in the healthcare system or well enough in the healthcare system. Today in the P&RR[?], there are €18.5 billion that are going to be spent between '21 and '26 funding proximity healthcare services, which fundamentally means smaller clinics that are going to be serving neighbourhood of around 50,000 individuals. And that's a plan that the government is funding to decentralise the healthcare services.

When it comes to the US, another vivid example. In 2021, just in one year, the US government has dedicated $8.5 billion to rural hospitals. Again, US was the same story, consolidation, consolidation. They forgot about the decentralised care. Now they are rushing to really 45 decentralised care because it's the only way to serve those rural areas, where people simply have no access to any sort of healthcare.

So what did the pandemic mean for IVD company? And in my opinion, three things. The first thing is that today, as said, you can take a cab and even a cab driver everywhere in the world understand what diagnostic is. And this is very relevant, because prior to that, nobody understood diagnostic. It did represent 10% of the healthcare spending. It was very easy to cut diagnostic because the governments were cutting the work of the reimbursement. And our association was not strong enough to represent our interest. And today, the perception of stakeholders, individuals and governments is completely different.

The second element which is really very important for DiaSorin is that throughout the last two years, a lot of money was dedicated by emergency funding to provide even small hospitals with equipment the kind that you see over here. And this means that when now the pandemic goes away, you're going to have all this capital equipment, which is placed in these hospitals.

And what we're already seeing is that hospital are in-sourcing diagnostic testing. It used to be that they were outsourcing. Now that they have the system, they are in-sourcing. And they are also in-sourcing specialties, which is what, again, DiaSorin is leader about. And so the opportunity today for us is to really reach also the mid-size and small size hospitals with our specialties because hospital now again are in-sourcing this testing.

The third element is that – we need to consider about the industry is that today everybody understand what molecular means. Until yesterday, nobody had a clue unless it wasn't explained[?]. Today, the use of PCR now is – has been – is very well known by everybody, including physicians, including small hospitals. So there is more utilisation of PCR in all kind of setting. And this is why you're going to find there the LIAISON NES, which is our next generation small system for molecular diagnostic.

And by the same token, everybody goes to a pharmacy and had – can have a swab on antigen test. The technology for the antigen test was developed in 1980 for pregnancy testing. So today, we are living with technology developed 40 years ago. It is very clear that it can work but it's also very clear that you need to move to a next generation of this technology, which is what we have with the LIAISON IQ, where fundamentally is lateral flow adding though trustability and the ability really to get the result and send it to the patient or the physician, wherever the physician can be for a clinical decision.

So – but what has been the impact of pandemic also from a geographical point of view? I believe that if we divide the world, at least our market in the three main economies, so the US, Europe and China, after two year on pandemic, the conclusion is very different. If you look at

the business opportunity for a diagnostic company in the US, I think going forward we see a very positive cycle. When do we see positive cycle? During the emergency, during pandemic what the government has done, they've been providing lots of funding with fundamentally two objectives.

The first objective was to increase testing capacity because there has been a high demand of testing capacity. The second one is to develop new technologies. With the RADx programme, the government put $1.5 billion in nine months to fund new generation point of care technologies. And that certainly has developed a positive spread, a positive feeling about diagnostic technologies and infrastructure in the US.

And the second thing, which is very relevant, and I believe has a lot to do with the way the Trump administration has looked at this is the fact that the FDA all of a sudden transformed themselves into an Agency that is working with companies to approve products and not just with the bureaucratic approach but the approach today is let me work with you because if the product makes sense, then it is good that the public will have access to that product.

And I think MeMed is a very good example of a company that has been working with the Agency. They got approval with an incredible claim for their product. And I've never seen in my life the FDA, after giving the approval, going public and saying we are so fond of having worked with a company that brought innovation and is addressing a medical issue in the US. So this is very different from what the FDA used to be just 24 months ago.

Now, let's talk about Europe. Europe, we all know that when it comes to vaccination, at least we were able to have central purchasing and negotiating vaccine for all Europeans. But this is it. When it comes to diagnostic, there was no effort whatsoever or there was not unified strategy. Each country pretty much went where they really wanted. Certainly, in Europe, there is more awareness of PCR testing as we've discussed before.

Certainly, Europeans that were resistant to the concept of investing into expensive technologies like multiplexing, now they understood what multiplexing is, but overall Europe post-pandemic, as far as we are concerned, is pretty much equal to the Europe pre-pandemic. So nothing really change in that market.

And then finally, China. Finally, China – China is a problem. And China is a problem because of the way they decided to respond to the pandemic. First, it's the only county in the world that did decide not to approve a single test coming from an American or European company for COVID. So over the last 24 months, they've been dealing with local suppliers. Second, there has been an acceleration of a trend, which was there even before, which tends to favour Chinese companies versus foreign companies and suppliers of hospital.

I remind you that there was a plan called 2030, where the objective was by 2030 they really wanted to buy 50% of medical devices, Chinese-made. The feeling and what you see today in China is that there is an aspiration to accelerate that. So what does it mean? It means fundamentally the China is becoming a very difficult market. And certainly the only way to survive in China is to become more Chinese. And this is why we believe that the fact that we have a manufacturing site, we will have a research and development in China is the only way to survive in a market that honestly is becoming very complicated.

Today, after the Luminex acquisition, China does represent less than 5% of DiaSorin revenue. So we've been de-risking China as a market with the Luminex acquisition.

Now let's reflect on something else. The diagnostic market, all-in, with all of the different test that you can find in the lab, before the pandemic was around $65 billion. So a relatively small market. And that market was growing 1-2% per year, a little bit more volume, pressure on price. A market – the market was developing, but nothing exciting. And then the pandemic hit.

And then in 18 months, a $65 billion market became a $100 billion market. And it hardly happened that a market which is mature all of a sudden is increasing by 30%. Now what does this mean if you look at cost? Now if you do the math, usually an hospital that pays a $1 for a product, then the cost to deliver the test result is pretty much three to four times that. So that means that, if today, we, as an industry, sees $35 billion of revenues coming from COVID testing between molecular and antigen testing, the system – the healthcare today is paying annually $150 billion to deliver the testing. And keep this in mind because we are talking again on cost and cost and cost piling up on the healthcare system.

Now if you look at treatment, so what is the effect of the pandemic on the cost of delivering healthcare, so treatment plus testing? Now what this shows is that in 2020, the weight of healthcare costs versus GDP worldwide on average has increased by 1%. Okay? So – and if you look at the US, it's even more dramatic because when it comes to the US is a net-net result of the fact that in the US hospitals are private. They were actually leaving off elective surgeries that didn't happen during the pandemic and actually they were loaded with patients that are COVID patient that are very expensive and they are not really remunerated well by the insurance companies.

All the hospital were going belly up. And what the government had to do is to pour $100 billion in funding coronavirus aid to make that industry survive. And as said, as part of the $100 billion, $8 billion just to keep their overall hospitals open.

So if you think about this and you think about the environment post-pandemic, what is the environment? They environment is cost effectiveness. So whoever is going to be operating in diagnostic has to consider that element. The system is broke and the system will only pay for innovation, if that innovation will carry two things. One, certainly clinical value, but the other one, which is very relevant, cost-effectiveness.

And so more and more companies that are bringing new products and new systems to the market not only have to demonstrate it is good for the patient but they also need to demonstrate with the real data that it's very good for the healthcare system.

So when are we? In 2019, we said value-based care is coming. We believe that value-based care is accelerating. So how is DiaSorin now responding to this environmental?

Now let's look at the strategies in the three legs of business we have, the Immunodiagnostic, the Molecular Diagnostic and the Life Science business. And I would start from the Immunodiagnostic.

In immunodiagnostic, what we did for 20 years, we continue to do, which means that we do have platforms. You see it over there. We do have content, and content means assays that we continue to develop and provide to the hospitals to run more content on these platforms.

And we did very well during pandemic. We developed nine more assays in the specialty area, so fairly unique product for DiaSorin. The plan for the next three years is to develop 13 more products. And we're going to scratching 100 specialty tests, which is going to make DiaSorin as a supplier to hospital even more unique than what it is today. So this is what we've been doing for 20 years and this is certainly part of the plan for the next three years.

And now let's talk about a different content, and the content we're talking about here is getting together with specialised companies, very innovative companies and then bringing the two companies together, the content together to allow to have that very smart content deliver on our platform. So I'm going to call to the podium, doctor, please join me.

Dr Eden is the CEO of MeMed. He's from Israel. And he's going to tell you what's MeMed and why MeMed is, I think, one of the greatest asset in our industry. Please go ahead.

Eran Eden: Thank you very much. Good morning, good afternoon, depending where you are. Let's see if this works. Right. So hi, I'm Eran, again, co-founder, CEO of MeMed. I'd like to thank Carlo for the kind hospitality for what's becoming a growing partnership.

To then tell you a bit about our story. First of all, MeMed in a nutshell. We're based in Israel and growing our base also in Boston, Massachusetts, raised over $200 million in equity and also quite a lot of support from the US Department of Defence and the European Commission. A landmark FDA clearance a few weeks ago and a leader in this exciting new field called Advanced Host-Response Technologies that I'll tell you a little bit about today.

So it all starts with a simple premise, which is, the immune system, our immune system is built to tell us what's going on in our bodies. And what we do? We listen. We listen with this engine that combines machine learning, molecular and biochemical immunology and IVD in order to generate insights that can potentially transform the way that we manage patients, particularly in the realm of infectious diseases, inflammatory disorders.

The first thing we start with is the most prevalent clinical indication on the planet, a child with sniffles, or an elderly patient with cough, fever broadly. If you think about this encounter – and we've all encountered this multiple times actually in a year, we and our families, several questions come to mind. The first one, is this child in front of me, does he have a bacterial or a viral infection? If it's a bacterial infection, antibiotics. If it's viral infection, chicken soup.

I see seemingly simple problem because bacterial and viral infections are often clinically indistinguishable, which causes two problems. The first one is antibiotics overuse, roughly one in every second antibiotics is overprescribed. Less known is antibiotics underuse. One in five patients that have a bacterial infection are not receiving antibodies some time. Both parts of the equation has both grave healthcare and health economic consequences that are plaguing the system.

Now, sure we have many technologies, and Carlo was talking about this, right? Rapid engine tests, culture and multiplex PCRs. And they're good, and they're pushing the boundaries, but there are several limitations. The first is time to results. We often want to have the solution here and now within minutes, not hours and definitely not days.

Number two, inaccessible infection sites. So you can only apply many of those technologies if you can reach the infection site but many times it's non-accessible, ear infections in children,

sinusitis, bronchitis, pneumonia. That's one in four patients and those prevalent indication on the planet.

Third, even if you use a multiplex PCR, very expensive. In more than 50-60% of the cases, you're not going to detect a microorganism or the pathogen, but you still need to treat the patient. And fourth, even if you're lucky and you identify a virus, it doesn't mean that there's not a bacterial co-infection that's lurking behind and you still need to treat antibodies.

So the question is not only about fancy technologies but how do I manage this patient. Clinical value, cost-effectiveness. So when we set on this journey we imagined platform, small volume of blood a few minutes that would somehow decode fever, starting with bacterial versus viral infection to treat or not treat the antibiotics.

The paradigm, decoding the body's immune response we're measuring set of soluble proteins of the immune system together with a layer of computational algorithms and we create a barcode whether the body's waging the war on the bacteria or the virus to treat or not to treat.

Here we see this complex graph here that just shows some of the proteins that we're measuring, some which includes the world's first viral-induced[?] proteins, so it's a protein called TRAIL that your body is secreting to fight against viruses. It's a first viral-induced protein that's been cleared by FDA in 21st Century medicine. Then there is the machine learning component and again the measurement component.

First study 2009-2013, published the results over 93% performance, ROC curves. And then a series of studies prospective, double-blind, external, covering over 20,000 patients with real-world evidence published in The Lancet ID, BMJP, it's paediatrics, up-to-date far exceeding industry standard. Why? Because it's not enough that you say that it works. You have to prove it.

After five years of working hand-in-hand with FDA that has been extremely supportive, we recently received a landmark FDA clearance. It's the first technology to aid in distinguishing between bacterial and viral infections, based on the body's immune response. This is the claim that we've got. You get the same thing in the US and in Europe. So first of all, it's for both adults but also children, which is not easy but it is critical.

Second, very broad indication for use, low respiratory tract infections but also upper respiratory tract infections, systemic infections, urinal tract infections in a child who sniffles. Third, EDs, urgent cares but also upon hospital admission.

And lastly, we've been able to show to FDA that we're able to complement these multiplex PCRs or other type of pathogen detection test by identifying bacterial coinfections even if you detect a virus. Again, that was one of the challenges we talked about in the beginning.

Okay. So now we have a platform to measure it. You put sample of 100 microliters within this cartridge. You plug it inside, press the button with 15 minutes. That's basically it. And you get the results. It's a score between zero and a 100. And the higher the score, the higher the likelihood of a bacterial infection. If you have a mix infection, you get high score because you want to treat.

And so this is where we met with Chen Even and Carlo Rosa and the team, and we said, well, how can we combine forces? How can we leverage the complementary capabilities of the two companies? So MeMed brings this knowledge centre – world knowledge centre in Advanced

Host-Response Technologies and clinical adoption, clinical utility, medical sale. But DiaSorin, the diagnostic specialist to the power of three, with a track record of introducing these new technologies, we thought this is a really good partner, solid install base, repetition of quality.

And if you look at these two platforms, they look very different. One is maybe 100 times larger than the other one, but they're actually based on the same technology, chemiluminescence [inaudible] which means you can transform technologies from one to the other and you have consistency, which is critical. So you have a hub and spoke model, which is what's required to that market.

Recently, DiaSorin received a clearance in Europe for the MeMed BV on the LIAISION with what we think is a knocked out of the park roughly a year to develop something like this. And the reason that this happened so fast, first of all, big kudos to the development team and the regulatory team but also the fact that these two technologies are so compatible.

The market is a blue ocean. In the US alone meeting our FDA indication for use about 200 million cases. Here, you see them segmented according from centralised to decentralised setting. If you only look at the centralised setting in urgent care, it's a multibillion-dollar opportunity potentially.

So to start to summarise, at the end of the day, it's not about the fancy technology. Sure, it's cool technology but it's – most importantly, it's about clinical value and cost-effectiveness. And the clinical value, improves the accuracy. You reduce the false negatives and the false positives. Then you have shorter time to diagnosis and you get better patient management, which we tend to forget.

I just flew from Tel Aviv over here leaving my wife and three kids, one of which has a fever, nine-year-old girl. We took her to MeMed, ran the test. It's a viral infection and no antibiotics. Today, she's back to school. And the anxiety of the parents goes down. And I get a lot of brawny pose from my wife and mother-in-law. That's a different story and very strategic.

Second part, the peer, the provider, reducing clinical uncertainty, changing patient management, hospitalisation, and of course, saving hospital costs. There's going to be a publication coming a few weeks in the journal Medical Economics proving a lot of these things again based on data.

So to close things up, the immune system has evolved to tell us what's going in of our bodies. And what we did is develop an engine using machine learning, molecular biochemical immunology and IVD that we use to develop this first technology B versus V together here moving this forward with DiaSorin. But if we had this technology, what else would you do? There's endless amount of additional diseases and opportunities. And hopefully in the not very distant future, we're going to be able to share some of the additional products that we're working on.

So again, I'd like to really thank Carlo here for the opportunity and for a successful continued partnership.

Carlo Rosa: Thank you. Okay. So let's talk about another kind of partnership, the partnership with QIAGEN. This has been now established for now four years. And let me remind you that with QIAGEN, we had two projects ongoing. One is latent tuberculosis, which was actually launched in the US as well two years ago.

We have the Lyme disease for borreliosis, again, the product has been launched. And then we have another one that is in the cook and we are working on a new assay for cytomegalovirus infection and reactivation in transplantation. So overall, the two companies are working very well together on building this T cell franchise.

As far as the different projects, relating tuberculosis is going very well. Today, we have over 480 customers – hospitals in Europe that are using this product. We just launched it in the US one year ago. We have today 150 hospitals in the US that are using our technology, growing 25% per year.

So, so far this project has been greatly, greatly successful as a combination of the two companies. As far as Lyme detect is concerned, again, very briefly is an algorithm that allows to detect borreliosis, which is a tick borne disease. It is very, very common in Central Europe. It's very, very common in the US as well. In Italy, a little bit in the Trieste area.

One of the problem is that if this disease is not properly diagnosed, then it can really give consequences later on in life. And at that point, it's very complicated to treat the infection.

Where are we with the programme? We have the – now the product approved and launched in Europe. We are working in Germany in the reimbursement. We believe we're going to get the German reimbursement by 2023. And after that, so is part of the plan full commercial launch as far as Europe is concerned.

When it comes to the US, we are doing the clinical study. We did clinical study last year, complicated by the fact that with COVID was difficult to recruit patients. We're going to continue the clinical study this year with the intent – sorry, in 2022, with the intent of getting the product approved and launched in the market, US market by 2023. So this is going to be another strategic set in the QIAGEN-DiaSorin partnership.

Now let's move to the other platform, the LIAISON IQ. The LIAISON IQ is the CLIA[?] one, the one that actually you can find there to the left is antigen for whoever has been using antigen test for COVID is that – with a difference is that rather than visual reading, you can really have a machine read it. And then once the result is read, it can be – the result can be sent to your cell phone or to your doctor, so that the interpretation and traceability of this result is guaranteed.

Now, what did we do? I mean, that system clearly, clearly has been devised for pharmacy use. And we look at two main markets. One is the US market and one is the Italian market for pharmacies, completely different. In the US, there are 60,000 pharmacies and a third of those pharmacies are actually operated by two main providers that have been consolidating services over the years. Pharmacies are allowed to do testing. Pharmacies that are allowed after a result has been obtained in the pharmacy, to take certain action about medications using that result. And certainly is a market that is – and is a market regulated by the FDA. So any product that goes into in that environment has to go through the FDA.

Italy is completely different. 19,000 pharmacies, growing, which is an outlier within the European community. As you know, there is a pharmacy with every church, pretty much as they say in Italy. In rural areas, pharmacies do represent a way, a point of entry to the healthcare system.

The regulatory framework pre-COVID was terrible, meaning that – for diagnostic, meeting that there was not a possibility in a pharmacy to take a test and take action. It was considered auto diagnosis. So doctors could not make a decision based on that result. COVID changed a lot. You can have COVID testing clearly in pharmacies today and you can take action with it.

And very recently, as a consequence of COVID, they changed the law. And now, you can go to a pharmacy on blood testing. You can have results that the doctor can then use to make a medical decision. So in that in a sense what we were saying before, the COVID really changed the regulatory environment under which diagnostic is performed.

What's the plan for us? The plan for us is to continue invest in this technology we're going to be using in the next three years. Italy is the primary market. We are extending menu on the LIAISON IQ and we're going to be touching areas like vitamin D. We are touching areas like celiac disease. We're going to be touching areas like ferritin measurement, everything that will allow the pharmacist at that point to take action, which is not necessarily a medication but is more supplementation.

And we believe that with that technology, we can really breakthrough in this space. Now the question is why Italy? Because we are learning. It's a very complicated segment. We're not in that segment and we want to continue to experiment until we really understand what it takes to be a player in the pharmacy market with lateral flow. Different story clearly is going to be with Molecular Diagnostics. I'll talk about it later.

Now then we have the LIAISON XS is there, very excited about this platform for a very simple reason. This platform has been designed to go to midsized hospitals, especially in the US. We got approval of tuberculosis testing very recently a month ago in the US. So we are ready to unleash this system in 1,200 hospitals in the US. And the very important factor here is that of this 1,200 hospital that today are a potential target for this system, 700 are already served with Luminex products.

And so the very interesting opportunity here, the cross-selling about the DiaSorin technology and the Luminex customer base with this product.

Last but not least is the future, what we're going to be investing in this cycle. And we expect this system to be available to the market after 2025. This system is LIAISON XL. The strategy, the reason why we're doing this is very simple. The LIAISON XL, which is today the king master of DiaSorin, that system has be launched in 2011. We now have 5,500 system displays worldwide.

We are placing over 600 every year. But that system needs a replacement. By the same token, if you look at the install base of our systems in the hospitals, 70% are stand-alone, so one hospital does well with one system but 30% of the hospitals have multiple units. And today, we are under pressure because those multiple units don't have the capacity, the consolidation is really bringing to these hospitals.

And so we are – we designed the LIAISON XXL in a modular system. So one module is absolutely substituting one LIAISON XL actually with increased throughput and two, three models are actually substituting two, three LIAISON XLs bringing it together and making it much more convenient for hospital to run high throughput.

So at that point, at the end of this project that will consume €20 million of investment with our partners that we're going to be selecting to develop this, plus probably €30 million to €40 million of direct cost in DiaSorin R&D department. So €50 million, €60 million later we are going to have the substitution of the XL and we're going to have a high throughput system to again phase consolidation on the market.

So how do we stand in Immunodiagnostic wherewithal? We go from point of care to the high throughput. We have over 100 specialty products that I mentioned at the beginning. So I feel very comfortable with the fact that this engine that does represents today 60% of our business is really well taken care of.

Now let's move to Molecular Diagnostic. Molecular Diagnostic is why we decided to buy Luminex, as you remember. Now there is a concept that people that are not expert in this field have to understand. There are two different clinical needs for Molecular Diagnostic. One is identify pathogen confirming existing clinical suspicion.

Let me give a very simple example. These days, you sneeze, you get fever, you have flulike symptoms, you want to be damn sure that is not COVID. So what do you do? A very simple test is a molecular test that is going to discriminate between flu A, flu B and COVID. This is called single plex technology. It's a technology we have. It's a technology many companies carry today.

But then a few years ago, technology – availability of multiplexing technology, so the ability to detect from one clinical sample, imagine just one swab of your nose up to 40 different targets. These technologies really taking place into hospitals and is very important because it is identifying a pathogen in absence of clear clinical suspicion, is very expensive, is a very complicated technology. But today to be a player in the market, you must have both.

Now if you look from a technology point of view and market maturity point of view, certainly you are facing two different situation. Single plex has been there for over 20 years. So is a mature market. You have multiple suppliers. You do have an established testing. Certainly, pandemic in this segment has now pushed the utilisation of these technologies down into a decentralised setting. Okay. That's the novelty.

Until yesterday, single plex done in a hospital lab. Starting from today, there is a need of doing single plex in a decentralised setting.

Now, price pressure in a mature segment, for sure. The other thing which is very relevant about this segment is that you need to be a specialist, because as a mature segment – and this is how DiaSorin has been positioning itself with its menu, specialty menu in a mature segment with new platforms.

When it comes multiplexing, it's a complete different story. Multiplexing is the future. Multiplexing is a market that has been booming over the last five years with double-digit growth. Certainly is a market – since it is an expensive technology. It's a technology that is driven by reimbursement. And guess what? In the US, very well-reimbursed. And so the market today is primarily US market.

In Europe, there has been resistance to multiplexing because of governmental payers and payer – when government is a payer, then as an overall discussion is much more complicated about savings, at least until yesterday pre-pandemic. There is a limited number of panels available,

five panels fundamentally, a couple for blood infection, one for gastroenteric infection, one for respiratory infection and one for CNS infection. It's a limited number of products that you can develop. It's not infinite, right?

And the other thing that you need – we need to take in consideration is that through pandemic when there was an issue at the beginning really to quickly differentiate from symptoms, it was COVID or not, more multiplexing with funding availability also happened in Europe.

So if you play in these two segments, you really must have a different strategy. So what's the DiaSorin strategy? Let's talk about this single plex first. Today, we are an established player in this segment. We have 2,700 customers, platforms worldwide. I would say 70% of it is in the US, 30% is spread around Europe. We have over €400 million revenues. Certainly, a good chunk of this is COVID and respiratory related – associated with this product.

We do have a very good menu of specialty products and we serve medium hospitals, small community hospital and some of the smaller commercial labs. What is the future? The future is a system that you see there is called LIAISON MDX Plus. So what's the LIAISON MDX Plus? The LIAISON MDX Plus is a system that is allowing to do single plex in a much quicker way than what the platforms that we carry today are able to perform. If a COVID testing today on a DiaSorin platform takes 1.5 hour, with a LIAISON MDX, the time is going to go below one hour. So there is certainly an improvement.

All the measure that today goes on our platforms is going to be transform this one; is going to be launched in Europe in 2022. And then clearly, you're going to have a full effect starting from the 2023. And it is for us the strategic platform that will allow us to combine what we have today into a future platform. So, as said, overall to defend and continue to grow a business of €400 million, which is what we have today in our single plex molecular diagnostic.

And I think that there is a video.

[Video]

Introducing the new LIAISON MDX Plus, the next generation molecular diagnostic solution from DiaSorin. The LIAISON MDX Plus is a highly efficient and fully integrated real-time PCR system. It offers flexibility in patient testing to meet the needs of any laboratory. With LIAISON MDX Plus, labs can perform testing in a sample-to-answer workflow with prompt reporting of actionable results within maximum 60 minutes. For medium throughput testing, the system enables real-time PCR testing starting from minimal sample input. Enhanced features such as simplified usability, touchscreen simplicity and hardware improvements enable faster turnaround time in both IVD assays and user-defined tests. The LIAISON MDX Plus system is a compact solution with ultimate flexibility and a powerful menu of tests.

Carlo Rosa: Okay. So now let's move to the second platform, again, always in the single plex. And it's this one. I'm particularly fond of this platform because it has been the result of strategic consideration that we made a few years ago. And the consideration was – and actually came through with the pandemic. And what we thought about is today all the molecular platform that you have out there are unfit for true decentralisation.

And in fact look at how COVID is happening. You go to a pharmacy, you don't get molecular testing. You get at best an antigen test. And just for reference, an antigen test for COVID is able to detect at best at 300,000 to 500,000 copies per ml of the virus. A molecular test today

is able to detect 300 copies. So you understand that from a technology point of view, if you were able to take the molecular technology and bring it to the pharmacy, you would have an incredible, incredible benefit in terms of sensitivity.

And this is what this cute system actually is all about. It's a small system, has been designed in working together with a British company that – from where we acquired all the rights for this technology two years ago. It's been designed for physicians, for pharmacists, for very small hospital. So decentralisation of molecular testing. And I keep saying think about it, think how the pandemic would have been different if two years ago rather than and then having nothing, we would've had a system like this able in an ambulance to do a COVID testing in 15 minutes.

Unfortunately, nobody had it. But I think we learn from the pandemic and the next wave that will come, if it will come, companies will have technologies that will really allow the decentralisation of molecular testing. What's the benefit of decentralisation? We really spoke at length about it. But the most relevant thing to me of the decentralisation is the fact that you can take action where the patient and if the patient need action right there.

So decentralisation should not be a mantra for everything. Many, many clinical conditions can actually be taking care and are taking care much better in a hospital but there are certain things that you don't want to take care in a hospital. There are infectious diseases where you don't want infectious patients to walk in a ward. And this is what is all about.

And there is a video on this one as well.

[Video]

LIAISON NES, a novel point-of-care molecular clear wave solution from DiaSorin. Patient samples can be directly loaded into innovative ready-to-use cartridges, which simplify the laboratory workflow, enabling actionable results in approximately 15 minutes. The smart user interface makes near-patient testing possible with best-in-class accuracy and quality. A fully integrated system with enhanced connectivity allows a streamlined and error-proof experience. LIAISON NES is a compact and portable solution for healthcare providers or pharmacists, bringing sustainable and accessible solutions closer to the patient.

Carlo Rosa: Okay. So now let's move to the third element, which is multiplexing, which again is what we – the reason why we bought Luminex. Now, Luminex is a multiplexing company. And today, they already have over 1,000 systems installed in hospitals, mainly in the US, which are using these technologies.

From a revenue perspective, it does represent, for DiaSorin, a little bit over €100 million per year, so it's an established brand. We do have today all the five panels that I was mentioning before. What is the problem? We have it in a format that belongs to previous generation. It requires hands on time.

So what did Luminex develop and what did we really buy with Luminex? This technology, the LIAISON PLEX. LIAISON PLEX is actually displayed over there. This is not intended for decentralisation. This is intended for laboratory use. It goes inside the hospital.

What does it do? As said, there is a very small cartridge you're going to see. You put the sample of the patient inside. You load it. You wait two hours. And in two hours, you're going to know whether it's one of the 20 bacteria that the assay can detect, of the 20 viruses the assay can detect. So very specific precise diagnosis. And think about it, an algorithm whereby

we can use the MeMed technology, just for the first screening and then if it is bacteria, let's understand what kind of bacteria disease using actually this technology. And there is a video for this one as well.

[Video]

Introducing the LIAISON PLEX system, a molecular sample-to-answer solution designed with flex testing capabilities. With the ability to scale up to six modules, the LIAISON PLEX can fit the labs' budget and throughput means. This system is fully integrated and performs extraction, amplification, hybridisation and detection, all in one cartridge. The proprietary Flex software enables users to test and pay only for selected targets with the option to unmask results as needed. This provides laboratories and clinicians with a cost-effective diagnostic tool designed to improve clinical outcomes.

Carlo Rosa: So let me just explain to you what is the difference. Today, there are already systems out there that can do multiplexing, but what is that we offer is called flex the plex. What is the problem today? So if you're a hospital, you want to run one of these multiplexing, you're going to pay for 40 different results, because companies are going to sell you a cartridge. Within that cartridge, you have 40 different between viruses and bacteria. You're going to pay for all. What is the problem with this system? It's very expensive. 60% of the times it's negative when you're paying for 40 different results. The way the Luminex is positioned, and this is extremely interesting. So the cartridge does contain the possibility to get 40 different results. But the customer is going to pay only for 20, a basic panel.

So they run the basic panel. And if within the basic panel of 20, they get what they want, they don't need to go behind that. But if they want to open up results, they buy credits from us. And spending the credits, they can get on the same sample additional results. So it's really providing customers with the needed flexibility to adopt this technology in a cost convenient manner – matter. And this is very, very important for two things.

In the US, because today, notwithstanding the fact that the reimbursement is generous, there is a pushback on cost. The second thing in Europe. In Europe, the problem, there has always been pushback on cost, because one of this test is costing €150 at least for each patient. And now hospitals can design their own panels, they can pay for a minimum panel and they can decide which one they want to open up, which results they want to have and what they want to pay for depending on their budget. And this is very innovative and goes behind the issue we were discussing before, the costing element of providing innovative technologies to the market.

So what do we have at the end of the story? We do have a slew of new technologies. When it comes to molecular diagnostic, which today it does represent 35% of our business, in the next three years, we're going to be launching three different platforms, very innovative, as we described. And this is why I am saying starting from a business that today overall is $500 million, $600 million, based on that platform on that customer base, we're going to hit the market with this new platform. So very exciting as far as the opportunities that DiaSorin does have in this growing business.

Last but not least and then we're going to leave it to the call numbers. Licensed technologies. What are the licensed technologies? Licensed technologies are fundamentally a technology that Luminex has been developing to supply to the research community to do their own research.

And we are talking about two different platforms. One is called the xMAP. I'm going to make it very simple for you.

If you are a researcher today and you're looking at a protein expression and you want to look at hundreds of targets because you want to understand in a patient has actually run it to do when you put together as algorithm, what are the proteins that light up during an infection?

With this technology, you can multiplex up to 500 results. Certainly, this is not for clinical use. It's for research use. But the system is unique. It's the only one on the market able to do so and it has been launched two months ago.

Second thing is flow cytometry. Flow cytometry is a technology that are used in hospital research and the company does have a business of roughly $50 million today, that is growing nicely 10% per year with a very sophisticated technology that allows to identify better and visualise all the different cell parameters within a cell. So this business has been doing fantastic for us for Luminex first and now for DiaSorin.

Number of installation over the last five years have been growing 9% per year. And if you go and look at all the main hospitals worldwide, you name a hospital and you're going to be finding one of these systems. Over 20,000 publications have been actually done by scientists using these technologies.

What's the opportunity here? Certainly, when it comes to the multiplexing, we are not working by ourselves. We are working with companies like Thermo Fisher, like Bio-Rad, like BioTechnique, the bigger diagnostic companies in the world, working life science are actually buying the system from us and displaying – and placing these systems in all the research and academia facilities.

And certainly, the opportunity working with these big companies is providing the DiaSorin with new ideas about technology and the use of these unique technologies. So it's very important for us to sit next to these leaders in life science and continue to fuel the R&D and ideas about this technology and the use of this technology.

As said, the Intelliflex, which is the name of this this platform was launched couple months ago. Already the – we have a backlog in terms of supply. And actually, the plan for the next three years calls for hundreds of this system placed in academia and basic research. And the last video.

[Video]

xMAP Intelliflex is the only compact flow-based multiplexing platform that combines the proven performance of xMAP technology with modern features to enhance performance, empower innovation and simplify the user experience. xMAP Intelliflex offers multiplexing of up to 500 analytes per well, a broad dynamic range and a new dual reporter capability that enables users to acquire two parameters per analyte. Its intuitive software is designed for speed, flexibility and simplicity, empowering users to master the platform with ease. With more than 54,000 publications, 1,000 of assays and a new dual reporter capability, xMAP Intelliflex is a proven and flexible platform for today's life science researcher.

Carlo Rosa: So before we move to the numbers, let me just make a final comment. I hope that I convinced you that the future is certainly bright. I am convinced the future is bright.

And why is it bright? It's because we do have technologies and we do have the products that actually fit in the request of a very dramatically changing market for the post pandemic.

Certainly, we gave our view about COVID. Nobody knows what is going to happen with COVID. We gave an estimation for 2022, which is based on the fact that we know certainly what is going to happen in the first quarter. We have no idea what is going to happen next year because a lot of it has to do with effectiveness of vaccination, new variants and so forth. And so every operator in this market that looks at 2022 and after really doesn't know what COVID is going to represent. We gave our own view that Mr Pedron is going to give you in his presentation.

So thank you for staying with us. And Piergi, please come over here and talk about the numbers.

Piergiorgio Pedron: Thank you, Carlo, and thank you, everybody. It's the time for the call numbers now. I will try not to be too boring you. So again, good afternoon, good morning and welcome to the DiaSorin Investor Day. It's very good to see so many of you here in person today. It has been a while since we were last able to meet. And I'm glad for the opportunity to discuss DiaSorin guidance with you this afternoon.

Over the next few minutes, I will try to translate from a financial viewpoint, so to say, all the initiatives that we have seen in the past few minutes. Before we start, let me please qualify a couple of technical points in order to better understand the evolution of DiaSorin performance after the acquisition of Luminex.

As you will see, we have broken down our financial results into two steps, highlighting the impact of the change of scope from '21 to '22 and then presenting the expected evolution at constant perimeter of consolidation from '22 to '25. This will allow us to normalise the effect of the change in perimeter and would facilitate a better understanding of both the progression and the performance of our business. Moreover, as usual, all the numbers will be presented at constant exchange rate.

With that, I'd like to start with the top line. To start, I would like to highlight the performance of our business excluding COVID. As you can see, we expect 2022 sales to grow 42% vis-à-vis 2021, as a combination of the change in scope of consolidation and the growth fuelled by all the initiatives we just saw.

Beyond next year, we anticipate a compounded advantage growth rate of approximately 10% from 2022 to 2025. This means, and I believe this to be one of the main take-home messages of this slide, that we project to reach revenue of around €1.5 billion by 2025. Therefore, more than doubling in absolute terms 2019 results, so in a pre-COVID and pre-Luminex world, which were roughly €0.7 billion.

I believe it's also worth noting that 2022 total sales this time, including COVID, will be largely in line with 2021, which means that thanks to the Luminex acquisition, we will avoid the cliff of the top line caused by the expected decline in COVID testing volumes. Also please note from the slide that 2025 projection includes the contribution of nearly €150 million driven by the programmes we discussed a few minutes ago.

I'd like now to spend a few minutes discussing about COVID revenues. In line with many of our industry peers, we share the opinion that it is very – there is very limited visibility regarding

testing volumes and the related revenues both in 2025 and beyond. As we all know, the COVID pandemic evolves daily. We all wake up to news regarding changes in variants, the availability and effectiveness of medical treatments, vaccination programmes and so on and so forth.

Given that we share the view of most IVD players and analysts that cover testing volumes, and we believe that sales will decline from the peak of 2021. What is almost impossible to predict is the extent and the speed of this reduction.

Our assumption today, based on what we know today is that we will see a slowdown from the nearly €370 million achieved in 2021 to about €150 million in 2022. Beyond that, we foresee approximately €50 million by 2025 when COVID will potentially become an endemic disease. Consistent with this approach, the following slides discussing the evolution of sales by technology and by geography, will normalise the impact of COVID in order to focus our attention and what we believe matter most, which is all the activities and the initiatives that we have just covered.

So in this slide, you will see a breakdown of revenue projection by technology. Before we dive into the numbers, please allow me to clarify what's the content of each technology at the light of the Luminex acquisition.

The licensed technology bucket represents the sum of the legacy business, flow cytometry and licensed technology of Luminex. Regarding molecular, the graph represent the complete offering from the LIAISON MDX to the VERIGENE, ARIES, the LIAISON PLEX, the LIAISON NES.

Immunodiagnostic represents DiaSorin legacy offering, mainly CLIA and ELISA products. Said that, in 2022, growth rates from Molecular and Licensed Technology is affected by the change in scope of consolidation, while the mono diagnostic of this like-for-like and not impacted in the same manner.

2020 Immunodiagnostic growth is driven by CLIA ex-vitamin D for which we expect an increase between 10% and 15%, which more than offset the slight declines in our vitamin D and ELISA revenues.

2022-2025 mono diagnostic growth is expected to continue at the 7% compound the rate, and is likewise driven demand by CLIA ex-vitamin D products and all the initiatives that we have just seen.

Looking at the mid-term projection for our Molecular business, we anticipate a compounded growth rate of 23%, which is mainly driven by the launch of the LIAISON PLEX and the LIAISON NES on top of the additional sales deriving from the conversion of the single low plex platforms to the LIAISON MDX Plus and from an acceleration of the business in Europe, where we will leverage the COVID-driven install base.

To conclude with this slide, I believe the main take-home message is that our growth is very well distributed across all three of our different technologies, with Molecular being the top performer, thanks to the new programmes we just saw.

Moving on to the next slide, here we can see how we anticipate the revenue trends across the different geographies in which we do business. As mentioned, 2022 growth is affected by the consolidation of Luminex, which is clearly affecting the increase in North America. I think though that the main take-home message of this chart is indeed that if we consider 2022-2025 expected progression, North America, and to be more precise, the US will be the geographical

engine of our growth, with Molecular and Immuno business and the key projects therein fuelling our performance.

As you can see, in Europe, where DiaSorin market penetration has been historically higher, we anticipate a compounded growth rate of 7%. We will achieve this by leveraging the new immunodiagnostic programmes, by selling Luminex products via our broad direct commercial presence in this geography. And lastly, by building on the COVID-driven molecular install base.

Now since North America and Europe will represent approximately 80% of our total sales, we have decided to cluster all the remaining geographies on one single bucket represented here as the rest of the world. This area includes Asia-Pacific direct, LATAM direct and our distribution business.

I would highlight that APAC is the main contributor of growth in this geography, with mid-term compounded growth rate of almost 9%, mainly driven by China. Overall, our rest of the world business is showing a compounded growth rate of 6%, which lags the other geographies as a result of a lower impact of our multiplex offering in these geographies and the lower growth rate in those countries where we do not have a direct presence, meaning the export business.

I believe also this slide is very interesting. And with this one, I will close my slides on sales. Because what I would like to do here with you is to share three snapshots of the change in our revenue profile from 2019 to 2025. So considering a pre-COVID and pre-Luminex acquisition starting point.

Beginning with the first snapshot, I believe it is important to highlight, our DiaSorin sales in North America will increase from just shy of 30% of total revenues in 2019 to almost 50% in 2025, with a 2022 ex-COVID already at about 45%.

Let me please remind you that this is in line with what we defined back then aspirational target. And I believe this was happening two years ago when we last had our Investor Day. The second snapshot shows the breakdown of sales by technology. Here, I would like to highlight how, in 2019, almost 90% DiaSorin sales relied on a single technology, Immunodiagnostics.

Looking forward to 2025, we will have a more balanced and diversified portfolio of product offerings with Immunodiagnostic representing around 55% of our business, Molecular about 25% and Licensed Technology 20%. Please note that 2022 breakdown does not really look much different from 2025 with strong growth across all the technologies not changing the mix significantly.

The third snapshot I'd like to share with you is intended to present recurring revenues, meaning reagents, consumables and royalties vis-à-vis non-recurring revenues. Here, I would like to emphasise that in spite of the change in the composition of sales by geography and technology that we just discussed, the share of recurring revenues is substantially stable at 90%. Therefore, confirming the predictability and the resiliency of DiaSorin business.

Let me now move to this slide. So before going ahead with the EBITDA guidance, I'd like to spend a couple of minutes on how we see the progression of synergies related to the Luminex acquisition over the next few years.

Back in July, when we announced the Luminex deal, we anticipated achieving approximately USD55 million in cost synergies within the third year after closing. Since July, we have had the opportunity to work with the Luminex leadership. To review our assumption and thanks to a

deeper understanding of the combined business, we are revising our cost synergies estimate upward to USD60 million by 2025, confirming the target of 55 million within the third year after closing.

In addition to cost synergies, we also believe the integration of the two businesses will provide a further USD30 million in revenue synergies. This will be driven mainly by sales in the US to hospitals served by Luminex, which do not overlap with those served by DiaSorin today, and by the opportunity to leverage DiaSorin direct commercial presence outside the US to promote Luminex product.

Coming back to cost synergies, we anticipate the following initiatives to be the key drivers: platform consolidations, think about the LIAISON MDX Plus and the LIAISON PLEX that we saw a couple of minutes ago; the rationalisation of the geographical footprint; the integration and the right-sizing of the two organisation; and operations and supply chain optimisation.

Let's now move on and discuss the adjusted EBITDA margin. I believe this chart helps to put things into perspective to understand the margin evolution from a pre-pandemic world, which means 2018 and 2019 to the period covered by our plan.

Here, I think it is very important to remember the starting point, which is before COVID and Luminex acquisition, DiaSorin was enjoying an EBITDA margin around 38-39%. 2021 EBITDA margin is a kind of outlier. As discussed several times during quarter-end calls, it has been largely impacted by the very high COVID sales, which generated a very material operating leverage.

In addition, 2021 includes only six months of Luminex business that as we know enjoy lowest margin compared to DiaSorin.

Now, looking forward to 2022, we expect to experience a dilution in our gross margin and higher operating expenses ratio over revenues compared to 2021. Why that? The gross margin dilution will be primarily driven by the fact that we will replace higher margin COVID sales with a lower margin Luminex sales and by the addition of an absorbed cost linked to the investment on our manufacturing site in China that we saw again a few minutes ago.

The higher OpEx ratio is attributable to the fact that 2022 will be the first year full inclusive of Luminex expenses with synergies not yet fully realised with total revenues, if you look at the top line, as we saw, which are broadly in line with 2021. And this is simply the reason why, we believe the EBITDA margin in 2022 will set at around 35%.

Looking past, next year by 2025, we believe the EBITDA margin will climb back to 38%, which is in line with our pre-COVID and pre-Luminex acquisition performance, but with an EBITDA value that will have doubled in absolute terms compared to 2019.

We will achieve this through the full realisation of the synergies outlined in the previous slide and the additional operating leverage coming from the growth in the top line. The gross margin will improve compared to 2022, but I don't believe will go back to the pre-COVID years because of the different product mix, which now will be most skewed towards molecular products that we now enjoy lower margin. And let me call them partnership products such as latent tuberculosis, MeMed, Lyme detector, which carry higher royalties rate.

In summary, we believe that we will be able to return to our historical level of profitability once COVID is behind us. And the Luminex business is fully integrated with an EBITDA value, which

in absolute term, again, will be slightly more than twice what we had in 2019 and above €550 million.

Now before moving to the next slide, please allow me to make two technical comments associated with the impact of the Luminex acquisition on our financial reporting, which I deem will be useful for modelling purposes.

First, in 2021, we began to highlight an adjusted EBITDA. However, we expect that by 2023 the difference between the EBITDA and adjusted EBITDA will be completely negligible. Second, our estimate of the purchase price allocation amortisation impact coming from the Luminex acquisition on the net result will be about €60 million per year.

This chart shows the evolution of the net debt ratio adjusted EBITDA. Based on our projection, we believe the ratio will decrease to 0.5 in 2025 from 1.9 at the end of 2021. Therefore, confirming a quick deleverage of the company, as a result of the free cash flow generation across the period.

The anticipated small leverage ratio increase in 2022 is simply the result of the reduction in that year of the adjusted EBITDA that we just discussed in the previous slide.

With that, I'd like to move to my last slide. In this slide, I will conclude my remarks on the financial translation of the plan described by Carlo and highlight summarises what we have seen in the previous slides. More precisely for the period 2022-2025, we project revenue compounded average growth rate of 10%, excluding COVID and 7% with COVID.

The adjusted EBITDA compounded growth rate will be at 10%. The cumulative free cash flow generation over '22 to '25 will be above €1.1 billion and the leverage ratio will decrease to 0.5 by 2025.

So let me close my remarks saying that based on the initiatives and strategy presented today, we are very excited with the positioning of DiaSorin as we emerge from the pandemic. As the financial highlighted, we are confident that we will continue to drive a sustained growth and value as we have done in the past.

With this, let us open the Q&A session. And thank you.

Questions and Answers

Carlo Rosa: Okay. I think that we have some questions that is coming from the audience that is connected.

Question from the web: Hello, everyone. The first question from the internet is Flex technology. Can you please provide more details of how it works and how many targets are included in the basic panel?

Carlo Rosa: We don't know yet what the basic panels would be, because it depends from the different disease states. But I think the idea is that 50% give-or-take of the targets are going to be provided with just purchasing the kit. And then the remaining 50%, either the single or in groups, are going to be associated with credits that customers can buy and then open up the result for the patient at their will.

Question from the web: Thank you. The second question is can you please talk a bit more about the LIAISON NES portfolio? And do you think it will be more of a US market as flu testing is more US-based?

Carlo Rosa: The portfolio is today what's in the development is a COVID flu, that would be the first assay that is going to be launched. Very clearly for differential diagnosis, the market is not only US for that product. It's going to be also for Europe. The second assay that we have in the funnel is for GAS, Group A Strep, and that also certainly does complement the differential diagnosis for flu and COVID.

And then we're looking at sexually transmitted diseases as the third panel that is going to hit the market. As far as what is the market for us; certainly, the US is our primary market for this because of the level of decentralisation, the reimbursement, the fact that we believe that there is space in pharmacies with this technology but we're also investing in the opportunity in the different European counties. The difference is that in Europe, you do have 27 different systems that – healthcare systems that you need to investigate, whereas the US is a very large market, with fundamentally one legislation.

Question from the web: Thank you. And the last question we have from the web is regarding the partnership with MeMed, we saw the opportunity in the MeMed CEO slides. What about the DiaSorin opportunity? Can we have some more colour on what you expect and when?

Carlo Rosa: I think that we gave a gross number and the number is €150 million that in the next four years are going to be generated by these opportunities. For confidentiality reasons, we are not going to do the split, also because, first, we need to really understand with MeMed how we're going to handle this information.

But to me what is very intuitive about MeMed is that that – the product goes right away on all our install base because our install base is primarily into hospital settings and there is where MeMed with capital that they raised are going to hire people, especially in the US to do all the promotional activities, which are necessary now to generate demand.

And that demand will actually go to two platforms as we have discussed. One is the MeMed platform that is taking care of the emergency calls. And then when volume piles up, the hospital will have the flexibility to manage the emergency with the MeMed platform and then the volume that piles up with the DiaSorin system.

Let me remind you that the LIAISON XL actually generate the results within 20 minutes, so it can also be used for emergency.

Question from the web: Thank you. And the last question from the stream is, did I get right that the minimum pathogens on the LIAISON PLEX is 20 in one go?

Carlo Rosa: In general, yes, but does not mean that that's a decision made for all the panels. It depends on the clinical indication.

Question from the web: There is another question. Can you clarify what you mean by saying the difference between adjunct EBITDA and EBITDA would be minimal in 2023? And what is the ex-PPA?

Piergiorgio Pedron: Sure. So the – when I say minimum, I mean below €5 million. When we define adjusted EBITDA, we mean EBITDA adjusted by all of those costs that we sustain to

integrate the Luminex business. We believe by 2023 basically all of those one-off extra additional costs will be over.

Then when I say the PPA thing, this is a request that's been asked from many analysts is the impact of the purchase price allocation, depreciation coming from the Luminex acquisition, our financials. I understand from many techies, there is an important number to model that P&L under financial, so I wanted to disclose it with the financial community.

The PPA exercise is not be completed yet. We are running it as we speak with a help of a consultant. But our estimate is that more in line it will be €60 million per year.

Question from the web: Thank you. Do you think there is more space for cost and revenue synergies over the next three to five years?

Piergiorgio Pedron: No, I don't think that there is more space. I believe that now four months into the acquisition, we had the time to mature a plan that has been actually presented and shared internally to the management. And so I believe that what is up there, which is by the way an improvement in terms of not only value but also timewise, what we've been discussing before, it is what this company is committed to achieve.

Question from the web: Thank you. How does the LIAISON NES compare to Roche Liat and Abbott ID Now? And what are the differentiated features?

Carlo Rosa: Well, interesting. I think a marketing manager here should take the question. But I'll try to address it. If you take the Abbott ID Now, it's a system that by the way has been on the press because it has been one of the system that has been used in the US for decentralisation. One of the problem which by the way is there still today is an alert that the FDA ask the companies to insert about the sensitivity, because again these technologies or technology was developed some time ago. It is what we have today available but still not as sensitive as the more modern systems. The other thing is that it does require off-line hands on time.

When it comes to the Roche Liat, the Roche Liat is, let me say, the probably the closest system that today it is out there to what we're thinking. It's above 20 minutes. What we're talking about the LIAISON NES is around 15 minutes.

When it comes to the design of the system, the simplicity of the system and the way it has been thought, certainly belongs to next generation system in terms of decentralisation because is, has been thought for pharmacies and is extremely simple. The Liat system has been designed for decentralisation, extremely successful for decentralisation in the US in specialised setting.

Question from the web: Thank you. The last question from the stream we have is how should we think that the Luminex gross margin profile, given all reagents for up to 30 to 40 targets, are included in the cartilage? Which will be offered at a lower cost?

Piergiorgio Pedron: So this is a very interesting question. So the thing is obviously the idea behind the LIAISON PLEX is that the cost of the cartridge is not going to change. What is going to change is the possibility for the lab to decide how many results they want to unmask. So our focus now is to really make the whole manufacturing process as streamlined as possible because we want to bring to the market a cartridge which is very cost-effective.

Based on our analyses, the margin we will get, even with the minimum level of results that which - will be unmasked is broadly in line with the margins we're making on molecular products, just a few percentage points below. I don't want to be too specific there.

Then as much as you go above the minimum level of results, which will be unmasked obviously, the margins will be increased likewise. In our projection, when we are saying that by 2025, the gross margin of the Group will increase, we are already assuming a certain balance amongst the number of results which would be unmasked. And I feel pretty comfortable that what we are embedding now in our numbers is a target that we will achieve.

Question from the web: Thank you. Luminex has already 700 hospitals. How big do you see the opportunity there with the LIAISON XS?

Carlo Rosa: I don't think that we are available to discuss specific targets. I don't think this is the kind of presentation. But my point is we discuss in the previous plan about the LIAISON XL opportunity. And the LIAISON XL opportunity back then was 150 new hospitals that this company would achieve within three years. And that has been a target that has been clearly overachieved as an effect of the pandemic on one side and the fact that more hospitals really wanted to have more system placed.

I believe that when it comes to the LIAISON XS, certainly the number of systems that we expect to place in the next four years far exceeds what we did with the LIAISON XL. And simply because the multitude of hospitals that can take that platform and also the fact that we do have 700 addresses today we can go, that do know DiaSorin and do understand Luminex, makes this plan less complicated than the original plan that we launched in 2019 with LIAISON XL.

Question from the web: Thank you. That will be all from the stream. If anybody else has questions, please do ask them.

Carlo Rosa: You can't touch the mic.

Peter Welford (Jefferies): I can't touch it, sorry. Hi. It's Peter Welford at Jefferies. Couple of questions. Firstly, can we just ask with regards to the Luminex PLEX? Can we just ask – first of all, what sort of feedback have you had from your customers so far and potentially given the delay, if you like, in the US launch, can you talk a little bit about what you're doing with your existing VERIGENE and ARIES customers, I guess, to keep them on the side, so that you can then potentially switch them to the Luminex PLEX when that becomes available?

And can you just talk a little bit about the importance of building a franchise? I think we understand from some of your competitors that they're leveraging existing instruments in place just to place their instruments. So can you talk a little bit about the importance you see of that and whether you do see price pressure building up in multiplexing, given there's new entrants entering in this market almost every year at the moment?

Secondly then just on the trajectory of the margin. Given you talk about –

Carlo Rosa: Can you hold your thoughts, otherwise we're going to forget.

Peter Welford: Okay. All right.

Carlo Rosa: Okay. So let's first talk about the ARIES, The VERIGENE and the LIAISON PLEX, which I think is your question.

Well, first, the ARIES has nothing to do with the VERIGENE, right. So ARIES actually is a growing franchise today. It is growing as a result of increased manufacturing capacity that we now have in Austin compared to what it was there just four months ago. And certainly it's COVID-driven, okay? So ARIES is not a target for the LIAISON PLEX. It's actually an opportunity long-term for the MDX Plus.

When it comes to the VERIGENE 1, what I said we have today roughly a 1,000 users of the VERIGENE 1 technology. The business is flattish and so has been fairly resilient over the last few years, notwithstanding the fact that certainly BioFire has been hitting the market hard with their systems. And the reason why it is being resilient is because that technology has been one of the first technologies that hospitals have adopted, especially for blood infections. You have a very solid customer base. And last but not least, don't forget that what we understood when it comes to multiplexing is that quite often hospitals are actually using different technologies for multiplexing.

The strategy to me for the LIAISON PLEX is very simple. You're going to go and replace these systems with the VERIGENE 2, the LIAISON PLEX system. And the way that you grow, a good percentage of the growth that we envision we're going to take is just adding one more panel to the existing panels that customers are using on the VERIGENE 1 platform.

On the – what was the last question about gross margin?

Peter Welford: So it's more on pricing pressure in the sense, does new entrants entering this market over time, including some pretty big companies, obviously we hear they're potentially going to use, I guess, weight basically as they supply tons of products to these labs. Do you see pricing pressure growing significantly in the multiplexing market as some of these bigger players enter the market?

Carlo Rosa: I do see – I certainly do see price pressure. I think we discuss about it. It's a part of the new world. Excuse me, ma'am, I think it's not done.

I believe that the assay, there is a price pressure, as said, that is the new rule of the game in diagnostic. But – and I believe that you must have a technology – if we not make money in this space, you must have a technology that is a manufacturable in quantities, in scale and with relatively low cost.

I'm saying a relatively low cost because certainly these are expensive cartridges. I believe that when it comes to multiplexing, you are not going to enjoy the same margin level that you have with some of the specialty products. And this is embedded certainly in our plan. But by the same token, I also believe that the margin, the price level that today these products do receive and the reimbursement that is there today, the price structure with a good manufacturing practice does allow gross margins, which today are in line with the gross margin of the Molecular space.

Keep in mind that prior to pandemic, prior to COVID, so take COVID out, because COVID completely is an outlier, right? I think a good molecular company was actually making gross margins in the range between 50-60%, okay. And if you are in that space, I think this is what you need to look after. So you – if you want to really then have a contribution to the EBITDA, which is in line with the rest of the business, you must really flex on the opening leverage.

Peter Welford: I've got two more but they're fairly short. I'll take them together in case I lose the microphone again. Firstly, just the trajectory on the margin. Given China comes on mind 2023, it's obviously cost of there, given the time to launch Luminex is really 2023 in the US, should we be thinking not linear but more of a hockey stick from 35 to 38?

And then secondly, just on the net debt to EBITDA, 0.5 times by 2025 seems very conservative, given 1.1 billion of cumulative free cash flow. Is that – you're assuming within that, further business development, partnerships, acquisitions, other sort of small deals or otherwise, I would've thought by 2025 you can potentially almost deleverage entirely.

Piergiorgio Pedron: Yeah. So let me start with the margin one. Yes, you're right. If you think about the trajectory of the gross margin, I believe we closed the Q3 2021, which you can consider the first full quarter where we consolidate Luminex in DiaSorin number, the 65%. Then you're going to see, as I said, the manufacturing impact of the plant in –

Carlo Rosa: China.

Piergiorgio Pedron: China. And at the same time, what you see is that you have a replacement of COVID sales, which are margining more than 70% that Luminex sales, which on average are margining 60%. So I see 2022 as the bottom in terms of margins. And then you see a pick up, but with more of an hockey stick effect, as you said, closer to '24, '25, to go back, I believe, to a gross margin at around, let me say, 66%. Considering the fact again that the mix will be different not less immuno – not just immunodiagnostic product but a big chunk of business with Molecular Diagnostic, and at the same time, the revenues coming from those initiatives that we discussed about.

Then in terms of the leverage ratio, we made some assumptions in terms of CapEx. Many of these programmes that we discussed about will require some funding. Think about the LIAISON XXL, think about what we still need to do on the LIAISON NES, all the other projects. So you might say that we've been conservative. What I can tell you is that the 0.5 the number I feel very comfortable to commit to, then potentially we might be better, we will see. But 0.5 is definitely a number we will – we feel very comfortable with.

Carlo Rosa: Are you done, Peter? You're done, right? Okay, good. Anybody else? Okay, good. Listen, thank you for participating. And again, thank you for participating. [Italian, 1:49:33 - 1:49:36]. Thank you.

[END OF TRANSCRIPT]