DiaSorin S.p.A.

"Third Quarter 2022 Results Conference Call"

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MODERATORS: CARLO ROSA, CHIEF EXECUTIVE OFFICER

PIERGORGIO PEDRON, CHIEF FINANCIAL OFFICER

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the DiaSorin Third Quarter 2022 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

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

CARLO ROSA: Thank you, operator. Ladies and gentlemen, good afternoon and welcome to the quarter 3 conference call result. As usual, I am going to shed some colors on the quarter results in terms of the topline and the main fundamentals of the business and then our Chief Financial Officer is going to take you through the numbers.

So, let's start from the topline. I remind everybody, we will comment on the constant exchange rate. As you know, otherwise all the numbers are heavily affected by the revaluation of the dollars. So, at constant exchange rate, the business in the quarter performed at minus 14% versus last year, that is according to expectations. And the reason for the decline is attributable to the COVID as you have seen from the numbers compared to last years in quarter, we are €15 million down. And we are roughly €90 million year-to-date.

If we look at the business ex-COVID, the business grew 2% in Quarter 3 as a combination of several events, although there are a couple of things that I would like to highlight. We had 2 clear headwinds when it comes to the quarter result. The first one has to do with the fact that in 2 geographies, in mainly China and the Middle East, we had a performance which was heavily affected by the current situation. So, China continues to be a drag and as far as we are concerned, the main effect of the…with lockdowns. So, we see that in the provinces where we fell, we continue to see a strong effect on volumes.

And then in the Middle East, because of the current situation in Iran, we had to postpone some of the shipments. By the same token, we continue to see the effect of Russia where we were exporting until last year and the export has been reduced to some very small amount. If I…if we take away these effects, then immunodiagnostic in the quarter would grow 6%, year-to-date 7%. So, this would be in line with company's expectations.

Now, if we look at the business in immunodiagnostic and we look at North America, North America is going to be…it does represent the majority of our business. Immunodiagnostic is growing very strong, 10% in Quarter 3, 12% year-to-date, and if for 1 second, we take away the Vitamin D franchise that as you know, has been declining historically for DiaSorin, the rest of the CLIA x-D business in the US grew 18% in Quarter 3 and 25% year-to-date.

What is the reason behind that success of immunodiagnostic in North America, as we discussed many times it's the hospital strategy where there is a segment where DiaSorin was traditionally underpenetrated and because of the effort that we put in at the beginning of the pandemic in putting together a distribution footprint in terms of more reps and more territories and this clearly continues to pay out. Today, we have until notwithstanding the effort, today if we look at the available market in terms of number of hospitals that we shall compare to the total market, we are below 20%. So, that we still have a very long run-rate in front of us in terms of opportunity to grow in North America.

When it comes to Europe, Europe grew immunodiagnostic at 4% in Quarter 3 and 5% year-to-date. So, as you know, notwithstanding the current situation…economical situation in Europe, so the business is a stable business and we continue to grow. If you look at the…just the growth of the market in Europe, we estimate today the market growth at 1%-1.5%, so we continue to outgrow the market. The strategy is always the same, it's the specialties and the margin contribution certainly is extremely positive.

Now if we look at the rest of the world is in Q3 its 7% below last year. And this is exactly where we have the 2 headwinds that we were talking before, so [indiscernible] Middle East and China. With the except of these 2 geographies, if I take everything else including countries where the company made an investment in infrastructure and I am referring to India for example or Mexico or Brazil where we have our local team, just as a reference, Indian quarter grew roughly 20% and Indian geography is where we are growing high single-digit or low double-digits. So, I think specifically the problem we have seen in this quarter has to do with the 2 geographies and the events we have been talking about.

Now let's go to Molecular Diagnostics. 7% growth in Quarter 3. That is a good performance for the DiaSorin Molecular assets again. We are talking about growth ex-COVID and growth has been driven by COVID flu, plus it has been driven by the fact that when it comes to the Verigene and the multiplexing business we have, that business notwithstanding its base on technologies which are…had been launched over 10 years ago is holding up. Waiting again for the launch of the Liaison Plex which is going to be the new driver for growth in the segment.

When it comes to what we call licensed technologies, here is where in the quarter for the first time, the business actually declined 4% in the quarter, but there is a reason about it which is the reason…there is a reason for this decline which has to do with the supply chain. On the instruments that we manufacture, as you know, the business that we call licensed technology is a combination of consumable revenues, royalties that we get from partner distribution and instrument sales. As far as this business, traditionally growth is high single-digit, low double-digit.

And if I look at the royalty component which is an indicator of what the partners are doing with our consumable and the consumable growth, the growth is very strong. Unfortunately, when it comes to the instrument component of this business, because of the current supply chain issues and unavailability of certain parts in Quarter 3, we built less instruments than we have orders for and we are estimating that the gap today is between €5 million and 8 million US in terms of systems that we should be delivering but as we speak they are held in the quarter waiting for some of the parts to be completed.

So, this explains why for the first time, licensed technologies is not a growth component for the business, but again, it's nothing to do with the fundamental of the business. Again, it has to do with the supply chain issue. But this also explain that why margins are very strong in this quarter notwithstanding the fact that we are missing some of the revenues and this has to do with the margin differential between consumable oriented instruments. As you can imagine, on the instruments the gross margin is relatively modest whereas on consumables and certainly royalties on the margin contribution is very high. So, the fact that that component of the business goes well explained why the overall margins of the company are, I would say, very nice in the quarter.

Now, let's talk about COVID. COVID continues to decline, it's roughly €90 million below last year. Of the €90 million, about €50 million…around exactly €53 million is in Quarter 3. The decline versus last year, it is expected as you can imagine because we don't sell the antigen test…the rapid test which is a market that today is declining but not as much as molecular or certainly the serology. Although, the decline we see is better than what we expected. So the business is still holding in certain key strategic geographies and this is why we are actually performing better than our expectations. We still don't see in these numbers any effect on differential diagnosis where we expect to see a pick-up in volume in Q4 and Quarter 1, [indiscernible] result, and we've discussed many times, so we're going to be able to comment on that, I would say, when we are in the mid of the influenza season, which is around the December time frame.

A couple of things that I would like to discuss, they have to do with margins. You've seen margins in the quarter are strong and actually better than what we expected. And this is…what is very important to note is that in spite of the headwinds, due to the inflationary effects that everybody, I believe is facing these days, I think in the last quarter, we quantify the effect of inflation around €15 million annualized, we revised this effect slightly to €17 million and mainly due to the effect of the cost of electricity in the European plants, still marginal, vis-à-vis what you see in other….in certainly other industries, and certainly manageable from a DiaSorin perspective.

By the same token, what's working good for us has to do has this…the synergies that we are extracting from the consolidation of Luminex within DiaSorin. As we've discussed already previously, the program is in line with the expectation and I would say slightly better than scheduled. The other element, which is very important these days for us is that all the time and money and education spend in the last few years in terms of improving the manufacturing cycles…in our manufacturing cycle, especially when it comes to the new assay, now clearly coming to fruition. So notwithstanding a situation where there is price pressure, we continue to be able to hold our margins because of the efficiencies that we have been…that we are driving…we've been driving through manufacturing, so and that, let me say it makes me quite comfortable even in these difficult times with the combination of increasing costs and decreasing prices.

Couple of notes, when it comes to 2 key programs, the first one MeMed as you have seen, there has been a recommendation published vis-à-vis the U.S. CMS reimbursement, the proposed reimbursement is around $250, which is extremely high. And I believe that what is extraordinary about the proposed reimbursement is that this has nothing to do with the technology per se, but it has to do with the benefit of the algorithm vis-à-vis the way patients are actually accepted and treated when they comes to the emergency room. So that's very positive and I believe many of the company did a fantastic job in educating the regulators on the value of the assay. So that certainly will support and facilitate the marketing of the product in the U.S.

The second element, which makes me very proud in a sense is the fact that BARDA just announced that they have decided to fund substantially the development of the LIAISON NES and the contribution of BARDA is $31 million, which…what is very interesting is that these funds are not coming from the COVID fund. If you know, the emergency COVID funds pretty much are over, this is coming from the strategic funding, which means that this reflects the recognition of BARDA that the LIAISON NES platform with its characteristics of being easy to use, fast PCR response, and can be disseminated in the territories. So the capillary system is a key and strategic technology for the US government and that, as you will know, is not simple for a non-US company. So that I think is a very interesting in currency side vis-à-vis the acceptance of this technology.

So now, I'm going to leave the podium to the CFO, Piergiorgio, who's going to take you to the numbers. Thank you.

PIERGIORGIO PEDRON: Thank you, Carlo. Good morning and good afternoon, everybody. In the next few minutes, I'm going to walk you through, as usual, the financial performance of the DiaSorin during the first 9 months of 2022. And I will make remarks on the contribution of the third quarter. Let me please remind you that consistently with what we did over the last calls, in order to better understand the performance of the business, I will refer to adjusted P&L items, therefore, stabilizing the impact of the Luminex deal related elements.

In the press release available on our website, we are providing a line-by-line bridge between adjusted and IFRS items. Please also remind that we completed the Luminex acquisition in July '21. So starting from this quarter, we have the same perimeter of consolidation. So with that as usual, I'd like to start with what I believe are the main highlights of the period. 2022 year-to-date total revenues at constant exchange rate grew by 10% or €82 million vis-à-vis 2021, as we saw as a combination of decrease in COVID sales by 32%, more than offset by an increase in the ex-COVID business by €171 million.

The immunodiagnostic franchise ex-COVID at comparable FX grew by 4%, driven by an increase in the CLIA x-D business just short of 10%. In spite of the weak result in the Chinese market that Carlo just discussed about, and .the headwind we faced in the export business, partially offset by the negative performance of Vitamin D, I mean, the increase in 10%...in 4% of the immuno business and the ELISA franchises.

The molecular business ex-COVID growth is mainly driven by the different perimeter of consolidation and by a very good performance of DiaSorin molecular reagents. The LIAISON technology franchise variance year-over-year is mainly due to a different perimeter of consolidation in the first half of the year, partially upset by the slowdown in the third quarter that Carlo just commented.

Q3 total revenues at constant exchange rate decrease by 14% or €47 million, as a result of the anticipated decrease in COVID sales, partially offset by an increase of the ex-COVID business by 2%, or €5 million. We should be able to recover most of the gap in the licensed technology business that Carlo discussed and the immuno export [ph] business by the end of the year. These elements, the one that we just saw, explained the soft increase in the immuno business and the decrease of the LIAISON's technology franchise whereas we saw the molecular franchise increased by 7%.

Year-to-date adjusted EBITDA at €391 million records an increase of €8 million, or 2% compared to 2021, with the margin of 39% in revenues compared to 45% of 2021. The expected decrease in marginality is the result of the combination of a diluted gross profit, mainly driven by different product mix, and the lower operating leverage driven by the inclusion of Luminex in the perimeter of consolidation and the very high COVID of sales of 2021. Both these elements are in line with the assumptions we made at the time of the Luminex acquisition and embedded in the outlook shared during the Capital Market Day and the updated guidance we just released today.

Q3 '22 adjusted EBITDA margin of 37% were €122 million records a decrease towards Q3 '21 of €17 million or 12%. The variance is mainly driven by lower COVID sales, €47 million in the quarter to be precise, and this is a consequence of lower operating margin.

We keep confirming our ability to generate a very healthy free cash flow €250 million year-to-date with an increase compared to last year of €28 million or 13%. As you might remember, when we released Q1 '22 results that you may we announced that DiaSorin Board of Directors resolved to launch a share buyback program for its total maximum of €1.5 million treasury shares, to support the potential settlement of the outstanding convertible bond and the management equity plan.

As of the end of September within that program, DiaSorin bought back about 1.3 million shares for an equivalent amount of about €160 million. From a different note and before moving to the main items of the P&L, I'd like to provide an update on the impact on the inflationary pressure on differing total cost. We saw that number was €15 million back when we closed the half year and at the light of the recent increases in energy cost that number has been increased to €17 million.

Now, moving to the P&L items, September year-to-date total revenues at €1,012 million grew by 18% of €153 million compared to last year. Luminex products revenues in the period amounted to €277 million vis-à-vis €91 million in 2021. COVID revenues amount to €201 million vis-à-vis €276 million. Therefore recording a decrease of €74 million.

The first 9 months of the year have seen some €71 million FX tailwind mainly driven by the USD association [ph], considering Q4 '21, US…euro exchange rate, and the current FX trend. I think it is fair to expect that a similar positive tailwind, will continue for the remainder of the year. And we will end up with a positive FX effect through '22 over '21 just short of €100 million on the top line.

September year-to-date adjusted gross profit at €672 million grew by 16% compared to last year, closing the first 9 months with a ratio over revenues of 66% compared to 68% of the same period of 2021. The full year contribution of Luminex and the different product mix are the main drivers of these variants.

Q3 '22 adjusted gross margin at 68% is better than last year by 2 percentage points. The average, in spite of lower quarterly revenues is driven by a different product and geographic mix and some one-off positive elements that we had in the quarter. I believe though it is important to underline that in spite of the inflationary pressure we discussed about we have been able to put in place cost containment measures and initiatives that have allowed us to preserve our margins.

September year-to-date adjusted operating expenses at €345 million grew by 42% compared to the same period of 2021 with the ratio of revenues of 34% and vis-à-vis 28% of last year. This increase once again in line with our expectation is mainly driven by the different perimeter of consolidation and much higher COVID sales in 2021 that generated back then, a very material operating leverage.

A negative FX assets and higher product cost, mainly drive Q3 '22 adjusted operating expenses increase towards last year of €13 million or 12%. I believe it is important to underline that net of the FX effect and these additional travel expenses, we would have actually had a decrease in OPEX in spite of the inflationary pressure we just discussed about.

Year-to-date operating expenses are substantially in line with last year and as a result of what I just described September year-to-date adjusted

EBITDA at €319 million, has decreased compared to 2021 by 3% of revenue in Europe.

September adjusted interest expense is at €4 million of lower than last year by 30% or €2 million, mainly because of better yield on our cash investment. Whereas the adjusted tax rate 23% is in line with 2021. The adjusted net result at €244 million or 24% of revenues is lower than previous year by €4 million.

Lastly year-to-date adjusted EBITDA at €391 million or 39% of revenues is higher than last year by 2% or €8 million. The values at constant exchange rate is negative by 5% with a ratio of revenues of 39%.

Let me now move to the free cash flow and the net debt position. In the first 9 months of 2022 as just said DiaSorin generated €252 million free cash flow. So, €28 million better than last year. At the end of September 2022, the net debt of DiaSorin was negative for €1,012 million vis-à-vis negative €986 million at the end of 2021.

The difference is a result of very strong cash generation which has been more than offset by the following items, the share buyback program for €160 million, €90 million of negative translation FX effect and €56 million dividends to shareholders.

Lastly, let's now move to the updated 2022 full year guidance. As usual, at previous year constant exchange rate, the guidance has been increased as follows. Total revenues to grow between 2% and 3%, with an ex-COVID business growth is about 22% and COVID sales at around €225 million, and the adjusted EBITDA margin between 38% and 39%. The increase in the guidance for the topline is mainly driven to better COVID sales, whereas the weak performance of the Chinese market is the core driver of the revision of the extra COVID series.

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

Q&A

OPERATOR: 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: Great. Thank you for taking my question. I have 2, please. The first one is on the shipment delays that you highlighted in the license technology business. Could I confirm that your revenues would have been €5 million to €7 million higher if not for the delays that you observed.

And then related to that how much visibility do you have in resolving this issue by Q4, and then that situation is not going to impact your existing orders to be delivered in Q4 itself. And then on the second is on multiplex…on Luminex. Are you able to provide an installed base for the Luminex multiplex platform as of today and could you provide you know, some color as to whether you were able to expand the installed base this quarter? Thank you

CARLO ROSA: Aisyah, thanks for your questions. Question #1. Yes, I confirm that, as said, had we've been able to fulfill all the orders, revenues will be higher by €5 million to €7 million. In terms of visibility in Q4, I don't see we have visibility these days, because their supply chain is very weak. And we have deliveries of parts, which are scheduled in the next few weeks. But the real problem today is that they can call you 2 days before and simply delay the shipment. This is the current situation. I think generally speaking in the medical sector, if I may give a little bit of color to it, because this is counter-intuitive compared to what we see in the consumer goods. I have a feeling that the supply chain made a strenuous effort to work with consumer goods. Although, the designated victim has been our sector, because our sector is typically low volume high value. Although, what some of the suppliers that we listed are telling us is that in order to fulfill consumer goods, we have to cut somewhere else. And I think this is the price we as an industry are paying and [technical difficulty] so actually if you notice me there is some of the comments I want to pick up on the comment that Stratec made specifically because he is a DiaSorin supplier. The only thing I want to make sure that I understand is that when it comes to Stratec that fortunately the [indiscernible] is not really on the DiaSorin systems, so Liaison XL, LIAISON XS and the MDX no problem of supply; although, they cited supply chain issues with other systems.

Second question about multiplex, no we don't provide installed base because we believe it's a proprietary information; although, my comment is that especially with LIAISON MDX system, yes, we expanded the installed base. Clearly, there the problem is that the revenue per box are strongly declining compared to last year because of COVID volume, so it's revenue per system declining although the installed base continues to increase.

AISYAH NOOR: Yeah, thanks very much.

OPERATOR: The next question is from Peter Weldford of Jeffries. Please go ahead.

PETER WELDFORD: Hi, thanks for taking my question. I have got a few. Just first of all, just going back to the underlying growth, I think largely you know, I don't know if it is possible for you to sort of quantify that the gap you mentioned between 2% to 3%, that's the 6% I think you said in the quarter excluding the headwinds. Can you possibly try and give us an order of magnitude of the effective China lockdown versus the Middle East, Iran delays and versus Russia, just to try and give us some colors to the relative magnitude I guess to those rates to account for that to the 400 basis point delta in the third quarter growth.

Secondly, just on the COVID trend, the outlook seem to imply less than €25 million or roughly 25 in the fourth quarter of COVID sales? I guess given your comment, that you are yet to see the differential diagnostics pick-up for the flu season in 4 Q, 1 Q. I guess why do you see in the COVID decline another 50% quarter-on-quarter in the fourth quarter apart from [indiscernible] now at this point.

[Indiscernible] you talk us through the mechanics sort of your thinking around that and why should be assuming COVID at the [indiscernible] is potentially flat on the third quarter given the season is just picking up. And then just finally, just with regards to the MeMed recommendation that comes from CMS. At this point now, what was the sort of I guess strategy and then procedure followed by, is this now the case that you can begin rolling out and educating and knocked into the US or how should we think about the strategy and [indiscernible] from now for this to be rolled out in the US market? Thank you.

CARLO ROSA: I will take the last 2 questions and I think Piergorgio will take the first question. As far as COVID, I don't…sorry, but I don't understand the math. I think that if you take year-to-date versus expected, we are talking about…around €35 million delta and that is 13 per month which is today what we see without the effect of the differential diagnostics. We always stated that it is extremely complicated to predict increasing what is the effect of differential diagnosis because it's going to happen at the end and in the future and we don't know what the medical guidance is going to be. So the COVID number and the logic of the COVID number is what we see today, what we experience today as our monthly current trend.

PIERGORGIO PEDRON: I believe…Carlo, if I may add a comment on COVID. The misunderstanding can come from the FX effect which is very material in the quarter, right, so the guidance we gave for COVID is €225 million at constant exchange rate, right. So you cannot compare the €225 million to the €201 that you are at current exchange rate. I believe that is where your €225 million is coming from. What kind of said, is what we see is the 13 or so million at constant exchange per month that was moving you know from the €190 million or so, €189 million at constant exchange rate, that we had year-to-date to the full year. Does that make sense, here?

CARLO ROSA: We come to your question on MeMed and strategy. As you well know, to sell in the US, there are 2 elements which are needed. One is the approval and the second one is the reimbursement. So the approval we got 9 months ago and now, we are very close to getting also the second element, we meaning us and MeMed because MeMed has the responsibility for that to now get a second strategic element for the effective launch of the system.

So what we are doing today, we are targeting a set of roughly 100 hospitals where the DiaSorin system is already installed and then we are going through an education program whereby we clearly explained value of this product within the diagnostic algorithm that is the news with the hospitals. I think as we discussed last time, the strategy calls for an initial effort directed toward the education of…in the Children Hospital because today talking to the physicians in the emergency room what they see as a primary objective or application for this product is actually an immediate diagnosis for kids showing up with unknown fever. And just I think we discussed last time in terms of numbers in the US, that are 4.5 million admissions…hospital admissions of children with unknown fever and what is very interesting is the European number is pretty much the same, it's around 4 million, okay. So there is today, a total available market roughly 89 million admissions that MeMed and DiaSorin are going after with this new product.

Certainly, as we have discussed, it's required for the reward financially as you can see from the reimbursement is very high. The effort of education also is very high because adoption requires education, capillary education which is what today MeMed and DiaSorin are focused on primarily in the US. Question #1?

PIERGORGIO PEDRON: Yes. So I don't believe we are going to provide an exact breakdown of the…why we are short in terms of the China and the export business. As a ballpark number year-to-date, China is accounting for give or take 50% of it year-to-date and the remainder is the export business.

CARLO ROSA: But PG, I think that during one of the initial…maybe, I think it was Q1 or Q2 call, I believe an analyst was asking how big is your Russia business and you quantified the Russian business around €8 million, combination between Luminex and the DiaSorin business. So the total amount of business at stake is around €8 million. You keep also in mind that part of this business was COIVD related…non-COVID molecular but COVID serology because last year there was a very large adoption in Russia of the serology assays in absence of large availability of molecular. So…but just to give you an idea of the Russian damage versus last year is around €8 million.

OPERATOR: The next question Maja Pataki of Kepler. Please go ahead.

MAJA PATAKI: Yeah, hi, I have also several questions. I will take them one-by-one. Carlo, starting with MeMed, if you look at the CMS recommendation with regards to reimbursement, does that change…is that significantly different from what you anticipating? Does that change the targeted price that you would sell out and therefore also, you know, the potential target for 2025?

CARLO ROSA: So, Maja, do you want to ask all the questions together or one-by-one?

MAJA PATAKI: No, I will take…I think I'll take it one-by-one. Then, you know, it's easier. Then you won't get forgotten?

CARLO ROSA: Okay. Yes. Look, we had an expectation, and we had a range and this is certainly on the high end of the range. If you look at the reimbursement, I don't remember…I don't recall honestly an immunoassay ever reimbursed at this level. And to me it's what is…really it's nothing to do with DiaSorin because this effort is clearly attributable to MeMed. I think that…what they were able to do was to explain that this should not be reimbursed is technology. So, it's not an immunoassay, but the value is the medical information. Otherwise, you know typically an immunoassay in the US is reimbursed anything between $16 to $25, that's it, okay, so…but certainly, just a short answer, a higher range of the…of what we expected.

MAJA PATAKI: Does that change your…the way you're thinking about your 2025 contribution from MeMed to your sales target?

CARLO ROSA: You know, in Italian we say piano [ph]. So, I think it is….

MAJA PATAKI: Okay, fine. Good. Got it.

CARLO ROSA: You got it? Thank you.

MAJA PATAKI: Yes, I got it. Then second question. And apologies if I've missed that, but you talk about molecular ex-COVID growth in the quarter of around 7%. And it didn't seem like there were any extraordinary impacts affecting molecular as it was in immunoassay. In your 2025 Strategy Plan, you have the molecular franchise growing very strongly on a CAGR base above 20%, and I know that there are several product launches coming. So, my question is, can you help us…how shall we think about the growth cadence like or growth acceleration cadence over the next 3 years? Is 2023 going to be a low-teens year and then going above or how shall we model that? How shall we think about that?

CARLO ROSA: Look, Maja. Yes, the growth that, we can imagine the dynamic here of growth and acceleration is…has to do with the fact that we're going to be introducing to the market 2 systems, right? One, which is brand new, where we need to build…we have to build the business and that's LIAISON NES and for decentralization, that's one piece. So, then we start on accredited business. The other one is the LIAISON Plex, which when we discussed, I believe the strategy of that we have an existing installed base of several 100 customers, especially in the US that they are using the current platform with…and that business was traditionally built by Luminex primarily on the blood culture assay, because the Verigene system was the first system introduced to the market with a blood culture panel and there is where they build. And this, by the way explain, why if you look at the our mix of revenues in multiplexing versus the DiaSorin revenues, DiaSorin is 70%, dependent, I think on respiratory, whereas for us, the respiratory component is relatively small. So the plan there is clearly to go to the existing installed base upgrade, the installed base to the plex and then bill [ph] to add to the blood culture the gastro and the respiratory. Okay, but certainly the competitive part of this in my opinion is the gastro which is through differentiating. The respiratory panel is certainly very important and very effective these days, but it's also very crowded space, as you can imagine.

So long story short, the growth that you see later, has to do with a through addition with these 2 product lines to the…to our arsenal. When it comes to the performance of the business is, we speak I think 7% growth…let's understand the portfolio we're talking about. We're talking about the LIAISON MDX, so still the plex, the [indiscernible] all the technology that today is pretty much COVID business and everything you mentioned is in fact a growth element, with a drag element to the top line.

The LIAISON MDX continues to grow and there is where we are expanding the base and we have…we do have in the first waiting for approval of the congenital CMV assay for the US, and it goes into the children [ph] Hospital segment. And then there can be the average that has been launched with an ASR and then the next plan is not even necessary to come on the MDX. So it's an MDX strategy.

The other…the rest of the portfolio which is what we inherited for Luminex on the multiplexing you have VERIGENE I that is holding up and growth not necessarily by placement it grows depending on 2 elements. One is how the respiratory part goes, even if it is more or less there.

The other one is volume growth because we are not…I think this the multiplex business is not at the glory days where the volume was growing 25%. But still we have volume growth, okay. So if you hold on to the base, you see volume growth.

[Technical difficulty] multiplexing portfolio, which I think you need to keep in consideration. So, there is a need a first generation technology, which is very manual, which we call non-automated IFRS, that is actually manufactured in Toronto is extremely profitable with anything in this businesses. They do manually, but by the same talk and is the older piece of the technology, which is certainly declining, okay. So, if you consider this back that we have 7% growth without the new systems is a fairly decent growth. By the way profitable and you know, these days in molecular to be profitable without COVID I think is not simple.

MAJA PATAKI: Okay, perfect. And my last question PG you talk about the business ex-COVID growth at 29% CER for the 9 months, could you give us a number for the third quarter, because I remember that just seems to be a bit of a difference of the FX impact on the base business and COVID revenues?

CARLO ROSA: Yes, for the third quarter, you mean my guess without COVID, it's 2%.

MAJA PATAKI: Yes, 2%.

CARLO ROSA: 2% is a combination of the immuno you know, all of those elements we discussed about immuno molecular and Lifescience technology.

MAJA PATAKI: Okay, great. Thank you very much.

CARLO ROSA: Thank you.

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

HUGO SOLVET: Hi, thanks for taking the questions. First on COVID, have you seen any positive impacts from stocking on your COVID sales number in Q3? And then on for Carlo, you mentioned on the Q2 call that you were losing some customers on the VERIGENE I, given the strength of your Luminex business in Q3, is that something that you've managed to stabilize in Q3? And lastly, on LIAISON XS, can you give us indications on where you are on the rollout here and the contribution for the growth in the immunodiagnostic segment? Thank you.

CARLO ROSA: Initially it was quite difficult to hear you. But let's understand, I try to answer to what I understood and correct me if I'm wrong. So when it comes to stocking, I know that specifically one competitor in their quarterly report they announced that Q3 was very strong because of stocking and we didn't see any further impact. And because in the geographies that we serve, and you know we guarantee supply and we don't…we did not notice or alert customers of any stocking needed, okay, so no stocking effect in Q3.

The second question, if I understood correctly is to do with VERIGENE, but I believe that when I explain the business to Maja just few minutes ago, I think I gave, good color on the VERIGENE I business that we have as said VERIGENE I business just to summarize 3 characteristics is North America business, so we don't have a noticeable installed base outside the US. It's primarily gastro and blood and more respiratory is only 30%. It enjoys volume growth that is not double-digit as it used to be. That's no multiplexing adoption and user itself increasing low single-digit. And certainly, it's a profitable business for DiaSorin.

The third question, if I understood correctly is LIAISON XS, if that's the question, okay. They're all out of the LIAISON XS. If you remember, the LIAISON XS program was primarily directed over 2 geographies. One is China and that, as you can imagine, is frozen. Second one is the US and actually the rollout is starting in the US because we got approval of the QuantiFERON on the LIAISONXS, okay. So, now we have the full menu for the LIAISON XS.

Today, we were able to serve the hospital segment in the US with LIAISON XL because of the QuantiFERON and stool volume that was big enough to justify placement of LIAISON XL. LIAISON XS is clearly part of the of the next 3 or…3 years plan in the US that as said, is focused on continuing the expansion on the hospital segment, which is working very well for us. And now we are moving from the large institutions to the mid-sized institutions, and there is where the LIAISON XS plays a role, but now we have the full menu approved and then the program is starting.

HUGO SOLVET: Thank you.

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

ODYSSEAS MANESIOTIS: Hi, there. Thanks for taking my questions. Firstly, on the immunoassay manufacturing operating efficiencies that you mentioned, are these largely taking through now, or is there more runway for efficiency gains here in 2023?

Secondly, on the back of this, could you also update us on any progress in price increases? I understand that you're still working on this, but what would be a realistic timeline to think that you will take through this price increases, let's say, next year?

And last one, a follow-up on your US hospital strategy. You said you're now at just below 20%, I think around 200 hospitals given…and that you have some decent runway to grow further. What is in your view a realistic target for, let's say, a steady state market share here over the next 3-4 years? If you could provide that? Thank you very much.

CARLO ROSA: Okay. On the immunoassay efficiencies, I think that what we have today is a European footprint, which is in very good shape, where we have consolidated everything, where it was needed. And so, I don't expect more efficiencies in Europe. I believe that today the plan is to focus on our US footprint. Where the next year the Minnesota plant is going to be the one that where we will start to see fruition from the…all the programs we've set in place. And in parallel today, we did not focus necessarily on footprint of Luminex because we just bought the business. Today, the…when it comes to Luminex, the primary objective was actually to invest in one of the facilities where we're going to be investing close to $20 million. So, we are investing $20 million share to set it up for the manufacturing of the Plex. The…all the investments for NES were already done by DiaSorin before the acquisition in Cyprus. So, the building is ready to go.

So, there is no more need. Certainly, now we need to bring a little bit more discipline to the molecular team and when I call discipline is that I think we're…I made this comment before…coming from literally a two tank [ph] business, which is the immunoassay business, two tank business meaning that you must make your money with a relatively low-price business, right. When get to the molecular space, what we found amazing is that the molecular companies tend to assemble stuff that they buy rather than making stuff that they buy, which is exactly the contrary of what we have in immuno. So, we've started already at DiaSorin, before the Luminex acquisition, an effort to in-source manufacturing raw material, which was very successful.

Now that we have a much bigger footprint, that effort has to continue. And we are actually…we are coming to the end of a period of time where we had looked at the benefits of the insourcing and rationalizing some of the stuff, and I believe that in the next 2 to 3years, that is going to be the effort, right. And I think that's the benefit I…we have seen when we looked at Luminex from a DiaSorin perspective. More discipline, which we now call synergy, but more discipline in manufacturing equals an opportunity of margin expansions.

And if you look at what Luminex was, and again, referring to public numbers in 2019,Luminex was actually the…was the first…the last pre-pandemic year, I think they recorded 7% EBITDA margins. And today, we don't disclose the Luminex EBITDA margin. But if you look at the overall company, the DiaSorin margin, which is 38%, you understand that a little bit of discipline really gave us great results. So, long story short, I believe that the next 2 years are going to be strong effort in the North American manufacturing platform, to get the same efficiencies we got in Europe.

Second thing, price increase. We had raised prices for our IVD [ph] business, right, as a consequence of the fact that the contracts allowed to do so. And so, we did raise price in, it is coming in effect in January 1st, 2023.

So, by the same token, our partners will increase price through their channel to the customers, okay, which are the research and pharmaceutical institutions that, you know, to the content of the IVD business…that business, the price elasticity is far bigger. Now, we've engaged with a consultant to look at our IVD business and understand how much of that business is subject to contractual terms, and they cannot be touched. In a nutshell, the businesses certainly can enjoy in an inflationary environment, a price increase. And I cannot quantify it right now, because we're in the middle of the process. It is a very long one, because we have to take all contracts. But I believe that there will be an effect also on the IVD. I cannot quantify it right now.

When it comes to the hospital strategy, as said, if you look at it, in the US, all…they're all US 5,000 hospitals. You count all of them. We believe that only a certain number of hospitals is actually a good subset of hospitals where we can sell our platform because of menu and size of the systems and throughput. So, today, we serve as DiaSorin after the last effort, roughly 250 hospitals. I am sorry, if I still refer to DiaSorin Luminex, but that's still unfortunately the way we look at the11 business. Soothe…all the DiaSorin through its effort came to serve 250 hospitals, out of a total available market, which we estimated around 1,200.

And Luminex, to the contrary, because of the…of their instrumentation was actually serving roughly 500 hospitals in the US. The good chunk of this are actually smaller institutions that we would not be able actually to approach or leverage on with our own platforms. But we estimate that 20% of these hospitals, which we don't serve are actually an opportunity of what we call topline synergy, right? That will be considered, so the ability to cross-sell across the 2 customer groups.

As you know, starting from right after the acquisition one of the first effort was to redesign the US commercial footprint which we did. So, now we do have in place, all the reps and everything that is needed to go after the business. So, just to understand each other, we are saying that today, we still have…we do have an opportunity of 1,200, 1,300 overall institutions in the US of which we serve 250.And then we have a 100that we are serving with some products and then also with others. This is why I'm saying the runway is still big for us.

ODYSSEAS MANESIOTIS: Very clear. Thank you.

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

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