

DiaSorin SpA

"First Quarter 2018 Results Conference Call"

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MODERATORS: CARLO ROSA, CHIEF EXECUTIVE OFFICER

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the DiaSorin First Quarter 2018 Results Conference Call. After the presentation, there will be an opportunity to ask questions. 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 our Quarter 1 2018 conference call. As usual, I will give you some top level comments on revenues and geographies and main events and programs for the company, and then I will turn the microphone to our CFO Mr. Pedron, who will take you through the financials.

Let me start as a general comment saying that this has been a good quarter for the Company certainly, as is we are exposed in different geographies...in geographies to currency that has been a very strong impact due to exchange rate and mainly against the US dollar and the Chinese currency. So I will make all my comments on revenues based on constant exchange rates. So at constant exchange rate the Company in Q1 grew by 11% which is in line with the Company expectation, and I would like then to divide my comments as usual in our Immunoassay franchise and then I'll talk about molecular diagnostic drugs.

As far as the immunoassay, we had very strong growth in CLIA X Vitamin D revenues the set of products grew worldwide by almost 14% and as usual, growth has been led by product mix, launch of some of new products which happened in the previous years and success in certain geographies mainly Europe and Asia Pacific.

As far as Vitamin D is concerned, as said our company expectation with Vitamin D is that this franchise showed a decline between 1% and 5% per year. Last year it was a little bit better, this year in Quarter 1 the Vitamin

D is down by 2.6% at constant exchange rate. Certainly this is a combination of still growth in certain geographies for Vitamin D and decline in other geographies like the US, where the company is particularly exposed with this product and we certainly do suffer from increased competition and the price now of Vitamin D is really becoming a commodity price. But overall I think is well balanced and again minus 2.6% is on the low end of the decline that companies irrespective.

As far as the different geographies, I would start from Europe, and when it comes to Europe which today thanks to the position of the Siemens franchise for the ELISA business, it does represent roughly 15% to our business, notwithstanding the fact that the different countries in Europe are declining as a consequence...markets are declining as a consequence of consolidation in price and certainly price decline.

For us Europe overall is performing very well, if we do not account for the Siemens contribution, so we maintain the same perimeter as last year. The growth of our European business is between 6% and 7% which is extremely strong. And again, and this is actually happening in all the main countries including Italy which continues after some difficulty in 2015 continues its recovery, so certainly for us Italy is a very important geography that represents worldwide a little bit over 10% of revenues, and so good contribution by this country certainly it has the performance of Europe.

When we discuss about Europe, I think it's very important then to discuss updates on the Siemens acquisition of the ELISA product line. I think that the business is developing as we have expected, the ELISA franchise per se is relatively flat year-on-year. However we have initiated a conversion program for the European customers. Today we have actively converted 18 accounts and a funnel for the next quarter include 60 accounts and

conversion is going well. On average we get a strong solid contribution coming from additional business that we get to these accounts when we place our LIASON XL systems to replace the ELISA, so the program is going as expected, the collaboration with Siemens and in other business has been extremely good in the interest of the customers which will continue to be in Siemens account for all the other products that Siemens will offer. So, so far so good. It has been very satisfactory.

When it comes to...now let's move to a different geography. Let's move to the US, in the US as said we need to distinguish between the Vitamin D and the non-Vitamin D business. The non-Vitamin D business continues to show strong growth close to 20% year-on-year, mainly driven by the Infectious Disease franchise and fundamentally a strategy in the US which is the conversion between a still existing ELISA business to the DiaSorin Infectious Disease specialty assays. Certainly this program also does benefit from the fact that we have been very successful in locking up the two largest labs in the United States when it comes to the four Infectious Disease menu and that certainly helps in promoting our brand into the hospital market and smaller laboratories which is what the company is going after the States.

So overall, our US business Group grew 5% year-on-year which we consider on target to what we expect to generate from this very rich and very competitive market.

Now if we move to South America, South America was flat, but was actually a combination of two different dynamics. Brazil continues to grow in a very healthy way, 7% year-on-year with a business that as we have discussed a few times was actually moved to more private hospitals, private commercial labs and leaving to decide the public which is extremely complicated, and that resulted in healthy growth, very good

profitability and a DSO which is fully under control. So we are very satisfied from our Brazilian business. Conversely, and I believe this is mainly a problem of timing, we had a decline in the quarter of our export business. Export means all the other countries that we cover through distributors but we expect by year end this portion of the business will become positive, so to turn into growth and therefore I see this in Q1 simply as a phasing effect also related to the fact there are certain tenders of a certain size that we expect to get in the following quarters.

Now let's move to Asia Pacific, overall Asia Pacific provided very good result roughly 15% growth year-on-year, but is...I think what we need to help the financial community to interpret is result in China. In China our company the growth was very low in Quarter 1, but the truth of the matter is that our reagent revenues so the liaison revenues grew by almost 17%. Whereas in Quarter 1 instrument sales declined by 25% and this is the result of something that we have actually already discussed in Quarter 4 last year which is the fact that we expect in the first two quarters growth in revenues coming from reagent due to the fact that in certain segments where we have invested in the previous years we continue to see growth mainly in our installed base in the Class 2 by the same token we are rewriting our distribution network of the distributors away from the Class 3 to the Class 2 that means that we need to overhaul new distributor and that is the reason why in Quarter 1 and Quarter 2 we expect to sell less instrument than last year. And then to start again selling systems through distribution to the distributors in Q3, Q4 when all the new distributors are going to be lined up. So, overall, flat China doesn't really mean flat China it means strong double-digit growth in reagents and just momentarily a slowdown in the instrument sales.

Now I would like then to move last before we get to molecular to discuss the QuantiFERON program, as you know with QIAGEN we have

announced this strategic relationship around the QuantiFERON technology. As we speak, we are finalizing validations of the loss...of the manufacturing loss for the QuantiFERON product and we expect the launch to happen on-time in September and subsequently filing with the FDA for the US approval we've already agreed upon with the FDA agency the clinical trial which is necessary to be conducted and we are organizing in the site. So overall, the QuantiFERON program is going well and we expect to start the...to commercialize this product again starting from September of this year.

Now let's briefly move to molecular, before turning the microphone to Piergiorgio. As far as molecular is concerned you know, from a strategic point of view, we have increased our commercial sales force in the US by 50%, so we made an investment to enlarge the commercial reach of the company, all positions have been filled, territory have be reassigned and we did that because we really believe that the opportunity provided by molecular in the US is far behind what was done under the previous owner. By the same token as other players in this industry we have enjoyed a very good season [technical difficulty] for us does not have the same weight as it carries in other operator notwithstanding that it certainly was a good season. Our molecular effort outside the US continues in placing...in organizing our commercial subsidiaries. We have hired now a molecular specialist in all the different European countries and we have proceeded with the commercialization.

Overall, the franchise provided a 20% growth year-on-year with very satisfactory profitability, you notice that notwithstanding the addition of this technology our EBITDA margins have certainly not been diluted and that tells you that these are very good business and to the contrary of other companies I have seen where the molecular technology per se requires a lot of investment and at the beginning it does not carry the same result as a

more mature technology as amino acid [ph] does well in this particular case with this franchise in this positioning we are getting from the get go positive contribution to our margin. So, extremely satisfied vis-à-vis the way the molecular effort is going and by the same token we are insourcing manufacturing on certain...of certain component of this technology that previously was done by [indiscernible] suppliers and that will lead us to have a full control over this technology by the end of 2018.

So now I am going to turn the microphone to Piergiorgio who is going to take you through the numbers and then we are going to open up the session for questions and answers.

PIERGIORGIO PEDRON: Thank you, Carlo. Good afternoon everybody. In the next few minutes I am going to walk you through the financial performance of DiaSorin during the first quarter of 2018. Before we start, let me please remind you once again that we began reporting the Siemens ELISA business from Q4, '17. And so the perimeter of consolidation is different from the one of last year. So that said, as usual, I would like to start with what I believe as the main highlight of the period.

The strengthening of the euro against all the currencies in which we operate has generated some notable FX headwinds during the first quarter of the year. In order to gauge the impact of this fluctuations in our financials let me please remind you that for every one cent movement of the US dollar against the euro, DiaSorin revenues moved by about €2 million on a yearly basis. Considering the USD trend, in 2017 and where we are now I think it is fair to say that we would like to experience some more FX headwinds also in Q2 even though at a lower extent than Q1, whereas the FX should materially decrease in Q3 and Q4.

Moving to the second point, we closed the quarter with an increase in revenues at constant exchange rate of 11.2% almost €15 million with a solid contribution of the like-for-like business which grew by about 6% to 7%.

Quarter 1 EBITDA at €63.3 million or 38.5% of revenues grew compared to last year at constant exchange rate by almost 9.5% with a ratio over revenues of 39%. This confirms the ability of DiaSorin to deliver consistently strong EBITDA margins quarter-after-quarter.

Lastly, the Group generated about €28 million free cash flow in the period and closed March '18 with a positive net financial position of almost €170 million, thus reaffirming a strong cash generation and a very, very healthy balance sheet.

Let's now go through the main items of the P&L. Q1 revenues at €164.5 million grew by 4.4% or €7 million compared to last year. As we said constant exchange rate of the growth is 11.2% including the contribution of the Siemens ELISA franchise.

Gross profit at €111.2 million grew by 3% or €3.3 million compared to last year closing the first quarter with a ratio of the revenues of 67.6%. The difference with 2017 which closed at 68.5% of revenues is mainly driven by the contribution of the Siemens ELISA business which as expected and as discussed in the previous calls is dilutive at gross margin level but not, again, not at EBITDA level, which is exactly the opposite, it's accretive at EBITDA level and by some price pressure on clear V2 products and mainly Vitamin D as such discussed by Carlos. Total operating expenses at €58.5 million or 35.5% of revenues have increased by 4.4% compared to last year. Please remember that about €3.6 million of Q1 OPEX has been driven by the depreciation of the intangible assets

mainly in New Orleans customer list coming from the Siemens ELISA and the focused business acquisitions.

Net of these elements Q1 OPEX ratio on revenues is constant exchange rate with 32.9% again 33.5% of 2017. I think it is also useful to remember that Q1 '17 was particularly soft in terms of OPEX as discussed during last year call. Since some expenses sleep in 2017 from Q1 to the following quarters.

Q1 other operating expenses at €2 million substantially in line with the last year. This said during 2017 course the quarter has been affected by some expenses related to a legal action in the U.S. concerning the future introduction of certain products into this market. Beside the impact of the Irish side of that feature has not been particularly material and is in line with our expectation, which is €2 million for the all 2018.

As a result of what I just described Q1'18 EBIT at €50.7 million or 30.9% of revenues has increased compared to 2017 by 1.5% or almost €1 million. The growth constant exchange rate is positive for about 10%. The tax rate at 23% is nine percentage points better than 2017, which closed at 32% and is in line with what we anticipated and discussed during Q4 '17 course. This variance is mainly driven by the positive impact of Italian patent box in the U.S. tax reform. This rather effective starting from 2018.

Net result at €38.3 million or 23.3% of revenue is higher than previous year by €5.5 million or 16.7%. The growth at constant exchange rate would have been just short of 30%. Lastly for one EBITDA as €63.3 million is better than last year by about €1 million or 1.3%. The variance at constant exchange rate is positive for 9.3%.

Q1'18 EBITDA ratio of revenues is 38.5% at current exchange rate and 39 at constant exchange rate, thus confirming the strong profitability recorded in the last quarter and in line with the guidance. Moreover when comparing Q1 '18 with Q1'17, I believe it is useful to remind as I just said that the last year we did particularly good also because of some favorable phasing in OPEX, which move during the following quarters. During Q1'17 call, I quantified this positive effect is about €2 million.

Let me now move to the net financial position and the free cash flow. We closed the period with a net financial position just short of €170 million and about €193 million in cash. The Group generated almost €28 million free cash flow in the first three months of the year. The difference vis-à-vis last year is mainly driven by two elements. On one side Q1 '17, which closed at €44 million was a kind of outlier and by far the best quarter of 2017.

On the other side, Q1 '18 has been affected by some favorable phasing in working capital particularly driven by the collection some accounts receivable, which were due at the end of March and slipped to April. Let me please remind you that the positive cash impact of the patent box and the US tax reform will start to kick in from Q2 again.

That's the view of the Group's operating performance, the management confirms that 2018 guidance for both revenues and EBITDA, the growth at constant exchange rate of around 11% and 13% respectively. Now let me please turn the line to the operator to open the Q&A session. Thank you.

Q&A

OPERATOR: Excuse me, this is the Chorus Call conference operator. We will now begin the question and answer session. The first question is from Maja Pataki of Kepler Cheuvreux. Please go ahead.

MAJA PATAKI: Yes, good afternoon gentlemen. Thanks for taking my questions. I have actually a couple of clarifications because the line was really bad and then a couple of questions with regard to your results. First of all, can I just quickly confirm, did you say that the conversion of the ELISA franchise that you've already converted 18 accounts or 80 and is that 60 or 16 are remaining I couldn't get that? The second one relates to the organic growth for the group in Q1. Did I get it correctly that you said it's somewhere between 6% and 7%. Then if we look at the number for Q1 growth, I guess that Q1 should have been really a strong quarter for you given the flu season but probably it was negatively impacted by China and that this was kind of moderating everything. Can you tell us how well your visibility is on instrument sales for China in H2? And then, my last question will be and I'm sorry for all the questions, can you please recompose again your full year guidance, how is the...how are the top line growth or the 11% local currency growth that you are guiding for, how is it breaking up between organic and Siemens impact? Thank you very much.

CARLO ROSA: Okay. Maja. I will take the first three questions and Piergiorgio will take the last one. Yes conversion from Siemens ELISA we said 18 done, 60 are the ones that we are already the offer is in front of the customer then we expect to convert in the next quarters. Let me remind you that the original plan accounted for an overall number of 300 accounts that will have to be converted from ELISA to LIAISON as a combination of LIAISON XL and LIAISON XS and this should happen within three years.

So I think that we are well on plan vis-à-vis conversion. As far as the growth in Europe, yes, the growth in Europe without Siemens is between 6% and 7%, which we consider solid growth in this geography considering that most of the markets are flat, if not declining. Now flu seasons, yes you are right we did benefit from flu season but as I said before our franchise, molecular franchise, the one that was actually acquired from Quest was not so heavily skewed towards flu. So flu does not represent the...a majority of these revenues. This as you can imagine was more central laboratory business, was heavily driven by the fact that Quest was a customer and certainly flu is not tested within the Quest facilities, is more decentralized so yes, we did benefit from flu. I agree with you but by the same token the growth that you see is an organic growth throughout the different products that were either there or they have been developed and launched under the DiaSorin ownership.

Now, last...the number of systems that you said...look on average as a combination of Liaison and Liaison XL, China was representing for us between 150 to 200 systems period that we will...selling or placing in the country. Again, that's the range 150 to 200. I expect that since we are missing some of the opportunities as previous years in this quarter and probably in quarter two, I believe that we may end year end around 120-150 systems but again, this is just a guesstimate I can give you. We will confirm later on. Once we will have better visibility on the new network of distributors that we are lining up again as we have discussed a few times to transition between 70% of the business today which is in Class 3 hospitals into more Class 2.

COMPANY REPRESENTATIVE: I would take the one regarding the guidance. Hello, Maja this is [technical difficulty] speaking. We never gave a breakdown of the guidance 11% between like-for-like and the Siemens ELISA contribution but to give you some numbers so we are expecting as Carlo said the

Vitamin D to go down around 3% to 5%, CLIA XP to grow between 12 and 14% which means that the overall CLIA franchise plus 8%-9ish% year-on-year.

ELISA is a different story because you have the contribution of the Siemens business again and for the molecular agent what we expect is between 15% and 20% and that will be made up together with instruments and that are the 11% guidance that we gave and we are reaffirming in this quarter.

MAJA PATAKI: Okay. Thank you very much for all the answers, much appreciated. Just to double check, did you say also that organic growth proved for the Group as a total was 6% to 7% in the quarter?

COMPANY REPRESENTATIVE: Yes.

MAJA PATAKI: Okay. I am just trying to understand. I understand that you don't want to give us a clear breakdown of organic and acquisition impact of the 11%. What I am trying to understand is whether we are actually seeing some sort of acceleration of your underlying organic growth based on all the associations we have done in the past. That's what I am trying to understand. Is there an acceleration from the typical 6% to 7% that DiaSorin was reporting or is that also the number that would be, you know that's what the base business is growing.

COMPANY REPRESENTATIVE: Look Maja, I think that in this environment 6% to 7% of the basic business...the base business is decent if not top growth in the Immunoassay. Over Immunoassay franchise which, today is turning to become significant in size even compared to some of the much, much larger competitors. I think to be honest with you that this Company through all the acquisition that we did, conversion, access to new customers is a good chance to maintain this growth and this is

notwithstanding the fact, let me remind you that around 15%-16% of our overall business is Vitamin D and that's declining. So you also need to look at the 6%-7% as a combination of a chunk of your business declining and the CLIA is actually growing as I said around 14%.

I strongly believe that there is this let me say dynamics can be positively affected by a successful collaboration with Qiagen and QuantiFERON because as you know from the Qiagen numbers, QuantiFERON is a significant sizable opportunity and the franchise per se is growing by 20% and so this is my mid-term view about this Immunoassay business but I consider 6%-7% as a combination of positive and negative elements like vitamin D, a good solid growth even for the foreseeable future.

MAJA PATAKI: Thank you very much for that.

OPERATOR: The next question is from Peter Welford of Jefferies. Please go ahead.

PETER WELFORD: , just wonder if you could just remind us the FX impacts on the EBITDA. I think you alluded to the impact of the revenue line. Wonder if you could just give us the EBITDA impact again and then just on the phasing of costs, in first quarter clearly a lot of the costs were perhaps lighter than we envisaged. I appreciate some of this was phasing but just on the sales and marketing now that you I guess got the transition that you are doing in Europe underway. You have also obviously got the changes that are going on in China. The Siemens acquisition now has been bedded down. Can you give us a sort of idea on where you see just how the marketing trending in the future and what areas you perhaps could look to put more investment in future.

And then just on the revenue line, I just wanted to come back to the flu testing. I appreciate it is not a significant impact on the positive. I guess could you talk about both the positive and negative side. I guess if you are not seeing any benefit from flu and as far as you don't think you going to start to expose to the flu testing part, conversely do you think there was any adverse impact from potentially missed appointments and missed things due to the flu season that has reported to be severe this year. Thank you.

COMPANY REPRESENTATIVE: Okay, I will let [indiscernible] take the FOREX later but let me just comment on sales and marketing costs which I think is your question and then the molecular. When it comes to sales and marketing, look, we do have today just to give you a rough number for the Siemens acquisition and to take ownership of the business, we had in plan to hire around 30 people, mainly in Germany and Austria and Switzerland so those geographies that really head the bulk of the business and two-thirds of hires are already done and they are in the current cost structure.

When it comes to the US molecular team, we have hired all the reps that we needed and we have the marketing people that we need so on that side as well the current running rate you see that the sales and marketing cost is actually there. So what you read in Q1 on a cost baseline, I think is semi representative; however, I have to say that this is a very competitive market as you know and especially in certain geographies like the US, Germany where today there is full employment. So the level of attrition that this business has is becoming certainly more important than previous years. So, yes, we do, we have hired what we needed in sales and marketing by the same token we have a level of vacancies in certain position or other areas of the company, which is still heavy in quarter one. Okay, so certainly, we will continue to hire and replace it would be mainly

replacement but the attrition level is becoming very, very relevant again especially in US and Germany.

COMPANY REPRESENTATIVE: Yes, the impact of the foreign exchange on EBITDA it's about 5 million, €5 million is a negative impact of FX on our EBITDA line. So, usually, you know, I said as a rule of thumb I said that, one dollar cent, €2 million in terms of sales again the rule of the thumb is more or less €1 million worth of EBITDA.

PETER WELFORD: That's great. Thank you.

COMPANY REPRESENTATIVE: Welcome.

OPERATOR: The next question is from Luigi De Bellis of Equita SIM. Please go ahead.

LUIGI DE BELLIS: Yes, good afternoon. Two quick questions for me, the first one could you quantify the contribution in CLIA X Vitamin D business of Siemens acquisition in Q1 if any and the expected contribution for the full year in this division and the second question just a clarification on the free cash flow, do you confirm the targets to achieve an higher free cash flow in 2018 compared to 2017 despite the Q1? Thank you.

COMPANY REPRESENTATIVE: Hello, Luigi, our last talk would be free cash flow, yes, I do confirm that the free cash flow the estimate even though it's not part of the formal guidance though I do confirm that my projection for the free cash flow of 2018 is going to be higher, materially higher than 2017. If I well remember in 2017 we closed with €130 million free cash flow, I believe that we will make in 2018 around €150 million of free cash flow. And I am expecting a strong Q2, a very strong Q2 also because we will not pay taxes in Italy, basically because of the patent box tax regime that we just got.

Regarding the contribution of Siemens conversion to clear business I believe that Carlo gave enough information telling you guys, you know the number of customers that we switch and we are going to switch, you know, the revenue per customer as we usually make so you should be able to work out your math.

LUIGI DE BELLIS: Thank you.

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

SCOTT BARDO: Yes, thank you very much for taking my questions. Yes, first question please, I wonder if there has been a lot of talk about QuantiFERON on TV and I can understand why this is something you are excited about. But, can you give us a feeling actually for the commercial sensitivity of this product for DiaSorin, does this have the potential to be as big as Vitamin D for you or just some sort of sense as to the magnitude of this opportunity. Following on from that question, it seems that there has been some quite fruitful collaborations from DiaSorin both the Qiagen and the Roche collaboration and others, but it's my understanding that all of those collaborators have approached DiaSorin rather than the other way around, so I just wonder has there been any learning's or any change in structure such that you could better target those opportunities for the future, perhaps you could talk a little bit about that. And lastly, I think this is the first quarter that you have under the full implementation of PAMA in the US, doesn't appear to have affected your group organic growth this quarter but North America was a little bit soft and you are talking about price pressure in Vitamin D. So, can we just have some feeling actually as to how the reality of PAMA is impacting or not your business? Thank you.

COMPANY REPRESENTATIVE: Yes Scott, okay, let's go one by one, let me start from the last one PAMA, as I think I have mentioned a few times before I think that when it comes to the DiaSorin business and the way, and the products that we sell in the US, I think that PAMA I don't expect honestly PAMA to be a significant contributor to the development of our revenues in the US. I think that Vitamin D, which is the one most exposed to PAMA if you think about it, it is one that was singled out in terms of number of tests running reimbursed in the US is the one that actually got a very nice, used to have a well, does have a very nice reimbursement \$42 I remind you that will become 30 some within the next four years. The truth of the matter is that, that single assay, the value of that assay was actually significantly decreased and I would say destroyed not by PAMA but by our own industries because it was not properly valued with our competitors and therefore competition more than PAMA did what it did to Vitamin D pricing. So, long story short to say Vitamin D is already at rock bottom end continuing to decline in a manageable way but certainly it continues to decline, you said the soft quarter for Vitamin D if I understood correctly I said minus 2.6% is exactly where we expect this overall franchise to be, actually is on the positive side, because we said the expectation is to decline more on the 5%. So, PAMA doesn't really worry me for the time being, what worries me more was sometimes some of the large competitors can do to ourselves when it comes to destroying value for specialty assets.

The second question was if I can translate it, you know, you look pretty and people came and talk to you, can you go and talk to other people and yes we could, but by the same token as you understand we have lots of things to do and many, many programs that we are managing today. And I think that to keep the size of this organization, a reasonable cost under control we have a lot, a lot of strategic partnership that we are managing today. Let me remind you that, we have the Siemens' conversions which

was actually just concluded in October last year, we have the QuantiFERON and strategic relationship with Qiagen which I will comment about.

We do have the alliance with Beckman in preparing ourselves for the launch of a full menu of hepatitis A, B, C and HIV in the United States, which implies for DiaSorin the establishment of brand new manufacturing site in England, which we just completed and we are filings the first six products to the FDA by July of this year. So, not to mention Roche not to mention then the regular course of business, so all said and done we look pretty and I am very thankful that people come and talk to us for the time being, I think we have enough to do strategically with the current programs. Last but not least is the QuantiFERON. Look, it's very difficult for me to tell you if the QuantiFERON will be the next Vitamin D for DiaSorin.

I can just comment to the fact that Qiagen did a phenomenal job in taking these neglected assays, because all of us have been tested with a skin test Mantoux for decades and turning it into a phenomenal franchise. And Qiagen continues to do...I think, a phenomenal job in promoting the conversion of these assay from skin to [indiscernible].

And I think that certainly, we discussed and I know Qiagen as I did comment this a few times, certainly through that...to move to the next step of usage, because of this very successful franchise, they had to move away from manual tubes analyzer into full automation. So to make a long story short, we have...we collectively with Qiagen see this as a tremendous opportunity. We see this QuantiFERON technology as a technology that could develop certainly into technology use for more than just one product. And I have to say and I have to report that the relationship between the two companies has been fantastic on this.

We had many collaborations with very large companies but on this specific one I think that it's going very well. And as I said, we're launching on time, and we're filing on time in the US and this can only happen if things with Qiagen goes well. So stay tuned, you're going to see the results of this, we have...but certainly we do have great expectations from the this franchise.

SCOTT BARDO: Alright, thank you very much for the extensive answer. Perhaps one follow up, if I understand correctly, you're coming close to the European launch of Liaison XS I think targeted for the end of this year and then into North America in 2019. When will you likely to communicate to the custom markets, your commercialization strategy for Liaison XS in North America. Will you require a distributor, a partner, or will you invest green field to maximize your opportunity. What can we expect with respect to the North American launch infrastructure? Thank you.

CARLO ROSA: Scott look, to me, this is more...let me say I would like to open up this question differently, If you don't mind. I believe that today the capital market was exposed to a plan, which ends in 2019. And it was very clear that all the good stories, good story meaning prospective, strategic elements of growth do happen after 2019. You mentioned as Liaison XS we need to add to this QuantiFERON, we need to add the launch of hepatitis in the US. So it's very clear to me that what we owe to the market is...as soon as possible. And a plan, which now covers a period of time behind 2019, which will dictate all this at terms for the strategy of the company, which indeed, we expect to do early next year, okay? We are debating when, but certainly between Q1 and Q2, we're going to come back to the market explaining, how do we say this? Just to make a remark on distribution, today we're working with a very large consulting firm, in order to map in the US the strategy...because in my opinion, the strategy

in the US is not only the launch of the XS when it comes to this market, but actually a portfolio of products, that can really be grouped together and go to this new growing segment in the US, which is a combination of molecular, which we have, Immunoassay, which we have. But, we feel also that...we should also package other products that would really make this offering extremely interesting for this business. So we're working with this consultant to understand what the package should be. Can I expect that when we will have the full disclosure of following three years, we will clearly tell you...indicate to the market, what the strategy is and which product we're going to line up to distribute to the segment.

SCOTT BARDO: Just a quick clarification Carlo, sorry, did you say that in H1 2019 we are likely to get some sort of mid-term plan update or extension on your existing firm current frame, sorry, just to clarify that point.

CARLO ROSA: Yeah. The clarification is that, yes by half...first half of 2019, it is our intention to go back to the market with vision...providing a vision of the following three years.

SCOTT BARDO: Perfect. Thank you so much indeed.

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

CARLO ROSA: Thank you, operator, take care.