

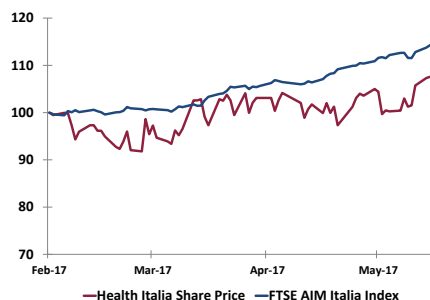


NEUTRAL

Current Share Price (€): 4.09

Target Price (€): 4.74

Health Italia - Performance since IPO



Note: 9/2/2017=100

Company data

Bloomberg code	HI IM
Reuters code	HI.MI
Share Price (€)	4.09
Date of Price	23/05/2017
Shares Outstanding (m)	12.4
Market Cap (€m)	50.6
Market Float (%)	13.4%
Daily Volume	12,250
Avg Daily Volume YTD	12,669
Target Price (€)	4.74
Upside (%)	16%
Recommendation	NEUTRAL

Share price performance

	1M	3M	1Y
Health Italia - Absolute (%)	5.7%	11.9%	n.a.
FTSE AIM Italia (%)	7.4%	14.0%	n.a.
1Y Range H/L (€)		4.09	3.49
YTD Change (€)/%		n.a.	n.a.

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First mover in the complementary health solutions

We initiate coverage of Health Italia with a **NEUTRAL** rating, based on a Target Price of **€4.74** per share.

Health Italia is a promoter of complementary health solutions and provider of healthcare service management for mutual benefit societies, mutual health funds and healthcare funds. Health Italia, listed on AIM Italia in February 2017, has created a unique business model for the promotion of complementary health solutions with three networks of over 2,300 mutual promoters and 3,000 healthcare facilities to serve over 350,000 persons assisted. With a customer retention rate of 81% in 2016, Health Italia works as preferred service provider for some Italian mutual benefit societies.

Health Italia will benefit from the growing trend of private health spending. The Italian private health spending growing trend, together with the commitment of the Government in the promotion of private health protection plans, suggest that the market size expansion is set to continue in the coming years. The consequent need for integrated health plans and high-quality claim management fits Health Italia's selling proposition.

Double-digit growth confirmed in 2016. In FY16 Health Italia reported revenues at €18.4m (+55% vs. €11.9m in FY15), with a substantial increase of fee income from the promotion business (at €14.5m, 79% of total revenues). The Company reported an EBITDA at €4.3m (23% of gross revenues vs. 33% in FY15), EBIT at €3.6m (20% margin) and a net income of €1.7m. Net debt was €0.4m at the end of 2016.

Visibility on revenues and high cash generation in 2017-2019. Health Italia's fee income would continue to represent the main revenue stream going forward (expected 21% 2016-2019 CAGR), with around 40% of related fee expense. We expect gross revenues to grow from €18.4m in 2016 to €32.7m in 2019. EBITDA margin on gross revenues is expected to be over 33% in 2019, from 23% in 2016. Net Income is forecasted at €4.2m in 2017 and to reach over €7m in 2019, with a steady and strong yearly net cash generation. In 2016, the Company announced a dividend of €0.081 per share (57% payout ratio); we include in our estimates a payout ratio of around 30% in 2017-2019.

Key financials and estimates

€m	2015A	2016A	2017E	2018E	2019E
Gross revenues	11.9	18.4	22.2	27.0	32.7
Fee income	8.8	14.5	17.7	21.5	25.6
Net fees	5.8	7.6	10.5	12.8	15.3
Net revenues	8.9	11.5	15.0	18.3	22.4
EBITDA	3.9	4.3	6.6	8.7	11.1
<i>Margin on gross revenues</i>	<i>32.9%</i>	<i>23.2%</i>	<i>29.7%</i>	<i>32.2%</i>	<i>33.9%</i>
EBIT	3.3	3.6	5.8	7.8	10.2
<i>Margin on gross revenues</i>	<i>27.9%</i>	<i>19.6%</i>	<i>26.0%</i>	<i>28.9%</i>	<i>31.1%</i>
Net Income	0.0	1.7	4.2	5.6	7.3
Operating Working Capital	1.2	0.2	(0.4)	(0.3)	(0.0)
Net Working Capital	3.7	5.9	6.9	8.2	9.8
Net (Debt) / Cash	(1.5)	(0.4)	2.3	5.6	10.0
Equity	9.5	13.2	16.4	20.3	25.4

Source: Company data and EnVent Research

1. INVESTMENT CASE

Company

Health Italia is a promoter of complementary health solutions and provider of healthcare service management for mutual benefit societies, mutual health funds and healthcare funds.

Drivers and Challenges

Industry drivers

Italian private healthcare expense continues to gain ground. The Italian private health spending growing trend, the further rise expectation, together with the commitment of the Government in the promotion of forms of private health protection, indicate a clear direction: the market size expansion will be continuing for a long period of time.

Room to improve the mix. The Italian expenditure for healthcare services/treatments brokered by collective and individual healthcare providers to date is less than 15% of out-of-pocket provisions, paid directly by patients for various reasons. Italian families look to be embracing the shift from out-of-pocket expense to subscription of complementary health plans. On the provision side, the importance and effectiveness of the NHS has discouraged for a long time private investments in facilities and services. As a consequence, in view of the emerging subsidized market, there is a sudden demand for advanced professional supports like management of claims and supply of healthcare treatments to the final customer plus the administrative fulfillments.

Company drivers

Unique business model. The wide and integrated offer, that covers promotion of the complementary healthcare plans, client and claim management for the complementary health providers and the design and management of corporate flexible welfare plans, places Health Italia in a privileged position to play a leading role as key partner for the growing complementary health institutes.

Strong client growth outlook. The size and organization of the three specialized sales networks, plus the wide geographical coverage, are an excellent base to position Health Italia to increase its market share, amidst the market need to shift from generic insurance coverage to customized health plans.

Visibility of future revenues. A strong customer loyalty, implying, according to the Management, a high client retention rate, estimated at 81% in 2016, together with a contract life of around 1-3 years (depending on the product), allows for resiliency in recurring revenue stream and high quality of operating earnings. The annual upfront subscription fee scheme of payment, with automatic renewal, provides the Company with a significant base of recurring revenue.

High cash flow generation means room to create value. According to our projection model, Health Italia may generate net cash flow of at least around €3m a year on a normalized basis from 2017 going forward. IPO proceeds and cash flow from operations are foreseen to accelerate growth through its network expansion.

Highly skilled and experienced team. Health Italia excels in securing its key service offering: complementary health promotion and management services, provided by a fully operating team of seasoned experts having served in high standing responsibilities in other domestic and international industry operators.

Attractive and highly scalable business model. Revenues for a large portion - over 70% - are driven by the number of assisted persons and the subscription fees charged to them. Clients prepay annual or multi-annual subscription fees in advance (part of the fees are accounted for as deferred revenue).

Challenges

Wide persons assisted base, but high concentration of revenue from partners. Health Italia had over 350,000 persons assisted in 2016. This mitigates revenue loss risk, which is limited to the churn rate of the customers associated to a Company partner. On the partners side, there is a high concentration of revenues on one entity, that accounted for around 70% of revenues in 2015 and over 90% in 2016.

Low barriers to entry and pricing trends. The promotion of complementary health solutions and healthcare service management for mutual benefit societies, mutual health funds and healthcare funds are businesses that have a relatively low barrier to entry. As a result, new competitors can enter the marketplace without significant obstacles. Several industry players, including large multinationals, are already present in the marketplace and could either build their competences or acquire or establish relationships with specialists teams. In a relatively low cost and high margin growing segment like the complementary health services, new or large competitors might offer underpriced services in order to capture market share, or affect the entire industry margins.

IT challenges and risks. The Group's business relies on IT systems infrastructure: for the Promotion business unit (WebMutua) and for the services (Health Claim and Benefitonline). These systems are exposed to various operational risks, i.e. programming errors, servers failures or discontinuation, connectivity problems, illegal conduct of third parties. In addition, Health Italia relies for its efficiency on a customized software, developed in-house. Possible IT changes require the ability to adapt quickly to the new technological needs of mutual societies and funds.

Reputation of the network. To drive profitability, Health Italia largely relies on its network of promoters. Therefore, poor performance or reputational damage can strongly impact the Company's revenues. Conversely, a good reputation of the network might increase competitors' willingness to attract its best promoters with generous offers.

Regulatory environment. The Company provides services to an industry segment that operates in a regulated marketplace. As a consequence, its revenues are subject to impact by changes in the current legislation.

2. PROFILE

Complete offer in health plans and services

Integrated health plans and services

Health Italia promotes health plans of mutual benefit societies, mutual health funds and healthcare funds through its network of promoters and offers to these health plans providers services such as client and claim management, home healthcare, agreements with health facilities, flexible benefit management and online bookings for medical services.

The Company offers a wide choice of health plans, some covered with exclusive rights and innovative integrated services differentiated by customer.

The Group was founded in 2001 and has grown over the years through the acquisition of small companies. Currently Health Italia is active in:

- Health plans: developed thanks to the strong relationships with mutual benefit societies, mutual health funds and healthcare funds
- Services: client and claim management and home healthcare, through a network of over 3,000 healthcare centers and dentists
- In the future, the Group aims also to develop medical services (diagnostic tests for clinical analysis or dental surgery) provided with own healthcare facilities.

Health Italia has a strong national coverage, with a network of over 2,300 promoters.

History and key developments

In 2001, a group of partners, including Massimiliano Alfieri, founded Roma Assistance SpA, a company active in the health insurance brokerage, with a focus on complementary health.

In 2011 A1 Holding SpA was established, including the former Roma Assistance and other two companies active in non-life insurance products, distribution of life/social security insurance products and mutual assistance products, with a direct sales network.

In 2014 the management decided to further develop the activity with mutual benefit societies, mutual health funds and healthcare funds and also client and claim management services. In the same year, was acquired a stake in Villa Benedetta, a private hospital in Rome.

In 2015 the group underwent a process of rationalization of organizational structure and activities:

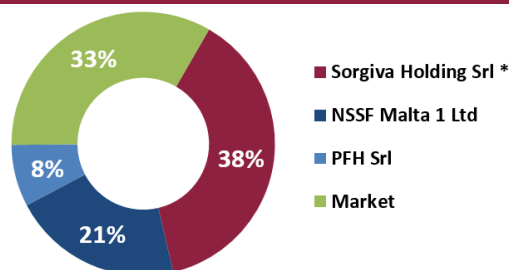
- The subsidiaries Health Broker, Health Italia and Health Service were merged into Health Holding Group SpA (now Health Italia SpA)
- The portfolio of insurance policies was dismissed; the group activity was concentrated in the areas of healthcare complementary and ancillary

services and the corporate welfare system

- Acquisition of 49% stake in a web portal and app that allow users to search and choose healthcare solutions, thanks to a database of professionals, facilities and healthcare centers. The Group has the option to purchase the remaining 51%.

In 2016 the Group introduced a range of new services in the area of corporate welfare, called flexible benefits. In addition, it acquired a stake of 86.36% in a company dedicated to direct management of polyclinics, diagnostic and dental services.



Shareholders



Source: Company data

Note: 1) The shareholders of Sorgiva Holding are Silvia Fiorini 39.06%, ISTIFID 33.81%, Massimiliano Alfieri 26.99%, Martina Alfieri 0.14%; 2) NSSF Malta 1 is a sub-fund owned by Novium Opportunity, a private equity fund focused on the healthcare industry

Key people

Name	Role	Background
 Roberto Anzanello	Chairman	<ul style="list-style-type: none"> • Present: A.N.S.I. Chairman (Associazione Nazionale Sanità Integrativa) • 2000: BPV Vita Managing Director • 1998: Chief Officer "Vita e Banche" in Cattolica Assicurazioni • 1997: Targa System Manager (Fiat Group) • 1994: Communication Manager of AXA Assicurazioni Group
 Massimiliano Alfieri	Managing Director	<ul style="list-style-type: none"> • 2013: founder of Health Italia • 2011 - 2015: Vice Chairman ANSI • from the end of 2007 - H12016: Chairman of Mutua Basis Assistance MBA • 2001- 2014: Managing Director of Roma Assistance S.p.A (later Adatto S.p.A. and incorporated in A1 Holding) • 1991: Entrepreneurship in the distribution of insurance services, focused on the <i>personal line</i> sector

Health Italia's IPO and stock market performance on AIM Italia

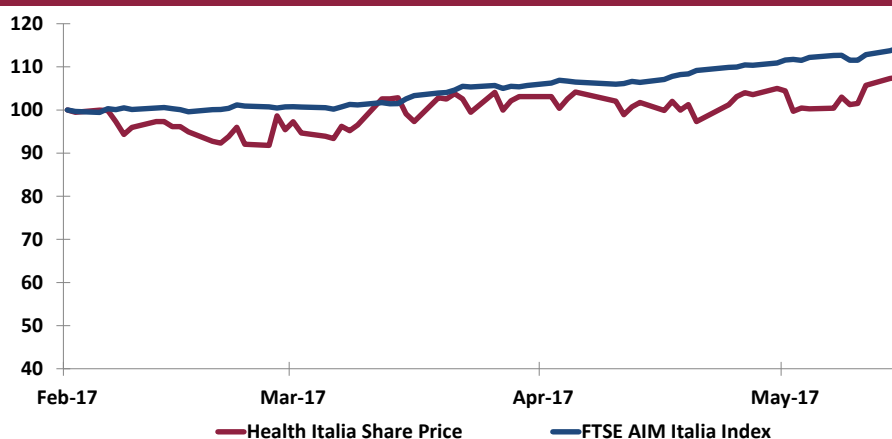
Through its IPO on the AIM Italia market on February 9th, 2017, Health Italia sold 1,125,950 shares at €4.00 per share for a total raising of approximately €4.5m. The initial market cap was €49.6m.

Health Italia on AIM Italia

Stock market	AIM Italia - MAC
ISIN code	IT0005221004
Bloomberg code	HI IM
Reuters code	HI.MI
IPO date	09/02/2017
Offer Price (€)	4.00
Money raised (€m)	4.5
Market Cap at IPO (€m)	49.6
Shares outstanding	12,032,530
Current Share Price (€)	4.09
Market Cap (€m)	49.2

Source: Company data and S&P Capital IQ, update: 23/05/2017

Share price performance since IPO



Source: S&P Capital IQ, update: 23/05/2017 - Note: 9/2/2017=100

According to the Company, the IPO proceeds will be mainly used to:

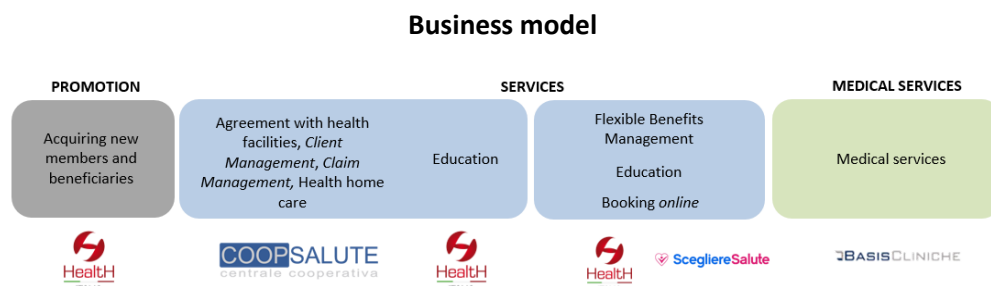
- **Organic growth:**
 - Expansion of distribution network: set up of a sales network focused on SMEs for the flexible benefits and customized subsidized health plans
 - Extension of the product range: implementation of a platform for flexible benefits, development of a telemedicine system through devices and dedicated healthcare centers, opening of its own dentistry and general consultancy facilities, development of a comprehensive online healthcare services and database
- **External growth:** M&A transactions to acquire players in complementary industries

3. BUSINESS MODEL

Structure and organization

The business model of the Group is developed all along the value chain:

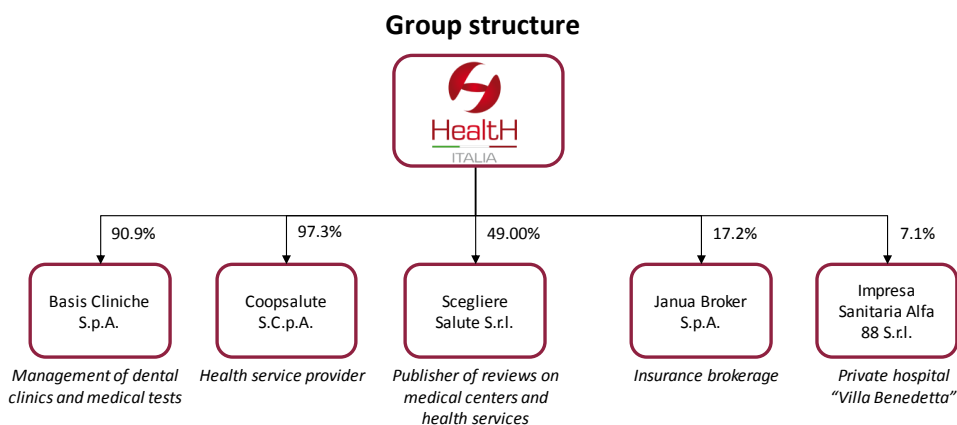
Exhibit 3.1



Source: Company data

Health Italia SpA is the parent company of the Group and provides strategic guidance for the operating areas (business development, analysis and selection of products, personnel, finance and control, marketing and other supporting activities). In addition, a parent company task is to reduce services/purchasing and external costs, through rationalizations integration of the functions.

Exhibit 3.2



Source: Company data

Health Italia selects and distributes healthcare plans and some ancillary services:

- **Analysis and selection of products:** Health Italia analyses and identifies health plan solutions for mutual benefit societies, mutual health funds and healthcare funds, including:
 - Healthcare market and the main macroeconomic trends
 - Products/health solutions and related margins
 - Competitors and operators of the complementary healthcare sector
 - Technical assistance and marketing

The operations management team (1 director and 1 actuary) is responsible for analysing the technical and commercial characteristics of the products and

selects the complementary health solutions to be promoted through the networks.

- **Distribution:** the selected health plans are proposed to prospective new members of the mutual benefit societies and mutual and healthcare funds, thanks to the sales effort of the three promotion networks:
 - Dynamic: retail segment
 - Classic: business/retail segment
 - Corporate Affinity: business segment and public administration

Health Italia is also developing the sales network of flexible benefits dedicated to SMEs and corporate clients.

- **After-sales services:**
 - Assistance on healthcare solutions
 - Ex-post checks of paid services and the related paperwork
 - Programs targeted to patients' welfare
 - Prevention and check-up plans

In 2015, Health Italia acquired a 49% stake in "Scegliere Salute" ("Choose your Health"), a company that operates as healthcare advisor through an internet site and an App. They offer ranking and feedback on medical teams and professionals, healthcare services and facilities in Italy, based on the opinions of users.

- **Marketing** based on:
 - Health Online, newsletter on complementary healthcare industry, both in printed and digital version
 - Health Italia: a newsletter with information on healthcare and on the Group activities
 - Scegliere Salute: e-mails sent to final users of healthcare services asking for a feedback on the facilities and treatments received, usually through a scoring model
 - Facebook, Twitter, G+, Youtube: through social networks, the Group conveys information and updates related to the new activities
 - Coopsalute/Scegliere Salute newsletter: monthly publication on topics related to health, healthcare and the activities of the Group
 - Google AdWords: exploiting the use of keywords, the internet user is driven on Health Italia website

Three business units, differentiated products and networks

The Group has three business units:

Exhibit 3.3

Business Units		
HEALTH PLANS PROMOTION	SERVICES	MEDICAL SERVICES
<ul style="list-style-type: none"> ➤ 42 individual health plans (Over 65/Under 65) ➤ 132 company collective plans (depending on the specific needs of the client or standard product) ➤ 82 health plans for membership agreement 	<ul style="list-style-type: none"> ➤ 3.110 Healthcare and Dentists network ➤ Client Management, Claim Management and Home Healthcare: over 350.000 beneficiaries ➤ <i>Claim management</i> – Indirect refund: payment within maximum 7 days from the definition of the procedure ➤ Management of Corporate Welfare plans in the Flexible Benefit mode with 5 areas of benefits: <ul style="list-style-type: none"> – Subsidized healthcare – Assistance – Free Time – Subsidised pension – Education – Shopping vouchers ➤ Education: 3 main courses with over 2.000 trained people 	<ul style="list-style-type: none"> ➤ Dentistry ➤ General Consultancy centers

Source: Company data

Promotion

The Promotion Business Unit task is to acquire new members and beneficiaries. The revenue model is based on fees with fixed and variable components. In this unit, the growth targets, in addition to market penetration, assume a high customer retention rate. Promotion services are marketed by the sales networks:

- **Dynamic network:** dedicated to the product "Total Care" for a family target. This plan provides access to health and welfare benefits such as:
 - Prevention: home test for self-diagnosis, dental check-up, cardiovascular check-up, oncology check-up
 - Care: extra hospital services such as specialist visits and diagnostic tests, surgical procedures on day hospital, reimbursement of NHS tickets, maternity package with checks and services related to pregnancy, subsidies for permanent disability due to accident, illness or long-term care
 - Support: subsidy in the case of work loss, scholarship for the children, possibility to transfer the subvention to family members, total or partial allocation of contributions to the future payments
 - Assistance: in case of emergency, medical transport, storage of stem cells, family support, spa treatments, subsidy for funeral expenses
- **Classic network:** dedicated to other mutual benefits and products for retail customers. It offers health benefits, such as differentiated check-up services and treatments according to specific age group/customer type. The network promotes also mutual health funds for certain professional categories, i.e. members of cooperatives or associations and for groups of

Targeting families and individuals

customers. For the family or individuals, the dedicated plans are: "Senis" for over 65, that includes also care services and assistance; "Salus" for under 65 inclusive of prevention, treatments and care.

Corporate health plans

- **Corporate affinity network:** dedicated to health plans for large business clients and public administration entities. Promotes the "MEF" health plan reserved to public administration employees as provided by an agreement between MBA and the Italian Ministry of Finance.

Flexible benefits

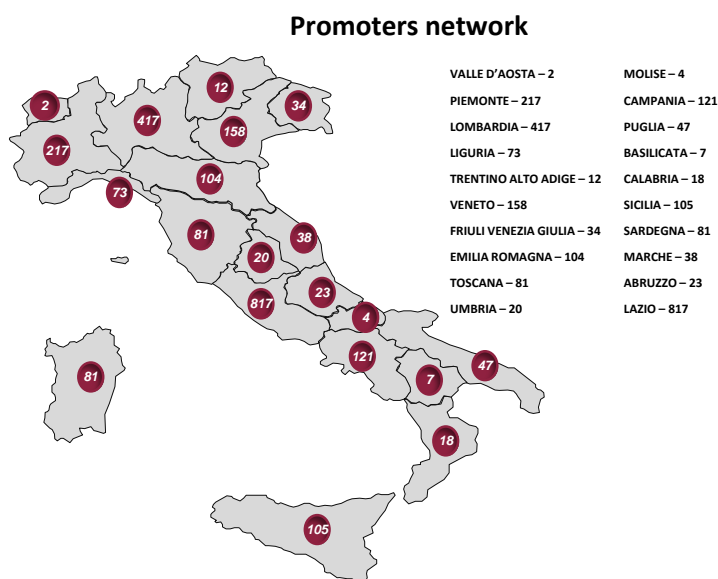
- **SMEs/flexible benefits network:** flexible benefits are a recently introduced solution used by companies as tax deductible benefit. Flexible benefits include a differentiated set of goods and services available to the employees, that can choose solutions within their budget. Health Italia manages by a proprietary software administration and management of the benefit plans. Currently under development, this network will promote integrated welfare plans for corporate clients, with dedicated plans for small and medium enterprises.

Through the internet service "BenefitOnline", each beneficiary could view the range of goods and services available and has the opportunity to choose and book the benefits or to ask the reimbursement of those purchased independently.

The promoters network in 2016 consisted of 2,379 promoters, of which, as per network:

- Dynamic network: 1,200
- Classic network: 764
- Corporate affinity network: 415

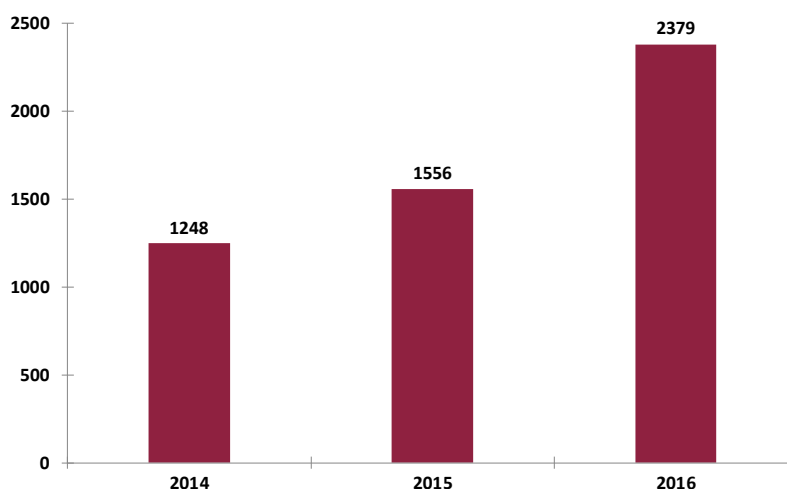
Exhibit 3.5



Source: Company data

Exhibit 3.6

Increasing number of promoters (2014-2016)



Source: Company data

Partnership with MBA

The Health Italia's promotion unit has established long-term partnerships with mutual benefit societies such as Mutua Basis Assistance (MBA) and Cardea. The agreement with MBA, that generated around 70% of 2015 revenues and over 90% in 2016, lasts for ten years and upon expiry will be automatically renewed every five years, unless a cancellation by either party has been made.

Health Italia is in charge of coordination, management and training of promoters.

Services

In this business unit, the Group provides services to its clients (mutual benefit societies, mutual health funds and healthcare funds), such as claim management, client management, booking online and education. Compensation is based on a percentage of the fee on medical services booked/provided. Health Italia aims to improve its offering through new services, especially through the development of the new SME/flexible benefit network.

The services provided to client organizations are:

Claim management

Claim management: management and supply of healthcare treatments to the final customers, through the network of healthcare and dentistry facilities. The Company manages also the administrative fulfillments with the network, both with a direct payment or through a refund after the treatment. Available choices:

- Indirect refund: once received the treatment (both in contracted facilities or outside the network) and paid for it, the client is entitled to ask for a refund by sending the claim form and all the related documentation. After the appropriate checks on the documentation received, the mutual society or the fund would reimburse the expenses.
- Direct assistance: the client can obtain direct charge for the treatment to the mutual society or the healthcare funds, at the sole condition that the medical treatment/service should be performed at the network facilities.

In order to obtain the direct assistance, the client must submit the application form in advance with all the necessary medical records and obtain the green light from the mutual entity.

- Mixed solutions: when the plan covers the treatment or procedures in a given facility, but the medical team is not affiliated with the network, then the client could ask for the reimbursement of expenses related only to the medical team. The expenses related to the network facilities are already included in the plan coverage.

Health Claim

In order to efficiently manage the service, Health Italia developed a proprietary software called "Health Claim", dedicated to the reimbursement procedures and providing a number of applications, i.e. back-office, personal data management, tracking of the relationships between care providers/clients and communications.

Client management

Client management: Health Italia provides also reception and assistance services for the clients of mutual benefit societies and funds, through its proprietary software.

- Reception of the end customers
- 24H Support: Call Center open 7 days for 24 hours, trained to assist the clients' requests, based on the agreed arrangements
- Health Call Center: customers can contact the Call Center to receive information related to facilities network, health plans, reimbursement and direct payment procedures, forms and documents to be submitted for reimbursement, status of their requests
- Check-up: the service includes standard or specialized examinations according to age, sex and state of health, in a facility of the network

Web Mutua

The Group has developed also a proprietary software called "Web Mutua" for client management activities; the software is currently used by five mutual benefit societies. Web Mutua allows the customer to access their private area and therefore to facilitate the back office activities of the mutual benefit societies and funds.

Education

Education: the education service consists of courses dedicated to candidates to become mutual promoters and of corporate wellness programs. The training includes an initial phase to obtain the qualification and periodic updates. The main training courses are:

- Victory: with six levels (first three levels held monthly, the remaining three bimonthly); the courses provide both technical knowledge and some notions of management and self-motivation
- My Lab: includes three levels: "My Lab Experience" (historical and normative notions); "My Lab Evolution" (communicative and motivation training, stress management); "My Lab Power" (training targeted for team leaders)
- Corporate Wellness: training program aimed at the promotion of corporate employees' wellness; the courses are focused on learning techniques and habits that enable the improvement or maintenance of an

optimal health

Healthcare and dentists network

Healthcare and dentists network: the healthcare facilities and dentists network is approved upon with mutual benefit societies and healthcare funds for supplying health treatment and services in direct form. The network includes 3,110 healthcare facilities and dentists and also 88 homecare facilities throughout the Italian territory. At the end of 2016, the network includes:

- Nursing homes/hospitals: 246
- Day hospital/diagnostic centers: 834
- Physiotherapy centers: 176
- Dentists: 1,854

Homecare

Homecare services are provided through cooperatives and affiliated companies in charge of nursing, medical check-up, assistance and supervision of the assisted person and other home services.

Exhibit 3.7

Healthcare facilities and dentists network



Centers	Clinic	General Consultancy	Physiotherapy	Dentistry
Valle D'Aosta	1	0	0	0
Piemonte	22	75	9	32
Liguria	12	49	11	34
Lombardia	45	137	8	133
Trentino A.A.	2	1	0	5
Friuli V. Giulia	5	16	2	11
Veneto	13	67	8	57
Emilia Romagna	20	56	6	17
Marche	8	26	2	27
Toscana	13	63	21	69
Umbria	1	10	0	6
Lazio	59	169	82	135
Abruzzo	4	1	6	0
Campania	11	31	1	30
Molise	1	5	2	7
Puglia	12	46	6	83
Basilicata	0	4	1	7
Calabria	2	8	5	8
Sicilia	13	64	4	49
Sardegna	2	4	2	5

Source: Company data

4. REGULATORY FRAMEWORK

The National Healthcare System in Italy

Each citizen in Italy has the right to receive certain healthcare services from the National Healthcare Service (NHS), established by Law No. 883 in 1978, defined by the Healthcare Ministry, and can either be free or with a contribution.

There are three main entities which govern or manage the NHS:

- Government and Healthcare Ministry: plan and budget the system through a national plan, updated every three years
- Regions: autonomously arrange the provision of healthcare services in their territory. They are key counterparts for private healthcare operators.
- ASL (local healthcare authorities) and hospitals: oversee and manage the provision of healthcare services at a local level

The financing of the NHS is defined by the “*budget law*” and is the result of negotiations between the government and regions, which provide a preliminary estimate of the resources needed. On average, financing of the NHS is approximately 95% covered by national taxes and around 5% covered by healthcare revenues from local authorities and contributions from citizens.

Currently, the Italian NHS is considered one of the best healthcare service at European and international level. However, in recent years, is facing some challenges in ensuring an equal and efficient performance. Because of the prolonged economic slowdown and the consequently limited resources available to NHS, the public entities in charge have been forced to increase the tickets, i.e. the cost portion of healthcare services at the expense of the citizens and to further lengthen the waiting time for access to services. In addition, while the NHS delivers high standard services in some areas (i.e. first aid, major surgery, cancer treatment), other specialties are almost exclusively covered by private healthcare (i.e. dentistry, psychotherapy, gynecology, speech therapy), with related high costs for the citizens.

Only a partial coverage of the healthcare needs of citizens

On average, NHS covers 78% of the total healthcare expenditure, while 22% (around €500 per capita per annum) is at the expense of the citizen; furthermore, out of this amount, only 18% is brokered and reimbursed by healthcare insurance or mutual societies, while 82% is paid directly by citizens (Source: Ambrosetti, Meridiano sanità, 2013).

As a consequence, in a period of economic slowdown, the percentage of families that waives medical treatments or purchase of drugs is steadily growing - 7-10% depending on the region. (Source: Secondo Rapporto sul Secondo Welfare in Italia, Luigi Einaudi Research Center, 2015).

5. MARKET

NHS and mutual benefit societies

The health system in Italy is based on three pillars:

- National Health System: facilities and health services based on the principle of universality and equality addressed to the public
- Complementary health: health services offered by mutual benefit societies, mutual health funds and healthcare funds
- Individual health: services directly purchased by citizens and partly covered by insurance companies

The national health expenditure includes both the expenditure related to the National Health System and the private healthcare spending.

The private health expenditure consists of:

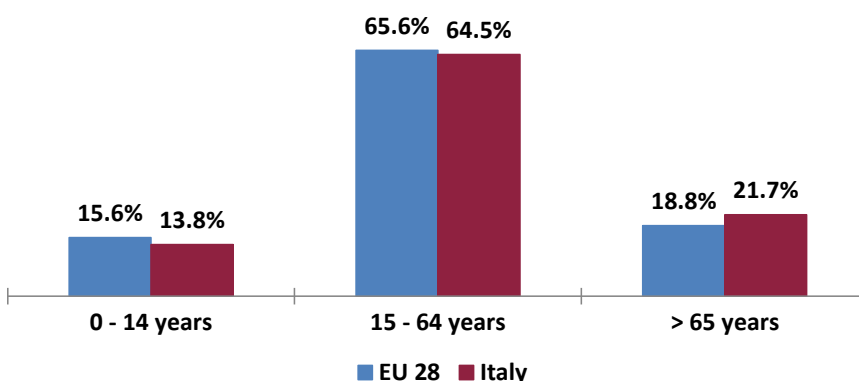
- Disbursement for private health services paid directly by the patients (the so-called "out-of-pocket")
- Expenditure for health services provided by mutual benefit societies, mutual health funds and healthcare funds
- Expenditure for health services provided by personal health insurance

The main driver of the expected growing trend of the health expenditure in Italy is the ageing of the population. According to a report of the European Commission, the percentage of the Italian population aged 65 and over is expected to increase from 21.7% in 2015 to 30% in 2060. The increase in life expectancy and the decline of the Italian population birth rates are leading to a gradual increase in the percentage of population over 65 resulting in a growing demand for healthcare services. This is a peculiar fact in Italy: in 2015 the percentage of people over 65 on the total population was the highest in Europe and it is expected to increase steadily in the following years (Source: Eurostat, Population structure and ageing, 2016).

Ageing of the population

Exhibit 5.1

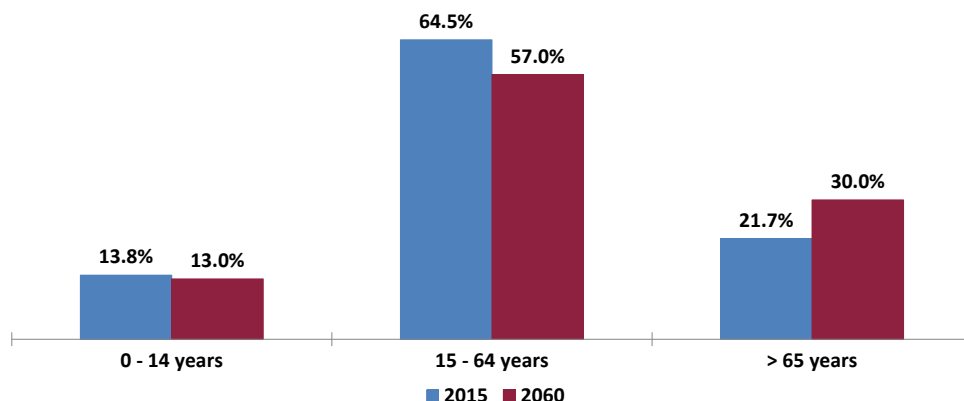
Structure of the population by age in Italy and in the EU 28 in 2015 (%)



Source: Eurostat, Population structure and ageing, 2016

Exhibit 5.2

Structure of the population by age in Italy in 2015 and 2060E (%)



Source: Eurostat, Population structure and ageing, 2016; European Commission, The 2015 Ageing Report, 2015

According to recent studies (Source: Secondo Rapporto sul Secondo Welfare in Italia, Luigi Einaudi Research Center, 2015) several issues in the Italian NHS have been identified:

Main issues of NHS

- a certain number of services provided by NHS have been considered by the public opinion still insufficient, in terms of access rather than quality
- steadily rise of the private healthcare spending, mostly out-of-pocket
- an increasing part of the population would not be able to afford the cost of private healthcare or, more surprisingly, of NHS (i.e. cost of tickets)

In recent years, some initiatives by subsidized healthcare institutions try to give a partial answer to the abovementioned difficulties: a range of products and funds provides healthcare and services through accredited healthcare facilities, recognized by the local healthcare service, and with a partial reimbursement of services/treatments.

Since the early 2000s, especially in the service and tourism industries, several collective subsidized healthcare funds have been created to ensure a range of health services to the employees; this contributed extensively to the development in recent years of collective subsidized healthcare plans and complementary services at regional and provincial level, especially in areas not sufficiently covered by the NHS. However, according to the report by Luigi Einaudi Research Center, the local health complementary services for sectors' employees are still fragmented over the territory and show little level of innovation.

The most common healthcare benefits covered by subsidized healthcare funds include: reimbursement of expenses by employees and their family for the purchase of prostheses (dental, orthopedic and acoustic), dental treatments, thermal treatments or tickets payments. However, contributions for dental prostheses and other services are usually provided only by entities in the tertiary and tourism sectors; for craftsmen, only two entities provide health-related services: reimbursement of different types of implants, contributions in case of serious health conditions and partial reimbursement of healthcare expenses.

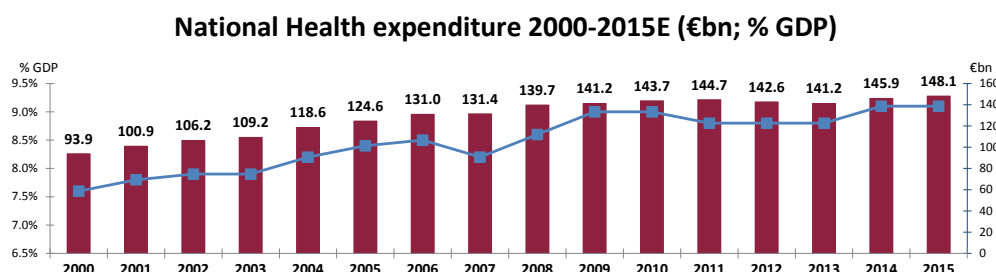
At a national level, the request for healthcare services is constantly increasing, due to recent socio-cultural and economic changes (i.e. increasing life expectancy, spread of new chronic diseases, the rise of the number of people in a state of dependency, along with a higher awareness of the need to preserve a state of good health. These new needs are not well satisfied by the offer of the NHS, both for the absence of specific healthcare services and for the excessively long waiting times. The situation is getting even worse due to the economic crisis, the decline of household expenditures and the increase of a part of the population that could not afford private healthcare.

Sustainability of the national healthcare expenditure

The increasing national healthcare expenditure as GDP share has raised a sustainability issue of the NHS. According to 2016 OECD Health Statistics, in Italy the national health expenditure increased from €93.9bn in 2000 to an estimate of €148.1bn in 2015, with a 2000-15 CAGR of 3.1%.

Exhibit 5.3

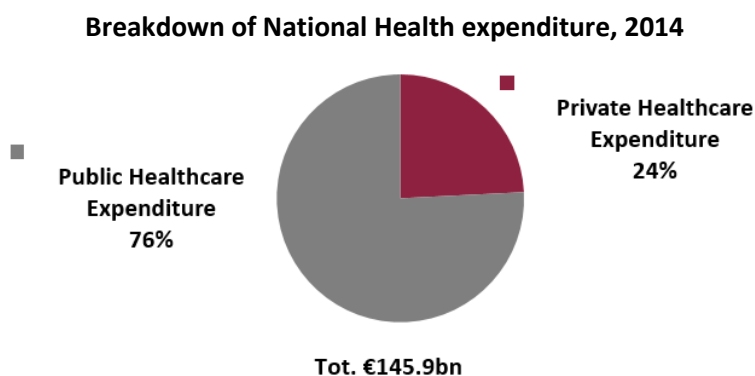
Expected growing trend in health expenditure



Source: OECD, Health Statistics, 2016

The national health expenditure includes both the public expenditure related to NHS and the expenditure from private entities.

Exhibit 5.4



Source: OECD, Health Statistics, 2016

The issue of sustainability of the national health system determined a growing commitment of the Government in the promotion of forms of private health protection, that would compensate an expected reduction of health expenditure from NHS.

In this scenario, the experts consider necessary to start a cooperation between

public and private entities (associations, third sector, subsidized institutions...) to develop supplemental healthcare proposals. Among these entities, the mutual benefit societies play a key role in the supplementary welfare system mainly thanks to the strong bond with the territory and the capability to create local networks.

At the moment, the entities active in the in the supplementary healthcare are:

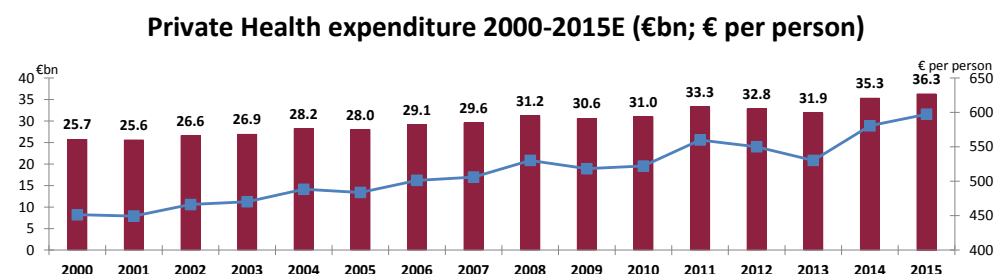
- **Healthcare funds:** institutions that provide healthcare services to specific workers' categories
- **Mutual health funds:** entities that provide healthcare services as part of a corporate welfare program
- **Mutual benefit societies:** cooperative entities that provide healthcare services to professionals, self-employed and employees, individuals and families as an alternative solution to the shortcomings of the NHS

According to the latest available data, in Italy there are about 100 mutual benefit societies focused on healthcare (around 150 including also the entities involved only in social support) and in Italy about one million people have a supplementary healthcare coverage through mutual benefit societies (Source: Le prospettive del mutuo soccorso nel sistema sanitario Italiano, S. Maggi, C. De Pietro, 2015). Despite the marginal role of the mutual benefit societies in the Italian healthcare system in the past years, there is a substantial increase of the complementary healthcare services, that the NHS is no longer able to provide efficiently. The active role of mutual benefit societies is particularly important in case of combined health and social assistance, due to the aging of the population, the increase of people in state of dependency and the insufficient contribution from NHS.

Growing trend for private health expenditure

In recent years, the Italian private health spending has shown a growing trend: it has increased from €25.7bn in 2000 to an estimated €36.3bn in 2015, with a CAGR 2000-15E of 2.3% (even if with a lower rate than the public expenditure, with a 2000-15E CAGR of 3.1%). Per person, the private health spending is expected to rise from €451.4 in 2000 to €597.4 in 2015, with a CAGR 2000-15E of 1.9% (Source: OECD, Health Statistics, 2016).

Exhibit 5.5

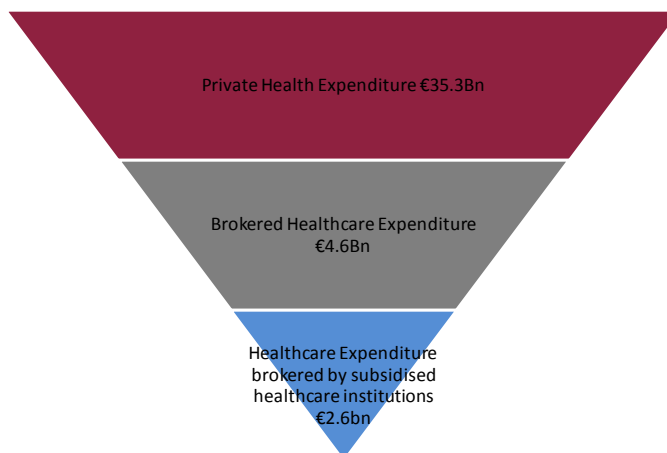


Source: OECD, Health Statistics, 2016

The private health expenditure includes "out-of-pocket" provisions, that are paid directly and the expenditure for healthcare services/treatments brokered by collective and individual healthcare providers (mutual benefit societies, mutual health funds and healthcare funds).

Exhibit 5.6

Breakdown of Private Health Expenditure (2014 data)

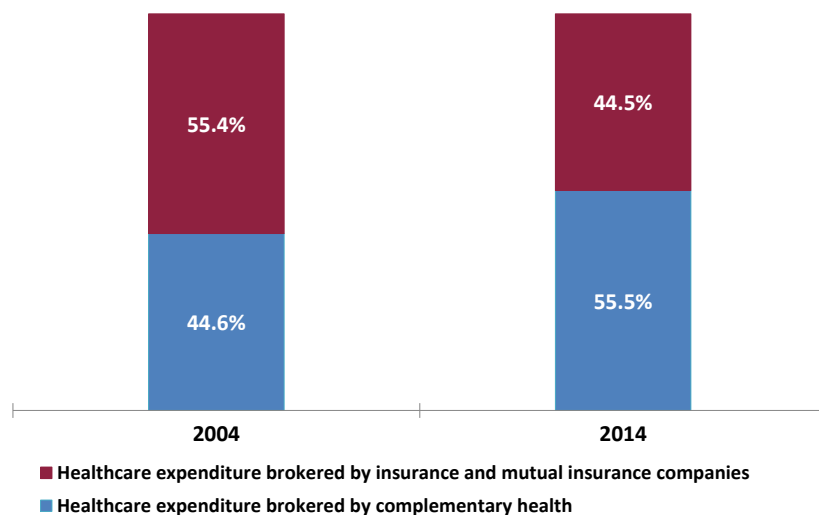


Source: OECD, Health Statistics, 2016; ANIA, 2014 Report; World Bank, Out-of-pocket health expenditure on private health expenditure, 2016

Looking at the breakdown of the private healthcare expenditure, in 2014 the total amount of private healthcare expenditure was €35.3bn, including €4.6bn of healthcare expenditure brokered. Of this amount, around €2.6bn referred to healthcare expenditure brokered by subsidized healthcare institutions.

Exhibit 5.7

Healthcare expenditure breakdown 2004-2014 (%)



Source: OECD, Health Statistics, 2016; ANIA, 2004-2014 Report; World Bank, Out-of-pocket health expenditure on private health expenditure, 2016

Total healthcare expenditure brokered by collective and individual subsidized healthcare institutions has grown from €2.8bn in 2004 to approximately €4.6bn in 2014, with a CAGR of 5%. The expenditure brokered by mutual benefit societies, mutual health funds and healthcare funds has grown from €1.3bn in 2004 to €2.6bn in 2014, with a CAGR of 7%.

The growing segment of flexible benefits

Definition of flexible benefits

Flexible benefits are an innovative solution of corporate welfare and they have only begun to gain popularity in Italy in recent years; Health Italia foresees a rapid growth of these incentives and aims to develop a dedicated network.

Flexible benefit plans allow employees to choose the benefits they want or need from a package of programs offered by an employer. Flexible benefit plans may include: health insurance, retirement benefits, school/university funding or reimbursement accounts that employees can use to pay for out-of-pocket health or dependent care expenses. In a flexible benefit plan, employees contribute to the cost of these benefits through a payroll deduction of their before-tax income, reducing the employer's contribution. In addition, the ability to pay for benefits with pre-tax income lowers an employee's taxable income while raising the amount of their take-home pay - an added "benefit".

Fast development in recent years...

According to the "EMEA Employee Choice Survey in Benefits", in 2014 in Italy 17% of the companies in the sample declared to offer to the employees' flexible benefit plans, from only 5% in 2012 (Source: Mercer Marsh Benefits, 2014).

...but still huge potential

In addition, these flexible schemes have recently benefited from 2016 Stability Act, that enlarged the basket of goods and services related to the corporate welfare and the different possible choices of the employee.

In particular, a new regulation and tax-privileged productivity reward have been established: the employee could now choose to replace in whole or in part the variable compensation with the provision of benefits, goods and services, with an additional tax relief, compared to the equivalent in cash. The 2016 Stability Act established for the cash payment of the bonus an Income Tax rate of 10%, while the goods and services included in the flexible benefit are not taxable.

Despite the favorable circumstances, in 2015 in Italy there were only 130 welfare plans provided with flexible benefits through a platform (Source: Conference: Legge di Stabilità, Equipe - Italia Lavoro, April 20th, 2016, Rome).

6. COMPETITION












Health Italia operates in different businesses: promotion of subscriptions of complementary healthcare packages and healthcare provision management services; as a consequence, it is hard to identify comparable companies as integrated as Health Italia in the value chain. However, there are competitors for the main business areas.

Exhibit 6.1

Competitors for the main Business Units/Services

Business Unit/Services	Main Competitors
Promotion	Marsh & McLennan Aon Willis Towers Watson Assiteca
Flexible Benefits	Easy Welfare Double You Marsh & McLennan Aon Willis Towers Watson Assiteca
Claim Management	Previmedical Blue Assistance IMA Italia Assistance Aon Marsh & McLennan
Client Management	Previmedical Blue Assistance IMA Italia Assistance
Healthcare Facilities Network/ Homecare Service	Previmedical Blue Assistance IMA Italia Assistance
Education	IAMA Consulting Aon

Source: Company data, websites, AIDA

Company	Retail Promotion	Corporate Promotion	Claim Management	Client Management	Healthcare facilities	In-Home care	Training	Consulting	Flexible benefit	Health services
		✓	✓				✓	✓	✓	
		✓						✓	✓	
		✓	✓					✓	✓	
		✓						✓	✓	
			✓	✓	✓	✓				
			✓	✓	✓	✓				
			✓	✓	✓	✓				
										✓
										✓
							✓	✓		
	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Promotion

The main competitors in this business unit are: Marsh & McLennan Companies, Willis Towers Watson and Aon, large multinational and diversified groups, that in Italy are active in the promotion of different insurance products, among them also complementary healthcare plans, especially for corporate clients. Also the Italian company Assiteca offers similar products, even if it is more focused on insurance policies, consultancy and technical analysis of corporate risks. Lately all these companies have begun to enter the growing segment of the flexible benefits. In this competitive scenario, Health Italia offers similar products, but along with corporate clients, the Group deals also with a retail base.

Marsh & McLennan Companies, listed on NYSE, is a large multinational professional services firm offering clients advice and solutions in risk and strategy. The Risk and Insurance Services segment includes risk management activities as well as insurance and reinsurance broking. Marsh serves companies and institutions, including multi-nationals, middle-market and small enterprises. In Italy Marsh is active in the promotion of insurance products and in the flexible benefit segment.

Aon, listed on NYSE, is a provider of risk management services, insurance and reinsurance brokerage, and human resource consulting and outsourcing. In Italy Aon is active in the flexible benefit segment.

Willis Towers Watson, listed on Nasdaq, operates as a global advisory, broking and solutions company. The division Health and Group Benefits provides plan management consulting across the full spectrum of health and group benefit programs, including health, dental, disability, life and other coverage. Its Technology and Administration Solutions line of business provides benefits outsourcing services to various clients across multiple industries. In Italy, the group is active also in the Flexible Benefits segment.

Assiteca is an Italy-based provider of insurance brokerage services, listed on AIM Italia since November 2015. The company supplies insurance policies, consultancy and technical analysis of corporate risks. Furthermore, the Company operates through a number of foreign subsidiaries. Besides the promotion activity, the group in Italy offers also flexible benefit solutions to corporate clients.

Flexible benefit competitors

For the flexible benefit segment, other two important competitors in Italy are:

Easy Welfare, founded in 2007 (former Muoversi Srl), the company has been active in the mobility management segment; lately it has specialized in the outsourcing of corporate welfare services and flexible benefits. Presently Easy Welfare is the largest entity in Italy as per volume of benefits and amount of welfare plans, with a customers' portfolio over 180 companies in different sectors and sizes.

Double You Welfare Management provides corporate welfare services for small,

medium and large businesses through an operational service platform from the end of 2014. Double Double You was recently acquired by Zucchetti Group, an Italian software provider.

Services

In this business unit, Health competes with similar companies, with their own healthcare facilities network, able to offer Claim/Client Management services, through call centers or more sophisticated paperless approach.

Blue Assistance (Reale Mutua Assicurazioni Group) provides health insurance products to individuals, families, insurance companies, health funds and mutual benefit societies. Among the complementary health services, it provides claim and client management, with a network of health facilities.

Previmedical (RBHOLD Group) is an independent Third Party Administrator, with focus on healthcare insurance products: it provides administration services in process outsourcing solutions with expertise in claims processing, customer care options, IT and consulting. Previmedical manages some of the well-established Italian healthcare funds (contractual, corporate, mutual) and insurance groups specialized in life and non-life industry, providing administration and liquidation management services. Furthermore, Previmedical has specialized contact and operation centers able to allow an easy access to their network of health and dentist facilities.

IMA Italia Assistance is the Italian subsidiary of the French group Inter Mutuelles Assistance, specialized in assistance/insurance services for vehicle breakdowns or accidents, medical and home assistance, claims management, travel insurance policies and tourism. In the health segment, the company provides client management services, with a network of 12,700 healthcare facilities worldwide.

We highlight that also Aon and Marsh & McLennan Companies are active in Italy with the activity of Claim Management.

Education

The main competitor of Health Italia for the education segment is:

IAMA Consulting (RBHOLD Group), founded in 1974 by a team of consultants, it provides management consulting services, legal education, managerial and technical training courses dedicated to the management and staff of complementary healthcare entities. Through a program called iMonitor, the company measures for the healthcare funds/entities: efficiency of the distribution networks, product range in comparison with competitors, input for the preparation of business plans and budgets, analysis of the various markets.

7. STRATEGY

According to the Company, the organic growth will be pursued through:

Expansion of distribution network: Creation of the network focused on SMEs for the flexible benefit and customized subsidized health plans. The number of SMEs and the related employees in Italy, as shown in the table below, represent for the Group a huge potential:

Exhibit 7.1

Tot. number of SMEs/employees in Italy

Italian SMEs	%	N. Enterprises	N. Employees
Micro (2-9 employees)	86.8%	1,341,527	4,818,651
Small (10-49 employees)	11.9%	184,345	3,250,491
Medium (50-249 employees)	1.3%	19,370	1,875,598
Tot.	100%	1,545,242	9,944,740

Source: MISE Elaboration on "Registro Imprese" data, January 2016

Health Italia would like to target SMEs located in Lombardy, Lazio, Emilia Romagna, Veneto, the most economically stable regions in Italy and, according to the Company, more easily penetrable from a distribution perspective.

Extension of the product categories: improve product offering through new services offered, thanks to the development of the network focused on SMEs/flexible benefits, i.e. corporate welfare plans and customized subsidized health plans. Objectives:

- Increase of the customer retention rate
- Service quality enhancement
- Acquisition of corporate clients

For the growing market of the flexible benefits, Health Italia is currently developing a proprietary platform, that will allow the management of the administrative aspects:

- Direct payment to suppliers for the goods/services provided by Health Italia and related billing to the corporate client
- Tracks for the corporate client or the payroll company of all the transactions and amounts to be settled in employees' payroll
- Production of report for the company in order to monitor the use of benefits and the effectiveness of the plan
- Production of report for Health Italia for data analysis

Exhibit 7.2

Advantages for the employees from the flexible benefits

FLEXIBLE BENEFIT PLATFORM
Product benefits range
Display of initial/residual budget
Request direct payment services
Refund request
Discounts
Support requests for infirmation/call centres

Source: EnVent Research on Company data

Development of cutting-edge paperless system:

Health Italia intends to develop a network of new healthcare services and a telemedicine system: devices and opening of healthcare "light" centers dedicated to various healthcare services. In detail, the establishment of its own healthcare centers would allow the beneficiaries to have an easy access to a range of medical tests and treatments, in a faster and less expensive way. The equipment would consist of devices supported by an online reporting and advices provided by doctors. Chronic patients or post hospitalization patients could be provided with some devices to run tests and monitor the medical condition directly from home.

Comprehensive online healthcare services and development of a data profiling system:

Telemedicine system

Through the subsidiary "Scegliere Salute", Health Italia is developing a performance rating system, a website that provides reviews of medical and health services, along with the development of an online booking system. This system would:

- Provide information on the quality of the service provided
- Optimize the networking process
- Retain the healthcare facilities network
- Implement a data system

A data management system through the proprietary platforms (Health Claim, WEB Mutua and Scegliere Salute) will be added, including analysis templates along with the development of the data profiling system, that will:

Data system

- Define the client risk profiles
- Provide an additional service of "technical analysis" of the data for mutual benefit societies, mutual health funds and health care funds.

Development of own healthcare facilities:

Opening of general consultancy centers, dentistry and clinics to offer as an option, in addition to the local population, to the members of mutual benefit societies, mutual health funds and healthcare funds.

Exhibit 7.3

Pipeline of Health Italia own facilities

Own healthcare facilities

City	Centre Type	N. of prospective beneficiaries
Formello (Rome)	Dentistry	Over 25,000
Formello (Rome)	General Consultancy	Over 25,000
Vicenza	Dentistry	4,000
Bologna	General Consultancy	1,500
Genoa	General Consultancy	7,000

Source: Company data

The location selection will be driven by the position of Health Italia mutual societies and health funds clients, as many beneficiaries could be channeled into these facilities.

According to the Company's management, the development of healthcare facilities would facilitate:

- Customer retention and acquisition of new clients
- Diversification and revenue increase
- Quality improvement and higher monitoring of medical services
- Downstream integration along the value chain

However, the establishment of the new facilities would imply an initial substantial investment, making the Group cost structure less flexible, and involve the need of significant financial resources.

The Group would also consider external growth through the acquisition of players in complementary industries.

8. FINANCIAL ANALYSIS AND PROJECTIONS

2016: over 50% revenues growth and visibility confirmed

We highlight that the consolidated the 2016 Financial Statements of the Company have not been audited.

+55% growth at top line

In FY16 Health Italia reported revenues at €18.4m (+55% vs. €11.9m in FY15), with a substantial increase of fee income from the promotion business (€14.5m, 79% of total revenues). We remind that fee income revenues are generated on a recurring basis and mainly derives from the Company's two main clients Mutua Basis Assistance and Cassa Mutua Cardea. Revenues from services to partners, €2.6m, 14% of total revenues, are related to services provided by the subsidiary Coopsalute to Mutua Basis Assistance, such as management of health plans, bookings, medical assistance and revenues from education courses offered to promoters. Revenues include the parent company Health Italia and Coopsalute, but did not comprise Basis Cliniche Srl and Scegliere Salute Srl, as the subsidiaries are still in a start-up phase.

FY16 Revenues Breakdown

	2016A	2015A	yoy%
Fee income	14.5	8.8	65%
Services to partners	2.6	2.2	16%
Other income	1.4	0.9	54%
Total Revenues	18.4	11.9	55%

Source: Company data

In 2016 Fee expense was around 47% (vs. 34% in 2015) of fee income. This includes fees paid to the salesforce, in addition to advertising costs. The level of fee expense in a competitive affiliation framework is assumed to remain significant, thus we have normalized net fees in estimating valuation metrics, as an average of 40% of gross fee income for the following years. Net fees in 2016 were around €7.6m, 53% margin on gross fee income. The normalized level of net fees, as such, is forecasted in the region of 60% of fee income.

Lower EBITDA due to IPO expenses

The Company reported an EBITDA at €4.3m (23% of gross revenues vs. 33% in FY15) and EBIT at €3.6m (20% margin). Operating costs, which include G&A, the cost of services offered to partners, leases, consumables and other expenses, were €4.1m vs. 2.3m in 2015. The increase included one-off expenses related to the IPO process. Write-offs of €0.7m include losses on receivables for €0.5m. D&A of €0.7m mainly refer to goodwill amortization (€0.6m).

Health Italia closed FY16 with a net income of €1.7m, after write-downs of financial assets for €0.4m (vs. €3m in 2015).

The Company announced also the distribution of a dividend of €0.081 per share,

with a payout ratio of 57% and a dividend yield of around 2%.

Consolidated Profit and Loss

€m	2015A	2016A
Fee income	8.8	14.5
YoY %	-	65.1%
Fee expense	(3.0)	(6.8)
Net fees	5.8	7.6
Margin	66.1%	52.7%
Services to partners	2.2	2.6
Other income	0.9	1.4
Net revenues	8.9	11.5
Gross revenues	11.9	18.4
YoY %	-	55.1%
Personnel	(2.2)	(2.5)
Operating costs	(2.3)	(4.1)
Write-offs	(0.6)	(0.7)
EBITDA	3.9	4.3
Margin on net revenues	43.9%	37.0%
Margin on gross revenues	32.9%	23.2%
D&A	(0.6)	(0.7)
EBIT	3.3	3.6
Margin on gross revenues	27.9%	19.6%
Interest	(0.1)	(0.1)
Write-down of financial assets	(3.0)	(0.4)
EBT	0.3	3.1
Margin on gross revenues	2.2%	16.8%
Income taxes	(0.2)	(1.4)
Net Income	0.0	1.7
Margin on gross revenues	0.3%	9.5%

Source: Company data

On the balance sheet side, we highlight operating working capital of €0.2m (vs. €1.2m in 2015), thanks to doubling of payable outstanding and mid-term receivables linked to the Dynamic network for €5.2m (vs. €2.2m in 2015). Other assets and liabilities within working capital are negligible.

Intangible assets - €3.4m in 2016 – are mainly represented by goodwill from the internal reorganization completed in 2015.

Financial assets and investments - €4.7m in 2016 – include:

- The financial receivable towards PCF Malta 2 (SPV fully-owned by the Private Equity Fund Personal Care, sub-fund of Novium Opportunity, shareholder of Health Italia) for €2.2m. The settlement agreement in 2015 included a payment of €0.5m in 2016. Only €0.1m has been received and the receivable has been written-off by the Company. The settlement agreement includes a debt rescheduling plan to be completed within 2018, but after the 2016 missed payment we have some concerns on the recoverability of the €2m outstanding balance.
- Minority shareholdings in other subsidiaries for €2.3m.

Financial Statements on
unaudited Company data

Light balance sheet

- The shareholding in Scegliere Salute (49%) company in a start-up phase for €0.15m

Net debt was €0.4m as of December 31st, 2016.

Consolidated Balance Sheet

Net debt at €0.4m

€m	2015A	2016A
Short-term receivables	3.7	5.0
Short-term payables	(2.5)	(4.8)
Operating Working Capital	1.2	0.2
Mid-term receivables	2.2	5.2
Other assets and liabilities	0.4	0.5
Net Working Capital	3.7	5.9
Intangible assets	3.1	3.4
Fixed assets	0.2	0.2
Financial assets	4.1	4.7
Non-current assets	7.4	8.3
Provisions	(0.2)	(0.6)
Net Invested Capital	11.0	13.6
Net Debt / (Cash)	1.5	0.4
Equity	9.5	13.2
Sources	11.0	13.6

Source: Company data

Consolidated Cash Flow

€m	2016A
EBIT	3.6
Current taxes	(1.4)
D&A	0.7
Provisions	0.4
Cash flow from operations	3.3
Operating Working Capital	1.6
Mid-term receivables	(3.6)
Other assets and liabilities	(0.1)
Capex	(0.9)
Cash flow minus capex and investments	0.2
Interest	(0.1)
Write-down of financial assets	(0.4)
Financial assets	(0.6)
Paid-in capital	2.0
Net cash flow	1.1
Net (Debt) / Cash - Beginning	(1.5)
Net (Debt) / Cash - End	(0.4)
Change in Net (Debt) / Cash	1.1

Source: Company data

Projections

Key growth drivers

Growth is expected to derive from a combination of:

- Longer life expectancy and decline of birth rates, which lead to an increase in the population aged over 65
- Growing demand for private healthcare services
- Organic client base expansion and market share growth
- Addition of new promoters and attractive compensation package in-place for promoters
- Network expansion of contracted healthcare facilities
- Better geographical coverage

We expect promotion fee income to continue to represent the main revenue stream going forward, estimated at around 80% of total gross revenues, with a 2016-2019 CAGR of 21%, lifting revenues from €14.5m in 2016 to €25.6m in 2019.

Double digit growth expected at top line

Assumptions

Fee income	<ul style="list-style-type: none"> For 2017-2019, estimates by network: <ul style="list-style-type: none"> - Dynamic: historical business, yearly growth rates in the range 15-20% - Classic, Corporate Affinity, Cardea: yearly growth rates in the range 20-30% - Flexible benefits: introduced in 2016, €250k in 2017, doubling YoY
Fee expense	<ul style="list-style-type: none"> Dynamic: 40% of fee income Classic: 25% of fee income Corporate Affinity: 50% of fee income Cardea: 80% of fee income Flexible benefits: 15% of fee income
Services to partners	<ul style="list-style-type: none"> Around 15-20% of total gross revenues in 2017-2019 and include: <ul style="list-style-type: none"> - Revenues from Centrale Salute, representing around 80-95% of total - Scegliere Salute: €0.5m in 2017, doubling YoY
Other income	<ul style="list-style-type: none"> Around 2-5% of total gross revenues in 2017-2019 and include: <ul style="list-style-type: none"> - Revenues from network education courses (Dynamic and Classic) - Other income assumed stable
Personnel	<ul style="list-style-type: none"> Increasing 10% YoY in 2017-2019 Addition of 20 people in 2017 with average yearly wage of €40k
Operating costs	<ul style="list-style-type: none"> Operating costs related to Services to partners: estimated by service G&A: 13% of revenues from 2017 onwards Leases: 2% of revenues Other operating expenses: 2% as a percentage of revenues
Write-offs	<ul style="list-style-type: none"> 3-4% of fee income
Income taxes	<ul style="list-style-type: none"> Corporate tax at 24% from 2017 onwards IRAP 3.9%
Working capital	<ul style="list-style-type: none"> Operating working capital is estimated by: <ul style="list-style-type: none"> - DSO – short-term receivable 130 (in line with the historical level) - DSO – mid-term receivable related to Dynamic network 220 - DPO 150 - Other working capital stable as a percentage of sales
Capex	<ul style="list-style-type: none"> No assumption on intangible assets and capex, since intangibles are mainly represented by goodwill and consolidation differences Fixed assets capex is estimated as a percentage of sales (2%) No assumption on acquisitions and other investments
Dividends	<ul style="list-style-type: none"> Payout ratio of around 30% in 2017-2019

Source: EnVent Research

Health Italia - Profit and Loss

€m	2015A	2016A	2017E	2018E	2019E
Fee income	8.8	14.5	17.7	21.5	25.6
YoY %	-	65.1%	22.6%	21.0%	19.3%
Fee expense	(3.0)	(6.8)	(7.2)	(8.7)	(10.3)
Net fees	5.8	7.6	10.5	12.8	15.3
<i>Margin</i>	66.1%	52.7%	59.3%	59.5%	59.8%
Services to partners	2.2	2.6	4.1	5.1	6.6
Other income	0.9	1.4	0.4	0.4	0.5
Net revenues	8.9	11.5	15.0	18.3	22.4
Gross revenues	11.9	18.4	22.2	27.0	32.7
YoY %	-	55.1%	20.6%	21.5%	21.3%
Personnel	(2.2)	(2.5)	(3.5)	(3.9)	(4.3)
Operating costs	(2.3)	(4.1)	(4.3)	(5.3)	(6.5)
Write-offs	(0.6)	(0.7)	(0.5)	(0.4)	(0.5)
EBITDA	3.9	4.3	6.6	8.7	11.1
<i>Margin on net revenues</i>	43.9%	37.0%	44.0%	47.6%	49.5%
<i>Margin on gross revenues</i>	32.9%	23.2%	29.7%	32.2%	33.9%
D&A	(0.6)	(0.7)	(0.8)	(0.9)	(0.9)
EBIT	3.3	3.6	5.8	7.8	10.2
<i>Margin on gross revenues</i>	27.9%	19.6%	26.0%	28.9%	31.1%
Interest	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)
Write-down of financial assets	(3.0)	(0.4)	0.0	0.0	0.0
EBT	0.3	3.1	5.8	7.8	10.1
<i>Margin on gross revenues</i>	2.2%	16.8%	26.0%	28.9%	31.0%
Income taxes	(0.2)	(1.4)	(1.6)	(2.2)	(2.8)
Net Income	0.0	1.7	4.2	5.6	7.3
<i>Margin on gross revenues</i>	0.3%	9.5%	18.7%	20.8%	22.4%

Source: Company data for 2015A-2016A – EnVent Research for 2017-2019E

Health Italia - Balance Sheet

€m	2015A	2016A	2017E	2018E	2019E
Short-term receivables	3.7	5.0	5.6	7.1	8.9
Short-term payables	(2.5)	(4.8)	(6.1)	(7.4)	(9.0)
Operating Working Capital	1.2	0.2	(0.4)	(0.3)	(0.0)
Mid-term receivables	2.2	5.2	6.8	7.8	8.9
Other assets and liabilities	0.4	0.5	0.6	0.7	0.9
Net Working Capital	3.7	5.9	6.9	8.2	9.8
Intangible assets	3.1	3.4	2.8	2.1	1.4
Fixed assets	0.2	0.2	0.4	0.5	0.5
Financial assets	4.1	4.7	4.7	4.7	4.7
Non-current assets	7.4	8.3	7.8	7.3	6.6
Provisions	(0.2)	(0.6)	(0.7)	(0.8)	(1.0)
Net Invested Capital	11.0	13.6	14.1	14.7	15.4
Net Debt / (Cash)	1.5	0.4	(2.3)	(5.6)	(10.0)
Equity	9.5	13.2	16.4	20.3	25.4
Sources	11.0	13.6	14.1	14.7	15.4

Source: Company data for 2015A-2016A – EnVent Research for 2017-2019E

Health Italia - Cash Flow

€m	2016A	2017E	2018E	2019E
EBIT	3.6	5.8	7.8	10.2
Current taxes	(1.4)	(1.6)	(2.2)	(2.8)
D&A	0.7	0.8	0.9	0.9
Provisions	0.4	0.1	0.1	0.2
Cash flow from operations	3.3	5.1	6.7	8.4
Operating Working Capital	1.0	0.6	(0.2)	(0.2)
Mid-term receivables	(3.0)	(1.5)	(1.0)	(1.2)
Other assets and liabilities	(0.1)	(0.1)	(0.1)	(0.1)
Capex	(0.9)	(0.4)	(0.3)	(0.3)
Cash flow minus capex and investments	0.2	3.7	5.0	6.6
Interest	(0.1)	(0.0)	(0.0)	(0.0)
Write-down of financial assets	(0.4)	0.0	0.0	0.0
Financial assets	(0.6)	0.0	0.0	0.0
Paid-in capital	2.0	0.0	0.0	0.0
Dividend	0.0	(1.0)	(1.7)	(2.2)
Net cash flow	1.1	2.7	3.3	4.4
Net (Debt) / Cash - Beginning	(1.5)	(0.4)	2.3	5.6
Net (Debt) / Cash - End	(0.4)	2.3	5.6	10.0
Change in Net (Debt) / Cash	1.1	2.7	3.3	4.4

Source: Company data for 2015A – EnVent Research for 2016-2019E

Health Italia - Ratio analysis

KPIs	2015A	2016A	2017E	2018E	2019E
ROE	0.3%	15.4%	28.0%	30.6%	32.0%
ROS (EBIT/Gross revenues)	27.9%	19.6%	26.0%	28.9%	31.1%
ROIC (NOPAT/Invested Capital)	n.a.	20.1%	30.1%	39.1%	48.7%
DSO - short-term receivables	130	130	130	130	130
DSO - mid-term receivables	200	220	220	220	220
DPO	145	142	150	150	150
OWC / Revenues ⁽¹⁾	9.8%	5.8%	n.m.	n.m.	n.m.
Net Debt (Cash) / EBITDA ⁽²⁾	0.4x	0.1x	n.m.	n.m.	n.m.
Net Debt (Cash) / Equity ⁽²⁾	0.2x	0.0x	n.m.	n.m.	n.m.
Debt / (Debt+Equity) ⁽²⁾	0.1x	0.0x	n.m.	n.m.	n.m.
Cash flow from operations / EBITDA	n.a.	76.8%	77.6%	76.7%	76.0%
FCF / EBITDA	n.a.	4.4%	56.8%	57.6%	59.8%

Source: Company data for 2015A-2016A – EnVent Research for 2017-2019E - Notes: 1) ratio not meaningful for negative invested capital and working capital; 2) ratios not meaningful due to net cash position

9. VALUATION

Key valuation issues

We believe that a key value driver resides in the ability to generate customers that will perceive the service level and independently renew their subscription. Another key driver is the sustainable operating profitability. Health Italia's short history, and the fact that it is currently being involved in a significant investment effort, should be taken into consideration when using past performance indicators. These, while showing high growth and profitability, should be used prudently as value metrics. Nevertheless, the Company has strong cash generation capacity. As a consequence, we believe that the valuation of Health Italia should be mainly driven by applying analytical valuation methodologies such as the Discounted Cash Flow methodology (DCF).

Market-based valuation methodologies such as market multiples methods, may be difficult to conduct in this industry and especially in the Health Italia case, given certain major differences with respect to other companies operating in the same businesses. These are:

- size and geographical coverage – the companies that operate in Italy in the promotion of complementary health services vary from closely-held domestic operators, whose revenues are below €5m, to global companies, whose revenues account for billion euros
- range of services – most competitors have a revenue and cost mix that can be difficultly compared with that of Health Italia. As a consequence, their financial performance indicators may be only partially suitable for the valuation of Health Italia.
- insurance brokers – the largest competitors are, among other, insurance brokers that are subject to the dynamics of the insurance industry, the latter being essentially mature and well established, while the complementary health segment in Italy is expected to have a fast development from its initially marginal position

Value drivers

Key value drivers for an analytical valuation of Health Italia are:

- Expected growth rate
- Stability of recurring revenues, a direct function of customer renewals of subscriptions
- Cash flow generation capabilities

We view the Company as being well-positioned to capture the growth in the wide healthcare service market.

Discounted Cash Flows

DCF Assumptions

Assumptions and metrics:

- Risk free rate: 1.6% (Italian 10-year government bonds interest rate – 3Y average. Source: Bloomberg, May 2017)
- Market return: 13% (1Y average. Source: Bloomberg, May 2017)
- Market risk premium: 12.3%
- Beta: 1.3 (Average beta of selected comparable companies, increased by 20% in order to consider a small company risk profile. Source: Bloomberg)
- Cost of equity: 18.3%
- Cost of debt: 3.5%
- Tax rate (IRES): 24%
- 40% debt/(debt + equity) as sustainable capital structure
- WACC calculated at 12.0%
- Perpetual growth rate after explicit projections: 2% (conservative approach)
- Terminal Value assumes a normalized sustainable EBIT margin of 28%, calculated as last year margin with a 10% conservative adjustment
- We add to the financial position the estimated 2017 IPO proceeds, net of the related expenses.

DCF Valuation model

€m	2015A	2016A	2017E	2018E	2019E	Perpetuity
Fee income	8.8	14.5	17.7	21.5	25.6	26.1
YoY %	-	65.1%	22.6%	21.0%	19.3%	
Net fees	5.8	7.6	10.5	12.8	15.3	
Net revenues	8.9	11.5	15.0	18.3	22.4	22.9
Gross revenues	11.9	18.4	22.2	27.0	32.7	33.4
EBITDA	3.9	4.3	6.6	8.7	11.1	10.3
Margin on gross revenues	32.9%	23.2%	29.7%	32.2%	33.9%	31.0%
EBIT	3.3	3.6	5.8	7.8	10.2	9.3
Margin on gross revenues	27.9%	19.6%	26.0%	28.9%	31.1%	28.0%
Taxes		(1.1)	(1.6)	(2.2)	(2.8)	(2.6)
NOPAT		2.5	4.2	5.6	7.3	6.7
D&A		0.7	0.8	0.9	0.9	0.3
Provisions		0.4	0.1	0.1	0.2	0.2
Cash flow from operations		3.5	5.1	6.7	8.4	7.2
Operating Working Capital		1.0	0.6	(0.2)	(0.2)	(0.2)
Mid-term receivables		(3.0)	(1.5)	(1.0)	(1.2)	(1.2)
Other assets and liabilities		(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Capex		(0.9)	(0.4)	(0.3)	(0.3)	(0.3)
Free cash flow		0.4	3.7	5.0	6.6	5.4
WACC	11.2%					
Long-term growth (G)	2.0%					
Discounted Cash Flows			3.4	4.0	4.8	
Sum of Discounted Cash Flows	12.2					
Terminal Value	59.5					
Discounted TV	43.3					
Enterprise Value	55.5					
Net Debt as of end 2016	(0.4)					
IPO proceeds net of expenses	3.6					
Equity Value	58.7					

DCF - Implied multiples	2017E	2018E	2019E
EV/Revenues	3.1x	2.6x	2.2x
EV/EBITDA	8.4x	6.4x	5.0x
EV/EBIT	9.6x	7.1x	5.5x
P/E	14.1x	10.5x	8.0x

Source: EnVent Research

Different business mix of the main competitors

Valuation based on market multiples

In the absence of public companies whose business model can be properly compared to Health Italia, we believe that the international insurance brokerage and risk management groups, which in some cases also provide employee benefits and claim management services, plus the AIM Italia company Assiteca, are companies to look at to understand the key market metrics and value drivers.

The limited number of listed companies among competitors and the diversities of business mix constitute a concern in applying the market multiples methodology, however we observe that in the industry:

- Growth is driven by the same factors and dynamics
- Fees generated are recurring
- Distribution logics may be similar (through networks of promoters)

Peers group

Among listed companies, we have selected:

- **Assiteca**, the only insurance broker listed in Italy – on AIM Italia
- **International competitors which also operate in Italy**: Aon, Marsh & McLennan, Willis Towers Watson
- **International companies operating in the industry**: Arthur J. Gallagher, Brown & Brown, Jardine Lloyd Thompson, Steadfast

The profiles of Assiteca and of the international competitors operating in Italy are reported in Chapter 7. International profiles are:

Arthur J. Gallagher, listed on NYSE, provides insurance brokerage and risk management services in the United States and internationally. Three segments: Brokerage, Risk Management and Corporate. Consulting services: benefits and HR, claim management services. Promotion through a network of insurance brokers and consultants.

Brown & Brown, listed on NYSE, distributes insurance products and services primarily in the United States and in England. Four segments: Retail, National Programs, Wholesale brokerage and Services. The Services segment offers third-party claims administration and medical utilization management services.

Jardine Lloyd Thompson, listed on LSE, provides insurance, reinsurance, employee benefits related advice, brokerage, and associated services worldwide. Through the Employee Benefits segment it offers a range of employee benefits advice and services to companies, pension trustees, and individuals in the areas of pensions consultancy and administration, employee benefits and healthcare, investment and discretionary management of assets, life insurance, and wealth management.

Steadfast operates as a general insurance broker network and underwriting agency in Australia and New Zealand. Promotion through a network of 343 insurance brokerages and 22 underwriting agencies.

Comparable companies	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E
Health Italia	2.5x	2.1x	1.7x	10.9x	7.1x	5.4x	13.0x	8.1x	6.0x	27.3x	11.5x	8.5x
Aon	3.0x	3.9x	3.8x	14.6x	15.2x	14.0x	18.6x	18.6x	16.3x	21.0x	19.5x	16.9x
Arthur J Gallagher	2.1x	2.0x	1.9x	13.4x	11.9x	10.5x	22.3x	29.7x	23.2x	22.3x	18.1x	16.0x
Assiteca	1.3x	1.1x	1.1x	9.4x	7.8x	7.0x	10.6x	9.1x	8.1x	18.0x	12.5x	10.7x
Brown & Brown	3.9x	3.4x	3.3x	11.9x	10.9x	10.3x	14.6x	13.6x	12.7x	24.4x	21.9x	20.4x
Marsh & McLennan	2.9x	3.1x	3.0x	12.5x	12.7x	11.9x	14.5x	14.5x	13.6x	19.7x	19.2x	17.9x
Jardine Lloyd Thompson	2.0x	2.0x	1.9x	11.9x	10.0x	8.5x	13.9x	13.3x	11.5x	25.4x	18.3x	15.3x
Steadfast	3.7x	4.6x	4.2x	14.7x	15.6x	14.2x	18.0x	18.4x	15.4x	22.9x	25.2x	22.6x
Willis Towers Watson	2.6x	2.8x	2.7x	13.4x	11.9x	10.7x	23.1x	13.3x	12.2x	39.8x	16.3x	15.0x
Mean	2.7x	2.9x	2.7x	12.7x	12.0x	10.9x	17.0x	16.3x	14.1x	24.2x	18.9x	16.9x
Mean w/out extremes	2.7x	2.9x	2.7x	12.9x	12.1x	11.0x	17.0x	15.3x	13.6x	22.6x	18.9x	16.9x
Median	2.7x	2.9x	2.8x	12.9x	11.9x	10.6x	16.3x	14.0x	13.1x	22.6x	18.7x	16.5x

Source: S&P Capital IQ
17/05/2017

To build our range of market values, we have used 2017 forecasts as the basis of valuation, applying market multiples built on analysts' consensus estimates. The rationale of this choice is to rely on the present size of the operations more than on projections, given the low comparability with a sample that includes companies quite diversified as per size and business mix.

As to the multiples to apply:

- EV/Revenues: can be an appropriate measure in an industry with stable risk rates and profiles. We consider this ratio of limited significance in a newborn industry like the complementary healthcare and in an environment where competitors have diverse business mix.
- EV/EBITDA: provides a measure based on the operating profitability of the company, regardless of accounting effects of investments. This ratio can be suitable for Health Italia's case.
- EV/EBIT: provides a value that can be influenced by the business model and by depreciation and amortization policies. In the Health Italia's case, EBIT should be adjusted for non-recurring items.
- P/E: the resulting values can be affected by D&A and financial charges. In the Health Italia's case the low impact of depreciation and interest does not impair the significance of P/E ratios.

We have applied the market multiples methodology to 2017 estimates.

Peers analysis on 2017 forecasts

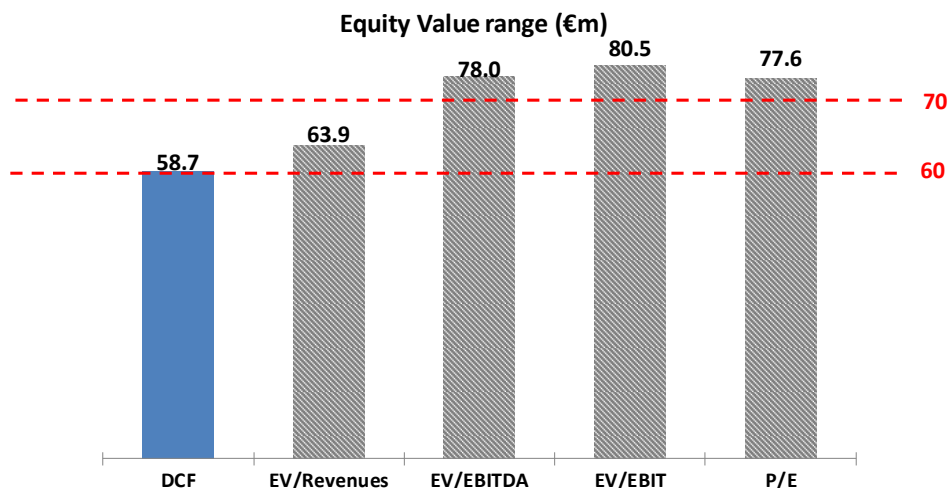
Peer group

Health Italia Valuation - Multiples		Multiple	Enterprise Value	Net Debt	Equity Value
2017E Gross revenues	22.2	2.9x	64.4	(0.4)	63.9
2017E EBITDA	6.6	11.9x	78.4	(0.4)	78.0
2017E EBIT	5.8	14.0x	80.9	(0.4)	80.5
2017E Net Income	4.2	18.7x	77.6		77.6
Mean					75.0

Source: EnVent Research

Valuation summary

The combination of DCF and market multiples provides the following Equity Value range:



Source: EnVent Research

Target Price at €4.74, Neutral recommendation

Based on our DCF model, we initiate coverage on Health Italia with a Target Price of €4.74 per share, with a potential upside of around 16% vs. the current price and a NEUTRAL recommendation.

The market multiples provide a wider range; given the comparability issue, we have not included the multiple analysis in our valuation. However, market multiples may indicate a potential upside for the Company as long as the expected growth is realised.

Health Italia Price per Share		€
Target Price		4.74
Current Share Price		4.09
Premium / (Discount)		16%

Source: EnVent Research

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Date	Recommendation	Target Price (€)	Share Price (€)
23/05/2017	NEUTRAL	4.74	4.09

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