

Strong positioning in a healthy sector

Isacco Brambilla

Equity Analyst

+ 39 02 8829 067

Isacco.brambilla@mediobanca.com

Gian Luca Ferrari

Equity Analyst

+39 02 8829 482

Gianluca.Ferrari@mediobanca.com

An integrated player in supplementary healthcare

Health Italia is an integrated operator, offering customers a wide range of healthcare coverages and management services, including the promotion of third-party supplementary healthcare solutions, the offer of administrative tools and IT-platforms, and the management of a network of associated facilities where affiliates can directly undergo healthcare visits. Health Italia's operations can be grouped into three divisions: i) *Promotion* (c.79% FY16 sales); ii) *Services* (c.14%); and iii) *Others* (c.7%). Healthcare expenditure in Italy has been growing consistently since 2000, reaching c.€150bn in 2016, on the back of a solid 2.8% CAGR between 2000-2016, and stabilising at around 9% of the country's GDP.

Strengthening niche positioning to fully leverage solid underlying trends

With the country's ability to fund the public healthcare programme close to full saturation, we expect an increasing exploitation of the second and third pillars of the healthcare system, partly thanks to incentives introduced by the Government to increase the popularity of integrated healthcare. Health Italia aims at exploiting the solid underlying trends, strengthening its niche leading position, primarily through the establishment of a network of Health Points, transportable modules equipped with connected devices and equipment able to supply more than 40 light healthcare services. We see Health Italia's full preside of the value chain, and its nationwide coverage as the group's main strengths.

Health Points roll-out driving significant growth forecasted for 2018-20

We see Health Italia's revenues more than doubling in the next three years, driven primarily by the implementation of new initiatives by the group, and supported by the organic growth of the Promotion and Services business units. Revenues are seen reaching €52m by YE20 (from €18m in 2016), with the roll-out of Health Points representing the most relevant growth engine, able also to trigger material cross-selling of Health Italia's products. HI's intense growth will require material investments by the company, in terms of capex, operating expenses and working capital absorption. We factor into our estimates increasing personnel and services' costs, leading to an EBITDA margin in the region of 25% in 2020. On the balance sheet, over the BP horizon the group will significantly strengthen its equity, while it is expected to close 2020 with a Net Cash of €4m, which might support external growth to enlarge the group's offer.

We initiate coverage on Health Italia with a €5.7/sh target price. Neutral

We initiate coverage on Health Italia with a Neutral recommendation and a TP of €5.7/share, implying an upside of around 14%. Our TP is calculated by applying a 10% discount to the valuation obtained via DCF to reflect both the limited share liquidity and the possible overhang related to the 13% stake of NSSF Malta1. Also, we include in our valuation the potential increase in the share count derived from the convertible bond that the company is planning to issue. We believe the most appealing feature of the equity story lies in the group's leadership in the niche of supplementary healthcare, a business supported by solid underlying trends and potentially having a significant growth potential. The stock currently trades at c.17x 2019E earnings, a fair valuation for a growth company such as Health Italia. Admittedly, our estimates are more conservative than the (challenging) company targets, hence a consistent delivery on the strategic plan could help in building a solid track-record and a more constructive view on the disclosed financial targets.

This research report was previously notified to company Health Italia with the exclusive purpose of verifying factual accuracy

	2016	2017E	2018E	2019E
EPS Adj (€)	0.14	0.18	0.15	0.29
DPS (€)	0.08	0.08	0.09	0.09
BVPS (€)	1.07	1.16	1.41	1.61
EV/Ebitda(x)		11.0	11.4	7.2
P/E adj (x)		28.4	33.5	17.3
Div.Yield(%)		1.7%	1.8%	1.8%
OpFCF Yield (%)		-3.8%	1.3%	3.7%

Market Data	
Market Cap(€m)	72
Shares Out (m)	14
Sorgiva Holding S.r.l. (%)	40%
Free Float (%)	23%
52 week range(€)	5.58-3.49
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	4.2%
-3m	14.1%
-12m	14.0%
21dd Avg. Vol.	14,802
Reuters/Bloomberg	HI.MI / HI IM

Source: Mediobanca Securities

Valuation Matrix

Profit & Loss account (€ m)	2016	2017E	2018E	2019E
Turnover	18	21	29	41
Turnover growth %	43.6%	11.7%	41.8%	41.3%
EBITDA	6	6	7	10
EBITDA margin (%)	32.9%	27.4%	22.6%	24.9%
EBITDA growth (%)	36.2%	-7.1%	17.0%	55.8%
Depreciation & Amortization	-1	-2	-2	-3
EBIT	5	4	4	7
EBIT margin (%)	25.4%	18.6%	14.9%	17.9%
EBIT growth (%)	42.0%	-18.4%	13.9%	69.2%
Net Fin. Income (charges)	-0	-0	-0	-0
Non-Operating Items				
Extraordinary Items	-0	-0	-0	-0
Pre-tax Profit	3	3	3	6
Tax	-1	-1	-1	-2
Tax rate (%)	43.3%	35.1%	34.7%	33.0%
Minorities	0	0	0	0
Net Profit	2	2	2	4
Net Profit growth (%)	nm	24.3%	2.2%	93.4%
Adjusted Net Profit	2	2	2	4
Adj. Net Profit growth (%)	nm	24.3%	2.2%	93.4%

Multiples	2016	2017E	2018E	2019E
P/E Adj.		28.4	33.5	17.3
P/CEPS		15.5	16.8	10.4
P/BV		4.3	3.5	3.1
EV/ Sales		3.0	2.6	1.8
EV/EBITDA		11.0	11.4	7.2
EV/EBIT		16.2	17.2	10.0
EV/Cap. Employed		3.9	3.2	2.8
Yield (%)		1.7%	1.8%	1.8%
OpFCF Yield (%)		-3.8%	1.3%	3.7%
FCF Yield (%)		nm	1.9%	4.3%

Per Share Data (€)	2016	2017E	2018E	2019E
EPS	0.14	0.18	0.15	0.29
EPS growth (%)		24.3%	-15.3%	93.4%
EPS Adj.	0.14	0.18	0.15	0.29
EPS Adj. growth (%)		24.3%	-15.3%	93.4%
CEPS	0.25	0.32	0.30	0.48
BVPS	1.07	1.16	1.41	1.61
DPS Ord	0.08	0.08	0.09	0.09

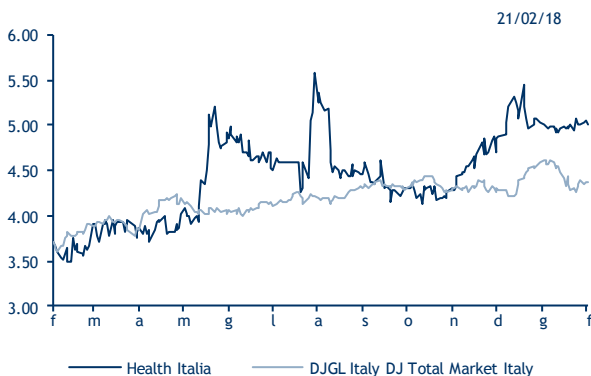
Balance Sheet (€ m)	2016	2017E	2018E	2019E
Working Capital	5	11	12	14
Net Fixed Assets	6	5	12	12
Total Capital Employed	11	16	24	26
Shareholders' Funds	13	14	21	24
Minorities	0	0	0	0
Provisions	1	1	2	3
Net Debt (-) Cash (+)	3	-0	-1	1

Key Figures & Ratios	2016	2017E	2018E	2019E
Avg. N° of Shares (m)	12	12	15	15
EoP N° of Shares (m)	12	12	15	15
Avg. Market Cap. (m)		62	75	75
Enterprise Value (m)		62	75	74
Adjustments (m)	0	-0	-0	-0
Labour Costs/Turnover	14%	15%	17%	18%
Depr.&Amort./Turnover	7%	9%	8%	7%
Turnover / Op.Costs	1.5	1.4	1.3	1.3

Cash Flow (€ m)	2016	2017E	2018E	2019E
Cash Earnings	3	4	4	7
Working Capital Needs	-3	-6	-1	-2
Capex (-)	-1	-1	-2	-2
Financial Investments (-)	-0	-0	0	0
Dividends (-)	0	-1	-1	-1
Other Sources / Uses	2	0	0	0
Ch. in Net Debt (-) Cash (+)	1	-4	-0	1

Gearing (Debt / Equity)	2016	2017E	2018E	2019E
EBITDA / Fin. Charges	-91.3	-266.4	-13.2	-20.6
Net Debt / EBITDA	-0.5	0.1	0.1	-0.1
Cap. Employed/Turnover	59%	77%	81%	63%
Capex / Turnover	5%	3%	8%	6%
Pay out	57%	48%	59%	32%
ROE	13%	15%	11%	18%
ROCE (pre tax)	43%	24%	18%	28%
ROCE (after tax)	24%	16%	12%	19%

Source: Mediobanca Securities



Source: Mediobanca Securities

Contents

Executive summary	4
SWOT Analysis	5
Valuation: Strong growth prospects not fully priced in, but some caution is required.....	6
Company Snapshot: A dynamic group finding its niche	12
Company profile: integrated player in supplementary healthcare	14
Reference market: a growing demand to be distributed more evenly among the three pillars.....	20
2018-20 Business Plan targeting strong growth and the STAR segment	24
Financials: Taking the first growth steps in 2015-16.....	29
2017-20E prospects: Health Points roll-out driving growth.....	31
Appendix	36

Executive summary

We initiate coverage on Health Italia with a €5.7/sh TP. Neutral

We initiate coverage on Health Italia with a Neutral recommendation and a price target of €5.7/share, implying an upside of around 14%. Our TP is calculated by applying a 10% discount to the valuation obtained via DCF to reflect both the limited share liquidity and the possible overhang related to the 13% stake of NSSF Malta¹. Also, we include in our valuation the potential increase in the share count derived from the convertible bond that the company is planning to issue. The most appealing feature of the equity story lies in the group's leadership in the niche of supplementary healthcare, a business supported by solid underlying trends and potentially having a significant growth potential. The stock currently trades at c.17x 2019E earnings, a fair valuation for a growth company such as Health Italia, in our view. Admittedly, our estimates are more conservative than the (challenging) company targets, hence a consistent delivery on the strategic plan could help in building a solid track-record and a more constructive view on the disclosed financial targets.

An integrated player in supplementary healthcare

Health Italia is an integrated operator, offering customers a wide range of healthcare coverages and management services, including the promotion of third-party supplementary healthcare solutions, the offer of administrative tools, IT-platforms and consulting/education services, as well as the management of a network of associated facilities where affiliates can directly undergo healthcare visits. Health Italia's operations can be grouped into three business units: i) *Promotion* (c.79% FY16 turnover); ii) *Services* (c.14% FY16 turnover); and iii) *Others* (c.7% FY16 turnover). Health Italia operates in the so-called second pillar of Italian healthcare system, ie. the pillar which is intended to provide supplementary healthcare solutions, based on the brokerage activity of Mutual Aid Societies, Health funds and Healthcare funds. Overall healthcare expenditure in Italy has been growing consistently since 2000, reaching approximately €150bn in 2016, on the back of a solid 2.8% CAGR between 2000-2016, and stabilising at around 9% of country's GDP.

Strengthening niche positioning to fully leverage solid underlying trends

Growing demand for healthcare expenditure is being increasingly satisfied through private expenses, which grew to almost €35bn as of YE16. Within private expenditure, intermediated one still covers a minority share, accounting for less than €5bn, or around 10% of private expenses, as Italian citizens have primarily turned to out-of-pocket expenses (which grew to more than €30bn). With the country's ability to fund the public healthcare programme close to full saturation, going forward we expect an increasing exploitation of the second and third pillars, thanks also to incentives introduced by the Government to increase the popularity of supplementary healthcare. According to the company's business plan, Health Italia aims at exploiting these solid underlying trends and at strengthening its leading position in the niche of supplementary healthcare, primarily through the establishment of a network of Health Points, transportable modules equipped with connected devices and equipment able to supply more than 40 light healthcare services.

Health Point roll-out driving significant growth forecasted for 2018-20

We see Health Italia's revenues more than doubling in the next three years, driven primarily by the implementation of new initiatives by the group, and further supported by the organic growth of the Promotion and Services business units. Revenues are seen reaching €52m by YE20 (from €18m in 2016), with the roll-out of Health Points representing by far the most relevant growth engine, able also to trigger material cross-selling of Health Italia's products. Health Italia's intense growth will require material investments by the company, both in terms of capex, higher operating expenses and working capital absorption. We factor into our estimates increasing personnel and services' costs, leading to an EBITDA margin in the region of 25% in 2020. On the balance sheet, over the BP horizon the group will significantly strengthen its equity, while it is expected to close 2020 with a Net Cash of €4m, which might support external growth to enlarge the group's offer.

SWOT Analysis

Strengths

- ◆ Strong positioning in a segment sustained by long-term underlying growth trends;
- ◆ Integrated offer fully covering the value chain;
- ◆ Nationwide coverage;
- ◆ Experienced management team with deep knowledge of the industry;
- ◆ No actuarial risk, given the focus on distribution and brokerage activity.

Weaknesses

- ◆ High dependence on a single strategic partner, MBA, providing roughly 90% of 2016 turnover;
- ◆ Low geographical diversification with basically full dependence on Italy;
- ◆ Small size in markets where large global players compete;
- ◆ Exposure to a segment (supplementary healthcare) whose growth perspectives are influenced by the Government's fiscal incentives;
- ◆ Dependence on key figures in the management team having significant influence on the group.

Opportunities

- ◆ Increased penetration of intermediated supplementary healthcare on total healthcare expenditure;
- ◆ Incremental cross-selling synergies among the group's business units;
- ◆ Leveraging the popularity of nutraceutical products via SBM, and further product/services expansion;
- ◆ International expansion.

Threats

- ◆ Increased competition within supplementary healthcare segment or by insurance companies;
- ◆ Overhang risk on the stake owned by NSSF Malta1;
- ◆ Regulatory changes may affect current tax incentives that are stimulating demand for supplementary healthcare;
- ◆ Disintermediation of Promotion activities by Mutual Aid Societies and Health funds.

Valuation: Strong growth prospects not fully priced in, but some caution is required

We initiate coverage on Health Italia with a Neutral rating and a €5.7/share target price, which we calculated via a DCF-based valuation, applying a discount to reflect limited share liquidity, overhang risk on NSSF Malta1's stake and potential increase in the share count due to the issue of the convertible bond. Given the lack of pure listed insurance brokers showing such an exclusive focus on supplementary healthcare, or players characterised by an integrated business model similar to Health Italia, we adopted peers' multiples just as a cross-check of our valuation obtained via DCF. We provide in the following paragraph a brief description of the most similar listed companies operating as health insurance brokers (mainly US players), although we would flag that some caution might be required in comparing trading multiples, as stock valuations are influenced by multiple stock specific features, including for instance country-specific regulation. We also present a comparison between Health Italia and Assiteca, an insurance broker listed on the AIM Italia index which appears as the most comparable name in the Italian small cap universe.

DCF analysis: capturing long-term growth potential

We see a discounted cash flow model as the most suitable technique to factor into our valuation the unique growth path expected for Health Italia. Our DCF analysis is based on the following assumptions:

- ◆ A WACC of 8.7%, which is the result of: 1) a risk free rate of 3%; 2) an equity risk premium of 4%; 3) a beta of 1.5, assumed above our base assumption of 1.2 for Italian mid small caps, to reflect the higher risk of the effective implementation of the company's business plan (which is still at a very early stage); 4) a net cost of debt of 3.6%; and 5) a target leverage ratio of 5%;
- ◆ A terminal growth rate of 2%;
- ◆ Minor EV adjustments accounting overall for €0.3m (including mainly pension liabilities and tax-related assets and liabilities);

We take t+6 as the reference year for TV. We assume an EBITDA margin in t+6 of c.25%, cautiously assumed slightly below the company's expectations implied in the business plan's targets. Given the very early stage of the main projects implemented by the company, we would wait for more evidence on their overall profitability before removing some measures of caution included in our estimates. On the other hand, we assumed decreasing working capital absorption, as at regime, with the growth in Promotion gradually attenuating, the gap between payables and receivables might get thinner.

Health Italia: DCF-based valuation method (€m)

	2018E	2019E	2020E	2021E	2022E	2023E	TV
NOPAT	2.8	4.9	6.6	7.8	8.5	9.3	
D&A	2.2	2.9	3.5	4.1	3.1	2.2	
Change in WC	(1.2)	(2.2)	(2.6)	(1.2)	(0.9)	(0.4)	
Capex	(2.3)	(2.3)	(2.2)	(2.2)	(2.2)	(2.2)	
Cash flow to the firm	1.6	3.4	5.3	8.4	8.5	8.9	134.9
Discounted cash flow to firm	1.5	2.9	4.1	6.0	5.6	5.4	81.7

Source: Mediobanca Securities

Health Italia: summary DCF

	€m
PV of future cash flows	25.4
PV of Terminal value	81.7
Enterprise value	107.1
Expected Net (Debt)/Cash 2017	(0.5)
Other net assets/(liabilities)	0.3
Equity Value	106.9
Equity Value per share (€) from DCF	7.2

Source: Mediobanca Securities

In the table below, we provide a sensitivity analysis showing how results of the DCF-based valuation vary depending on our assumptions regarding WACC levels and long-term growth rates.

Health Italia: DCF sensitivity to WACC and g

		Terminal growth rate						
		1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%
WACC	7.20%	8.5	8.8	9.1	9.5	9.9	10.4	10.9
	7.70%	7.8	8.0	8.3	8.6	8.9	9.3	9.7
	8.20%	7.2	7.4	7.6	7.9	8.1	8.4	8.7
	8.70%	6.6	6.8	7.0	7.2	7.4	7.7	7.9
	9.20%	6.1	6.3	6.5	6.7	6.8	7.1	7.3
	9.70%	5.7	5.9	6.0	6.2	6.3	6.5	6.7
	10.20%	5.4	5.5	5.6	5.8	5.9	6.0	6.2

Source: Mediobanca Securities

We also included some measures of discount to the long-term valuation obtained via-DCF, in order to reflect into our TP the limited share liquidity and the overhang risk on the c.13% stake owned by NSSF Malta1 (10% discount), as well as the potential dilution for shareholders due to the upcoming issuance of the convertible bond. At the EGM held on 28 December 2017, management anticipated that the convertible bond will have a strike price set at a premium ranged between 30-50% vs the reference price. As we estimate that the increase in the share count might be in a range between 10 to 13%, pending the disclosure of all final details of the convertible bond, we applied a discount consistent with the mid-point of our estimated range in terms of dilution.

Health Italia: summary DCF

	€m
Equity Value per share (€) from DCF	7.2
Discount	10%
Equity Value per share (€)	6.5
Potential dilution from convertible bond	11.5%
TP (€)	5.7

Source: Mediobanca Securities

DCF valuation implies robust multiples

Although we rely exclusively on the DCF method for our valuation, we have also compared Health Italia to a group of listed peers operating as health insurance brokers. Moving beyond pure insurance brokers (such as Aon, Willis Towers Watson or Marsh & McLellan), we tried to identify some listed players more similar to HI. The panel includes players from different countries operating mainly as brokers of health plans and providers of related services (eHealth, Healthinsurance, Molina Healthcare, Anthem, Crawford & Company and Wellcare from the US, the Australian NIB Holdings and the Brazilian SulAmérica). We also included Assiteca, an Italian small cap listed on the AIM Italia index, operating as an insurance broker specialised in assisting SMEs, given its high similarity with Health Italia in terms of geographical presence and size.

Peer Group: snapshot

Companies	Services	Geographic presence	
eHealth	Health insurance brokerage Health Insurance services	US	US leading ecommerce platform distributing health insurance for individuals, families and small businesses, and supporting the definition of health insurance plans. The company boasts more than one million memberships
Health Insurance	Health insurance brokerage Health Insurance services	US	Developer and administrator of affordable, web-based individual health insurance plans and ancillary products. In 2017 it reached around 350k policies in force including health benefits
NIB Holdings	Health insurance brokerage Health Insurance services	Australia (83%), New Zealand (10%), International & others (7%)	Australian health insurer providing health, medical and travel insurance. The company assists almost 1.4 million customers, providing management services including claims management, risk control consulting and health/welfare and retirement plans
Molina	Health insurance brokerage and services Medical clinics	US	Health care organisation providing Medicare/Medicaid/Marketplace health plans and offering health information to more than 4 million people, as well as IT-related services. The group also owns and operates medical clinics
Crawford & Company	Health Insurance services, Consulting	US (56%), UK (15.5%), Canada (10%), EMEA & others (19%)	Largest listed independent provider of claim management solutions to insurance companies. Through its companies the group handles more than 1.5 million claims worldwide and up to USD 14bn claims payments
Anthem	Health insurance brokerage and services	US	Group offering collective and individual health benefit, life and disability products. Through its affiliated companies the group serves overall 73 million people
SulAmérica	Health and non-life insurance brokerage, asset management	Brazil	SulAmérica operates in multiple insurance segments, including health and dental (accounting for 73% of group's sales), auto and other property and casualty (c.20%), life and personal
Wellcare Health Plans	Health insurance brokerage and services	US	Wellcare offers Medicaid and Medicare health plans and provides managed-care administrative services. The company serves overall c. 3.9m members nationwide with 60% of memberships in Florida, Georgia and Kentucky
Assiteca	Insurance Brokerage, Consulting, Flexible benefit	Italy, Spain, RoW through EOS RISQ	Leading independent Italian insurance broker serving mainly SMEs (70% of sales), with around €650m premiums brokered

Source: Mediobanca Securities, companies' presentations and annual reports

Below are our main takeaways from the comparison of Health Italia with the main listed peers:

- ◆ In terms of turnover and premiums brokered, all players but Assiteca are bigger than HI;
- ◆ With the exception of Crawford & Company, all players show a strong focus on a specific geographical region; while Assiteca is the only broker operating in Italy;
- ◆ The vast majority of peers have health insurance brokerage as their core activity (excluding Crawford & Company, which provides exclusively insurance-related services). As is the case with global insurance brokers, IT-related and consulting services have been generally included as complementary activities.

Health Italia compares fairly favourably with its sector peers in terms of sales growth (c.30% CAGR expected through 2019 vs 7.7% for the panel according to Thomson Reuters). Furthermore, the group shows a profitability that is higher than the panel's average: with an average EBITDA margin of 25% in 2017-19E, Health Italia shows first-in-class profitability. Moreover, it is worth flagging how strong cash flow generation is a common feature for the panel, with the highest-levered companies showing a Net Debt/EBITDA in the region of 2x.

Health Italia: summary of financials of health insurance players (million, local currency)

Company	CCY	Mkt Cap	Sales				EBITDA margin			
			2017E	2018E	2019E	3-yr CAGR	2017E	2018E	2019E	average
HEALTH INSURANCE	US\$	370.2	240.9	273.1	310.7	19.0%	17.9%	18.3%	17.3%	17.8%
EHEALTH	US\$	307.5	171.9	191.1	238.9	8.5%	< 0	< 0	11.4%	nm
NIB HOLDINGS	A\$	3,215.8	2,156.8	2,350.9	2,483.4	8.5%	8.6%	8.6%	8.5%	8.5%
MOLINA HEALTHCARE	US\$	4,085.6	18,819.6	17,277.7	18,853.7	-1.8%	3.1%	3.3%	3.9%	3.4%
ANTHEM	US\$	59,757.1	91,268.9	95,877.9	101,989.8	4.6%	7.1%	7.0%	7.2%	7.1%
ASSITECA	E	82.0	66.0	69.4	71.6	5.6%	14.6%	15.3%	15.9%	15.3%
SUL AMERICA	C	7,989.5	17,664.2	19,657.0	21,897.8	9.8%	na	na	na	na
WELLCARE HEALTH PLANS	US\$	8,550.5	18,733.3	19,659.7	21,126.6	7.5%	4.6%	4.3%	4.5%	4.5%
average						7.7%				9.5%
Health Italia- MBe			20.5	29.1	41.1	30.8%	27.4%	22.6%	24.9%	25.0%

Source: Mediobanca Securities on Thomson Reuters, Bloomberg as of 22 February 2018

Health Italia: Summary of financials of Health Insurance players (million, local currency)

Company	CCY	Mkt Cap	Net Income				Net Debt/EBITDA			
			2017E	2018E	2019E	3-yr CAGR	2017E	2018E	2019E	average
HEALTH INSURANCE	US\$	370.2	26.6	31.4	34.9	28.3%	(0.3)	(0.2)	(0.2)	(0.3)
EHEALTH	US\$	307.5	(17.2)	(7.4)	23.6	96.1%	nm	nm	(2.2)	(2.2)
NIB HOLDINGS	A\$	3,215.8	127.4	137.7	148.2	6.8%	0.4	0.3	0.2	0.3
MOLINA HEALTHCARE	US\$	4,085.6	243.2	304.7	367.8	nm	(4.0)	(4.4)	(4.3)	(4.2)
ANTHEM	US\$	59,757.1	3,872.8	4,247.1	4,646.0	13.0%	2.2	2.0	1.6	1.9
ASSITECA	E	82.0	5.0	5.6	5.9	21.4%	2.8	2.1	1.6	2.2
SUL AMERICA	C	7,989.5	661.0	710.2	864.1	7.5%	na	na	na	na
WELLCARE HEALTH PLANS	US\$	8,550.5	438.6	514.8	589.5	15.4%	(3.6)	(5.2)	(5.5)	(4.7)
average						15.4%*				(1.0)
Health Italia- MBe			2.2	2.2	4.3	34.9%	0.1	0.1	-0.1	0.0

Source: Mediobanca Securities on Thomson Reuters, Bloomberg as of 22 February 2018

*median

Price: € 5.00

Target price: € 5.70

Neutral

Given the very diversified nature of the most similar listed peers operating as health insurance brokers, we would not rely on market multiples to assess our valuation for Health Italia. Within the selected panel, multiples vary materially from one peer to another, as they differ significantly in terms of size, profitability, growth profile and geographical exposure. Given the much stronger growth profile of Health Italia compared with the panel, we believe trading multiples on 2018 numbers are not representative of the real valuation of the stock, hence we would suggest only taking a look at multiples on 2019 numbers and onwards. Multiples implied at our TP of 8.2x EV/EBITDA19 and 19.8x PE19 are in the upper end of the range of multiples for the peers' panel.

Health Italia: summary of trading multiples of health insurance players

Company	Currency	Mkt Cap	EV/EBITDA			PE		
			2017E	2018E	2019E	2017E	2018E	2019E
HEALTH INSURANCE	US\$	370.2	8.3	7.2	6.7	13.9	11.8	10.6
EHEALTH	US\$	307.5	nm	nm	9.1	nm	nm	13.0
NIB HOLDINGS	A\$	3,215.8	17.8	16.2	15.5	25.2	23.4	21.7
MOLINA HEALTHCARE	US\$	4,085.6	3.1	2.7	1.3	16.8	13.4	11.1
ANTHEM	US\$	59,757.1	11.4	10.9	9.7	15.4	14.1	12.9
ASSITECA	E	82.0	11.3	9.9	8.8	16.5	14.7	13.9
SUL AMERICA	C	7,989.5	na	na	na	12.1	11.3	9.2
WELLCARE HEALTH PLANS	US\$	8,550.5	6.3	4.8	3.5	19.5	16.6	14.5
Median			9.8	8.5	8.8	16.5	14.1	12.9
Health Italia			nm	11.4	7.2	nm	33.5	17.3
Health Italia @ TP			nm	13.0	8.2	nm	38.2	19.8

Source: Mediobanca Securities on Thomson Reuters and Bloomberg data as of 22 February 2018

Looking at the **Italian Mid Small cap universe**, the most similar company to Health Italia is, in our opinion, Assiteca. Assiteca is an insurance broker operating mainly in Italy, serving around 4,000 companies offering comprehensive support including tailor-made insurance solutions and consultancy for risk assessment. It operates within multiple areas of business, including transport, agriculture, credit insurance, employee benefits (including supplementary healthcare) and construction. Assiteca's workforce (577 employees and freelancers according to the company's website) is mainly remunerated through fixed salaries, and this leads to much smaller fee expenses if compared with Health Italia (in the region of 10% of sales for the former vs almost 50% for the latter). The table below recaps the main similarities and differences between the two companies.

Comparison between Health Italia and Assiteca

	Health Italia	Assiteca
Customer base	Mutual Aid Societies/ healthcare funds/ Retail	Companies (mainly SMEs)
Segment	Supplementary healthcare and flexible benefits	Non-life insurance
Activities	Brokerage, services and visits	Brokerage (95%) and consultancy services
Premiums brokered (2016)	c. €45m	c. €650m
Workforce	c. 3,200 mutual promoters	577 employees and freelancers
EBITDA margin (FY16A)	34%	13.8% (fiscal year ending 30/6/17)
Net Debt (Cash) - FY16A	(3.1)	27.1
Dividend yield	c. 2%	c. 2.7%

Source: Mediobanca Securities on data from companies' annual reports and corporate websites

Promotion currently represents a huge part of Health Italia's business (in the region of 80% of turnover as of 2016), hence, for the time being, although the two companies operate in different segments, a comparison between HI's trading multiples and Assiteca's might be an interesting exercise. Nonetheless, if Health Italia's management proves successful in deploying its 2018-2020 business plan, the group's profile by the end of the plan will be much more diversified, with a significant portion of the business not related to brokerage of health policies. Given the generally potentially higher profitability of non-brokerage activities, the faster growth profile of Health Italia and its more complete offer and presence throughout the value chain, we see it as fair for HI to trade at a premium vs Assiteca. At our price target, the implied PE19 multiple for Health Italia would stand at a material premium on Assiteca, with part of the premium which may be explained by the different capital structures of the two companies.

Comparison between Health Italia and Assiteca trading multiples

	EV/EBITDA		PE	
	2018E	2019E	2018E	2019E
Assiteca	9.9	8.8	14.7	13.9
Health Italia	11.4	7.2	33.5	17.3
premium/discount	15.6%	-18.1%	nm	24.8%
Health Italia @TP	13.0	8.2	38.2	19.8
premium/discount	nm	-7.7%	nm	39.5%

Source: Mediobanca Securities on Thomson Reuters and Bloomberg data as of 22 February 2018

We initiate coverage on Health Italia with a €5.7/sh target price. Neutral

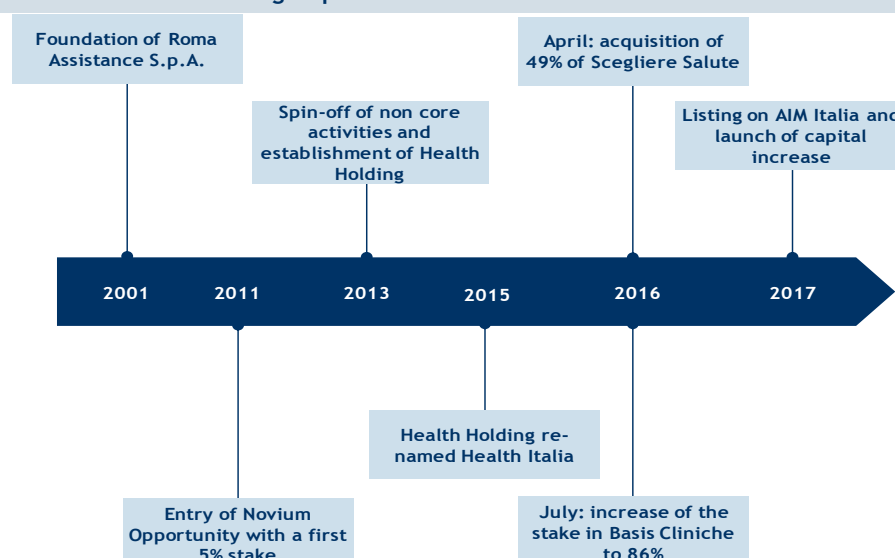
We initiate coverage on Health Italia with a Neutral recommendation and a TP of €5.7/share, implying an upside of around 14%. Our TP is calculated by applying a 10% discount to the valuation obtained via DCF to reflect the limited share liquidity and the possible overhang related to the 13% stake of NSSF Malta¹. Also, we included into our valuation the potential increase in the share count deriving from the convertible bond the company is planning to issue. The most appealing feature of the equity story lies in the group's leadership in the niche of supplementary healthcare, a business supported by solid underlying trends and potentially having a significant growth potential. The stock currently trades at c.17x 2019E earnings, a fair valuation for a growth company such as Health Italia. Admittedly, our estimates are more conservative than the (challenging) company targets, hence a consistent delivery on the strategic plan could help at building a solid track-record and a more constructive view to the disclosed financial targets.

Company Snapshot: A dynamic group finding its niche

History: from the insurance market to supplementary healthcare

Health Italia was officially established in 2015. Nonetheless, the beginning of group's history should go back to 2001, when Massimiliano Alfieri, current CEO of Health Italia, founded Roma Assistance S.p.a., an insurance intermediary specialised in insurance and supplementary healthcare and related services. Roma Assistance created a network of multi-firm agents, and rapidly expanded beyond the city of Rome: in 2007 it started to partner with Basis, a company operating in the segments of real estate and supplementary healthcare. Between 2010-2011, Roma Assistance merged with First and 1iC to complement its offer with insurance products in the segments of life and prevention insurance. Management had started to realise the unmet needs in the Italian healthcare market, and opportunities that could be caught by the set up of an established distribution network focused on the promotion of mutual products. It is worth mentioning that in 2011 Novium Opportunity private equity fund (via NSSF Malta1) entered Health Italia's share capital by acquiring an initial 5% stake.

Health Italia: Milestones of the group's evolution



Source: Mediobanca Securities

In 2013 the group decided to focus on supplementary healthcare: in November 2013 Health Holding was created. Life insurance and health insurance activities were gradually spun off from the perimeter, and the group started to assume its current shape, with three core businesses:

- ◆ Promotion of supplementary health plans, targeting corporate clients, families and large institutions;
- ◆ Claim and client management services;
- ◆ Health services and visits.

In 2015 Health Holding was re-named Health Italia, and in 2016 the group launched new initiatives to enter the segment of Flexible Benefits and to strengthen its network in terms of affiliated healthcare facilities. In this period the group also started some strategic acquisitions: in April Health Italia acquired 49% of Scegliere Salute for €150k, while in July it increased its stake in Basis Cliniche to 86.4% for an overall amount of €520k.

Raising funds in 2017 to fuel growth: AIM listing, capital increase and convertible bond

Health Italia went public in February 2017: financial resources raised through the listing on the AIM segment will be devoted primarily to sustaining the group's growth, completing its offer through

the launch of Health Points, transportable modules equipped with the most innovative devices in order to provide up to 40 light health services (including measuring arterial blood pressure, spirometry, electrocardiogram, dermatological and dermatoscopic examinations, personalised nutrition and dietary therapy, dental examinations, DNA tests, body temperature measurement and complete analyses of health, beauty and skincare). For the time being, four Health Points have been launched in Busnago (Milan), Bologna, Formello and Milan.

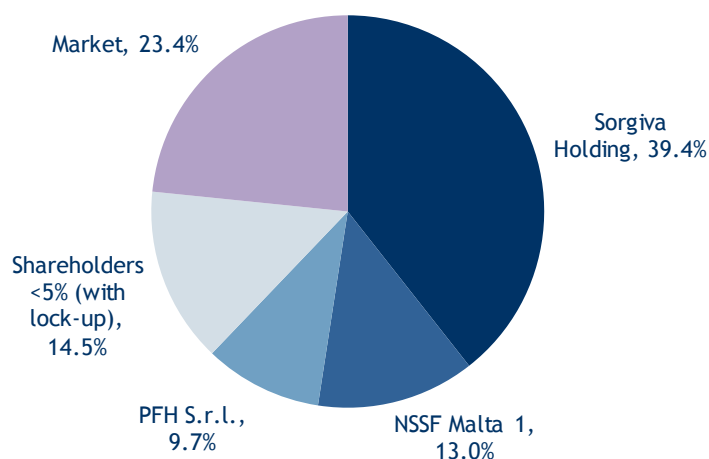
In December, Health Italia Extraordinary General Meeting approved an increase of share capital against payment of up to €11.8m aimed at serving the transfer of investments held by the shareholders of Basis S.p.A. At the same time the EGM also approved the issue of a convertible bond loan in shares for a total maximum value of €10m for a duration of five years and a contextual capital increase against payment to service the convertible bond. The two operations are part of the wider and more detailed development plan of the company: the acquisition of 100% of Basis is a key step to reinforce Health Italia's property section, which represents a synergistic element of the industrial plan for the entire group. On the other hand, the issue of the bond loan will allow the company to benefit by gathering on the market the medium and long term non-bank capital to increase the financial flexibility of the company.

A diversified and evolving shareholder structure

Health Italia is controlled by Sorgiva Holding, an Italian fund based in Formello owning a portfolio of investments mainly focused on the fields of supplementary healthcare and RSA (ie. building of nursing home). As far as our understanding, Health Italia represents the main investment of Sorgiva, as other stakes owned by the holding refer to small companies in the Lazio region. Health Italia CEO, Massimiliano Alfieri, directly owns a c.27% stake of Sorgiva Holding.

NSSF Malta1 is the second major shareholder, with a c.13% stake: it is a vehicle owned by Novium Opportunity AG, a Swiss private equity fund managing several specialised funds. The fund, which has been a historical partner of Health Italia, is close to its expiration, and some agreements have been set in place to manage the effects of its exit from Health Italia's shares. A further 14.5% stake is in the hands of around 50 shareholders, each retaining a stake below 5%. Within this group of minority stakeholders (including seven Health Italia managers), the members have agreed to sign a lock-up agreement: through the pact, shareholders committed to maintain their stake in the group until February 2020. The company reportedly stated its target to lift the market float up to 35% of the total share capital, in an effort to gain access to the STAR segment. The exit of NSSF Malta1 might make available to the market the shares required to meet Borsaitaliana requirements for a STAR listing.

Health Italia: shareholder structure



Source: Mediobanca Securities on Company data

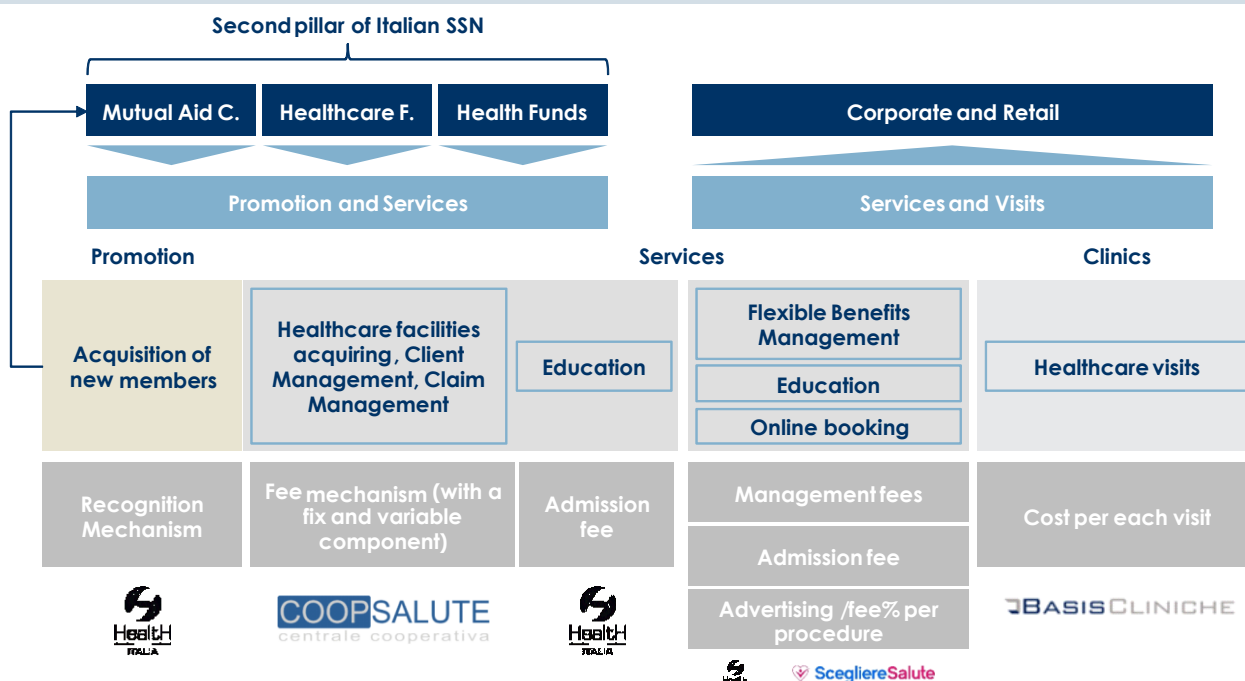
Company profile: integrated player in supplementary healthcare

Health Italia is an integrated operator, offering customers a wide range of healthcare coverages and management services, including the promotion of third-party supplementary healthcare solutions, the offer of administrative tools, IT-platforms and consulting/education services, as well as the management of a network of associated facilities where affiliates can directly undergo healthcare visits.

Health Italia's operations can be grouped into three divisions: **Promotion (c.79% FY16 turnover)** proposes customers different forms of third-party supplementary healthcare coverages to complement the one provided by SSN (*Servizio Sanitario Nazionale*) and stimulates them to join Mutual-Aid Societies, Health funds and Healthcare funds. The **Services division (c.14% of FY16 turnover)** serves the abovementioned Healthcare Funds and Mutual-Aid Societies needing to be supported primarily for the management of their activities and of their members (claim management, client management, promoters' education), provides agreements and management services for the network of more than 3,400 healthcare facilities available to their beneficiaries and, in addition, and for Companies' welfare plans. The remaining part of the turnover (c.7%) is represented by revenues from other services provided by the group and from the visits and other medical services that are provided through the group's own healthcare facilities.

For a company like Health Italia, the ability to offer a wide and comprehensive network of healthcare facilities is a distinctive factor of its success, in order to be able to maximise its reach and to attract both Mutual Aid Societies/ Health funds and new affiliates. The group's network currently leverages on more than 3,400 facilities, with a nationwide coverage, and more than 3,200 mutual promoters.

Health Italia: Group profile



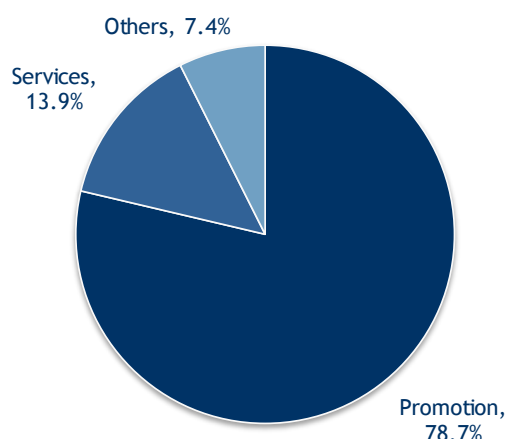
Source: Company data

Full coverage of the value chain

Health Italia is an integrated operator, offering customers a wide range of healthcare coverages and management services. The group promotes third-party supplementary healthcare solutions, and offers a wide range of services to its customers (spanning administrative tools, IT-platforms and consulting/education services), and also manages a network of associated facilities where affiliates can directly undergo healthcare visits. In greater detail, Health Italia's activities can be grouped into the following categories:

- ◆ **Promotion (c.79% FY16 turnover):** through a network of more than 3,200 promoters, the Promotion division is aimed at acquiring new members for the Mutual Aid Societies, Health funds and Healthcare funds, proposing different forms of supplementary healthcare coverage to complement the one provided by the SSN (*Servizio Sanitario Nazionale*);
- ◆ **Services (c. 14% FY16 turnover):** the division serves the abovementioned funds and Mutual Aid Societies needing to be supported primarily for the management of their activities. Services provided by Health Italia, mainly under its subsidiary Coopsalute, include *claim management*, *client management*, *promoters' education*, and *management of the healthcare facility network*; the division also serves Companies with the management of their employees' flexible benefit plans;
- ◆ **Others (c. 7% FY16 turnover):** mainly relates to education courses and other revenues from the group's healthcare facilities.

Health Italia: breakdown of sales by segment (FY16)



Source: Mediobanca Securities on Company data

Wide offer in terms of products

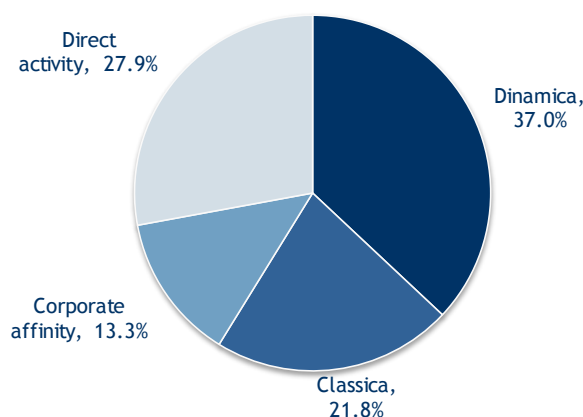
Within the **Promotion** segment, Health Italia has developed three different networks of promoters, focused each on the diffusion of solutions for a particular target. More specifically:

- ◆ **Dinamica** focuses on the distribution of "Total Care", a solution exclusively offered through Health Italia, and mainly intended for families. Total Care provides subscribers prevention (including home tests, dental treatments and check-up examinations), health services (extra-hospital, day-hospital interventions, and maternity assistance), subsidies and emergency assistance. According to the company, broadly a half of its promoters operate exclusively within the Dinamica network;
- ◆ **Classica**, on the other hand, mainly targets corporate, institutions, associations and mutual companies. Through Classica, more than 60 different solutions are promoted, including prevention, healthcare services and assistance. To a lesser extent, *Classica* also targets

families and individuals through *Senis* (for people older than 65) and *Salus* (for people younger than 65). Overall, the Classica network is formed by around 800 mutual promoters;

- ◆ *Corporate affinity* includes tailor-made solutions designed for bigger clients, such as large groups and institutions. They are designed ad-hoc for each client, based on the demographic, professional and economical variables of client's employees. One of the main solutions' within Corporate Affinity is "MEF", which offers a full coverage of hospital and extra-hospital assistance to all Public Administration workers and to their families. Around 400 promoters are exploited for the promotion of Corporate affinity segment;
- ◆ *Direct institutional activity* relates to contracts closed directly by Health Italia management with institutional counterparties and Mutual Aid Societies without the exploitation of mutual promoters.

Health Italia: breakdown of promotion sales by network (FY16)



Source: Mediobanca Securities on Company data

The **Services** business unit comprises of six main categories:

- ◆ **Claim management:** through its controlled company Coopsalute and through the proprietary software platform Health Claim, Health Italia provides systems that allow healthcare structures to manage administrative relationships with customers, as well as affiliated clients to directly handle reimbursement procedures (direct, indirect and mixed). The group estimates that claim management activities involve around 120,000 procedures per year;
- ◆ **Client management** refers to a range of services provided to all Mutual Aid Societies and Healthcare funds served, and to their members, including hospitality, assistance via call center, and check-up booking. These services are mainly offered via the proprietary software platform Web Mutua, which generally helps Mutual Aid Societies in their back-office activities (including storage of personal data and elaboration of technical data to properly evaluate risks);
- ◆ **Flexible benefit** relates to services for the management of corporate welfare plans, outsourced or offered through the proprietary platform Benefit Online, which allows employees to monitor the range of benefits available and their residual credit, as well as to book services and manage reimbursement procedures. Welfare plans proposed include multiple benefit areas, namely: supplementary healthcare, assistance, free-time, prevention, education and shopping vouchers;
- ◆ **Education:** Health Italia also organises learning courses for those individuals wishing to sustain the necessary training to become a mutual promoter, as well as bi-monthly refresher courses. Beyond these two courses for promoters, Health Italia also offers motivational lesson plans to complements its offer for corporate welfare;

- ◆ **Domestic assistance:** if included in the health policy subscribed to, this consists of nursing, medical and psycho-physical assistance, as well at-home-diagnostics;
- ◆ **Healthcare facilities acquiring** relates to activities for the network expansion in terms of healthcare facilities affiliated and accessible at discounted fees for members of Mutual Aid Societies/Health Funds. As of YE17, the network counted on more than 3,400 structures, including approximately roughly 1,200 polyclinics, around 500 hospitals, and around 1,800 among dentists, medical professionals and units offering domestic assistance.

Health Italia: recap of group's offer

Segment	Clients	Offer
Promotion	Mutual Aid Societies	Dinamica
	Healthcare funds	Classica
	Health funds	Corporate affinity
		Direct institutional activity
Services	Mutual Aid Societies	Client management
	Healthcare funds	Claim management
	Health funds	Welfare plans management
	Corporate	Education
	Retail	Domestic assistance
Clinics	Retail	Healthcare facilities acquiring
		Polyclinics
		Dental visits
		Physiotherapeutic centres
		Diagnostic centres

Source: Mediobanca Securities on Company data

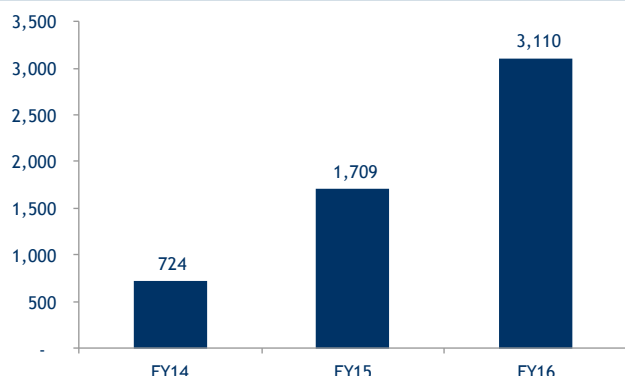
Comprehensive network to maintain leadership position

For a company such as Health Italia, the ability to offer a wide and comprehensive network of affiliated healthcare facilities is a distinctive factor of its success, in order to be able to maximise its reach and to attract both Mutual Aid Societies/Health funds and new affiliates.

Health Italia's network has been growing fast, since accounting 724 members as of YE14. At the end of YE17, the group managed a network of c.3,400 healthcare facilities, with nationwide coverage and a comprehensive offer in terms of services proposed (polyclinics, hospitals, dental clinics and domestic assistance providers).

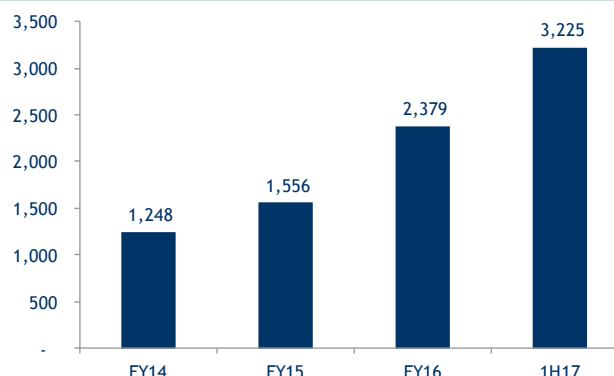
In addition to facilities, the width of the network of mutual promoters is another key feature to look at: the group has basically doubled the number of promoters since 2014 and eyes further growth in the near future, as we will explain in greater detail in the strategy section. The three Health Italia's promoters' networks operate according to different schemes (IVASS-compliant): Classica in a traditional way, Corporate Affinity in a specialized way and Dinamica according to schemes of *network marketing*. The ability to assist individuals wishing to become mutual promoters is a strength for Health Italia: by directly offering training/education courses, the group has managed to engage in a profitable business, and to facilitate the continuous attraction of fresh additions to its workforce.

Health Italia : evolution of affiliated facilities' network



Source: Mediobanca Securities on Company data

Health Italia : evolution of promoters' network



Source: Mediobanca Securities on Company data

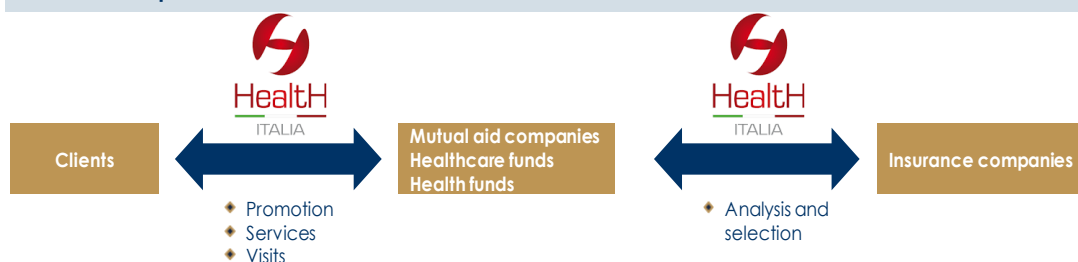
Fully integrated business model

Health Italia has gradually expanded its presence in the value chain, and now operates according to an integrated business model, directly carrying out activities spanning from the selection of products to be promoted, to the physical provision of visits. In more detail, Health Italia activities can be summed up as follows:

- ◆ **analysis and selection of products:** solutions for supplementary healthcare proposed by the different players are selected based on the coverage offered, on their expected profitability and on their consistency with demand trends observed on the market;
- ◆ **promotion:** products selected are then distributed to affiliates through a network of more than 3,200 mutual promoters, organised in three different clusters as described above (*Dinamica, Classica* and *Corporate affinity*);
- ◆ **sales and after-sales services:** Health Italia provides Mutual Aid Societies and health funds online platforms to manage relationships with clients, and offers assistance to support customers with visit booking and accommodation, and to monitor the overall quality of services provided by affiliated facilities;
- ◆ **visits:** the group also manages visits and medical services provided via the group's own healthcare facilities.

Health Italia's integrated presence across the value chain represents, in our view, one of its main strengths, as it allows the group to always have a clear and up-to-date view of the main trends underway, and to anticipate or promptly react to them, by adjusting its offer upstream. Nonetheless, beside the strategic importance of such integration, we also believe that its full presence throughout the value chain may also enhance the quality of service provided, granting a centralised and more efficient coordination of activities.

Health Italia: presence across the value chain



Source: Company data

Health Italia's relationships with its clients are generally regulated through annual or multi-annual contracts. The high level of services provided by Health Italia allows the group to achieve a fairly high retention rate, which has been hovering consistently between 85% and 90% in the last three years.

A peculiarity of Health Italia is its significant relationship with MBA (Mutua Basis Assistance), a Mutual Aid society with more than 350k affiliates, accounting for around 90% of Health Italia's turnover as of 2016. As MBA does not own a network of promoters, Health Italia has the exclusive mandate to coordinate and manage all activities aimed at expanding MBA's member base and at promoting its solutions. Furthermore, the group, through Coopsalute, provides a series of related services to MBA (ie. for client management, claim management and back-office activities). The relationship between Health Italia and MBA is regulated through a 10-year contract, which was renewed in September 2016. Although we acknowledge that the high dependence on a contract with a single counterparty represents a source of concern around the equity story, we don't perceive a material risk of MBA breaching the agreement, also due to the strong interrelationship between the two entities.

Reference market: a growing demand to be distributed more evenly among the three pillars

The reference market for Health Italia is the so-called second pillar of Italian Healthcare Service. As a reminder, the Italian healthcare system is organised into three pillars:

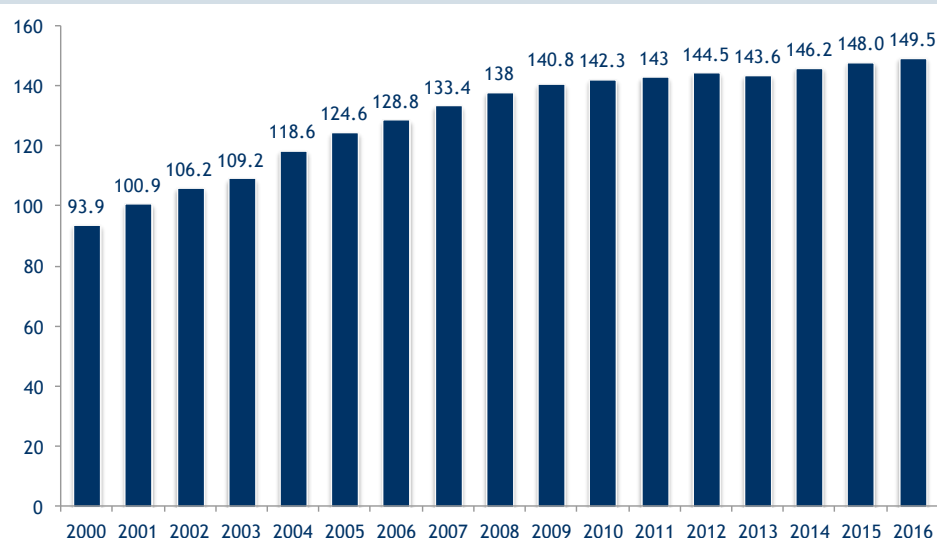
- ◆ The first pillar relates to Public Healthcare, covered by SSN (ie. Servizio Sanitario Nazionale);
- ◆ The second pillar is intended to provide supplementary healthcare solutions, based on the brokerage activity of Mutual Aid Societies, Health funds and Healthcare funds;
- ◆ The third pillar is represented by individual healthcare, based on the brokerage activity of insurance companies.

It is worth flagging that the main difference between the second and the third pillar lays in the different nature of players involved. Mutual Aid Societies and Health funds are non-profit institutions, generally created by working classes, professional orders or local entities, whose aim is to provide their affiliates with additional healthcare coverage, basically regardless of their risk profiles. On the other hand, insurance companies are profit-driven players, selecting clients and setting premiums and coverage based on their risk profile. In an effort to promote the diffusion of the so-called second pillar, the Italian government has been incentivising registration with Mutual Aid Societies/Health funds through non-negligible fiscal benefits. In a nutshell, the portion of employees' remuneration used for the subscription of second pillar-related supplementary healthcare coverage is subject to an eased tax treatment and is excluded from the computation of labour income.

Secular-growing market supported by solid underlying trends

Overall healthcare expenditure in Italy has been growing consistently since 2000, reaching approximately €150bn in 2016, and stabilising at around 9% of the country's GDP. According to Eurostat data, the implied CAGR between 2000 and 2016 was 2.8%. Growth has been supported by the secular increase in population combined with the growing life expectancy. According to the Ageing Report 2015 published by the European Commission, individuals older than 65 represent c.22% of the total Italian population (vs 19% on average in the EU28), and their share might grow to 30% by 2060. A population more skewed to the older end is clearly a positive for Health Italia, as demand for healthcare services is more intense among over 65s.

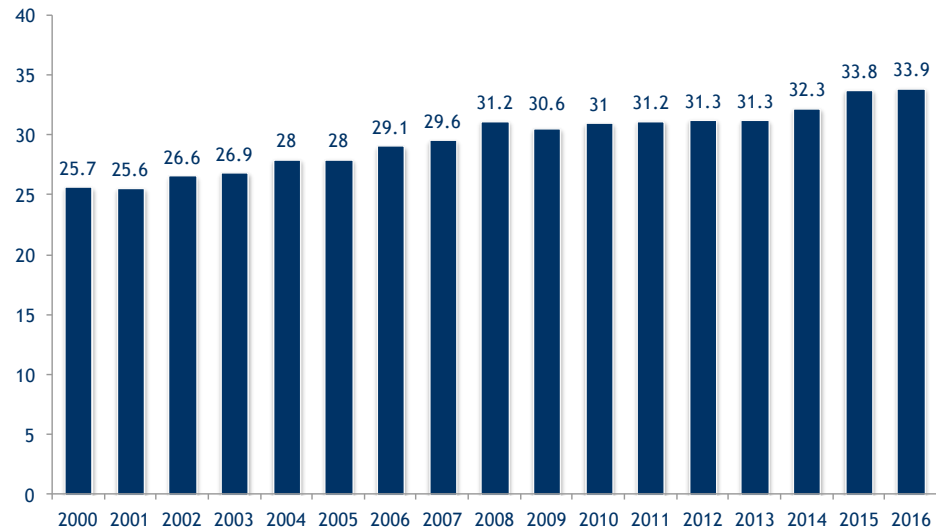
Italy: total healthcare expenditure (€bn)



Source: OCPS-SDA Bocconi elaboration on Cergas and Eurostat data, ISTAT

In a context of subdued GDP growth, such a growing need for healthcare expenses is creating some sustainability issues for the Italian healthcare system. Public expenditure to cover the first pillar seems to have reached a sort of cap at 7% of the country's GDP: additional demand has been therefore increasingly satisfied through private expenses, which grew from €25.7bn in 2000 to almost €35bn as of YE16. Within private expenditure, intermediated one still covers a minority share, accounting for roughly €5bn, or around 10% of private expenses, as Italian citizens have primarily turned to out-of-pocket expenses (which grew to more than €30bn).

Italy: private healthcare expenditure (€bn)



Source: OCPS-SDA Bocconi elaboration on ISTAT data

Sickness insurance data confirm demand for supplementary healthcare

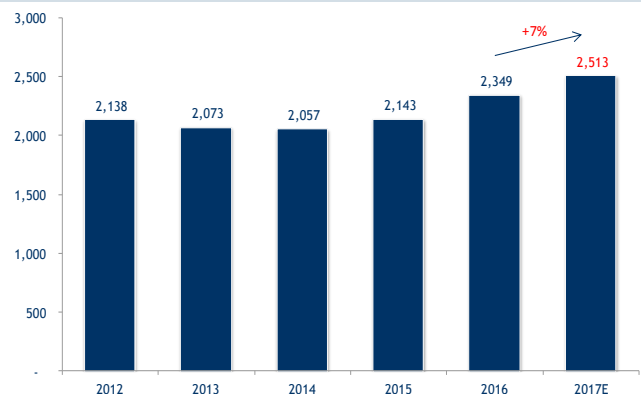
According to ANIA Report, the segment of sickness insurance in Italy grew by 9.6% yoy in 2016, with the high demand for group insurance plans related to corporate fringe benefit packages driving premiums up to €2.35bn as of YE16. The sustained momentum of the segment was certified by the fact that, out of the almost €2.5bn stock, around €400m came from new production: this implies that so-called *new business* grew by 16.7% in 2016. As this sort of second derivative of premiums' evolution remains strong, it is reasonable to expect supportive trends to continue going forward: ANIA sees premiums for the sickness segment growing by 7% in 2017 (reaching €2.5bn), with the category confirming as the top performer in Italian insurance universe, even in spite of the very positive growth rates already posted in the past few years.

Italy Insurance: breakdown of premiums by class

Class	2016	2017E	chg % '16-17	chg % '15-16	chg % '14-15
Motor and marine	13.525	13.325	-1,5%	-5,6%	-6,5%
Accident	3.008	3.053	1,5%	1,0%	-0,4%
General 3rd party	2.899	2.914	0,5%	-0,2%	1,4%
Other property	2.759	2.787	1,0%	0,5%	-1,7%
Land vehicles	2.634	2.766	5,0%	6,5%	2,9%
Fire	2.377	2.413	1,5%	0,8%	-0,2%
Sickness	2.349	2.513	7,0%	9,6%	4,2%
Other non-life	2.401	2.511	4,6%	1,8%	2,8%

Source: Mediobanca Securities on ANIA data

Italy Insurance: evolution of health premiums

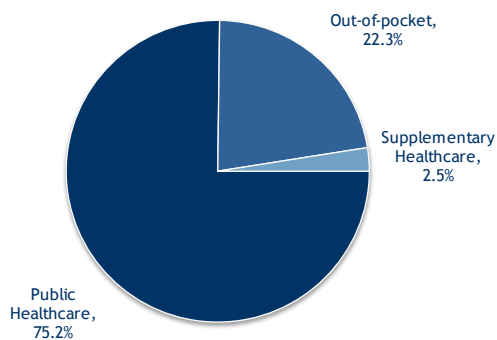


Source: Mediobanca Securities on ANIA data

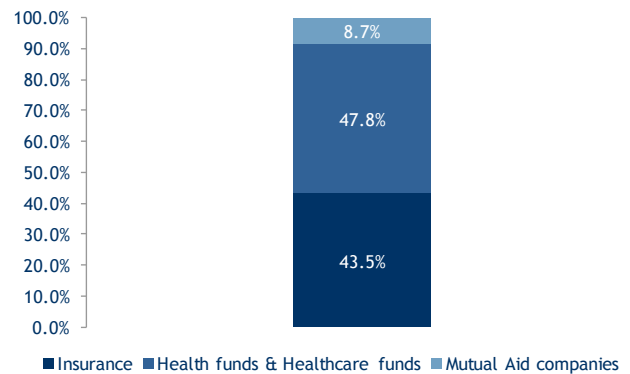
Supplementary healthcare is still at an early stage in Italy

National healthcare expenditure can be split between public and private expenditure, with the former still retaining a dominant share (around 75% of the total). Private expenditure can be split in turn into three classes: i) out-of-pocket (ie. non-intermediated); ii) supplementary healthcare; and iii) individual healthcare. Within the private segment, out-of-pocket disbursements take the lion's share in Italy, while, insurance companies and Healthcare funds retain slightly more than 40% of expenses intermediated, with the balance linked to the around 500 Mutual Aid Societies actively operating in Italy. With c. €45m sales generated for its affiliated clients, Health Italia therefore retains a market share of around 10% of expenditure intermediated by Mutual Aid Societies.

Italy: breakdown of healthcare expenditure (2016)



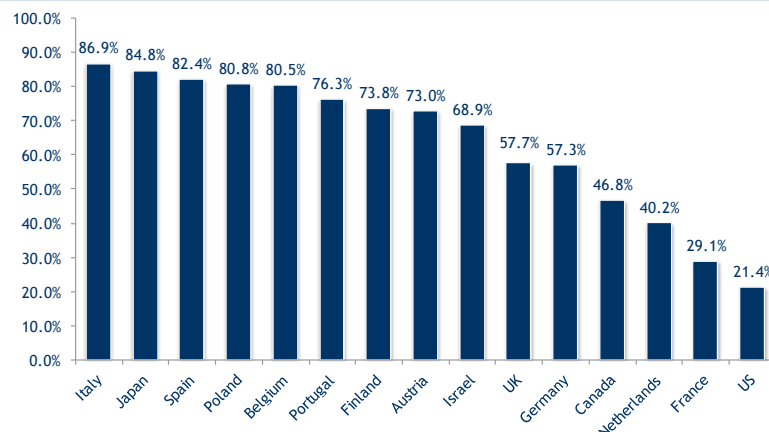
Italy: breakdown of supplementary healthcare exp.



Source: OECD, Health Statistics (2016); World Bank, Out-of-pocket health expenditure on private health expenditure (2016)

Looking at the mix of healthcare expenditure, Italy clearly represents a peculiar market, where a very large portion of private expenses is sustained out-of-pocket by individuals (c.87% according to OECD). This should be compared with the mix observed in other major Western countries. Excluding the case of the US, the c.13% share of supplementary healthcare expenses in Italy lies well below the levels observed in France (roughly 71%), Germany and UK (approx. 43%), while is broadly in line with the situation observed in Spain (c.17%) and Japan (c.15%). A recovery of the Italian system towards European average might imply a significant expansion of the market linked to supplementary healthcare, which should arguably erode primarily the share represented by out-of-pocket expenditure. A reversion of Italy to the average level of out-of-pocket expenses incidence seen in main OECD countries may open up a market of up to €8bn, hence unlocking potential significant growth opportunities for all players operating in the segment.

Incidence of Out-of-pocket, on private healthcare expenditure in main OECD countries (2014)



Source: World Bank, Out-of-pocket on private health expenditure (2016); World Bank, Population aged 65 and above (2016)

With the country's ability to fund the public healthcare programme close to full saturation, going forward we expect an increasing exploitation of the second and third pillars. Owing to incentives progressively introduced to stimulate the adoption of complementary health plans, supplementary health is becoming more and more popular within welfare programmes proposed by enterprises and institutions to their employees. It is worth flagging that starting from 2004 the cluster formed by Mutual Aid Societies/Health funds has significantly outperformed the one of insurers, thanks also to fiscal benefits granted by the Italian Government: the former now covers roughly 60% of intermediated private healthcare expenditure (vs 45% in 2004 and 55% in 2014, sources: ANIA, OECD, Welfare Index PMI).

2017 Stability Law introducing further supporting measures

Measures introduced through the 2017 Stability Law confirmed the Italian Government's commitment to the promotion of welfare plans in the country, as a complementary tool to remunerate employees, enhancing their real bargaining power. The 2016 Stability Law represented a turning point for the stimulation of welfare plans, as it gave a clear definition of the range of goods/services that could be included in welfare programmes, and it expanded the forms through which welfare plans could be enjoyed. In 2017, the Italian Government further accelerated on this front, by recognising additional tax exemptions/removing benefit thresholds both for employers and employees. Below, we provide a recap of the more supportive amendments introduced by the 2017 Budget Law:

- ◆ Production bonuses of up to €3k (from previous threshold of €2k) will be treated under a facilitated tax regime for all employees whose annual gross remuneration is below €80k (vs previous threshold of €50k). Taxation has been confirmed at 10% of bonuses;
- ◆ In case employees agree to receive their production bonuses in the form of welfare benefits, such bonuses are completely tax exempt (no 10% substitute tax, no social contributions);
- ◆ Caps on social security and supplementary healthcare contributions to be granted tax exemption have been removed. As a reminder, according to the previous Stability Law, caps were set at €5.1k and €3.6k respectively;
- ◆ Tax exemption can be granted entirely also to all welfare programmes included in National Contracts (ie. the so-called *CCNL*) and in collective contracts in general.

It is not easy to assess the current penetration of corporate welfare in Italy; nonetheless, for sure the country's industrial fabric, mostly made up of micro and small enterprises, does not facilitate the diffusion of this kind of benefit plans. Data collected come mainly from surveys on panels comprising a relatively small number of companies (if compared with the 6.3 million units operating overall in Italy), hence they can only provide partial indications on the real penetration of corporate welfare. However, we report the results of the survey carried out between 2016 and 2017 by Welfare Index PMI, based on information from around 3,400 Italian enterprises spread across the country and belonging to different industrial sectors.

According to the survey, around 35% of companies offered corporate welfare initiatives related to supplementary healthcare, with the number increasing by around 20% yoy. This share is partially sustained also by initiatives imposed by CCNL: excluding measures mandatorily imposed by collective contracts, the figure would fall to 8%. Based on evidence provided by OCSEL (*Osservatorio Contrattazione di Secondo Livello*), labour unions are pushing more and more for the inclusion of corporate welfare plans into national and regional collective contracts: as of YE16 the share of contracts including welfare initiatives reached 19%, or twice the share of 2013 (8%). Figures emerging from surveys and labour unions' reports are generally consistent with projections elaborated by AIWA (national association of corporate welfare), which estimates that at least 40% of Italian companies have already activated corporate welfare services.

2018-20 Business Plan targeting strong growth and the STAR segment

On 28 December 2017, at the group's Extraordinary General Meeting, Health Italia's management presented the 2018-20 Business Plan. The plan projects strong growth in the group's turnover, which is seen more than tripling through 2020, as well as a more than proportional increase at the EBITDA level, with the margin on sales seen above 30%. Below are the main targets included in the company's business plan:

- ◆ Strengthening of the group's equity, through the capital increase announced in December 2017 and the launch of a €10m convertible bond;
- ◆ Sales above €60m;
- ◆ EBITDA above €20m, hence implying a slight margin accretion;
- ◆ Profit before taxes above 30% of sales;
- ◆ Admission to the STAR segment

Business plan projections are based on the following assumptions:

- ◆ Strong expansion of the network of Health Points, with the group likely to expand the network well beyond its original plan of 20 openings by 2020. Following the launch of the capital increase, we believe that Health Italia might invest a significant part of the €10m raised in the development of its network. As each Health Point might generate between €300k/€400k revenues per year, going forward the contribution of this business to the group's turnover is set to become material;
- ◆ Launch of a new commercialisation model for products marketed by SBM, the company acquired in November 2017 and specialised in the development of natural medicinal drugs. Contribution by SBM might grow to €5m vs €0.4m generated in 2016;
- ◆ Consolidation of Health Italia's positioning as a provider of supplementary healthcare services, thanks also to an increasing penetration of the segment of flexible benefits and management of welfare programmes.

Beyond the assumptions in terms of organic growth and deployment of the abovementioned new initiatives, M&A activity may come on top to speed up Health Italia's growth process.

Equity strengthening to support sustained growth

As part of the 2018-20 Business Plan unveiled in December 2017, Health Italia announced the intention to strengthen its balance sheet, with a target to triple its Equity. At the same time, in the month of December, the group also announced:

- ◆ An increase of share capital against payment and divisible, for a total amount of €11.8m between the nominal value and the surcharge. The capital increase is aimed at servicing the transfer of selected real estate investments held by shareholders of Basis Spa, and instrumental to the group's activities;
- ◆ Issue of a convertible bond for a total maximum amount of €10m, duration five years. Contextually Health Italia also launched a capital increase to service the convertible bond loan (hence, for a maximum sum of €10m, inclusive of the surcharge).

As a result of the abovementioned operations, Health Italia's share capital will almost triple (it was equal to €11.2m as of YE16). The group will therefore show an enhanced financial flexibility, which might be exploited to sustain future growth: according to the company, the €10m raised via the issue of the convertible bond will be invested in the development of the Health Point network, for the establishment of a dedicated sales network for SBM products and for their commercialisation, with the remaining part available to complete M&A deals, which are expected to continue to play a relevant role in the group's strategy.

Health point: a revolutionary project with cross-selling potential

The Health Point project represents in our view the core pillar of the group's strategy to 2020, the effective implementation of which will be crucial in Health Italia reaching the financial targets included in its 2018-2020 Business Plan. In a nutshell, Health Points are formed by transportable modules equipped with connected devices and equipment, able to supply more than 40 light healthcare services. Health Italia's aim is to create a network of points where individuals can easily undergo a wide range of tests without going to specialised laboratories/hospitals, hence stimulating efforts for health prevention. The c.40 services initially provided will include: measuring arterial blood pressure, electrocardiogram, spirometry, walking test, dermatological examinations, personalised nutrition and dietary therapy, dental examinations, blood analysis, and DNA tests.

In the sole month of December 2017, Health Italia opened its first 3 Health Points (the first in Busnago- province of Milan-, and the other two in Bologna and Formello respectively). The Health Points in Busnago and Bologna are located in shopping centers, while the third one has been opened in the Palasalute, Health Italia's headquarter. During these first two months of 2018, the company continued with the expansion of its network, through the opening of a store in Milan in February, and announced its intention to open at least 10 health points in Italy throughout 2018. On a geographical basis, Health Italia will prioritise the opening of Health Points in the areas where it already enjoys a critical mass in terms of customer base. The group may primarily leverage on relatively small corners located in shopping malls, to intercept the traffic in these locations through a flexible format preventing from the need for significant capex. Nonetheless, Health Italia might also open some larger stores, offering a wider range of services, as was the case with the recent opening in Milan.

Before the approval of the launch of the convertible bond, Health Italia had stated it was targeting the opening of up to 20 Health Points by 2020. Nevertheless, given the four openings already announced in just a couple of months since the start of the project, and the announced target of at least a further 10 openings in 2018, the group's initial indication appears as definitely conservative. Out of the €10m to be raised via the issue of the convertible bond, we believe a significant part of the proceeds might be devoted to the speed up of the Health Point project, as it represents the main pillar of Health Italia's strategy. On the back of the additional resources available, the Health Point network might grow well beyond the initial target of 20 openings.

On top of the revenues generated directly by Health Points via the supply of light health services, we would flag the high potential for cross-selling of other Health Italia products/services, as they may represent an additional channel for the promotion of supplementary healthcare policies, rather than for the commercialisation of SBM products. As the main costs for each Health Point may refer to the rents paid and to the personnel cost of employees working in each point, the overall profitability of the business will crucially depend on the volume of sales of products/services generated. An expansion of the offer is therefore reasonable to maximise the range of the supply, facilitating the absorption of fixed costs and enhancing the overall profitability of the division.

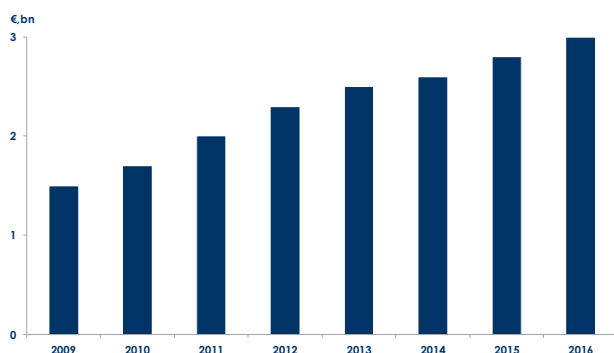
SBM potentially representing a significant growth engine

SBM is a pharmaceutical group, with a long experience in the production and sale of natural and medicinal drugs (mostly collagen-based). Along with drugs, the group is also engaged in the development of natural-based nutritional supplements with preventative qualities. Health Italia entered the company's share capital in November 2017, by acquiring a 51% stake (with an option to take full control later on). SBM overall recorded €400k sales in FY16, through the commercialisation of four products; according to Health Italia, it has also already developed several new products, that are expected to hit the market in the following years, and it may increase its turnover reaching a material share of group's total turnover. The following are seen as the main drivers of SBM's strong expected growth:

- ◆ New product launches, with a pipeline of launches that could involve up to 20 total products (for the time being, five products are available on the market: BONARTRO^{oa}®, CHERASAN^{cu}®, YTTIOGEL[®] 1%, GADIREL[®], and RESPIRELL[®]);
- ◆ Cross-selling opportunities following its inclusion in Health Italia perimeter;
- ◆ A boost in the commercialisation structure driven by the set up of a dedicated network by Health Italia.

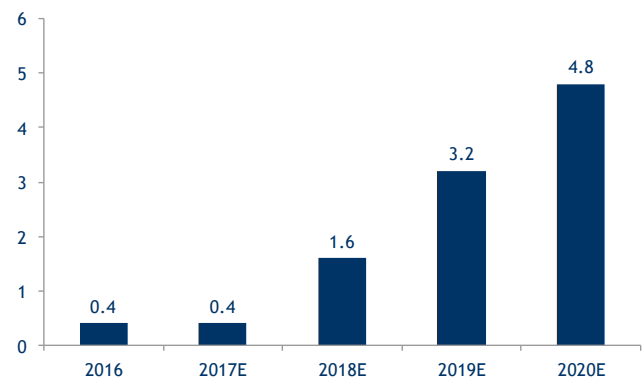
The nutraceutical market in Italy is experiencing sound growth, moving against the overall flow of the consumer health segment: according to the latest available data provided by IMS Health, the nutritional supplements' market grew by 7.4% between 2014 and 2016, reaching around €3bn in values. Although we don't claim to have the necessary competencies to evaluate the real competitiveness of SBM's products, it is worth flagging that its drugs boast an average 4.9/5 rating on independent web reviews' aggregator Feeday (twenty-seven 5/5 ratings and two 4/5 ratings). Positive reviews by new customers might simply be taken as a positive preliminary indication on the overall effectiveness of SBM products, which is, in our view, an essential condition for the achievement of the strong performance envisaged by Health Italia's 2018-20 business plan. However, the realisation of sales targets will also inevitably depend on the group's ability to leverage the positive trend in the Italian nutraceutical market, through the success of new product launches and the efficient establishment of the new sales network.

Italy: growth trend in nutraceutical market (2009-16)



Source: Quintile/IMS Health

Health Italia: Expected growth of SBM sales (2016-20E)



Source: Company data, Mediobanca Securities

Keeping pace with welfare programmes' increased popularity

As we stated earlier, it is not easy to assess the current penetration of corporate welfare programmes in Italy. Data collected by OCSEL (*Osservatorio Contrattazione di Secondo Livello*), show that labour unions are including more and more corporate welfare plans into national and regional collective contracts: as of YE16 the share of contracts including welfare initiatives reached 19%, more than twice the share of 2013 (8%). Beyond plans negotiated as part of National contracts, welfare programmes are estimated to have been included as part of employees' remuneration by around 40% of Italian companies (source: AIWA), with the figure rapidly ascending. Despite a precise figure on the exact penetration of welfare plans being very difficult to assess, the overall feeling is that it represents a market still offering significant growth opportunities, as many small and medium sized companies might introduce welfare programmes in the near future, and those which have already introduced them, may expand their base load.

Within welfare programmes, companies are increasingly leveraging the so-called "flexible benefits" solutions. They represent a particular form of benefit in which the employer assigns a certain budget to each employee, who can then choose how to spend it among a bucket of services/goods. Generally, these buckets include reimbursement of education expenses, health cost subsidies within affiliated facilities, secondary pension schemes, shopping bonuses and discounts on leisure activities

(for instance wellness-related or sport courses, travels, discounted subscriptions to cinemas and theatres). Flexible benefits represent a smart solution to optimise employees' welfare by allowing them to choose their preferred form of complementary remuneration, with both parties benefitting from the material fiscal advantages granted by Italian authorities. The efficiency of a flexible benefit programme clearly revolves around the variety of services/goods included in the bucket proposed to the employees and on the ease of effective enjoyment of such benefits. Health Italia has internally developed an online platform to be provided to clients offering welfare plans to their employees. According to the company's website, more than 5,000 SMEs' employees have already adopted *Benefit Online* as their reference portal for the provision of welfare benefits. Although competition in the segment is high, given that several players are operating as providers of services related to corporate welfare, we see Health Italia as well positioned to exploit the strong growth trend of the segment, by trying to capitalise on cross-selling opportunities especially in the field of supplementary healthcare. Given the increasing demand by corporate clients, the offer of welfare programmes represents not only a new business opportunity, but also an important tool for all suppliers such as Health Italia to defend their market share and to enhance customers' loyalty.

M&A: a tool to enrich the group's offer and competitiveness

Despite its relatively short history, Health Italia has already completed multiple M&A deals, to rapidly expand its offer by complementing its original brokerage activity. Among the main acquisitions, it is worth flagging the following:

- ◆ **ScegliereSalute** (April 2016): through a web portal and a mobile app, ScegliereSalute collects users' reviews on health services provided by professionals, hospitals and multi-specialised centres across Italy. Health Italia acquired a 49% stake for €150k, and has the option to acquire the remaining 51% stake for an additional amount of €172.5k (to be exercised by December 2018);
- ◆ **Basis Cliniche**: throughout 2016-2017 the group increased its stake in Basis Cliniche, a company managing a network of healthcare facilities (mainly dental clinics and multi-specialised centres), further strengthening its vertical integration in the field of supplementary healthcare. Health Italia already owned around a c. 39% stake, and increased its interest to 90.9%, for an overall cash-out of around €1m;
- ◆ **SBM** (November 2017): SBM is a pharmaceutical group, with a long experience in the production and sale of natural and medicinal drugs. Along with drugs, the group is also engaged in the development of natural-based nutritional supplements with preventative qualities. SBM overall recorded €400k sales in FY16 and may increase its turnover up to €5m in 2020, also benefitting from cross-selling opportunities within the Health Italia perimeter.

Health Italia has proved to be able to consistently exploit external growth opportunities to expand its offer in multiple directions. Taking direct control of management of healthcare facilities is in our view a fundamental step to complete the process of vertical integration, which may represent a key competitive advantage over competitors operating exclusively as brokers of supplementary healthcare policies. ScegliereSalute represents another tool to enhance the quality of services provided to customers and to enrich the digital environment of Health Italia. The ScegliereSalute portal represents a smart tool for Health Italia to closely monitor the quality of services provided by affiliated healthcare facilities and to keep track of the main trends observed downstream among final consumers.

Following the latest acquisitions, we forecast Health Italia to close 2017 with a Net Debt of €0.5m. Nonetheless, we expect the group may continue along its M&A growth strategy, maintaining a focus on small start-ups, able to enrich Health Italia's offer in the Promotion-Service field through innovative contents. As regards Clinics, we believe the acquisitions of players operating a network of healthcare facilities cannot be ruled out, as they could be exploited to get an immediate boost of Health Italia's footprint and geographical coverage.

Limited free float the main hurdle to achieving STAR listing

Health Italia went public in February 2017: its shares were listed on the AIM Italia, the market of Borsaitaliana created to facilitate the listing of Italian small and medium-sized enterprises showing high growth potential. Following a positive debut and a successful first year as a listed company, Health Italia has repeatedly stated its aim to move to the STAR segment, in an effort to increase shares' visibility and, as a consequence, liquidity. As a reminder, the requirements imposed by Borsaitaliana to gain access to the STAR index mainly relate to transparency and disclosure requirements, corporate governance standards, a market capitalisation between €40m and €1bn and a free float of minimum 35%.

While Health Italia's market cap is consistent with the minimum requirement of more than €40m, and the corporate governance is overall compliant with standards imposed by Borsaitaliana, the group's free float is still below the minimum threshold required to trade on the STAR segment. Following some minor placements from the second-largest shareholder NSSF Malta1 (which has gradually decreased its share to 13%, from 23% at the time of the IPO), Health Italia's free float has reached 23%. According to the company, the further free float increase will be mainly driven by the exit of NSSF Malta1, as the private equity has basically reached its expiration, and its c. 13% stake might be partly made available to the market, rather than being totally absorbed by the other stable shareholders. We don't see other relevant issues for the group in becoming fully compliant with requirements to adhere to Borsaitaliana's STAR segment, as we believe Health Italia might easily fulfil its duties in terms of transparency, disclosing its half-year report within 75 days from the end of the semester, in line with the more stringent threshold introduced from January 2018.

Health Italia: compliance with requirements for the listing on the STAR segment

	Requirement	Health Italia	Compliant
LIQUIDITY			
Market Capitalisation	€40m-€1bn	c. €70m	YES
Free float	35%	c. 23%	NO
Specialist	Yes	Yes	YES
TRANSPARENCY			
Information available in English language	Yes	Yes	YES
Presence of a IR manager	Yes	Yes	YES
Half-year report	75 days from the close	29 September 2017	NO
Full-year report	90 days from the close	24 March 2017	YES
GOVERNANCE			
Independent directors on BoD	At least 1	1	YES
Internal Committees	At least 1	Related parties C.	YES
Incentive compensation for top management	Yes	No	NO

Source: Mediobanca Securities, Borsaitaliana

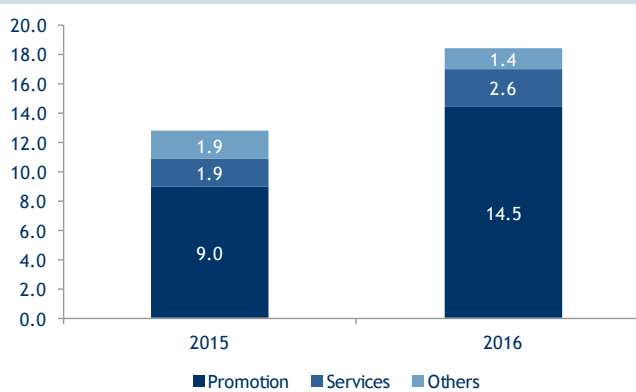
All in all, we see the limited free float, which is still below the 35% threshold, as the main hurdle for Health Italia in becoming fully compliant with Borsaitaliana requirements for the STAR index, for the time being. The effective and timely implementation of measures to enhance free float will be crucial for achieving STAR listing, which, however, we believe might not occur before YE18.

Financials: Taking the first growth steps in 2015-16

In the first years of its young history, Health Italia has already achieved significant growth. Since being officially established in 2015, the group reached c. €18m sales in 2016 and an EBITDA above €5m. In this first phase, group strategy was mainly focused on the enhancement of Promotion activities, which represented around 80% of group's turnover as of YE16: growth of the promotion division was mainly driven by the expansion of Health Italia's sales-force. The network of mutual promoters grew from 1,248 in 2014 to 2,379 as of YE16.

Furthermore the group developed some complementary services, aimed primarily at completing Health Italia's offer in order to make it more appealing for potential new affiliates: we are referring to claim management and client management services, software for supporting middle and back-office activities, as well as multi-specialised and dental visits.

Health Italia: trend in sales by division (2015-2016) (€m)



Source: Mediobanca Securities on Company data

Cost structure skewed towards third-party services

With COGS having a negligible impact, both in absolute terms and as a % of sales, Health Italia's main costs relate to third-party services. The line includes, among other things, fee expenses to remunerate the network of mutual promoters: these fees accounted for c. €7m as of YE16, (37% of sales or c.47% of turnover gross fee income generated by the Promotion division). On the other hand, personnel expenses have a lower incidence, accounting for €2.5m in 2016, or roughly 14% of sales. It is worth flagging that the group books around €0.5m of depreciation of payables below the EBITDA, while other D&As account for less than €1m.

Health Italia: structure of operating costs (2015-16)

(€m)	2015	2016
Cost of raw materials & chg. In inventories	(0.0)	(0.0)
on sales	0%	0%
Services	(5.2)	(9.3)
on sales	43.7%	52.4%
Personnel	(2.2)	(2.5)
on sales	18.4%	13.8%
Other costs	(1.2)	(1.1)
on sales	10.4%	6.0%
D&A	(0.6)	(0.9)
Writedowns/Impairment	(0.6)	(0.4)

Source: Mediobanca Securities on Company data

Also thanks to an EBITDA margin above 30%, Health Italia managed to close at break-even at the bottom-line in 2015 and to post c. €1.8m net profit in 2016.

Health Italia: evolution in group profitability (2015-16)

(€m)	FY15	FY16
Revenues	12.8	18.4
yoy chge%		43.6%
EBITDA	4.4	6.1
Margin%	34.7%	32.9%
Net Profit	0.0	1.8
yoy chge%		nm

Source: Mediobanca Securities on Company data

Working capital absorption limiting cash flow generation

With regard to the group's balance sheet, we underline the following key issues and group's strengths:

- ◆ **Material working capital absorption:** Health Italia structurally operates with basically no inventories. Trade receivables grew significantly through 2015-2016, accordingly with the strong growth experienced by the group: receivables reached €10m as of YE16 (hence representing more than 50% of total turnover). The high level of trade receivables is somehow physiological, as Promotion is generally characterised by a three-year "production", generating material credits to be cashed-in in the following years. Furthermore, in spite of the high incidence on the group's turnover, we would flag that depreciation of receivables accrued by Health Italia in 2015 and 2016 amounted to 5% and 2.5% of sales respectively. Trade payables increased as well over the last couple of years, reaching €4.8m as of YE16. With other current assets and liabilities fairly counterbalancing one with each other (amounting both to around €2m and referring mainly to tax-related handlings), NWC amounted therefore to roughly €5m in 2016, meaning a 26% of sales;

Health Italia: operating and net working capital (2014-16)

(€m)	2015	2016
Inventories	-	-
Trade Receivables	5.9	10.4
Trade Payables	(2.5)	(4.8)
Trade Working Capital	3.4	5.6
as % of total sales	26.5%	30.4%
Net Working Capital	3.3	4.8
as % of total sales	25.6%	26.0%

Source: Mediobanca Securities on Company data

- ◆ **Low capital requirements** Health Italia's business model has historically been based on a light asset structure, with a limited impact from capital expenditures (below €1m annually).

Until 1H17, Health Italia mainly worked on the equity side to raise resources for the group's growth. This, coupled with cash flow generation, led the group to close 2016 with a net cash position of c. €3m, despite around €0.6m being invested for the increase in the stake invested in Basis Cliniche during 2016.

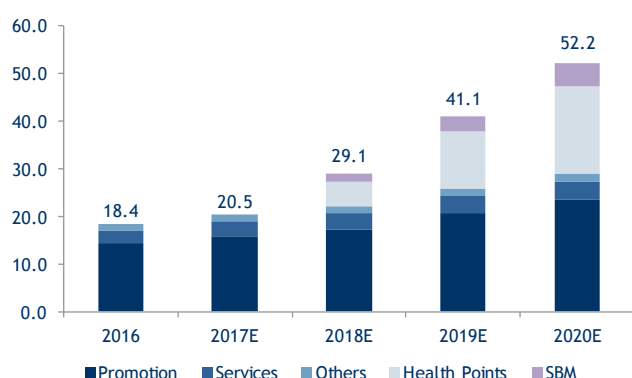
2017-20E prospects: Health Points roll-out driving growth

Health Points and SBM the main contributors to sales take-off

We see Health Italia's revenues more than doubling in the next three years, driven by the implementation of new initiatives by the group, as well as by the organic growth of the Promotion and Services business units. Revenues are seen reaching €52m by YE20, with the roll-out of Health Points and the speed up of the SBM franchise representing two relevant growth engines for the group. In greater details:

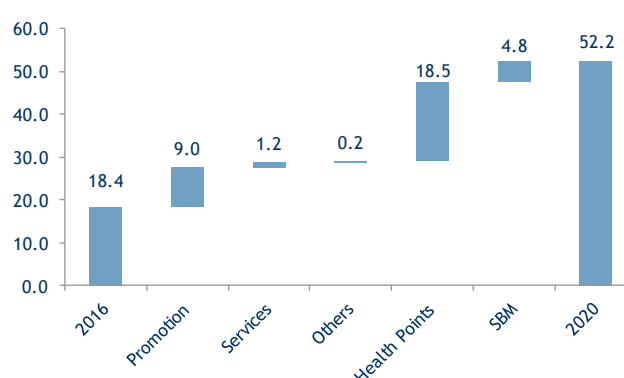
- ◆ **Health Point** network might approach 60 units by YE20: with each point generating between €300k-€400k revenues, we see their contribution to the group's top-line growing to c.€19m in 2020. Their share of the overall turnover might therefore reach 35% in 2020, with the real influence in terms of sales generated being even higher given the cross-selling generated for other divisions of the group. Although Health Italia plans to gradually roll-out the business model also beyond Italy, we still do not include any foreign opening in 2018-20 into our estimates, hence leaving international expansion as a free option which may bring upside to our current numbers;
- ◆ **SBM**: Health Italia management sees the development of the business related to products marketed by SBM as a relevant growth engine within the 2018-20 Business Plan. Top-line growth assumptions are based on the deployment of products currently under development (according to the company, SBM has a pipeline of around 20 new product launches), as well as on the boost from the set up of a new dedicated sales-force. We factor in significant growth for the SBM business, given the overall healthy trend of consumption of natural-based drugs and food supplement, and Health Italia's commitment in investing for their commercialisation. All in all, we foresee SBM sales growing to almost €5m (vs €0.4k in 2016), and accounting therefore for around 10% of the group's turnover in 2020;
- ◆ As far as organic growth is concerned, we are factoring in a c. 5% CAGR in 2018-20E for the **Promotion** division, which is expected to benefit also from the cross-selling opportunities generated by the establishment of the Health Point network. Given its complementary nature, the **Services** division development might be driven by the expansion of the clients' base, and hence the number of procedures elaborated: we forecast revenues from services growing to roughly €4m through 2020, on the back of a high-single digit annual growth of procedures elaborated).

Health Italia: sales by division (2016-20E)



Source: Mediobanca Securities

Health Italia: sales bridge by division (2016-20E)



Source: Mediobanca Securities

Higher services and personnel costs limiting room for margin expansion

Health Italia's intense growth at the top-line will require investments by the company, not only in terms of capex, but also in terms of higher operating expenses hitting the P&L. We maintain our assumption on total direct costs for Health Italia's Promotion business unit fairly in line with levels observed in 2016/17, with the ratio close to 50%. On the other hand we are raising our assumptions both on personnel and services costs, as additional human resources and third-party services will be required for the roll-out of the new businesses. All in all we see services costs rising to almost €9m in 2020, normalising in the region of 16.5% of sales, while personnel costs might reach nearly 20% of sales. Depreciation of receivables (that Health Italia reports below the EBITDA line) is expected to remain stable at 2.5% of sales, while we are factoring in some increases in the level of D&A, along with the higher investments the group is going to sustain.

Health Italia : evolution of operating costs, EBITDA and EBIT

(€ m)	2016	2017E	2018E	2019E	2020E
Cost of raw materials & chg. in inventories	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)
Direct costs	(6.8)	(7.5)	(11.5)	(15.6)	(19.9)
Services	(2.6)	(3.7)	(5.4)	(7.2)	(8.7)
on sales	14.4%	18.0%	18.5%	17.5%	16.5%
Personnel	(2.5)	(3.1)	(5.0)	(7.5)	(9.8)
on sales	13.8%	15.4%	17.4%	18.2%	18.9%
EBITDA Reported	6.1	5.6	6.6	10.3	13.3
EBITDA MARGIN	32.9%	27.4%	22.6%	24.9%	25.4%
D&A	(0.9)	(1.3)	(1.5)	(1.9)	(2.2)
Depreciation of receivables	(0.4)	(0.5)	(0.7)	(1.0)	(1.3)
on sales	2.5%	2.5%	2.5%	2.5%	2.5%
EBIT	4.7	3.8	4.4	7.4	9.8
EBIT MARGIN	25.4%	18.6%	14.9%	17.9%	18.7%

Source: Mediobanca Securities

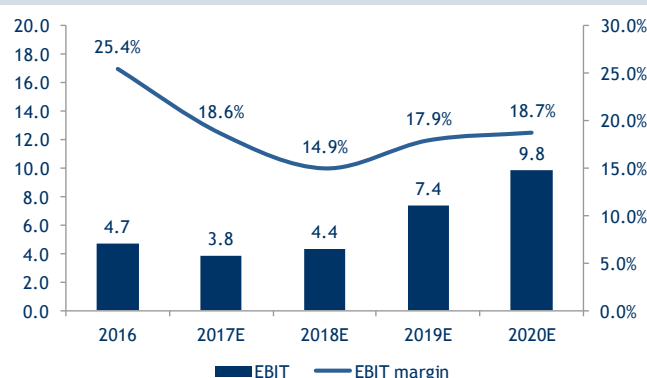
Based on the assumptions mentioned above, we foresee EBITDA at c.€13m in 2020, meaning an EBITDA margin slightly above 25%. For the time being, we are including some measures of caution in our estimates, given the very early stage of many projects implemented by Health Italia. This leads us to a forecasted growth lying slightly below the quite significant targets set by the company. Although we by no means rule out that management might hit/beat the targets unveiled, we will wait for more visibility on the real value creation of the Health Point project before factoring into our numbers such significant growth in terms of financials and cash flow generation.

Health Italia: 2016-20E EBITDA and margin %



Source: Mediobanca Securities

Health Italia: 2016-20E EBIT and margin %



Source: Mediobanca Securities

Earnings trend

We expect group net profit to grow by around 36% annually over the next four years, reaching €6m at YE 2020E vs €2m seen in FY17E. The increase in net profit should be driven by:

- ♦ EBITDA growth, seen increasing from €5.6m in FY17E to €13m in 2020E;
- ♦ a slight increase in net financial charges, following the launch of the five-year convertible bond in December 2017, with net financial charges seen at €500k per year;
- ♦ a tax rate reducing from c. 43% as of YE16, and normalising to approx. 33%. Further benefits from Industria4.0-related incentives may drive a faster-than-projected decrease of the tax rate and are not included in our numbers.

Health Italia: main P&L Items (2016-20E)

(€ m)	2016	2017E	2018E	2019E	2020E	CAGR 16-20E
Revenues	18.4	20.5	29.1	41.1	52.4	29.9%
yoy chge%		11.7%	41.8%	41.3%	27.4%	
EBITDA	6.1	5.6	6.6	10.3	13.3	21.8%
margin %	32.9%	27.4%	22.6%	24.9%	25.4%	
EBIT	4.7	3.8	4.4	7.4	9.8	20.3%
margin %	25.4%	18.6%	14.9%	17.9%	18.7%	
Net Profit	1.8	2.2	2.2	4.3	6.0	35.9%
YoY chge%	nm	24.3%	2.2%	93.4%	38.8%	

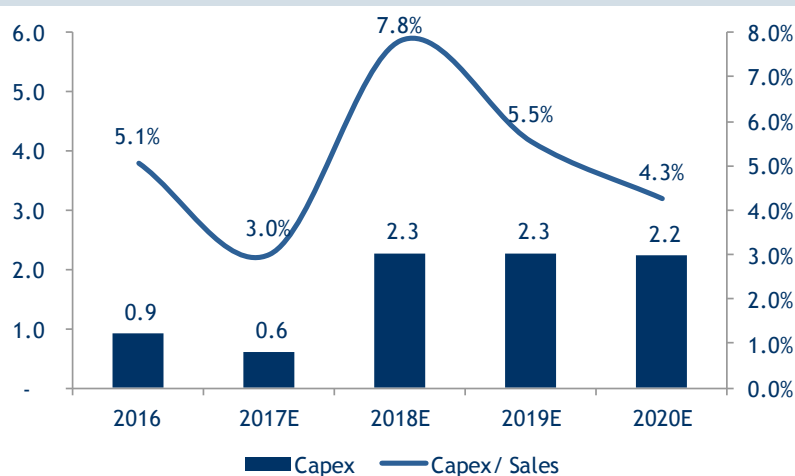
Source: Mediobanca Securities

Cash flow generation

Cash flow generation is a relevant theme of the equity story, as it may allow to generate resources to be re-invested internally to sustain the group's development process, as well as to produce FCF to continue to complete acquisitions further boosting internal growth:

- ♦ We foresee increasing capex investments, primarily for the development and maintenance of the Health Point network. We see Capex topping €2.3m, meaning an incidence on sales approaching 8% in 2018 and then gradually normalising as the need for expansion Capex abates;

Health Italia: 2016-20E evolution of capex



Source: Mediobanca Securities

- ◆ We assume an increase in Working Capital, seen at €16.5m in 2020E vs €4.8m in 2016, with the significant growth expected for the group's business calling for an increased investment in terms of working capital. We foresee Working Capital settling at 31% of sales by 2020, slightly growing vs the 26% recorded in 2016, driven by the physiological increase in trade receivables linked to the Promotion activities;

Health Italia : detail of Working Capital evolution (2016-20E)

(€ m)	2016	2017E	2018E	2019E	2020E
Inventories	-	-	-	-	-
Trade Receivables	10.4	15.4	16.6	19.4	22.7
Trade Payables	4.8	4.4	3.9	4.6	5.3
Others	(0.8)	(0.4)	(1.0)	(1.0)	(1.0)
Working Capital	4.8	10.5	11.7	13.9	16.5
% of sales	26.0%	51.1%	40.2%	33.7%	31.4%

Source: Mediobanca Securities

- ◆ The group hasn't set up an official dividend policy yet. In 2016 it distributed a DPS of €0.081, implying a pay-out ratio of around 70%. We don't see the 2016 level as a sustainable level going forward, because we expect the group to focus primarily on internal growth. We therefore foresee a gradual dilution of the payout ratio (but coupled with fast-growing earnings), and we factor in an average pay-out ratio of 41% over 2017-20E.

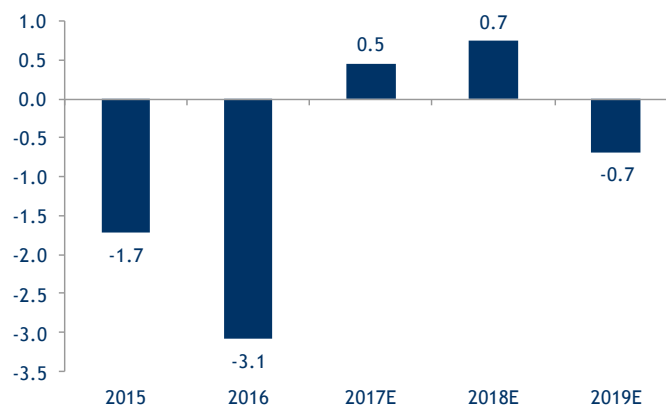
Health Italia : cash flow estimates

(€ m)	2016	2017E	2018E	2019E	2020E
Net Profit	1.8	2.2	2.2	4.3	6.0
D&A	1.4	1.8	2.2	2.9	3.5
Minorities and Others	-	-	-	-	-
Cash Flow	3.1	4.0	4.5	7.2	9.5
Delta WC	(2.7)	(5.7)	(1.2)	(2.2)	(2.6)
Total Capex	(0.9)	(0.6)	(2.3)	(2.3)	(2.2)
Dividends		(1.0)	(1.3)	(1.3)	(1.4)
Disposals	0.4	0.2	-	-	-
Acquisition	(0.6)	(0.3)	-	-	-
Others	2.1	-	-	-	-
FCF	1.4	(3.5)	(0.3)	1.4	3.3
Net Debt (Cash)	(3.1)	0.5	0.7	(0.7)	(4.0)
NFP/EBITDA	-0.5x	0.1x	0.1x	-0.1x	-0.3x

Source: Mediobanca Securities

We therefore expect group net debt to decrease steadily and financial ratios to improve after reaching €0.7m as of YE18. Excluding any impact from new acquisitions, we foresee Health Italia to return cash positive by 2019, hence leaving room for M&A moves to enlarge group's offer.

Health Italia: trend in Net debt (€m, 2015-16A, estimates to 2019)



Source: Mediobanca Securities

Summary of Financials

Profit & Loss (€ m)	2015	2016	2017E	2018E	2019E
Sales	12.8	18.4	20.5	29.1	41.1
EBITDA	4.4	6.1	5.6	6.6	10.3
Margin%	34.7%	32.9%	27.4%	22.6%	24.9%
D&A	(0.6)	(0.9)	(1.3)	(1.5)	(1.9)
Provisions	(0.6)	(0.4)	(0.5)	(0.7)	(1.0)
EBIT	3.3	4.7	3.8	4.4	7.4
Margin%	25.7%	25.4%	18.6%	14.9%	17.9%
Net financial income/(expenses)	(0.1)	(0.1)	(0.0)	(0.5)	(0.5)
Profit before tax	0.3	3.1	3.4	3.4	6.4
Taxes	(0.2)	(1.3)	(1.2)	(1.2)	(2.1)
Tax rate	nm	43.3%	35.1%	34.7%	33.0%
Group net profit	0.0	1.8	2.2	2.2	4.3

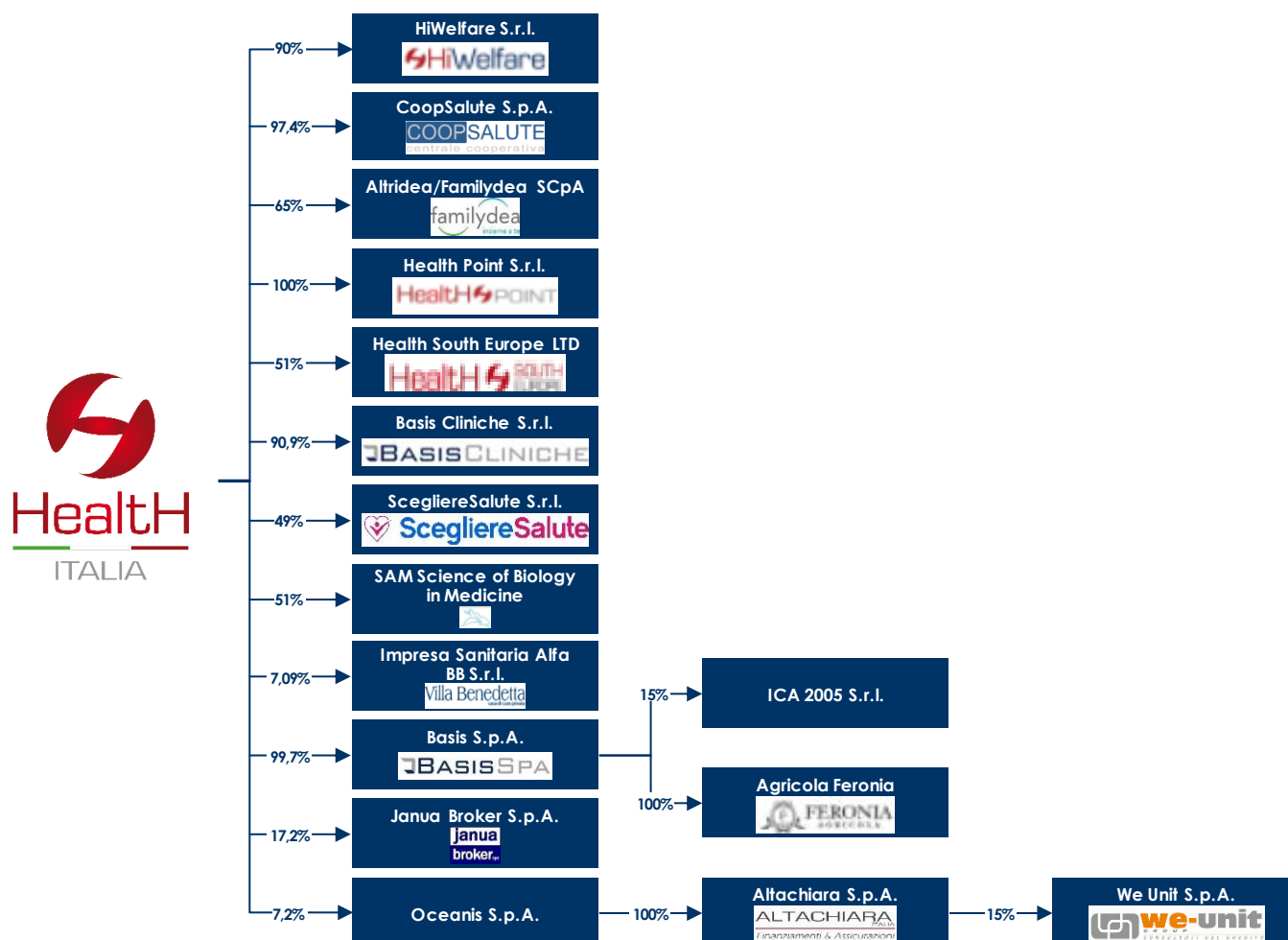
Source: Mediobanca Securities

Balance Sheet (€ m)	2015	2016	2017E	2018E	2019E
Fixed Assets	4.9	6.1	5.4	11.8	12.3
Stocks	-	-	-	-	-
Trade Receivables	5.9	10.4	15.4	16.6	19.4
Other current asset	2.3	2.0	2.2	2.2	2.2
Total Assets	13.1	18.4	23.0	30.6	33.9
Account payable	2.5	4.8	4.4	3.9	4.6
Other liabilities	2.4	2.8	2.7	3.2	3.2
Net Debt (Cash)	(1.7)	(3.1)	0.5	0.7	(0.7)
Shareholders' Equity	9.5	13.2	14.4	21.0	24.0
Total Liabilities	13.1	18.4	23.0	30.6	33.9

Source: Mediobanca Securities

Appendix

Group structure



Source: Company website

Management team

Name and Surname	Position
Roberto Anzanello	Chairman
Massimiliano Alfieri	CEO
Cristina Masullo	CFO
Livia Foglia	Chief Operating Officer
Gianluca di Costanzo	IT Director

Source: Mediobanca Securities on Company data

GENERAL DISCLOSURES

This research report is prepared by Mediobanca - Banca di credito finanziario S.p.A. ("Mediobanca S.p.A."), authorized and supervised by Bank of Italy and Consob to provide financial services, and is compliant with the relevant European Directive provisions on investment and ancillary services (MiFID Directive) and with the implementing law.

Unless specified to the contrary, within EU Member States, the report is made available by Mediobanca S.p.A. The distribution of this document by Mediobanca S.p.A. in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. All reports are disseminated and available to all clients simultaneously through electronic distribution and publication to our internal client websites. The recipient acknowledges that, to the extent permitted by applicable securities laws and regulations, Mediobanca S.p.A. disclaims all liability for providing this research, and accepts no liability whatsoever for any direct, indirect or consequential loss arising from the use of this document or its contents. This research report is provided for information purposes only and does not constitute or should not be construed as a provision of investment advice, an offer to buy or sell, or a solicitation of an offer to buy or sell, any financial instruments. It is not intended to represent the conclusive terms and conditions of any security or transaction, nor to notify you of any possible risks, direct or indirect, in undertaking such a transaction. Not all investment strategies are appropriate at all times, and past performance is not necessarily a guide to future performance. Mediobanca S.p.A. recommends that independent advice should be sought, and that investors should make their own independent decisions as to whether an investment or instrument is proper or appropriate based on their own individual judgment, their risk-tolerance, and after consulting their own investment advisers. Unless you notify Mediobanca S.p.A. otherwise, Mediobanca S.p.A. assumes that you have sufficient knowledge, experience and/or professional advice to undertake your own assessment. This research is intended for use only by those professional clients to whom it is made available by Mediobanca S.p.A. The information contained herein, including any expression of opinion, has been obtained from or is based upon sources believed to be reliable but is not guaranteed as to accuracy or completeness although Mediobanca S.p.A. considers it to be fair and not misleading. Any opinions or estimates expressed herein reflect the judgment of the author(s) as of the date the research was prepared and are subject to change at any time without notice. Unless otherwise stated, the information or opinions presented, or the research or analysis upon which they are based, are updated as necessary and at least annually. Mediobanca S.p.A. may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Mediobanca S.p.A. endorses, recommends or approves any material on the linked page or accessible from it. Mediobanca S.p.A. does not accept responsibility whatsoever for any such material, nor for any consequences of its use. Neither Mediobanca S.p.A. nor any of its directors, officers, employees or agents shall have any liability, howsoever arising, for any error, inaccuracy or incompleteness of fact or opinion in this report or lack of care in its preparation or publication.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this research. Our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research. The analysts named in this report may have from time to time discussed with our clients, including Mediobanca S.p.A. salespersons and traders, or may discuss in this report, trading strategies that reference catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report, which impact may be directionally counter to the analysts' published price target expectations for such stocks. Any such trading strategies are distinct from and do not affect the analysts' fundamental equity rating for such stocks, which rating reflects a stock's return potential relative to its coverage group as described herein.

ADDITIONAL DISCLAIMERS TO U.S. INVESTORS: This research report is prepared by Mediobanca S.p.A. and distributed in the United States by Mediobanca Securities USA LLC, which is a wholly owned subsidiary of Mediobanca S.p.A., is a member of Finra and is registered with the US Securities and Exchange Commission. 565 Fifth Avenue - New York NY 10017. Mediobanca Securities USA LLC accepts responsibility for the content of this report. Any US person receiving this report and wishing to effect any transaction in any security discussed in this report should contact Mediobanca Securities USA LLC at 001(212) 991-4745. Please refer to the contact page for additional contact information. All transactions by a US person in the securities mentioned in this report must be effected through Mediobanca Securities USA LLC and not through a non-US affiliate. The research analyst(s) named on this report are not registered / qualified as research analysts with Finra. The research analyst(s) are not associated persons of Mediobanca Securities USA LLC and therefore are not subject to NASD rule 2711 and incorporated NYSE rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

ADDITIONAL DISCLAIMERS TO U.K. INVESTORS: Mediobanca S.p.A. provides investment services in the UK through a branch established in the UK (as well as directly from its establishment(s) in Italy) pursuant to its passporting rights under applicable EEA Banking and Financial Services Directives and in accordance with applicable Financial Services Authority requirements.

ADDITIONAL DISCLAIMERS TO U.A.E. INVESTORS: This research report has not been approved or licensed by the UAE Central Bank, the UAE Securities and Commodities Authority (SCA), the Dubai Financial Services Authority (DFSA) or any other relevant licensing authorities in the UAE, and does not constitute a public offer of securities in the UAE in accordance with the commercial companies law, Federal Law No. 8 of 1984 (as amended), SCA Resolution No.(37) of 2012 or otherwise. This research report is strictly private and confidential and is being issued to sophisticated investors.

REGULATORY DISCLOSURES

Mediobanca S.p.A. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Mediobanca S.p.A. or its affiliates or its employees may effect transactions in the securities described herein for their own account or for the account of others, may have long or short positions with the issuer thereof, or any of its affiliates, or may perform or seek to perform securities, investment banking or other services for such issuer or its affiliates. The organisational and administrative arrangements established by Mediobanca S.p.A. for the management

of conflicts of interest with respect to investment research are consistent with rules, regulations or codes applicable to the securities industry. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of Mediobanca S.p.A. as a whole, of which investment banking, sales and trading are a part.

For a detailed explanation of the policies and principles implemented by Mediobanca S.p.A. to guarantee the integrity and independence of researches prepared by Mediobanca's analysts, please refer to the research policy which can be found at the following link: <http://www.mediobanca.it/static/upload/b5d/b5d01c423f1f84fffea37bd41ccf7d74.pdf>

Unless otherwise stated in the text of the research report, target prices are based on either a discounted cash flow valuation and/or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, from changes in social values. Valuations may also be affected by changes in taxation, in exchange rates and, in certain industries, in regulations. All prices are market close prices unless differently specified.

Since 1 July 2013, Mediobanca uses a relative rating system, based on the following judgements: Outperform, Neutral, Underperform and Not Rated.

Outperform (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 6-12 months.
Neutral (N). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 6-12 months.
Underperform (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 6-12 months.
Not Rated (NR). Currently the analyst does not have adequate confidence about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage, on a risk-adjusted basis, over the next 6-12 months. Alternatively, it is applicable pursuant to Mediobanca policy in circumstances when Mediobanca is acting in any advisory capacity in a strategic transaction involving this company or when the company is the target of a tender offer.

Our recommendation relies upon the expected relative performance of the stock considered versus its benchmark. Such an expected relative performance relies upon a valuation process that is based on the analysis of the company's business model / competitive positioning / financial forecasts. The company's valuation could change in the future as a consequence of a modification of the mentioned items.

Please consider that the above rating system also drives the portfolio selections of the Mediobanca's analysts as follows: long positions can only apply to stocks rated Outperform and Neutral; short positions can only apply to stocks rated Underperform and Neutral; portfolios selection cannot refer to Not Rated stocks; Mediobanca portfolios might follow different time horizons.

Proportion of all recommendations relating to the last quarter			
Outperform	Neutral	Underperform	Not Rated
41.57%	43.26%	12.36%	2.81%

Proportion of issuers to which Mediobanca S.p.A. has supplied material investment banking services relating to the last quarter:			
Outperform	Neutral	Underperform	Not Rated
56.25%	44.44%	28.57%	100.00%

The current stock ratings system has been used since 1 July 2013. Before then, Mediobanca S.p.A. used a different system, based on the following ratings: outperform, neutral, underperform, under review, not rated. For additional details about the old ratings system, please access research reports dated before 1 July 2013 from the restricted part of the "MB Securities" section of the Mediobanca S.p.A. website at www.mediobanca.com.

RATING

The present rating in regard to Health Italia has not been changed since 28/02/2018.

INITIAL COVERAGE

Health Italia initial coverage as of 28/02/2018.

COPYRIGHT NOTICE

No part of the content of any research material may be copied, forwarded or duplicated in any form or by any means without the prior consent of Mediobanca S.p.A., and Mediobanca S.p.A. accepts no liability whatsoever for the actions of third parties in this respect.

END NOTES

The disclosures contained in research reports produced by Mediobanca S.p.A. shall be governed by and construed in accordance with Italian law.

Additional information is available upon request.

The list of all recommendations disseminated in the last 12 months by Mediobanca's analysts is available [here](#)

Date of report production: 27 February 2018 - 17:45



Mediobanca S.p.A.
Antonio Guglielmi - Head of Equity Markets
+44 203 0369 570
antonio.guglielmi@mediobanca.com

Mediobanca S.p.A.
Andrea Filtri/Javier Suarez - Co - Heads of European Equity Research
(Reporting to the Group General Manager)

ANALYSTS

European Banks

Adam Terelak	IBK	+44 203 0369 574	adam.terelak@mediobanca.com
Alberto Nigro	Spain/Italy	+44 203 0369 575	alberto.nigro@mediobanca.com
Andrea Filtri	Spain/Italy	+44 203 0369 571	andrea.filtri@mediobanca.com
Jennifer Cook	UK	+44 203 0369 564	jennifer.cook@mediobanca.com
Noemi Peruch	Spain/Italy	+44 203 0369 645	noemi.peruch@mediobanca.com
Omar Fall	France	+44 203 0369 567	omar.fall@mediobanca.com
Riccardo Rovere	Italy/Scandinavia/CEE/Germany	+39 02 8829 604	riccardo.rovere@mediobanca.com
Robin van den Broek	Benelux	+44 203 0369 672	robin.vandenbroek@mediobanca.com

European Insurance

Fahad Changazi	UK	+44 203 0369 536	fahad.changazi@mediobanca.com
Gian Luca Ferrari	Global multi-liners/Italy/Asset Gatherers	+39 02 8829 482	gianluca.ferrari@mediobanca.com
Robin van den Broek	Benelux	+44 203 0369 672	robin.vandenbroek@mediobanca.com
Vinit Malhotra	Global multi-liners/Reinsurers	+44 203 0369 585	vinit.malhotra@mediobanca.com

Italian Research

Alessandro Pozzi	Oil & Oil Related	+44 203 0369 617	alessandro.pozzi@mediobanca.com
Alessandro Tortora	Building Materials/Industrials/Capital Goods	+39 02 8829 673	alessandro.tortora@mediobanca.com
Andrea Balloni	Industrials	+39 02 8829 541	andrea.balloni@mediobanca.com
Chiara Rotelli	Branded Goods/Consumers Goods	+39 02 8829 931	chiara.rotelli@mediobanca.com
Fabio Pavan	Media/Telecommunications/Consumer Goods	+39 02 8829 633	fabio.pavan@mediobanca.com
Gian Luca Ferrari	Global multi-liners/Italy/Asset Gatherers	+39 02 8829 482	gianluca.ferrari@mediobanca.com
Giuseppe Grimaldi	Small & Mid Caps	+39 02 8829 412	giuseppe.grimaldi@mediobanca.com
Isacco Brambilla	Small & Mid Caps	+39 02 8829 067	isacco.brambilla@mediobanca.com
Javier Suárez	Utilities	+39 02 8829 036	javier.suarez@mediobanca.com
Jean Farah	Utilities	+44 203 0369 665	jean.farah@mediobanca.com
Niccolò Storer	Auto & Auto Components/Industrials/Holdings	+39 02 8829 444	niccolo.storer@mediobanca.com
Nicolò Pessina	Consumer Goods/Infrastructure	+39 02 8829 796	nicolo.pessina@mediobanca.com
Sara Piccinini	Utilities	+39 02 8829 295	sara.piccinini@mediobanca.com
Simonetta Chiriotti	Real Estate/ Financial Services/Banks	+39 02 8829 933	simonetta.chiriotti@mediobanca.com

FOR NON US PERSON receiving this document and wishing to effect transactions in any securities discussed herein, please contact:

Mediobanca S.p.A.
Carlo Pirri - Head of Equity Sales

SALES

Angelo Vietri		+39 02 8829 989	angelo.vietri@mediobanca.com
Christopher Seidenfaden		+44 203 0369 610	christopher.seidenfaden@mediobanca.com
Lorenzo Angeloni		+39 02 8829 507	lorenzo.angeloni@mediobanca.com
Matteo Agrati		+44 203 0369 629	matteo.agrati@mediobanca.com
Nahid Iqbal		+44 203 0369 597	nahid.iqbal@mediobanca.com
Pierandrea Perrone		+39 02 8829 572	pierandrea.perrone@mediobanca.com
Timothy Pedroni		+44 203 0369 635	timothy.pedroni@mediobanca.com
Stephane Langlois		+44 203 0369 582	stephane.langlois@mediobanca.com
European Spec Sales			
Carlo Pirri	Banks/Insurance	+44 203 0369 531	carlo.pirri@mediobanca.com
Alan Davies	Banks/Insurance	+44 203 0369 510	alan.davies@mediobanca.com

Mediobanca S.p.A.
Cedric Hanisch - Head of Equity Trading and Sales Trading

SALES/TRADERS

Cedric Hanisch		+44 203 0369 584	cedric.hanisch@mediobanca.com
Julian Bradley		+44 203 0369 605	julian.bradley@mediobanca.com
Roberto Riboldi		+39 02 8829 639	roberto.riboldi@mediobanca.com

FOR US PERSON receiving this document and wishing to effect transactions in any securities discussed herein, please contact:

Mediobanca Securities USA LLC
Pierluigi Gastone - Head of Mediobanca Securities USA LLC

Massimiliano Pula		+1 646 839 4911	massimiliano.pula@mediobanca.com
Pierluigi Gastone		+1 212 991 4745	pierluigi.gastone@mediobanca.com
Robert Perez		+1 646 839 4910	robert.perez@mediobanca.com

Mediobanca S.p.A.
Salvatore Guardino - Head of Corporate Broking

Enrico Baraldini		+39 02 8829 978	enrico.baraldini@mediobanca.com
Nicolo Bottaro		+39 02 8829 429	nicolo.bottaro@mediobanca.com
Salvatore Guardino		+39 02 8829 826	salvatore.guardino@mediobanca.com
Vito Pinto		+39 02 8829 542	vito.pinto@mediobanca.com