



## **Research Report (Initial Coverage)**

**Health Italia S.p.A.**



**Reinforces its success by returning to its profitable core business, setting the stage for growth and innovation**

-

**Significant boost in sales and profits expected**

**Target price: 4.00 EUR**

**Rating: BUY**

**IMPORTANT NOTE:**

Please note the disclaimer/risk warning  
as well as the disclosure of possible conflicts of interest in accordance with § 85 WpHG and Art. 20 MAR from page 29

Note in accordance with MiFID II regulation for research "Minor non-monetary benefits": The research in question meets the requirements for classification as "Minor non-monetary benefits". For further information, please refer to the disclosure under "I. Research under MiFID II".

Date and time of completion of the research report: 28.08.2023 (15:00)

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Validity of the target price: until max. 31.12.2024

## Health Italia S.p.A. \*5a, 6a, 11

**Rating: BUY**  
**Target price: €4.00**

Current price: €1.56  
28.08.23 09:13  
Euronext Growth Milan

### Data overview:

ISIN: IT0005221004  
WKN: A2DHVL  
Stock exchange symbol: 615  
Number of shares<sup>3</sup>: 18.98  
Marketcap<sup>3</sup>: 29.51  
EnterpriseValue<sup>3</sup>: 36.20  
<sup>3</sup> in m / in EUR m

Free float: 41.3%

Market segment:  
Euronext Growth Milan

Accounting standard:  
IFRS

Financial year: 31.12.

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\* Catalog of possible conflicts of interest on page 30

### Company profile

Industry: Health Care

Focus: Health Care Services

Employees: 104 as of 31.12.2022

Established: 2001

Headquarters: Rome, Italy

Management: Livia Foglia (CEO), Roberto Anzanello (Chairman), Oscar Pischettu (Board Member), Diego Facchini (Board Member)



Health Italia S.p.A. is a leading company in the health services sector, specializing in promoting and providing a wide range of healthcare services in Italy. With a network of over 2,000 promoters and more than 5,000 affiliated healthcare establishments, the company serves approximately 450,000 clients. Their services include managing healthcare facilities, offering home-care services, handling client-related services such as claims and social protection schemes, and providing web development and supplementary training services for healthcare professionals. Health Italia also facilitates online advertising and booking services for health insurance, making it easier for individuals to find suitable coverage. With a strong focus on delivering high-quality healthcare and improving access to medical services, Health Italia remains committed to serving the diverse needs of its clients across Italy.

P&L in EURm \ FY-end	31.12.2021	31.12.2022	31.12.2023e	31.12.2024e
Sales	39.39	39.13	38.30	41.58
EBITDA	5.62	8.34	6.58	7.77
EBIT	3.06	6.27	5.27	6.59
Net income	1.06	3.70	3.07	4.04

Key figures				
EPS	0.06	0.19	0.16	0.21
DPS	0.00	0.00	0.00	0.00

Key figures				
EV/sales	0.92	0.93	0.95	0.87
EV/EBITDA	6.44	4.34	5.50	4.66
EV/EBIT	11.83	5.78	6.87	5.49
PE	27.79	7.98	9.62	7.30
PB		0.91		

### Financial Calendar

18 - 22 September 2023: Council of Administration – approval of the relationship semi-annually to the 30th of June 2023

13 - 17 November 2023: Council of Administration - Review of additional periodic information to September 30, 2023

### \*\*last research from GBC:

Date: Publication / Target price in EUR / Rating

\*\* Research studies listed above can be viewed at [www.gbc-ag.de](http://www.gbc-ag.de) or requested from GBC AG, Halderstr. 27, D86150 Augsburg, Germany.

## EXECUTIVE SUMMARY

- Health Italia S.p.A. The Health Italia Group is a healthcare and welfare organization aiming to enhance the quality and accessibility of health and welfare services. The primary focus of the group revolves around enrolling new members into the Mutual Health Funds MBA. Commissions are offered for successfully recruiting new members. The acquisition of these new members is accomplished through a multi-channel strategy, with a significant emphasis on leveraging the support of over 2,000 independent promoters and a network of banks. Additionally, the group operates successfully in the telemedicine sector and provides valuable services to mutual healthcare funds.
- Health Italia S.p.A. reported revenues of €42.51 million in 2022, up from €40.51 million in 2021. The largest portion of the revenue came from promotion and services, contributing €39.13 million. There was also an extraordinary revenue of €2.6 million from a real estate transaction involving the company's headquarters. Segment-wise, the promotion-and-services segment was the largest revenue generator, but it faced a slight decrease due to the effects of the COVID pandemic. The health-benefits segment showed strong growth, largely due to the success of telemedicine services. Meanwhile, the nutraceuticals-and-cosmeceuticals segment saw a decline due to a shift in corporate strategy.
- On the earnings side, the company reported an adjusted EBITDA of €7.82 million in 2022, an increase of 3.5% from 2021. Cost reductions across all profit and loss positions helped achieve substantial non-adjusted EBITDA growth of 48.5%, raising it to €8.34 million (PY: €5.62 million). The promotion-and-services segment was the leading contributor to EBITDA. Both the nutraceuticals-and-cosmeceuticals segment and the health-benefits segment are nearing break-even point, indicating a positive trend towards profitability. The overall net result significantly improved to €3.7 million, up from €1.06 million the previous year.
- Health Italia is undergoing a strategic transformation, focusing on promotion, telemedicine, medical services, and healthcare plans while scaling back investments in the nutraceutical and real estate sectors. The COVID-19 pandemic has accelerated the demand for telemedicine services, which the company aims to capitalize on, while improving service quality and efficiency. Health Italia is also investing in digital platforms. They are expanding their sales channels to include an online platform, thus broadening their customer base. The company's agility and commitment position it for significant growth in the coming years. Their revenue guidance for 2023-2026 aims for revenues between €50.0 - €52.0 million, with a focus on reinvestment, cost-saving, and sustainability. According to our projections, the company's revenue is expected to experience a slight decline to €38.2 million in 2023. This can be attributed to the impact of extraordinary real estate income in 2022 and a strategic shift in our operations. However, we anticipate the revenue to grow by 8.6% in 2024 to reach €41.58 million.
- For 2023, we project the EBITDA to be €6.58 million with an EBITDA margin of 17.2%. We predict a steady increase in EBITDA and margin for subsequent years, with an EBITDA of €7.77 million and an EBITDA margin of 18.7% for 2024.
- **In the DCF model we are in sync with the guidance and forecast revenues of €50.31 million and an EBITDA of €13.12 million by 2026. Based on our DCF model, we have arrived at a target price of €4.00. Given the significant upside potential, we assign a Buy rating.**

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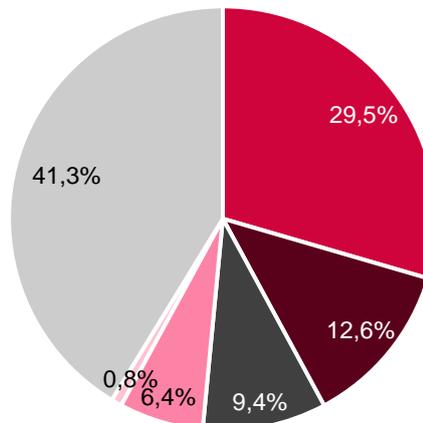
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## COMPANY

### Shareholder structure

Shareholders	Share
Sorgiva Holding S.p.A.	29.5%
Mutua MBA Società di Mutuo Soccorso SCpA	12.6%
PFH S.r.l.	9.4%
Amara Life Holdings Ltd	6.4%
Treasury shares	0.8%
Free float	41.3%
Total	100.0%

Sources: Health Italia S.p.A.; GBC AG



- Sorgiva Holding S.p.A.
- Mutua MBA Società di Mutuo Soccorso SCpA
- PFH S.r.l.
- Amara Life Holdings Ltd
- Treasury shares
- Free float

### Business activity

Health Italia S.p.A. is a leading company specializing in the promotion and provision of health services. Health-services promotion primarily involves promoting (i.e. selling) healthcare coverage plans and also encompasses advocating for corporate welfare services. Health Italia offers supplementary training services for mutual promoters on behalf of fraternal organizations, additional healthcare funds, and health facilities. As of the end of 2022, the company boasted a network of over 2,000 promoters across Italy. Health Italia serves around 450,000 clients through its extensive network of more than 5,000 affiliated healthcare establishments. These establishments provide a wide range of medical services to meet the needs of their diverse client base. In addition to its promotion and healthcare services, Health Italia offers online advertising and booking services for health insurance. This division helps facilitate the process of connecting individuals with suitable health insurance plans, streamlining the search and enrollment process. It is important to note that all of Health Italia's net sales are generated within Italy. The company is focused on delivering high-quality health services and facilitating access to healthcare for individuals across the country.

### Health Italia Core Businesses

#### 1 Healthcare and services



#### 2 Medical services



Sources: Health Italia S.p.A.; GBC AG

## Management team



### **Livia Foglia, CEO**

She began her professional experience in the insurance brokerage area in 2000 at Willis Italia S.p.A. and then Ital Brokers S.p.A., dealing with the definition of insurance programs for the Employee Benefit sector. In 2014, she joined the Group with the role of COO, as well as subsequently covering the roles of IR Manager, Board Member and Head of the Welfare Area in Health Italia. On 6 October 2021, she assumed the position of CEO of the company, an appointment that is also in line with the Group's ESG vocations. Furthermore, during 2017 she has been the CEO of HI Welfare S.r.l., a company specialized in offering corporate welfare services.



### **Roberto Anzanello, Chairman**

He began his career in the insurance sector. In 1994, he became Communication Manager of AXA Italia. In 1997, he joined Cattolica di Assicurazioni S.p.A. as Deputy Director in charge of the Life and Banks Department, subsequently assuming the position of Co-Director of the same business unit. Two years later he was appointed CEO of BPV Vita, and in 2003 he joined the Ergo Group. Since 2013, he has been Chairman of Health Italia S.p.A.



### **Oscar Pischeddu, Board Member**

He has gained professional experience as a financial consultant and entrepreneur in the real estate sector. Since 2006, he has had the role of partner of Roma Assistance S.p.A. and, since 2013, he has been CEO for Health Property S.p.A. For two years, from 2016 to 2018, he was President of Mutua MBA. In 2018, he became Vice President at Health Italia S.p.A. at which he is still a board member. He is also currently the President of Health Assistance.



### **Diego Facchini, Board Member**

He has twenty years of professional experience in national and international companies in the IT sector, gaining significant skills in coordinating people and projects. In particular, he was Executive IT Director of three large multinational companies, HSE24 S.p.A., Alliance Medical and M + W Group. In the group since October 2019, he was CEO of H-Digital S.p.A. and currently holds the position of Chief Executive Officer of Technology and Innovation of Health Italia S.p.A.

## Business activity

### Company history at a glance

Date	Development
2001	Roma Assistance S.p.A. founded by a group of partners, including Massimiliano Alfieri. Specialization in health insurance and supplementary healthcare.
2006	Introduction of multi-firm agent model. Creation of an organized network of intermediaries through a proprietary IT process. Expansion of business beyond Rome, with over 700 intermediaries established throughout Italy.
2007	Partnership formed with Basis S.r.l., a company engaged in real estate and insurance brokerage. Strengthened presence in the supplementary healthcare segment. Development of personal line insurance products tailored to individual customer needs.
2011	The company becomes active in non-life insurance brokerage, marketing and distribution of life insurance and pension products, and mutual subsidies. Establishment of a direct-sales network based on the network marketing model.
2014	The company shifts focus towards the integrative healthcare sector and the promotion of health programs of mutual aid societies. Health Holding Group S.p.A. is formed.
2015	Health Holding Group's activities predominantly revolve around supplementary health care, promoting health programs of mutual aid societies, claim and client management services. Adoption of a multitarget model with three different networks: The company sells their policy portfolio to insurance broker Janua Broker S.p.A. Focus of activities streamlined towards integrative healthcare, ancillary services, and corporate welfare systems, simplifying their organizational and corporate structure.
2016	Implementation of service management and offering of corporate welfare services in the flexible-benefit mode.
2017	Listing on AIM Italia Health Point is founded HI Welfare is founded
2018	-Health Point: establishment of proprietary healthcare facilities and telemedicine solutions -M&A nutraceutical products business development -HI Welfare join the Confindustria/Assolombarda Welfare Observatory
2019	-Health Point receive the Innovation Business Award – Health and Wellbeing section -Merger of HI Welfare and transformation into a business Unit of Health Italia -H Digital SpA becomes a subsidiary of Health Italia
2020	-First sustainability report for Health Italia group -Achievement of ESGe rating with 'BBB' score by Cerved Rating Agency -Strategic agreement between Health Italia and Mutua Nazionale proposing healthcare plans to more than 3.2 million public employees
2021	-Upgrade of ESGe 2020 rating to 'A' with a score of 70.9 from Cerved Rating Agency -Start of the Project Banca Mutua in partnership with Igea Banca (Fucino) as a new strategic distribution channel (following the increase of HI's stake in the Banca Igea Group)
2022	-Credit Rating 'B1.2' from Cerved Rating Agency, placing Health Italia in the Investment Grade area -Consolidation of the multichannel distribution model, with independent networks -After Mondadori, Health Point is the technical partner of Sky Italia for corporate welfare -Shareholders' agreement on 20% of the share capital signed by top managers and shareholders
2023	-Health Point starts a sales channel in sports centres and clubs -Focusing on core business: promotion, services, telemedicine

Sources: Health Italia S.p.A.; GBC AG

## Background information on the Italian healthcare system

To effectively understand Health Italia's business activities, it is essential to comprehend the intricacies of the Italian healthcare system.

### The three pillars of the Italian healthcare system

The Italian healthcare system is based on three pillars that work together to provide comprehensive coverage and services to the population.

The first pillar of the Italian healthcare system is the public healthcare system, known as the Servizio Sanitario Nazionale (SSN). It is a tax-funded system that provides universal healthcare coverage to all Italian residents. The SSN is operated and financed by the government at the national, regional, and local levels.

Under the public healthcare system, essential healthcare services are provided to individuals free of charge or at a minimal cost. This includes access to general practitioners, specialist consultations, hospital care, emergency services, preventive care, and medications. The public healthcare system aims to ensure equal access to healthcare services for all citizens, regardless of their income or social status.

The second pillar of the Italian healthcare system involves complementary healthcare coverage provided by entities such as mutual aid societies and healthcare funds. These organizations offer additional benefits and coverage options to supplement the services provided by the public healthcare system.

Mutual aid societies are voluntary associations that provide social and financial assistance to members during times of illness, disability, or other emergencies. Healthcare funds are institutions that offer supplementary health coverage beyond what is provided by the public system. They may provide access to private healthcare facilities, shorter waiting times for certain procedures, coverage for alternative therapies, and reimbursement of out-of-pocket expenses.

The Italian government recognizes the importance of these mutual aid societies in complementing the services provided by the National Health Service. As a result, these societies are eligible for certain tax benefits, which help them maintain their financial stability and offer better services to their members. Mutual Aid Societies may enjoy tax-exempt status on their income, meaning they do not have to pay taxes on the funds they collect from membership fees and other sources. This exemption allows them to allocate more resources towards providing healthcare assistance and other services to their members. In some cases, individuals who are members of Mutual Aid Societies may be eligible for tax deductions on the contributions they make to the society. This incentive encourages more people to join these societies and participate actively in supporting their healthcare needs. If a Mutual Aid Society invests its funds, it may receive preferential tax treatment on investment income. This treatment can enhance the society's financial position and enable them to offer more comprehensive healthcare benefits.

The third pillar of the Italian healthcare system involves individual healthcare coverage obtained through private health insurance policies. Individuals have the option of purchasing private health insurance to supplement their healthcare needs beyond what is covered by the public system or complementary healthcare entities. Private health insurance policies can provide additional benefits, such as coverage for specialized treatments, elective procedures, and access to a broader network of healthcare providers.

Individuals who choose to have private health insurance policies can have the advantage of more choices and potentially faster access to certain medical services. However, private health insurance coverage is not mandatory in Italy, and the majority of the population relies on the public healthcare system and complementary healthcare entities for their healthcare needs.

It is important to note that, while these three pillars exist in the Italian healthcare system, the specific implementation and coverage levels may vary. The goal of the system is to ensure that all individuals have access to essential healthcare services, with complementary and private options available for those who choose to seek additional coverage.

### ***Mutual aid societies and healthcare funds***

In Italy, mutual aid societies, healthcare funds, and health insurance funds play important roles in providing healthcare coverage and support to the population.

**Mutual aid societies** are voluntary associations that provide social and financial assistance to their members. They are typically established by groups of individuals with common interests or affiliations, such as workers from the same industry or residents of a specific region. Mutual aid societies have a long history in Italy, dating back to the 19th century, and they continue to operate today. The primary purpose of mutual aid societies is to offer mutual assistance and solidarity among their members. They often provide financial aid during times of illness, disability, unemployment, or other emergencies. While they are not primarily healthcare providers, mutual aid societies may offer some health-related benefits, such as access to medical services, reimbursements for medical expenses, or contributions towards health insurance premiums.

**Healthcare funds** are institutions that provide supplementary health coverage to complement the services offered by the Italian National Health Service (Servizio Sanitario Nazionale or SSN). Healthcare funds are usually organized based on specific professional categories or sectors, such as employees in certain industries, self-employed workers, or specific occupational groups. The main role of healthcare funds is to offer additional healthcare benefits to their members beyond what is provided by the SSN. These benefits can include access to private healthcare facilities and specialists, shorter waiting times for certain medical procedures, coverage for alternative therapies, and reimbursement of out-of-pocket expenses. Healthcare funds are typically funded through contributions from both employers and employees.

It is important to note that the specific details, regulations, and coverage levels provided by mutual aid societies, healthcare funds, and health insurance funds can vary depending on the individual organization and the agreements they have in place. The Italian healthcare system is a mix of public and private components, and these entities contribute to the overall provision of healthcare services in the country.

### ***Flexible benefits***

In Italy, flexible benefits refer to a type of employee benefit program that allows individuals to customize their compensation package based on their personal needs and preferences. Flexible benefits, also known as cafeteria plans or flexible remuneration plans, provide employees with a range of options to choose from within the overall benefits framework provided by their employer.

Under a flexible benefits program, employees typically receive a predetermined amount of money or credits that they can allocate towards various benefits. These benefits may include health insurance coverage, retirement savings plans, life insurance, dental and vision care, wellness programs, childcare assistance, transportation allowances, and more. The specific options available may vary depending on the employer and the structure of the flexible benefits plan.

The key feature of flexible benefits is that employees have the flexibility to select the benefits that are most relevant to their individual circumstances and priorities. This allows employees to tailor their benefits package to better meet their specific needs, providing a sense of customization and empowerment.

Flexible benefits programs in Italy are designed to offer greater choice and flexibility to employees, acknowledging that different individuals have different needs and preferences. By allowing employees to choose their benefits, employers aim to enhance job satisfaction, attract and retain talent, and promote a positive work-life balance.

It is important to note that the implementation and availability of flexible benefits programs may vary among employers in Italy. Some larger companies or multinational organizations are more likely to offer flexible benefits, while smaller businesses may have more standardized benefit packages.

Companies can benefit from significant tax and contribution advantages, as well as cost savings, by implementing welfare initiatives in accordance with Article 51 of the TUIR. These initiatives not only result in reduced labor costs for the company but also provide employees with enhanced purchasing power compared to regular salary payments. By embracing welfare initiatives, companies can optimize their tax planning strategies and leverage the potential savings that arise from implementing such programs.

### ***Comparison of the German and the Italian healthcare systems***

The healthcare systems in Germany and Italy differ in terms of their underlying structure and the number of pillars or components they consist of. Germany follows a two-pillar system, while Italy follows a three-pillar system. Here is a breakdown of the differences between the two systems:

#### **Germany (two-pillar system)**

The primary pillar in Germany is statutory health insurance (Gesetzliche Krankenversicherung, GKV). It is a compulsory system that covers the majority of the population, including employees and their dependents. Contributions are made by both employees and employers based on income, and coverage is comprehensive.

The second pillar in Germany is private health insurance (Private Krankenversicherung, PKV). It is optional and primarily serves self-employed individuals, high-income earners, civil servants, and some others who meet certain criteria. The premiums are based on the individual's age, health status, and coverage preferences. Private insurance often offers more extensive benefits and additional services compared to the statutory system.

#### **Italy (three-pillar system)**

The national health service (Servizio Sanitario Nazionale, SSN) in Italy forms the primary pillar. It is a tax-funded, universal healthcare system that guarantees comprehensive coverage for all citizens and legal residents. The SSN provides a broad range of healthcare services, including hospital care, primary care, specialist consultations, and prescription medications.

In Italy, the second pillar of the healthcare system, which comprises mutual aid societies and healthcare funds, plays a crucial role in complementing the public health system. These voluntary health insurance schemes are typically managed by trade unions, professional associations, or other groups, offering supplementary coverage and additional services to their members. Members of these funds can benefit from coverage for services that may not be fully covered by the public health system, such as certain medications, dental care, or alternative therapies.

Due to its importance in supporting the overall healthcare system, the government actively supports the second pillar with significant tax benefits. When individuals or employees subscribe to a healthcare plan with one of these entities, they can take advantage of the

tax and contribution benefits provided by Italian law. This incentivizes people to participate in these voluntary schemes, as it not only enhances their healthcare coverage but also provides financial advantages that encourage broader participation in the system. Consequently, the collaboration between the public and private sectors in healthcare ensures a more comprehensive and accessible healthcare experience for the population in Italy.

The third pillar in Italy consists of private health insurance policies (Assicurazioni Sanitarie Private). These policies are optional and can be purchased by individuals who wish to have additional coverage beyond what is provided by the SSN or the mutual aid societies. Private insurance may offer benefits like faster access to specialists, private hospital rooms, or coverage for treatments not covered by the public system.

It is important to note that while Germany's two-pillar system is primarily divided between statutory and private insurance, Italy's three-pillar system combines tax-funded universal coverage with voluntary mutual aid societies, healthcare funds, and private insurance options. The emphasis in Italy is on providing comprehensive coverage to all citizens through the SSN, with additional options for supplementary coverage and personalized services through the other pillars.

## Business model

The Health Italia Group is an organization operating within the healthcare and welfare industry, dedicated to offering innovative solutions that enhance the quality and accessibility of health and welfare services. The group's primary objective is to promote an integrated and pioneering approach to meet these needs.

The operations of the Health Italia Group span across various business areas, including:

**Promotion and services:** this segment, led by Health Italia S.p.A., provides services primarily to mutual aid societies, supplementary healthcare funds, and health insurance funds. These organizations often require support in acquiring new members and managing complementary services. The promotion-and-services area focuses on identifying potential members and beneficiaries through a network of promoters. The promotion activities are compensated by active entitlements from mutual aid societies, supplementary and complementary healthcare funds, while operating costs are covered by passive entitlements assigned to the promoter network. Additionally, this area encompasses the development of business proposals for corporate welfare systems in flexible-benefit mode, benefiting employees of client companies. Commissions for these services are paid by the companies and affiliated facilities involved. The promotion-and-services division, which falls under the purview of Health Italia S.p.A., plays a significant role in the overall financial performance of the Health Italia Group. It accounts for approximately 72% of the group's total revenue and contributes the majority of the EBITDA. This division's robust revenue generation and profitability highlight its strategic importance within the organization, underscoring its pivotal role in driving the Group's financial success.

Health Italia employs a multichannel distribution model that encompasses an internal distribution network, bank branches, and external distribution networks. They have a vast team of over 2,000 promoters who are directly coordinated by Health Italia, responsible for promoting their products and services. In collaboration with more than 120 bank branches, Health Italia has developed "Health in the Bank", a distribution system specifically tailored for the banking sector. It is the first applied model of Banca Mutua in Italy and is managed by Health Italia in partnership with mutual aid societies and healthcare funds. To expand their commercial distribution reach and diversify their operations, Health Italia engages with three independent networks. These networks, operating with lean structures,

benefit from synergies by incorporating mutual products and welfare solutions into their portfolios, making it mutually advantageous. In addition to their internal and external networks, Health Italia has formed partnerships with over five mutual benefit companies, mutual healthcare funds, and healthcare funds. These collaborations allow Health Italia to extend their product offerings and services through established mutual societies and healthcare funds. Through their multifaceted distribution approach and strategic partnerships, Health Italia strives to ensure the accessibility and availability of their mutual products and welfare solutions to a wide range of customers.

Health Italia has a noteworthy association with MBA (Mutua Basis Assistance), a mutual aid society with over 400,000 members, which accounted for approximately 90% of Health Italia's revenue as of 2022. While MBA lacks its own network of promoters, Health Italia holds the exclusive responsibility of coordinating and managing all efforts aimed at expanding MBA's member base and promoting its solutions. Additionally, through Health Assistance S.C.P.A., the group offers various services to MBA, including client management, claim management, and back-office activities. The relationship between Health Italia and MBA is governed by a 10-year contract that needs to be renewed in September 2026. While the heavy reliance on a single counterparty raises equity concerns, the strong interdependence between the two entities mitigates the likelihood of MBA breaching the agreement.



**Customer support:** this segment, managed by the subsidiary Health Assistance S.C.P.A., provides assistance to members of mutual aid societies, supplementary healthcare funds, and health insurance fund. The services primarily involve claim management, client support, home care services, and coordinating contracts with healthcare facilities and professionals. The comprehensive management of client relationships is also a key aspect of this division. Commissions for these services are determined based on a fixed and variable component.

**Health benefits:** Health Point S.p.A., a subsidiary of the Group, operates in the health care benefits sector. It offers healthcare services both at its own healthcare facility and through telemedicine to patients affiliated with mutual aid societies, supplementary healthcare funds, and health insurance fund, and individual customers. The "Health Point" project caters to companies, pharmacies, sports centers, and clinics, providing health services with a focus on proximity and accessibility, utilizing innovative telemedicine technology. Payment for services rendered serves as the primary source of revenue in this area. Health Point is a healthcare and telemedicine services provider operating through a nationwide network of facilities and professionals. It adopts a state-of-the-art approach to service delivery, tailoring solutions to meet specific contextual needs.

The strategic mission of Health Point is to develop innovative telemedicine systems that facilitate the establishment of remote medical centers, ensuring individuals have access to quality healthcare, enhanced accessibility, and prompt responses. The organization offers telemedicine services through its online platform (MyDigitalHealth) and provides healthcare services at its own facilities (HP Medical Care) as well as contracted centers. Additionally, it serves as a B2B partner for pharmacies, fitness centers, and companies, creating customized services to cater to user requirements. The range of services provided by Health Point includes:

Multi-specialty and dental center: the organization operates a dedicated facility housing a team of specialists and dental professionals, delivering comprehensive care across various medical disciplines.

Telemedicine services: through its advanced telemedicine platform, Health Point enables remote consultations, diagnosis, and treatment, ensuring convenient access to healthcare services.

Corporate welfare services: the organization offers tailored healthcare services to businesses, contributing to employee well-being and fostering a healthier and more productive workforce.

In pursuit of its mission, Health Point strives to revolutionize healthcare by leveraging technological advancements and providing exceptional telemedicine services. By joining forces with them, individuals can benefit from accessible and high-quality medical care.

**Before 2023, the company pursued the segments nutraceuticals and cosmeceuticals, and real estate. The company has discontinued its pursuit of these segments, and as a result, they are no longer considered significant or relevant to its current operations:**

**Nutraceuticals and cosmeceuticals:** the Group's subsidiary, Be Health S.p.A., engages in retail sales of cosmeceuticals and nutraceuticals. Nutraceuticals are products that combine the nutritional benefits of food with the medicinal properties of pharmaceuticals. They provide additional health benefits beyond basic nutrition. Cosmeceuticals are cosmetic products that contain bioactive ingredients with pharmaceutical-like properties. They enhance appearance while offering skincare benefits and targeting specific skin concerns. The objective is to facilitate effective and widespread distribution in this sector. The revenue in this area is generated from the difference between the amount paid in and the amount paid out.

**Real estate:** Health Property S.p.A., the subsidiary dedicated to real estate, manages properties including vacation homes, apartments, and residences. The revenue is derived from the payment by users of the services and rented properties.

## MARKET AND MARKET ENVIRONMENT

### Italian healthcare market

The Italian healthcare market is characterized by a mix of public and private providers. The National Health Service (Servizio Sanitario Nazionale or SSN) plays a crucial role in providing universal healthcare coverage to all Italian citizens and residents. It is funded through general taxation and provides a wide range of medical services, including hospital care, primary care, pharmaceuticals, and preventive services.

The Italian healthcare system faces several challenges, such as an aging population, rising healthcare costs, and increasing demand for healthcare services. These challenges are expected to continue in the future, necessitating additional support from mutual aid societies and healthcare funds.

Mutual aid societies, known as mutualistic organizations (organizzazioni mutualistiche), are non-profit entities that provide supplementary health coverage to their members. They often operate in specific sectors or industries, such as trade unions, professional associations, or religious organizations. These societies offer additional benefits and services beyond what is covered by the SSN, including quicker access to specialized care, coverage for complementary therapies, and private hospitalization options.

Healthcare funds, also known as health insurance funds (fondi di assistenza sanitaria), are private insurance entities that offer health coverage to individuals and families. They operate alongside the SSN and provide options for individuals to access private healthcare services and receive additional coverage for treatments not covered by the public system.

As the demands on the Italian healthcare system continue to increase, mutual aid societies and healthcare funds are expected to play an increasingly important role. These organizations can help alleviate some of the pressure on the public system by offering supplementary services, reducing waiting times for specialized care, and providing coverage for treatments that may not be fully covered by the SSN.

Moreover, mutual aid societies and healthcare funds can contribute to enhancing the overall quality of care by investing in advanced medical technologies, promoting preventive healthcare measures, and supporting research and development initiatives.

To ensure the sustainability of the healthcare system and meet the evolving needs of the population, collaboration between the SSN, mutual aid societies, and healthcare funds will be crucial. This collaboration can help optimize the allocation of resources, promote a more efficient and coordinated delivery of care, and ensure that all individuals have access to comprehensive and timely healthcare services.

In summary, as the Italian healthcare system faces ongoing challenges, such as demographic shifts and rising costs, the involvement of mutual aid societies and healthcare funds is likely to become increasingly important. These organizations can provide additional support and coverage to individuals, help alleviate the burden on the public system, and contribute to enhancing the overall quality of care in Italy.

### Italian government healthcare expenditure

According to national data from Italy's national statistical institute (ISTAT), healthcare expenditure in 2019 amounted to €154.8 billion. Of this amount, €114.8 billion was publicly funded, while the remaining €40 billion was covered by families and other private entities.

Preliminary estimates for 2020 showed an increase in public spending (€122.4 billion) and a decrease in private expenditure (€38.1 billion) due to the COVID-19 pandemic, which led to additional public spending for emergency response and a reduction in non-urgent services utilization.

Italy's healthcare spending in 2019 accounted for 8.7% of its GDP, slightly above the European Union (EU) average of 8.5%. However, compared to countries like Spain, France, the United Kingdom, and Germany, Italy has the lowest healthcare expenditure as a percentage of GDP. Per capita healthcare expenditure in 2019 was \$3998, higher than the average across the World Health Organization (WHO) European Region but lower than the average for EU/European Economic Area (EEA) countries and the United Kingdom.

Over the past two decades, public expenditure on healthcare in Italy has experienced fluctuations. From 2000 to 2010, it grew at an average annual rate of 4.1%, but from 2011 to 2019, the growth rate dropped to 0.9%. Private expenditure, on the other hand, has shown a more consistent annual increase of around 2.1%. The share of government expenditure on healthcare decreased from 78.5% in 2010 to 73.9% in 2019, impacted by modest GDP growth and high public debt/GDP ratio.

Regional disparities in per capita healthcare spending exist in Italy, with higher funding in northern regions due to an older population and additional services provided beyond the national benefits package (LEA). Patient mobility between regions also affects regional differences in per capita health spending, with patients from southern regions seeking care in the north. The private share of per capita expenditure varies across the country, reflecting differences in disposable income.

The main areas of health expenditure in 2019 were inpatient care for public expenditure and outpatient care and pharmaceuticals for private expenditure. In the last decade, Italy implemented cost-containment strategies at the national, regional, and organizational levels to control expenditure. These measures included regional recovery plans for overspending regions and the regulation of national personnel contracts and pharmaceutical prices.

In response to the COVID-19 pandemic, the Italian government increased funding for the National Health Service, allocating additional resources to address the emergency. The pandemic also impacted the financial situation of regions, with some likely to experience deficits requiring coverage by regional or national resources.

In 2022, the Interministerial Committee for Economic Planning and Sustainable Development approved the allocation of available funds for the National Health Service among the regions and autonomous provinces. The total amount allocated was €125 billion, with additional resources directed towards COVID-19 expenses, vaccination campaigns, innovative drugs, energy prices, healthcare personnel, and essential levels of care.

Overall, Italy has been grappling with balancing healthcare expenditure with its economic constraints and public debt. The country has made efforts to control costs and improve efficiency while dealing with the challenges posed by the COVID-19 pandemic.

## **Brokered and non-brokered markets**

There are differences between the brokered and non-brokered private healthcare market in Italy.

### **Brokered private healthcare market**

In the brokered private healthcare market, intermediaries or brokers act as facilitators between individuals seeking private healthcare services and healthcare providers. These intermediaries assist in connecting patients with suitable healthcare providers, negotiating prices, coordinating appointments, and managing administrative tasks. They offer convenience and guidance to patients in navigating the private healthcare system.

The brokered market provides a streamlined experience for individuals who prefer the support and expertise of intermediaries when accessing private healthcare services. It offers a range of value-added services and simplifies the process of finding and utilizing private healthcare options.

### **Non-brokered private healthcare market**

In contrast, the non-brokered private healthcare market operates without intermediaries or brokers. Individuals have the freedom to directly approach private healthcare providers or facilities without intermediary involvement. They can independently select and engage with the healthcare provider of their choice.

The non-brokered market allows for a more direct relationship between patients and healthcare providers. It empowers individuals to make independent decisions regarding their healthcare and maintain a personalized level of engagement with their chosen providers.

### **Potential for brokers in the non-brokered market**

The non-brokered private healthcare market presents an untapped opportunity for brokers to enter and provide their services. With this market segment lacking intermediaries, brokers have the potential to address the unmet needs of individuals seeking private healthcare services. By offering their expertise, guidance, and network of healthcare providers, brokers can provide value-added services to patients who may desire additional support in navigating the private healthcare landscape.

Brokers entering the non-brokered market can bring convenience, personalized recommendations, cost negotiations, and administrative assistance to individuals seeking private healthcare. This allows patients to access the benefits of brokered services even within the non-brokered market segment.

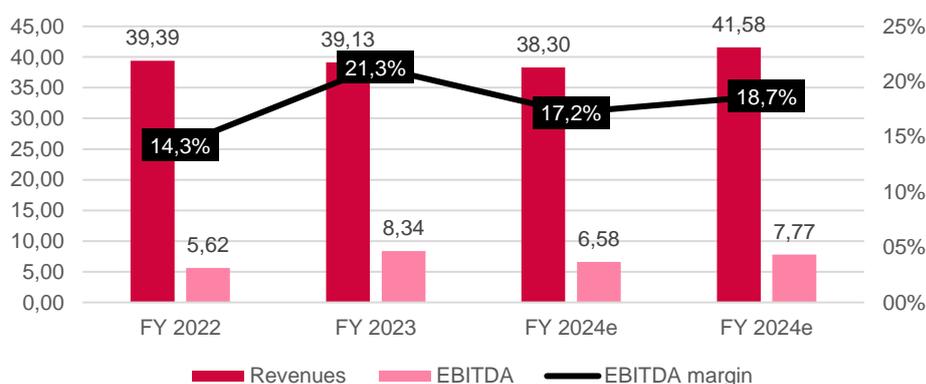
## CORPORATE DEVELOPMENT

### Key figures at a glance

(in m €)	FY 2021	FY 2022	FY 2023e	FY 2024e
<b>Revenues for services</b>	<b>39.39</b>	<b>39.13</b>	<b>38.30</b>	<b>41.58</b>
Other operating income	0.18	0.10	0.00	0.00
<b>Total output</b>	<b>39.58</b>	<b>39.22</b>	<b>38.30</b>	<b>41.58</b>
Other revenues	0.93	3.29	0.00	0.00
<b>Total revenues</b>	<b>40.51</b>	<b>42.51</b>	<b>38.30</b>	<b>41.58</b>
Costs for materials	-0.43	-0.37	-0.16	-0.17
Costs for services	-26.41	-25.90	-24.51	-26.21
Cost for use of third-party assets	-0.27	-0.25	-0.44	-0.48
Staff costs	-4.91	-4.88	-4.65	-4.93
Other miscellaneous costs and charges	-2.88	-2.77	-1.96	-2.02
<b>EBITDA</b>	<b>5.62</b>	<b>8.34</b>	<b>6.58</b>	<b>7.77</b>
Depreciation	-1.42	-1.54	-1.31	-1.18
Provisions	0.01	0.00	0.00	0.00
Writedowns	-1.16	-0.54	0.00	0.00
<b>EBIT</b>	<b>3.06</b>	<b>6.27</b>	<b>5.27</b>	<b>6.59</b>
Financial income	0.75	0.66	0.23	0.24
Financial charges	-1.34	-1.48	-1.12	-1.06
<b>EBT</b>	<b>2.47</b>	<b>5.46</b>	<b>4.38</b>	<b>5.77</b>
Current taxes	-1.39	-1.85	-1.31	-1.73
Deferred taxes	-0.03	0.09	0.00	0.00
<b>Net result</b>	<b>1.06</b>	<b>3.70</b>	<b>3.07</b>	<b>4.04</b>
Revenues	39.39	39.13	38.30	41.58
EBITDA	5.62	8.34	6.58	7.77
<i>EBITDA margin</i>	<i>14.3%</i>	<i>21.3%</i>	<i>17.2%</i>	<i>18.7%</i>
EBIT	3.06	6.27	5.27	6.59
<i>EBIT margin</i>	<i>7.8%</i>	<i>16.0%</i>	<i>13.8%</i>	<i>15.9%</i>
Net result	1.06	3.70	3.07	4.04
<i>Net margin</i>	<i>2.7%</i>	<i>9.4%</i>	<i>8.0%</i>	<i>9.7%</i>

Sources: GBC AG, Health Italia S.p.A.

### Development of sales, EBITDA (in m €) and EBITDA margin (in %)



Sources: GBC AG, Health Italia S.p.A.

## Business development 2022

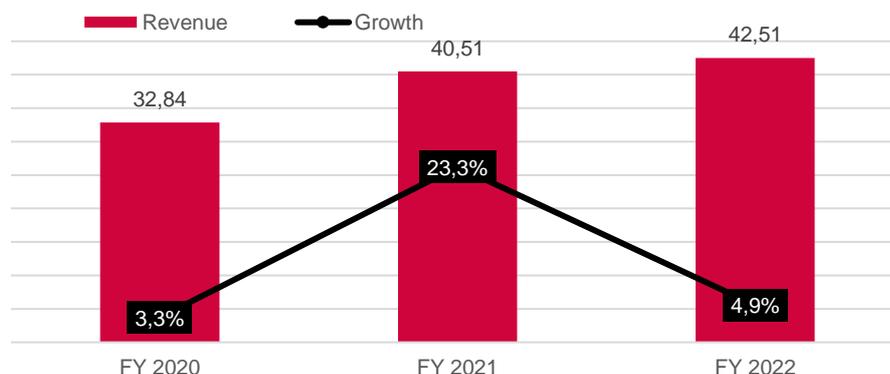
P&L (in m €)	FY 2020	FY 2021	FY 2022
Total revenue	32.84	40.51	42.51
Operating revenue	32.22	39.58	39.22
EBITDA	4.95	5.62	8.34
EBITDA margin	15.1%	13.9%	19.6%
Adj. EBITDA	6.21	7.56	7.82
Adj. EBITDA margin	19.3%	19.1%	19.9%
EBIT	1.73	3.06	6.27
EBIT margin	5.3%	7.6%	14.7%
Net result	1.26	1.06	3.70
EPS in €	0.07	0.06	0.19

Sources: Health Italia S.p.A., GBC AG

### Revenue development

The company reports three distinct types of revenues in the consolidated group P&L statement. These include revenues from services, other operating income, and other revenue.

#### Revenue development (in m €)



Sources: Health Italia S.p.A., GBC AG

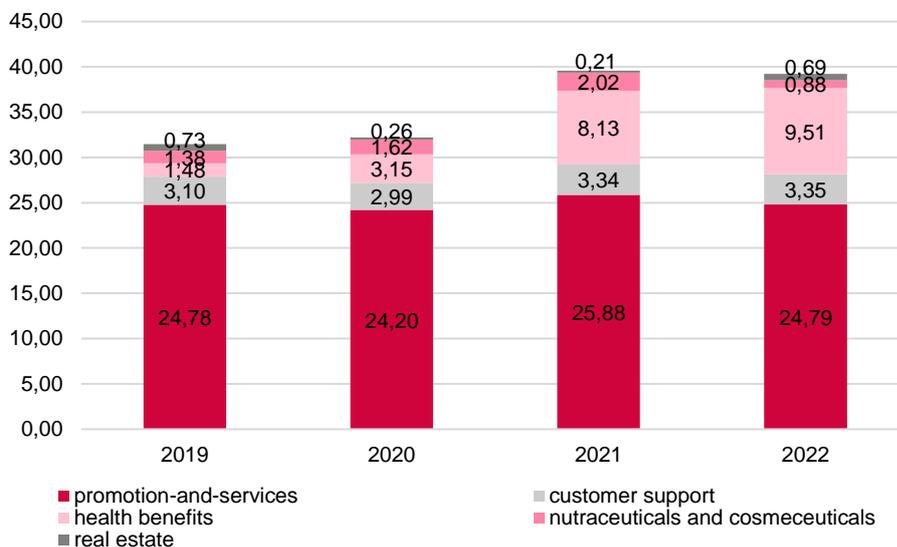
Among these, the revenues from services represent the largest portion, amounting to €39.13 million in 2022 (compared to €39.39 million in the previous year). These revenues primarily stem from the company's core business operations.

Additionally, the other operating income comprises capitalization of own work related to internally developed software, resulting in €0.1 million (compared to €0.19 million in the previous year). Consequently, the total operating revenue for 2022 amounts to €39.22 million (compared to €39.58 million in the previous year).

Other revenue amounted to €3.3 million (compared to €0.93 million in the previous year), primarily driven by a contribution of €2.6 million from Health Italia. This noteworthy income was derived from an extraordinary event involving a real estate transaction. On June 8, 2022, Health Italia successfully reached an agreement with Meridiana, a company that had gone bankrupt. This agreement resolved a credit dispute involving a nominal amount of €5.2 million. The credit had initially been acquired from Banca Intesa on March 31, 2021, at a price of €2.1 million. The credit in question was tied to a building situated in Formello, Rome, which holds significance as the headquarter of the group. The building was appraised at a value of €4.1 million. This agreement brought about two primary outcomes. Firstly, it enabled the group to complete the acquisition of the aforementioned property, thereby augmenting its asset base. Secondly, it led to the recognition of an extraordinary income amounting to €2.6 million, which corresponded to the closure of the financial credit worth €2.1 million.

Overall, when considering all three types of revenue, the total revenue for the company reached €42.51 million in 2022 (compared to €40.51 million in the previous year).

### Revenues by segment (in m €)



Sources: Health Italia S.p.A., GBC AG

The promotion-and-services segment, due to the after-effects of the COVID pandemic, experienced a lack of growth, resulting in €24.79 million in sales (compared to €25.88 million in the previous year). However, it still stands as the most significant revenue generator for the company. The COVID pandemic had contrasting effects on revenues for healthcare. On one hand, it led to increased consciousness and prioritization of healthcare expenditures among individuals. The heightened awareness of health risks and the importance of maintaining well-being prompted many people to allocate more funds towards healthcare products and services. On the other hand, the pandemic also resulted in financial challenges for many individuals. Widespread job losses, reduced income, and economic uncertainties left people with less disposable income. As a result, some individuals were forced to cut back on non-essential healthcare expenses.

The growth and development of the customer support segment are closely tied to the promotions-and-services segment. As more members are acquired, the capacity to provide additional services, such as increased invoicing, expands. In terms of stability, the customer support segment performed similarly to the promotions-and-services segment, demonstrating consistent growth and reaching a total of €3.35 million (compared to €3.34 million in the previous year).

The health benefit segment has experienced robust growth in recent years, with a remarkable upward trajectory. Starting at €1.48 million in 2019, the segment expanded to €3.15 million in 2020, further surging to €8.13 million in 2021, and ultimately reaching €9.51 million in 2022. This substantial growth can be attributed to multiple factors, including the tremendous success of telemedicine services, the establishment of multi-specialty and dental centers, and the introduction of corporate welfare services. Telemedicine services played a significant role in driving the segment's success, offering convenient and accessible healthcare solutions to a wider audience.

Their corporate development strategy has shifted, resulting in a diminished focus on the nutraceuticals-and-cosmeceuticals segment due to fewer synergies than originally anticipated. In light of this shift, management has decided to refocus their efforts on the promotion-and-services segment. Consequently, the nutraceuticals-and-cosmeceuticals

segment experienced a decline in performance and generated revenues of €0.88 million (compared to €2.02 million in the previous year).

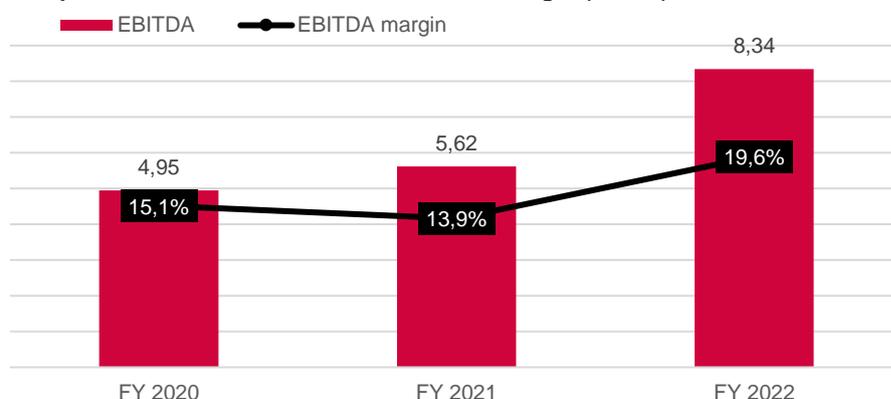
The real estate segment serves as a supplementary aspect of the business, providing support in managing various locations. As this segment does not have a primary revenue focus, it generated €0.69 million (compared to €0.21 million in the previous year). Its role primarily revolves around facilitating the effective operation and maintenance of the company's properties rather than being a significant source of revenue.

### **Earnings development**

The company utilizes an adjusted EBITDA metric that takes into account other revenues and other miscellaneous costs and charges. Other revenues primarily stem from one-time real estate debt transactions, which can be considered exceptional events. On the other hand, the other miscellaneous costs and charges largely consist of discretionary bonuses awarded to high-performing promoters. It is worth noting that these bonuses are not contractually mandated but serve as an additional incentive. However, the company has consistently honored these miscellaneous costs and charges in recent years. In terms of financial performance, the adjusted EBITDA increased by 3.5% to reach €7.82 million (compared to €7.56 million in the previous year). The adjusted EBITDA margin also saw improvement, rising to 19.9% from 19.1% in the previous year.

Furthermore, when considering all revenues and costs, the EBITDA showed a substantial increase of 48.5%, reaching €8.34 million (compared to €5.62 million in the previous year). This remarkable growth led to an improved EBITDA margin of 19.6% (compared to 13.9% in the previous year).

#### **Development of the EBITDA and the EBITDA margin (in m €)**



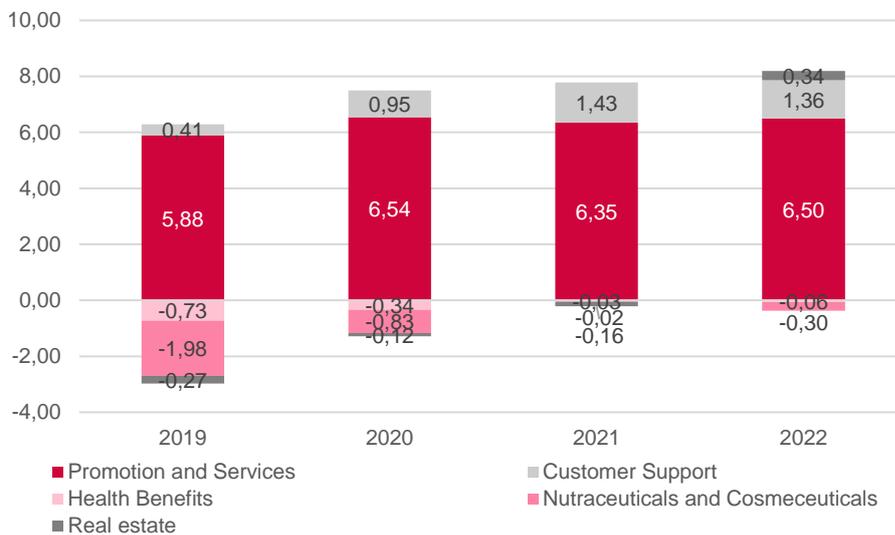
Sources: Health Italia S.p.A., GBC AG

Significant margin growth was achieved through cost reductions across all profit and loss positions. Notably, the cost for services decreased to €25.9 million (compared to €26.41 million in the previous year) as a result of diligent cost management efforts. Additionally, the company implemented a strategic approach of outsourcing more IT projects, leading to reduced staff costs. Previously, the company had established a substantial in-house IT department to develop its own digital platform. However, the current plan involves leveraging more external IT resources while slightly reducing the headcount. Consequently, the number of employees decreased to 104 (compared to 118 in the previous year). These measures have contributed to the company's successful cost optimization and margin growth.

Among the segments, the promotion-and-services segment emerged as the leading contributor to EBITDA, generating €6.5 million (compared to €6.35 million in the previous year). It was closely followed by the customer support segment, which achieved an EBITDA of €1.36 million (compared to €1.43 million in the previous year).

Promising developments were observed in both the nutraceuticals-and-cosmeceuticals segment as well as the health benefits segment. In 2019, these segments experienced significantly negative EBITDA figures, with the nutraceuticals-and-cosmeceuticals segment at €-1.98 million and the health benefits segment at €-0.73 million. However, significant progress has been made, and both segments have nearly reached the break-even point, with the nutraceuticals-and-cosmeceuticals segment reporting in 2022 an EBITDA of €-0.3 million and the health benefits segment at €-0.06 million. This indicates a positive trend towards improved profitability for these segments.

### EBITDA by segment (in m €)



Sources: Health Italia S.p.A., GBC AG

The positive momentum observed in the EBITDA is reflected in the net result. However, it is important to note that there were writedowns of €0.54 million (compared to €1.16 million in the previous year), primarily associated with equity securities held in entities not under control or significant influence. Additionally, financial expenses increased to €1.48 million (compared to €1.34 million in the previous year).

Despite these factors, the overall net result amounted to €3.7 million, showcasing a substantial improvement compared to the previous year's figure of €1.06 million. This positive outcome signifies the company's ability to leverage its EBITDA growth and mitigate the impact of writedowns and increased financial expenses, ultimately achieving a notable increase in the net result.

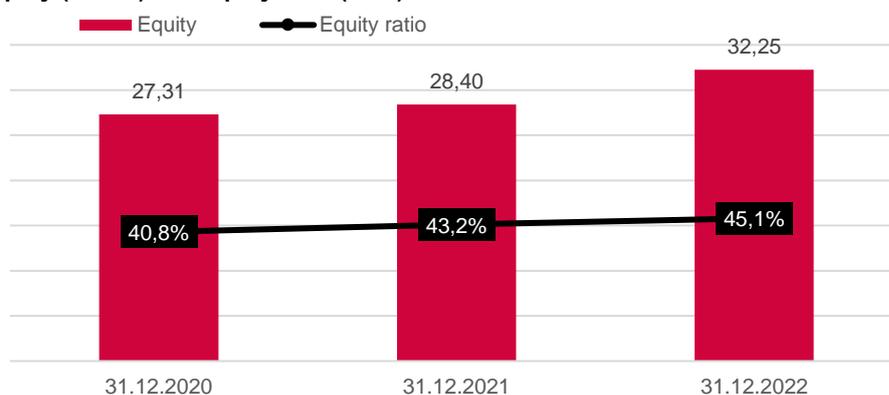
## Balance sheet and financial situation as of Dec. 31, 2022

in m €	31.12.2020	31.12.2021	31.12.2022
Equity	27.31	28.40	32.25
Equity ratio (in %)	40.8%	43.2%	45.1%
Operating fixed assets	23.08	19.72	21.80
Working capital	15.82	18.03	22.30
Net debt	9.81	7.50	6.69
Operating cashflow	0.31	0.81	2.16
Cashflow from investing activities	3.34	-1.64	-2.19
Financing cashflow	-0.89	0.03	0.16

Sources: Health Italia S.p.A.; GBC AG

The company boasts a solid balance sheet, indicating its financial stability. As of December 31, 2022, the company increased its equity to €32.25 million, compared to the previous year's equity of €28.4 million. This growth in equity led to an improved equity ratio, which rose to 45.1% from the previous year's 43.2%. The primary factor behind this significant increase in equity was the net profit generated in 2022.

### Equity (in m €) and equity ratio (in %)



Sources: Health Italia S.p.A.; GBC AG

The company made improvements in its financial liabilities, with a slight decrease of 4.0% to €16.84 million compared to the previous year's amount of €17.55 million. However, there was a significant shift in the composition of liabilities, as a considerable portion moved from non-current to current liabilities. The current liabilities saw a substantial increase to €12.7 million (from €2.22 million in the previous year), while non-current liabilities decreased to €4.15 million (from €15.33 million in the previous year). The principal factor behind this is the approaching maturity date of the convertible bond, set for April 2023, with a total value of €10.3 million.

Also, the company experienced a 3.3% increase in cash, which reached €3.98 million, compared to €3.85 million in the previous year. This increase in cash led to a reduced net debt, which now stands at €6.69 million, down from €7.5 million in the previous year.

The working capital experienced a substantial increase of 23.7%, reaching €22.3 million (compared to the prior year's €18.03 million). This noteworthy growth can be attributed primarily to the surge in trade receivables, which rose by 42.6% to €29.33 million (compared to the prior year's €20.57 million). The underlying cause of this situation is the tendency for a majority of contracts to be finalized towards the end of the fiscal year. Nonetheless, there are certain instances where contracts are concluded at the beginning of the subsequent year. The management anticipates a slight decrease in trade receivables during the ongoing fiscal year, which would yield a positive impact on cash flow. Consequently, the increase in working capital resulted in a decrease in cash flow from operating

activities. The operating cash flow amounted to €2.16 million (compared to the prior year's €0.81 million), which is significantly lower than the EBITDA of €6.27 million. The cash flow from investing activities amounted to €2.19 million, representing an increase from the previous year's €1.64 million. The financing cash flow remained relatively stable at €0.16 million in the current period, compared to €0.03 million in the previous year.

### ***Developments after Dec. 31, 2022***

On April 4<sup>th</sup>, 2023, the company made an announcement regarding the complete repayment of its "HI 2018-2023" Convertible Bond, which had a nominal value of €10 million, including interest. This accomplishment was made possible by a strategic combination of various financial sources. The company utilized cash flows generated from its operations (also due to a bank loan) and divested financial assets to successfully fulfill its repayment obligations. The company acquired two bank loans. The first loan amounting to €4.0 million has a duration extending until December 31, 2027. It carries a variable interest rate above the Euribor rate, plus a spread. The second loan, totaling €3.0 million, has a term ending on May 31, 2031, and a variable interest rate above the Euribor rate, plus a spread. This repayment has had a highly positive impact on the company's overall financial standing. Notably, it has greatly improved the company's net financial position, reducing financial expenses and further strengthening its financial stability. The convertible bond, initially issued in 2018 with a duration of five years, carried a fixed annual coupon rate of 4.5 percent. By successfully meeting its repayment obligations, the company has demonstrated its commitment to fulfilling its financial commitments in a timely and responsible manner.

## SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Nationwide coverage, enabling access to a broad customer base and potential market expansion.</li> <li>• Comprehensive and integrated offer covering the entire value chain, enhancing competitiveness and customer satisfaction.</li> <li>• Strong positioning in a segment driven by long-term growth trends, providing a solid foundation for sustained success.</li> <li>• Experienced management team with deep industry knowledge, capable of making informed decisions and driving the company forward.</li> <li>• No actuarial risk due to the focus on distribution and brokerage activities, reducing potential financial liabilities.</li> <li>• The company enjoys a robust customer loyalty. This loyalty contributes to a resilient revenue stream and ensures the company maintains high-quality operating earnings.</li> </ul>	<ul style="list-style-type: none"> <li>• High dependence on a single strategic partner, MBA, which poses a risk if the partnership becomes compromised.</li> <li>• Limited geographical diversification, primarily reliant on the Italian market, exposing the company to regional economic fluctuations.</li> <li>• Relatively small size compared to global competitors, potentially limiting market share and resources.</li> <li>• Exposure to the supplementary healthcare segment, which is influenced by government fiscal incentives, introducing uncertainty in growth prospects.</li> <li>• Dependence on key figures within the management team who hold significant influence over the group.</li> </ul>
Opportunities	Risks
<ul style="list-style-type: none"> <li>• Increased penetration of intermediated supplementary healthcare in total healthcare expenditure, presenting a chance for market expansion and revenue growth.</li> <li>• Improved profit margins can be achieved by focusing on the core business, allowing operations to be streamlined, resources optimized, and market position strengthened. Long-term prosperity and a strong market position are attainable by capitalizing on expertise and efficiency.</li> <li>• Synergies from cross-selling among the group's business units, maximizing the potential of existing customer relationships.</li> <li>• Pursuing international expansion, tapping into new markets and diversifying the company's revenue streams.</li> </ul>	<ul style="list-style-type: none"> <li>• Growing competition within the supplementary healthcare segment, both from existing players and insurance companies, intensifying the need for differentiation and innovation.</li> <li>• Potential regulatory changes that may affect current tax incentives, leading to a decline in demand for supplementary healthcare.</li> <li>• Disintermediation of promotion activities by mutual aid societies and healthcare funds, potentially reducing the company's influence in the market and customer reach.</li> </ul>

## FORECAST & VALUATION

P&L (in m €)	FY 2022	FY 2023e	FY 2024e
Revenue	42.51	38.30	41.58
EBITDA	8.34	6.58	7.77
EBITDA margin	19.6%	17.2%	18.7%
EBIT	6.27	5.27	6.59
EBIT margin	14.7%	13.8%	15.9%
Net result	3.70	3.07	4.04
EPS in €	0.19	0.16	0.21

Source: GBC AG

### Revenue forecast

Health Italia, a recognized leader in the healthcare sector, is currently undergoing a momentous strategic transformation. The company is intent on escalating its impact in the domains of telemedicine, medical services, and healthcare plans, and to accomplish this, has set its sights on honing its attention exclusively on these key business areas. This strategic realignment is a marked departure from a few years ago when Health Italia was integrated into a larger group of diverse companies.

An integral part of this strategic shift involves a focused consolidation in the nutraceutical area. Initially, Health Italia ventured into this field by acquiring several smaller firms in a bid to diversify its operations. However, after a comprehensive review of their strategy and alignment with core business goals, the company determined that telemedicine and medical services offered a more synergistic fit with their primary business focus.

Consequently, Health Italia has resolved to scale back investments in the nutraceutical and real estate sectors. By 2024, the company plans to have entirely deconsolidated from these areas, thereby ensuring that their resources and efforts are optimally directed towards the development and expansion of their primary business.

The global COVID-19 pandemic has unexpectedly acted as a catalyst in escalating the demand for telemedicine services. Recognizing this unique opportunity, Health Italia is set on capitalizing on this surge in awareness and demand to further consolidate its presence in the telemedicine sphere.

To bolster its offerings, the company is currently engaged in a groundbreaking project with the Sports Centre. This partnership aims to widen Health Italia's client base by offering premium telemedicine services to the center's customers, thus enabling a wider range of individuals to access top-quality healthcare remotely.

Moreover, Health Italia has set its sights on the development of comprehensive welfare services in Italy. This initiative is propelled by the substantial tax benefits that the Italian government extends to companies offering welfare services to their employees. The implementation of these services will not only benefit the employees but also contribute to the overall welfare landscape in Italy.

In a bid to bolster service quality and operational efficiency, Health Italia is laying the groundwork for substantial investment in the evolution of their digital platforms. These proprietary platforms are set to enhance the workflow and drive operational efficiency, thereby supporting the business in a more effective manner.

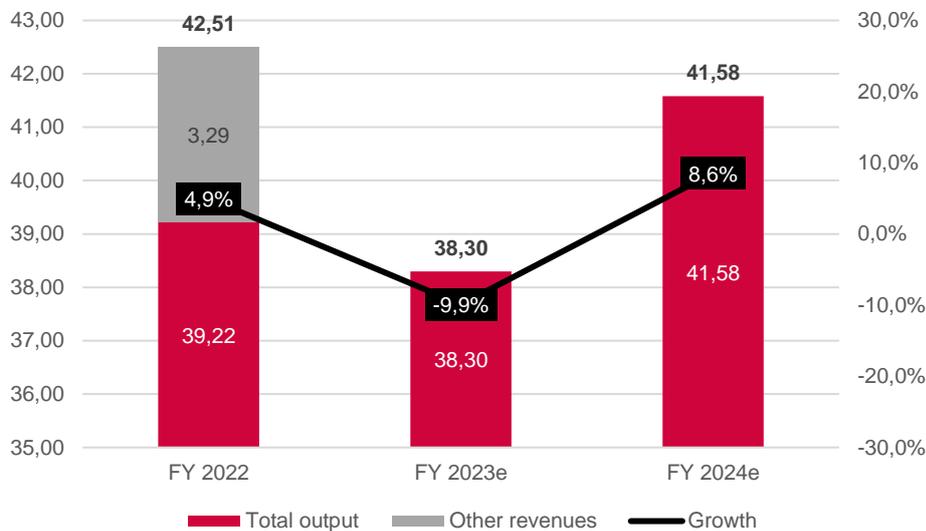
Expanding their sales and distribution model is another strategic objective of Health Italia. The company is building on its existing sales channels, which encompass a banking selling channel and various external networks and is now eager to extend its market reach via

the introduction of an online sales channel. This multi-channel approach will broaden their customer base and enable a more diverse set of clients to access their services.

This significant strategic realignment, steered by Health Italia's core competencies and driven by market demands, positions the company for significant growth in the coming years. It is a testament to their agility and commitment to remaining at the forefront of the healthcare sector, adapting and evolving to meet the dynamic needs of their clients.

Health Italia S.p.A.'s 2023-2026 guidance aims to reinforce its financial structure and optimize indicators. This guidance underscores reinvestment, cost-saving, and sustainability, aligning with the group's ESG principles. By 2026, they aim for revenues between €50.0 - €52.0 million, an EBITDA between €12.0 - €14.0 million, and a positive net financial position.

### Development of revenue (in m €)



Source: GBC AG

The company reported total revenue of €42.51 million in 2022; however, once extraordinary revenues are excluded, the operational revenue stood at €39.13 million. Due to the company's strategic shift towards core business operations, leading to exits from the nutraceutical and real estate sectors, we anticipate a slight decline in revenue for 2023 at €38.2 million. As the company refocuses solely on its core business in the subsequent year, we anticipate a growth of 8.6%, resulting in estimated revenues of €41.58 million in the year 2024. Our projections are consistent with the company's guidance, anticipating a fairly stable growth trajectory. In our discounted cash flow (DCF) model, we forecast revenues reaching €50.31 million and an EBITDA of €13.12 million by 2026.

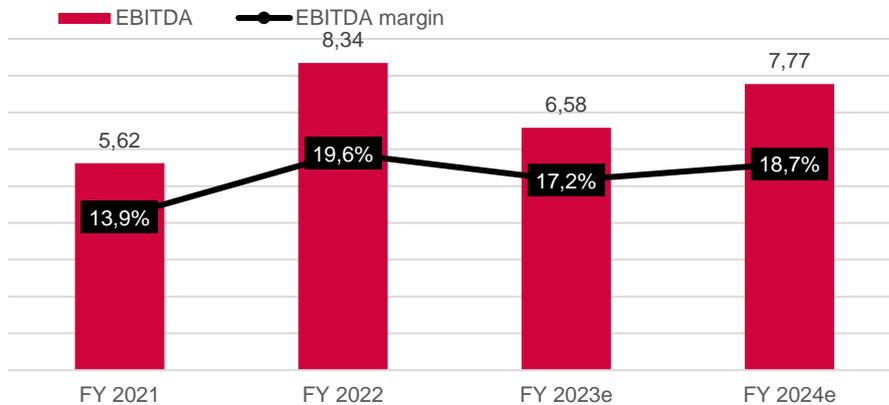
### Earnings forecast

With the refocusing on the core business, we anticipate a consistent growth in margins. The promotional-and-service segment, already boasting the highest margin, has seen significantly higher margins in the past. We believe the new strategy will enable the management to progressively return to prior levels of success, if not surpass them.

In 2022, an extraordinary revenue boost of around €3.29 million from the non-performing loans (NPL) had a positive impact, inflating the year's EBITDA to €8.34 million, rendering it incomparable with the 2023 results. For 2023, we expect an EBITDA of €6.58 million, indicating an EBITDA margin of 17.2%. Moreover, we predict a steady increase in EBITDA

and margin over the subsequent years. For 2024, we project an EBITDA of €7.77 million with an EBITDA margin of 18.7%.

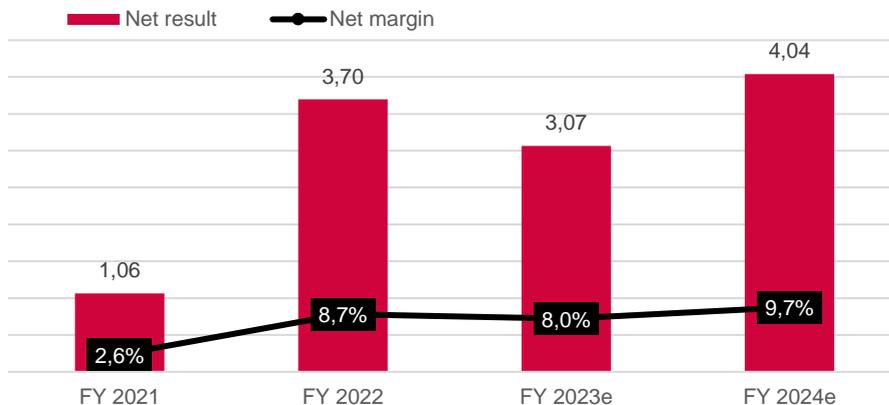
**Forecast of the EBITDA (in m €) and the EBITDA margin (in %)**



Source: GBC AG

We do not foresee significant investments, resulting in a gradual decrease in depreciation over the coming years. Additionally, financial charges should decline due to the repayment of the convertible bond. We project that the company will also progressively decrease its financial liabilities over the years. Consequently, we anticipate the net result to mirror the EBITDA trajectory, albeit with a higher margin improvement. After recording a net result of €3.7 million in 2022, we expect €3.07 million in 2023 and €4.04 million in 2024.

**Forecast of the net result (in m €) and the net margin (in %)**



Source: GBC AG

## Valuation

### ***Model assumptions***

We valued Health Italia S.p.A. using a three-stage DCF model. Starting with the concrete estimates for the years 2023 to 2024 in phase 1, the forecast is made from 2025 to 2030 in the second phase by applying value drivers. We expect revenue to increase by 10.0%. We have assumed a target EBITDA margin of 26.1%. We have taken the tax rate into account at 30.0% in phase 2. In the third phase, a residual value is also determined after the end of the forecast horizon using the perpetual annuity. In the terminal value, we assume a growth rate of 2.0%.

### ***Determination of the cost of capital***

The weighted average cost of capital (WACC) of Health Italia S.p.A. is calculated from the cost of equity and the cost of debt. To determine the cost of equity, the fair market premium, the company-specific beta and the risk-free interest rate must be determined.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. This is based on the zero bond interest rates published by the Deutsche Bundesbank using the Svensson method.

**The currently used value of the risk-free interest rate is 2.0%.**

We use the historical market premium of 5.5% as a reasonable expectation of a market premium. This is supported by historical analyses of equity market returns. The market premium reflects the percentage by which the equity market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 1.93 is currently determined.

Using the assumptions made, we calculate a cost of equity of 12.6% (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of 80% for the cost of equity, the weighted average cost of capital (WACC) is 11.0%.

### ***Valuation result***

Within the framework of our DCF valuation model, we have determined a target price of €4.00 and due to the high upside, we assign the rating Buy.

## DCF model

### Health Italia S.p.A. - Discounted Cashflow (DCF)

Value drivers of the DCF model after the estimate phase:

consistency - Phase		final - Phase	
Sales growth	10.0%	perpetual sales growth	2.0%
EBITDA margin	26.1%	perpetual EBITA margin	23.6%
AFA to operating assets	5.0%	effective tax rate in terminal value	30.0%
Working capital to sales	60.0%		

#### three-stage DCF - model:

Phase in million EUR	estimate		consistency						final termi- nal value
	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 30e	
Sales	38.30	41.58	45.74	50.31	55.34	60.88	66.97	73.66	
<i>Sales change</i>	-9.9%	8.6%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	2.0%
<i>Sales to operating assets</i>	1.74	1.87	1.86	1.86	1.86	1.86	1.86	1.86	
EBITDA	6.58	7.77	11.93	13.12	14.43	15.87	17.46	19.21	
<i>EBITDA margin</i>	17.2%	18.7%	26.1%	26.1%	26.1%	26.1%	26.1%	26.1%	
EBITA	5.27	6.59	10.81	11.89	13.08	14.39	15.83	17.41	
<i>EBITA margin</i>	13.8%	15.9%	23.6%	23.6%	23.6%	23.6%	23.6%	23.6%	23.6%
Taxes on EBITA	-1.58	-1.98	-3.24	-3.57	-3.92	-4.32	-4.75	-5.22	
<i>to EBITA</i>	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	3.69	4.62	7.57	8.32	9.16	10.07	11.08	12.19	
Return on capital	8.4%	10.3%	16.5%	16.0%	16.0%	16.0%	16.0%	16.0%	14.8%
Working capital (WC)	22.67	23.58	27.44	30.19	33.21	36.53	40.18	44.20	
<i>WC to sales</i>	59.2%	56.7%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	
<i>Investments in WC</i>	-0.38	-0.91	-3.86	-2.74	-3.02	-3.32	-3.65	-4.02	
Operating assets (OAV)	22.02	22.24	24.56	27.02	29.72	32.69	35.96	39.56	
<i>AFA to OAV</i>	-1.31	-1.18	-1.11	-1.23	-1.35	-1.49	-1.63	-1.80	
<i>AFA to OAV</i>	6.0%	5.3%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
<i>Investments in OAV</i>	-1.53	-1.40	-3.44	-3.68	-4.05	-4.46	-4.90	-5.39	
Invested capital	44.69	45.82	52.00	57.21	62.93	69.22	76.14	83.75	
EBITDA	6.58	7.77	11.93	13.12	14.43	15.87	17.46	19.21	
Taxes on EBITA	-1.58	-1.98	-3.24	-3.57	-3.92	-4.32	-4.75	-5.22	
Total investments	-1.91	-2.31	-7.30	-6.43	-7.07	-7.78	-8.56	-9.41	
<i>Capital expenditures in OAV</i>	-1.53	-1.40	-3.44	-3.68	-4.05	-4.46	-4.90	-5.39	
<i>Investments in WC</i>	-0.38	-0.91	-3.86	-2.74	-3.02	-3.32	-3.65	-4.02	
<i>Investments in goodwill</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cash flows	3.10	3.49	1.38	3.12	3.43	3.78	4.16	4.57	119.68

Value of operating business (reporting date)	73.18	77.73
<i>Present value of explicit FCFs</i>	15.48	13.70
<i>Present value of continuing value</i>	57.70	64.04
Net debt	4.49	1.82
Value of equity	68.70	75.91
Minority interests	0.00	0.00
Value of share capital	68.70	75.91
Shares outstanding in million	18.98	18.98
Fair value of the share in EUR	3.62	<b>4.00</b>

#### Cost of Capital Determination:

<i>Risk-free return</i>	2.0%
<i>Market risk premium</i>	5.5%
<i>Beta</i>	1.93
Cost of equity	12.6%
<i>Target weighting</i>	80.0%
Cost of debt	6.0%
<i>Target weighting</i>	20.0%
Tax shield	25.0%
WACC	<b>11.0%</b>

Return on capital	WACC				
	9.0%	10.0%	11.0%	12.0%	13.0%
12.8%	4.71	4.01	3.47	3.05	2.72
13.8%	5.09	4.32	3.74	3.28	2.91
14.8%	5.47	4.63	<b>4.00</b>	3.50	3.11
15.8%	5.84	4.95	4.26	3.73	3.30
16.8%	6.22	5.26	4.53	3.95	3.49

## APPENDIX

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