

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

Rating: BUY
Target price: €4.00

Current price: €1.42
27.10.23 14:23
Euronext Growth Milan

Data overview:

ISIN: IT0005221004
WKN: A2DHVL
Stock exchange symbol: 615
Number of shares³: 18.98
Marketcap³: 26.85
EnterpriseValue³: 31.52
³ in m / in EUR m

Free float: 41.3%

Market segment:
Euronext Growth Milan

Accounting standard:
IFRS

Financial year: 31.12.

Analysts:

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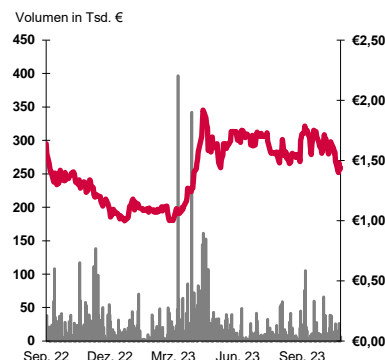
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Date and time of completion of the research report:
09.11.2023 (10:00)
Date and time of the first disclosure of the research report:
09.11.2023 (12:00)
Validity of the target price: until max. 31.12.2024

* Catalog of possible conflicts of interest on page 6

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 Pischeddu (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 EUR m \ 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	31.12.2021	31.12.2022	31.12.2023e	31.12.2024e
EPS	0.06	0.19	0.16	0.21
DPS	0.00	0.00	0.00	0.00

Key figures	31.12.2021	31.12.2022	31.12.2023e	31.12.2024e
EV/sales	0.80	0.81	0.82	0.76
EV/EBITDA	5.61	3.78	4.79	4.05
EV/EBIT	10.29	5.03	5.98	4.78
PE	25.29	7.26	8.76	6.65
PB		0.79		

Financial Calendar

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
29.08.2023 / BUY / 4.00 EUR

** Research studies listed above can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg, Germany.

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".

Business development 1. HY 2023

in m €	1. HY 2021	1. HY 2022	1. HY 2023
Revenue	18.50	19.25	17.81
EBITDA	1.82	4.61	2.87
EBITDA margin	9.6%	20.9%	15.9%
Adj. EBITDA	3.32	3.18	3.27
Adj. EBITDA margin	17.9%	16.6%	18.4%
EBIT	0.51	3.88	2.41
EBIT margin	2.8%	20.2%	13.5%
Net result	0.14	2.29	1.52
EPS in €	0.01	0.12	0.08

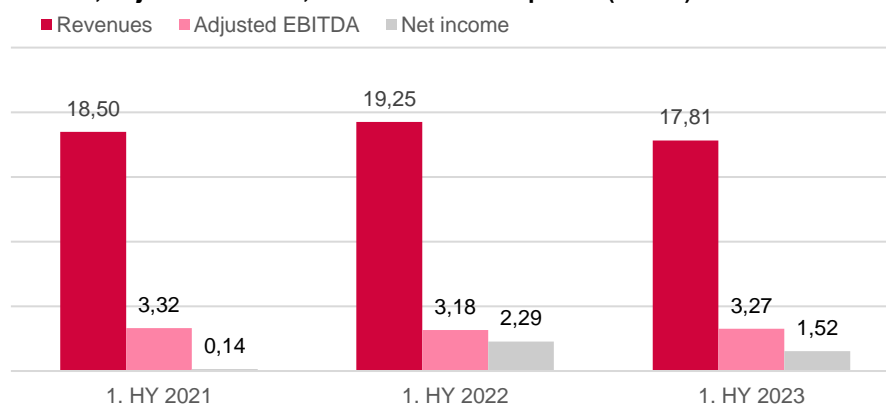
Sources: Health Italia S.p.A., GBC AG

Revenue development

In the first half of 2023, revenues amounted to €17.81 million, signaling a slight 7.5% decline compared to the same period in the previous year of €19.25 million. This decline is primarily associated with the impact of the "discontinued operations" of Be Health S.p.A. and Health Property S.p.A., which represent the two segments Nutraceutical and Real Estate.

The core segment of promotion and services ("Servizi Health Care") experienced a robust growth of 6.9%, reaching €11.16 million (PY: €10.44 million). Meanwhile, the customer support segment ("Support Health Care") exhibited substantial growth, increasing by 10.0% to €1.93 million (PY: €1.75 million). This shows that the introduction of a multi-channel distribution model, coupled with continuous investments in technological advancements, notably within the healthcare and telemedicine sector, has been instrumental in driving the noteworthy results achieved over the initial six months of the year. However, the health benefits segment ("Servizi Sanitari") saw a notable decline of 23.3%, amounting to €4.72 million (PY: €6.15 million). The drop in revenues for this segment can be largely attributed to accounting periods, and we anticipate that growth will stabilize and normalize over the course of the entire year.

Revenues, adjusted EBITDA, Net income development (in m €)



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

Earnings development

In terms of cost management, the company has shown significant improvements in various key categories. Costs for services experienced a notable decrease, moving from €-13.07 million euros to €-12.05 million, which amounts to roughly 7.81% in cost savings. Staff

costs also saw a significant reduction of approximately 13.47%, declining from €-2.64 million to €-2.29 million. This cost-saving was attributed mainly to outsourcing of IT services.

The adjusted EBITDA, standing at €3.27 million, experienced a slight increase of 2.7% compared to the gross operating margin in the first half of the preceding year (€3.18 million). The adjusted EBITDA margin now stands at 18.4% of net revenues, which signifies a growth of approximately 2 percentage points when compared to the first half of 2022 (16.5%). This commendable result is an outcome of increased margins within the core business and the effective cost-saving measures implemented by the Group. The adjustment to EBITDA is prompted by the fact that these effects do not stem from regular business operations and are issues expected to be mitigated in the medium term. The one-time impact is primarily associated with the acquisition of real estate in connection with an NPL deal.

The unadjusted EBITDA, encompassing various miscellaneous costs and charges ("Altri costi e oneri diversi") and other income ("Altri Ricavi e Proventi diversi"), contracted by 37.8%, reaching €2.87 million compared to the prior year's €4.61 million. This reduction led to a decrease in the EBITDA margin, which now stands at 16.1% as opposed to the previous year's 24.0%. This variance is primarily attributed to an extraordinary gain stemming from a real estate transaction in 2022.

The net result for the period indicates a profit of €1.52 million, in contrast to the same period in 2022 when a profit of €2.29 million was recorded.

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

In the first half of 2023, the Group continued its successful journey, achieving positive results, notably in profitability. Their commitment to a multi-channel distribution model, ongoing technological innovation, streamlined core activities, and cost control remained unwavering. Regarding the nutraceutical segment, Health Italia has chosen to discontinue its direct management of this segment in order to refocus on its core businesses, maintaining an indirect involvement through equity participation. As part of this decision, Be Health has approved a capital increase, resulting in a dilution of Health Italia's ownership to less than 50%. Furthermore, Health Italia is proactively investing in the enhancement of their digital platforms, paving the way for significant improvements in service quality and operational efficiency. These in-house platforms are poised to streamline workflows, ultimately bolstering operational effectiveness.

Moreover, Health Italia is pursuing an expansion of its sales and distribution model. Leveraging its existing sales channels, including banking and external networks, the company is now keen to broaden its market reach by introducing an online sales channel. This multi-pronged approach will diversify their customer base, making their services accessible to a broader clientele.

This strategic realignment, guided by Health Italia's core competencies and market demands, positions the company for substantial growth in the years ahead. It underscores their adaptability and unwavering commitment to leading the healthcare sector by evolving to meet the dynamic needs of their clients.

Health Italia S.p.A.'s guidance for 2023-2026 centers on reinforcing its financial structure and optimizing key performance indicators. This guidance aligns with the group's ESG principles and emphasizes reinvestment, cost-saving, and sustainability. By 2026, Health Italia aims to achieve revenues ranging from €50.0 to €52.0 million, an EBITDA within the €12.0 to €14.0 million range, and a positive net financial position.

The half-year results affirm that our forecast is on track, and we reaffirm our confidence in it. 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

As the company renews its focus on its core business, we anticipate a consistent upswing in profit margins. Notably, the promotional and service segment, already recognized for its high margins, has demonstrated even stronger profitability in the past. We believe that the revised strategy will empower the management to progressively regain and potentially surpass their previous levels of success. For 2023, we foresee an EBITDA of €6.58 million, reflecting an EBITDA margin of 17.2%. Furthermore, we predict a steady rise in EBITDA and margin in the ensuing years. Our projections indicate an EBITDA of €7.77 million and an EBITDA margin of 18.7% for 2024.

The financial charges are expected to decrease due to the repayment of the convertible bond. We also project a gradual decrease in the company's financial obligations over the years. Consequently, we anticipate that the net result will follow a trajectory similar to EBITDA, albeit with more pronounced margin improvements. After achieving a net result of €3.7 million in 2022, we expect figures of €3.07 million in 2023 and €4.04 million in 2024.

We maintain our confidence in the forecast and valuation, consequently reiterating our target price of €4.00 and a Buy rating.

APPENDIX

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2. the research report shall be made available simultaneously to all investment service providers interested therein.

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BUY	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $\geq + 10\%$.
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