

Company: **Health Italia** Rating: **Buy** Target Price: **€430 (from €450 grouping adjusted)** Sector: **Insurance – Health Care, Welfare**

FY23 results: focus on marginality

March, 27 2024 at 18:00

FY23 results: marginality keeps improving

Health Italia reported FY23 results: revenue declined by 9% yoy to €35.7m (€39.2m in 2022) mainly due to the spin-off of Real Estate (Health Property) and Nutraceuticals (Be Health), which had generated €1.6m turnover in 2022. FY2023 revenue are more than 10% below our forecast at €40m, despite we excluded the disposed businesses, as Medical Services turnover was much lower than expected (€7.1m vs our projections at €9.7m) for adjustments related to the Group's perimeter reorganization and some sales delays that we expect to be recovered by 1H24. Despite revenue decline, EBITDA was flat at €7.9m with margin improving 2 pp to 22% thanks to cost optimization strategies and improved marginality. EBITDA was 2% only below our forecast and margin 2% above our estimate at 20%. Net income dropped to €1.7m from €3.7m mainly for the €1.7m write-off related to Be Health adjusted value within the spin-off operations. Moreover, in 2022, the disposal of Real Estate assets led to an extraordinary item worth €2.6m. At the end of 2023, adjusted Net debt stood at €9.3m down from €12.4m following the reimbursement of €10m convertible bond and given robust operative cash flows.

Corporate strategy confirmed: focus on Core businesses

As announced, Health Italia approved extraordinary corporate steps, aimed at leaning the Group structure and focusing on Core businesses, which now comprise Healthcare, Welfare services and Medical Services only. Be Health (Nutraceutical) and Health Property (Real Estate) exited the Group perimeter, whereas the previously fully controlled Health Point (Medical Services) has been merged into Health Italia. Be Health has been accounted as equity participation (21.8%), whereas Rebirth has been written as Assets for Sales following the BoD decision to exit the Real Estate.

2024-2026E estimates revision

FY23 results are basically in line with our projections [Please refer to our Company Update on September, 28th 2023], in terms of EBITDA and EBITDA margin, but lower in terms of Revenue for negative effects and delays related to Group's perimeter reorganization. We expect revenue to recover starting from 1H24 and accelerate over the three year period. According to the Company, 2026 guidance is confirmed: €50-52 m total Revenue with EBITDA of €12-14m and net cash at €15-16m. We then confirm 10% turnover CAGR in 2023-2026 to €47m, 14% EBITDA CAGR in 2023-2026 to €11.5m and 2% margin improvement to 24%, but we slightly reduced cumulated FCFs in 2024-2026 to €20.5m (-6% vs previous Company Update).

Valuation: BUY confirmed; price target reduced to €430

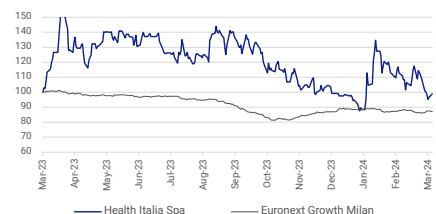
We run the DCF model (9% WACC and TV €6.2m FCF) and end up with an Equity Value of €85m. As a supporting method, we add the market multiples relative approach, selecting listed international peers. We use the average EV/EBITDA 2024E at 13.4x and come out with an Equity Valuation of €108m, which strongly support our DCF result. We reduced our 12-month target price to €430, down from previous €450 (following the shares grouping) as a weighted blend of DCF and market multiples methods. The price target reduction derives from lower estimated FCFs not fully offset by lower WACC coming from interest rate curve adjustment. Given the significant upside on Health Italia current price, we confirm our BUY.

Company Profile		
Target Price	426 €	from 450 €
Recommendation	BUY	unchanged
Company Profile		
Ticker	H IIM (BBG)	HIIT (Factset)
Reference Industry	Insurance - Health Care, Welfare	
Stock Exchange	Italian Stock Exchange - Euronext	
Reference Index	FTSE Italia Small Cap	
Market Data		
Price as of	26/03/2024	121.0
Number of shares (mln)		0.2
Market capitalization (€, mln)		23.0
Max / Min		610/98
Average daily volumes		275

Main Financials	2021	2022	2023	2024E	2025E
€ mln					
Total Revenue	40.5	39.9	36.0	39.2	43.1
yoy (%)	23%	-1%	-10%	9%	10%
EBITDA	7.8	8.0	7.9	8.8	10.1
margin (%)	19%	20%	22%	22%	23%
EBIT	5.3	5.9	4.6	6.4	7.5
margin (%)	13%	15%	13%	16%	17%
Net Income	1.1	3.7	1.7	3.9	4.7
margin (%)	3%	9%	5%	10%	11%
Net Debt	10.3	11.3	6.5	3.1	-0.6
Equity	28.5	32.4	36.0	39.9	44.5
Capex	1.5	4.0	1.5	0.4	0.4
FCFs	2.1	(5.1)	4.1	6.4	6.9

Source: BancaProfilo estimates, Company data.

1-Year relative Performance



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SWOT analysis

STRENGTHS

- leadership in the Italian supplementary Healthcare and Welfare industry
- fully integrated business model including proprietary IT systems
- multi-channel diversified distribution model
- more than 20-year experienced top management

WEAKNESSES

- dependence on the strategic partner MBA
- geographical concentration in Italy
- small size in large global players competition

OPPORTUNITY

- high barriers to entry due to complex regulations in the supplementary Healthcare and Welfare industries
- increased penetration of supplementary Healthcare on total expenditure

THREATS

- Intensifying competition by Insurance companies

The Industry

Health Italia competitive arena: strategic positioning and competitive advantages

Global companies active in Italy

The competitive scenario comprises global international companies active also in the Italian Healthcare and Welfare industries.

Competitors are companies offering fewer services in Healthcare and Welfare

Main difference between Health Italia and other players is the range of offering: most of players in Italy focus on few services, whereas Health Italia is a fully integrated operator in Healthcare and Welfare solutions for corporate and individuals. We can divide the competitive arena in: Insurance brokers; Service providers; Corporate Welfare benefits and Medical Services including Telemedicine.

Figure 1: Main players active in Italy

Main competitors					
	Claim management	Client management	Promotion & Distribution	Welfare plans management	Telemedicine
Insurance brokers					
Marsh & McLennan (USA)	√		√		
Elevance Health (formerly Anthem) (USA)	√		√	√	
AON Italia (non listed)			√	√	
Willis Towers Watson (USA)	√		√	√	
Arthur J Galalgher (USA)	√		√	√	
Humana (USA)	√		√		
Service providers and independent Third Party Administrator					
Blue Assistance (non listed)	√	√			
IMA Italia assistance (non listed)	√	√			
Previmedical (non listed)	√	√			
Corporate Welfare and Flexible benefits					
Edenred (FR)				√	
Double You (non listed)				√	
Telemedicine					
Health Telematic Network (non listed)					√
Medica Group (UK)					√
Integrated Health and Welfare services					
Health Italia	√	√	√	√	√

Source: Banca Profilo on Company data

Listed insurance brokers

Among listed Insurance brokers we have selected: Marsh&McLennan, Elevance Health (ex Anthem), AON, Willis Towers Watson, Arthur J Galalgher, Humana and Clover Health.

Marsh FY23: \$23bn revenue (+9% yoy); \$6bn EBITDA

Healthcare, Retirement and Wellbeing solutions for workforce. The Group helps organizations manage its human resources by improving Healthcare outcomes and long-term financial security. 50% of revenue comes from US customers and 30% from Europe.

Elevance FY23: \$170bn revenue (+9% yoy); \$11bn EBITDA

Elevance Health (formerly known as Anthem) is a US Company that provides Healthcare, Life Insurance and Welfare benefits plans to corporates, individuals, but also Medicaid and Medicare markets, under many US brands in numerous states across the US.

Aon FY23: \$13bn revenue (+7% yoy); \$4bn EBITDA

Aon is a US company active in insurance brokerage and corporate advisory related to Healthcare, Welfare benefits, Retirement, Compensation and Strategic management of human capital to attract and retain employees.

Willis Towers Watson FY23: \$9bn revenue (+7% yoy); \$2bn EBITDA

Willis Towers Watson is a US Company providing a range of insurance brokerage and risk management consulting services worldwide. Its clients include large corporations, governments, and private individuals. The Company provides brokerage, advisory, software, and other services for human resource teams, including retirement (pension and savings plans), healthcare and other benefits (medical, dental, life, and other coverage) plans.

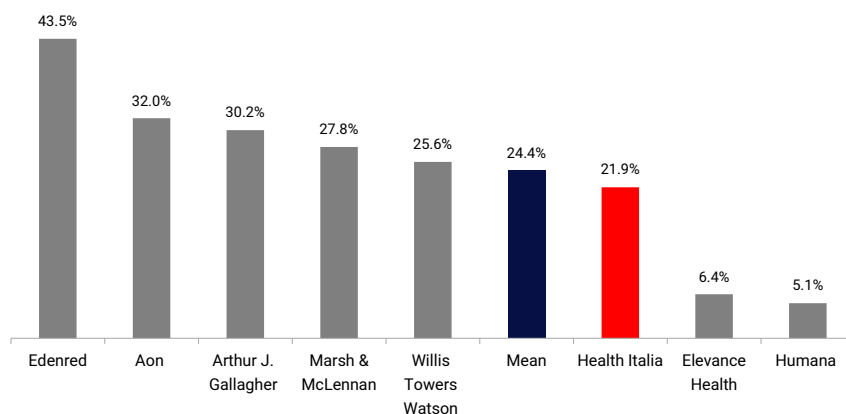
Arthur J Gallagher FY23: \$10bn revenue (+18% yoy); \$3bn EBITDA

Arthur J. Gallagher is a US company providing insurance brokerage, employee benefits in four areas: Human capital and benefit (40% of sales) providing brokerage to the Human Resources Department and employee benefits; corporate risk and broking (35%); investment, risk and reinsurance; benefits delivery and management (10%) providing primary medical and ancillary services to employees and retirees. The US accounts for more than 50% of revenue.

Humana FY23: \$106bn revenue (+14% yoy); \$5bn EBITDA

Humana is a US leading Health and Well-being company providing Health insurance coverage and access through Health care networks. Healthcare insurance makes 85% of revenue, whereas the rest comes from primary care centres, hospices, pharmacy, home solutions operations.

Figure 2: Main international listed players in the Industry – EBITDA margin in 2023



Source: Banca Profilo on Company data, Factset

In terms of EBITDA, with 20% margin Health Italia ranks just below the Sector's average..

Service providers: Blue Assistance, IMA Italia Assistance, Previmedical

The three selected service providers and independent third-party Administrators are all non-listed Italian companies. They provide claim and client management supporting Healthcare insurance companies, brokers, and mutualistic funds.

Corporate Welfare providers

Among Corporate Welfare and Flexible benefits providers, we selected the French listed Edenred and the non-listed Italian Double You.

Edenred FY23: €2bn (+24% yoy); €1bn EBITDA

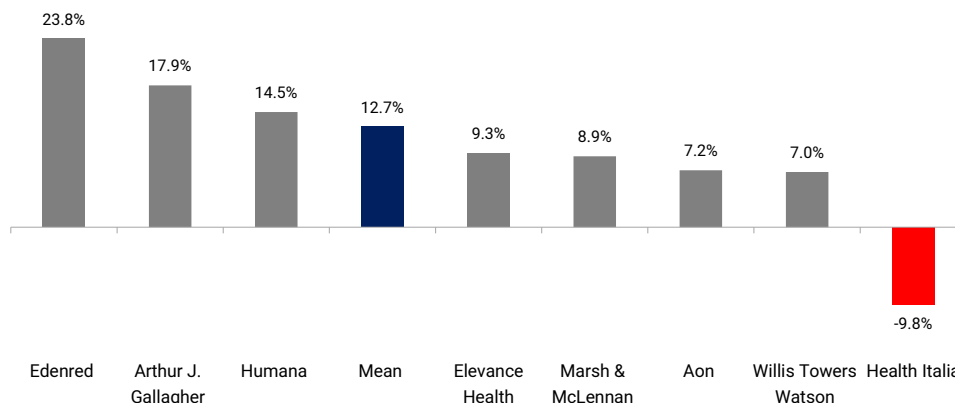
Edenred is a French company offering Corporate Welfare benefits which range from food to transportation, healthcare, training to incentives as employee engagement platforms. It offers solutions for companies wishing to make life easier for their employees and improve their well-being and purchasing power in several areas, including meals, food, transportation, healthcare, training, human services, purchases of environmentally friendly products.

Medical services - Telemedicine: Health

Among companies offering medical services, we highlight the Italian non-listed Health Telematic Network which delivers certified Telemedicine Services through a network of

Telematic Network medical specialists and nurses partnering with pharmacies and hospitals.

Figure 3: Main international listed players in the Industry – yoy revenue change in 2023



Source: Banca Profilo on Company data, Factset

In terms of revenue growth in 2023, Health Italia is laggard due to negative non-recurring and non-organic effects derived from the Group's perimeter reorganization.

Market multiples

A selected panel of listed peers

To assess a relative valuation of Health Italia through the market multiples approach, we used our panel of listed peers and the EV/EBITDA multiple for 2024E.

The selected peers are: Marsh & McLennan, Aon, Willis Towers Watson, Arthur J. Gallagher, Elevance Health, Humana, Edenred.

Table 1: Sample benchmarking on revenue growth and EBITDA margin

	Currency	Market Cap (mln)	Enterprise Value (mln)	Sales growth						EBITDA margin					
				2019	2020	2021	2022	2023	2024E	2019	2020	2021	2022	2023	2024E
21/03/2024															
Marsh & McLennan Companies, Inc.	USD	101,001	110,195	11.4%	3.4%	15.1%	4.5%	8.9%	7.4%	25.9%	27.0%	25.8%	26.5%	27.8%	28.4%
Aon Plc Class A	USD	64,748	74,686	2.3%	0.5%	10.2%	2.3%	7.2%	5.8%	28.9%	30.0%	31.6%	32.0%	32.0%	33.2%
Willis Towers Watson PLC	USD	28,132	31,591	6.2%	3.5%	-3.8%	-1.5%	7.0%	5.5%	25.4%	26.4%	26.6%	26.9%	25.6%	26.4%
Arthur J. Gallagher & Co.	USD	54,265	59,986	3.0%	-1.9%	17.9%	4.3%	17.9%	16.1%	19.2%	24.8%	25.6%	30.3%	30.2%	31.4%
Elevance Health, Inc.	USD	119,748	136,574	12.9%	17.1%	13.4%	13.7%	9.3%	1.2%	6.8%	7.0%	7.3%	6.4%	6.4%	7.2%
Humana Inc.	USD	41,877	47,998	14.0%	18.9%	7.7%	11.8%	14.5%	5.1%	5.7%	5.4%	4.9%	4.9%	5.1%	3.5%
Edenred SA	EUR	12,250	12,671	18.0%	-9.9%	11.1%	24.8%	23.8%	14.9%	41.1%	39.6%	41.2%	41.2%	43.5%	43.7%
Mean				9.7%	4.5%	10.2%	8.6%	12.7%	8.0%	21.9%	22.9%	23.3%	24.0%	24.4%	24.8%
Health Italia	EUR	22.4	34.8	3.3%	23.3%	-1.5%	-9.8%	8.9%	8.9%	19.0%	19.3%	20.0%	21.9%	22.4%	

Source: Banca Profilo estimates and elaborations on Factset

Peers average EV/EBITDA 24E: 13.4x

The selected sample of peers trades, on average, at 13.4x the EV/EBITDA 24E. This compares to 4x EV/EBITDA 2024E at which Health Italia trades, showing some 70% discount.

Table 2: Market multiples

Company	EV / EBITDA
21/03/2024	
Marsh & McLennan Companies, Inc.	16.0x
Aon Plc Class A	15.9x
Willis Towers Watson PLC	11.9x
Arthur J. Gallagher & Co.	16.6x
Elevance Health, Inc.	11.0x
Humana Inc.	12.1x
Edenred SA	10.0x
Mean	13.4x
Health Italia	4.0x
premium (discount) on best peers	-70%

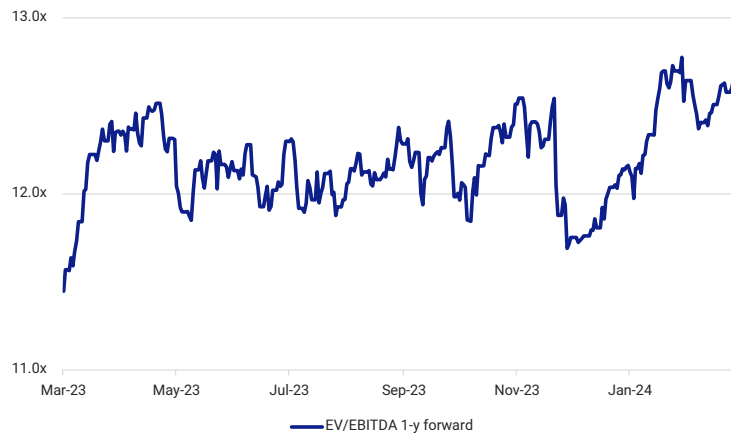
Source: Factset. All multiples are calendarised

Source: Banca Profilo estimates and elaborations on Factset

Market multiples one-year trend: re-rating

The selected sample of peers show increasing 1-year forward EV/EBITDA during the past year. Over the past year the multiple increased 10% reaching a maximum of 12.8x in February 2024.

Figure 4: 1-year forward EV/EBITDA trend



Source: Banca Profilo estimates and elaborations on Factset

FY23 results

Persisting focus on margin improvement

2023: focus on margin improvement

Health Italia reported FY23 results: turnover extended the decline in the 2H with revenue down by 9% to €35.7m, mainly for the spin-off of Be Health (Nutraceutical) and Health Property (Real Estate), but also for the significant reduction of Medical services turnover (-26% yoy to €7.1m) due to some adjustments related to the Group's perimeter reorganization and some sales delays in Health Point that we expect to be recovered by 1H24. Therefore, Health care and Services rose its contribution to 80% from 72% in 2022 at €28.6m (+2% yoy). The significant positive trend which let Health Point increase from €1.5m in 2019 to €9.5m in 2022 has paused and it is expected to recover starting from the 1H24 and over the three-year period.

Despite the decline in Total Revenue, EBITDA stayed basically flat at €7.9m with margin improving 2% to 22%, driven by lower incidence of cost of services, a better service mix and persisting cost optimization.

Net income worsened to €1.7m from €3.7m due to: i) the extraordinary revenue linked to a Real Estate deal worth €2.6m in 1H22 and ii) the write-off for €2m related to the value adjustment of the participation in Be Health following its capital increase needed to open share capital to new shareholders.

Table 3: Profit & Loss 2019-2023 and 2023E

Profit & Loss							
	€m	2019	2020	2021	2022	2023	2023E
Healthcare and Services		27.9	27.2	29.2	28.1	28.6	30.4
Medical services including Telemedicina		1.5	3.1	8.1	9.5	7.1	9.7
Nutraceutical & Cosmeceutical		1.4	1.6	2.0	0.9	0.0	0.0
Real estate		0.7	0.3	0.2	0.7	0.0	0.0
Turnover		31.5	32.2	39.6	39.2	35.7	40.0
	yoy		2%	23%	-1%	-9%	2%
other revenue		0.3	0.6	0.9	0.7	0.3	0.7
	% on turnover	1%	2%	2%	2%	1%	2%
Total Revenue		31.8	32.8	40.5	39.9	36.0	40.7
	yoy		3%	23%	-1%	-10%	2%
raw materials cost		(0.9)	(0.6)	(0.4)	(0.4)	(0.2)	(0.4)
	% on turnover	3%	2%	1%	1%	0%	1%
cost of services		(20.6)	(20.5)	(26.4)	(25.9)	(22.9)	(26.2)
	% on turnover	66%	64%	67%	66%	64%	66%
third party use		(0.0)	(0.2)	(0.3)	(0.3)	(0.2)	(0.3)
	% on turnover	0%	1%	1%	1%	1%	1%
labour cost		(6.5)	(4.7)	(4.9)	(4.9)	(4.4)	(5.2)
	% on turnover	21%	15%	12%	12%	12%	13%
other operating costs		(0.8)	(0.6)	(0.7)	(0.5)	(0.4)	(0.6)
	% on turnover	3%	2%	2%	1%	1%	1%
EBITDA		2.8	6.3	7.8	8.0	7.9	8.1
	margin	9%	19%	20%	20%	22%	20%
# employees		181	147	122	115	99	121
labor cost per unit		(0.04)	(0.03)	(0.04)	(0.04)	(0.04)	(0.04)
D&A		(1.4)	(1.6)	(1.4)	(1.5)	(1.3)	(1.2)
	% on turnover	4%	5%	4%	4%	4%	3%
write off		(1.3)	(1.6)	(1.2)	(0.5)	(2.0)	(0.5)
EBIT		0.2	3.0	5.3	5.9	4.6	6.4
	margin	0%	9%	13%	15%	13%	16%
net financial income (expenses)		3.6	(0.2)	(0.6)	(0.8)	(0.5)	(0.7)
	% on turnover	-11.3%	0.6%	1.5%	2.1%	1.3%	1.6%
extraordinary income (expenses)		(1.4)	(1.3)	(2.1)	0.4	(0.9)	0.0
EBT		2.3	1.5	2.6	5.5	3.3	5.7
	margin	7%	5%	6%	14%	9%	14%
taxes		(2)	(0)	(1)	(2)	(2)	(2)
	tax rate	66%	17%	55%	32%	49%	32%
Net income		0.8	1.2	1.1	3.7	1.7	3.9
	% on turnover	3%	4%	3%	9%	5%	10%

Source: Banca Profilo on Company data

At the end of December 2023, adjusted net debt improved to €9.3mln from €12.4mln at the end of December 2022, following the repayment of the Convertible bond in April 2023.

In 2023, Free Cash Flow was above €4mln thanks to the reduction in Net Operating Working Capital, that off-set the decline in EBIT. Decreasing turnover of trade receivables was more than compensated by slower trade payables and the exit of stocks following the merger of Health Property into Rebirth.

Table 4: Balance Sheet and FCFs 2019-2023 and 2023E

Balance Sheet							
	€mln	2019	2020	2021	2022	2023	2023E
tangibles		20.7	17.6	14.2	17.2	4.4	5.0
intangibles		5.7	5.5	5.5	4.6	3.3	4.0
financials		3.0	4.5	6.9	6.8	4.4	15.8
Fixed assets		29.4	27.5	26.7	28.6	12.1	24.9
inventories		3.0	2.8	1.9	1.7	0.0	0.1
trade receivables		17.3	20.1	22.7	31.7	32.4	29.6
trade payables		(11.1)	(11.2)	(11.4)	(13.6)	(13.8)	(13.2)
Net operating Working Capital		9.1	11.8	13.2	19.8	18.6	16.4
% on turnover		29%	37%	33%	50%	52%	41%
inventories (% turnover)		10%	9%	5%	4%	0%	0%
trade receivables (% turnover)		55%	62%	57%	81%	91%	74%
trade payables (% COGS)		52%	53%	42%	52%	60%	50%
other net current asset (debt)		(1.0)	1.4	2.2	(2.0)	1.5	5.1
Capex		7.7	1.2	1.5	4.0	1.5	0.4
tangible		6.9	1.0	0.9	3.9	1.5	0.0
intangibles		0.8	0.3	0.5	0.2	0.0	0.4
% on turnover		25%	4%	4%	10%	4%	1%
Provisions		(2.5)	(3.0)	(3.3)	(2.7)	(2.6)	(2.7)
Invested Capital		35.0	37.7	38.8	43.7	29.6	43.7
shareholders' equity		18.4	18.7	18.9	18.9	18.9	18.9
reserves		5.3	6.6	8.0	9.1	15.1	12.8
net income		0.8	1.2	1.1	3.7	1.7	3.9
minorities		1.7	0.8	0.4	0.6	0.2	0.6
Equity		26.1	27.3	28.5	32.4	36.0	36.2
Net debt (cash)		8.9	10.4	10.3	11.3	6.5	7.4

Source: Banca Profilo on Company data

FY23E missed on revenue and NWC but better on EBITDA margin

Our FY23 projections [Please refer to our Company Update on September, the 28th 2022] are broadly in line with results for what concerns the EBITDA, whereas they are below on revenue even if we had excluded Be Health and Health Property.

In details:

- turnover came in at €35.7mln (-9% yoy) over 10% below our forecast at €40mln (+2% yoy) mainly due to lower turnover by Medical Services (€7.1mln vs our €9.7mln) which is related to negative non-recurring effects of the Group's perimeter change and to some delayed sales;
- EBITDA was €7.9mln, some 2% only below our projection at €8.1mln EBITDA, but EBITDA margin was 2% above our expected 20%;
- Adjusted Net Debt was €9.3mln, just above our estimate at €7.4mln due to more cash absorption by Operating Net Working Capital (especially Trade receivables). In fact, ONWC worsened to 52% of turnover in 2023 from 50% in 2022, whereas we had expected an improvement to 41%, as indicated by the Company. This, together with lower than projected EBIT, had a double negative effect on FCF generation, which was €5.6mln (adjusted excluding the IFRS16 reclassification of renting contracts held by Rebirth) missing our €8.5mln.

Strategy Update

Corporate strategy and guidance

<p>Corporate structure rationalization:</p> <p>Real Estate spin-off; exiting Nutraceutical</p>	<p>In 2023, as announced, Health Italia has rationalized its corporate structure to enhance the value of its Real Estate assets and focus on Core businesses. The exit from Nutraceutical (BeHealth) and the spin-off of its Real Estate non-functional properties (Health Property merged into Rebirth) aim to: i) consolidate the Company's core activities; ii) streamline the Group's structure; iii) improve core businesses efficiency and iii) enhance Real Estate valuation.</p>
<p>Re-focusing on Core businesses:</p> <p>Healthcare plans promotion;</p> <p>Welfare;</p> <p>on the edge Medical services (including Telemedicine)</p>	<p>The re-focusing process will lead to:</p> <ul style="list-style-type: none"> • further growth in Healthcare plans promotion, Welfare and Medical Services; • strengthen the synergies between profit and non-profit models enhancing the activities of mutual benefits companies; • further innovation in Healthcare using the most advanced technologies and devices in Telemedicine and other Digital Healthcare solutions; • consolidate the multi-channel distribution network and develop the online network; <p>More in details, Health Italia will concentrate its efforts in expanding the Group presence in supplementary Healthcare, Welfare and Medical services. Growth in Telemedicine and Health Point will strengthen Health Italia positioning and direct presence in structures focused on human well-being. Furthermore, the development of its multi-channel distribution network, especially the online arm, will further drive Group's organic growth. Finally, persisting attention on digital innovation will: i) lead to internal processes optimization; ii) improve customer experience and ii) accelerate the time to market of a comprehensive Welfare offering.</p>
<p>2026 business plan targets confirmed</p>	<p>In July 2023, Health Italia BoDs approved the 2024-2026 Business Plan setting the following 2026 targets: Total Revenue between €50-52mln; EBITDA in the range €12-14mln and move to a Net Cash Position of €15-16mln. Following our update with Company top management, those targets are to be considered as confirmed.</p>

Fine tuning of our 2024E-2026E estimates

	<p>Following FY23 results, which include non-recurring and non-organic weakness of Revenue in 2023, and amid the confirmation of 2026 targets, we only fine-tuned our 2024-2026 estimates.</p>
<p>Spin-off and valuation enhancing of Real Estate assets; exiting the Nutraceutical non-synergic business</p>	<p>According to recent extraordinary corporate steps, which are aimed at leaning the Group structure and focusing on Core businesses, we confirm future Turnover breakdown to include Healthcare, Welfare services and Medical Services only. Be Health and Health Property exited the Group perimeter, whereas the previously fully controlled Health Point (Medical Services) has been merged into Health Italia. Be Health has been accounted as equity participation, whereas Rebirth has been written as Assets for Sales following the BoD decision to exit the Real Estate. Among possible solutions, the Company is evaluating the assignment of Rebirth shares to shareholders as an extraordinary dividend.</p>
<p>Be Health exits the Group perimeter. The Group stays in Nutraceutical through an equity participation</p>	<p>Regarding the Nutraceutical activity (Be Health), Health Italia abandoned the direct management of this business as it showed lower than expected synergies with its Core businesses; however, the Company remains indirectly in this activity through an equity participation, partnering with specialized companies in the Industry. In June 2023, Be Health, which was controlled by Health Italia through an 85.7% stake, approved a capital increase with consequent dilution of Health Italia's stake to 21.8%.</p>

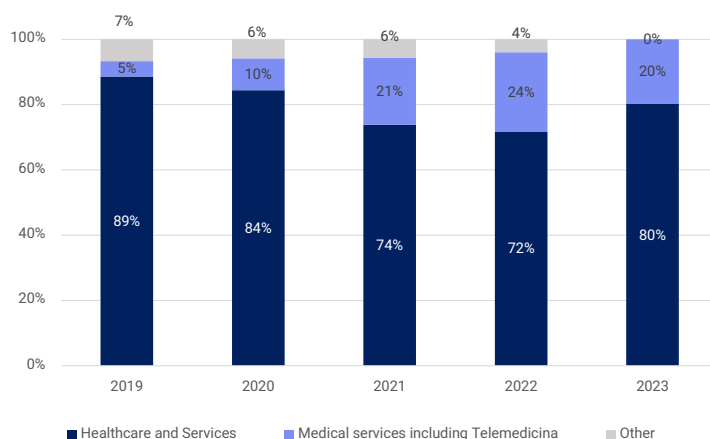
**Real estate spin-off:
Health Property
merged into Rebirth**

For what concerns the Real Estate spin-off, in May 2023 Health Property, which had been held by Health Italia with a 99.9% stake, has been merged into Rebirth, which is a Real Estate management company. Then, in September 2023, within the capital increase of Rebirth SpA, Health Italia conferred into Rebirth, the whole stake it held in Health Property (99.9%). Health Italia now owns more than 40% in Rebirth, which has been accounted as Assets for Sales at the end of 2023.

**Medical Services to
increase its weight on
Turnover to 23% in
2026**

According to our estimates, we confirm Core businesses to grow at 10% CAGR in 2023-2026E and reach €47mIn (vs previous €47.6mIn - *Please refer to our Company Update on September the 28th*). Following the extraordinary reorganizations, we expect the Turnover breakdown to change into 77% Healthcare and Services (80% in 2023) and 23% (20% in 2023) in Medical Services in 2026.

Figure 5: Turnover breakdown 2019-2026E

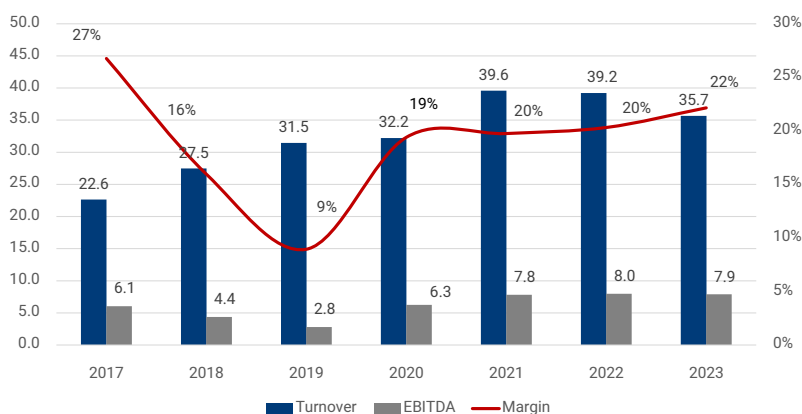


Source: Banca Profilo estimates and elaborations

**EBITDA margin
improving to 24% in
2026E from 20% in
2022**

In 2023-2026E, we project Health Italia to improve its EBITDA from €7.9mIn to €11.5mIn with margin gaining from 22% to 24% respectively (unchanged vs our previous projections - *Please refer to our Company Update on September the 28th*). This increase will be driven not only by Revenue growth but also by operating leverage at Cost of services level and further Human Resources optimization. The incidence of Cost of services is projected to go down from 66% in 2022 to 63% in 2026, whereas the incidence of Labour cost on Turnover is seen declining from 12% to 10% respectively.

Figure 6: Revenue, EBITDA and margin



Source: Banca Profilo estimates and elaborations

D&A is seen declining for Be Health and Health Property deconsolidation

Amid deconsolidation of Health Property and Be Health, we adjusted the Balance Sheet with the effect of lower D&A starting from 2023. In fact, the exit of Real Estate non-functional properties more than offset additional D&A coming from new Capex. We now see D&A at some €1.3mln over the 2024-2026 period.

Net income at €6mln in 2026E

Finally, we project Health Italia to reach a net income of €5.7mln in 2026, (vs €6mln in our previous projections - *Please refer to our Company Update on September the 28th*), including a stable tax rate at 32% and net financial expenses based on some 6% cost of debt.

Table 5: Profit & Loss 2019-2026E old-new estimates

Profit & Loss													
	€mln	2019	2020	2021	2022	2023	2023E	2024E old	2024E new	2025E old	2025E new	2026E old	2026E new
Healthcare and Services		27.9	27.2	29.2	28.1	28.6	30.4	31.6	30.9	33.3	33.2	35.2	36.1
Medical services including Telemedicina		1.5	3.1	8.1	9.5	7.1	9.7	10.4	8.0	11.2	9.5	12.5	11.0
Nutraceutical & Cosmeceutical		1.4	1.6	2.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real estate		0.7	0.3	0.2	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turnover		31.5	32.2	39.6	39.2	35.7	40.0	42.0	38.9	44.5	42.8	47.6	47.0
	yoy		2%	23%	-1%	-9%	2%	5%	9%	6%	10%	7%	10%
other revenue		0.3	0.6	0.9	0.7	0.3	0.7	0.7	0.3	0.8	0.4	0.8	0.4
	% on turnover	1%	2%	2%	2%	1%	2%	2%	1%	2%	1%	2%	1%
Total Revenue		31.8	32.8	40.5	39.9	36.0	40.7	42.7	39.2	45.3	43.1	48.5	47.5
	yoy		3%	23%	-1%	-10%	2%	5%	9%	6%	10%	7%	10%
raw materials cost		(0.9)	(0.6)	(0.4)	(0.4)	(0.2)	(0.4)	(0.4)	(0.3)	(0.4)	(0.3)	(0.4)	(0.3)
	% on turnover	3%	2%	1%	1%	0%	1%	1%	1%	1%	1%	1%	1%
cost of services		(20.6)	(20.5)	(26.4)	(25.9)	(22.9)	(26.2)	(27.1)	(24.8)	(28.3)	(27.2)	(29.8)	(29.8)
	% on turnover	66%	64%	67%	66%	64%	66%	65%	64%	64%	64%	63%	63%
third party use		(0.0)	(0.2)	(0.3)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
	% on turnover	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
labour cost		(6.5)	(4.7)	(4.9)	(4.9)	(4.4)	(5.2)	(5.4)	(4.6)	(5.6)	(4.7)	(5.7)	(4.9)
	% on turnover	21%	15%	12%	12%	12%	13%	13%	12%	13%	11%	12%	10%
other operating costs		(0.8)	(0.6)	(0.7)	(0.5)	(0.4)	(0.6)	(0.6)	(0.5)	(0.6)	(0.5)	(0.7)	(0.6)
	% on turnover	3%	2%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%
EBITDA		2.8	6.3	7.8	8.0	7.9	8.1	9.0	8.8	10.1	10.1	11.5	11.5
	margin	9%	19%	20%	20%	22%	20%	21%	23%	23%	24%	24%	24%
# employees		181	147	122	115	99	121	123	101	124	102	125	103
labor cost per unit		(0.04)	(0.03)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.05)	(0.04)	(0.05)	(0.05)	(0.05)
D&A		(1.4)	(1.6)	(1.4)	(1.5)	(1.3)	(1.2)	(1.3)	(1.3)	(1.5)	(1.4)	(1.5)	(1.4)
	% on turnover	4%	5%	4%	4%	4%	3%	3%	3%	3%	3%	3%	3%
write off		(1.3)	(1.6)	(1.2)	(0.5)	(2.0)	(0.5)	(0.5)	(1.1)	(0.5)	(1.2)	(0.5)	(1.2)
EBIT		0.2	3.0	5.3	5.9	4.6	6.4	7.1	6.4	8.1	7.5	9.5	8.9
	margin	0%	9%	13%	15%	13%	16%	17%	16%	18%	18%	20%	19%
net financial income (expenses)		3.6	(0.2)	(0.6)	(0.8)	(0.5)	(0.7)	(0.7)	(0.6)	(0.7)	(0.6)	(0.7)	(0.6)
	% on turnover	-11.3%	0.6%	1.5%	2.1%	1.3%	1.6%	1.7%	1.6%	1.6%	1.5%	1.5%	1.2%
extraordinary income (expenses)		(1.4)	(1.3)	(2.1)	0.4	(0.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT		2.3	1.5	2.6	5.5	3.3	5.7	6.4	5.7	7.4	6.9	8.8	8.4
	margin	7%	5%	6%	14%	9%	14%	15%	15%	17%	16%	19%	18%
taxes		(2)	(0)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)
	tax rate	66%	17%	55%	32%	49%	32%	32%	32%	32%	32%	32%	32%
Net income		0.8	1.2	1.1	3.7	1.7	3.9	4.4	3.9	5.0	4.7	6.0	5.7
	% on turnover	3%	4%	3%	9%	5%	10%	10%	10%	11%	11%	13%	12%

Source: Banca Profilo estimates and elaborations

Balance Sheet 2024-2026E:

Regarding the Company Balance Sheet, we broadly confirmed our previous 2024E-2026E projections [*Please refer to our Company Update on September, the 28th*].

**Deconsolidation of Health Property and Be Health in 2023
Cumulated Capex at €1.1mln
Net working capital optimization and gradual return to**

In details, we have included:

- deconsolidation of Health Property and Be Health. Main changes relate to the exit of Real Estate properties for over €14mln (including €13mln fixed assets and €1.4mln of stock) and the accounting the equity participation in Rebirth as assets for sales worth €12.8mln. Among solutions, the Company is evaluating the assignment of Rebirth shares to Health Italia shareholders as an extraordinary dividend. Other changes relate to fixed assets, stocks and other assets/liabilities in both Be Health and Health Property, taking into consideration that at the end of 2022 their shareholders equity was €2.9mln and €6.5mln respectively;

standard rotation

- €1.1mln cumulated capex for software development in Telemedicine and improving unique claim management system in Health Assistance;
- €2.1mln of operating working capital decrease (vs previous €1.9mln) deriving mostly from a gradual path back to historical turnover of receivables

Table 6: Balance Sheet 2019-2026E old-new estimates

Balance Sheet													
	€mln	2019	2020	2021	2022	2023	2023E	2023E	2024E	2023E	2025E	2023E	2026E
								old	new	old	new	old	new
tangibles		20.7	17.6	14.2	17.2	4.4	5.0	6.3	5.6	7.8	7.0	9.3	8.4
intangibles		5.7	5.5	5.5	4.6	3.3	4.0	4.4	3.7	4.8	4.1	5.1	4.4
financials		3.0	4.5	6.9	6.8	4.4	15.8	15.8	4.4	15.8	4.4	15.8	4.4
Fixed assets		29.4	27.5	26.7	28.6	12.1	24.9	26.6	13.8	28.4	15.6	30.3	17.3
inventories		3.0	2.8	1.9	1.7	0.0	0.1	0.1	0.0	0.1	0.0	0.1	0.0
trade receivables		17.3	20.1	22.7	31.7	32.4	29.6	28.5	31.4	28.9	32.0	29.5	33.3
trade payables		(11.1)	(11.2)	(11.4)	(13.6)	(13.8)	(13.2)	(13.7)	(13.9)	(14.3)	(15.3)	(15.0)	(16.8)
Net operating Working Capital		9.1	11.8	13.2	19.8	18.6	16.4	14.9	17.4	14.7	16.7	14.5	16.5
% on turnover		29%	37%	33%	50%	52%	41%	35%	45%	33%	39%	30%	35%
inventories (% turnover)		10%	9%	5%	4%	0%	0%	0%	0%	0%	0%	0%	0%
trade receivables (% turnover)		55%	62%	57%	81%	91%	74%	68%	81%	65%	75%	62%	71%
trade payables (% COGS)		52%	53%	42%	52%	60%	50%	50%	56%	50%	56%	50%	56%
other net current asset (debt)		(1.0)	1.4	2.2	(2.0)	1.5	5.1	5.1	1.5	5.1	1.5	5.1	1.5
Capex		7.7	1.2	1.5	4.0	1.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
tangible		6.9	1.0	0.9	3.9	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
intangibles		0.8	0.3	0.5	0.2	0.0	0.4	0.4	0.4	0.4	0.4	0.4	0.4
% on turnover		25%	4%	4%	10%	4%	1%	1%	1%	1%	1%	1%	1%
Provisions		(2.5)	(3.0)	(3.3)	(2.7)	(2.6)	(2.7)	(2.8)	(2.6)	(2.8)	(2.6)	(2.8)	(2.6)
Invested Capital		35.0	37.7	38.8	43.7	29.6	43.7	43.8	30.1	45.4	31.1	47.1	32.7
shareholders' equity		18.4	18.7	18.9	18.9	18.9	18.9	18.9	18.9	18.9	18.9	18.9	18.9
reserves		5.3	6.6	8.0	9.1	15.1	12.8	16.7	16.8	21.1	20.7	26.1	25.4
net income		0.8	1.2	1.1	3.7	1.7	3.9	4.4	3.9	5.0	4.7	6.0	5.7
minorities		1.7	0.8	0.4	0.6	0.2	0.6	0.6	0.2	0.6	0.2	0.6	0.2
Equity		26.1	27.3	28.5	32.4	36.0	36.2	40.6	39.9	45.6	44.5	51.6	50.2
Net debt (cash)		8.9	10.4	10.3	11.3	6.5	7.4	3.2	3.1	(0.2)	(0.6)	(4.5)	(4.7)
cash and cash equivalents		(1.1)	(4.6)	(3.9)	(4.0)	(1.1)							
other current financial assets		(7.3)	(3.0)	(3.0)	(1.0)	(2.9)							
convertible bond		10.1	10.2	10.3	10.4	0.0							
bank debt and other short term debt		2.5	2.2	2.0	1.9	2.3							
bank debt and other m/l term debt		4.8	5.6	5.0	4.1	8.1							
adj Net debt (cash)		16.3	13.3	13.5	12.4	9.3	7.4	3.2	3.1	(0.2)	(0.6)	(4.5)	(4.7)

Source: Banca Profilo estimates and elaborations

Free Cash Flows
2024-2026

Given our assumptions on P&L and Balance Sheet, the Group will be able to generate about €7mln of annual Free Cash Flow on average in 2024-2026.

> €20mln in four
years or €7mln as
yearly average

This is to be considered a normalized level of cash generation excluding non-standard levels of Capex and Net Working Capital cash absorption, which occurred in 2022 and 2023.

Our 2024-2026 €20.5mln cumulated FCFs estimate are only slightly below our previous forecast at €21.8mln [Please refer to our Company Update on September, the 28th]. deriving from lower EBIT not fully off-set by little better NOWC optimization.

Table 7: Free Cash Flows 2019-2026E old-new estimates

Free Cash Flows												
	2019	2020	2021	2022	2023	2023E	2024E	2024E	2025E	2025E	2026E	2026E
	€mln						old	new	old	new	old	new
EBIT	0.2	3.0	5.3	5.9	4.6	6.4	7.1	6.4	8.1	7.5	9.5	8.9
tax (figurative)	(1.0)	(1.7)	(1.9)	(1.5)	(1.5)	(2.0)	(2.3)	(2.1)	(2.6)	(2.4)	(3.1)	(2.9)
D&A	1.4	1.6	1.4	1.5	1.3	1.2	1.3	1.3	1.5	1.4	1.5	1.4
change in Net Working Capital	(2.6)	(1.4)	(6.6)	1.2	1.2	3.4	1.5	1.1	0.2	0.8	0.2	0.2
capex	(7.7)	(1.2)	(1.5)	(4.0)	(1.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Free Cash Flow	(9.8)	0.3	(3.3)	3.1	4.1	8.5	7.2	6.4	6.8	6.9	7.7	7.3

Source: Banca Profilo estimates and elaborations

Business plan execution risks

Effective growth in Medicine Services and the timing of expanding in Healthcare promotion and Welfare services are main Business Plan execution risks.

Valuation

DCF for a cash businesses supported by market multiples We used a DCF valuation approach to appraise the cash generating businesses. As a supporting method, we added the market multiples approach, selecting listed international comparables.

DCF valuation

DCF assumptions: To run a DCF model, we use our projections of FCF for the 2024E-26E explicit period: cumulated Free Cash Flows for €20.5mln or €6.8mln as yearly average (vs prior €21.8mln and €7.3mln respectively - *Please refer to our Company Update on September, 28th 2023*).

€20.5mln of cumulated FCFs

To assess the Terminal Value, we factor in:

- an annual FCF generation of €6.2mln vs previous €7.3mln;
- perpetual growth rate of 2%.

€6.2mln as Terminal Value cash flow

In order to get to the Equity Value we would consider the adjusted net debt at the end of December 2023 (€9.3mln vs that at the end of June 2023 at €5.6mln).

Table 8: DCF valuation

DCF Valuation	2022	2023	2024E	2025E	2026E	over
Free Cash Flows (€/000)	(5.1)	4.1	6.4	6.9	7.3	6.2
years			1	2	3	
discount factor			0.92	0.84	0.77	
NPV Cash flows (€/000)			5.9	5.8	5.6	
Sum of NPVs (€/000)						17.3
Terminal Value (€/000)						87.7
NPV Terminal Value (€/000)						67.6
Enterprise Value (€/000)						84.9
Adj Net debt December 2023 (€mln)						9.3
Equity Value (€/000)						75.6
number of shares (mln)						0.190
Per share value (€)						398.4
current price (€)						120.0

Source: Banca Profilo estimates and elaborations

9.3% WACC

We use a WACC of 9% (vs previous 9.3%), derived from:

- 4.5% risk free rate (vs previous 5.3%), as implicitly expected by consensus on the 30Y Italian BTP yield curve in a scenario of next-to come easing monetary policy;
- 5.5% market risk premium;
- 1 beta, coming from the average of chosen listed peers to Health Italia;
- debt to equity target structure with an 80% weight on Equity.

Table 9: WACC calculation

WACC Calculation	
perpetual growth rate	2.0%
WACC	9.0%
risk free rate (30Y)	4.5%
equity risk premium	5.5%
beta	1.0
KE	10.1%
debt cost	6.6%
tax rate	30%
KD	4.6%

Source: Banca Profilo estimates and elaborations

DCF valuation: We run the DCF model and end up with an Enterprise Value of €84.9mln (vs previous €94.8mln) and, therefore, an Equity Value of €75.6mln (vs previous €75.6mln).

Equity €75.6mln

Relative valuation on market multiples

A selected panel of listed peers

To assess a relative valuation of Health Italia through the market multiples approach, we used our panel of listed peers and the EV/EBITDA 2024E multiple.

The selected peers are: Marsh & McLennan, Aon, Willis Towers Watson, Arthur J. Gallagher, Elevance Health, Humana, Edenred.

EV/EBITDA 24E:
13.4x

The selected sample of peers trades at the average of 13.4x the EV/EBITDA 24E (from previous 13.1x). Health Italia currently trades at 4x the average EV/EBITDA 2023-2024, more than 70% below the selected peers' average.

Table 10: Market multiples

Company	EV / EBITDA
21/03/2024	2024E
Marsh & McLennan Companies, Inc.	16.0x
Aon Plc Class A	15.9x
Willis Towers Watson PLC	11.9x
Arthur J. Gallagher & Co.	16.6x
Elevance Health, Inc.	11.0x
Humana Inc.	12.1x
Edenred SA	10.0x
Mean	13.4x
Health Italia	4.0x
<i>premium (discount) on best peers</i>	<i>-70%</i>

Source: Banca Profilo estimates and elaborations on Factset

Market multiples valuation: Equity €108mIn

We use the average EV/EBITDA 2024E at 13.4x and come out with an Equity Valuation of Health Italia of €108mIn (vs previous €111mIn for higher debt at the end of December 2023 if compared to that in June 2023), which strongly support our DCF Equity Valuation.

Table 11: Market multiples valuation

Valuation on market multiples	
Health Italia on EV/EBITDA	2024E
EV/EBITDA	13.4x
EBITDA (€mIn)	8.8
EV (€mIn)	118
net debt 31.12.23 (€mIn)	9.3
Equity (€mIn)	108

Source: Banca Profilo estimates and elaborations on Factset

Valuation:
12-month TP at €430
Recommendation:
BUY

We slightly reduced [*Please refer to our Initial Coverage on September, 28th 2022*] our 12-month target price of Health Italia to €430 from previous €450 as a weighted blend of DCF and market multiples valuation and given some 6% lower FCFs, only partially offset by lower WACC.

On March, the 18th, the Company grouped the 18.9mIn shares into 189.780.

Given the significant upside on Health Italia price (€120 as of March, 21st), we set our recommendation at BUY.

APPENDIX

The reference Industry

Leading Italian operator in Healthcare and Welfare

Health Italia SpA is a leading Italian operator in Healthcare and Welfare offering integrated solutions to corporates, their employees, and families. Health Italia provides solutions for better access to Healthcare and Welfare, also through its own facilities and best-in-class Telemedicine services.

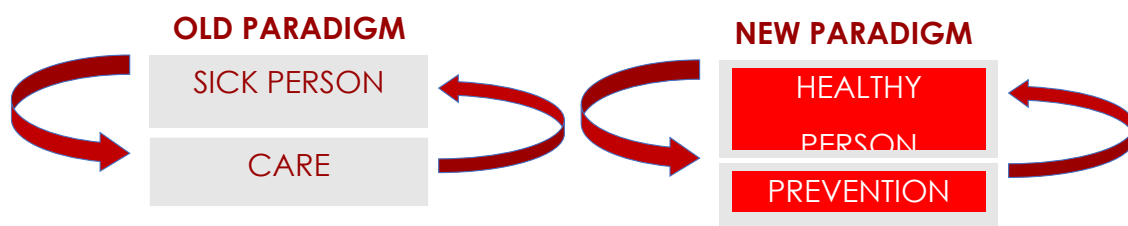
Increasing demand for private integrated Healthcare and Welfare

Its reference Industry is therefore the Italian Healthcare and Welfare systems, both public and private. Over the past 10 years, there has been an increasing demand for private integrated Health Insurance and Welfare plans as both an alternative and complement to public offering. Welfare has been recently expanding as a corporate benefit and a means of employee retention as it can be integrated with different Healthcare services, including advance tools such as Telemedicine.

A shift from Healthcare to Health maintenance and prevention to Welfare for human wellbeing

Furthermore, a paradigm shift has recently started in Italy, where there is a need for healthier population, better services and lower costs. Health Italia has implemented a new comprehensive Healthcare model to improve people wellbeing, using not only Prevention but also Telemedicine. Further development is a Comprehensive Welfare scheme which will cover the entire human wellbeing.

Figure 7: Shifting into a new Healthcare paradigm



Source: Company Data

Welfare benefits are totally tax-free and contribution-free

Comprehensive Corporate Welfare is an innovative approach that can include Healthcare plans and other Medical services such as Telemedicine; it has been increasingly used in Italy as a means of employee retention. Corporate Welfare expanded significantly in Italy thanks to the “Legge di stabilità” which introduced tax incentives to corporate initiatives to improve employee’s wellbeing. According to Art.51 of TUIR, Welfare initiatives release clear tax relief to companies and employees. Welfare benefits are 100% tax and employees’ contribution free. The employee can therefore use the entire benefit the company decides to give. It is a win-win situation for both the employee and the firm.

Figure 8: Welfare benefits and company tax relief

WELFARE BENEFIT €1000		PAYROLL BENEFIT €1000	
CORPORATE COST	EMPLOYEE CASH IN	CORPORATE COST	EMPLOYEE CASH IN
€ 1,000	€ 1,000	€ 1,000	€ 1,000
0	0	€400 taxes	-€200 taxes
€ 1,000	€ 1,000	€ 1,400	€ 800

Source: Banca Profilo on Industry data

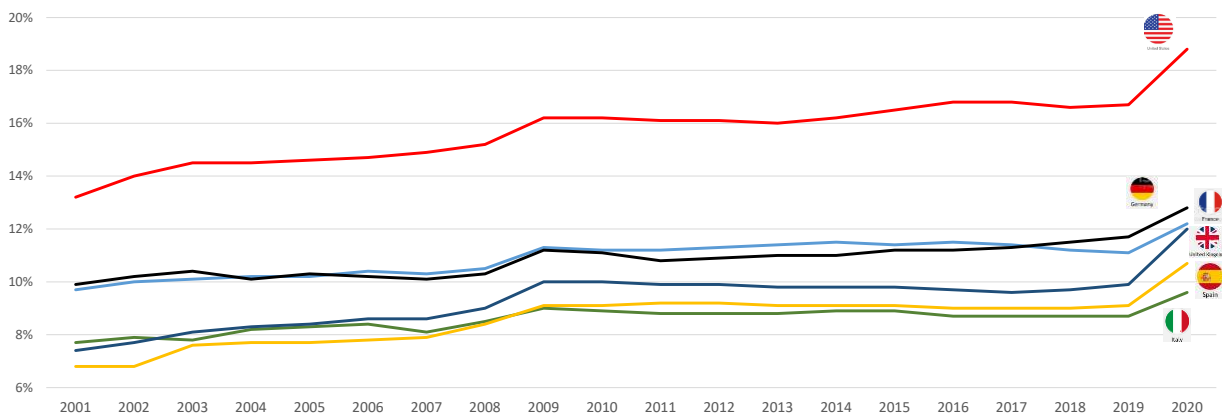
National Health care Service in Italy second best

The Italian Public Health care service (SSN) provides universal coverage to citizens and residents with public healthcare largely free of charge. It guarantees health care to all citizens using the free-of-charge Italian National Service card. According to the World Health

worldwide Organization, Italy is ranked the second-best National Health care system worldwide, after France, in terms of overall quality, equity of access, general health and life expectancy of the Italian population.

Italy the lowest Healthcare spending; yet the best in terms of equity of access However, according to OECD Health data, in terms of Healthcare expenses on GDP, Italy devoted much less than main European countries and the US, despite its Healthcare system shows much larger access rights. In 2020, Italy spent 9.6% only of its GDP in Healthcare, which compares to 11% of Spain, above 12% of France, Germany and UK and almost 20% the US. Furthermore, Italy shows the lowest growth of Healthcare spending on GDP over the past 20 years: 2% compared to an average of more than 4% of the other countries.

Figure 9: Healthcare expenditure on GDP by country, 2001-2020

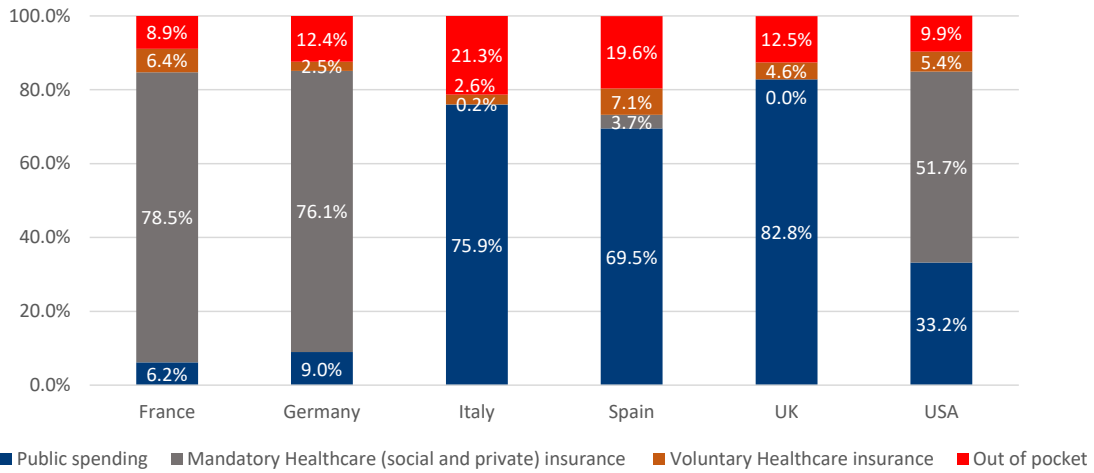


Source: Banca Profilo on OASI Bocconi, OECD Health, 2022

Private Health insurance plays still a small part in the Italian Healthcare system Private Health insurance still plays a small part in the Italian Healthcare system. According to OECD Focus on Private Health Insurance spending (March 2022), in OECD countries around 10% of Healthcare spending is paid by Private Health insurance but this average masks considerable cross-country variation. In fact, Private Health insurance accounts for 1/3 in the US, 50% in Switzerland and 60% in Netherlands, but only 2% in Italy. However, over the past 10 years, the share of people combining the use of the Italian SSN with Private Care, paying out-of-pocket or accessing it through supplementary Health Insurance has increased. In fact, Private Health expenditure in Italy rose from €34.2bn in 2012 to €41bn in 2021 due to the Italian SSN struggling to satisfy the need of its aging population with increasingly long waiting lists that do not allow it to deliver proper care. The share of domestic Small and Medium enterprises (SMEs) which took at least one initiative in the field of Complementary Health for the benefit of their employees increased from 29% in 2016 to 42% in 2020.

In Italy, out of pocket spending is still more than 20% of pro-capita Healthcare expenditure According to OECD Health data, the breakdown of Healthcare spending by countries still shows a high percentage of compulsory (both public and private) healthcare insurance between 73% (Spain) and 85% (USA, Germany and France). However, differences among countries emerge depending upon the weight of public spending: in countries with a National Health system (Italy, UK and Spain) the highest percentage is public spending on Healthcare, whereas in countries with mandatory healthcare insurance (France and Germany) most of the expenses is on social security spending. In the US almost 30% of spending on healthcare is related to compulsory private healthcare insurance. Therefore, the remaining spending on Healthcare is privately funded by individuals or corporates for their employees. Private healthcare spending can be backed by either private insurance or out-of-pocket. In 2020, the out-of-pocket healthcare expenses ranged from 9% in France to more than 20% in Italy

Figure 10: pro-capita Healthcare expenditure breakdown by country and funding, 2020

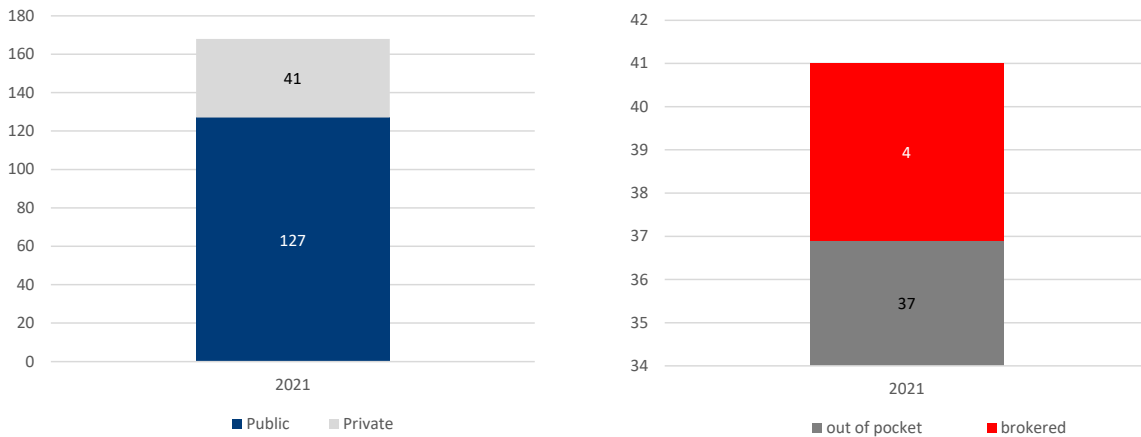


Source: Banca Profilo on OASI Bocconi, OECD Health, 2022

Domestic Private Healthcare addressable market

In 2021, the Italian Healthcare market was worth €168bn, increasing from €26bn in 2010. About €41bn of Healthcare spending was Private Insurance. This is also called Second Pillar of the Italian Healthcare system or Supplementary Healthcare which integrates the First Pillar of Public Healthcare covered by the SSN. Of this Private Insurance, some 90% was still out-of-pocket expenses and the rest brokered by integrated, complementary and insurance companies or Mutual benefit companies and Healthcare funds (non-profit institutions). This is the addressable market for Health Italia.

Figure 11: The Italian Healthcare market, 2021

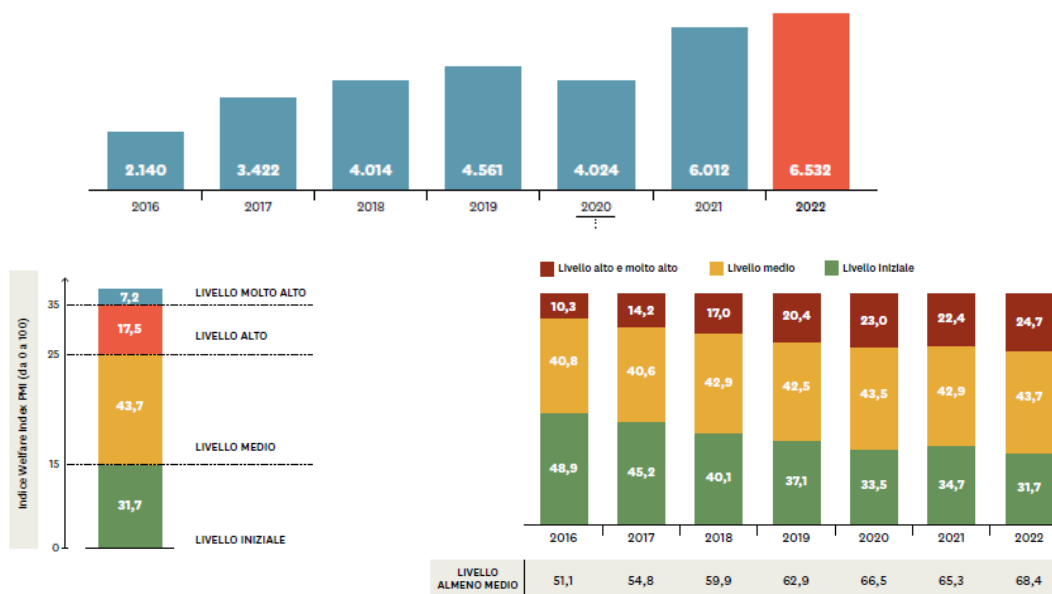


Source: Banca Profilo on OASI Bocconi, OECD Health, 2022

Italian Welfare market: +20% the number of SMEs offering Welfare benefits

For what concerns the Italian Corporate Welfare market, the number of SMEs offering Welfare benefits has risen from 2,140 to 6,532, since 2016. And corporate welfare initiatives expanded from 127 to 156 in the same period ranging from Healthcare diagnosis and prevention, to work-life balance, and Telemedicine. According to the Welfare Index PMI, only 32% of SMEs offering Corporate Welfare show basic welfare initiatives and those with a high/to very high level of Corporate Welfare rose from 11% in 2016 to 25% in 2022, whereas those with basic welfare initiatives decreased from 49% to 31% in the same period.

Figure 12: The Italian Welfare market - Number of SMEs offering Welfare benefits



Source: Welfare Index PMI, 2022

Health Italia: overview and business model

Italian leading operator in Healthcare and Welfare

Health Italia SpA is a leading Italian operator in Healthcare and Welfare offering integrated solutions to corporates, their employees, and families. Health Italia provides solutions for better access to Healthcare and Welfare in Italy, also through its own structures (Health Point) and best-in-class Telemedicine services.

In 2023, the Group reached €36mIn revenue with 22% EBITDA margin and €1.7mIn net income, including some €3mIn of extraordinary negative items. In terms of KPIs, in 2023 Health Italia confirmed the management and access to some 5,000 Healthcare facilities, the assistance of 450,000 people and showed a 90% customer retention rate.

A mutualistic model of Healthcare and Welfare promotion

Health Italia promotes its offering following a mutualistic model. It places its complementary Healthcare offering between the Public National Healthcare System and individual Healthcare provided by Health Insurance policies. Health Italia sells complementary Healthcare plans provided by mutual benefit companies and Healthcare and Assistance funds to associations, corporates, and individuals.

Core Business lines:

It is active mainly through three companies and two business divisions: Healthcare promotion and Welfare Services managed by Health Italia and Health Assistance; Medical Services offered by Health Point.

Healthcare plans and services

More in detail,

Health Italia promotes and offers:

Medical services including Telemedicine

- Healthcare plans of Mutual benefit companies and Healthcare funds using various distribution channels;
- Corporate Welfare services and flexible benefits plans using a dedicated online platform;
- Training for promoters, internally managed by HealthAcademy which is Health Italia training school for becoming and updating specialized promoters.

Health Assistance manages:

- The network of associated Healthcare facilities;
- The network of partner companies in Home Care and Nursing;
- Administrative, reporting, settlement and reimbursement phases of benefits and claims.

Health Point delivers:

- Telemedicine services through equipped stations placed in pharmacies, firms, Healthcare facilities and Sports Centres;
- Specialty Health and Dental services;
- Telemedicine services included in Corporate Welfare plans.

Figure 13: Health Italia positioning

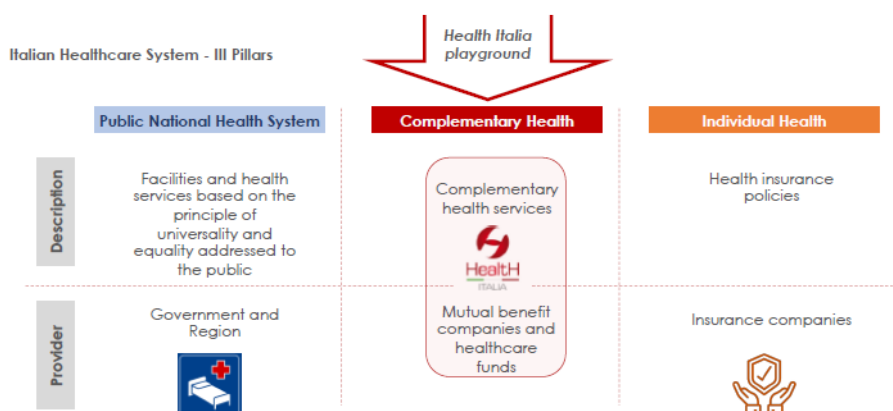
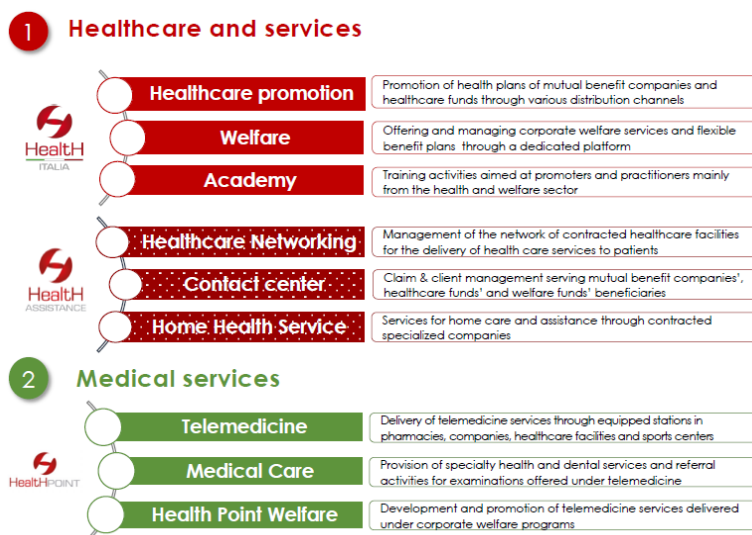


Figure 14: Health Italia business units and Group subsidiaries

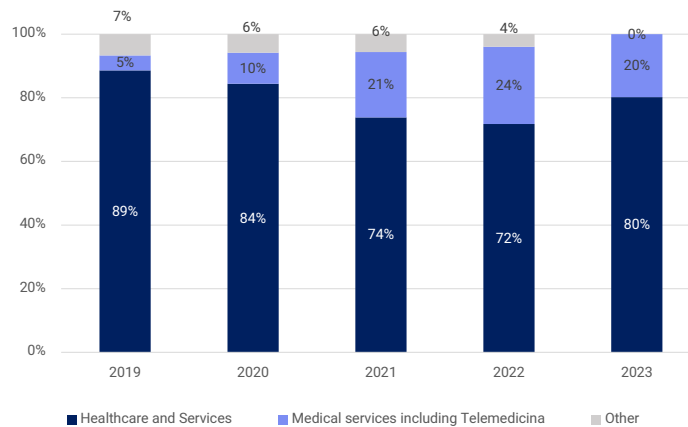


Source: Company Data

Medical Services increased its weight on Group turnover to almost a quarter

During the past four years, Medical Services, including Telemedicine, increased its contribution to the Group's turnover from only 5% in 2019 to 24% in 2022. "Other" included revenue from Real Estate assets (through Health Property) and Nutraceutical business (through BeHealth), which have been handed off specialized companies.

Figure 15: Health Italia revenue breakdown 2019-2023



Source: Banca Profilo on Company data

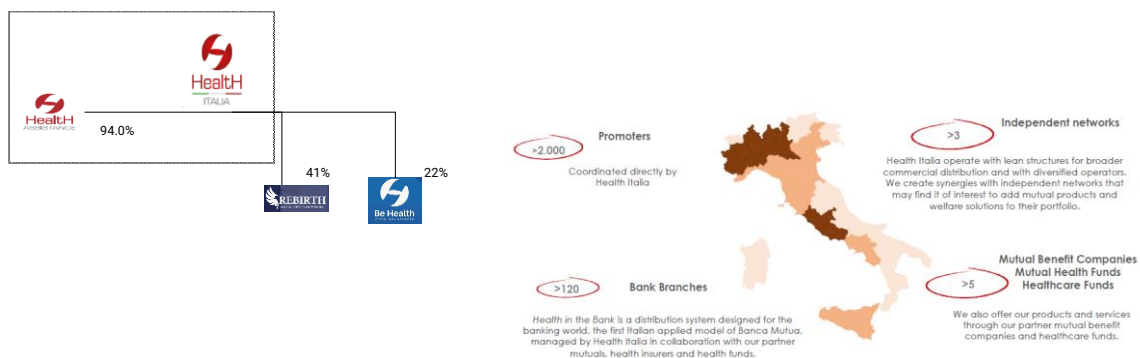
Business re-focusing in progress

In 2023, Health Italia committed to rationalizing its corporate structure and enhancing the value of its Real Estate assets.

Amid the exit from the Nutraceutical sector (BeHealth) and the spin-off of its real estate assets (Health Property merged into Rebirth), the Company is now focused on its core business. In details, in May 2023, Health Property has been merged into the Real Estate managing company Rebirth; then Health Italia conferred its almost 100% stake in Health Property into Rebirth ending with more than 40% stake in Rebirth. Furthermore, in December 2023, a capital increase has been approved in BeHealth and Health Italia did not participate with consequent dilution to some 22%. Finally, at the beginning of 2024 the Company approved the merge of Health Point into Health Italia for structure streamlining.

Following these changes, the Group now comprises Health Italia, and Health Assistance, whereas Rebirth and Be Health are equity participations. Moreover, Rebirth has been accounted as Assets for Sales in 2023 Balance Sheet for the decision of the Company to exit the Real Estate. Among solutions, Health Italia is evaluating to assign Rebirth stake to shareholders as extraordinary dividend.

Figure 16: Health Italia Group perimeter and distribution model



Source: Banca Profilo on Company data

Health Italia multi-channel distribution

Health Italia markets its Healthcare services through a multi-channel distribution model which includes more than 2,000 specialized promoters, more than 120 bank branches, more than 5 mutual benefit companies and Healthcare funds, and more than 3 independent networks with a widespread presence in Italy and online.

Shareholders, Board of Directors and Organization

Listed in 2017

More than 45% free float.

Broad shareholders base

Shareholders' agreement on more than 29% of share capital

The Company was listed on the EGM segment of the Italian Stock Exchange in February 2017 at €4/share. The share capital has been recently changed and it is represented by 189,781 ordinary shares, which had been grouped from previous 18.97mln on March the 18th

Free float is almost 46%. In 2019, Health Italia achieved the status of Company with a broad shareholder base with more than 500 shareholders.

The Company is mainly owned by:

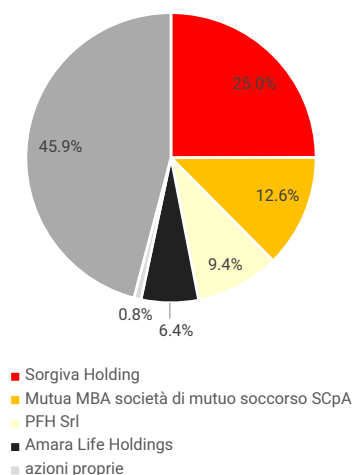
- Sorgiva Hld with 25%;
- Mutua MBA SCpA with 12.6%;
- PFH Srl with 9.4%
- Amara Life Hlds with 6.4%

Excluding own shares (0.8%), free float is then 45.9%.

Mutua MBA is not only a key shareholder but also a key partner as Health Italia promotes its Healthcare plans through various distribution channels.

In April 2022, shareholders and top managers signed an agreement on 20% of share capital, which has been updated on March the 26th on 29.37% of share capital with vote and veto syndication for strengthening their commitment in the Group.

Figure 17: Health Italia shareholders



Source: Company Data

The Board includes 6 directors of which 3 independent and 2 women

The Board of Directors includes Roberto Anzanello, the Chairman, Livia Foglia, the CEO, and four additional directors, of which three independent members. Diego Facchini exited in and a reduction of BoD members is expected at the next Shareholders' meeting

ESG analysis

Sustainability report

ESG and the Sustainability of Competitive Advantage

Every active investor seeking value should be aware of how companies deal with environment, social and governance issues, since these are factors that can improve corporate value. In a world where companies are increasingly facing environmental issues, such as climate change and pollution, as well as social factors such as diversity and inclusion, gender balance and product safety, attention to ESG issues has become a competitive advantage.

Health Italia: third Sustainability Report in 2021

To best involve stakeholders and to communicate in an increasingly transparent way its ESG goals, Health Italia published its third Sustainability Report in 2021 in accordance with both GRI and SDG standards.

ESG and credit ratings

Amid the Sustainability Plan and Report, in September 2023, Cerved confirmed and improved Health Italia A ESG rating to 72.4 (from previous 70.9). Additionally, a year earlier, in September 2022, Cerved provided Health Italia with a credit rating of B1.2 in the Investment Grade Area.

Sustainability for Health Italia

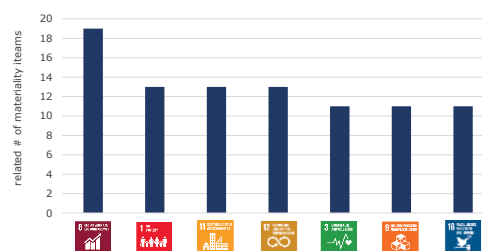
Materiality Assessment

Health Italia carried out a Materiality Assessment to identify priority sustainability disclosure items, set most relevant issues for the Company and its stakeholders, and finally, to decide which issues should be included (and updated) in the Report.

SDGs vs corporate goals: n. 8, 3, 12, and 16 are those Health Italia is more sensitive to

By relating the material topics identified through the Materiality Map to the seventeen Sustainable Development Goals (SDGs), SDG 8, 3, 12, 16, 5, 13, 10 and 17 stand out as the most sensitive ones for Health Italia. Through working on Business integrity and ethics, employees' engagement, personnel training and enhancement, employees' welfare and incentives, health and safety at work, PA and local communities networking, economic performance and financial balance, R&D and innovation, data privacy and protection, Health Italia aims at creating a Decent work environment in a growing Business scenario (SDG 8). Structured processes for personnel training and enhancement, diversity, inclusion, equality and human rights protection; introducing personnel welfare and incentives plans; guaranteeing healthy and safe workspaces; being responsible in waste management and use of natural resources; being customer oriented are some of the ways for Health Italia to achieve Good Health and Well Being for all (SDG 3). Defining high standards of waste and water management and responsible use of natural resources, being aware of the environment impact of business processes, focusing on R&D and innovation and developing responsible marketing are means Health Italia put in place for Responsible Consumption and Production (SDG 12).

Figure 18: Materiality Assessment



Source: Banca Profilo on Company data



Health Italia "ID Card"

Recommendation	Target Price	Upside
BUY	430.0 €	260%

Company Overview

Health Italia is a leading Italian operator in Healthcare and Welfare, offering supplementary and integrated solutions to corporates, their employees, and families also through its own (Health Point) facilities and best-in-class Telemedicine. Health Italia promotes its offering following a mutualistic model. It places its complementary Healthcare offering between the Public National Healthcare System and individual Healthcare provided by Health Insurance policies. It is active mainly through three companies and two business divisions: Healthcare promotion and Welfare Services are managed by Health Italia and Health Assistance; Medical Services are offered by Health Point. Health Italia markets its plans and services through a multi-channel distribution network which includes more than: i) 2,000 specialized promoters; ii) 120 bank branches; iii) 5 mutual benefit companies and Healthcare funds; iv) 3 independent networks with a widespread presence in Italy and online. Since its listing, in 2017, Health Italia has reported an average turnover growth close to 12% (11.6% CAGR 2017-2022) from €22.6mln to €39.2mln. EBITDA increased from €6.1mln to €8mln with EBITDA margin substantially stable around 20%. Turnover breakdown has changed over the past 4 years with Medical Services, increasing its weight from 5% in 2019 to 24% in 2022. At the end of 2022, Health Italia had €28.6 of fixed assets, including €16.1mln Real Estate properties. Net Operating Working Capital stood at €19.8mln. The Company financial structure is well balance with Net Invested Capital at €43.7 financed by €32.4mln of Equity and €11.3mln of net debt. Health Italia Business Plan sets 2026 targets: Total Revenue between €50-52mln; EBITDA in the range €12-14mln and Net Cash position of €15-16mln.

SWOT Analysis

Strengths

- significant growth
- leadership in the Italian supplementary Healthcare and Welfare
- fully integrated business model including proprietary IT systems
- strong R&D and innovation in Medical services
- multi-channel diversified distribution model
- more than 20-year experienced top management

Weaknesses

- dependence on the strategic partner MBA
- geographical concentration in Italy
- small size in large global players competition+

Opportunities

- High barriers to entry due to regulations in supplementary Healthcare and Welfare
- Increased penetration of supplementary Healthcare on total expenditure

Threats

- Intensifying competition by Insurance companies

Main catalysts

- 👍 Increasing demand of Comprehensive Welfare
- On the edge Medical Services driven by R&D and innovation

Main risks

- 🗨️ Competition by Insurance companies

Health Italia

"ID Card"

Recommendation

Target Price

Upside

BUY

430.0 €

260%

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Main Financials							
€ mln	2020	2021	2022	2023	2024E	2025E	2026E
Total revenue	32.8	40.5	39.9	36.0	39.2	43.1	47.5
<i>yoy change</i>	3.3%	23.3%	-1.5%	-11.1%	8.9%	10.0%	10.0%
EBITDA	6.3	7.8	8.0	7.9	8.8	10.1	11.5
<i>EBITDA margin (%)</i>	19.0%	19.3%	20.0%	21.9%	22.4%	23.5%	24.3%
EBIT	3.0	5.3	5.9	4.7	6.4	7.5	8.9
<i>EBIT margin (%)</i>	9.2%	13.0%	14.8%	13.0%	16.2%	17.4%	18.8%
Net income	1.2	1.1	3.7	1.7	3.9	4.7	5.7
<i>Margin (%)</i>	3.7%	2.8%	9.3%	4.7%	9.9%	10.8%	11.9%
Adjusted net debt (cash)	10.4	10.4	11.3	6.4	3.1	-0.6	-4.7
Shareholders Equity	27.3	28.5	32.4	36.0	39.9	44.5	50.2
Net Operating Working Capital	11.8	13.2	19.8	18.6	17.4	16.7	16.5
Capex and acquisitions	1.2	1.5	4.0	1.5	0.4	0.4	0.4
Free Cash Flow	(0.2)	2.1	(5.1)	4.1	6.4	6.9	7.3

Company Description	
Company Sector	Insurance - Health Care, Welfare services
Price (€)	120.0
Number of shares (mln)	0.2
Market Cap (€ mln)	22.8
Reference Index	Euronext Growth
Main Shareholders	Sorgiva Holding
Main Shareholder stake	29.5%
Free Float	41.3%
Daily Average Volumes	275
Sample of comparables	Marsh, Aon, Willis Towers Watson, Arthur Gallagher, Elevance, Humana, Edenred

Breakdown by business unit							
(% of turnover)	2020	2021	2022	2023	2024E	2025E	2026E
Healthcare and Services	84%	74%	72%	80%	79%	78%	77%
Medical services including	10%	21%	24%	20%	21%	22%	23%
Other	6%	6%	4%	0%	0%	0%	0%
Turnover	32.2	39.6	39.2	35.7	38.9	42.8	47.0

Data of peers (average) vs Health Italia				
	2021	2022	2023	2024E
Revenue growth (yoy)	10%	9%	13%	8%
Health Italia	23%	-1%	-10%	9%
EBITDA margin	23%	24%	24%	25%
Health Italia	19%	20%	22%	22%

Solvability Ratios							
	2020	2021	2022	2023	2024E	2025E	2026E
Net debt (cash) / EBITDA	1.7x	1.3x	1.4x	0.8x	0.3x	-0.1x	-0.4x
Net debt (cash) / Equity	0.4x	0.4x	0.4x	0.2x	0.1x	0.0x	-0.1x

Multiples	
	2024E
Best peers	
EV / EBITDA	13.4x
Health Italia	4.0x

Financial and Operative ratios							
	2020	2021	2022	2023	2024E	2025E	2026E
Tax rate	17%	55%	32%	49%	32%	32%	32%
ROIC	8%	14%	13%	11%	15%	17%	20%
ROE	4%	4%	11%	5%	10%	10%	11%
Capex/Sales	4%	4%	10%	4%	7%	7%	7%
D&A to capex	132%	95%	38%	83%	352%	383%	383%

Source: Factset, Banca Profilo estimates and elaborations



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BANCA PROFILO S.P.A. HAS ADOPTED INTERNAL PROCEDURES FOR THE PREVENTION AND AVOIDANCE OF CONFLICTS OF INTEREST WITH RESPECT TO THE RECOMMENDATIONS, WHICH CAN BE CONSULTED ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").

EQUITY RESEARCH PUBLICATIONS IN LAST 12M

THE BANK PUBLISHES ON ITS WEBSITE WWW.BANCAPROFILO.IT, ON A QUARTERLY BASIS, THE PROPORTION OF ALL RECOMMENDATIONS THAT ARE 'BUY', 'HOLD', 'SELL' OR EQUIVALENT TERMS OVER THE PREVIOUS 12 MONTHS, AND THE PROPORTION OF ISSUERS CORRESPONDING TO EACH OF THOSE CATEGORIES TO WHICH SUCH PERSON HAS SUPPLIED MATERIAL SERVICES OF INVESTMENT FIRMS SET OUT IN SECTIONS A AND B OF ANNEX I TO DIRECTIVE 2014/65/EU OVER THE PREVIOUS 12 MONTHS.

ADDITIONAL INFORMATION

THE BANK PROVIDES ALL OTHER ADDITIONAL INFORMATION, ACCORDING TO ARTICLE 114, PARAGRAPH 8 OF LEGISLATIVE DECREE 58/98 ("FINANCIAL DECREE") AND COMMISSION DELEGATED REGULATION (EU) 2016/958 AS OF 9 MARCH 2016 (THE "COMMISSION REGULATION") ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").