

Company: **Health Italia**      Rating: **Buy**      Target Price: **€430 (unchanged)**      Sector: **Insurance – Health Care, Welfare**

## Focus on Core drives marginality

October, 3 2024 at 18:00

### 1H24: on track to our FY24 estimates

Health Italia reported 1H24 in line with our FY24 estimates [Please refer to our Company Update on March 27<sup>th</sup>, 2024]. Revenue increased by 8.4% yoy to €19.3mln, driven by Group streamlining and efforts concentration on core activities. The figure is 50% of our €38.9mln FY24 forecast, a typical weight of Health Italia's first semester turnover. EBITDA rose by 26% yoy to €4.1mln with margin improving 3pp to 21%, as the result of process optimization and savings. First semester EBITDA usually weighs 40-42% on its full-year figure; hence, it potentially beats our FY24 forecast. Bottom line has been affected by provisions and one-off extraordinary expense due to legal controversies. Consequently, 1H24 Net income was flat yoy at €1.5mln. At the end of June, net debt decreased to €3.9mln from a reported €6.4mln at the end of December 2023.

### Completing Real Estate spin-off and focusing on Core businesses

In 2023, 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.

### On track to Co's guidance. 2024-2026E estimates fine tuning only.

In 2023, Health Italia approved the 2024-2026 Business Plan setting the following 2026 targets: Revenue between €50-52mln; EBITDA €12-14mln and Net Cash of €15-16mln. Amid 1H24 results in line with our FY24 projections, at this stage, we consider those targets as achievable. Thus, we only fine tuned our 2024-2026 estimates [Please refer to our Company Update on March 27<sup>th</sup>]. In 2024E, we stick to our €38.9mln revenue estimate even if it might be conservative as, according to management, new relevant contracts, with good marginality, have been signed after June. We accounted conservative reduction of EBITDA, few adjustments on the final steps of the spin off process and on NWC turnover amid its trend in 1H. We confirm a 10% sales CAGR in 2023-2026E to €47mln; EBITDA to move from €7.9mln to €11.5mln with margin improving from 22% to 24%, driven by: i) efforts concentration on Core businesses; ii) Revenue growth iii) operating leverage mostly driven by Human Resources optimization. Regarding the Company perspective Balance Sheet, we see €16mln net cash at the end of 2026, mostly for the exit of the Assets for sales.

### Valuation confirmed: price target at €430; BUY

We run DCF (8.9% WACC; €22mln cumulated and €6.9mln Terminal Value FCFs) ending up with €81mln Equity Value. As a supporting method, we add Market Multiples, selecting listed international peers. The mean of peers' EV/EBITDA 2025E is 11.9x, which compares to Health Italia's 2.6x, only partially explained with HI lower margins (22% vs the average of 25%) and smaller perspective growth (9% vs 10%). Over the past year, the 1-year forward EV/EBITDA of the chosen sample has appreciated by some 10%. The Market Multiples relative approach would come out with an Equity Valuation of €110mln, which strongly support our DCF result. Therefore, we confirm our 12-month target price of €430 and, given the significant upside on Health Italia current price, we also confirm our BUY.

Company Profile		
Target Price	430 €	unchanged
Recommendation	BUY	unchanged
Company Profile		
Ticker	HI IM (BBG)	HHT (Factset)
Reference Industry	Insurance - Health Care, Welfare	
Stock Exchange	Italian Stock Exchange - Euronext	
Reference Index	FTSE Italia Small Cap	
Market Data		
Price as of	02/10/2024	99.6
Number of shares		189,780
Market capitalization (€, mln)		18.90
Max / Min		610/87.
Average daily volumes (1-year)		283

Main Financials	2022	2023	2024E	2025E	2026E
€ mln					
Total Revenue	39.9	36.0	39.2	43.1	47.5
yoy (%)	-1%	-10%	9%	10%	10%
EBITDA	8.0	7.9	8.5	9.9	11.5
margin (%)	20%	22%	22%	23%	24%
EBIT	5.9	4.6	6.1	7.4	9.2
margin (%)	15%	13%	16%	17%	19%
Net Income	3.7	1.7	3.2	3.9	5.2
margin (%)	9%	5%	8%	9%	11%
Net Debt	11.3	6.5	4.4	-12.2	-15.9
Equity	32.4	36.0	39.2	43.1	48.3
Capex	4.0	1.5	0.4	0.4	0.4
FCFs	(5.3)	4.0	4.9	5.5	7.3

Source: Banca Profilo estimates. Company data.

### 1-Year relative Performance



Francesca Sabatini  
 Head of Equity Research  
 francesca.sabatini@bancaprofilo.it  
 +39 02 58408 461

Sales Desk  
 +39 02 58408 478

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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
<b>Insurance brokers</b>					
Marsh & McLennan (USA)	√		√		
Elevance Health (formerly Anthem) (USA)	√		√	√	
AON Italia (non listed)			√	√	
Willis Towers Watson (USA)	√		√	√	
Arthur J Galagher (USA)	√		√	√	
Humana (USA)	√		√		
<b>Service providers and independent Third Party Administrator</b>					
Blue Assstance (non listed)	√	√			
IMA Italia assistance (non listed)	√	√			
Previmedical (non listed)	√	√			
<b>Corporate Welfare and Flexible benefits</b>					
Edenred (FR)				√	
Double You (non listed)				√	
<b>Telemedicine</b>					
Health Telematic Network (non listed)					√
Medica Group (UK)					√
<b>Integrated Health and Welfare services</b>					
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 Galagher, 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.

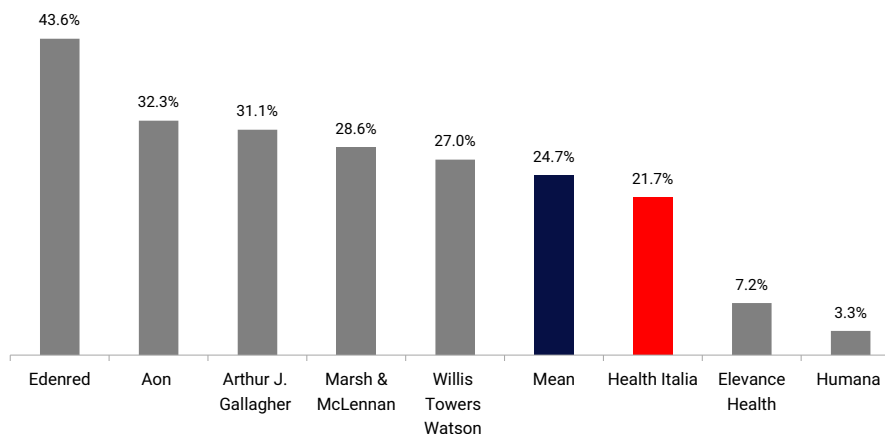
**Arthur J Gallagher FY23: \$10bn revenue (+18% yoy); \$3bn EBITDA**

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 – expected EBITDA margin in 2024**



Source: Banca Profilo EBITDA estimate on Health Italia, Factset consensus as of September, 2024

**Peers' EBITDA FY24E** In terms of EBITDA forecast in 2024, with 22% margin Health Italia ranks just below the Sector's average.

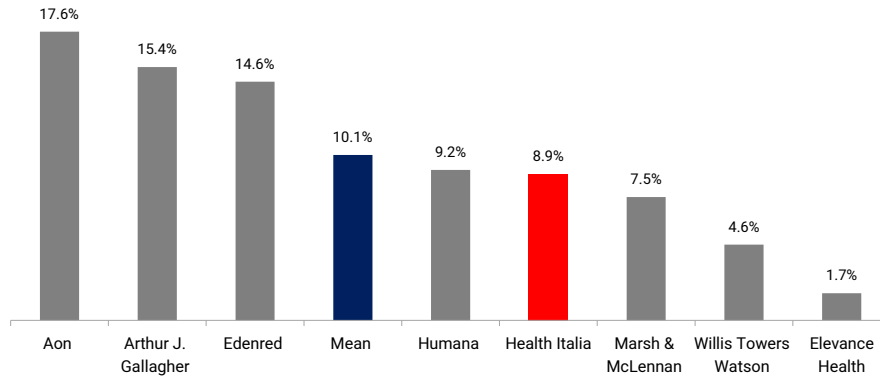
**Service providers: Blue Assistance, IMA Italia Assistance, Previmedical** The three selected service providers and independent third-party Administrators are all non-listed Italian companies. They provide claim and client management supporting Healthcare insurance companies, brokers, and mutualistic 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 Telematic Network** Among companies offering medical services, we highlight the Italian non-listed Health Telematic Network which delivers certified Telemedicine Services through a network of medical specialists and nurses partnering with pharmacies and hospitals.

**Figure 3: Main international listed players in the Industry – yoy perspective revenue growth in 2024**



Source: Banca Profilo forecast on Health Italia, Factset consensus as of September, 2024

**Peers' growth FY24E** In terms of expected revenue growth in 2024, Health Italia ranks just below peers' average.

**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 (mn)	Enterprise Value (mn)	Sales growth							EBITDA margin						
				2019	2020	2021	2022	2023	2024E	2025E	2019	2020	2021	2022	2023	2024E	2025E
30/09/2024																	
Marsh & McLennan Companies, Inc.	USD	109,706	119,975	11.4%	3.4%	15.1%	4.5%	8.9%	7.5%	5.8%	25.9%	27.0%	25.8%	26.5%	27.8%	28.6%	29.1%
Aon Plc Class A	USD	75,164	90,776	2.3%	0.5%	10.2%	2.3%	7.2%	17.6%	10.9%	28.9%	30.0%	31.6%	32.0%	32.5%	32.3%	32.7%
Willis Towers Watson PLC	USD	29,911	33,986	6.2%	3.5%	-3.8%	-1.5%	7.0%	4.6%	5.2%	25.4%	26.4%	26.6%	26.9%	25.6%	27.0%	27.4%
Arthur J. Gallagher & Co.	USD	61,648	68,177	3.0%	-1.9%	17.9%	4.3%	17.9%	15.4%	11.1%	19.2%	24.8%	25.6%	30.3%	30.2%	31.1%	31.7%
Elevance Health, Inc.	USD	120,581	140,164	12.9%	17.1%	13.4%	13.7%	9.3%	1.7%	6.3%	6.8%	7.0%	7.3%	6.4%	6.7%	7.2%	7.4%
Humana Inc.	USD	38,136	43,852	14.0%	18.9%	7.7%	11.8%	14.5%	9.2%	1.1%	5.7%	5.4%	4.9%	4.9%	5.1%	3.3%	3.9%
Edenred SA	EUR	8,338	9,279	18.0%	-9.9%	11.1%	24.8%	23.8%	14.6%	8.7%	41.1%	39.6%	41.2%	41.2%	43.5%	43.6%	44.5%
Mean				9.7%	4.5%	10.2%	8.6%	12.7%	10.1%	7.0%	21.9%	22.9%	23.3%	24.0%	24.5%	24.7%	25.3%
<b>Health Italia</b>	<b>EUR</b>	<b>19.2</b>	<b>26.1</b>	<b>3.3%</b>	<b>23.3%</b>	<b>-1.5%</b>	<b>-9.8%</b>	<b>8.9%</b>	<b>10.0%</b>	<b>8.9%</b>	<b>19.0%</b>	<b>19.3%</b>	<b>20.0%</b>	<b>21.9%</b>	<b>21.7%</b>	<b>22.9%</b>	

Source: Banca Profilo estimates and elaborations on Factset

**Peers average EV/EBITDA 25E: 11.9x** The selected sample of peers trades, on average, at 11.9x the EV/EBITDA 25E. This compares to 2.6x at which Health Italia trades, showing more than 75% discount only partially due to lower EBITDA margin and smaller growth potential.

**Table 2: Market multiples**

Company	EV / EBITDA
30/09/2024	
2025E	
Marsh & McLennan Companies, Inc.	16.0x
Aon Plc Class A	15.9x
Willis Towers Watson PLC	11.9x
Arthur J. Gallagher & Co.	16.9x
Elevance Health, Inc.	10.2x
Humana Inc.	9.5x
Edenred SA	6.7x
<b>Median</b>	<b>11.9x</b>
<b>Health Italia</b>	<b>2.6x</b>
premium (discount) on best peers	-78%

Source: Banca Profilo estimates and elaborations on Factset

**Market multiples one-year trend: re-rating**

Over the past year, 1-year forward EV/EBITDA, which still refers to 2024E, of the selected peers' sample showed a 7% rerating. It reached a maximum of 13.9x at the beginning of September and then retreated towards 13x thereafter. The one-year average is 12.7x.

**Figure 4: 1-year forward EV/EBITDA trend**



Source: Banca Profilo estimates and elaborations on Factset

## 1H24 results

### Real Estate spin off and focus on Core businesses is paying off

1H24 in line with our FY24 projections

Health Italia reported 1H24 basically in line with our FY24 estimates. Revenue increased by 8.4% yoy to €19.3mln, driven by process optimization and focus on core activities after non-core businesses disposal (Real Estate and Nutraceutical). The figure is 50% of our €38.9mln FY24 forecast, a typical weight of Health Italia's first semester turnover.

In terms of revenue breakdown, in 1H24, both BUs, Healthcare and Services and Medical Services have well performed showing respectively 9% yoy and 6% yoy growth. Moreover, Medical Services increased its contribution to turnover to 26% from 20% in FY23.

Table 3: Profit & Loss 1H21-1H24

Profit & Loss					
	€ mln	1H21	1H22	1H23	1H24
Healthcare and Services		13.2	12.2	13.1	14.3
Medical services including Telemedicina		3.8	6.2	4.7	5.0
Nutraceutical & Cosmeceutical		1.3	0.4	0.0	0.0
Real estate		0.1	0.5	0.0	0.0
<b>Turnover</b>		<b>18.5</b>	<b>19.2</b>	<b>17.8</b>	<b>19.3</b>
	yoy		4%	-7%	8%
other revenue		0.4	0.2	0.2	0.2
<b>Total Revenue</b>		<b>18.9</b>	<b>19.5</b>	<b>18.0</b>	<b>19.5</b>
	yoy		3%	-7%	8%
raw materials cost		(0.2)	(0.2)	(0.1)	(0.1)
	% on turnover	1.2%	1.0%	0.6%	0.6%
cost of services		(12.5)	(13.1)	(12.1)	(12.5)
	% on turnover	68%	68%	68%	65%
third party use		(0.1)	(0.2)	(0.1)	(0.1)
	% on turnover	0.4%	0.8%	0.6%	0.8%
labour cost		(2.4)	(2.6)	(2.3)	(2.4)
	% on turnover	13%	14%	13%	12%
other operating costs		(0.4)	(0.2)	(0.2)	(0.2)
<b>EBITDA</b>		<b>3.3</b>	<b>3.2</b>	<b>3.3</b>	<b>4.1</b>
	margin	18%	17%	18%	21%
D&A		(0.7)	(0.7)	(0.5)	(0.5)
	% on turnover	3.8%	3.8%	2.6%	2.5%
provisions and write off		(0.6)	0.0	0.0	(0.6)
<b>EBIT</b>		<b>2.0</b>	<b>2.5</b>	<b>2.8</b>	<b>3.1</b>
	margin	11%	13%	16%	16%
net financial income (expenses)		(0.1)	(0.5)	(0.3)	(0.1)
	% on turnover	0.5%	2.5%	1.7%	0.7%
extraordinary income (expenses)		(1.5)	1.4	(0.4)	(0.6)
<b>EBT</b>		<b>0.4</b>	<b>3.3</b>	<b>2.1</b>	<b>2.4</b>
	margin	2%	17%	12%	12%
taxes		(0.3)	(1.1)	(0.6)	(0.8)
	tax rate	67%	33%	27%	35%
<b>Net income</b>		<b>0.1</b>	<b>2.2</b>	<b>1.5</b>	<b>1.5</b>
	margin	1%	12%	9%	8%

Source: Banca Profilo on Company data

Real Estate spin-off  
Process optimization  
and Savings continue  
to drive marginality

EBITDA rose by 26% yoy to €4.1mln with margin improving 3pp to 21%, as the result of process optimization and savings: cost of Services reduced its incidence on turnover to 65% from 68% in 1H23 and cost of Labor decreased from 12.8% to 12.3%. First semester EBITDA usually weighs 40-42% on its full-year figure; hence, it potentially beats our FY24 forecast.



EBIT rose 9% yoy to €3.1mIn or 16% margin, in line with 1H23 and with our FY24 forecast. In the first semester, the Operating Profit has been affected by €0.5mIn provisions for risk of legal claim following the extraordinary expense due to legal controversies, which had to be accounted at the bottom of 1H Profit & Loss. Consequently, 1H24 Net income was flat yoy at €1.5mIn.

**Table 4: Balance Sheet 30.06.22-24 and Free Cash Flow 1H22-1H24**

<b>Balance Sheet</b>			
€ mln	30.06.22	30.06.23	30.06.24
tangibles	17.6	3.6	2.1
intangibles	5.3	3.5	3.4
financials	4.2	4.6	5.5
<b>Fixed assets</b>	<b>27.1</b>	<b>11.6</b>	<b>11.0</b>
assets for sales		15.3	14.8
inventories	1.9	0.0	0.0
trade receivables	25.8	30.7	30.8
trade paybles	(11.2)	(13.6)	(11.3)
<b>Net operating Working Capital</b>	<b>16.5</b>	<b>17.0</b>	<b>19.5</b>
	43%	45%	52%
other net current asset (debt)	0.3	(2.0)	1.0
<b>Capex</b>	<b>3.8</b>	<b>0.0</b>	<b>0.2</b>
<b>Provisions</b>	<b>(1.1)</b>	<b>(2.3)</b>	<b>(4.8)</b>
<b>Invested Capital</b>	<b>42.8</b>	<b>39.7</b>	<b>41.4</b>
shareholders' equity	18.9	18.9	18.9
reserves	9.1	13.0	16.8
net income	2.2	1.5	1.5
minorities	0.4	0.7	0.2
<b>Equity</b>	<b>30.7</b>	<b>34.1</b>	<b>37.5</b>
<b>Net debt (cash)</b>	<b>12.1</b>	<b>5.6</b>	<b>3.9</b>
<b>Cash Flows</b>			
€ mln	1H22	1H23	1H24
EBIT	2.5	2.8	3.1
tax (figurative)	(0.9)	(1.0)	(1.1)
D&A	0.7	0.5	0.5
change in Net Working Capital	(3.3)	2.8	(0.9)
capex	(3.8)	0.0	(0.2)
<b>Free Cash Flow</b>	<b>(4.8)</b>	<b>5.1</b>	<b>1.3</b>

Source: Banca Profilo on Company data

#### At the end of Real Estate spin-off

At the end of June 2024, the Real Estate spin-off project has been completed with the exit of last asset from the Group into Rebirth for a net value of €1.7mIn. Therefore, Assets for sales increased to €14.8mIn. Furthermore, Health Italia subscribed the capital increase in Rebirth reaching a 42.2% stake in the Real Estate management company.

At the end of June, net debt declined to €3.9mIn from a reported €6.4mIn at the end of December 2023 (or €6.5mIn from €9.3mIn, if adjusted by financial assets).

Overall, Health Italia generated €1.3mIn Free Cash Flow in 1H24 mostly driven by EBIT increase.

## Strategy Update

### Corporate strategy and guidance confirmed

<p><b>Real estate spin-off completed</b></p> <p><b>Health Property merged into Rebirth</b></p>	<p>In 2023, as announced, 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%). Finally, during 1H24 last Real Estate asset has been conferred into Rebirth together with a capital increase. Health Italia now 42.2% in Rebirth, which has been accounted as Assets for Sales since the end of 2023. According to management, these should exit the Balance Sheet in the coming months.</p>
<p><b>On track to 2026 business plan targets</b></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. Amid 1H24 results in line with our FY24 projections, at this stage, those targets are to be considered as achievable.</p>
<p><b>Re-focusing on Core businesses:</b></p> <p><b>Healthcare plans promotion;</b></p> <p><b>Welfare;</b></p> <p><b>on the edge Medical services (including Telemedicine)</b></p>	<p>The re-focusing process on Core business has already showed its margins improvement potentiality and supported efforts concentration on Healthcare plans and Medical services growth. More in details, Health Italia has been 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>

### Fine tuning of our 2024E-2026E estimates

<p><b>We confirm our FY24 estimates with few adjustments</b></p>	<p>Following 1H24 results basically in line with our FY24 projections, we only fine tuned our 2024-2026 estimates. Considering that 1H24 turnover has come at 50% of our FY24 forecast and in line with the 1H contribution in previous years, we stick with our €38.9mln revenue estimate for this year. Our forecast might be conservative as, according to management, new relevant contracts, with good marginality, have been signed after June.</p> <p>Regarding revenue breakdown we also kept unchanged the two business units contribution at 79% for Healthcare and Services and 21% for Medical Services, despite the 1H weight was 74% and 26% respectively.</p>
<p><b>Slight reduction in FY24 EBITDA to €8.5mln and 22% margin on higher incidence of Cost of services</b></p>	<p>In 1H24, the €4.1mln EBITDA represented 48% of our FY forecast. Even if 1H EBITDA usually weighs 40-42% of the whole year, we remain conservative and reduced our EBITDA forecast to €8.5mln or 22% margin from previous €8.8mln and 23% amid higher incidence of Cost of services on turnover at 65% in 1H24 from our previous assumption at 64%.</p> <p>Below the EBITDA, we confirm our annual €1.1mln provisions and write offs, considering the €0.5mln provision in 1H24. Our updated FY24 EBIT estimate is then at €6.1mln from prior €6.4mln with margin unchanged at 16%.</p> <p>Bottom line, we included the €0.6mln non-recurring expense linked to legal controversies and end up with Net Income at €3.2mln, down from previous €3.9mln.</p>
<p><b>Few adjustments at Working Capital level</b></p>	<p>Concerning our Balance Sheet estimates, we made few adjustments to the Net Operating Working Capital. We appreciated the 1H24 improvement in Net Operating Working Capital turnover, especially Receivables turnover which declined from 91% of sales at the end of 2023 to 83% of sales at the end of June 2024. Thus, we expect some NOWC optimization in 2024 to 48% of sales from 52% at the end of 2023. Nevertheless, we stick to 1H24 dynamics and expect</p>

83% of Receivables on sales (from previous 81%) and 54% of Payables on COGS (from previous 56%) or some slight reduction in NOWC 2024 turnover compared to our previous expectations (from 45% to 48% of turnover).

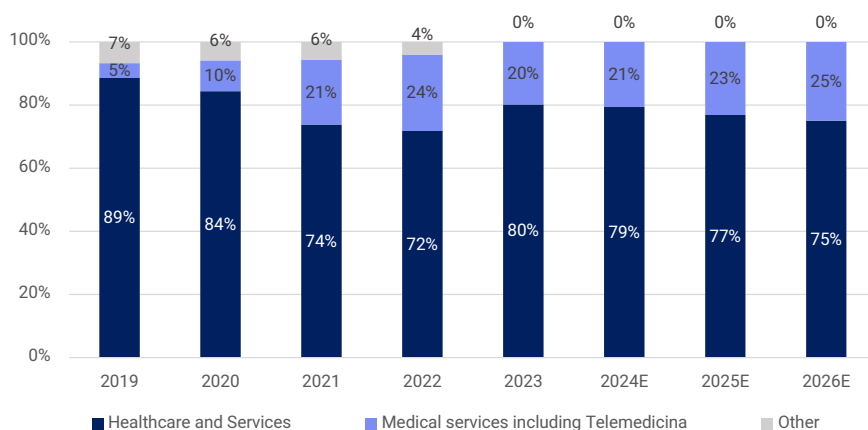
**Free Cash Flows reduced in 2024E**

Finally, our slight reduction in EBITDA forecast and a smaller NOWC optimization led to lower Free Cash Flow in 2024E which we now see at €4.9m from previous €6.4m. (-20%).

**Medical Services to increase its weight on Turnover to 25% in 2026**

According to our fine-tuned estimates, we confirm Core businesses to grow at 10% CAGR in 2023-2026E and reach €47m (unchanged - *Please refer to our Company Update on March 27<sup>th</sup>*). We expect the Turnover breakdown to gradually change into 75% (from previous 77%) Healthcare and Services (80% in 2023) and 25% (20% in 2023) in Medical Services in 2026.

**Figure 5: Turnover breakdown 2019-2026E**

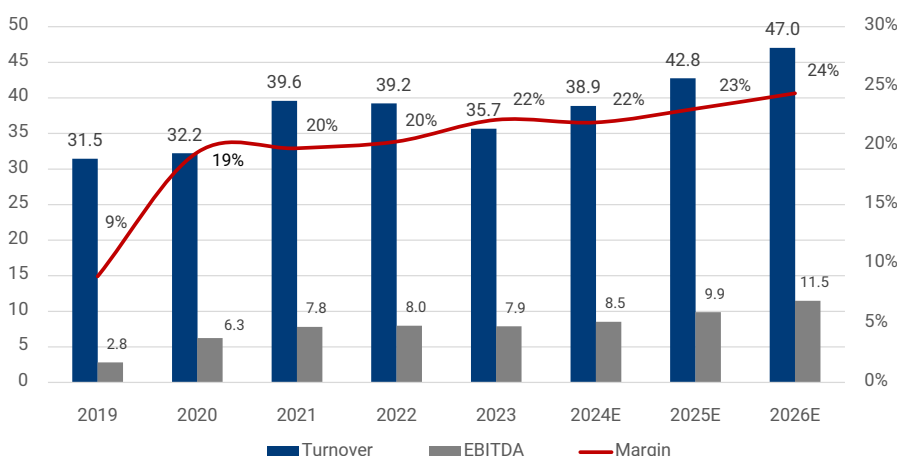


Source: Banca Profilo estimates and elaborations

**EBITDA margin improving to 24% in 2026E from 22% in 2023**

In 2023-2026E, we project Health Italia to increase its EBITDA from €7.9m to €11.5m with margin improving from 22% to 24% respectively (unchanged - *Please refer to our Company Update on March 27<sup>th</sup>*). This increase will be driven by: i) efforts concentration on Core businesses; ii) Revenue growth and iii) operating leverage mostly driven by Human Resources optimization. The incidence of Labor cost on turnover is seen declining from 12% in 2023-2024 to 10% in 2026, despite assuming basically no changes in labor force.

**Figure 6: Revenue, EBITDA and margin 2019-2026E**



Source: Banca Profilo estimates and elaborations

**D&A is seen declining for Be Health and**

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

### Health Property deconsolidation

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 €5.2mln in 2026E

Finally, we project Health Italia to reach a net income of €5.2mln in 2026, (vs €6mln in our previous projections - *Please refer to our Company Update on March 27<sup>th</sup>*), including a stable tax rate at 35% (vs previous 32% amid 1H24 tax rate) 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	2024E old	2024E new	2025E old	2025E new	2026E old	2026E new
<i>Healthcare and Services</i>		27.9	27.2	29.2	28.1	28.6	30.9	30.9	33.2	32.9	36.1	35.3
<i>Medical services including Telemedicina</i>		1.5	3.1	8.1	9.5	7.1	8.0	8.0	9.5	9.9	11.0	11.7
<i>Nutraceutical &amp; Cosmeceutical</i>		1.4	1.6	2.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Real estate</i>		0.7	0.3	0.2	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Turnover</b>		<b>31.5</b>	<b>32.2</b>	<b>39.6</b>	<b>39.2</b>	<b>35.7</b>	<b>38.9</b>	<b>38.9</b>	<b>42.8</b>	<b>42.8</b>	<b>47.0</b>	<b>47.0</b>
	<i>yoy</i>		2%	23%	-1%	-9%	9%	9%	10%	10%	10%	10%
other revenue		0.3	0.6	0.9	0.7	0.3	0.3	0.3	0.4	0.4	0.4	0.4
	<i>% on turnover</i>	1%	2%	2%	2%	1%	1%	1%	1%	1%	1%	1%
<b>Total Revenue</b>		<b>31.8</b>	<b>32.8</b>	<b>40.5</b>	<b>39.9</b>	<b>36.0</b>	<b>39.2</b>	<b>39.2</b>	<b>43.1</b>	<b>43.1</b>	<b>47.5</b>	<b>47.5</b>
	<i>yoy</i>		3%	23%	-1%	-10%	9%	9%	10%	10%	10%	10%
raw materials cost		(0.9)	(0.6)	(0.4)	(0.4)	(0.2)	(0.3)	(0.3)	-0.3	(0.3)	(0.3)	(0.3)
	<i>% on turnover</i>	3%	2%	1%	1%	0%	1%	1%	1%	1%	1%	1%
cost of services		(20.6)	(20.5)	(26.4)	(25.9)	(22.9)	(24.8)	(25.1)	(27.2)	(27.4)	(29.8)	(29.9)
	<i>% on turnover</i>	66%	64%	67%	66%	64%	64%	65%	64%	64%	63%	64%
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)
	<i>% on turnover</i>	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
labour cost		(6.5)	(4.7)	(4.9)	(4.9)	(4.4)	(4.6)	(4.6)	(4.7)	(4.7)	(4.9)	(4.9)
	<i>% on turnover</i>	21%	15%	12%	12%	12%	12%	12%	11%	11%	10%	10%
other operating costs		(0.8)	(0.6)	(0.7)	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)
	<i>% on turnover</i>	3%	2%	2%	1%	1%	1%	1%	1%	1%	1%	1%
<b>EBITDA</b>		<b>2.8</b>	<b>6.3</b>	<b>7.8</b>	<b>8.0</b>	<b>7.9</b>	<b>8.8</b>	<b>8.5</b>	<b>10.1</b>	<b>9.9</b>	<b>11.5</b>	<b>11.5</b>
	<i>margin</i>	9%	19%	20%	20%	22%	23%	22%	24%	23%	24%	24%
# employees		181	147	122	115	99	101	101	102	102	103	103
labor cost per unit		(0.04)	(0.03)	(0.04)	(0.04)	(0.04)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
D&A		(1.4)	(1.6)	(1.4)	(1.5)	(1.3)	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)	(1.4)
	<i>% on turnover</i>	4%	5%	4%	4%	4%	3%	3%	3%	3%	3%	3%
provisions and write off		(1.3)	(1.6)	(1.2)	(0.5)	(2.0)	(1.1)	(1.1)	(1.2)	(1.0)	(1.2)	(0.8)
<b>EBIT</b>		<b>0.2</b>	<b>3.0</b>	<b>5.3</b>	<b>5.9</b>	<b>4.6</b>	<b>6.4</b>	<b>6.1</b>	<b>7.5</b>	<b>7.4</b>	<b>8.9</b>	<b>9.2</b>
	<i>margin</i>	0%	9%	13%	15%	13%	16%	16%	18%	17%	19%	20%
net financial income (expenses)		3.6	(0.2)	(0.6)	(0.8)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
	<i>% on turnover</i>	-11.3%	0.6%	1.5%	2.1%	1.3%	1.6%	1.6%	1.5%	1.5%	1.2%	1.2%
extraordinary income (expenses)		(1.4)	(1.3)	(2.1)	0.4	(0.9)	0.0	(0.6)	0.0	(0.7)	0.0	(0.6)
<b>EBT</b>		<b>2.3</b>	<b>1.5</b>	<b>2.6</b>	<b>5.5</b>	<b>3.3</b>	<b>5.7</b>	<b>4.9</b>	<b>6.9</b>	<b>6.1</b>	<b>8.4</b>	<b>8.0</b>
	<i>margin</i>	7%	5%	6%	14%	9%	15%	13%	16%	14%	18%	17%
taxes		(1.5)	(0.3)	(1.4)	(1.8)	(1.6)	(1.8)	(1.7)	(2.2)	(2.1)	(2.7)	(2.8)
	<i>tax rate</i>	66%	17%	55%	32%	49%	32%	35%	32%	35%	32%	35%
<b>Net income</b>		<b>0.8</b>	<b>1.2</b>	<b>1.1</b>	<b>3.7</b>	<b>1.7</b>	<b>3.9</b>	<b>3.2</b>	<b>4.7</b>	<b>3.9</b>	<b>6.0</b>	<b>5.2</b>
	<i>% on turnover</i>	3%	4%	3%	9%	5%	10%	8%	11%	9%	13%	11%

Source: Banca Profilo estimates and elaborations

### Balance Sheet

#### 2024E-2026E

#### Few adjustments linked to the Real Estate spin off

Regarding the Company perspective Balance Sheet, we broadly confirmed our previous 2024E-2026E projections with few adjustments following the transferring, in 1H24, of a Real Estate property from Health Italia into Rebirth and therefore from Fixed assets to Assets for sales, which now account for €14.8mln from €12.8mln at the end of 2023, whereas Fixed assets declined from €12.1mln to €11.3mln in the same period.

#### A more gradual path of NOWC optimization

Furthermore, we now expect flat Net Operating Working Capital at €18.7mln in 2026. This compares to our previous €2.1mln cash generation forecast (*Please refer to our Company Update on March 27<sup>th</sup>*) for an expected more gradual optimization path with NOWC declining from 52% of sales to 40% (vs previous 35%). We end up with €16mln net cash at the end of 2026 for the exit, by the end of 2025, of the €14.8mln of Assets for sales.

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

Balance Sheet												
	€mln	2019	2020	2021	2022	2023	2024E	2024E	2025E	2025E	2025E	2026E
							old	new	old	new	old	new
tangibles		20.7	17.6	14.2	17.2	4.4	5.6	2.1	7.0	3.5	8.4	4.9
intangibles		5.7	5.5	5.5	4.6	3.3	3.7	3.7	4.1	4.1	4.4	4.4
financials		3.0	4.5	6.9	6.8	4.4	4.4	5.5	4.4	5.5	4.4	5.5
<b>Fixed assets</b>		<b>29.4</b>	<b>27.5</b>	<b>26.7</b>	<b>28.6</b>	<b>12.1</b>	<b>13.8</b>	<b>11.3</b>	<b>15.6</b>	<b>13.0</b>	<b>17.3</b>	<b>14.8</b>
assets for sale						12.8	12.8	14.8	12.8	0.0	12.8	0.0
inventories		3.0	2.8	1.9	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
trade receivables		17.3	20.1	22.7	31.7	32.4	31.4	32.2	32.0	34.1	33.3	35.2
trade payables		(11.1)	(11.2)	(11.4)	(13.6)	(13.8)	(13.9)	(13.6)	(15.3)	(15.1)	(16.8)	(16.5)
<b>Net operating Working Capital</b>		<b>9.1</b>	<b>11.8</b>	<b>13.2</b>	<b>19.8</b>	<b>18.6</b>	<b>17.4</b>	<b>18.6</b>	<b>16.7</b>	<b>19.0</b>	<b>16.5</b>	<b>18.7</b>
% on turnover		29%	37%	33%	50%	52%	45%	48%	39%	44%	35%	40%
inventories (% turnover)		10%	9%	5%	4%	0%	0%	0%	0%	0%	0%	0%
trade receivables (% turnover)		55%	62%	57%	81%	91%	81%	83%	75%	80%	71%	75%
trade payables (% COGS)		52%	53%	42%	52%	60%	56%	54%	56%	55%	56%	55%
other net current asset (debt)		(1.0)	1.4	2.2	(2.0)	1.5	1.5	1.5	1.5	1.5	1.5	1.5
<b>Capex</b>		<b>7.7</b>	<b>1.2</b>	<b>1.5</b>	<b>4.0</b>	<b>1.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
tangible		6.9	1.0	0.9	3.9	1.5	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
% on turnover		25%	4%	4%	10%	4%	1%	1%	1%	1%	1%	1%
<b>Provisions</b>		<b>(2.5)</b>	<b>(3.0)</b>	<b>(3.3)</b>	<b>(2.7)</b>	<b>(2.6)</b>	<b>(2.6)</b>	<b>(2.6)</b>	<b>(2.6)</b>	<b>(2.6)</b>	<b>(2.6)</b>	<b>(2.6)</b>
<b>Invested Capital</b>		<b>35.0</b>	<b>37.7</b>	<b>38.8</b>	<b>43.7</b>	<b>42.4</b>	<b>43.0</b>	<b>43.5</b>	<b>44.0</b>	<b>30.9</b>	<b>45.6</b>	<b>32.4</b>
shareholders' equity		18.4	18.7	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	16.8	16.8	20.7	20.0	25.4	23.9
net income		0.8	1.2	1.1	3.7	1.7	3.9	3.2	4.7	3.9	5.7	5.2
minorities		1.7	0.8	0.4	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>Equity</b>		<b>26.1</b>	<b>27.3</b>	<b>28.5</b>	<b>32.4</b>	<b>36.0</b>	<b>39.9</b>	<b>39.2</b>	<b>44.5</b>	<b>43.1</b>	<b>50.2</b>	<b>48.3</b>
<b>Net debt (cash)</b>		<b>8.9</b>	<b>10.4</b>	<b>10.3</b>	<b>11.3</b>	<b>6.5</b>	<b>3.1</b>	<b>4.4</b>	<b>(0.6)</b>	<b>(12.2)</b>	<b>(4.7)</b>	<b>(15.9)</b>

Source: Banca Profilo estimates and elaborations

FCFs 2024-2026  
cumulated €18mln or  
annual €6mln

Given our assumptions on P&L and Balance Sheet, the Group will likely generate about €18mln of cumulated and €6mln average annual Free Cash Flows in 2024E-2026E (from our previous over €20mln and €7mln), mostly due to our more conservative assumption of stable Net Operating Working Capital compared to previous cash-generating.

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

Free Cash Flows												
	€mln	2019	2020	2021	2022	2023	2024E	2024E	2025E	2025E	2026E	2026E
							old	new	old	new	old	new
EBIT		0.2	3.0	5.3	5.9	4.6	6.4	6.1	7.5	7.4	8.9	9.2
tax (figurative)		(1.1)	(1.8)	(2.1)	(1.6)	(1.6)	(2.1)	(2.1)	(2.4)	(2.6)	(2.9)	(3.2)
D&A		1.4	1.6	1.4	1.5	1.3	1.3	1.3	1.4	1.4	1.4	1.4
change in Net Working Capital		(2.6)	(1.4)	(6.6)	1.2	1.2	1.1	(0.0)	0.8	(0.4)	0.2	0.3
capex		(7.7)	(1.2)	(1.5)	(4.0)	(1.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
<b>Free Cash Flow</b>		<b>(9.9)</b>	<b>0.2</b>	<b>(3.5)</b>	<b>3.0</b>	<b>4.0</b>	<b>6.4</b>	<b>4.9</b>	<b>6.9</b>	<b>5.5</b>	<b>7.3</b>	<b>7.3</b>

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, creating a sample of selected listed international peers.

### DCF valuation

DCF assumptions:

To run a DCF model, we use our projected FCFs over 2025E-27E explicit period: cumulated Free Cash Flows for €22.6mIn or €6.9mIn as yearly average (vs prior €20.5mIn and €6.8mIn respectively - *Please refer to our Company Update on March, 27th 2024*).

€22.6mIn of cumulated FCFs in 2025E-2027E

To assess the Terminal Value, we factor in:

- an annual FCF generation of €6.9mIn as the average of 2024E-2027E (vs previous €6.2mIn);
- perpetual growth rate of 2% (unchanged).

€6.9mIn as Terminal Value cash flow

In order to get to the Equity Value we would consider the adjusted Net Debt at the end of 2024E (€6.9mIn vs €9.3mIn at the end of December 2023).

**Table 8: DCF valuation**

DCF Valuation	2022	2023	2024E	2025E	2026E	2027E	over
Free Cash Flows (€/000)	(5.3)	4.0	4.9	5.5	7.3	9.8	6.9
years				1	2	3	
discount factor				0.92	0.84	0.77	
NPV Cash flows (€/000)				5.0	6.2	7.6	
Sum of NPVs (€/000)							11.2
Terminal Value (€/000)							99.5
NPV Terminal Value (€/000)							77.1
<b>Enterprise Value (€/000)</b>							<b>88.3</b>
Adj Net debt December 2024E (€mIn)							6.9
<b>Equity Value (€/000)</b>							<b>81.3</b>
number of shares (mIn)							0.190
<b>Per share value (€)</b>							<b>428.5</b>

Source: Banca Profilo estimates and elaborations

8.9% WACC

We use a WACC of 8.9% (vs previous 9%), derived from:

- 4.3% risk free rate (vs previous 4.5%), as implicitly expected by consensus on the 30Y Italian BTP yield curve in a scenario of 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%
<b>WACC</b>	<b>8.9%</b>
risk free rate (30Y)	4.3%
equity risk premium	5.5%
beta	1.0
<b>KE</b>	<b>10.0%</b>
debt cost	6.6%
tax rate	30%
<b>KD</b>	<b>4.6%</b>

Source: Banca Profilo estimates and elaborations

DCF valuation:  
Equity €81.3mIn

We run the DCF model ending up with an Enterprise Value of €88.3mIn (vs previous €84.9mIn) and, therefore, an Equity Value of €81.3 (vs previous €75.6mIn).

## 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 2025E multiple.

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

EV/EBITDA 25E:  
11.9x

The selected sample trades at the average of 11.9x the EV/EBITDA 25E.

Health Italia currently trades at 2.6x, showing more than 75% discount to peers' average.

**Table 10: Market multiples**

Company	EV / EBITDA
	<b>2025E</b>
	<i>30/09/2024</i>
Marsh & McLennan Companies, Inc.	16.0x
Aon Plc Class A	15.9x
Willis Towers Watson PLC	11.9x
Arthur J. Gallagher & Co.	16.9x
Elevance Health, Inc.	10.2x
Humana Inc.	9.5x
Edenred SA	6.7x
<b>Median</b>	<b>11.9x</b>
<b>Health Italia</b>	<b>2.6x</b>
<i>premium (discount) on best peers</i>	<i>-78%</i>

*Source: Banca Profilo estimates and elaborations on Factset*

Market multiples valuation: Equity €110mln

We use the average EV/EBITDA 2025E at 11.9x and come out with an Equity Valuation of Health Italia of €110mln, which strongly support our DCF Equity Valuation.

**Table 11: Market multiples valuation**

Valuation on market multiples	
Health Italia on EV/EBITDA	2025E
EV/EBITDA	11.9x
EBITDA (€mln)	9.9
EV (€mln)	117
net debt 31.12.24E (€mln)	6.9
<b>Equity (€mln)</b>	<b>110</b>

*Source: Banca Profilo estimates and elaborations on Factset*

Valuation confirmed:  
12-month TP at €430  
BUY

We confirm (*Please refer to our Company Update on March, 27th 2024*) our 12-month target price of Health Italia at €430 using the DCF as main valuation method and taking into account the Market Multiples as strongly supporting the DCF Fair Value.

Given the significant upside on Health Italia price (€100 as of October, 1st), we also confirm our 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.

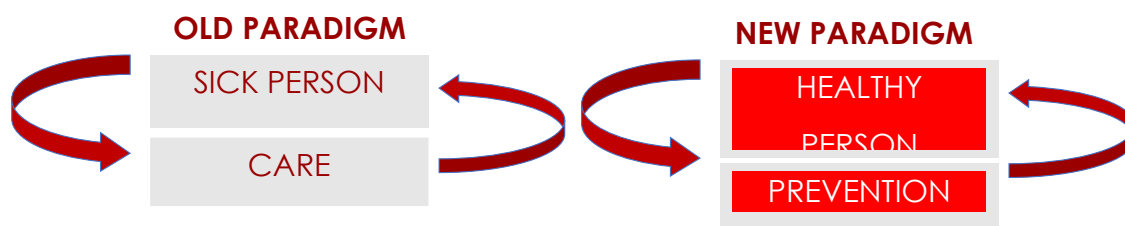
Increasing demand for private integrated Healthcare and Welfare

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
<b>€ 1,000</b>	<b>€ 1,000</b>	<b>€ 1,400</b>	<b>€ 800</b>

Source: Banca Profilo on Industry data



**National Health care Service in Italy second best worldwide**

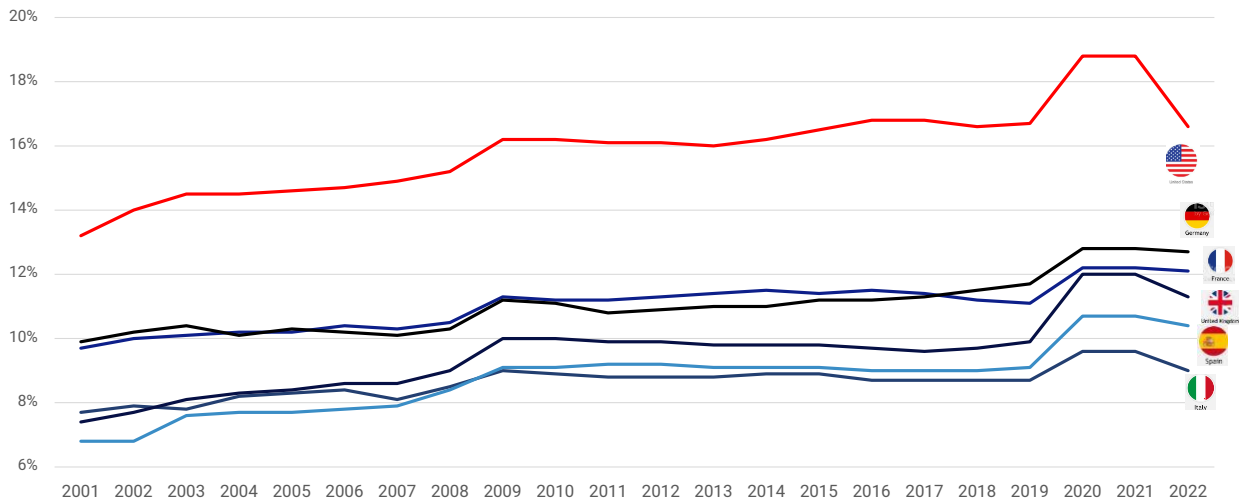
The Italian Public Health care service (SSN) provides universal coverage to citizens and residents with public healthcare largely free of charge. It guarantees health care to all citizens using the free-of-charge Italian National Service card. According to the World Health Organization, Italy is ranked 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 2022, Italy spent 9% only of its GDP in Healthcare, which compares to more than 10% of Spain, above 12% of France, Germany and UK and almost 17% the US. Furthermore, Italy shows the lowest growth of Healthcare spending on GDP over the past 20 years: +1.4% compared to an average of +3.4% of the other countries.

Finally, what appears to be interesting and very likely linked to Covid, is the recent decrease of Healthcare expenditure on GDP, which reached a peak in 2020 to decline the following two years even if still at the highest level over the past 20 years.

**Figure 9: Healthcare expenditure on GDP by country, 2001-2022**



Source: Banca Profilo on OECD Health, 2023

**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.

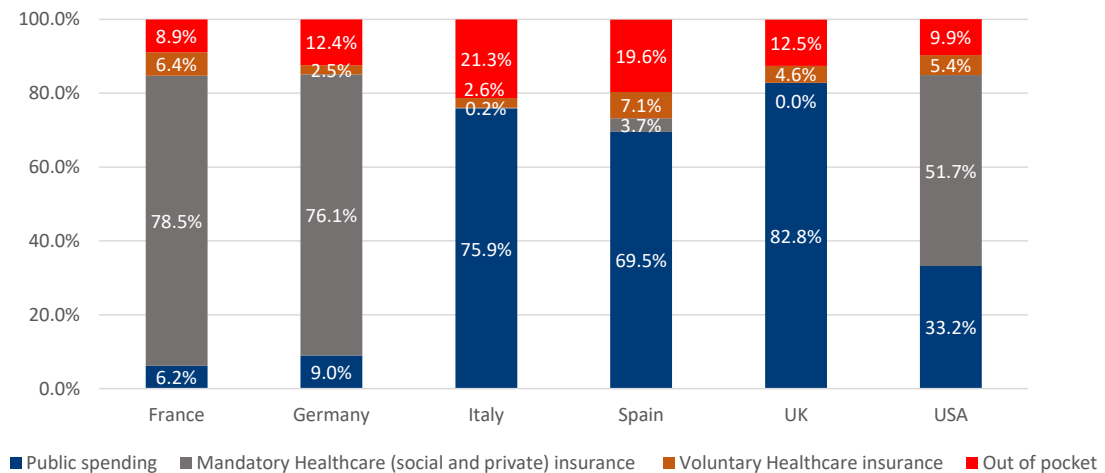
**In Italy, out of pocket spending is still more than**

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,

**20% of pro-capita Healthcare expenditure**

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**

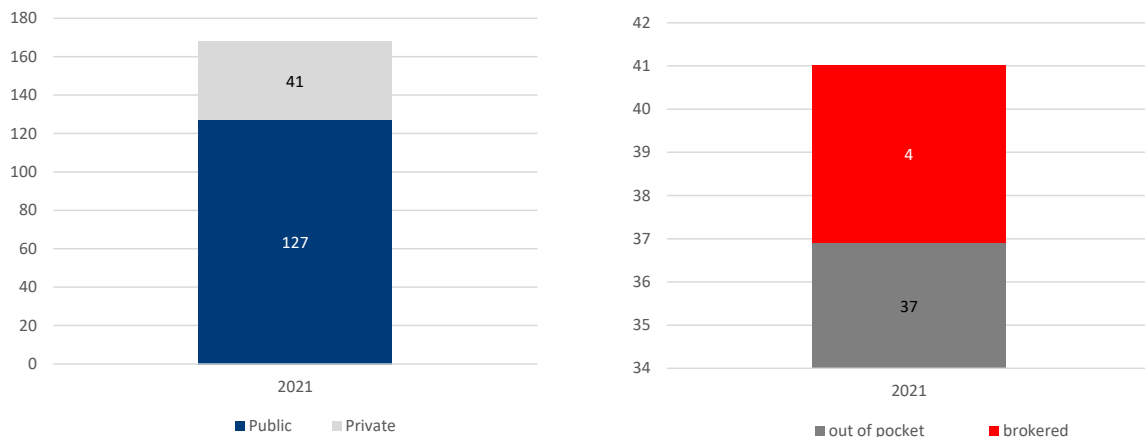


Source: Banca Profilo on OASI Bocconi, OECD Health, 2022

**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**

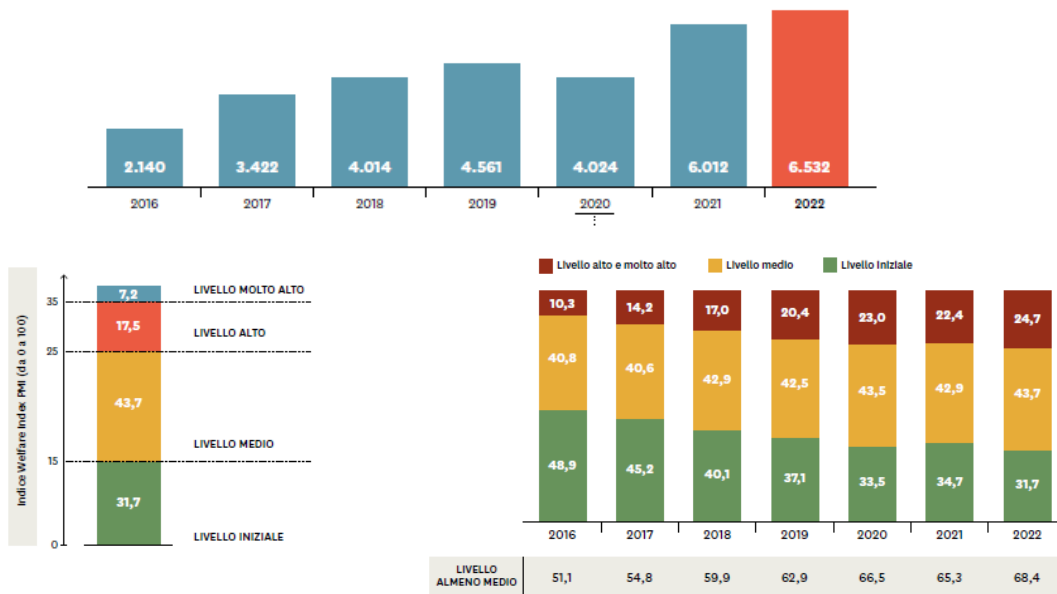


Source: Banca Profilo on OASI Bocconi, OECD Health, 2022

**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 €36mln revenue with 22% EBITDA margin and €1.7mln net income, including some €3mln 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** Health Italia promotes and offers:
- Healthcare plans of Mutual benefit companies and Healthcare funds using various distribution channels;
- Medical services including Telemedicine**
- 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

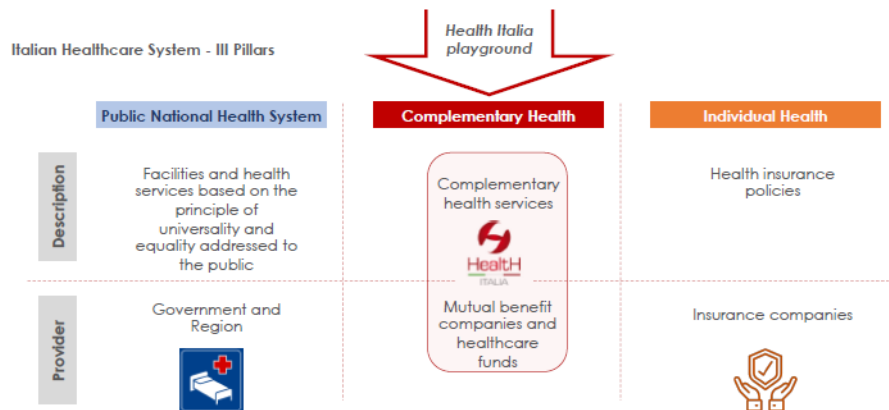
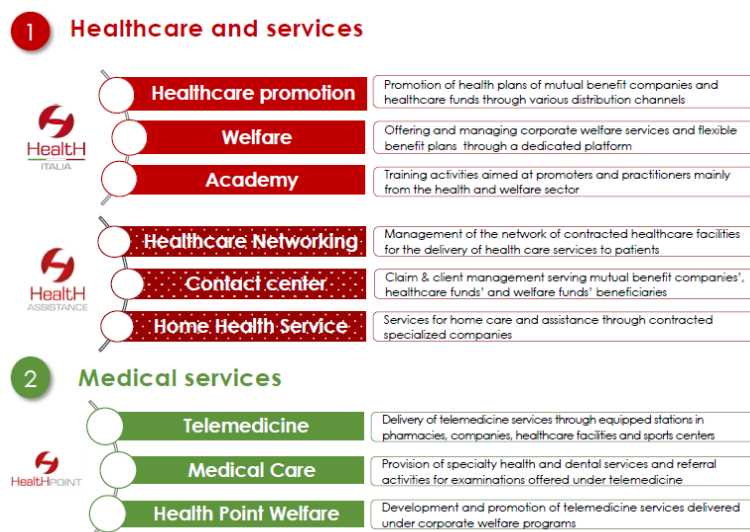


Figure 14: Health Italia business units and Group subsidiaries

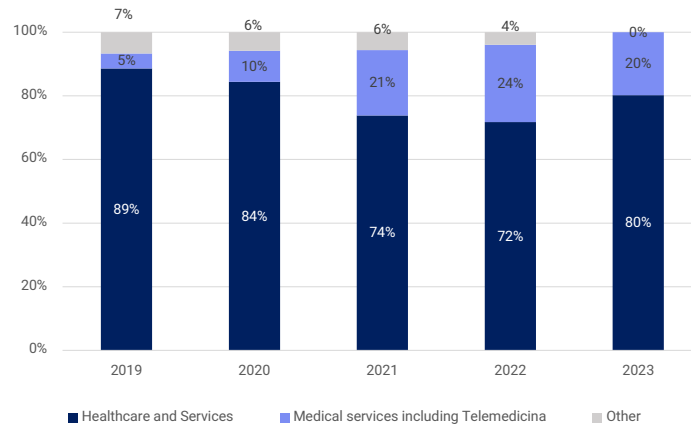


Source: Company Data

**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

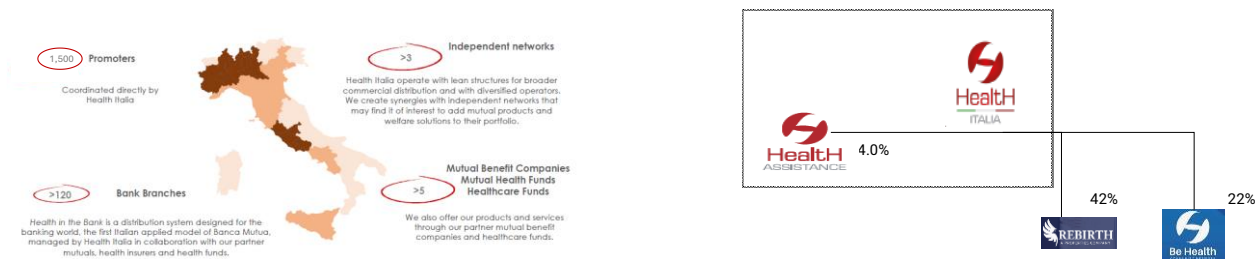
**Business re-focusing in progress**

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 42.2% 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 about 1,500 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 18<sup>th</sup>

Free float is almost 44%. In 2019, Health Italia achieved the status of Company with a broad shareholder base with more than 500 shareholders, also thanks to the possibility of trading single stocks with a minimum of 1 share.

The Company is mainly owned by:

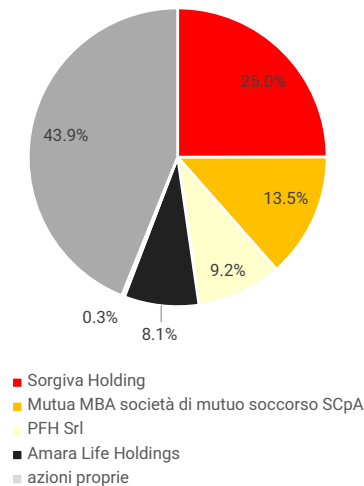
- Sorgiva Hld with 25%;
- Mutua MBA SCpA with 13.5%;
- PFH Srl with 9.2%
- Amara Life Hlds with 8.1%

Excluding own shares (0.3%), 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 26<sup>th</sup> 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.

# 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: fifth Sustainability Report in 2023**

To best involve stakeholders and to communicate in an increasingly transparent way its ESG goals, Health Italia published its fifth Sustainability Report in 2023 in accordance with both GRI and SDG standards.

**A ESG rating confirmed**

Based on the Sustainability Report and other non-financial information released by the Company, Cerved, on October, the 1<sup>st</sup>, confirmed and improved Health Italia A ESG rating to 73.4 (from 72.4 a year earlier).

## Sustainability for Health Italia

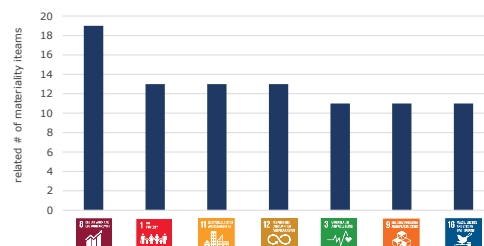
**Materiality Assessment**

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

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<b>Health Italia</b>	<b>"ID Card"</b>	Recommendation	Target Price	Upside
		<b>BUY</b>	<b>430.0 €</b>	<b>332%</b>

**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 €

332%

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## Main Financials

€ mln	2020	2021	2022	2023	2024E	2025E	2026E
<b>Total revenue</b>	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%
<b>EBITDA</b>	6.3	7.8	8.0	7.9	8.5	9.9	11.5
<i>EBITDA margin (%)</i>	19.0%	19.3%	20.0%	21.9%	21.7%	22.9%	24.2%
<b>EBIT</b>	3.0	5.3	5.9	4.7	6.1	7.4	9.2
<i>EBIT margin (%)</i>	9.2%	13.0%	14.8%	13.0%	15.5%	17.2%	19.5%
<b>Net income</b>	1.2	1.1	3.7	1.7	3.2	3.9	5.2
<i>Margin (%)</i>	3.7%	2.8%	9.3%	4.7%	8.1%	9.1%	11.0%
<b>Adjusted net debt (cash)</b>	10.4	10.4	11.3	6.4	4.4	-12.2	-15.9
Shareholders Equity	27.3	28.5	32.4	36.0	39.2	43.1	48.3
Net Operating Working Capital	11.8	13.2	19.8	18.6	18.6	19.0	18.7
Capex and acquisitions	1.2	1.5	4.0	1.5	0.4	0.4	0.4
Free Cash Flow	(0.3)	1.9	(5.3)	4.0	4.9	5.5	7.3

## Company Description

Company Sector	Insurance - Health Care, Welfare services
Price (€)	99.6
Number of shares (mln)	189780.0
Market Cap (€ mln)	18.9
Reference Index	Euronext Growth
Main Shareholders	Sorgiva Holding
Main Shareholder stake	25.0%
Free Float	43.9%
Daily Average Volumes	283
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%	77%	75%
Medical services including	10%	21%	24%	20%	21%	23%	25%
Other	6%	6%	4%	0%	0%	0%	0%
<b>Turnover</b>	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%	10%
<b>Health Italia</b>	23%	-1%	-10%	9%
EBITDA margin	23%	24%	24%	25%
<b>Health Italia</b>	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	0.5x	-1.2x	-1.4x
Net debt (cash) / Equity	0.4x	0.4x	0.4x	0.2x	0.1x	-0.3x	-0.3x

## Multiples

	2024E
<b>Best peers</b>	
EV / EBITDA	11.9x
<b>Health Italia</b>	2.6x

## Financial and Operative ratios

	2020	2021	2022	2023	2024E	2025E	2026E
Tax rate	17%	55%	32%	49%	35%	35%	35%
ROIC	8%	14%	13%	11%	14%	24%	29%
ROE	4%	4%	11%	5%	8%	9%	11%
Capex/Sales	4%	4%	10%	4%	1%	1%	1%
D&A to capex	132%	95%	38%	83%	352%	383%	383%

Source: Factset, Banca Profilo estimates and elaborations



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### 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").