

Integrated Health and Welfare solutions for corporates and employees' well-being



August, 3rd 2023 at 18:00

Leading Italian operator in supplementary Healthcare and Welfare

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. Its reference Industry is 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 coverage 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 employees' retention and it has been evolving into Comprehensive Corporate Welfare that can include Healthcare plans and other Medical services such as Telemedicine. In 2021, the Italian Healthcare market was worth €168bn, increasing from €26bn in 2010. About €41bn of Healthcare spending was Private Insurance. Of this, some 90% was still out-of-pocket expenses and the rest brokered by integrated, complementary Insurance companies, Mutual benefit companies or Healthcare funds. This represents the addressable market for Health Italia.

A mutualistic model of Healthcare and Welfare

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, Healthcare and Assistance funds. 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.

A history of consistent growth and profitability

Since its listing, in 2017, Health Italia has reported an average turnover growth close to 12% (11.6% CAGR 2017-2022) from €22.6m to €39.2m. EBITDA increased from €6.1m to €8m 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 €16.1m Real Estate properties. Net Operating Working Capital stood at €19.8m. The Company financial structure is well balance with Net Invested Capital at €43.7 financed by €32.4m of Equity and €11.3m of net debt.

Corporate strategy and our projections 2023E-2026E

Health Italia commits to rationalizing its corporate structure and enhancing the value of its Real Estate assets. The Company will focus on its core business, exiting the Nutraceutical sector (BeHealth) and proceeding with the spin-off of its Real Estate non-functional properties. The re-focusing process will lead to: further growth in Healthcare plans promotion, Welfare and Medical Services; additional 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; consolidation of multi-channel distribution network and development of the online network. Health Italia Business Plan sets 2026 targets: Total Revenue between €50-52m; EBITDA in the range €12-14m and Net Cash position of €15-16m. According to our estimates, core businesses will grow at 5% CAGR in 2022-2026E and reach €47.6m. Following the streamlining of Group structure, we expect the Turnover breakdown to change into 74% Healthcare and Services (72% in 2022) and 26% (24% in 2022) in Medical Services in 2026. In 2022-2026E, we project Health Italia to improve its EBITDA from €8m to €11.5m with margin from 20% to 24%. Given our assumptions on P&L and Balance Sheet, Health Italia will generate, on average, more than €7.5m of annual Free Cash Flow in 2023-2026.

Valuation: 12-month target price at €4.5; BUY

We use a DCF valuation approach to appraise the cash generating businesses. We run the DCF model (9.4% WACC and TV €7.3m FCF) ending up with an Equity Value of €80m. As a supporting method, we add the market multiples relative approach, selecting listed international peers. We use the average EV/EBITDA 2023E-2024E at 13.5x and come out with an Equity Valuation of €102m, which strongly support our DCF result. We set our 12-month target price at €4.5/share as a weighted blend of DCF and market multiples methods. Given the significant upside on Health Italia current price, we set our recommendation at BUY.

Target Price	4.5 €	
Recommendation	BUY	
Company Profile		
Ticker	HI IM (BBG)	HI-IT (Factset)
Reference Industry	Insurance - Health Care, Welfare services	
Stock Exchange	Italian Stock Exchange - Euronext Growth	
Reference Index	FTSE Italia Small Cap	
Market Data		
Price as of	02/08/2023	16
Number of shares (mln)		19.0
Market capitalization (€mln)		29.4
Max/ Min		6.1/10
Average daily volumes		36,131

Main Financials	2020	2021	2022	2023E	2024E
€ mln					
Total Revenue	32.8	40.5	39.9	40.7	42.7
yoy (%)	3%	23%	-1%	2%	5%
EBITDA	6.3	7.8	8.0	8.1	9.0
margin (%)	19%	19%	20%	20%	21%
EBIT	3.0	5.3	5.9	6.4	7.1
margin (%)	9%	13%	15%	16%	17%
Net Income	1.2	1.1	3.7	3.9	4.4
margin (%)	4%	3%	9%	9%	10%
Net Debt	10.4	10.3	11.3	7.4	3.2
Equity	27.3	28.5	32.4	36.2	40.6
Capex	12	15	4.0	0.4	0.4
FCFs	(0.2)	2.1	(5.1)	8.5	7.2

Source: Banca Profilo estimates and elaborations, Company data.



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SWOT analysis

STRENGTHS

- significant growth
- 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 reference Industry: the Italian supplementary Healthcare and Welfare

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 (Health Point) facilities and best-in-class Telemedicine services.

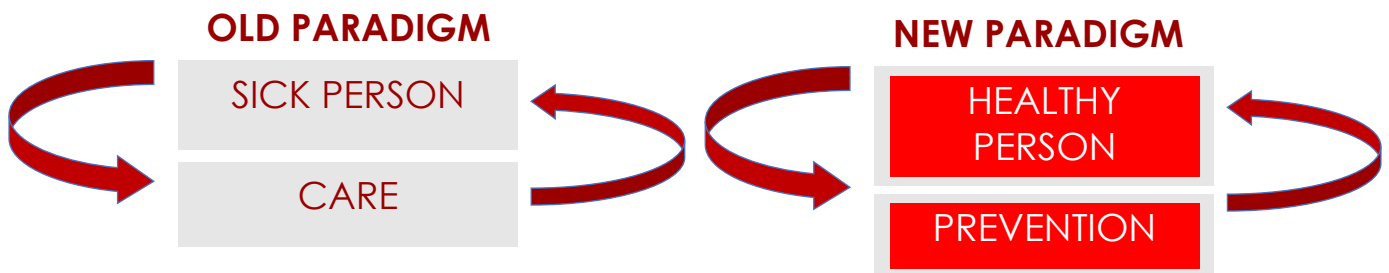
Increasing demand for private integrated Healthcare and Welfare

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

A paradigm shift in Healthcare has recently started in Italy and it 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 1: 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 employees 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 2: 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

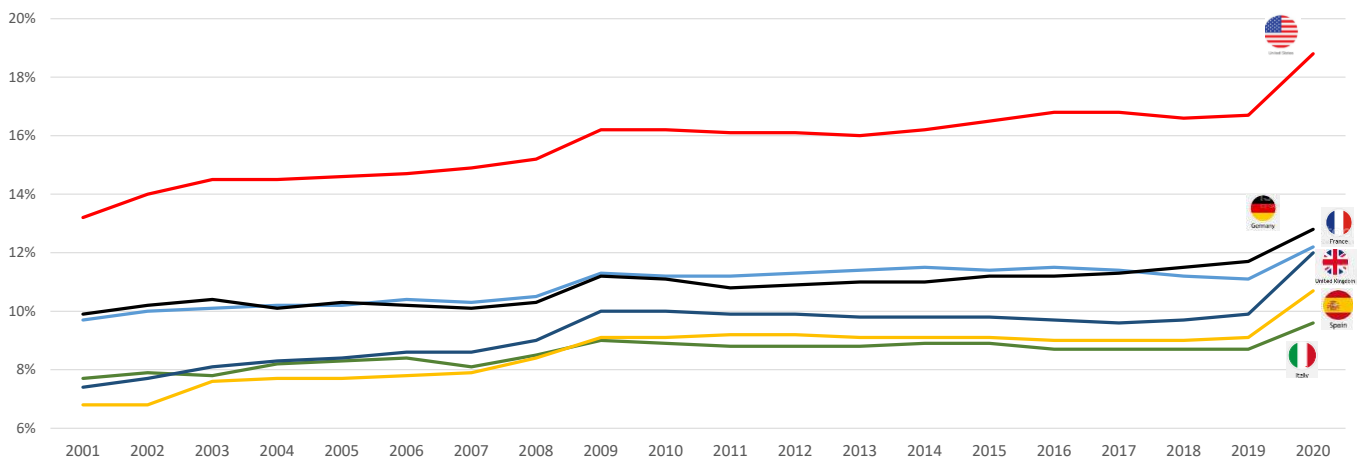
National Health care Service in Italy second best worldwide

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 is much lower than main European countries and the US, despite its Healthcare system shows much higher 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 3: 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

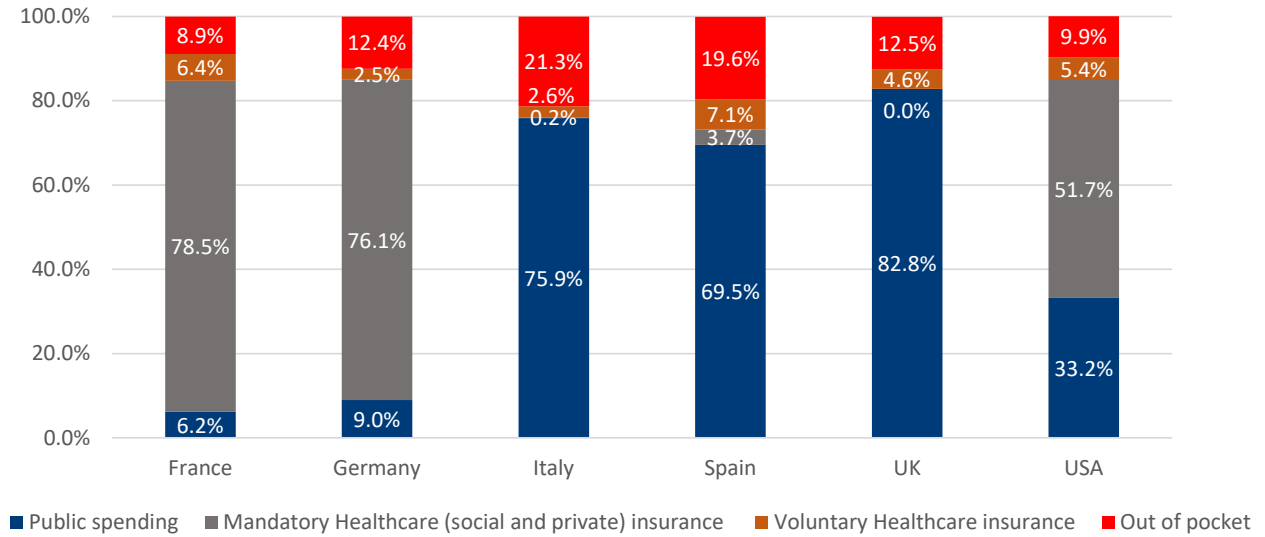
Private Health insurance plays still a small part in the Italian Healthcare system. According to OECD Focus on Private Health Insurance spending (March 2022), in OECD countries around 10% of Healthcare spending is paid by Private Health insurance but this average masks considerable cross-country variation. 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. The increase is mainly linked 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 4: pro-capita Healthcare expenditure breakdown by country and funding, 2020

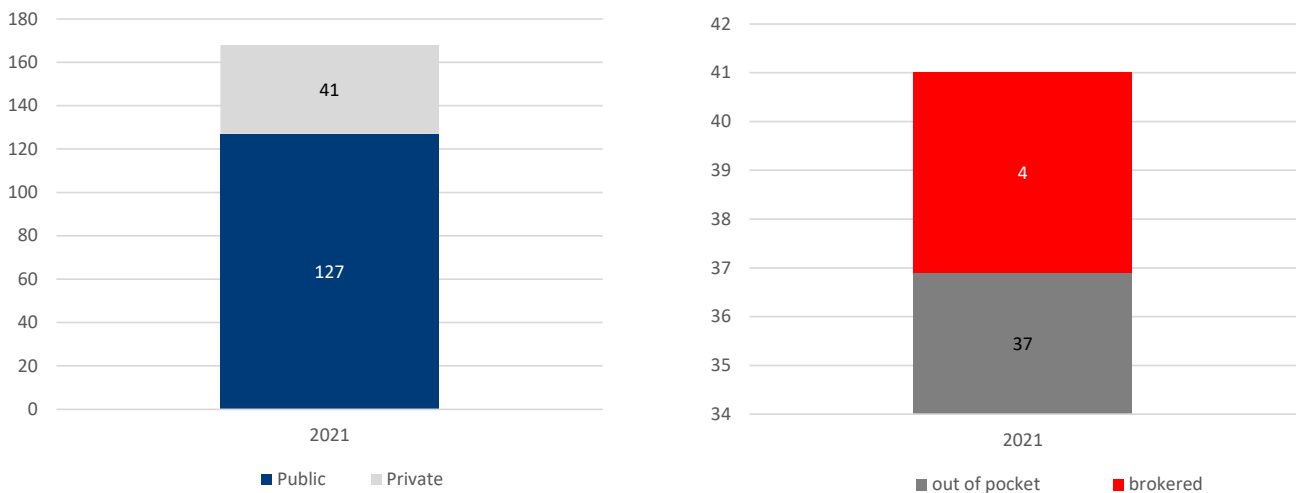


Source: Banca Profilo on OASI Bocconi, OECD Health, 2022

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 5: The Italian Healthcare market, 2021



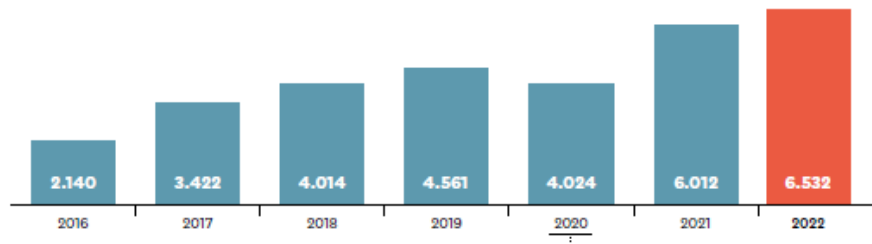
Source: OECD data, Bain&Co 2021 and Bank of Italy 2023

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

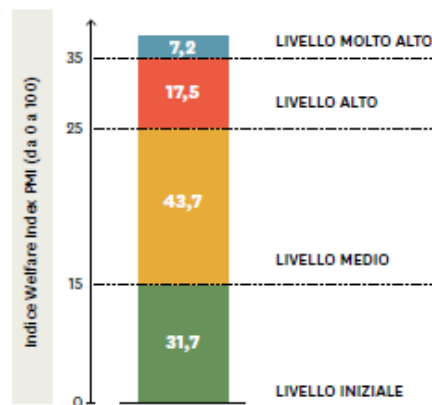
For what concerns the Italian Corporate Welfare market, the number of SMEs offering Welfare benefits has risen from 2,140 to 6,532, since 2016. And corporate welfare initiatives expanded from 127 to 156 in the same period ranging from Healthcare diagnosis and prevention, to work-life balance, and Telemedicine. 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 6: The Italian Welfare market

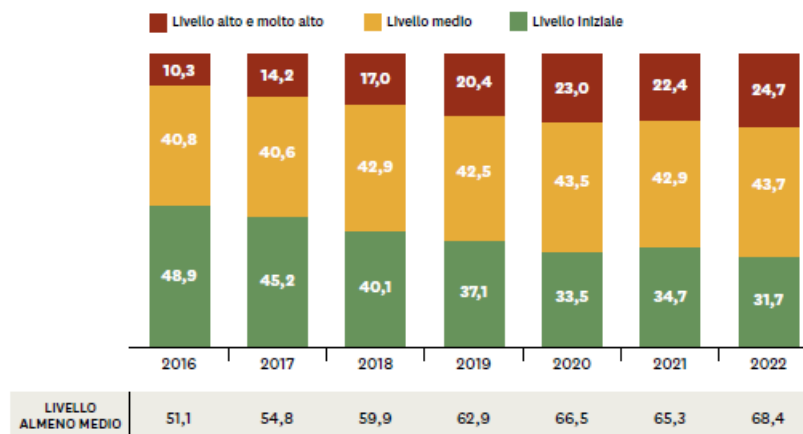
Number of SMEs offering Welfare benefits



Level of corporate welfare, 2022



Level of corporate welfare, 2022



Source: Welfare Index PMI, 2022

Health Italia competitive arena: strategic positioning and competitive advantages

Global companies active in Italy

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

A competitive scenario made of companies offering fewer services in Healthcare and Welfare

Main difference between Health Italia and other players in the Industry 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 7: 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 FY2022:
\$20.7bn revenue with
\$5.5bn 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 Health FY2022:
\$156bn revenue with
\$10bn 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 US FY2022:
\$12.5bn revenue with
\$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 FY2022:
\$8.9bn revenue with
\$2.4bn 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.

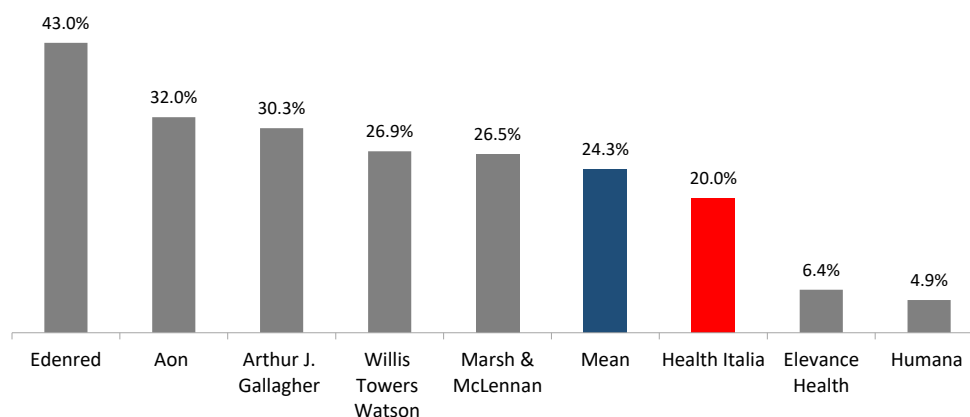
Arthur J Gallagher FY2022:
\$8.4bn revenue with
\$2.5bn EBITDA

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 FY2022:
\$93bn revenue with
\$4.5bn 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 8: Main international listed players in the Industry – EBITDA margin in 2022



Source: Banca Profilo on Company data, Factset

In terms of EBITDA, Health Italia with 20% margin 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 and benefits providers

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

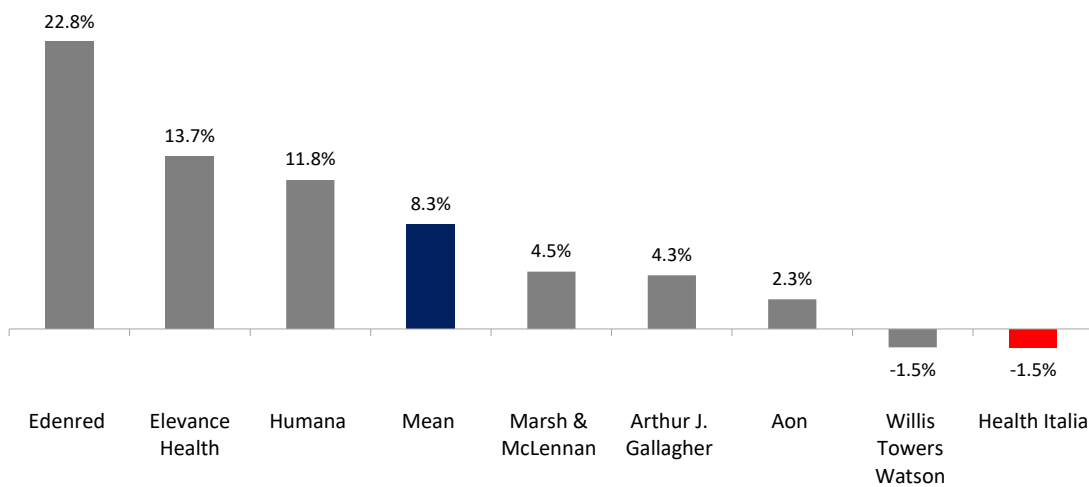
Edenred FY2022: €1.9bn with €836k EBITDA

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 a number of areas, including meals, food, transportation, healthcare, training, human services, purchases of environmentally friendly products.

Medical services including 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 9: Main international listed players in the Industry – yoy revenue change in 2022



Source: Banca Profilo on Company data, Factset

Health Italia overview and business model

Company overview and activities

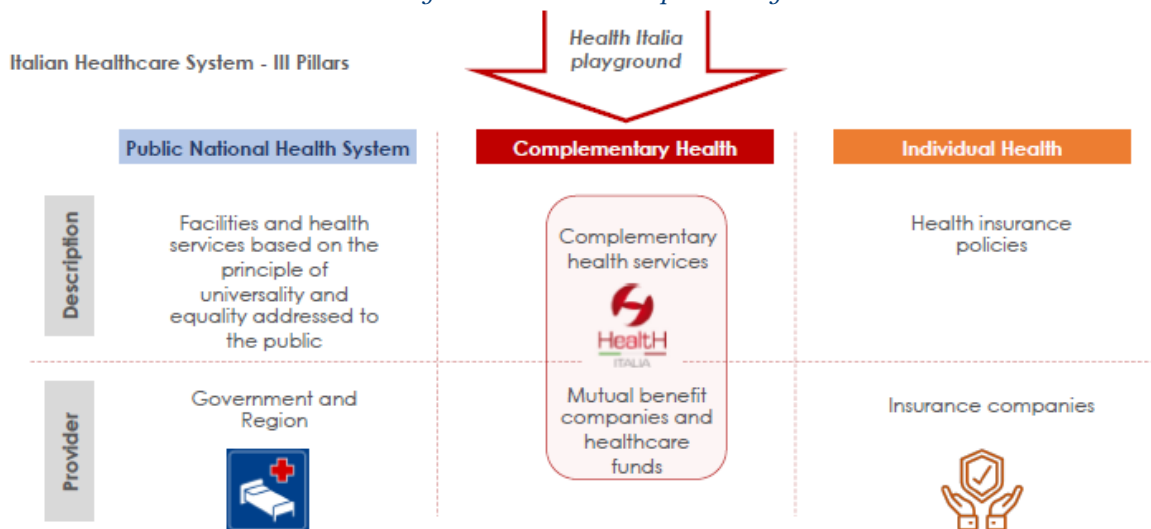
Italian leading operator in Healthcare and Welfare

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.

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.

Figure 10: Health Italia positioning



Source: Company data

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,

Medical services including Telemedicine

Health Italia promotes and offers:

- 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.

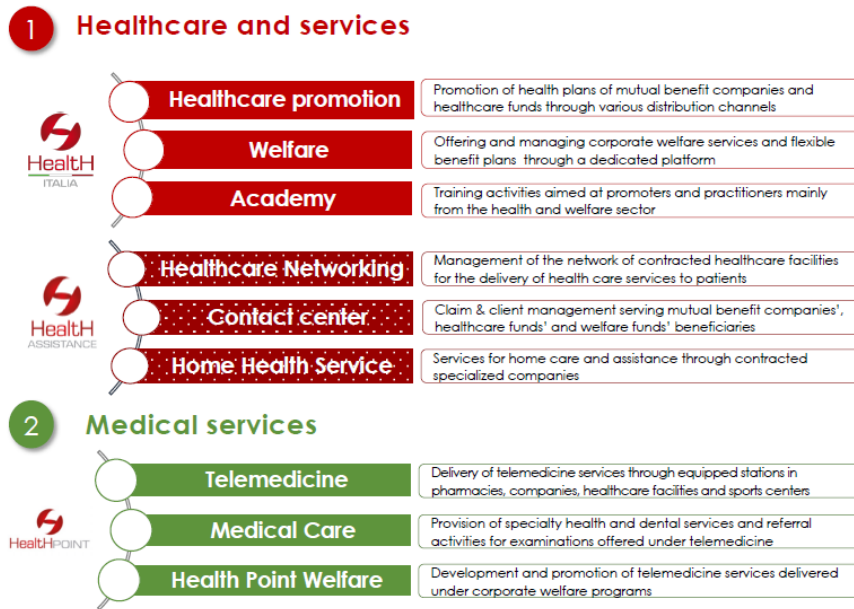
Health Assistance manages:

- 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 11: Health Italia business units and Group subsidiaries

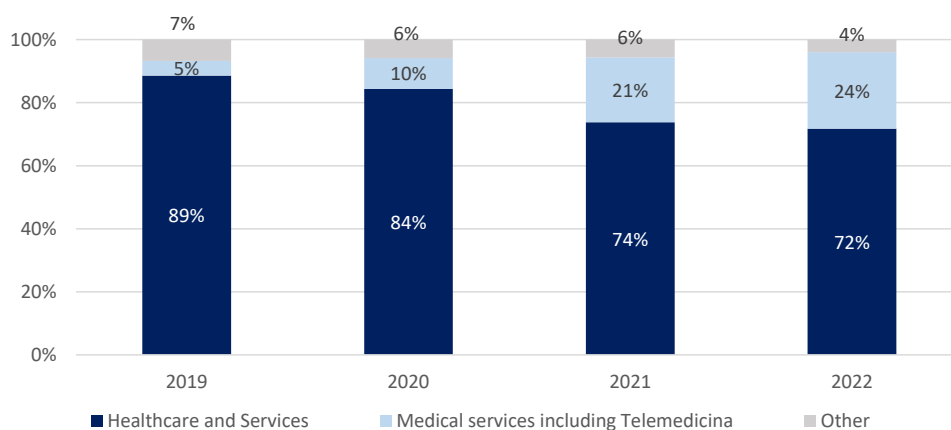


Source: Company data

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 12: Health Italia revenue breakdown 2019-2022



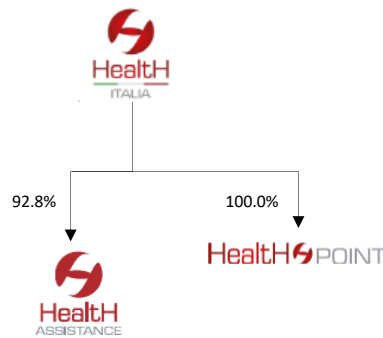
Source: Banca Profilo on Company data

Business re-focusing in progress

In fact, in 2023, Health Italia commits to rationalizing its corporate structure and enhancing the value of its Real Estate assets. The Company will focus on its core business, exiting the Nutraceutical sector (BeHealth) and proceeding with the spin-off of its real estate assets (Health Property merged into Rebirth). These actions aim to

consolidate the Company's core activities and streamline the Group structure. Following these two changes, the Group will comprise Health Italia, Health Assistance and Health Point. Health Property will be merged into the Real Estate managing company Rebirth, of which Health Italia will own about 30%. BeHealth has approved a capital increase to which Health Italia will not participate with consequent dilution below 50%.

Figure 13: Health Italia Group expected perimeter at the end of 2023

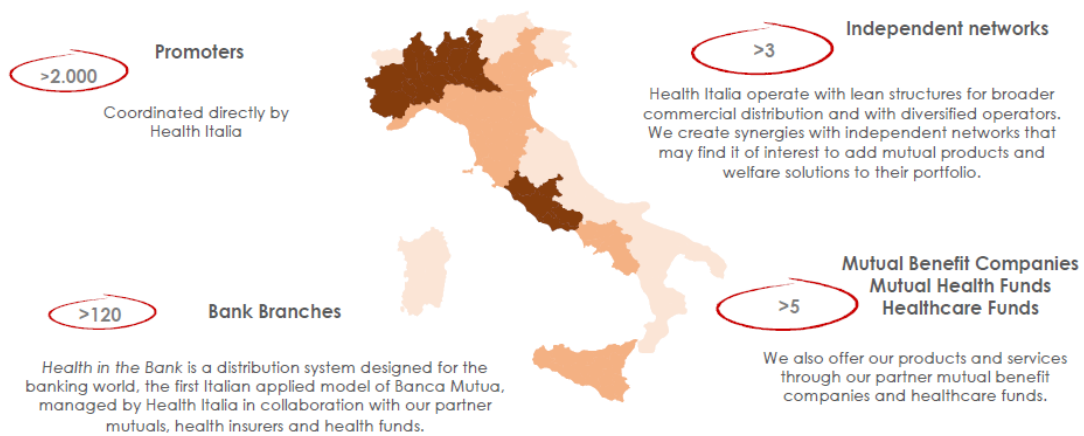


Source: Banca Profilo on Company data

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.

Figure 14: Health Italia distribution model

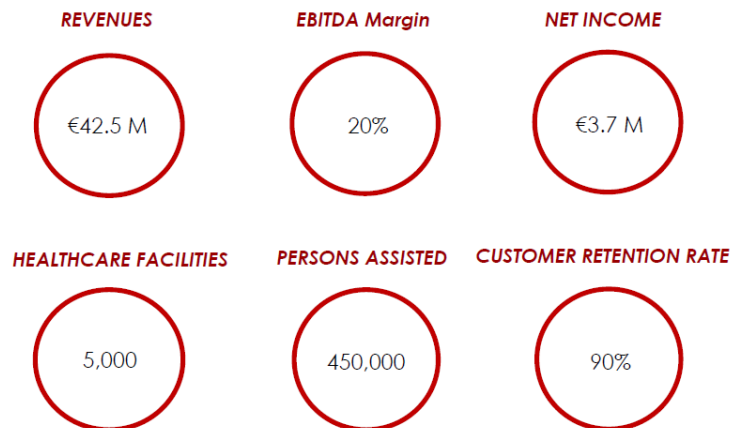


Source Company data

Key 2022 financials and KPIs

In 2022, the Group reached €42.5mln revenue with 20% EBITDA margin and €3.7mln net income. In terms of KPIs, in 2022 Health Italia manages and gives access to some 5,000 Healthcare facilities, it assisted about 450,000 people and showed a 90% customer retention rate.

Figure 15: Health Italia key financials and KPIs in 2022



Source: Company data

Shareholders, Board of Directors and Organizational structure

Listed in 2017.
More than 40% free float.
More than 500 shareholders.

The Company was listed on the EGM segment of the Italian Stock Exchange in February 2017 at €4/share. The share capital is represented by about 19mln of shares with a free float of some 41%.

In 2019 Health Italia achieved the status of Company with a broad shareholder base with more than 500 shareholders.

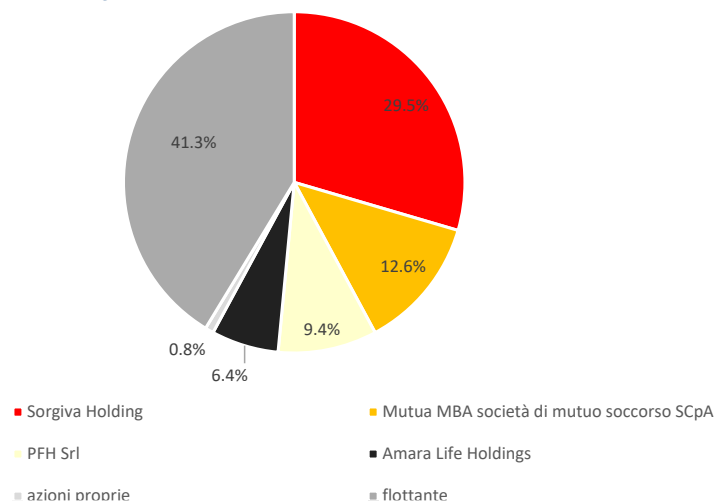
The Company is mainly owned by:

- Sorgiva Hld with 29.5%;
- Mutua MBA SCpA with 12.6%;
- PFH Srl with 9.38%
- Amara Life Hlds with 6.4%

Free float is then 41.3% and treasury shares weight less than 1%.

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

Figure 16: Health Italia shareholders



Source: Company data

The Board includes 7 directors of which 3 independent and 2 women

The Board of Directors includes Roberto Anzanello, the Chairman, Livia Foglia, the CEO and five additional directors of which three independent members. In April 2022, shareholders and top managers signed an agreement on 20% of share capital with vote and veto syndication for strengthening their commitment in the Group.

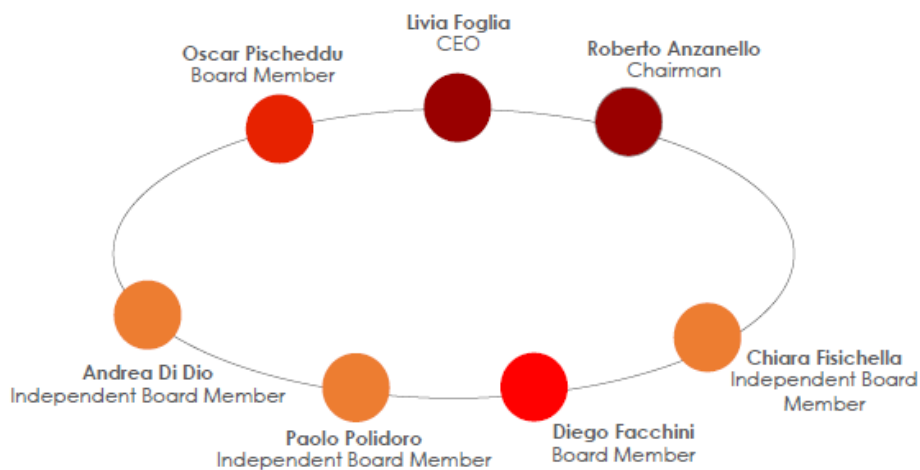
Livia Foglia (CEO)

Livia Foglia, the CEO, has built a long experience in the Italian Insurance industry starting as a broker in Willis Italia. She was appointed COO in Health Italia in 2016 and CEO in 2021.

The remaining Directors

Within the Board of Directors, Roberto Anzanello is the Chairman since 2013; he holds a long experience in the Italian Insurance industry; Oscar Pischeddu is the Deputy Chairman in Health Italia; he has been the CEO in Health Property since 2013 and Chairman in Mutua MBA between 2016-2018. Within the independent Board Directors, Chiara Fisichella is professor of Markets analysis at IULM University in Milan; Andrea Di Dio is a lawyer with long experience in Italian Law Firms and he is now Partner of DLA Piper; Paolo Polidoro is an auditor and chartered professional accountant. He is the CEO in Blu Sky Angel Lab.

Figure 17: Health Italia Board of Directors

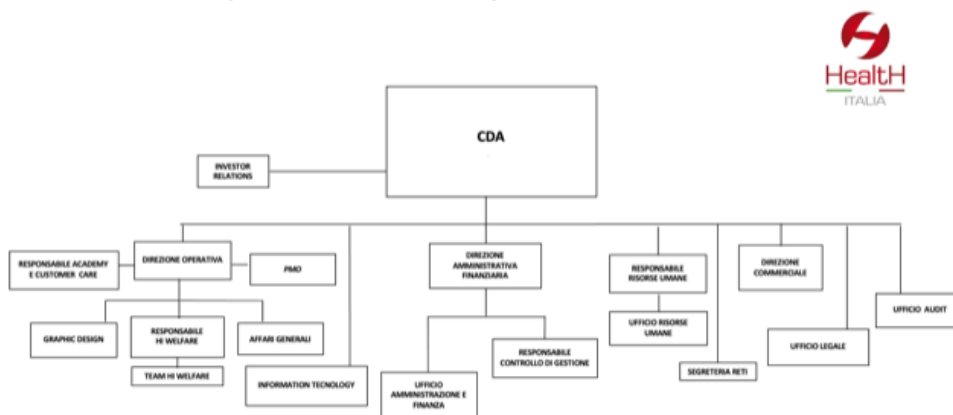


Source: Banca Profilo on Company data

Organizational structure

In 2022 the Group included 115 employees in a structure organized by functions.

Figure 18: Health Italia organizational structure



Source: Banca Profilo on Company data

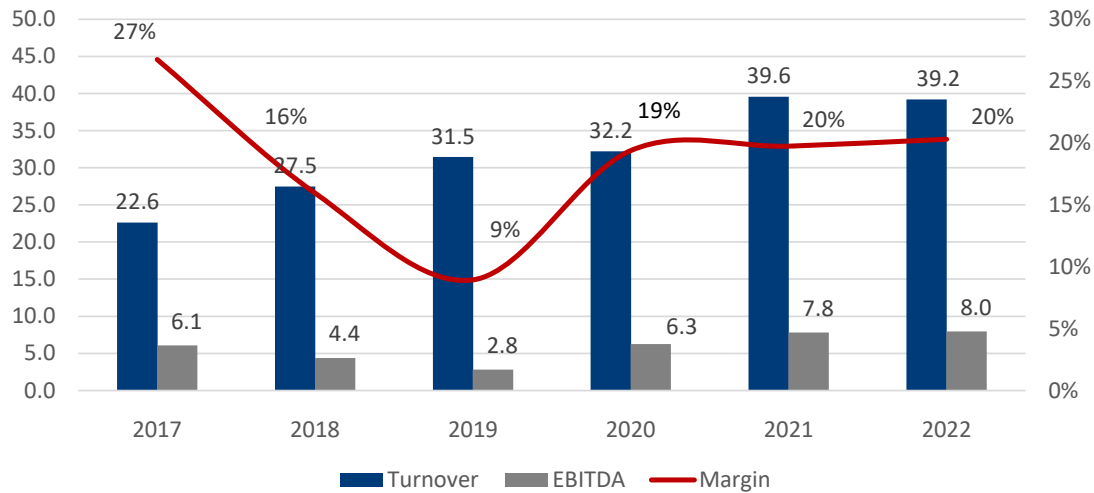
Historical operating and financial performance

Main operating and financial data: 2017-2022

2017-2022:
> 10% revenue growth
20% EBITDA margin

Since its listing in 2017, Health Italia has reported an average Turnover growth close to 12% (11.6% CAGR 2017-2022) from €22.6mIn to €39.2mIn. During the same period EBITDA increased from €6.1mIn to €8mIn with EBITDA margin (on Turnover) substantially stable around 20%.

Figure 19: Health Italia turnover and EBITDA 2017-2022

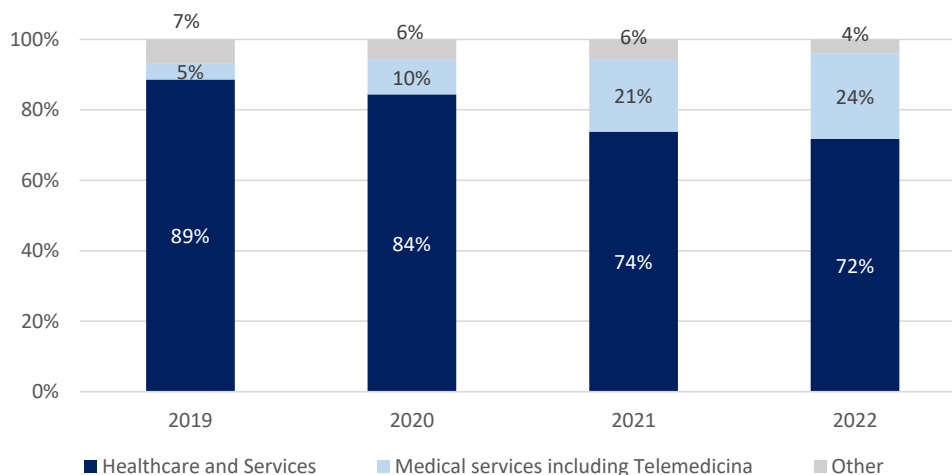


Source: Banca Profilo on Company data

Medical Services (Health Point) increasing its weight on turnover

Turnover breakdown has changed over the past 4 years with Medical Services, including Telemedicine, which are provided by Health Point, increasing its weight from 5% in 2019 to 24% in 2022.

Figure 20: Turnover breakdown – 2019-2022

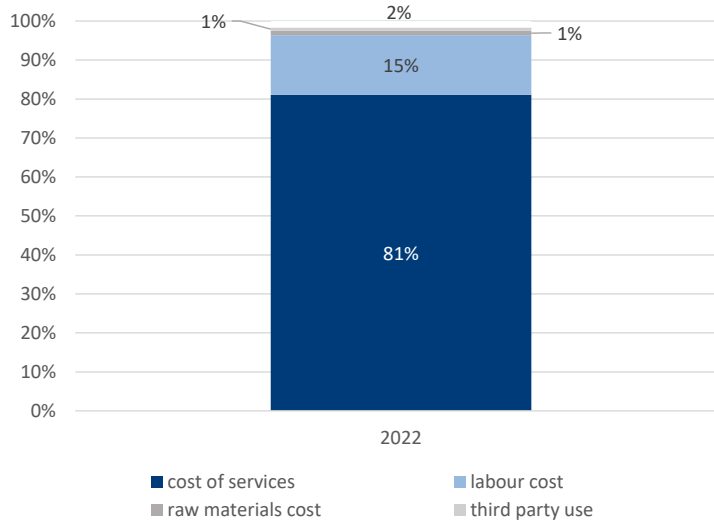


Source: Banca Profilo on Company data

Services and Labour are main operating costs

Regarding the operating costs structure, Services and Labour are the biggest part of operating costs (> 95% in 2022) with an incidence on Turnover just below 80%. Other operating costs include the commissions allocated to promoters.

Figure 21: Operating cost structure and composition in 2022

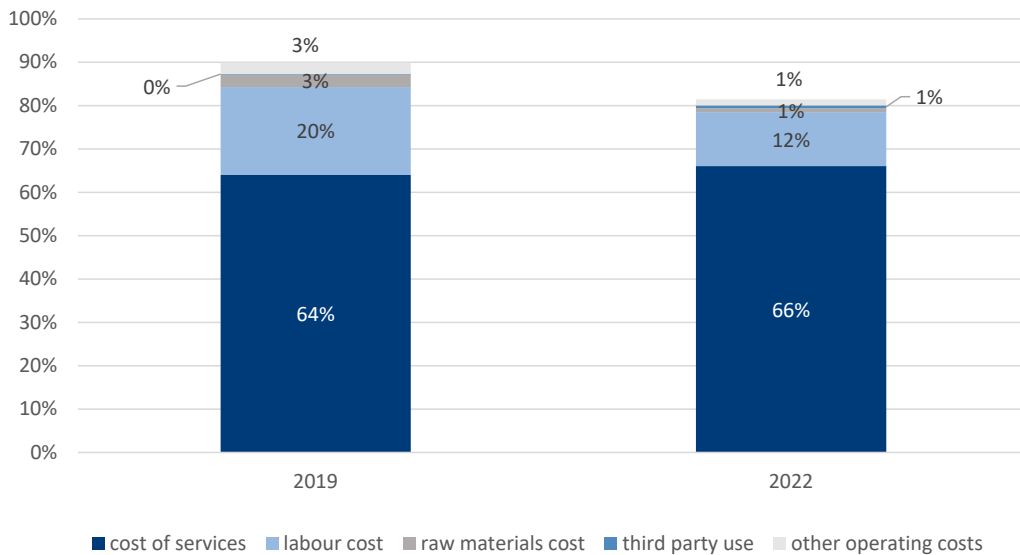


Source: Banca Profilo on Company data

Structure optimization has reduced the incidence of Labour on turnover

On average, over the past four years, Cost of services has kept its 65% weight on Turnover, whereas a structure re-organization and optimization has reduced the incidence of the Labour cost on Turnover from 20% in 2019 to 12% in 2022 leading total Operating costs to reduce their weight on Turnover from 90% in 2019 to 81% in 2022. More in detail, the Company’s structure optimization for a leaner Group perimeter, which has been reached through both the merger of some companies and some IT services outsourcing, led to a reduction of employees from 181 in 2019 to 115 in 2022.

Figure 22: Cost incidence on turnover in 2019 and 2022

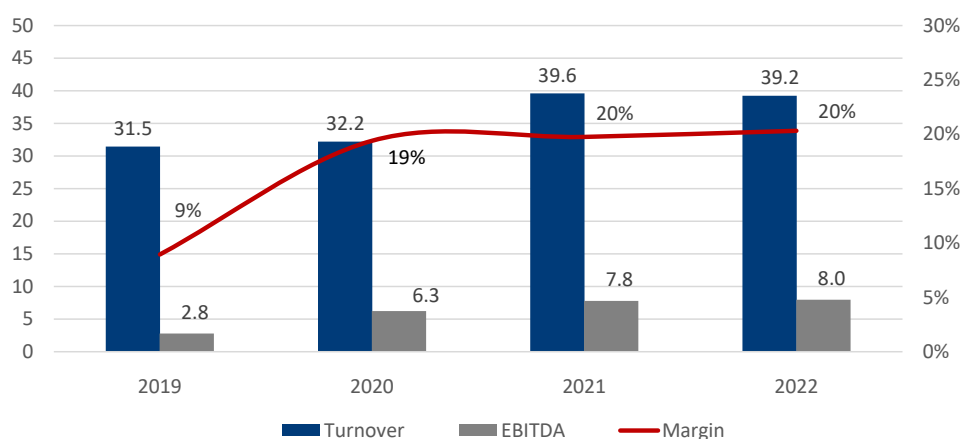


Source: Banca Profilo on Company data

EBITDA margin improving from 9% in 2019 to 20% in 2022. Health Point at EBITDA breakeven

Consequently, over the past four years, EBITDA margin improved from 9% to 20%. Analysing EBITDA margin by divisions, the improvement of EBITDA margin has been driven by Healthcare and Services and by Medical Services, which reached the EBITDA breakeven point.

Figure 23: Turnover, EBITDA and margin in 2019-2022



Source: Banca Profilo on Company data

FY22 Net Income at €3.7mln or 9% margin

Finally, in 2022 Net Result reached €3.7mln, including an extraordinary financial income worth €2.6mln, which more than compensated extraordinary items for €2.2mln. This extraordinary surplus item relates to the sale of a financial credit held by Health Italia in exchange of a Real Estate asset which is now part of Health Italia Headquarter.

Table 1: Profit & Loss 2019-2022

Profit & Loss					
	€ mln	2019	2020	2021	2022
Healthcare and Services		27.9	27.2	29.2	28.1
Medical services including Telemedicina		1.5	3.1	8.1	9.5
Nutraceutical & Cosmeceutical		1.4	1.6	2.0	0.9
Real estate		0.7	0.3	0.2	0.7
Turnover		31.5	32.2	39.6	39.2
yoy			2%	23%	-1%
other revenue		0.3	0.6	0.9	0.7
Total Revenue		31.8	32.8	40.5	39.9
yoy			3%	23%	-1%
raw materials cost		(0.9)	(0.6)	(0.4)	(0.4)
% on turnover		3%	2%	1%	1%
cost of services		(20.6)	(20.5)	(26.4)	(25.9)
% on turnover		66%	64%	67%	66%
third party use		(0.0)	(0.2)	(0.3)	(0.3)
% on turnover		0%	1%	1%	1%
labour cost		(6.5)	(4.7)	(4.9)	(4.9)
% on turnover		21%	15%	12%	12%
other operating costs		(0.8)	(0.6)	(0.7)	(0.5)
EBITDA		2.8	6.3	7.8	8.0
margin		9%	19%	20%	20%
# employees		181	147	122	115
labor cost per unit		(0.04)	(0.03)	(0.04)	(0.04)
D&A		(1.4)	(1.6)	(1.4)	(1.5)
% on turnover		-4%	-5%	-3%	-4%
write off		(1.3)	(1.6)	(1.2)	(0.5)
EBIT		0.2	3.0	5.3	5.9
margin		0%	9%	13%	15%
net financial income (expenses)		3.6	(0.2)	(0.6)	(0.8)
% on turnover		11.3%	-0.6%	-1.5%	-2.1%
extraordinary income (expenses)		(1.4)	(1.3)	(2.1)	0.4
EBT		2.3	1.5	2.6	5.5
margin		7%	5%	6%	14%
taxes		(1.5)	(0.3)	(1.4)	(1.8)
tax rate		-66%	-17%	-55%	-32%
Net income		0.8	1.2	1.1	3.7
margin		3%	4%	3%	9%

Source: Banca Profilo on Company data

End of 2022 Balance Sheet: €29mIn fixed assets including €16mIn Real Estate properties

On the Balance Sheet side, at the end of 2022, Health Italia had €28.6 of fixed assets, including €16.1mIn Real Estate assets, €2.9mIn of goodwill and €6.2mIn of equity participation, mainly in the Real Estate management company Health Property and in Banca del Fucino.

Real Estate assets increased by €4mIn in 2022 following the acquisition of properties in Formello (Rome) where Health Italia is headquartered; this had been paid through the sale of a financial credit claimed by Health Italia.

Net Operating Working Capital at €19.8mIn

At the end of 2022, Net Operating Working Capital stood at €19.8mIn, increasing significantly from €13.2mIn at the end of 2021 for an excess of to-be-cashed-in trade receivables.

A well-balanced financial structure

Net Invested Capital was €43.7 at the end of 2022 and it was financed by €32.4mIn of Equity and €11.3mIn of net debt. The Company financial structure is therefore well balanced. Regarding net debt breakdown at the end of 2022 this included €10.4mIn Convertible Bond, which was repaid in April 2023.

Table 2: Balance Sheet 2019-2022

Balance Sheet					
	€ mln	2019	2020	2021	2022
tangibles		20.7	17.6	14.2	17.2
intangibles		5.7	5.5	5.5	4.6
financials		3.0	4.5	6.9	6.8
Fixed assets		29.4	27.5	26.7	28.6
inventories		3.0	2.8	1.9	1.7
trade receivables		17.3	20.1	22.7	31.7
trade paybles		(11.1)	(11.2)	(11.4)	(13.6)
Net operating Working Capital		9.1	11.8	13.2	19.8
% on turnover		29%	36%	33%	50%
trade receivables (% turnover)		55%	62%	57%	81%
inventories (% turnover)		10%	9%	5%	4%
trade paybles (% COGS)		52%	53%	42%	52%
other net current asset (debt)		(1.0)	1.4	2.2	(2.0)
Capex		7.7	1.2	1.5	4.0
tangible		6.9	1.0	0.9	3.9
intangibles		0.8	0.3	0.5	0.2
% on turnover		24%	4%	4%	10%
Provisions		(2.5)	(3.0)	(3.3)	(2.7)
Invested Capital		35.0	37.7	38.8	43.7
shareholders' equity		18.4	18.7	18.9	18.9
reserves		5.3	6.6	8.0	9.1
net income		0.8	1.2	1.1	3.7
minorities		1.7	0.8	0.4	0.6
Equity		26.1	27.3	28.5	32.4
Net debt (cash)		8.9	10.4	10.3	11.3
cash and cash equivalents		(1.1)	(4.6)	(3.9)	(4.0)
other current financial assets		(7.3)	(3.0)	(3.0)	(1.0)
convertible bond		10.1	10.2	10.3	10.4
bank debt and other short term debt		2.5	2.2	2.0	1.9
bank debt and other m/l term debt		4.8	5.6	5.0	4.1
adj Net debt (cash)		16.3	13.3	13.5	12.4

Source: Banca Profilo on Company data

*Cumulated Operating
Cash Flow at €3.5mln*

In 2020-2022 Health Italia generated €3.5mln cumulated Operating Cash Flows. In addition, the Company spent €6.7mln in cumulated Capex. In 2022, €4mln Capex related mainly to the investment in Real Estate functional properties (the remaining were machineries and equipment for providing Medical Services through Health Point), which had been paid through the sale of a financial credit claimed by Health Italia; hence no cash out occurred. Consequently, these are to be considered high and non-standard level of Capex for the Company. In addition, in 2022 another non-typical level of cash absorption came from the Net Working Capital, which took almost €7mln cash out of the Company.

Table 3: Cash Flows 2020- 2022

Cash Flows				
<i>€ mln</i>	2020	2021	2022	
EBIT	3.0	5.3	5.9	
tax (figurative)	(1.0)	(1.7)	(1.9)	
D&A	1.6	1.4	1.5	
change in Net Working Capital	(2.6)	(1.4)	(6.6)	
capex	(1.2)	(1.5)	(4.0)	
Free Cash Flow	(0.2)	2.1	(5.1)	

Source: Banca Profilo on Company data

Strategy and estimates

Corporate strategy

Corporate structure rationalization: spin-off of Real Estate assets; exiting the Nutraceutical

In 2023, Health Italia commits to rationalizing its corporate structure and enhancing the value of its Real Estate assets. The Company will focus on its core business, exiting the Nutraceutical sector (BeHealth) and proceeding with the spin-off and valuation enhancing of its Real Estate non-functional properties (Health Property merged into Rebirth). These actions 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.

Re-focusing on Core businesses: Healthcare plans promotion; Welfare and on the edge Medical services (including Telemedicine)

The re-focusing process will lead to:

- 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;

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.

2026 targets published

On July, the 14th Health Italia BoDs approved the 2024-2026 Business Plan setting 2026 targets: Total Revenue to reach between €50-52mln; EBITDA in the range €12-14mln and move to a Net Cash Position of €15-16mln.

Our estimates 2023E-2026E

Spin-off and valuation enhancing of Real Estate assets; exiting the Nutraceutical non-synergic business

According to recent extraordinary corporate steps, which are aimed at leaning the Group structure and focusing on Core businesses, we expect future Turnover breakdown to include Healthcare, Welfare services and Medical Services only. Be Health and Health Property will exit the Group perimeter by 2023 and they will be accounted as equity participations.

In fact, in 2023 Health Italia left the Nutraceutical business and started the spin-off of non-functional Real Estate assets into a Real Estate management company, Rebirth.

Be Health exits the Group perimeter. The Group stays in Nutraceutical through an equity participation

Regarding the Nutraceutical activity (Be Health), Health Italia decided to abandon 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. Be Health, which was controlled by Health Italia up to 2022 with 85.7% stake, approved a capital increase with consequent dilution of Health Italia to less than 50%.

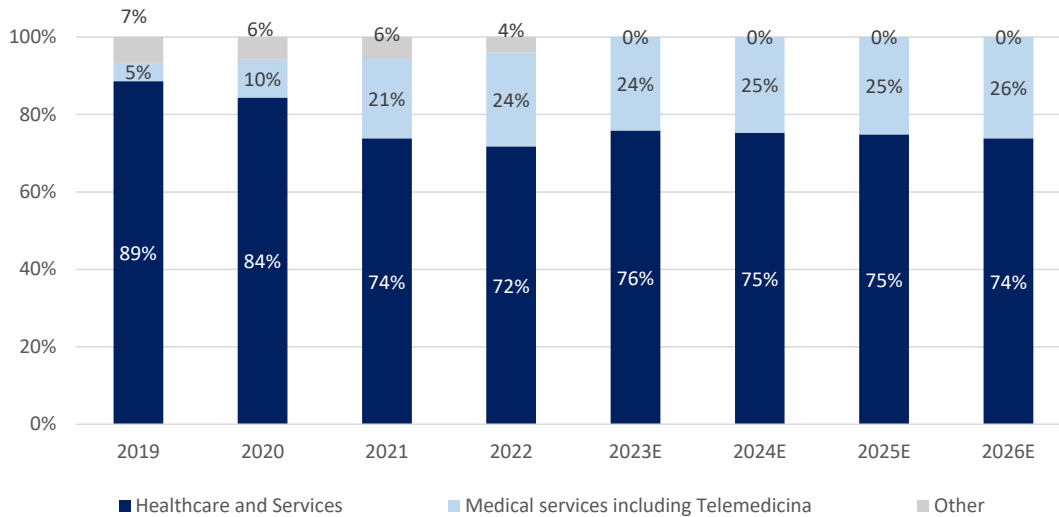
Real estate spin-off: Health Property merged into Rebirth.

For what concerns the Real Estate spin-off, in May 2023 Health Property approved its merger into Rebirth Spa, in which Health Italia had already an equity participation. Rebirth is a Real Estate management company.

Health Point to increase its weight on Turnover to 26% in 2026

According to our estimates, Core businesses will grow at 5% CAGR in 2022-2026E and reach €47.6mIn. Following the extraordinary reorganizations, we expect the Turnover breakdown to change into 74% Healthcare and Services (72% in 2022) and 26% (24% in 2022) in Medical Services in 2026. We expect Health Point (7% CAGR 2022-2026E) to grow faster than Health Italia (5.7% CAGR 2022-2026E).

Figure 24: Health Italia turnover breakdown 2019-2026E

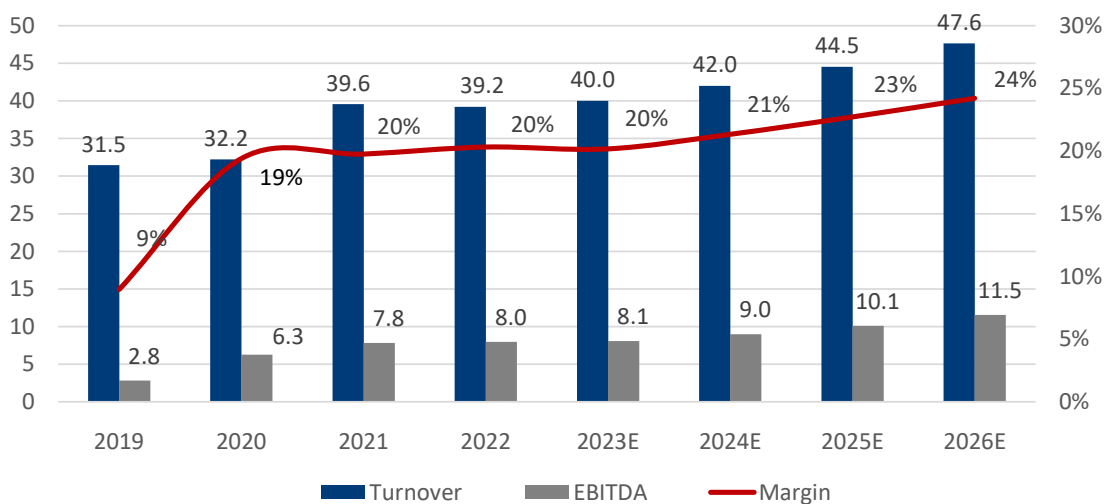


Source: Banca Profilo elaborations and estimates on Company data

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

In 2022-2026E, we project Health Italia to improve its EBITDA from €8mIn to €11.5mIn with margin gaining from 20% to 24% respectively. 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 basically stable at 12%.

Figure 25: Revenue, EBITDA and margin 2019-2026E



Source: Banca Profilo elaborations and estimates on Company data

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 €1.2mIn in 2023E from €1.5mIn in 2022 and some 3% on turnover down from 4% respectively.

Net income at €6mIn in 2026E

Finally, we project Health Italia to reach a net income of €6mIn in 2026, including a stable tax rate at 32% and net financial expenses based on some 5% cost of debt.

Table 4: Health Italia Profit & Loss 2019-2026E

Profit & Loss									
	€ mln	2019	2020	2021	2022	2023E	2024E	2025E	2026E
Healthcare and Services		27.9	27.2	29.2	28.1	30.4	31.6	33.3	35.2
Medical services including Telemedicina		1.5	3.1	8.1	9.5	9.7	10.4	11.2	12.5
Nutraceutical & Cosmeceutical		1.4	1.6	2.0	0.9	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
Turnover		31.5	32.2	39.6	39.2	40.0	42.0	44.5	47.6
	yoy		2%	23%	-1%	2%	5%	6%	7%
other revenue		0.3	0.6	0.9	0.7	0.7	0.7	0.8	0.8
Total Revenue		31.8	32.8	40.5	39.9	40.7	42.7	45.3	48.5
	yoy		3%	23%	-1%	2%	5%	6%	7%
raw materials cost		(0.9)	(0.6)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
	% on turnover	3%	2%	1%	1%	1%	1%	1%	1%
cost of services		(20.6)	(20.5)	(26.4)	(25.9)	(26.2)	(27.1)	(28.3)	(29.8)
	% on turnover	66%	64%	67%	66%	66%	65%	64%	63%
third party use		(0.0)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
	% on turnover	0%	1%	1%	1%	1%	1%	1%	1%
labour cost		(6.5)	(4.7)	(4.9)	(4.9)	(5.2)	(5.4)	(5.6)	(5.7)
	% on turnover	21%	15%	12%	12%	13%	13%	13%	12%
other operating costs		(0.8)	(0.6)	(0.7)	(0.5)	(0.6)	(0.6)	(0.6)	(0.7)
EBITDA		2.8	6.3	7.8	8.0	8.1	9.0	10.1	11.5
	margin	9%	19%	20%	20%	20%	21%	23%	24%
# employees		181	147	122	115	121	123	124	125
labor cost per unit		(0.04)	(0.03)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.05)
D&A		(1.4)	(1.6)	(1.4)	(1.5)	(1.2)	(1.3)	(1.5)	(1.5)
	% on turnover	-4%	-5%	-3%	-4%	-3%	-3%	-3%	-3%
write off		(1.3)	(1.6)	(1.2)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
EBIT		0.2	3.0	5.3	5.9	6.4	7.1	8.1	9.5
	margin	0%	9%	13%	15%	16%	17%	18%	20%
net financial income (expenses)		3.6	(0.2)	(0.6)	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)
	% on turnover	11.3%	-0.6%	-1.5%	-2.1%	-1.6%	-1.7%	-1.6%	-1.5%
extraordinary income (expenses)		(1.4)	(1.3)	(2.1)	0.4	0.0	0.0	0.0	0.0
EBT		2.3	1.5	2.6	5.5	5.7	6.4	7.4	8.8
	margin	7%	5%	6%	14%	14%	15%	17%	19%
taxes		(1.5)	(0.3)	(1.4)	(1.8)	(1.8)	(2.1)	(2.4)	(2.8)
	tax rate	-66%	-17%	-55%	-32%	-32%	-32%	-32%	-32%
Net income		0.8	1.2	1.1	3.7	3.9	4.4	5.0	6.0
	margin	3%	4%	3%	9%	10%	10%	11%	13%

Source: Banca Profilo elaborations and estimates on Company data

Balance Sheet 2023-2026E: Deconsolidation of Health Property and Be Health in 2023 Cumulated Capex at €1.5mIn Net working capital optimization and return to standard rotation

Regarding our projections (2023E-2026E) of the Company Balance Sheet, we have included:

- deconsolidation of Health Property and Be Health. Main changes relate to the exit of Real Estate properties for over €14mIn (including €13mIn fixed assets and €1.4mIn of stock) and the booking of the equity participation in Rebirth for some €12mIn. 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 €2.9mIn and €6.5mIn respectively;
- €1.5mIn cumulated capex for software development in Telemedicine and

- improving unique claim management system in Health Assistance;
- €5.3mln of operating working capital decrease deriving mostly from a return to historical turnover of receivables

Table 5: Health Italia Balance Sheet evolution 2019-2026E

Balance Sheet									
	€ mln	2019	2020	2021	2022	2023E	2024E	2025E	2026E
tangibles		20.7	17.6	14.2	17.2	5.0	6.3	7.8	9.3
intangibles		5.7	5.5	5.5	4.6	4.0	4.4	4.8	5.1
financials		3.0	4.5	6.9	6.8	15.8	15.8	15.8	15.8
Fixed assets		29.4	27.5	26.7	28.6	24.9	26.6	28.4	30.3
inventories		3.0	2.8	1.9	1.7	0.1	0.1	0.1	0.1
trade receivables		17.3	20.1	22.7	31.7	29.6	28.5	28.9	29.5
trade paybles		(11.1)	(11.2)	(11.4)	(13.6)	(13.2)	(13.7)	(14.3)	(15.0)
Net operating Working Capital		9.1	11.8	13.2	19.8	16.4	14.9	14.7	14.5
	% on turnover	29%	36%	33%	50%	40%	35%	32%	30%
	trade receivables (% turnover)	55%	62%	57%	81%	74%	68%	65%	62%
	inventories (% turnover)	10%	9%	5%	4%	0%	0%	0%	0%
	trade paybles (% COGS)	52%	53%	42%	52%	50%	50%	50%	50%
	other net current asset (debt)	(1.0)	1.4	2.2	(2.0)	5.1	5.1	5.1	5.1
Capex		7.7	1.2	1.5	4.0	0.4	0.4	0.4	0.4
	tangible	6.9	1.0	0.9	3.9	0.0	0.0	0.0	0.0
	intangibles	0.8	0.3	0.5	0.2	0.4	0.4	0.4	0.4
	% on turnover	24%	4%	4%	10%	1%	1%	1%	1%
Provisions		(2.5)	(3.0)	(3.3)	(2.7)	(2.7)	(2.8)	(2.8)	(2.8)
Invested Capital		35.0	37.7	38.8	43.7	43.7	43.8	45.4	47.1
shareholders' equity		18.4	18.7	18.9	18.9	18.9	18.9	18.9	18.9
reserves		5.3	6.6	8.0	9.1	12.8	16.7	21.1	26.1
net income		0.8	1.2	1.1	3.7	3.9	4.4	5.0	6.0
minorities		1.7	0.8	0.4	0.6	0.6	0.6	0.6	0.6
Equity		26.1	27.3	28.5	32.4	36.2	40.6	45.6	51.6
Net debt (cash)		8.9	10.4	10.3	11.3	7.4	3.2	(0.2)	(4.5)
cash and cash equivalents		(1.1)	(4.6)	(3.9)	(4.0)				
other current financial assets		(7.3)	(3.0)	(3.0)	(1.0)				
convertible bond		10.1	10.2	10.3	10.4				
bank debt and other short term debt		2.5	2.2	2.0	1.9				
bank debt and other m/l term debt		4.8	5.6	5.0	4.1				
adj Net debt (cash)		16.3	13.3	13.5	12.4	7.4	3.2	(0.2)	(4.5)

Source: Banca Profilo elaborations and estimates on Company data

Free Cash Flows
 > €30mln in four years
 or > €7.5mln as yearly
 average

Given our assumptions on P&L and Balance Sheet, the Group will be able to generate more than €7.5mln of annual Free Cash Flow on average in 2023-2026. This is to be considered a normalized level of cash generation excluding non-standard levels of Capex and Net Working Capital cash absorption occurred in 2022.

Table 6: Health Italia Free Cash Flow evolution 2020-2026E

Cash Flows								
	€ mln	2020	2021	2022	2023E	2024E	2025E	2026E
EBIT		3.0	5.3	5.9	6.4	7.1	8.1	9.5
tax (figurative)		(1.0)	(1.7)	(1.9)	-2.0	-2.3	-2.6	-3.1
D&A		1.6	1.4	1.5	1.2	1.3	1.5	1.5
change in Net Working Capital		(2.6)	(1.4)	(6.6)	3.4	1.5	0.2	0.2
capex		(1.2)	(1.5)	(4.0)	-0.4	-0.4	-0.4	-0.4
Free Cash Flow		(0.2)	2.1	(5.1)	8.5	7.2	6.8	7.7

Source: Banca Profilo elaborations and estimates on Company data

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.

Legal issues

In October 2021, some of BoD members of Health Italia have been involved in an investigation for fraudulent behaviour. In 2022, following preliminary studies and defensive minutes, the Public Prosecutor acknowledged the accused BoD members as completely unrelated to the fraudulent affairs. Health Italia had always been considered as a complete outsider in relation to these facts.

1Q23 results on track to our FY23 estimates

Our targets for 2023 are likely very in line with what the Company has already reached in the first three months of this year, considering the seasonality of the first quarter and its typical weight on FY results:

- €40mln (+2% yoy) estimated turnover in FY23 vs €8.6mln reached in 1Q23 (0.2% yoy) with 22% weight on our FY estimate, in line with 1Q22/FY22;
- €8.1mln projected EBITDA or 20% margin in FY23 vs €1.43mln and 17% margin reached in 1Q23 with 18% weight on our FY projection vs 17% in 1Q22/FY22.

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.

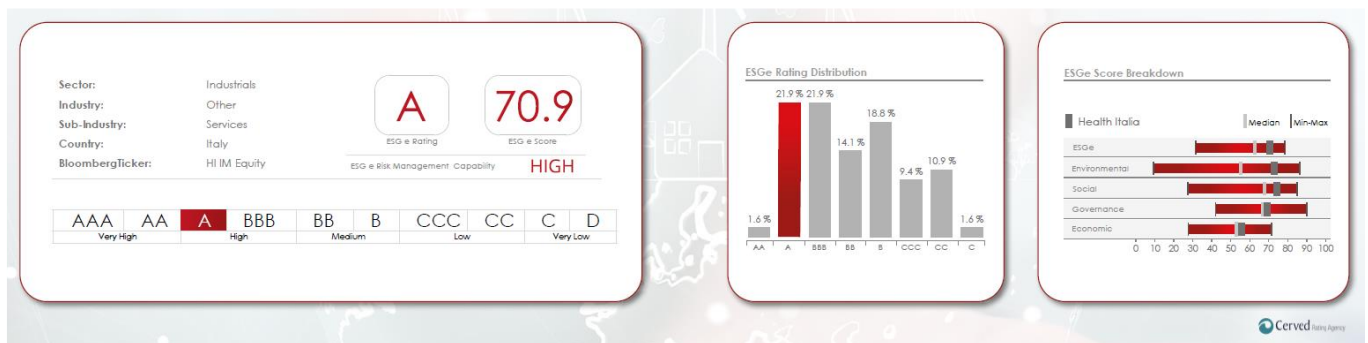
Health Italia: third Sustainability Report in 2021

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 rating in 2022

Amid the Sustainability Plan and Report, in August 2022, Cerved assigned Health Italia an A ESG rating and a score of 70.9.

Figure 26: Health Italia ESG and Credit ratings 2021



Source: Banca Profilo on Company data

Credit ratings in 2022

Additionally, in September 2022, Cerved provided Health Italia with a credit rating of B1.2 in the Investment Grade Area.

Figure 27: Health Italia ESG and Credit ratings 2021



Source: Banca Profilo on Company data

Sustainability for Health Italia

Health Italia Sustainability Plan aims at combining business development and Company's growth with social and environmental sustainability respecting UN 2030 Agenda.

Health Italia has been working on specific items, measures and qualitative, and measurable efforts to face some of global UN 2030 challenges.

More in details, Health Italia set

5 sustainability goals

1. Human resources enhancement and Business growth
2. Corporate and sustainability culture promotion
3. Innovation in Healthcare
4. Company and Brand awareness
5. Responsible consumption

9 material items

1. Health and safety at work
2. Welfare, benefits and remuneration
3. R&D and Innovation
4. Waste management
5. Diversity, inclusion and equality
6. Marketing and Communication
7. Personnel training
8. Suppliers
9. Process streamlining

6 US Agenda 2030 goals to focus on

1. Good Health and Well-Being (3)
2. Gender Equality (5)
3. Decent Work and Economic Growth (8)
4. Reduced inequalities (10)
5. Responsible Consumption and Production (12)
6. Climate Action (13)

29 concrete measures, including the creation of an Ethic Committee, Responsible consumption and production projects, a corporate gym, Psychological support, Independent Board members and Paperless projects.

Figure 28: Sustainability in Health Italia



Source: Banca Profilo on Company data

Materiality Assessment

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.

Figure 29: Materiality Assessment

Macro-Area	Items	SDGs																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Governance	Business integrity																	
	Business ethics																	
	Communication with stakeholders																	
	Fight against corruption																	
Social Responsibility	Employees engagement																	
	Personnel training and enhancement																	
	Diversity, inclusion and equality among employees																	
	Employees welfare and incentives																	
	Health and safety at work																	
	Human rights protection																	
	Communication with PA and local communities																	
	Responsible use of resources and waste																	
Environmental Responsibility	Direct environmental impacts																	
	Sustainable water management																	
	Economic performance																	
Economic and Supply Responsibility	Financial balance																	
	Access and quality of offering																	
Customers and Services	R&D and innovation																	
	Customers and users satisfactions																	
	Responsible marketing																	
	Data privacy and protection																	

Source: Banca Profilo on Company data

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

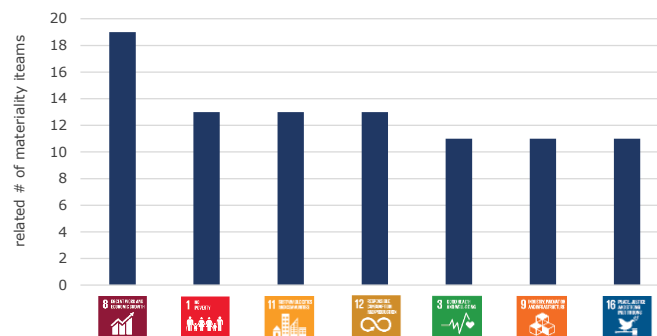
By relating the material topics identified through the Materiality Map to the seventeen Sustainable Development Goals (SDGs), SDG 8, 3, 12, 16, 5, 13, 10 and 17 stand out as the most sensitive ones for Health Italia.

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 work spaces; 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 30: SDGs Health Italia is more sensitive to



Source: Banca Profilo elaborations on Company data

Environmental sustainability



Energy Consumption

Health Italia has a strong focus on reducing energy consumption; to heat workplaces, the Group mainly uses heat pumps. In 2021, the Group achieved a 45% yoy decrease in energy consumption, due to specific savings.

Table 7: Energy Consumption in FY 2020-2021

Electrical Energy	2021		2020	
	Total	Total GJ	Total	Total GJ
Electricity purchased and consumed (KWh)	329.365	1.185,71	602.509	2.169,03

Source: Banca Profilo elaborations on Company data

GHG Emission monitoring

Health Italia released approximately 70.3 tonnes of CO2 emissions into the atmosphere in 2021, down from 128.6 tonnes in 2020. This 45% decrease derived from an accurate consumption policy with the elimination of certain areas of consumption.

Table 8: CO2 direct emissions in FY 2020-2021

CO2 emmissions equivalent to SCOPE 2	2021	2020
Purchased Electricity	70.3	128.6

Source: Banca Profilo elaborations on Company data

Responsible waste management

Paper, plastic and sanitary materials make the most of waste in Health Italia. Paper is 100% FSC certified, and bottles are made of PET and PTR with 30% of recycled plastic resin. Hazardous waste is periodically taken to the authorised landfill in Formello (central office). Regarding non-hazardous waste: (i) 5 % goes to incineration, (ii) 20 % to landfill and (iii) the remaining 75% in on-site storage.

"Green" project towards new mobility solutions

Health Italia has adopted new mobility solutions; the Group is in the process of converting its car fleet to hybrid cars. Starting in 2019, the car fleet has been progressively reduced to around 25 cars, and as of now, it is nearing completion.

Social issues



Human capital

Human capital is central in Health Italia. The Company culture is for totally inclusive Human Resources, far from discrimination and prejudice aiming at talent enhancement.

At the end of 2022, Health Italia employed 115 people of which:

- more than 70% between 30 and 50 years of age and some 8% younger than 30;
- more than 65% women.

Benefits and Welfare

To strengthen the corporate culture of "diversity and inclusion", Health Italia set up a Welfare Committee with the aim of promoting welfare initiatives. In addition, the Company offers to its employees the "Health Prime" plan, a direct Healthcare allowance. All employees have access to further Welfare benefits, including meal tickets, gym and smart working. Finally, the Corporate Welfare plan (HI Welfare For Us) is key for Health Italia and the wellbeing of its employees as it includes numerous and diversified benefits (training and language courses, social and cultural projects, sports and other recreational activities).

Training and skills development

Health Italia has adopted specific procedures to define and manage salary increase and career enhancement. Human Resources training is fulfilled through Health Academy, a training school for employees, including specific courses addressed to promoters.

Health and Safety at work

The Ethic Code in Health Italia aims at protecting Human Resources in a safe and healthy work environment.

Research and Innovation

R&D is key for Health Italia and its healthcare offering and welfare solutions. Medical services are deployed through Health Point structures and Telemedicine, which need up to date processes and projects.

Responsible Marketing

Health Italia aims at increasing its Brand Awareness through marketing and communications activities which are based on responsible agreed and shared principles, which also take care of data privacy and protection.

Governance



A traditional Governance system

Health Italia adopts a traditional Governance system, which includes a BoDs (7 members) appointed by the Shareholders and a Board of Auditors (5 members). 2 Board Directors are Independent and 2 are women.

Transparent management of corporate processes

Health Italia set an Ethical Code and the 231 Organizational and Controlling model in order to have the most transparent management and corporate processes.

Valuation

DCF to appraise the cash generating 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:

€30.3mln of cumulated FCFs

€7.3mln as Terminal Value cash flow

To run a DCF model, we use our projections of FCF for the 2023E-26E explicit period: cumulated Free Cash Flows for €30.3mln or €7.6mln as yearly average.

To assess the Terminal Value, we factor in:

- an annual FCF generation of €7.3mln
- perpetual growth rate of 2%.

In order to get to the Equity Valuation we would consider the adjusted net debt at the end of 2022 (€12.4mln).

Table 9: DCF valuation

DCF Valuation	2022	2023E	2024E	2025E	2026E	over
Free Cash Flows (€/000)	(5.1)	8.5	7.2	6.8	7.7	7.3
years		1	2	3	4	
discount factor		0.91	0.84	0.76	0.70	
NPV Cash flows (€/000)		7.8	6.1	5.2	5.4	
Sum of NPVs (€/000)						24.4
Terminal Value (€/000)						98.1
NPV Terminal Value (€/000)						68.4
Enterprise Value (€/000)						92.9
Net debt December 2022 (€/000)						12.4
Equity Value (€/000)						80.5
number of shares (mln)						19.0
Per share value (€)						4.2

Source: Banca Profilo estimates and elaborations

9.4% WACC

We use a WACC of 9.4%, derived from:

- 5% risk free rate, as implicitly expected by consensus on the 30Y Italian BTP yield curve;
- 5.5% market risk premium;
- 1.1 beta, coming from the average of chosen listed peers to Health Italia;
- debt to equity target structure with an 80% weight on Equity.

Table 10: WACC calculation

WACC Calculation	
perpetual growth rate	2.0%
WACC	9.4%
risk free rate (30Y)	5.0%
equity risk premium	5.5%
beta	1.1
KE	10.9%
costo del debito	5.1%
tax rate	30%
KD	3.6%

Source: Banca Profilo estimates and elaborations

DCF valuation: Equity €80.5mln

We run the DCF model and end up with an Enterprise Value of €92.9mln and, therefore, an Equity Value of €80.5mln.

Relative market multiples valuation

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 2023E and 2024E. The selected peers are: Marsh & McLennan, Aon, Willis Towers Watson, Arthur J. Gallagher, Elevance Health, Humana, Edenred.

Table 11: Sample benchmarking on revenue growth and EBITDA margin

Company	Currency	Market Cap (mln)	Enterprise Value (mln)	Sales growth						EBITDA margin					
				2019	2020	2021	2022	2023E	2024E	2019	2020	2021	2022	2023E	2024E
27/07/2023															
Marsh & McLennan Companies, Inc.	USD	93,609	102,854	11.4%	3.4%	15.1%	4.5%	8.4%	5.7%	25.9%	27.0%	25.8%	26.5%	27.7%	28.4%
Aon Plc Class A	USD	68,843	78,797	2.3%	0.5%	10.2%	2.3%	6.4%	5.4%	28.9%	30.0%	31.6%	32.0%	32.6%	33.1%
Willis Towers Watson Public Limited Company	USD	22,586	26,122	6.2%	3.5%	-3.8%	-1.5%	5.2%	5.1%	25.4%	26.4%	26.6%	26.9%	25.3%	26.3%
Arthur J. Gallagher & Co.	USD	46,524	52,251	3.0%	-1.9%	17.9%	4.3%	16.2%	10.8%	19.2%	24.8%	25.6%	30.3%	30.9%	31.9%
Elevance Health, Inc.	USD	110,917	127,731	12.9%	17.1%	13.4%	13.7%	9.2%	3.0%	6.8%	7.0%	7.3%	6.4%	6.8%	7.2%
Humana Inc.	USD	56,350	62,474	14.0%	18.9%	7.7%	11.8%	10.8%	8.8%	5.7%	5.4%	4.9%	4.9%	5.6%	5.7%
Edenred SA	EUR	14,476	14,892	18.3%	-9.4%	11.2%	22.8%	27.2%	14.1%	42.5%	40.8%	42.3%	43.0%	42.6%	43.0%
Mean				9.7%	4.6%	10.2%	8.3%	11.9%	7.5%	22.1%	23.0%	23.5%	24.3%	24.5%	25.1%
Health Italia	EUR	29.8	42.2	3.3%	23.3%	-1.5%	2.0%	5.0%	8.9%	19.0%	19.3%	20.0%	19.8%	21.0%	

Source: Banca Profilo estimates and elaborations on Factset

EV/EBITDA 23: 14.1x
EV/EBITDA 24: 12.8x

The selected sample of peers trades at 14.1x the EV/EBITDA 23E and 12.8x the EV/EBITDA 24E. Health Italia currently trades at 5x the average EV/EBITDA 2023-2024, more than 60% below the selected peers' average at 13.5x.

Table 12: Market multiples

Company	EV / EBITDA	
	2023E	2024E
27/07/2023		
Marsh & McLennan Companies, Inc.	16.5x	15.2x
Aon Plc Class A	18.2x	17.0x
Willis Towers Watson Public Limited Company	11.1x	10.1x
Arthur J. Gallagher & Co.	17.3x	15.1x
Elevance Health, Inc.	11.0x	10.2x
Humana Inc.	10.8x	9.8x
Edenred SA	14.1x	12.3x
Mean	14.1x	12.8x
Median	14.1x	12.3x
Health Italia	5.2x	4.7x
premium (discount) on best peers	-63%	-63%

Source: Banca Profilo estimates and elaborations, Factset

Market multiples valuation: Equity €102mln

We use the average EV/EBITDA 2023E-2024E at 13.5x and come out with an Equity Valuation of Health Italia of €102mln, which strongly support our DCF Equity Valuation.

Table 13: Market multiples valuation

Valuation on market multiples		
Health Italia on EV/EBITDA	2023E	2024E
EV/EBITDA	14.1x	12.8x
EBITDA (€mln)	8.1	9.0
EV (€mln)	114	115
net debt 2022 (€mln)	12	
Equity (€mln)	102	102

Source: Banca Profilo estimates and elaborations, Factset

Valuation: 12-month TP at €4.5

We set our 12-month target price at €4.5/share as a weighted blend of DCF and market multiples valuation.

Recommendation: BU

Given the significant upside on Health Italia price (€1.57 as of July, the 27th), we set our recommendation at BUY.

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Health Italia "ID Card"

Recommendation

BUY

Target Price

4.5 €

Upside

188%

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"

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Recommendation

BUY

Target Price

4.5 €

Upside

188%

Main Financials						
(€/000)	2020	2021	2022	2023E	2024E	2025E
Total revenue	32.8	40.5	39.9	40.7	42.7	45.3
yoy change	3.3%	23.3%	-1.5%	0.5%	5.0%	6.0%
EBITDA	6.3	7.8	8.0	8.1	9.0	10.1
EBITDA margin (%)	19.0%	19.3%	20.0%	19.8%	21.0%	22.3%
EBIT	3.0	5.3	5.9	6.4	7.1	8.1
EBIT margin (%)	9.2%	13.0%	14.8%	15.6%	16.7%	17.9%
Net income	1.2	1.1	3.7	3.9	4.4	5.0
Margin (%)	3.7%	2.8%	9.3%	9.5%	10.2%	11.0%
Adjusted net debt (cash)	10.4	10.4	11.3	7.4	3.2	(0.2)
Shareholders Equity	27.3	28.5	32.4	36.2	40.6	45.6
Net Operating Working Capit:	11.8	13.2	19.8	16.4	14.9	14.7
Capex and acquisitions	1.2	1.5	4.0	0.4	0.4	0.4
Free Cash Flow	(0.2)	2.1	(5.1)	8.5	7.2	6.8

Company Description	
Company Sector	Insurance - Health Care, Welfare services
Price (€)	1.6
Number of shares (mln)	19.0
Market Cap (€ mln)	29.4
Reference Index	Euronext Growth
Main Shareholders	Sorgiva Holding
Main Shareholder stake	29.5%
Free Float	41.3%
Daily Average Volumes	36,131
Sample of comparables	Marsh, Aon, Willis Towers Watson, Arthur Gallagher, Elevance, Humana, Edenred

Breakdown by business unit						
(% of turnover)	2020	2021	2022	2023E	2024E	2025E
Healthcare and Services	84%	74%	72%	76%	75%	75%
Medical services including Telemedicina	10%	21%	24%	24%	25%	25%
Other	6%	6%	4%	0%	0%	0%
Turnover	32.2	39.6	39.2	40.0	42.0	44.5

Data of peers (average) vs Health Italia				
	2021	2022	2023E	2024E
Revenue Growth (yoy)	10%	8%	12%	8%
Health Italia	23%	-1%	2%	5%
EBITDA Margin	23%	24%	25%	25%
Health Italia	19%	20%	20%	21%

Solvability Ratios					
	2020	2021	2022	2023E	2024E
Net debt (cash) / EBITDA	1.7x	1.3x	1.4x	0.9x	0.4x
Net debt (cash) / Equity	0.4x	0.4x	0.4x	0.2x	0.1x

Multiples			
	2024E	2023E	
Best peers			
EV / EBITDA	14.1x	12.8x	
Health Italia		5.2x	4.7x

Financial and Operative ratios					
	2020	2021	2022	2023E	2024E
Tax rate	17%	55%	32%	32%	32%
ROIC	8%	14%	13%	15%	16%
ROE	4%	4%	11%	11%	11%
Capex/Sales	4%	4%	10%	1%	1%
D&A to capex	132%	95%	38%	321%	352%

Source: Factset, Banca Profilo estimates and elaborations