

Company: **Health Italia** Rating: **Buy** Target Price: **€4.5 (unchanged)** Sector: **Insurance – Health Care, Welfare**

1H23 results: on track to our FY23E

September 27, 2023 at 18:00

1H results: marginality keeps improving

Health Italia reported 1H23 results: turnover declined by 7.5% yoy to €17.8mln, as expected, for the IFRS 5 accounting of Be Health and Health Property (currently in the spin off process) as “activities to be disposed”. Health care and Services contributed with 74% to the turnover whereas the remaining came from Medical Services. EBITDA rose to €3.3mln from €3.2mln a year earlier and margin improved to 18% from 17% respectively driven by a better service mix and persisting cost optimization. Net income worsened to €1.5mln from €2.3mln for the extraordinary revenue linked to a Real Estate deal worth €2.6mln in 1H22. Net debt at the end of June 2023 improved to €5.6mln from €11.5mln at the end of December 2022, following the repayment of the Convertible bond in April 2023. In 1H23, Free Cash Flow was above €5mln thanks also to the reduction in Net Operating Working Capital. Following Health Italia Sustainability Plan and Report, in September 2023, Cerved confirmed and improved Health Italia A ESG rating to 72.4 (from previous 70.9).

1H results: on track to our FY23 estimates

Our FY23 projections [Please refer to our Initial Coverage on August, 4th 2022] are broadly in line with what the Company has already reached in the first six months of this year, considering the IFRS5 accounting of Be Health and Health Property which are currently in the spin-off process and must be accounted as “current activities to be disposed”.

In details we expect:

- €40mln (+2% yoy) turnover in FY23 vs €17.8mln reached in 1H23 (-7.5% yoy) or 45% weight on our FY estimate, just below the 1H22/FY22 and 1H21/FY21 (48% on average);
- €8.1mln projected EBITDA or 20% margin in FY23 vs €3.3mln and 18% margin reached in 1H23 with 41% weight on our FY projection vs 40% in 1H22/FY22 and 42% in 1H21/FY21;
- €7.4mln projected Net Debt at the end of 2023 vs €5.6mln at the end of June. We expect further net working capital optimization with ONWC to improve to 41% of turnover from 50% at the end of 2022. The almost €3mln FCF generated by the Net Operating Working Capital is on track to our year-end forecast.

Amid 1H23 result, we will only fine-tuned our 2023-2026 estimates.

Valuation: BUY; price target €4.5 confirmed

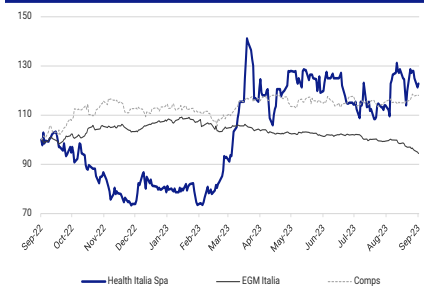
We run the DCF model (9.3% WACC and TV €7.3mln FCF) and end up with an Equity Value of €89mln. As a supporting method, we add the market multiples relative approach, selecting listed international peers. We use the average EV/EBITDA 2023E-2024E at 13.8x and come out with an Equity Valuation of €111mln, which strongly support our DCF result. We confirm 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 also confirm our BUY.

| Company Profile | | |
|--------------------------------|---|---------------|
| Target Price | 4.5 € | unchanged |
| Recommendation | BUY | unchanged |
| Company Profile | | |
| Ticker | HI IM (BBG) | HHT (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 | 25/09/2023 | 1.7 |
| Number of shares (mln) | | 19.0 |
| Market capitalization (€, mln) | | 31.3 |
| Max / Min | | 6.1/1.0 |
| Average daily volumes | | 34,334 |

| Main Financials (€ mln) | 1H22 | 2022 | 1H23 | 2023E |
|-------------------------|-------|-------|------|-------|
| Turnover | 19.2 | 39.2 | 17.8 | 40.0 |
| yoy (%) | 4% | -1% | -7% | 2% |
| Total Revenue | 19.5 | 39.9 | 18.0 | 40.7 |
| yoy (%) | 4% | -1% | -7% | 2% |
| EBITDA | 3.2 | 8.0 | 3.3 | 8.1 |
| margin (%) | 17% | 20% | 18% | 20% |
| EBIT | 2.5 | 5.9 | 2.8 | 6.4 |
| margin (%) | 13% | 15% | 16% | 16% |
| Net Income | 2.2 | 3.7 | 1.5 | 3.9 |
| margin (%) | 12% | 9% | 9% | 10% |
| adj. Net Debt | 15.1 | 11.3 | 8.7 | 7.4 |
| Equity | 30.7 | 32.4 | 34.7 | 36.2 |
| Capex | 3.8 | 4.0 | 0.0 | 0.4 |
| FCFs | (4.7) | (5.1) | 5.1 | 8.5 |

Source: Banca Profilo estimates, Company data.

1-Year Performance



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

Sales Desk
 +39 02 58408 478

Contents

| | |
|--|----|
| SWOT analysis | 3 |
| The Industry analysis | 4 |
| Health Italia competitive arena: strategic positioning and competitive advantages..... | 4 |
| Market multiples | 6 |
| 1H23 results..... | 8 |
| Focus on margin improvement | 8 |
| Strategy Update | 10 |
| Corporate strategy and guidance | 10 |
| Fine tuning of our 2023E-2026E estimates..... | 10 |
| Valuation..... | 14 |
| DCF valuation | 14 |
| Relative valuation on market multiples | 15 |
| APPENDIX | 16 |
| The reference Industry..... | 16 |
| Health Italia:..... | 19 |
| Overview and business model..... | 19 |
| Shareholders, Board of Directors and Organization | 22 |
| ESG analysis | 23 |
| Sustainability report | 23 |
| Sustainability for Health Italia | 23 |
| THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK | 24 |
| Disclaimer | 27 |

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 Industry analysis

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

Figure 1: Main players active in Italy

| Main competitors | | | | | |
|--|------------------|-------------------|--------------------------|--------------------------|--------------|
| | Claim management | Client management | Promotion & Distribution | Welfare plans management | Telemedicine |
| Insurance brokers | | | | | |
| Marsh & McLennan (USA) | ✓ | | ✓ | | |
| Elevance Health (formerly Anthem) (USA) | ✓ | | ✓ | ✓ | |
| AON Italia (non listed) | | | ✓ | ✓ | |
| Willis Towers Watson (USA) | ✓ | | ✓ | ✓ | |
| Arthur J Galalgher (USA) | ✓ | | ✓ | ✓ | |
| Humana (USA) | ✓ | | ✓ | | |
| Service providers and independent Third Party Administrator | | | | | |
| Blue Asstance (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: 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.
\$20.7bn revenue with \$5.5bn EBITDA

Elevance Health FY2022: 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.
\$156bn revenue with \$10bn EBITDA

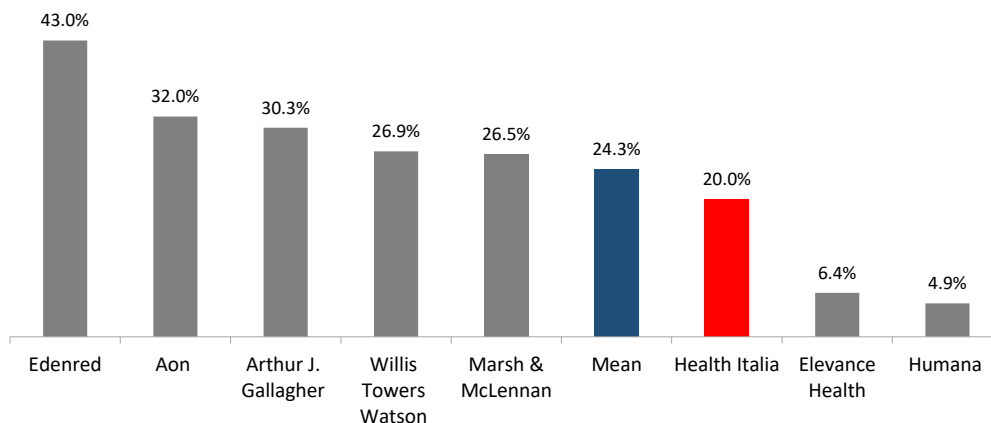
Aon US FY2022: Aon is a US company active in insurance brokerage and corporate advisory related to Healthcare, Welfare benefits, Retirement, Compensation and Strategic management of human capital to attract and retain employees.
\$12.5bn revenue with \$4bn EBITDA

Willis Towers Watson FY2022: 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.
\$8.9bn revenue with \$2.4bn EBITDA

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

Humana FY2022: 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.
\$93bn revenue with \$4.5bn EBITDA

Figure 2: 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: 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.
Blue Assistance, IMA Italia Assistance, Previmedical

Corporate Welfare providers

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

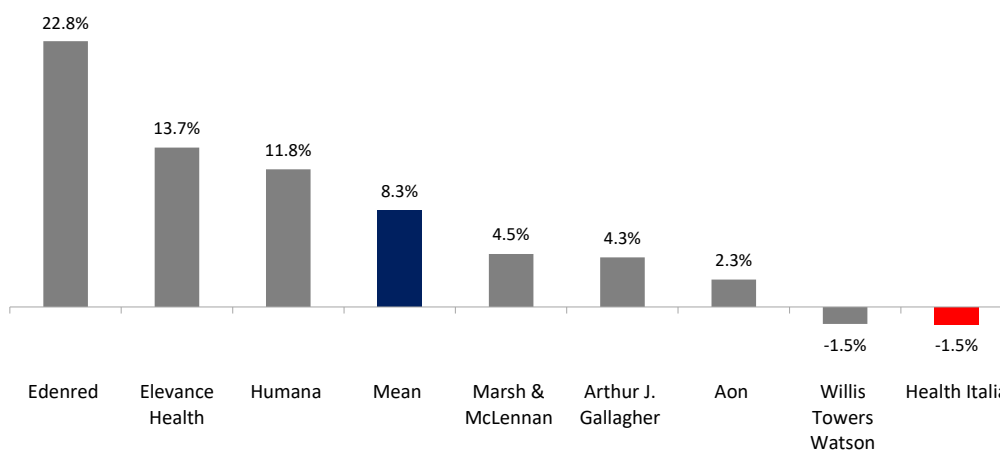
Edenred FY2022:
€1.9bn with
€836k EBITDA

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 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 revenue change in 2022



Source: Banca Profilo on Company data, Factset

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 2023E and 2024E.

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

Table 1: Sample benchmarking on revenue growth and EBITDA margin

| | Currency | Market Cap (mln) | Enterprise Value (mln) | Sales growth | | | | | | EBITDA margin | | | | | |
|----------------------------------|------------|------------------|------------------------|--------------|--------------|--------------|-------------|--------------|-------------|---------------|--------------|--------------|--------------|--------------|--------------|
| | | | | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E |
| 22/09/2023 | | | | | | | | | | | | | | | |
| Marsh & McLennan Companies, Inc. | USD | 96,573 | 105,817 | 11.4% | 3.4% | 15.1% | 4.5% | 8.5% | 5.7% | 25.9% | 27.0% | 25.8% | 26.5% | 27.7% | 28.4% |
| Aon Plc Class A | USD | 68,167 | 78,121 | 2.3% | 0.5% | 10.2% | 2.3% | 6.3% | 5.7% | 28.9% | 30.0% | 31.6% | 32.0% | 32.7% | 33.2% |
| Willis Towers Watson PLC | USD | 22,322 | 25,781 | 6.2% | 3.5% | -3.8% | -1.5% | 5.3% | 5.1% | 25.4% | 26.4% | 26.6% | 26.9% | 25.2% | 25.8% |
| Arthur J. Gallagher & Co. | USD | 50,230 | 55,957 | 3.0% | -1.9% | 17.9% | 4.3% | 17.1% | 12.4% | 19.2% | 24.8% | 25.6% | 30.3% | 30.4% | 31.8% |
| Elevance Health, Inc. | USD | 105,358 | 122,172 | 12.9% | 17.1% | 13.4% | 13.7% | 9.5% | 3.5% | 6.8% | 7.0% | 7.3% | 6.4% | 6.8% | 7.1% |
| Humana Inc. | USD | 61,217 | 67,341 | 14.0% | 18.9% | 7.7% | 11.8% | 11.6% | 8.4% | 5.7% | 5.4% | 4.9% | 4.9% | 5.5% | 5.7% |
| Edenred SA | EUR | 14,890 | 15,306 | 18.0% | -9.9% | 11.1% | 24.8% | 22.5% | 14.2% | 41.1% | 39.6% | 41.2% | 41.2% | 42.7% | 43.0% |
| Mean | | | | 9.7% | 4.5% | 10.2% | 8.6% | 11.5% | 7.9% | 21.9% | 22.9% | 23.3% | 24.0% | 24.4% | 25.0% |
| Health Italia | EUR | 32.3 | 44.6 | 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: 14.5x
EV/EBITDA 24: 13x

The selected sample of peers trades at 14.5x the EV/EBITDA 23E and 13x the EV/EBITDA 24E. Health Italia currently trades at 5.3x the average EV/EBITDA 2023-2024, more than 60% below the selected peers' average at 13.8x.

Table 2: Market multiples

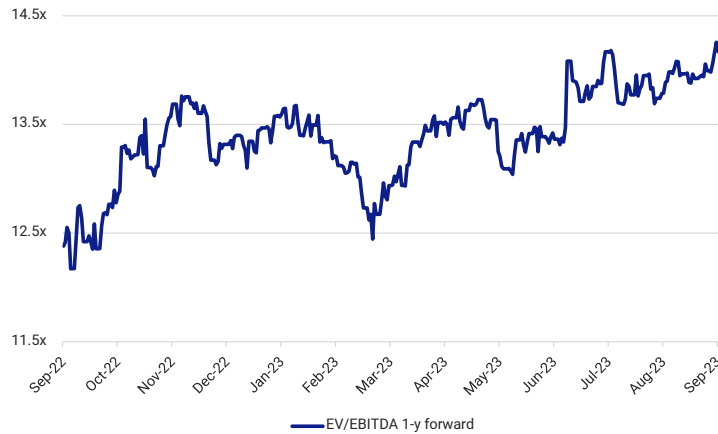
| Company | EV / EBITDA | |
|---|-------------------|--------------|
| | 2023E | 2024E |
| | <i>22/09/2023</i> | |
| Marsh & McLennan Companies, Inc. | 17.0x | 15.7x |
| Aon Plc Class A | 18.0x | 16.8x |
| Willis Towers Watson PLC | 11.0x | 10.2x |
| Arthur J. Gallagher & Co. | 18.7x | 15.9x |
| Elevance Health, Inc. | 10.5x | 9.7x |
| Humana Inc. | 11.7x | 10.5x |
| Edenred SA | 14.4x | 12.5x |
| Mean | 14.5x | 13.0x |
| Median | 14.4x | 12.5x |
| Health Italia | 5.5x | 5.0x |
| <i>premium (discount) on best peers</i> | <i>-62%</i> | <i>-62%</i> |

Source: Banca Profilo estimates and elaborations on Factset

Market multiples one-year trend: re-rating

The selected sample of peers show increasing 1-year forward EV/EBITDA during the past year. Over the past year the multiple increased by more than 10% reaching a maximum of 14.3x in September 2023.

Figure 4: 1-year forward EV/EBITDA trend



Source: Banca Profilo estimates and elaborations on Factset

1H23 results

Focus on margin improvement

1H23: focus on margin improvement

Health Italia reported 1H23 results: turnover declined by 7.5% yoy to €17.8m, as expected, for the IFRS 5 accounting of Be Health and Health Property (currently in the spin off process) as “activities to be disposed”. Health care and Services contributed with 74% to the turnover at €13.1m (+7% yoy), whereas the remaining came from Medical Services (€4.7m or -23% yoy). The decline in Health Point derives from a challenging comparison to strong sales in 1H22; growth will be fully recovered in the 2H23, according to Health Italia management.

EBITDA rose to €3.3m from €3.2m a year earlier and margin improved to 18% from 17% respectively, driven by a better service mix and persisting cost optimization.

Net income worsened to €1.5m from €2.3m for the extraordinary revenue linked to a Real Estate deal worth €2.6m in 1H22.

Net debt at the end of June 2023 improved to €5.6m from €11.5m at the end of December 2022, following the repayment of the Convertible bond in April 2023. In 1H23, Free Cash Flow was above €5m thanks also to the reduction in Net Operating Working Capital.

Following Health Italia Sustainability Plan and Report, in September 2023, Cerved confirmed and improved Health Italia A ESG rating to 72.4 (from previous 70.9).

Table 3: Profit & Loss 1H21-1H23

| Profit & Loss | | | | |
|--|----------------------|-------------|-------------|-------------|
| | € mln | 1H21 | 1H22 | 1H23 |
| <i>Healthcare and Services</i> | | 13.2 | 12.2 | 13.1 |
| <i>Medical services including Telemedicina</i> | | 3.8 | 6.2 | 4.7 |
| <i>Nutraceutical & Cosmeceutical</i> | | 1.3 | 0.4 | 0.0 |
| <i>Real estate</i> | | 0.1 | 0.5 | 0.0 |
| Turnover | | 18.5 | 19.2 | 17.8 |
| | <i>yoy</i> | | 4% | -7% |
| <i>other revenue</i> | | 0.4 | 0.2 | 0.2 |
| Total Revenue | | 18.9 | 19.5 | 18.0 |
| | <i>yoy</i> | | 3% | -7% |
| raw materials cost | | (0.2) | (0.2) | (0.1) |
| | <i>% on turnover</i> | 1% | 1% | 1% |
| cost of services | | (12.5) | (13.1) | (12.1) |
| | <i>% on turnover</i> | 68% | 68% | 68% |
| third party use | | (0.1) | (0.2) | (0.1) |
| | <i>% on turnover</i> | 0% | 1% | 1% |
| labour cost | | (2.4) | (2.6) | (2.3) |
| | <i>% on turnover</i> | 13% | 14% | 13% |
| other operating costs | | (0.4) | (0.2) | (0.2) |
| EBITDA | | 3.3 | 3.2 | 3.3 |
| | <i>margin</i> | 18% | 17% | 18% |
| # employees | | | | |
| labor cost per unit | | | | |
| D&A | | (0.7) | (0.7) | (0.5) |
| | <i>% on turnover</i> | 3.8% | 3.8% | 2.6% |
| write off | | (0.6) | 0.0 | 0.0 |
| EBIT | | 2.0 | 2.5 | 2.8 |
| | <i>margin</i> | 11% | 13% | 16% |
| net financial income (expenses) | | (0.1) | (0.5) | (0.3) |
| | <i>% on turnover</i> | 0.5% | 2.5% | 1.7% |
| extraordinary income (expenses) | | (1.5) | 1.4 | (0.4) |
| EBT | | 0.4 | 3.3 | 2.1 |
| | <i>margin</i> | 2% | 17% | 12% |
| taxes | | (0.3) | (1.1) | (0.6) |
| | <i>tax rate</i> | 67% | 33% | 27% |
| Net income | | 0.1 | 2.2 | 1.5 |
| | <i>margin</i> | 1% | 12% | 9% |

Source: Banca Profilo on Company data

1H23: on track to our FY23E

Our FY23 projections [Please refer to our Initial Coverage on August, 4th 2022] are broadly in line with what the Company has already reached in the first six months of this year, considering the IFRS5 accounting of Be Health and Health Property which are currently in the spin-off process and must be accounted as “current activities to be disposed”.

In details we expect:

- €40mln (+2% yoy) turnover in FY23 vs €17.8mln reached in 1H23 (-7.5% yoy) or 45% weight on our FY estimate, just below the 1H22/FY22 and 1H21/FY21 (48% on average);
- €8.1mln projected EBITDA or 20% margin in FY23 vs €3.3mln and 18% margin reached in 1H23 with 41% weight on our FY projection vs 40% in 1H22/FY22 and 42% in 1H21/FY21;
- €7.4mln projected Net Debt at the end of 2023 vs €5.6mln at the end of June. We expect further net working capital optimization with ONWC to improve to 41% of turnover from 50% at the end of 2022. The almost €3mln FCF generated by the Net Operating Working Capital is on track to our year-end forecast (€3.4mln).

Table 4: Balance Sheet and FCFs 1H21-1H23

| Balance Sheet | | |
|--------------------------------------|--------------|--------------|
| € mln | 30.06.22 | 30.06.23 |
| tangibles | 17.6 | 3.6 |
| intangibles | 5.3 | 3.5 |
| financials | 4.2 | 4.6 |
| Fixed assets | 27.1 | 11.6 |
| inventories | 1.9 | 0.0 |
| trade receivables | 25.8 | 30.7 |
| trade payables | (11.2) | (13.6) |
| Net operating Working Capital | 16.5 | 17.0 |
| | 43% | 45% |
| other net current asset (debt) | 0.3 | 14.0 |
| Capex | 3.8 | 0.0 |
| Provisions | (1.1) | (2.3) |
| Invested Capital | 42.8 | 40.3 |
| shareholders' equity | 18.9 | |
| reserves | 9.1 | |
| net income | 2.2 | |
| minorities | 0.4 | |
| Equity | 30.7 | 34.7 |
| Net debt (cash) | 12.1 | 5.6 |
| Cash Flows | | |
| € mln | 1H22 | 1H23 |
| EBIT | 2.5 | 2.8 |
| tax (figurative) | (0.8) | (0.9) |
| D&A | 0.7 | 0.5 |
| change in Net Working Capital | (3.3) | 2.8 |
| capex | (3.8) | 0.0 |
| Free Cash Flow | (4.7) | 5.1 |

Source: Banca Profilo on Company data

Strategy Update

Corporate strategy and guidance

| | |
|---|---|
| Corporate structure rationalization: Real Estate spin-off; exiting 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; on the edge Medical services (including Telemedicine) | <p>The re-focusing process will lead to:</p> <ul style="list-style-type: none"> • further growth in Healthcare plans promotion, Welfare and Medical Services; • strengthen the synergies between profit and non-profit models enhancing the activities of mutual benefits companies; • further innovation in Healthcare using the most advanced technologies and devices in Telemedicine and other Digital Healthcare solutions; • consolidate the multi-channel distribution network and develop the online network; <p>More in details, Health Italia will concentrate its efforts in expanding the Group presence in supplementary Healthcare, Welfare and Medical services. Growth in Telemedicine and Health Point will strengthen Health Italia positioning and direct presence in structures focused on human well-being. Furthermore, the development of its multi-channel distribution network, especially the online arm, will further drive Group's organic growth. Finally, persisting attention on digital innovation will: i) lead to internal processes optimization; ii) improve customer experience and ii) accelerate the time to market of a comprehensive Welfare offering.</p> |
| 2026 business plan targets | 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. |

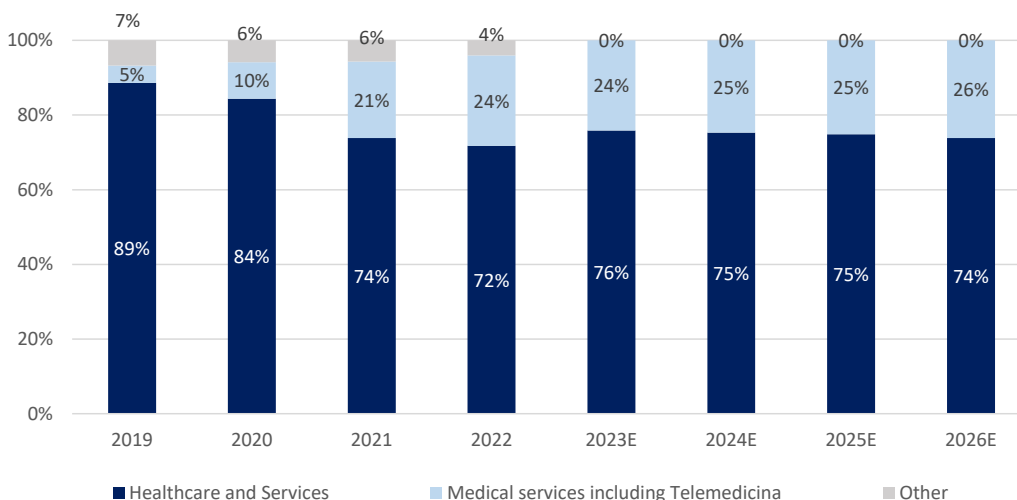
Fine tuning of our 2023E-2026E estimates

| | |
|---|---|
| | Amid 1H23 result, we only fine tuned our 2023-2026 estimates. |
| Spin-off and valuation enhancing of Real Estate assets; exiting the Nutraceutical non-synergic business | <p>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.</p> <p>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.</p> |
| 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 | According to our estimates, Core businesses will grow at 5% CAGR in 2022-2026E and reach €47.6mln (unchanged vs our previous projections - <i>Please refer to our Initial Coverage on August,</i> |

Turnover to 26% in 2026

4th 2022). 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 5: Turnover breakdown

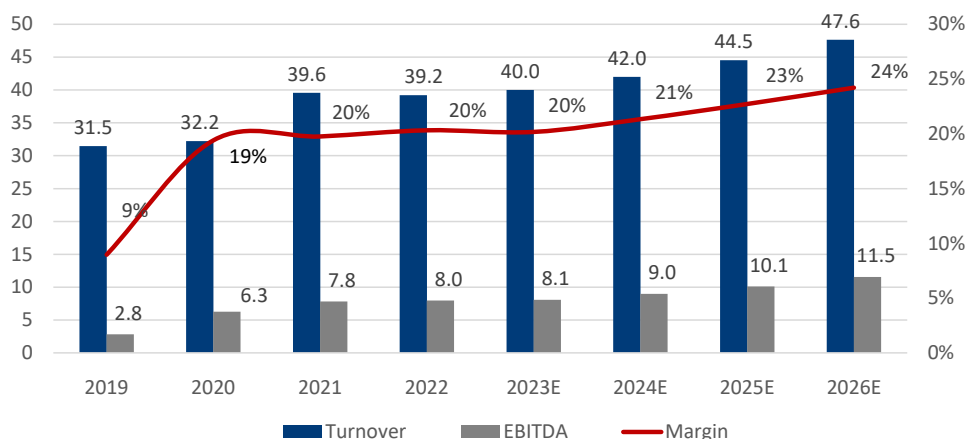


Source: Banca Profilo estimates and elaborations

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

In 2022-2026E, we project Health Italia to improve its EBITDA from €8mln to €11.5mln with margin gaining from 20% to 24% respectively (unchanged vs our previous projections - Please refer to our Initial Coverage on August, 4th 2022). 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 6: Revenue, EBITDA and margin



Source: Banca Profilo estimates and elaborations

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

Amid deconsolidation of Health Property and Be Health, we adjusted the Balance Sheet with the effect of lower D&A starting from 2023. In fact, the exit of Real Estate non-functional properties more than offset additional D&A coming from new Capex. We now see D&A at some €1.2mln in 2023E from €1.5mln in 2022 and some 3% on turnover down from 4% respectively.

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

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

| Profit & Loss | | | | | | | | | | | | | |
|---|---------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | €m | 2019 | 2020 | 2021 | 2022 | 2023E old | 2023E new | 2024E old | 2024E new | 2025E old | 2025E new | 2026E old | 2026E new |
| Healthcare and Services | | 27.9 | 27.2 | 29.2 | 28.1 | 30.4 | 30.4 | 31.6 | 31.6 | 33.3 | 33.3 | 35.2 | 35.2 |
| Medical services including Telemedicina | | 1.5 | 3.1 | 8.1 | 9.5 | 9.7 | 9.7 | 10.4 | 10.4 | 11.2 | 11.2 | 12.5 | 12.5 |
| Nutraceutical & Cosmeceutical | | 1.4 | 1.6 | 2.0 | 0.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Real estate | | 0.7 | 0.3 | 0.2 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Turnover | | 31.5 | 32.2 | 39.6 | 39.2 | 40.0 | 40.0 | 42.0 | 42.0 | 44.5 | 44.5 | 47.6 | 47.6 |
| | yoy | | 2% | 23% | -1% | 2% | 2% | 5% | 5% | 6% | 6% | 7% | 7% |
| other revenue | | 0.3 | 0.6 | 0.9 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 |
| | % on turnover | 1% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% |
| Total Revenue | | 31.8 | 32.8 | 40.5 | 39.9 | 40.7 | 40.7 | 42.7 | 42.7 | 45.3 | 45.3 | 48.5 | 48.5 |
| | yoy | | 3% | 23% | -1% | 2% | 2% | 5% | 5% | 6% | 6% | 7% | 7% |
| raw materials cost | | (0.9) | (0.6) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) |
| | % on turnover | 3% | 2% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| cost of services | | (20.6) | (20.5) | (26.4) | (25.9) | (26.2) | (26.2) | (27.1) | (27.1) | (28.3) | (28.3) | (29.8) | (29.8) |
| | % on turnover | 66% | 64% | 67% | 66% | 66% | 66% | 65% | 65% | 64% | 64% | 63% | 63% |
| third party use | | (0.0) | (0.2) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) |
| | % on turnover | 0% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| labour cost | | (6.5) | (4.7) | (4.9) | (4.9) | (5.2) | (5.2) | (5.4) | (5.4) | (5.6) | (5.6) | (5.7) | (5.7) |
| | % on turnover | 21% | 15% | 12% | 12% | 13% | 13% | 13% | 13% | 13% | 13% | 12% | 12% |
| other operating costs | | (0.8) | (0.6) | (0.7) | (0.5) | (0.6) | (0.6) | (0.6) | (0.6) | (0.6) | (0.6) | (0.7) | (0.7) |
| | % on turnover | 3% | 2% | 2% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| EBITDA | | 2.8 | 6.3 | 7.8 | 8.0 | 8.1 | 8.1 | 9.0 | 9.0 | 10.1 | 10.1 | 11.5 | 11.5 |
| | margin | 9% | 19% | 20% | 20% | 20% | 20% | 21% | 21% | 23% | 23% | 24% | 24% |
| # employees | | 181 | 147 | 122 | 115 | 121 | 121 | 123 | 123 | 124 | 124 | 125 | 125 |
| labor cost per unit | | (0.04) | (0.03) | (0.04) | (0.04) | (0.04) | (0.04) | (0.04) | (0.04) | (0.04) | (0.04) | (0.05) | (0.05) |
| D&A | | (1.4) | (1.6) | (1.4) | (1.5) | (1.2) | (1.2) | (1.3) | (1.3) | (1.5) | (1.5) | (1.5) | (1.5) |
| | % on turnover | 4% | 5% | 4% | 4% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| write off | | (1.3) | (1.6) | (1.2) | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) |
| EBIT | | 0.2 | 3.0 | 5.3 | 5.9 | 6.4 | 6.4 | 7.1 | 7.1 | 8.1 | 8.1 | 9.5 | 9.5 |
| | margin | 0% | 9% | 13% | 15% | 16% | 16% | 17% | 17% | 18% | 18% | 20% | 20% |
| net financial income (expenses) | | 3.6 | (0.2) | (0.6) | (0.8) | (0.7) | (0.7) | (0.7) | (0.7) | (0.7) | (0.7) | (0.7) | (0.7) |
| | % on turnover | -11.3% | 0.6% | 1.5% | 2.1% | 1.6% | 1.6% | 1.7% | 1.7% | 1.6% | 1.6% | 1.5% | 1.5% |
| EBT | | 3.7 | 2.8 | 4.7 | 5.1 | 5.7 | 5.7 | 6.4 | 6.4 | 7.4 | 7.4 | 8.8 | 8.8 |
| | margin | 12% | 9% | 12% | 13% | 14% | 14% | 15% | 15% | 17% | 17% | 19% | 19% |
| taxes | | (2) | (0) | (1) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (3) | (3) |
| | tax rate | 41% | 9% | 30% | 35% | 32% | 32% | 32% | 32% | 32% | 32% | 32% | 32% |
| Net income | | 2.2 | 2.6 | 3.3 | 3.3 | 3.9 | 3.9 | 4.4 | 4.4 | 5.0 | 5.0 | 6.0 | 6.0 |
| | % on turnover | 7% | 8% | 8% | 8% | 10% | 10% | 10% | 10% | 11% | 11% | 13% | 13% |

Source: Banca Profilo estimates and elaborations

Balance Sheet

2023-2026E:

Deconsolidation of Health Property and Be Health in 2023

Cumulated Capex at €1.5m

Net working capital optimization and return to standard rotation

Regarding the Company Balance Sheet, we confirmed our previous [Please refer to our Initial Coverage on August, 4th 2022] projections (2023E-2026E).

In details, we have included:

- deconsolidation of Health Property and Be Health. Main changes relate to the exit of Real Estate properties for over €14m (including €13m fixed assets and €1.4m of stock) and the booking of the equity participation in Rebirth for some €12m. 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 €2.9m and €6.5m respectively;
- €1.5m cumulated capex for software development in Telemedicine and improving unique claim management system in Health Assistance;
- €5.3m of operating working capital decrease deriving mostly from a return to historical turnover of receivables

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

| Balance Sheet | | | | | | | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2019 | 2020 | 2021 | 2022 | 2023E | 2023E | 2023E | 2024E | 2023E | 2025E | 2023E | 2026E |
| €mln | | | | | old | new | old | new | old | new | old | new |
| tangibles | 20.7 | 17.6 | 14.2 | 17.2 | 5.0 | 5.0 | 6.3 | 6.3 | 7.8 | 7.8 | 9.3 | 9.3 |
| intangibles | 5.7 | 5.5 | 5.5 | 4.6 | 4.0 | 4.0 | 4.4 | 4.4 | 4.8 | 4.8 | 5.1 | 5.1 |
| financials | 3.0 | 4.5 | 6.9 | 6.8 | 15.8 | 15.8 | 15.8 | 15.8 | 15.8 | 15.8 | 15.8 | 15.8 |
| Fixed assets | 29.4 | 27.5 | 26.7 | 28.6 | 24.9 | 24.9 | 26.6 | 26.6 | 28.4 | 28.4 | 30.3 | 30.3 |
| inventories | 3.0 | 2.8 | 1.9 | 1.7 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| trade receivables | 17.3 | 20.1 | 22.7 | 31.7 | 29.6 | 29.6 | 28.5 | 28.5 | 28.9 | 28.9 | 29.5 | 29.5 |
| trade payables | (11.1) | (11.2) | (11.4) | (13.6) | (13.2) | (13.2) | (13.7) | (13.7) | (14.3) | (14.3) | (15.0) | (15.0) |
| Net operating Working Capital | 9.1 | 11.8 | 13.2 | 19.8 | 16.4 | 16.4 | 14.9 | 14.9 | 14.7 | 14.7 | 14.5 | 14.5 |
| <i>% on turnover</i> | <i>29%</i> | <i>37%</i> | <i>33%</i> | <i>50%</i> | <i>41%</i> | <i>41%</i> | <i>35%</i> | <i>35%</i> | <i>33%</i> | <i>33%</i> | <i>30%</i> | <i>30%</i> |
| inventories (% turnover) | 10% | 9% | 5% | 4% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| trade receivables (% turnover) | 55% | 62% | 57% | 81% | 74% | 74% | 68% | 68% | 65% | 65% | 62% | 62% |
| trade payables (% COGS) | 52% | 53% | 42% | 52% | 50% | 50% | 50% | 50% | 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 | 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 | 0.4 | 0.4 | 0.4 | 0.4 |
| <i>tangible</i> | 6.9 | 1.0 | 0.9 | 3.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>intangibles</i> | 0.8 | 0.3 | 0.5 | 0.2 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| <i>% on turnover</i> | <i>25%</i> | <i>4%</i> | <i>4%</i> | <i>10%</i> | <i>1%</i> | <i>1%</i> | <i>1%</i> | <i>1%</i> | <i>1%</i> | <i>1%</i> | <i>1%</i> | <i>1%</i> |
| Provisions | (2.5) | (3.0) | (3.3) | (2.7) | (2.7) | (2.7) | (2.8) | (2.8) | (2.8) | (2.8) | (2.8) | (2.8) |
| Invested Capital | 35.0 | 37.7 | 38.8 | 43.7 | 43.7 | 43.7 | 43.8 | 43.8 | 45.4 | 45.4 | 47.1 | 47.1 |
| shareholders' equity | 18.4 | 18.7 | 18.9 | 18.9 | 18.9 | 18.9 | 18.9 | 18.9 | 18.9 | 18.9 | 18.9 | 18.9 |
| reserves | 5.3 | 6.6 | 8.0 | 9.1 | 12.8 | 12.8 | 16.7 | 16.7 | 21.1 | 21.1 | 26.1 | 26.1 |
| net income | 0.8 | 1.2 | 1.1 | 3.7 | 3.9 | 3.9 | 4.4 | 4.4 | 5.0 | 5.0 | 6.0 | 6.0 |
| minorities | 1.7 | 0.8 | 0.4 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Equity | 26.1 | 27.3 | 28.5 | 32.4 | 36.2 | 36.2 | 40.6 | 40.6 | 45.6 | 45.6 | 51.6 | 51.6 |
| Net debt (cash) | 8.9 | 10.4 | 10.3 | 11.3 | 7.4 | 7.4 | 3.2 | 3.2 | (0.2) | (0.2) | (4.5) | (4.5) |

Source: Banca Profilo estimates and elaborations

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, which occurred in 2022.

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

| Free Cash Flows | | | | | | | | | | | | |
|-------------------------------|--------------|------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2019 | 2020 | 2021 | 2022 | 2023E | 2023E | 2024E | 2024E | 2025E | 2025E | 2026E | 2026E |
| €mln | | | | | old | new | old | new | old | new | old | new |
| EBIT | 0.2 | 3.0 | 5.3 | 5.9 | 6.4 | 6.4 | 7.1 | 7.1 | 8.1 | 8.1 | 9.5 | 9.5 |
| tax (figurative) | (1.0) | (1.7) | (1.9) | (2.0) | (2.0) | (2.0) | (2.3) | (2.3) | (2.6) | (2.6) | (3.1) | (3.1) |
| D&A | 1.4 | 1.6 | 1.4 | 1.5 | 1.2 | 1.2 | 1.3 | 1.3 | 1.5 | 1.5 | 1.5 | 1.5 |
| change in Net Working Capital | (2.6) | (1.4) | (6.6) | 3.4 | 3.4 | 3.4 | 1.5 | 1.5 | 0.2 | 0.2 | 0.2 | 0.2 |
| capex | (7.7) | (1.2) | (1.5) | (4.0) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) |
| Free Cash Flow | (9.8) | 0.3 | (3.3) | 4.8 | 8.5 | 8.5 | 7.2 | 7.2 | 6.8 | 6.8 | 7.7 | 7.7 |

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 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:

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 (unchanged vs our previous projections - *Please refer to our Initial Coverage on August, 4th 2022*).

€30.3mln of cumulated FCFs

To assess the Terminal Value, we factor in:

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

€7.3mln as Terminal Value cash flow

In order to get to the Equity Valuation we would consider the adjusted net debt at the end of June 2023 (€5.6mln) which significantly declined from that at the end of 2022 (€12.4mln).

Table 8: 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 | | 0.92 | 0.84 | 0.77 | 0.70 | |
| NPV Cash flows (€/000) | | 7.8 | 6.1 | 5.2 | 5.4 | |
| Sum of NPVs (€/000) | | | | | | 24.5 |
| Terminal Value (€/000) | | | | | | 100.0 |
| NPV Terminal Value (€/000) | | | | | | 70.1 |
| Enterprise Value (€/000) | | | | | | 94.6 |
| Net debt June (€mln) | | | | | | 5.6 |
| Equity Value (€/000) | | | | | | 89.0 |
| number of shares (mln) | | | | | | 19.0 |
| Per share value (€) | | | | | | 4.7 |

Source: Banca Profilo estimates and elaborations

9.3% WACC

We use a WACC of 9.3% (vs previous 9.4%), derived from:

- 5.1% risk free rate, as implicitly expected by consensus on the 30Y Italian BTP yield curve;
- 5.5% market risk premium;
- 1 beta (vs previous 1.1), coming from the average of chosen listed peers to Health Italia;
- debt to equity target structure with an 80% weight on Equity.

Table 9: WACC calculation

| WACC Calculation | |
|-----------------------|--------------|
| perpetual growth rate | 2.0% |
| WACC | 9.3% |
| risk free rate (30Y) | 5.1% |
| equity risk premium | 5.5% |
| beta | 1.0 |
| KE | 10.5% |
| debt cost | 6.1% |
| tax rate | 30% |
| KD | 4.3% |

Source: Banca Profilo estimates and elaborations

DCF valuation: We run the DCF model and end up with an Enterprise Value of €94.8mIn (vs previous €92.9mIn) and, therefore, an Equity Value of €89.1mIn (vs previous €80.5mIn)

Equity €89.1mIn

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 multiple for 2023E and 2024E.

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

EV/EBITDA 23: 14.5x The selected sample of peers trades at the average of 14.5x the EV/EBITDA 23E and 13.1x the
EV/EBITDA 24: 13x EV/EBITDA 24E. Health Italia currently trades at 5.3x the average EV/EBITDA 2023-2024, more than 60% below the selected peers' average at 13.8x.

Table 10: Market multiples

| Company | EV / EBITDA | |
|---|--------------|--------------|
| | 2023E | 2024E |
| <i>22/09/2023</i> | | |
| Marsh & McLennan Companies, Inc. | 17.0x | 15.7x |
| Aon Plc Class A | 18.0x | 16.8x |
| Willis Towers Watson Public Limited Company | 11.0x | 10.2x |
| Arthur J. Gallagher & Co. | 18.7x | 15.9x |
| Elevance Health, Inc. | 10.5x | 9.7x |
| Humana Inc. | 11.7x | 10.5x |
| Edenred SA | 14.4x | 12.5x |
| Mean | 14.5x | 13.0x |
| Median | 14.4x | 12.5x |
| Health Italia | 5.5x | 5.0x |
| <i>premium (discount) on best peers</i> | <i>-62%</i> | <i>-62%</i> |

Source: Banca Profilo estimates and elaborations on Factset

Market multiples valuation: Equity €102mIn

We use the average EV/EBITDA 2023E-2024E at 13.8x and come out with an Equity Valuation of Health Italia of €111mIn (vs previous €102mIn for lower net debt at the end of June 2023), which strongly support our DCF Equity Valuation.

Table 11: Market multiples valuation

| Valuation on market multiples | | |
|-------------------------------|------------|------------|
| Health Italia on EV/EBITDA | 2023E | 2024E |
| EV/EBITDA | 14.5x | 13.0x |
| EBITDA (€mIn) | 8.1 | 9.0 |
| EV (€mIn) | 117 | 117 |
| net debt 30.06.23 (€mIn) | 5.6 | |
| Equity (€mIn) | 111 | 111 |

Source: Banca Profilo estimates and elaborations on Factset

Valuation: We confirm [*Please refer to our Initial Coverage on August, 4th 2022*] our 12-month target price at €4.5/share as a weighted blend of DCF and market multiples valuation.

12-month TP at €4.5

Recommendation: Given the significant upside on Health Italia price (€1.7 as of September, the 22th), we set our recommendation at BUY.

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

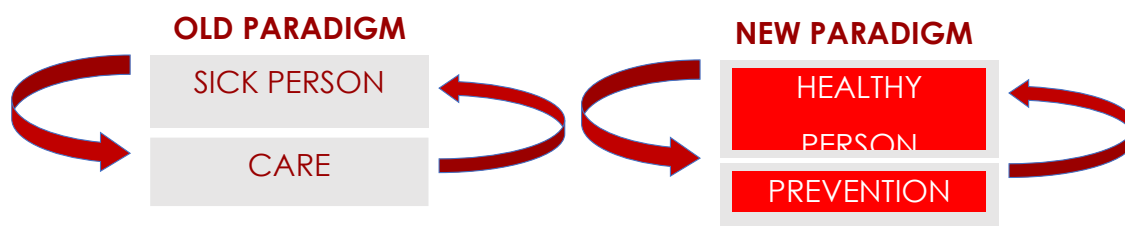
Increasing demand for private integrated Healthcare and Welfare

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 7: Shifting into a new Healthcare paradigm



Source: Company Data

Welfare benefits are totally tax-free and contribution-free

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

Figure 8: Welfare benefits and company tax relief

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

Source: Banca Profilo on Industry data

National Health care Service in Italy

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

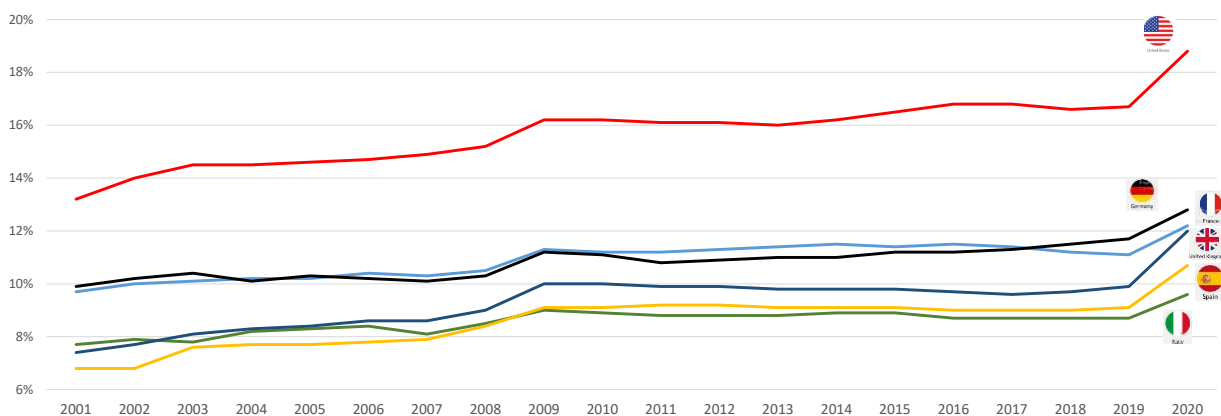
second best worldwide

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

Italy the lowest Healthcare spending; yet the best in terms of equity of access

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

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



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

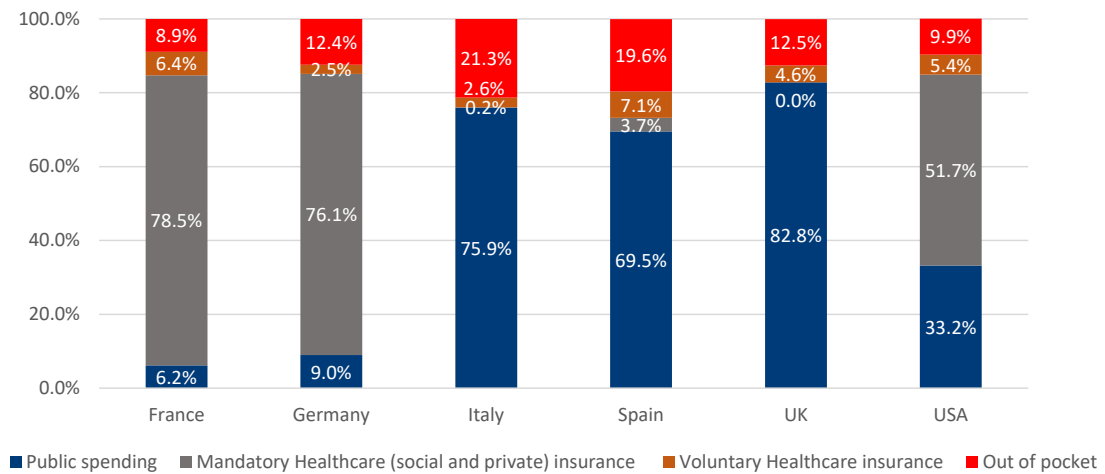
Private Health insurance plays still a small part in the Italian Healthcare system

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

In Italy, out of pocket spending is still more than 20% of pro-capita Healthcare expenditure

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

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

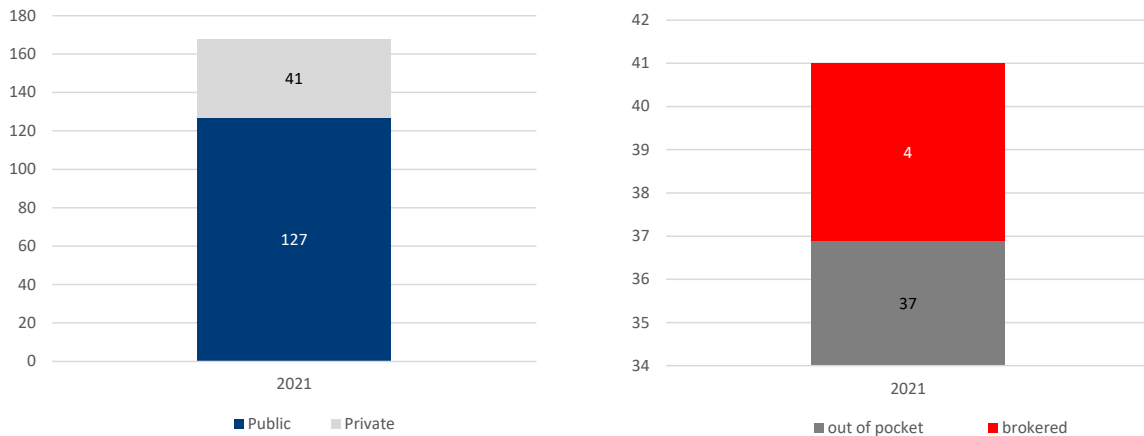


Source: Banca Profilo on OASI Bocconi, OECD Health, 2022

Domestic Private Healthcare addressable market

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

Figure 11: The Italian Healthcare market, 2021



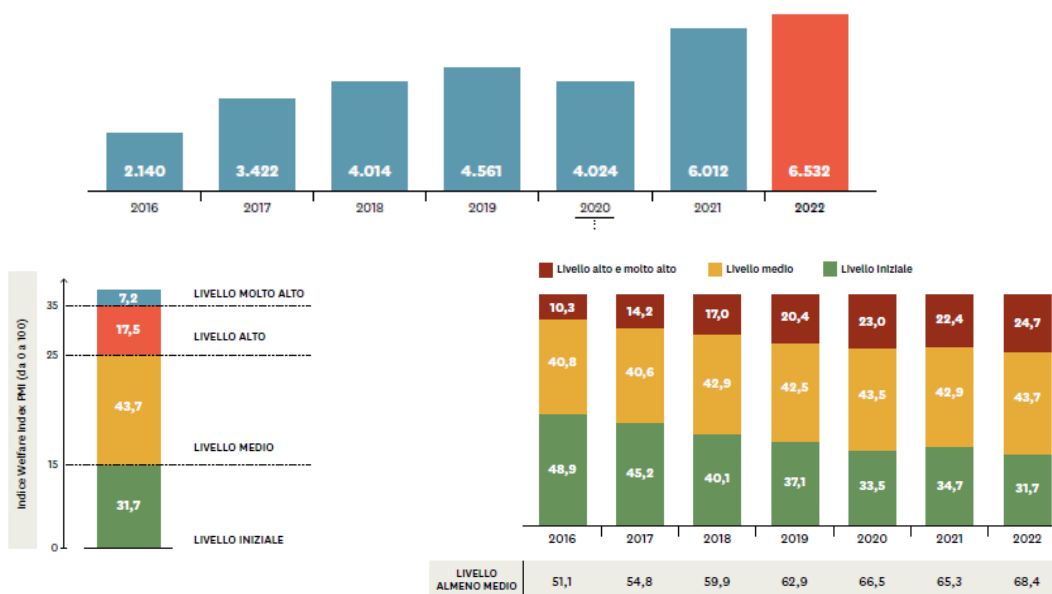
Source: Banca Profilo on OASI Bocconi, OECD Health, 2022

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

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

Corporate Welfare rose from 11% in 2016 to 25% in 2022, whereas those with basic welfare initiatives decreased from 49% to 31% in the same period.

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



Source: Welfare Index PMI, 2022

Health Italia:

Overview and business model

Italian leading operator in Healthcare and Welfare

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

In 2022, the Group reached €42.5mIn revenue with 20% EBITDA margin and €3.7mIn 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.

A mutualistic model of Healthcare and Welfare promotion

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

Core Business lines:

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

Healthcare plans and services

More in detail,

Health Italia promotes and offers:

Medical services including Telemedicine

- Healthcare plans of Mutual benefit companies and Healthcare funds using various distribution channels;
- Corporate Welfare services and flexible benefits plans using a dedicated online platform;

- Training for promoters, internally managed by HealthAcademy which is Health Italia training school for becoming and updating specialized promoters.

Health Assistance manages:

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

Health Point delivers:

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

Figure 13: Health Italia positioning

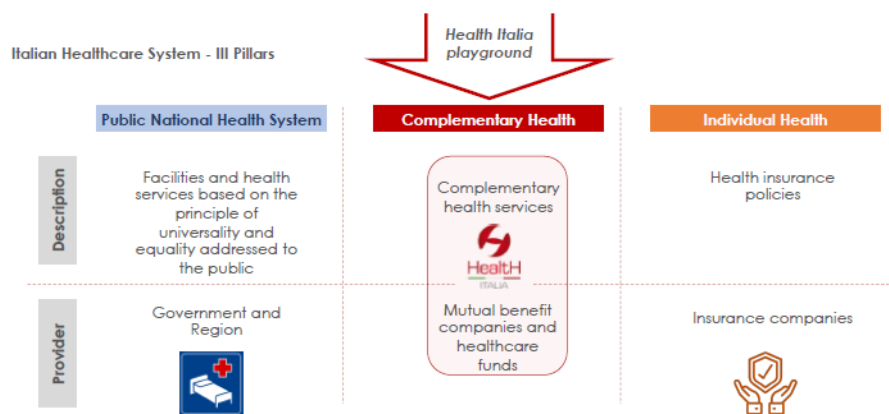
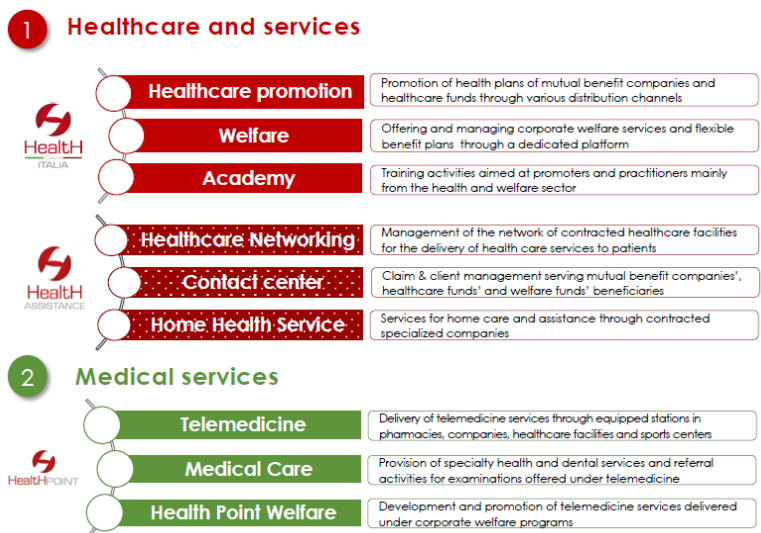


Figure 14: Health Italia business units and Group subsidiaries

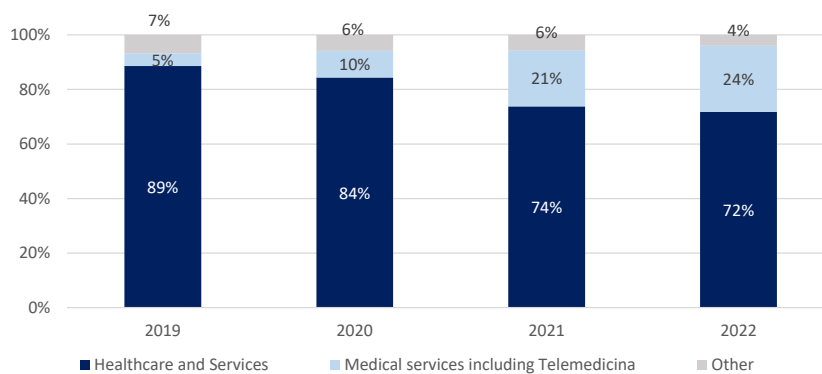


Source: Company Data

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

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

Figure 15: Health Italia revenue breakdown 2019-2022

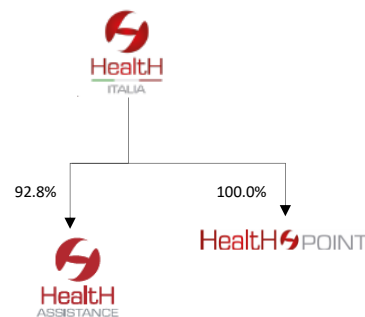


Source: Banca Profilo on Company data

Business re-focusing in progress

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 at consolidating the Company's core activities and streamlining its 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%. A capital increase has been approved in BeHealth and Health Italia will not participate with consequent dilution below 50%.

Figure 16: Health Italia Group expected perimeter at the end of 2023

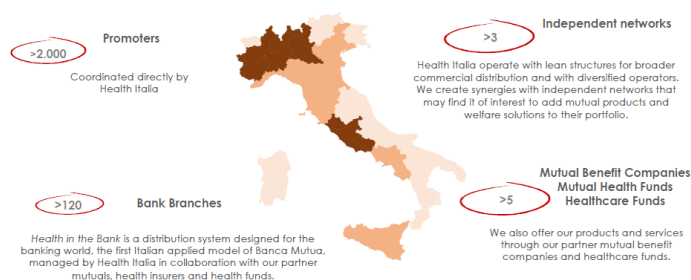


Source: Banca Profilo on Company data

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 17: Health Italia distribution model



Source: Company data

Shareholders, Board of Directors and Organization

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.

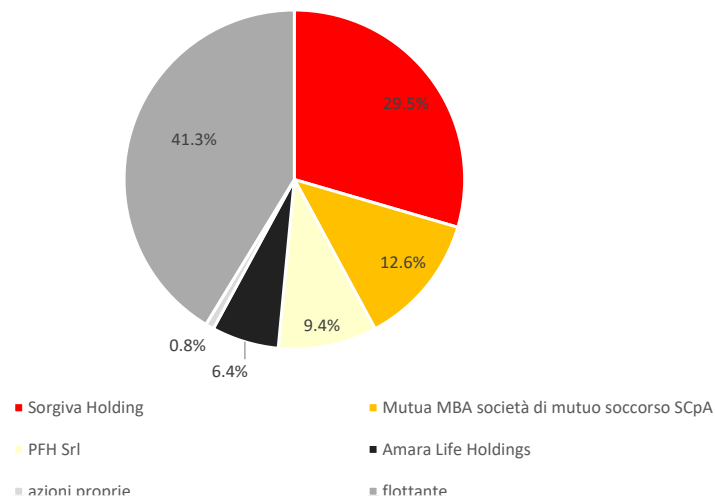
The Company is mainly owned by:

- 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 18: Tucidue towers current status

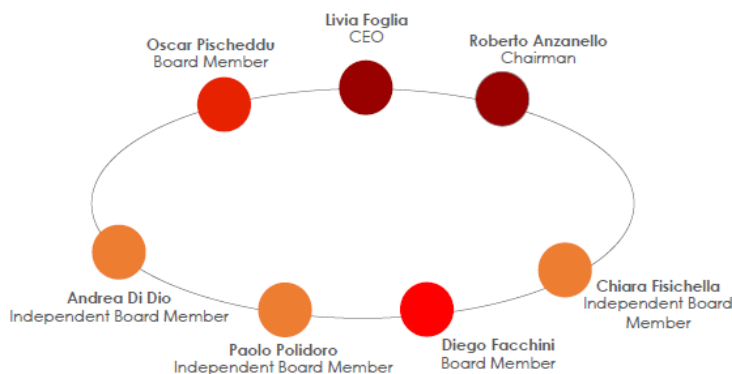


Source: Company Data

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.

Figure 19: Health Italia Board of Directors



Source: Banca Profilo on Company data

ESG analysis

Sustainability report

ESG and the Sustainability of Competitive Advantage

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

Health Italia: third Sustainability Report in 2021

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

ESG and credit ratings

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

Sustainability for Health Italia

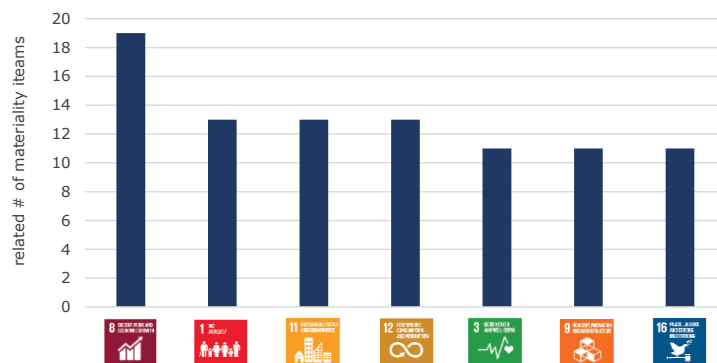
Materiality Assessment

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

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

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

Figure 20: Materiality Assessment



Source: Banca Profilo on Company data

THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK



Health Italia "ID Card"

| Recommendation | Target Price | Upside |
|----------------|--------------|-------------|
| BUY | 4.5 € | 174% |

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

4.5 €

174%



set, 26 2023 - 09:15

Main Financials

| € mln | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total revenue | 32.8 | 40.5 | 39.9 | 40.7 | 42.7 | 45.3 |
| <i>yoy change</i> | <i>3.3%</i> | <i>23.3%</i> | <i>-1.5%</i> | <i>0.5%</i> | <i>5.0%</i> | <i>6.0%</i> |
| EBITDA | 6.3 | 7.8 | 8.0 | 8.1 | 9.0 | 10.1 |
| <i>EBITDA margin (%)</i> | <i>19.0%</i> | <i>19.3%</i> | <i>20.0%</i> | <i>19.8%</i> | <i>21.0%</i> | <i>22.3%</i> |
| EBIT | 3.0 | 5.3 | 5.9 | 6.4 | 7.1 | 8.1 |
| <i>EBIT margin (%)</i> | <i>9.2%</i> | <i>13.0%</i> | <i>14.8%</i> | <i>15.6%</i> | <i>16.7%</i> | <i>17.9%</i> |
| Net income | 1.2 | 1.1 | 3.7 | 3.9 | 4.4 | 5.0 |
| <i>Margin (%)</i> | <i>3.7%</i> | <i>2.8%</i> | <i>9.3%</i> | <i>9.5%</i> | <i>10.2%</i> | <i>11.0%</i> |
| 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 Capital | 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 (€) | 1.7 |
| Number of shares (mln) | 19.0 |
| Market Cap (€ mln) | 31.3 |
| Reference Index | Euronext Growth |
| Main Shareholders | Sorgiva Holding |
| Main Shareholder stake | 29.5% |
| Free Float | 41.3% |
| Daily Average Volumes | 34,334 |
| 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 | 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% | 9% | 12% | 8% |
| Health Italia | 23% | -1% | 2% | 5% |
| EBITDA margin | 23% | 24% | 24% | 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

| | 2023E | 2024E |
|----------------------|-------------|-------------|
| Best peers | | |
| EV / EBITDA | 14.5x | 13.0x |
| Health Italia | 5.5x | 5.0x |

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

Disclaimer

ANALYST'S AND BANK'S INFORMATION

THIS DOCUMENT CONCERNING HEALTH ITALIA, (THE "ISSUER" OR THE "COMPANY") HAS BEEN DRAFTED BY FRANCESCA SABATINI WHO IS EMPLOYED BY BANCA PROFILO S.P.A. ("THE BANK") AS FINANCIAL ANALYST; FRANCESCA SABATINI IS RESPONSIBLE FOR THE DRAFTING OF THE DOCUMENT.

BANCA PROFILO S.P.A. IS A BANK AUTHORISED TO PERFORM BANKING AND INVESTMENT SERVICES; IT IS PART OF BANCA PROFILO BANKING GROUP (THE "GROUP") AND IT IS SUBJECT TO THE MANAGEMENT AND CO-ORDINATION OF AREPO BP S.P.A. (THE "PARENT COMPANY"). SATOR PRIVATE EQUITY FUND "A" LP (THE "PARENT ENTITY") HOLDS INDIRECT CONTROL PARTICIPATION INTERESTS IN BANCA PROFILO.

THE BANK IS REGISTERED WITH THE ITALIAN BANKING ASSOCIATION CODE NO. 3025 AND IS SUBJECT TO THE REGULATION AND SURVEILLANCE OF THE BANK OF ITALY AND OF CONSOB (COMMISSIONE NAZIONALE PER LE SOCIETÀ E LE BORSE). THE BANK HAS PREPARED THIS DOCUMENT FOR ITS PROFESSIONAL CLIENTS ONLY, PURSUANT TO DIRECTIVE 2004/39/EC AND ANNEX 3 OF THE CONSOB REGULATION ON INTERMEDIARIES (RESOLUTION N. 16190). THIS DOCUMENT IS BEING DISTRIBUTED AS OF [September, the 28th, 9:00].

THE ANALYST FRANCESCA SABATINI WHO HAS DRAFTED THIS DOCUMENT HAS SIGNIFICANT EXPERIENCE IN BANCA PROFILO S.P.A. AND OTHER INVESTMENT COMPANIES. THE ANALYST AND ITS RELATIVES DO NOT OWN FINANCIAL INSTRUMENTS ISSUED BY THE ISSUER AND SHE DOES NOT ACT AS SENIOR MANAGER, DIRECTOR OR ADVISOR FOR THE ISSUER. THE ANALYST DOES NOT RECEIVE BONUSES, INCOME OR ANY OTHER REMUNERATION CORRELATING, DIRECTLY OR INDIRECTLY, TO THE SUCCESS OF THE INVESTMENT BANKING OPERATIONS OF BANCA PROFILO S.P.A.

A REDACTED VERSION OF THIS REPORT HAS BEEN DISCLOSED TO THE ISSUER TO PERMIT TO IT TO REVIEW AND COMMENT ON FACTUAL INFORMATION RELATING TO THE ISSUER AND THIS REPORT HAS BEEN AMENDED FOLLOWING SUCH DISCLOSURE PRIOR TO ITS FINAL DISSEMINATION.

THIS DOCUMENT IS BASED UPON INFORMATION THAT WE CONSIDER RELIABLE, BUT THE BANK HAS NOT INDEPENDENTLY VERIFIED THE CONTENTS HEREOF. THE OPINIONS, ESTIMATES AND PROJECTIONS EXPRESSED IN IT ARE AS OF THE DATE HEREOF AND ARE SUBJECT TO CHANGE WITHOUT NOTICE TO THE RECIPIENT. PAST PERFORMANCE IS NOT GUARANTEE OF FUTURE RESULTS.

THIS REPORT HAS BEEN PREPARED BY ITS AUTHORS INDEPENDENTLY OF THE COMPANY AND ITS SHAREHOLDERS, SUBSIDIARIES AND AFFILIATES. THE BANK HAS NO AUTHORITY WHATSOEVER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF THE COMPANY, ANY OTHER PERSON IN CONNECTION THEREWITH. IN PARTICULAR, THE OPINIONS, ESTIMATES AND PROJECTIONS EXPRESSED IN IT ARE ENTIRELY THOSE OF THE AUTHOR HEREOF.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE AS TO AND NO RELIANCE SHOULD BE PLACED ON THE FAIRNESS, ACCURACY, COMPLETENESS OR REASONABLENESS OF THE INFORMATION, OPINIONS AND PROJECTIONS CONTAINED IN THIS DOCUMENT, AND NONE OF THE BANK, THE COMPANY, NOR ANY OTHER PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH.

NO DUPLICATION

NO PART OF THE CONTENT OF THE DOCUMENT MAY BE COPIED, FORWARDED OR DUPLICATED IN ANY FORM OR BY ANY MEANS WITHOUT THE PRIOR CONSENT OF THE BANK. BY ACCEPTING THIS REPORT, YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS.

NO OFFER OR SOLICITATION

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION OR FORM PART OF AN OFFER, SOLICITATION OR INVITATION TO PURCHASE ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

RECIPIENTS

THIS DOCUMENT IS GIVEN TO YOU SOLELY FOR YOUR INFORMATION ON A CONFIDENTIAL BASIS AND MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN OR TRANSMITTED IN OR INTO THE UNITED STATES (THE "U.S."), AUSTRALIA, CANADA OR JAPAN OR REDISTRIBUTED, DIRECTLY OR INDIRECTLY, IN THE U.S., AUSTRALIA, CANADA OR JAPAN. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S., AUSTRALIAN, CANADIAN OR JAPANESE SECURITIES LAWS.

THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, PERSONS WHO ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1) (E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) (ALL SUCH PERSONS BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

IN CASE THAT THIS DOCUMENT IS DISTRIBUTED IN ITALY IT SHALL BE DIRECTED ONLY AT QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 100(1) (A) OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, AS AMENDED, AND ARTICLE 34-TER, PARA. 1, LETT B), OF CONSOB REGULATION NO. 11971 OF 1999, AS AMENDED. THIS DOCUMENT IS NOT ADDRESSED TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY. IN NO CIRCUMSTANCES SHOULD THIS DOCUMENT CIRCULATE AMONG OR BE DISTRIBUTED TO (I) A MEMBER OF THE GENERAL PUBLIC, (II) INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE DEFINITION OF "QUALIFIED INVESTORS" AS SPECIFIED ABOVE OR (III) TO DISTRIBUTION CHANNELS THROUGH WHICH INFORMATION IS OR IS LIKELY TO BECOME AVAILABLE TO A LARGE NUMBER OF PERSONS.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF ANY SUCH OTHER JURISDICTION.

CONFLICTS OF INTEREST

THE BANK MAY, FROM TIME TO TIME, DEAL IN, HOLD OR ACT AS MARKET MAKER OR ADVISER, BROKER OR BANKER IN RELATION TO THE FINANCIAL INSTRUMENTS, OR DERIVATIVES THEREOF, OF PERSONS, FIRMS OR ENTITIES MENTIONED IN THIS DOCUMENT, OR BE REPRESENTED IN THE GOVERNING BODIES OF THE COMPANY. IN FACT, THE BANK ACTED AS GLOBAL COORDINATOR IN THE IPO OF THE ISSUER, THE BANK IS PRESENTLY EGA, CORPORATE BROKER, LIQUIDITY PROVIDER AND SPECIALIST OF THE ISSUER.

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

EQUITY RESEARCH PUBLICATIONS IN LAST 12M

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

ADDITIONAL INFORMATION

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