ESG FOCUS INSIDE

ESN

GPI

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Italy | Healthcare

Investment Research

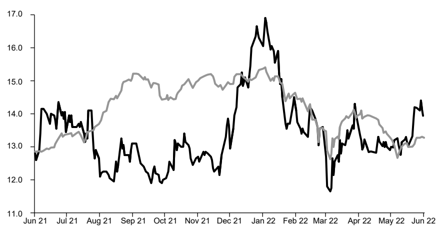
Company Update | **Reason: Company newsflow** | ***6 June 2022***

Buy	
Recommendation unchanged	
Share price: EUR	**13.94**
closing price as of 03/06/2022	
Target price: EUR	**17.50**
Target Price unchanged	
Upside/Downside Potential	**25.5%**
Reuters/Bloomberg	GPI.MI/GPI IM
Market capitalisation (EURm)	**255**
Current N° of shares (m)	18
Free float	**42%**
Daily avg. no. trad. sh. 12 mth (k)	41
Daily avg. trad. vol. 12 mth (k)	52.27
Price high/low 12 months	16.90 / 11.65
Abs Perfs 1/3/12 mths (%)	7.23/9.76/8.48

Key financials (EUR)	12/21	12/22e	12/23e
Sales (m)	327	352	391
EBITDA (m)	50	54	66
EBITDA margin	*15.2%*	*15.3%*	*16.8%*
EBIT (m)	23	32	40
EBIT margin	*7.2%*	*9.0%*	*10.2%*
Net Profit (adj.)(m)	11	16	23
ROCE	7.0%	6.5%	8.4%
Net debt/(cash) (m)	155	237	219
Net Debt Equity	*1.5*	*2.1*	*1.7*
Net Debt/EBITDA	3.1	4.4	3.3
Int. cover(EBITDA/Fin.int)	7.4	6.4	7.9
EV/Sales	1.4	1.4	1.2
EV/EBITDA	9.0	9.0	7.1
EV/EBITDA (adj.)	9.0	9.0	7.1
EV/EBIT	19.1	15.4	11.8
P/E (adj.)	23.5	13.8	9.8
P/BV	2.5	2.0	1.8
OpFCF yield	*-23.5%*	*-27.6%*	*11.2%*
Dividend yield	*3.6%*	*4.1%*	*3.6%*
EPS (adj.)	0.69	1.01	1.42
BVPS	6.60	7.04	7.96
DPS	0.50	0.57	0.51

Shareholders

FM Srl 57%; Treasury shares 0.70%;



Source: FactSet

GPI — FTSE AIM Italia (Rebased)

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Solid market and M&A to support mid-term growth

We are keeping our positive stance on GPI. The purchase of TESI marks a significant, accretive investment in the software SBU, and we understand that the group remains in acquisitive mode. Moreover, we believe the secular growth trends in healthcare remain intact, while the PNRR resources are likely to boost the next few years' investments in the sector.

- ✓ **Strong FY 2021 results**, beating once again our estimates and the company's guidance on revenues (EUR 315m) and EBITDA (EUR 47m). On the other hand, net debt exceeded our forecasts (by EUR 15m) due to higher-than-expected WCR, and the figure is now disclosed in compliance with ESMA definition. These positive results were driven by both organic growth and M&A activity, which explains most of the debt increase. The M&A contribution was 4.4pp vs. 5.9pp in FY 2020, while organic growth was 16.2% (vs. 6.6%).
- ✓ Revenues for the **SW business unit** were up by around 15% Y/Y, mainly thanks to the M&A activity in the blood management segment. The profitability further improved by 1.5pp (to 28.1%) on a full year basis, thanks to the operating leverage and the accretive impact of the newly acquired businesses. The **Care SBU** was up by 25% Y/Y driven by the incremental activities for the pandemics, the extension of previous contracts and new contracts won in the second part of 2020. The divisional EBITDA margin declined by 0.2pp to 6.3%, due to the low operating leverage (labour intensive business) and the lack of a positive contribution from social safety net (CIG) implemented in 2020. **Other activities** (ICT, Pay, Automation) were up by 20% in revenues and by 48% in EBITDA.
- ✓ **Large Public funds in sight**. Within the EUR 750bn Next Generation EU Plan, Italy is due to receive EUR 191.5bn European Recovery and Resilience Facility (RRF) and EUR 13.5bn ReactEU communitarian funds. The Healthcare "Mission" is worth above EUR 20bn, of which around EUR 4bn for digitisation and EUR 1bn specifically committed to tele-medicine.
- ✓ GPI agreed last May the acquisition of **TESI Elettronica e Sistemi Informativi**, a healthcare software company operating in the sector of laboratory analysis, pathological anatomy and clinical imaging. TESI makes most of its revenues (68%) abroad, mainly in Mexico, Brazil, Colombia, Poland and Spain, and reinforces GPI's software division, which accounts for 36% of FY 2021 group turnover. The profitability of the target (>33%) is also accretive to GPI's divisional margin (28.1% FY 2021a). The deal is worth EUR 90m and implies an EV/EBITDA ratio of 9.3x, compared to 8.7x for GPI. We believe that this gap (worth around EUR 12m) can be well justified by potential synergies.
- ✓ **We update our estimates** to include the impact of TESI group and better than expected starting point for FY 2021. We assume TESI will be consolidated for just one quarter in FY 2022. On the underlying estimates, we assume more conservative EBITDA margin for the Care unit albeit on a higher revenue base, a slower growth in SW starting from a higher level in FY 2021 at broadly stable margins, and in the Other Business we increase the expected EBITDA margin by a couple of percentage points.
- ✓ **We confirm our target price of EUR 17.5, based on our DCF model and peers' comparison. We reiterate our Buy recommendation.**

CONTENTS

Growth acceleration and higher debt in 2021

GPI released another strong set of results, beating once again our estimates and the company's guidance on revenues (EUR 315m) and EBITDA (EUR 47m). On the other hand, net debt exceeded our forecasts (by EUR 15m) due to higher-than-expected WCR, and the figure is now disclosed in compliance with ESMA definition, which includes further liabilities such as M&A put/calls and earn-outs. These positive results were driven by both organic growth and M&A activity, which explains most of the debt increase. The M&A contribution was 4.4pp vs. 5.9pp in FY 2020, while organic growth was 16.2% (vs. 6.6%). In particular, the business perimeter effect accounted for 9.6pp of the 14.6% Y/Y increase in the Software Business Unit, while the 25.9% growth in Care was almost totally organic (M&A impact below 1pp). Compared to our estimates, the Care SBU outperformed on revenues (by 6%) albeit with a lower margin (5.3%, down by 30bp Y/Y), while the SW SBU delivered higher EBITDA (28.1% margin vs. 27% expected and +1.5pp Y/Y) on slightly lower than expected revenues. GPI disclosed that in 2021 the group bid for 147 tenders (vs. 200 in 2020), securing 43% (30%) for a total amount of EUR 246m (EUR 80m); we estimate across less than 3 years duration.

GPI: FY 2021 results (EUR m)

	FY 2018	FY 2019	FY 2020a	FY 2021e	FY 2021a	Y/Y
Sales	**201.9**	**237.0**	**268.4**	**314.4**	**323.9**	***20.7%***
Turnover	**203.7**	**240.9**	**271.0**	**317.2**	**326.9**	***20.6%***
ow Care	88.3	120.8	132.5	156.8	166.2	*25.4%*
ow SW	90.7	90.0	102.6	119.5	117.6	*14.6%*
ow other	24.7	30.1	35.9	40.9	43.1	*20.1%*
EBITDA	**26.7**	**32.2**	**40.2**	**47.6**	**49.8**	***23.9%***
margin	*13.1%*	*13.4%*	*14.8%*	*15.0%*	*15.2%*	*+0.4pp*
ow Care	3.70	6.40	7.40	9.10	8.77	*18.9%*
ow SW	22.29	22.10	27.30	32.4	33.0	*20.9%*
EBIT	**13.21**	**15.08**	**18.95**	**26.4**	**23.5**	***24.0%***
Net result	9.23	9.36	11.88	12.8	11.0	*-7.0%*

Source: Company data

The net debt under ESMA definition excludes certain non-current financial activities and includes all the future liabilities (put&call, earn-outs) coming from past and recent M&A, which cumulated to EUR 28.3m at the end of 2020. Since FY 2021, GPI has dropped the disclosure of debt under the original definition. Lease liabilities account for EUR 13.8m. The balance sheet reflects new M&A carried out in the period which boosts the goodwill line by EUR 8m.

GPI: FY 2021 results: balance sheet (EUR m)

	Dec 2018	Dec 2019	June 2020	Dec 2020	June 2021	Dec 2021
Goodwill	24.0	26.5	31.8	42.4	50.3	51.9
Other intangibles	56.0	56.7	67.6	82.5	83.4	83.4
Total fixed assets	**109.9**	**125.3**	**141.0**	**167.1**	175.7	175.2
Inventories	3.9	4.8	6.2	6.1	7.1	7.8
A/R	41.0	43.2	42.8	45.7	54.0	62.4
Other Activities	68.7	88.2	92.0	106.2	116.3	127.9
A/P	(53.6)	(79.0)	(87.2)	(97.2)	(110.0)	(84.0)
Other Liabilities	(32.5)	(20.4)	(23.1)	(18.2)	(12.6)	(19.0)
NWC	**27.6**	**36.8**	**30.8**	**42.6**	54.7	95.0
Shareholders' Equity	67.3	70.4	70.3	81.5	71.8	105.1
Gross Cash	(66.1)	(80.9)	(76.6)	(89.0)	(72.2)	(55.3)
Gross Debt	127.6	163.7	167.5	206.6	220.3	210.7
Net debt position	**61.5**	**82.8**	**90.9**	**117.6**	**148.1**	**155.4**
Net debt ESMA	**na**	**96.8**	**109.1**	**143.3**	**164.6**	**155.4**

Source: Company data

On top of EUR 35m in M&A, GPI invested EUR 20.6m in intangible (including EUR 11m in R&D) and technical assets, while WCR absorbed further EUR 25m. The company cashed-in last July EUR 22.3m from warrant conversion and paid EUR 8m in dividends (EUR 50c DPS).

GPI FY 2021 results: Cash Flow detail (EUR m)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
EBITDA	20.1	25.9	28.6	32.2	40.2	49.8
Less Capex	-7.0	-5.5	-11.5	-13.5	-13.4	(20.6)
Less WCR (incl. Labour related)	-7.0	-28.2	-9.6	-15.7	-25.0	(25.0)
less chg in non-fin. liabilities	-0.1	0.4	3.3	3.1	0.0	(5.4)
Less Taxes paid	-5.8	-3.0	-0.9	-3.8	-1.0	16.1
FCFF	**0.2**	**-10.4**	**9.9**	**2.4**	**0.8**	**14.9**
Less fin charges	-2.5	-0.8	-3.5	-3.2	-4.6	(5.5)
FCFE	**-2.3**	**-11.1**	**6.4**	**-0.8**	**-3.8**	**9.4**
M&A	-18.5	-25.6	-11.4	-2.4	-31.0	(34.5)
Dividend payment	-1.8	-4.6	-4.8	-5.3	0.0	(8.0)
share buyback/capital increase	50.5	-1.4	-0.6	-0.8	0.0	22.3
IFRS16/Others	nm	Nm	nm	-11.9	*nm*	0.0
chg in NFP	**27.9**	**-42.8**	**-10.4**	**-21.2**	**-34.8**	**-10.8**

Source: Banca Akros estimates on company data,

ANALYSIS BY STRATEGIC BUSINESS UNIT

Care SBU: acceleration in 2021, stable margins

GPI is the main Italian operator in the sector, with around 29m reachable citizens at the end of last year. The business is highly predictable (91% recurring revenues in FY 2021, from 81% in the previous year) based on tenders (45% hit ratio in 2020, from 37% in 2020 and 40% in FY 2019) with an average duration of 4/6 years. GPI said that the customer retention rate is 97%.

Care SBU results (EUR m)

	FY 2019	H1 2020	H2 2020	FY 2020	H1 2021	H2 2021	FY 2021
Value of Production	**120.8**	**61.0**	**71.5**	**132.5**	**80.3**	**85.9**	**166.2**
Y/Y	*34.9%*	*5.9%*	*13.1%*	*9.7%*	*31.7%*	*20.0%*	*25.4%*
VDP adjusted	104.2	52.4	61.5	113.9	67.0	71.2	138.2
Labour costs	(76.9)	(38.7)	38.7	(82.7)	(52.0)	(54.7)	(106.8)
Other Opex	(37.5)	(20.7)	(104.4)	(42.4)	(26.3)	(24.4)	(50.7)
EBITDA	**6.40**	**1.65**	**5.75**	**7.40**	**2.02**	**6.76**	**8.77**
margin	*6.1%*	*3.1%*	*9.4%*	*6.5%*	*3.0%*	*9.5%*	*6.3%*
EBIT	0.84	(1.22)	2.85	1.63	(1.03)	2.49	1.46
margin	*0.8%*	*-2.3%*	*4.6%*	*1.4%*	-1.5%	3.5%	1.1%

Source: Company data (*) 2019 figures have been restated to account for the reclassification of Xidera from SW to Care SBU.

The "Care" SBU experienced above 30% revenue growth in FY 2019 thanks to the start-up of two contracts in the Lazio region, which involved counter services in 12 healthcare units/hospitals (EUR 72m in 2+1 years) and the take-over of the regional contact centre (EUR 24m in 1+1y). Therefore, GPI took over 2,250 new personnel in the division. In the year of the pandemic, the company secured important Covid-related contracts in Val d'Aosta, Lazio and Lombardy (including virtual care), supporting a top-line growth close to 10%. H1 2021 revenues experienced a significant acceleration with above 31% organic growth (a modest 0.6pp contributed by the specific revenues of TBS IT), driven again by the incremental activities for the pandemics especially in the regions of Lazio, Veneto and Lombardy and by the extension of previous contracts and new contracts won in the second part of 2020 such as in Basilicata, and in H1 2021 such as Liguria and Tuscany.

The contribution of Virtual Care to divisional revenues was around EUR 2.5m (1.7% of the total) compared to EUR 5.4m in 2020 (4.7%), due to the temporary nature of several services especially in Lombardy and the wait-and-see attitude of several organization pending the launch of regional and national tenders for tele-medicine. Indeed, the temporary consortium led by GPI took ranked first in the award of all four application lots of the tender held by Consip, concerning the Framework Agreement on "Digital Health", including Electronical Medical Record for EUR 486m and Telemedicine for EUR 414m.

The EBITDA increased by just EUR 1.4m despite the EUR 24.3m top-line growth, in presence of a low operating leverage (labour intensive business), a EUR 1.5m increase in the multiservice contract of employees and the lack of a positive contribution from social measures implemented in 2020. As a result, labour cost was 77.2% of adjusted revenues from 72.6%. The EBIT was down Y/Y as a consequence of EUR 1.2m provision booked in FY 2021. GPI management stressed that the division, despite its intrinsic quality of people's business, is not particularly exposed to inflation risks, as the contracts with public administrations are in turn mostly CPI indexed and there is no energy or other commodity significantly involved.

Software SBU: M&A drives further 15% growth in 2021

GPI is now the second largest player in the Italian healthcare software after Dedalus (and the main one with Italian ownership) having surpassed Engineering in FY 2020.

The business involves 49% of recurring fees (42% in 2020) and implied a 50% (30%) hit ratio on the tenders attended in 2021, having an average duration of 1/3 years.

SW SBU results (EUR m)

	FY 2019	H1 2020	H2 2020	FY 2020	H1 2021	H2 2021	FY 2021
Value of Production	90.0	41.5	61.1	102.6	51.9	65.7	117.6
Y/Y	*-0.7%*	*2.1%*	*23.7%*	*14.0%*	*24.9%*	*7.6%*	*14.6%*
Labour costs	(44.3)	(22.4)	(24.1)	(46.4)	(26.7)	(27.6)	(54.3)
Other Opex	(23.7)	(11.9)	(17.0)	(28.9)	(15.6)	(14.8)	(30.3)
EBITDA	**22.10**	**7.29**	**20.04**	**27.33**	**9.66**	**23.36**	**33.01**
margin	*24.5%*	*17.6%*	*32.8%*	*26.6%*	*18.6%*	*35.5%*	*28.1%*
EBIT	11.97	1.38	12.13	13.51	1.97	14.11	16.08
margin	*13.3%*	*3.3%*	*19.9%*	*13.2%*	*3.8%*	*21.5%*	*13.7%*

Source: Company data

FY 2019 was characterized by the acquisition of new contracts with Veneto and Marche regions (which involved 8,000 and 5,000 beds respectively), which were yet to generate their full potential. In H1 2020, we noted a modest Y/Y increase in revenue, following a slight decline in H2 2019. This performance was related to two acquisitions, namely OSLO and Guyot Walser Informatique. The contribution of M&A was clearly visible in the second part of 2020, when GPI started to consolidate Haemonetics (USD 11.3m annual revenues) and OSLO contributed for the full semester (vs. 3 months in H1). As a consequence, the whole 14% revenue growth of 2020 was driven by M&A, against a likely zero-minus organic performance. In FY 2021, the perimeter effect contributed further EUR 10m, with the 12m consolidation of Haemonetics, OSLO and Medinfo from the start of the year. Organic growth was in any case satisfactory at +5%.

The clinical SW segments remains the most important at one third of the divisional revenues (EUR 37.8m) and was up by 14% Y/Y; thanks to M&A the blood management sector grew by 75% Y/Y to EUR 22.5 and became the second largest (19% of the total); HR systems were also up by 75% to EUR 15.5m and directional systems/business intelligence (12m contribution of OSLO) grew by 41% to EUR 10.7m.

The divisional EBITDA reflects the strong seasonality of the business (as customary for any software activity) with much higher margins in the second half of the year; in H2 2020, the contribution of Haemonetics (annual margin above 35%) allowed GPI to post a record profitability in excess of 32%. With the consolidation of Medinfo, another business with above 33% margin, and thanks to the operating leverage, the profitability further increased to 35.5% in H2 2021 and improved by 1.5pp on a full year basis. The EBIT margin was up by 0.5pp reflecting the increased development costs. We also remind that GPI utilized EUR 0.8m CIG against divisional labour costs during 2020.

Other activities still driven by Pay business

The SBU "Other activities" includes professional IT services, automation (automated pharmacy warehouses, hospitals pharmacy systems pharmacy studio and industrial warehouses) and monetics/e-payment systems (for both public administration and retail segments).

These activities kept around 20% growth rate in each of the past three years, with the Pay segment being the main driver in 2020 (+35%) and 2021 (+25%): GPI explained that this activity benefitted from unusual spike in voucher utilization for grocery shopping, accelerated amid the lockdown period, instead of the normal daily consumption in restaurants/bars. The ICT component also experienced a strong year with +26% revenues (EUR 14.9m) in FY 2019 and grew by further 19% last year. Automation was affected by the pandemic in H1 2020 but later recovered with a positive growth in 2020 and +17% last year. In this business, GPI has accumulated inventory in raw material ahead of the inflationary wave, and is still relying on a motor supplier in Ukraine which is still delivering the product. At the EBITDA level, we note the consistent margin improvement across the past three years, which is the result of the better profitability in each subsegment with Pay at 31.9% margin (from 20.8% in 2019).

Other activities SBU results

Other Activities	FY 2019	H1 2020	H2 2020	FY 2020	H1 2021	H2 2021	FY 2021
Value of production	**30.0**	**14.7**	**21.2**	**35.9**	**19.6**	**23.5**	**43.1**
Y/Y	*21.5%*	*20.1%*	*19.4%*	*19.7%*	*33.7%*	*10.6%*	*20.0%*
o/w ICT	11.8	6.5	8.4	14.9	8.8	9.0	17.8
o/w Automation	11.5	4.7	7.3	12.0	5.3	8.7	14.0
o/w Pay	6.7	3.4	5.6	9.0	5.4	5.9	11.3
EBITDA	**3.70**	**1.52**	**3.91**	**5.43**	**2.47**	**5.57**	**8.04**
margin	*12.3%*	*10.3%*	*18.4%*	*15.1%*	*12.6%*	*23.7%*	*18.7%*
ow ICT	0.72	0.2	0.9	1.1	na	na	1.6
ow Automation	1.59	0.4	1.2	1.6	na	na	2.8
ow Pay	1.40	0.9	1.8	2.7	na	na	3.6
EBIT	**2.27**	**0.78**	**3.03**	**3.81**	**1.56**	**4.39**	**5.96**
margin	*7.6%*	*5.3%*	*14.3%*	*10.6%*	*8.0%*	*18.7%*	*13.8%*

Source: Company data

Business Developments

New contracts abroad

On November 9, 2021, GPI announced new contracts abroad worth EUR 3m. Most of the new contracts are in the Blood Management System sector, namely with the Albanian blood transfusion centres, the City of Hope hospital (California) and the Eastern Switzerland Foundation for blood donation. The group has also signed contracts in Belgium, France and Malaysia. The Automation SBU has won contracts to supply three Austrian pharmacies with Riedl Phasys automatic dispensers. These contracts are worth c. EUR 3m overall, we estimate with 2/5-year average durations, compared with c. EUR 31m foreign sales booked in FY 2021 (c. 10% of total sales). The financial impact on group revenues is probably limited, bearing in mind that these contracts are usually multi-annual. However, they are a further step in GPI's internationalisation strategy and support our estimates on the Software and Automation SBAs.

GPI ranks first in important public framework contracts

On November 25, 2021, GPI announced that the temporary consortium of which it was the leading player ranked first in the award of all four application lots of the tender held by Consip, concerning the Framework Agreement on "Digital Health".

The total amount of the applications lots is EUR 900m (initially EUR 600m, then increased by 50%), including EUR 100 million of possible extensions, of which EUR 276m is dedicated to telemedicine software (two lots: Northern Italy and Central-Southern Italy) and EUR 486m is dedicated to electronic medical records and enterprise imaging software (also two lots: Northern and Central-Southern Italy). The Framework Agreement will have a term of 18 months, with a possible extension up to 12 months, subject to the same ceiling price. The single implementation contracts will have a maximum term of 48m from the date of signing.

GPI took the lead among 5 main bidders, ranking first in terms of technical scoring and second in the financial scoring, it competed against players such as Engineering (which ranked second), Dedalus (third), Reply and Exprivia. We understand that all first three operators would still access part of the actual local contracts. Indeed, the framework agreement sets that when the single organizations enter the implementation phase, the consortium led by GPI will be able to benefit from priority awards. GPI has approximately a 37% share of this temporary consortium.

We were aware of this process and GPI was considered a front-runner in virtue of its early achievements in Telemedicine. The news was in any case very positive and only partially discounted, and led to an increase in our estimates. Indeed, considering just the initial notional value of EUR 600m in four years (implementation contracts) and GPI's share of the consortium, we would obtain above EUR 55m annual pro-quota contribution. Given the actual structure of this contract and the freedom granted to local organizations it is fair to attribute 35/40% of the value to the winning consortium, so that the expected annual contribution at full steam (likely in 2023) should be at between EUR 20/25m. This contract will be mainly managed by the SW SBU and we believe it will grant margins in the high-teens/twenties, in line with those of the SW division. With this contract, most of the EUR 23m revenue growth we were originally expecting in 2021/23 seems to be now basically secured, with further upside from other SW ordinary growth and other PNRR benefits. Accordingly, we increased our estimates to include the expected value of the contracts that should materialize in the next three years, with impact on EBITDA from +2% in FY 2022 to + 5% in FY 2024.

M&A update

M&A has consistently been a key pillar of GPI's growth strategy, the company said it has spent nearly EUR 88m in acquisitions in the past five years, of which EUR 34m in FY 2020 alone. In the past 12 months, GPI has intensified its corporate activity, with 7 deals, all in the software segment, including the minority buy-out of two Italian companies acquired in June 2018 (TBS) and at the end of 2017 (BIM Italia). The latter, along with OSLO, acquired in April, operate in the Business Intelligence for healthcare system subsegment. GPI also bought-out the minorities of Hemasoft (Spain), a company of which it acquired 60% back in November 2017. The other 3 acquisitions (Guyot Walser Informatique – France, Haemonetics - USA, and Medinfo Group – France and Chile) involve foreign companies operating in the blood management area, in France and the US.

Large deal in international Healthcare software: TESI Group

GPI announced in early January the acquisition of TESI Elettronica e Sistemi Informativi SpA, a healthcare software company, in a EUR 90m deal. The signing took place on May 24, while the closing is expected by September 30, 2022.

The target. TESI group is a healthcare software company operating in the sector of laboratory analysis, pathological anatomy and clinical imaging. According to the press release, TESI which operates in Italy as well as Mexico, Brazil and Colombia, in Poland and Spain, (2/3 of revenues are international), generated in FY 2020 EUR 24.9m revenues and EUR 9.1m EBITDA. The pre-closing estimates of FY 2021 are EUR 29m and EUR 9.7m respectively.

Rationale. An industrial deal which reinforces GPI's software division, currently accounting for 36% (EUR 128m) of FY 2021 group turnover. The profitability of the target (>33%) is also accretive to GPI's divisional margin (28.1% FY 2021a).

Deal value. GPI said that the Expected Enterprise Value for 100% of TESI (equal to the equity value assuming neutral cash position at closing) is EUR 90m. The implied EV/EBITDA ratio of the deal is 9.3x, compared to 8.7x for GPI. We believe that this gap (worth around EUR 12m) can be well justified by potential synergies.

Deal structure. Compared to the initial press release, some conditions have changed. GPI is buying TESI in two tranches of 65% and 35% (vs. original 75/25) and the transaction will be totally cash (whereas GPI originally retained the right to pay part in stock). GPI is acquiring 65% of TESI Group for EUR 58.5m cash including a EUR 8m down-payment at the signing, EUR 28.3m at the closing date by September 30, 2022, the remainder (EUR 22.2m) by January 23. The remaining 35% is subject to put&call options between the parties, to be exercised following the approval of FY 2024 results. GPI said the amount for the residual 35% could vary between EUR 0 and EUR 63m, so that the total valuation of the company would vary between EUR 58.5m and (undiscounted) EUR 121.5m, hence the expected undiscounted value is EUR 90m. We note that the original EUR 90m would have been subject to a potential 10% reduction depending on economic performances, while there was no potential upside.

Financing. Even before the sustainability-linked refinancing (see the paragraph below), GPI had around EUR 55m gross cash against EUR 211m gross debt including lease liabilities and earn-out. The net debt/EBITDA ratio was around 3.1x in FY 2021 vs. the bond covenants set at 3.5x but we understand that these are based on the original debt definition, which would likely produce a 2.5/2.7x ratio. Similarly, under this definition the staggered acquisition of TESI should allow to remain within the threshold or leave some buffer.

The company remains in acquisitive mode as explicitly stated by the management in recent meetings with investors and clearly mentioned in the corporate presentation. The strategy is to secure further contracts/regions in Italy and to continue with international software M&A, especially in the blood management segment. GPI looks for companies involved in pure Software business (no hardware or devices) and characterized by a profitability above that of the group (i.e. >25% EBITDA margin). GPI management said they are looking at a handful of potential targets in the international software arena and in Italy. In the blood SW segment, the size of stand-alone companies is usually below EUR 5m as they generally cover a single or few countries; on the other hand, there are interesting opportunities among the dedicated branch of US multi-national companies, which could be willing to sell these activities if non-core.

New EUR 190m sustainability-linked loan

GPI announced on May 6, 2022 that it had refinanced its debt through a EUR 190m sustainability-linked loan.

The sustainability-linked loan consists of two facilities: 1) a EUR 130m credit line to refinance the group's medium/long-term debt; 2) a EUR 60m credit line to support the investment and M&A strategy.

We note that at the end of December 2021, GPI reported a net financial debt of EUR 155m, including gross cash of EUR 55m and non-current gross financial debt of EUR 135m. The acquisition of Tesi group (EUR 90m of which part could be paid in stocks), which is still to be finalized, should utilize most of the second credit line in our view.

The duration of both lines is 6 years, with a pre-amortisation period of 12 months. The reimbursement will follow a mixed bullet-and-amortising scheme, while the interest rate "is in line with the current market conditions for this type of loan", the group stated.

The loan includes both financial and non-financial covenants. None of them was disclosed, though the press release hinted at "the group's attention to social topics", particularly UN SDG No. 8 (training and education) and No.5 (gender equality and female employment).

The borrowers were UniCredit (which also acted as global coordinator, sustainability coordinator and mandated lead arranger) and Cassa Depositi e Prestiti.

Funds looking at a potential sale of Dedalus (supporting valuation benchmark for GPI in the healthcare SW segment)

According to Il Sole 24 Ore on March 25, 2022, Ardian has appointed two advisors to assist in the potential disposal of Dedalus, for a potential value of the company up to EUR 3bn.

Dedalus is the main domestic competitor for GPI in the Italian and international healthcare software business. The company is controlled by Ardian since 2016 and received in the meantime EUR 800m equity injection and EUR 1.2bn bank loans. With 17 M&A deals in the past six years, it has increased its revenues from EUR 65m in 2015 to around EUR 750m in 2021, with an EBITDA of EUR 210m. Ardian, which has a stake in the region of 75%, is currently considering an exit which could involve private equity funds (Il Sole 24 Ore mentions Blackstone, KKR, Carlyle and Bain Capital) or industrial operators. According to the article, the business could be valued some EUR 3bn, which implies 4x and >14x EV/sales and EV/EBITDA respectively. We compare these ratios with GPI (which we assume would not be interested in the deal), which trades at 1.3x and 8.5x (on FY 2021) respectively; we note that even adopting this parameter for the Software segment alone, the resulting equity value for this Strategic Business Unit would exceed the current GPI's market cap by above EUR 50m (with the "Care" SBU for free).

ESG Focus

We argue that the social aspects and sustainability topics are rooted in the DNA of the business model of GPI, which is a company dedicated to improving the effectiveness, efficiency, safety and sustainability of the national healthcare system via digital transformation. This key role in supporting the health systems emerges strengthened from the pandemic year: at a time of extraordinary emergency, the company has demonstrated the capacity to react quickly, working alongside health facilities to ensure the continuity of essential services for citizens.

GPI has adopted a new corporate governance code, which aims at integrating sustainability-related topics into the company's strategy. In particular, the control and risk committee within the BoD will also monitor the sustainability strategies. Moreover, since the year 2020 the Group started or continued activities to enhance the stakeholders' engagement.

Environmental

While the partial return of work in presence has led to an increase in most of the indicators of environment impact (energy consumption +27% in absolute value), the energy intensity (ratio between energy consumption and working hours) was only modestly up (+3.7%) Y/Y down to down to 4.19 GJ per thousand hours, still 22% lower than in 2019 (5.5).

CO2 emissions are mainly due to the group's car fleet, which includes 424 vehicles (mostly equipped with combustion engines). GPI is gradually eliminating the most polluting cars from its fleet (up to the Euro-5 class) as well as the directly-owned vehicles, as it intends to lease vehicles on a 4-year basis, thus keeping up with the most advanced technologies.

Social

GPI employs more than 7.2K people, almost entirely in Italy (7.0K). The Care/BPO (Business Process Outsourcing) SBU accounts for 74% of the total headcount and employs 88% of the group's women workers. 90% of Care workers have a part-time contract. 100% of the workforce is covered by collective labour agreements, particularly the "integrated multi-service" contract for the Care workers, and the "steelworker" contract for the ITC employees.

The personnel turnover was around 52% in 2021 (38% in 2020), which is a structurally high level that do not impact the quality of services and is linked to the group's need for flexibility.

In 2021, though accidents were slightly up (53 vs. 48 in 2020), they were still sharply down compared with the last pre-pandemic year (85 in 2019), with no one resulting in fatal injuries. More than a half (30) was related to commuting accidents; in this respect, the implementation of work from home, which involved up to 20% of the workers in the Care area and 66% in ICT, may have positively impacted. As a result, the accident rate dropped to 6.5 in 2021 (vs. 7.4 in 2020 and 13.5 in 2019).

As regards the gender pay gap, GPI has conducted an enquiry on the whole workforce and turned out that:

- ✓ Among executives, women are 3 out of 36, and their average salary is 81% (79% in 2020) of those of male managers.
- ✓ Among middle managers (in which women account for around 22%), the female workers under the multi-service contract get a salary that is 6% higher than male colleagues, whereas the ICT female workers' wage is 3% lower (both stable vs. 2020).
- ✓ Among office workers (68% of which are women), the female workers' wage is around 1 to 11% lower than male workers.

It is worth noting that the Covid-related furlough schemes impacted negatively on the pay gap in 2020, as subsidies were mainly concentrated in the BPO area, which is mostly operated by female workers (78% of the SBA Care's workers). The gender pay gap improved slightly as lower utilisation of furlough schemes in 2021 normalised wages.

In 2020, the employees were provided more than 48K training hours, (up vs. 40K in 2020) primarily regarding professional training (+75% Y/Y at 30K hours, or 61% of the total), whereas compulsory courses (including safety, data protection and 231 management model) accounted for the remaining 39% (47% in 2020, due to the lower professional training provided).

Leadership

After the 2020 emergency operating context, GPI started refocusing on management training in 2021. A 2-year training initiative began in 2021 involving managers, middle managers and team leaders. Moreover, the higher education project Re-shaping Economic Systems, which suspended in 2020, resumed in mid-February 2021.

Re-shaping Economic Systems: a glimpse into the future for GPI employees

The transition to a sustainable organizational model passes also and above all through the culture and awareness of people. For this reason, GPI, in collaboration with the University of Trento, has designed and created a series of seminars for its employees and delivered by university professors. The course, launched in early 2021, after being stopped in 2020 due to Covid-19, will see the participation of 30 employees on several key current topics, from sustainable finance to climate change, passing through impact assessment and social innovation.

Since 2012, GPI has been certified according to the “Family Audit” standard, a certification by Trento province which aims at improving the work life balance. Finally, we note that GPI is traditionally engaged in social activities in the Trentino region. In 2021, it pumped EUR 177K 183K (slightly decreasing vs. 2020) into social welfare and sports projects and organisations.

Governance

The BoD has 10 members, including 4 independent directors. In 2021, the average age was 49. There were 8 meetings with average attendance standing at 94%.

The current remuneration policy was implemented in 2019 and is aimed at aligning the managers’ behaviour to GPI’s ethics code, as well as attracting and retaining skilled professionals. Although variable incentives are not linked to any non-financial targets, the company is considering implementing specific activities and managing bodies to include ESG-oriented policies and targets.

The company has adopted a management model in compliance with legislative decree 231/2001, given its strong relationships with the public administration and the recurring participation in public tenders. GPI’s subsidiaries Contact Care Solutions (formerly Lombarda Contact), Cento Orizzonti (SBA Care), GBim (SBA Software) and Argentea (SBA Payments) have implemented their own “231 model” based on their specific activity.

ESG Scorecards

GPI	NO	WIP	OK	Comments/Descriptions
ESG projects/activities/certifications				Certification of the Environment Management System in compliance with ISO 14001:2015 Certification of the Wealth and Safety Management System in compliance with ISO 45001:2018
Materiality Matrix (GRI or Others)				As of 2020
Sustainability Report (CSR)				As of 2020
Sustainability Plan / Defined ESG Goals				No ESG plan provided
ESG Ratings				No rating

Source: Banca Akros

ESG Positioning

GPI	Below	In line	Above	Comments/Descriptions
Environment				
GHG emission cut (CO_2 reduction)				0.31 tCO2/thousand of working hours (+7% vs. 2020)
Water consumption				13,600 cm (+63% vs. 2020, due to sanitization and larger scope of consolidation)
Electricity & Power consumption				Energy intensity 4.19 GJ/thousands of working hours (+3.7% vs. 2020) 32% of electricity from renewable sources
Waste reduction				100% recycled waste
Social				
Social engagement				Certification in compliance with Family Audit standards (work-life balance) by Trento province EUR 242k (+32% vs. 2020) invested in social welfare, sports project and organisations
Accident index				6.5 accidents per thousand working hours (-12% vs. 2020)
Gender Equality				2 female directors out of 10 members 3 female managers out of 36 (8%), pay gap 19% 22% female middle-managers, pay gap ~0 68% of offices' workforce, pay gap 1/11%
Training / Employees satisfaction				+20% vs. 2020; average training time per employee 6.7hrs (-4% vs. 2020)
Governance				
BoD composition				4 independent directors out of 10 members
Top management ESG Involvement.				to be discussed and implemented

Source: Banca Akros

Estimates update

The management presented in mid-April 2020 an **updated industrial plan**, which included growth in revenues in FY 2020 assuming the pandemic would end soon, and introduced new goals for FY 2024, namely a) revenues ≥EUR 295m, implying 4% 4Y CAGR, EBITDA margin above 15% (from 13.5% reported in FY 2019) and NFP below 1x the EBITDA (vs. 2.6 at the end of last year). The targets were based on the perimeter at the time, whereas GPI had soon after announced two new deals worth almost EUR 15m incremental annual revenues.

Considering the starting point, and the wider business perimeter**, GPI updated in March 2021 its mid-term targets**, still excluding most of the benefits that would come from the public plans (PNRR). Therefore, GPI now sees FY 2024 revenues ≥EUR 330m, EBITDA margin exceeding 16.5% and leverage still below 1x debt/EBITDA.

We update our estimates to include the impact of TESI group and better than expected starting point for FY 2021. We assume TESI will be consolidated for just one quarter in FY 2022, providing incremental EUR 7.5m revenues and EUR 2.5m EBITDA. For FY 2023, the contribution is around 7pp top-line growth, along with 1.5pp incremental EBITDA margin. On the underlying estimates, we assume more conservative EBITDA margin for the Care unit (below 6%) albeit on a higher revenue base, in SW a slower growth starting from a higher level in FY 2021 at broadly stable margins, and in the Other Business we increase the expected EBITDA margin by a couple of percentage points.

The net debt figure reflects the whole EUR 90m acquisition price according to the ESMA recommendation. The reported ND/EBITDA 2022 is misleading as it does not reflect the full P&L contribution of TESI. By the end of 2023, the ratio should decline to around 3.2x.

GPI: new estimates (EUR m)

	FY 2020a	FY 2021a	FY 2022e	FY 2023e	FY 2024e	FY 2025e	CAGR 20/25
Sales	268.4	323.9	348.9	388.1	405.4	418.2	*6.6%*
Turnover	271.0	326.9	351.9	391.5	408.9	421.8	*6.6%*
ow Care	132.5	166.2	172.2	177.5	182.8	186.5	*2.9%*
ow SW	102.6	117.6	133.3	164.2	172.1	177.2	*10.8%*
ow other	35.9	43.1	46.5	49.8	54.0	58.2	*7.8%*
EBITDA	**40.2**	**49.8**	**54.0**	**65.8**	**69.9**	**72.6**	***9.9%***
Margin	*14.8%*	*15.2%*	*15.3%*	*16.8%*	*17.1%*	*17.2%*	*nm*
EBIT	18.9	23.5	31.8	39.8	44.0	46.8	*18.8%*
Margin	*7.0%*	*7.2%*	*9.0%*	*10.2%*	*10.8%*	*11.1%*	*nm*
Net result	11.9	11.0	16.1	22.6	25.8	28.0	*26.1%*
Debt (cash)	**117.6**	**155.4**	**236.9**	**219.0**	**193.1**	**178.4**	***3.5%***

Source: Company data, Banca Akros estimates

Valuation Update

Our DCF model, based on unchanged parameters of 7.35% WACC and 1% terminal growth rate, points to a fair value of EUR 14.7 (from EUR 15.5m in November 2021).

On the other hand, on peers' comparison basis the fair value increases from EUR16.6 in our last run (October 2021) to EUR 20.3. Using an average of absolute and relative valuation, we confirm our Target price of EUR 17.5 and we reiterate our positive recommendation.

GPI: valuation sum-up

EUR	Outstanding n. shares
DCF model	**14.7**
Market multiples (average)	**20.3**
o/w Health IT companies	21.8
o/w ESN Software & Computer Services	18.5
o/w Customer Relationship management services	20.5
Average DCF and Mkt multiples	**17.5**
GPI market price	13.9
Potential upside	*25.5%*

Source: Banca Akros estimates

GPI Fair Value: Sensitivity to WACC/g

WACC / g	*-0.5%*	*0.0%*	*0.5%*	*1.0%*	*1.5%*	*2.0%*	*2.5%*
5.85%	15.3	17.7	20.0	**22.4**	24.8	27.1	29.5
6.35%	13.2	15.3	17.3	**19.4**	21.4	23.5	25.5
6.85%	11.4	13.2	15.0	**16.8**	18.6	20.4	22.2
7.35%	**10.0**	**11.5**	**13.1**	**14.7**	**16.3**	**17.8**	**19.4**
7.85%	8.7	10.1	11.5	**12.9**	14.3	15.7	17.1
8.35%	7.5	8.8	10.0	**11.3**	12.5	13.8	15.0
8.85%	6.5	7.7	8.8	**9.9**	11.0	12.1	13.3

Source: Banca Akros estimates

GPI Fair Value: Sensitivity to WACC/terminal EBITDA margin

WACC/Term. EBITDA	*12.0%*	*13.0%*	*14.0%*	*15.0%*	*16.0%*	*17.0%*	*18.0%*
5.85%	16.9	18.4	20.2	**22.4**	25.1	28.5	32.9
6.35%	14.9	16.1	17.6	**19.4**	21.5	24.1	27.4
6.85%	13.1	14.2	15.4	**16.8**	18.5	20.6	23.1
7.35%	**11.6**	**12.5**	**13.5**	**14.7**	**16.1**	**17.7**	**19.7**
7.85%	10.3	11.0	11.9	**12.9**	14.0	15.3	16.9
8.35%	9.1	9.7	10.4	**11.3**	12.2	13.3	14.6
8.85%	8.0	8.6	9.2	**9.9**	10.7	11.6	12.7

Source: Banca Akros estimates

Peer comparison

GPI has quite a peculiar business mix compared with other similar listed companies. As such, we have performed our relative valuation analysis dividing our selection of peer companies into three clusters: 1) **IT Solutions and services for Health**, 2) **Software and Computer services** (companies covered by the ESN partnership), 3) **Customer Relationship Management Services.** We note that, compared with our latest update (October 2021), the Health IT cluster's multiples have derated substantially, though unevenly across the different metrics (c. 20% on EV/EBITDA, 16% on EV/EBIT, 9% on PE). We note that the expected revenue growth in FY 2022 has increased from c. +6% Y/Y in October 2021 to +14% with broadly stable EBITDA and net profit margins.

We note an higher decline in the CRM group's trading multiples (-17% on EV/Sales, -20% on EV/EBITDA and -28% on PE), while revenues estimates have been raised (c +10% Y/Y vs. the previous c. +6%), with stable EBITDA and net profit margins.

Finally, the ESN cluster's multiples have moved slightly, with a 7% decline in EV/EBITDA, a 1% increase in EV/EBIT and a 9% decline in P/E.

Health IT companies: Key multiples

	EV/Sales 2022e	EV/Sales 2023e	EV/EBITDA 2022e	EV/EBITDA 2023e	EV/EBIT 2022e	EV/EBIT 2023e	P/E 2022e	P/E 2023e
Computer Programs & Systems	2.0	1.8	10.1	9.0	10.1	14.7	11.2	10.1
Allscripts Healthcare Solutions	3.7	3.5	13.3	12.1	12.2	10.1	21.5	19.9
Cerner	4.8	4.6	14.2	13.2	16.9	19.9	25.9	23.8
Craneware	4.1	3.8	13.9	12.8	22.3	15.3	20.9	19.4
Emis Group	4.3	4.1	15.1	14.3	17.3	15.9	22.1	21.8
Nexus	3.9	3.5	17.5	15.3	27.1	21.8	35.1	28.9
Compugroup Medical	3.1	2.9	13.9	12.2	23.0	18.2	27.0	22.8
Cegedim	1.1	1.0	5.5	5.1	14.7	12.3	14.6	12.5
Pharmagest Interactive	6.0	5.5	18.1	16.4	21.6	19.2	28.1	25.1
HMS Holdings	na	na	na	na	na	na	na	na
Median	**3.9**	**3.5**	**13.9**	**12.8**	**17.3**	**15.9**	**22.1**	**21.8**

Source: Bloomberg consensus data

ESN Software & computer services: Key multiples

	EV/Sales 2022e	EV/Sales 2023e	EV/EBITDA 2022e	EV/EBITDA 2023e	EV/EBIT 2022e	EV/EBIT 2023e	P/E 2022e	P/E 2023e
Median (21 companies)	**1.7**	**1.5**	**11.7**	**9.4**	**17.6**	**14.2**	**20.9**	**19.9**

Source: Banca Akros, ESN estimates

Customer relationship management services companies: Key multiples

	EV/Sales 2022e	EV/Sales 2023e	EV/EBITDA 2022e	EV/EBITDA 2023e	EV/EBIT 2022e	EV/EBIT 2023e	P/E 2022e	P/E 2023e
Teleperformance	2.6	2.4	12.3	11.3	17.3	15.2	21.9	19.6
Serco Group	0.6	0.6	8.8	8.4	12.7	11.6	15.3	14.2
TTEC Holdings	1.5	1.4	10.2	9.2	na	na	14.0	12.6
WNS Holdings	3.3	2.9	12.6	11.9	15.1	14.5	21.6	19.8
Atento	0.5	0.5	3.9	3.7	na	na	na	7.3
Median	**1.5**	**1.4**	**10.2**	**9.2**	**15.1**	**14.5**	**18.4**	**14.2**

Source: Bloomberg consensus data

Upcoming Corporate Events Calendar

Date	Event Type	Description	Period
28/07/21	Dividend Payment	Full Year 2020 Dividend Payment Date - Proposed EUR 0.50	2020
26/07/21	Ex Dividend Date	Full Year 2020 Ex-Dividend Date - Proposed EUR 0.50	2020

Source: Precise

Upcoming Corporate Events Calendar

Date	Event Type	Description	Period
14/07/22	Results	Interim 2022 Preliminary Results	2022H1

Source: Precise

GPI: Summary tables

PROFIT & LOSS (EURm)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Sales	**241**	**271**	**327**	**352**	**391**	**409**
Cost of Sales & Operating Costs	-208.7	-230.8	-277.1	-298.0	-325.7	-338.9
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**32.2**	**40.2**	**49.8**	**54.0**	**65.8**	**69.9**
EBITDA (adj.)*	**32.2**	**40.2**	**49.8**	**54.0**	**65.8**	**69.9**
Depreciation	-16.1	-21.3	-26.3	-22.2	-26.0	-25.9
EBITA	**16.1**	**18.9**	**23.5**	**31.8**	**39.8**	**44.0**
EBITA (adj)*	**16.1**	**18.9**	**23.5**	**31.8**	**39.8**	**44.0**
Amortisations and Write Downs	-1.0	0.0	0.0	0.0	0.0	0.0
EBIT	**15.1**	**18.9**	**23.5**	**31.8**	**39.8**	**44.0**
EBIT (adj.)*	**15.1**	**18.9**	**23.5**	**31.8**	**39.8**	**44.0**
Net Financial Interest	-2.3	-5.7	-6.8	-8.5	-8.3	-8.1
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	-0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	**12.8**	**13.2**	**16.7**	**23.3**	**31.5**	**35.9**
Tax	-3.0	-1.0	-5.4	-6.7	-8.5	-9.7
Tax rate	*23.7%*	*n.m.*	*n.m.*	*29.0%*	*27.0%*	*27.0%*
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.4	-0.4	-0.2	-0.4	-0.4	-0.4
Net Profit (reported)	**9.4**	**11.9**	**11.0**	**16.1**	**22.6**	**25.8**
Net Profit (adj.)	**9.4**	**11.9**	**11.0**	**16.1**	**22.6**	**25.8**

CASH FLOW (EURm)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Cash Flow from Operations before change in NWC	26.9	33.5	37.6	38.7	49.0	52.1
Change in Net Working Capital	-9.3	-5.8	-52.5	0.4	-2.8	3.8
Cash Flow from Operations	**17.7**	**27.8**	**-14.9**	**39.2**	**46.2**	**56.0**
Capex	-15.9	-44.4	-55.1	-109.4	-17.6	-16.4
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	**1.8**	**-16.6**	**-70.0**	**-70.2**	**28.5**	**39.6**
Dividends	-5.3	0.0	-8.0	-9.1	-8.1	-11.3
Other (incl. Capital Increase & share buy backs)	13.6	14.2	-6.5	0.0	0.0	0.0
Change in Net Financial Debt	**10.1**	**-2.4**	**-84.4**	**-79.3**	**20.5**	**28.3**
NOPLAT	11.5	14.5	17.9	22.6	29.0	32.2

BALANCE SHEET & OTHER ITEMS (EURm)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Net Tangible Assets	27.8	27.4	27.4	117	111	104
Net Intangible Assets (incl.Goodwill)	83.2	125	135	135	135	135
Right-of-Use Assets (Lease Assets)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	14.4	14.8	12.4	12.4	12.4	12.4
Total Fixed Assets	**125**	**167**	**175**	**265**	**259**	**252**
Inventories	4.8	6.1	7.8	7.7	8.6	9.0
Trade receivables	43.2	45.7	62.4	67.2	74.8	78.1
Other current assets	88.2	106.2	127.9	130.6	137.5	135.4
Cash (-)	-80.9	-89.0	-55.3	-38.3	-40.5	-44.0
Total Current Assets	**217**	**247**	**253**	**244**	**261**	**266**
Total Assets	**342.4**	**414.1**	**428.5**	**508.4**	**520.0**	**518.1**
Shareholders Equity	70.4	81.5	105	112	127	141
Minority	1.7	1.8	1.2	1.4	1.6	1.8
Total Equity	**72.1**	**83.3**	**106**	**113**	**128**	**143**
Long term interest bearing debt	109	154	136	177	167	153
Provisions	6.8	7.7	7.4	7.4	7.5	7.6
Lease Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.5	1.1	1.2	1.3	1.4	1.5
Total Long Term Liabilities	**117**	**163**	**144**	**186**	**176**	**162**
Short term interest bearing debt	54.2	52.4	75.0	98.0	92.3	84.4
Trade payables	79.0	97.2	84.0	90.5	101	105
Other current liabilities	20.4	18.2	19.0	20.5	22.8	23.8
Total Current Liabilities	**154**	**168**	**178**	**209**	**216**	**213**
Total Liabilities and Shareholders' Equity	**342.4**	**414.1**	**428.5**	**508.4**	**520.0**	**518.0**
Net Capital Employed	**162.1**	**209.7**	**270.2**	**359.1**	**356.0**	**345.1**
Net Working Capital	**36.8**	**42.6**	**95.0**	**94.6**	**97.4**	**93.6**

GROWTH & MARGINS	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Sales growth	*18.3%*	*12.5%*	*20.6%*	*7.7%*	*11.2%*	*4.4%*
EBITDA (adj.)* growth	***12.6%***	***24.7%***	***23.9%***	***8.4%***	***21.8%***	***6.4%***
EBITA (adj.) growth*	*5.8%*	*17.8%*	*24.0%*	*35.2%*	*25.1%*	*10.8%*
*EBIT (adj)*growth*	*-0.2%*	*25.6%*	*24.0%*	*35.2%*	*25.1%*	*10.8%*

GPI: Summary tables

GROWTH & MARGINS	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Net Profit growth	*1.4%*	*27.0%*	*-7.0%*	*46.0%*	*39.9%*	*14.5%*
EPS adj. growth	*1.4%*	*27.0%*	*-7.0%*	*46.0%*	*39.9%*	*14.5%*
DPS adj. growth	*10.3%*	*n.m.*	*n.m.*	*14.8%*	*-11.7%*	*39.9%*
EBITDA (adj) margin*	*13.4%*	*14.8%*	*15.2%*	*15.3%*	*16.8%*	*17.1%*
EBITA (adj) margin*	*6.7%*	*7.0%*	*7.2%*	*9.0%*	*10.2%*	*10.8%*
EBIT (adj) margin*	*6.3%*	*7.0%*	*7.2%*	*9.0%*	*10.2%*	*10.8%*

RATIOS	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Net Debt/Equity	1.1	1.4	1.5	2.1	1.7	1.4
Net Debt/EBITDA	2.6	2.9	3.1	4.4	3.3	2.8
Interest cover (EBITDA/Fin.interest)	14.1	7.1	7.4	6.4	7.9	8.6
Capex/D&A	92.7%	208.9%	209.5%	492.2%	67.8%	63.1%
Capex/Sales	6.6%	16.4%	16.9%	31.1%	4.5%	4.0%
NWC/Sales	15.3%	15.7%	29.1%	26.9%	24.9%	22.9%
ROE (average)	13.6%	15.6%	11.8%	14.9%	18.9%	19.3%
ROCE (adj.)	7.8%	7.4%	7.0%	6.5%	8.4%	9.7%
WACC	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
ROCE (adj.)/WACC	1.1	1.0	0.9	0.9	1.1	1.3

PER SHARE DATA (EUR)***	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Average diluted number of shares	15.9	15.9	15.9	15.9	15.9	15.9
EPS (reported)	0.59	0.75	0.69	1.01	1.42	1.62
EPS (adj.)	0.59	0.75	0.69	1.01	1.42	1.62
BVPS	4.43	5.12	6.60	7.04	7.96	8.87
DPS	0.33	0.00	0.50	0.57	0.51	0.71

VALUATION	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
EV/Sales	0.9	0.9	1.4	1.4	1.2	1.1
EV/EBITDA	6.4	5.8	9.0	9.0	7.1	6.4
EV/EBITDA (adj.)*	**6.4**	**5.8**	**9.0**	**9.0**	**7.1**	**6.4**
EV/EBITA	12.9	12.2	19.1	15.4	11.8	10.1
EV/EBITA (adj.)*	**12.9**	**12.2**	**19.1**	**15.4**	**11.8**	**10.1**
EV/EBIT	13.7	12.2	19.1	15.4	11.8	10.1
EV/EBIT (adj.)*	**13.7**	**12.2**	**19.1**	**15.4**	**11.8**	**10.1**
P/E (adj.)	**13.8**	**10.0**	**23.5**	**13.8**	**9.8**	**8.6**
P/BV	1.8	1.5	2.5	2.0	1.8	1.6
Total Yield Ratio	0.0%	6.7%	3.6%	3.2%	4.4%	
EV/CE	1.4	1.2	1.7	1.4	1.4	1.3
OpFCF yield	1.4%	-14.0%	-23.5%	-27.6%	11.2%	15.6%
OpFCF/EV	0.9%	-7.2%	-15.6%	-14.4%	6.1%	8.9%
Payout ratio	56.1%	0.0%	72.0%	56.6%	35.7%	43.7%
Dividend yield (gross)	4.1%	0.0%	3.6%	4.1%	3.6%	5.1%

EV AND MKT CAP (EURm)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Price** (EUR)	8.10	7.46	16.30	13.94	13.94	13.94
Outstanding number of shares for main stock	15.9	15.9	18.3	18.3	18.3	18.3
Total Market Cap	**128.9**	**118.7**	**297.6**	**254.6**	**254.6**	**254.6**
Gross Financial Debt (+)	163.7	206.6	210.7	275.3	259.5	237.1
Cash & Marketable Securities (-)	-80.9	-89.0	-55.3	-38.3	-40.5	-44.0
Net Financial Debt	**82.8**	**117.6**	**155.4**	**236.9**	**219.0**	**193.1**
Lease Liabilities (+)	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	**82.8**	**117.6**	**155.4**	**236.9**	**219.0**	**193.1**
Other EV components	**-4.4**	**-4.8**	**-3.7**	**-3.5**	**-3.4**	**-3.3**
Enterprise Value (EV adj.)	**207.2**	**231.5**	**449.4**	**488.0**	**470.1**	**444.3**

Source: Company, Banca Akros estimates.

Notes

** Where EBITDA (adj.) or EBITA (adj)= EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj)= EBIT-/+ Non Recurrent Expenses/Income - PPA amortisation*

***Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years*

****EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.*

Sector: Healthcare/Healthcare Services

Company Description: GPI, founded in 1988, is a highly integrated and specialised provider of technologies and services to healthcare companies and social services with a predominant presence on the domestic market (~92%), though the internalisation process has recently started. The group, with a total turnover of over EUR 240m, has a leading position in all the reference markets in which it is present (respectively N.1 and N. 3 for healthcare administrative services and healthcare software solutions) and has an overall portfolio of more than 2,200 customers.

European Coverage of the Members of ESN

Automobiles & Parts	**Mem(*)**
Brembo	BAK
Faurecia	CIC
Ferrari	BAK
Gestamp	GVC
Indelb	BAK
Michelin	CIC
Pirelli & C.	BAK
Plastic Omnium	CIC
Renault	CIC
Sogefi	BAK
Stellantis	BAK
Valeo	CIC
Banks	**Mem(*)**
Banca Mps	BAK
Banco Sabadell	GVC
Banco Santander	GVC
Bankinter	GVC
Bbva	GVC
Bnp Paribas	CIC
Bper	BAK
Caixabank	GVC
Credem	BAK
Credit Agricole Sa	CIC
Intesa Sanpaolo	BAK
Societe Generale	CIC
Unicaja Banco	GVC
Unicredit	BAK
Basic Resources	**Mem(*)**
Acerinox	GVC
Altri	CBI
Arcelormittal	GVC
Ence	GVC
Imerys	CIC
Neodecortech	BAK
Semapa	CBI
The Navigator Company	CBI
Tubacex	GVC
Chemicals	**Mem(*)**
Air Liquide	CIC
Arkema	CIC
Plasticos Compuestos	GVC
Consumer Products & Services	**Mem(*)**
Abeo	CIC
Beneteau	CIC
Brunello Cucinelli	BAK
Capelli	CIC
De Longhi	BAK
Europcar	CIC
Fila	BAK
Geox	BAK
Givaudan	CIC
Groupe Seb	CIC
Hermes Intl.	CIC
Hexaom	CIC
Interparfums	CIC

Kaufman & Broad	IAC
Kering	CIC
L'Oreal	CIC
Lvmh	CIC
Maisons Du Monde	CIC
Moncler	BAK
Monnalisa	BAK
Ovs	BAK
Piaggio	BAK
Richemont	CIC
Safilo	BAK
Salvatore Ferragamo	BAK
Smcp	CIC
Swatch Group	CIC
Technogym	BAK
Tod'S	BAK
Trigano	CIC
Ubisoft	CIC
Energy	**Mem(*)**
Cgg	CIC
Ecoslops	CIC
Eni	BAK
Galp Energia	CBI
Gas Plus	BAK
Gtt	CIC
Maurel Et Prom	CIC
Plc	BAK
Repsol	GVC
Rubis	CIC
Saipem	BAK
Technip Energies	CIC
Technipfmc Plc	CIC
Tecnicas Reunidas	GVC
Tenaris	BAK
Totalenergies	CIC
Vallourec	CIC
Fin. Serv. Holdings	**Mem(*)**
Cir	BAK
Corp. Financiera Alba	GVC
Digital Magics	BAK
Eurazeo	CIC
Gbl	CIC
Peugeot Invest	CIC
Rallye	CIC
Tip Tamburi Investment Partners	BAK
Wendel	CIC
Fin. Serv. Industrials	**Mem(*)**
Abitare In	BAK
Dovalue	BAK
Nexi	BAK
Tinexta	BAK
Financial Services Banks	**Mem(*)**
Amundi	CIC
Anima	BAK
Azimut	BAK
Banca Generali	BAK

Banca Ifis	BAK
Banca Mediolanum	BAK
Banca Sistema	BAK
Bff Bank	BAK
Dea Capital	BAK
Finecobank	BAK
Illimity Bank	BAK
Mediobanca	BAK
Poste Italiane	BAK
Rothschild & Co	CIC
Food & Beverage	**Mem(*)**
Advini	CIC
Bonduelle	CIC
Campari	BAK
Danone	CIC
Diageo	CIC
Ebro Foods	GVC
Enervit	BAK
Fleury Michon	CIC
Italian Wine Brands	BAK
Lanson-Bcc	CIC
Laurent Perrier	CIC
Ldc	CIC
Lindt & Sprüngli	CIC
Nestle	CIC
Orsero	BAK
Pernod Ricard	CIC
Remy Cointreau	CIC
Tipiak	CIC
Vilmorin	CIC
Viscofan	GVC
Vranken	CIC
Healthcare	**Mem(*)**
Abionyx Pharma	CIC
Amplifon	BAK
Atrys Health	GVC
Biomerieux	CIC
Crossject	CIC
Diasorin	BAK
El.En.	BAK
Fermentalg	CIC
Fine Foods	BAK
Genfit	CIC
Gpi	BAK
Guerbet	CIC
Korian	CIC
Oncodesign	CIC
Orpea	CIC
Prim Sa	GVC
Recordati	BAK
Shedir Pharma	BAK
Theraclion	CIC
Vetoquinol	CIC
Virbac	CIC
Industrial Goods & Services	**Mem(*)**
Applus	GVC

Avio	BAK
Biesse	BAK
Bollore	CIC
Bureau Veritas	CIC
Caf	GVC
Catenon	GVC
Cellnex Telecom	GVC
Cembre	BAK
Clasquin	IAC
Cnh Industrial	BAK
Corticeira Amorim	CBI
Ctt	CBI
Danieli	BAK
Datalogic	BAK
Enav	BAK
Enogia	CIC
Exel Industries	CIC
Fiera Milano	BAK
Fincantieri	BAK
Getlink	CIC
Global Dominion	GVC
Haulotte Group	CIC
Interpump	BAK
Inwit	BAK
Leonardo	BAK
Logista	GVC
Manitou	CIC
Nicolas Correa	GVC
Openjobmetis	BAK
Osai	BAK
Prima Industrie	BAK
Prosegur	GVC
Prosegur Cash	GVC
Prysmian	BAK
Rai Way	BAK
Rexel	CIC
Saes	BAK
Salcef	BAK
Talgo	GVC
Teleperformance	CIC
Verallia	CIC
Vidrala	GVC
Zardoya Otis	GVC
Zignago Vetro	BAK
Insurance	**Mem(*)**
Axa	CIC
Catalana Occidente	GVC
Cattolica Assicurazioni	BAK
Generali	BAK
Linea Directa Aseguradora	GVC
Mapfre	GVC
Net Insurance	BAK
Unipolsai	BAK
Materials, Construction	**Mem(*)**
Acs	GVC
Aena	GVC

Atlantia	BAK
Buzzi Unicem	BAK
Cementir	BAK
Cementos Molins	GVC
Clerhp Estructuras	GVC
Crh	CIC
Eiffage	CIC
Fcc	GVC
Ferrovial	GVC
Groupe Adp	CIC
Groupe Poujoulat	CIC
Groupe Sfpi S.A.	CIC
Heidelberg Cement	CIC
Herige	CIC
Holcim	CIC
Maire Tecnimont	BAK
Mota Engil	CBI
Obrascon Huarte Lain	GVC
Sacyr	GVC
Saint-Gobain	CIC
Sciuker Frames	BAK
Sergeferrari Group	CIC
Spie	CIC
Tarkett	CIC
Thermador Groupe	CIC
Vicat	CIC
Vinci	CIC
Webuild	BAK

Media	**Mem(*)**
Arnoldo Mondadori Editore	BAK
Atresmedia	GVC
Cairo Communication	BAK
Digital Bros	BAK
Gl Events	CIC
Il Sole 24 Ore	BAK
Ipsos	CIC
Jcdecaux	CIC
Lagardere	CIC
M6	CIC
Mediaset Espana	GVC
Mfe-Mediaforeurope	BAK
Miogroup	GVC
Nrj Group	CIC
Publicis	CIC
Rcs Mediagroup	BAK
Tf1	CIC
Universal Music Group	CIC
Vivendi	CIC

Personal Care, Drug & Grocery S	**Mem(*)**
Carrefour	CIC
Casino	CIC
Jeronimo Martins	CBI
Marr	BAK
Sonae	CBI
Unilever	CIC
Winfarm	CIC

Real Estate	**Mem(*)**
Almagro Capital	GVC
Igd	BAK
Lar España	GVC
Merlin Properties	GVC
Realia	GVC

Retail	**Mem(*)**
Burberry	CIC
Fnac Darty	CIC
Inditex	GVC
Unieuro	BAK

Technology	**Mem(*)**
Agile Content	GVC
Akka Technologies	CIC
Almawave	BAK
Alten	CIC
Amadeus	GVC
Atos	CIC
Axway Software	CIC
Capgemini	CIC
Cast	CIC
Esi Group	CIC
Exprivia	BAK
Gigas Hosting	GVC
Indra Sistemas	GVC
Izertis	GVC
Lleida.Net	GVC
Memscap	IAC
Neurones	CIC
Ovhcloud	CIC
Reply	BAK
Sii	CIC
Sopra Steria Group	CIC
Stmicroelectronics	BAK
Tier 1 Technology	GVC
Visiativ	CIC
Vogo	CIC

Telecommunications	**Mem(*)**
Bouygues	CIC
Ekinops	CIC
Ezentis	GVC
Nos	CBI
Orange	CIC
Telecom Italia	BAK
Telefonica	GVC
Tiscali	BAK
Unidata	BAK
Vodafone	BAK

Travel & Leisure	**Mem(*)**
Accor	CIC
Autogrill	BAK
Compagnie Des Alpes	CIC
Edreams Odigeo	GVC
Elior	CIC
Fdj	CIC
Groupe Partouche	IAC
I Grandi Viaggi	BAK
Ibersol	CBI
Int. Airlines Group	GVC
Melia Hotels International	GVC
Nh Hotel Group	GVC
Pierre Et Vacances	CIC
Sodexo	CIC

Utilities	**Mem(*)**
A2A	BAK
Acciona	GVC
Acea	BAK
Albioma	CIC
Alerion Clean Power	BAK
Audax	GVC
Derichebourg	CIC
Edp	CBI
Enagas	GVC
Encavis Ag	CIC
Endesa	GVC
Enel	BAK
E-Pango	CIC
Erg	BAK
Falck Renewables	BAK
Greenalia	GVC
Greenvolt	CBI
Hera	BAK
Holaluz	GVC
Iberdrola	GVC
Iren	BAK
Italgas	BAK
Naturgy	GVC
Red Electrica Corporacion	GVC
Ren	CBI
Snam	BAK
Solaria	GVC
Terna	BAK
Voltalia	CIC

LEGEND: BAK: Banca Akros; CIC: CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Valores — as at 4 February 2022

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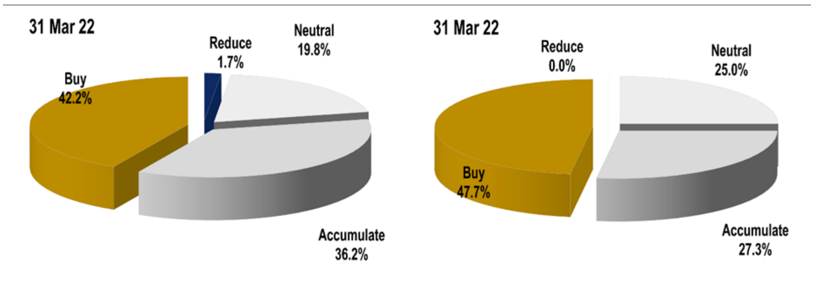
Percentuale delle raccomandazioni al 31 marzo 2022

Tutte le raccomandazioni | Raccomandazioni su titoli in conflitto di interessi (*)

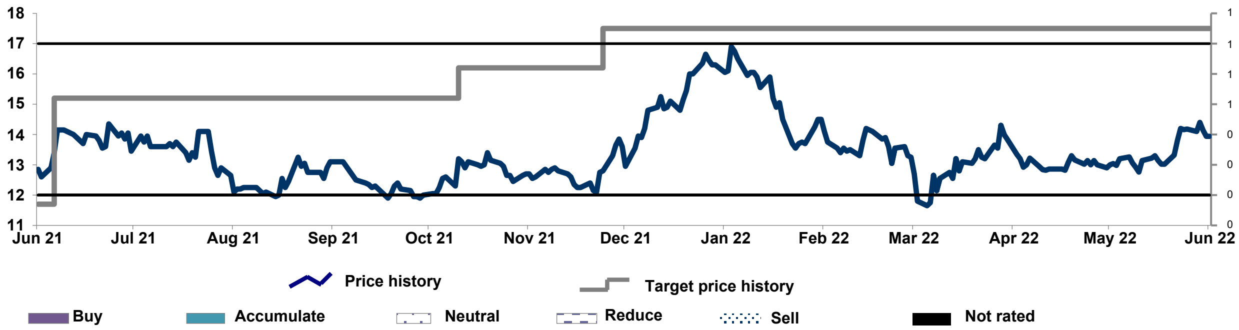


(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 37.93% del totale degli emittenti oggetto di copertura

Recommendation history for GPI

Date	Recommendation	Target price	Price at change date
26-Nov-21	Buy	17.50	12.80
12-Oct-21	Buy	16.20	13.20
08-Jun-21	Buy	15.20	13.40
09-Feb-21	Buy	11.70	8.64
02-Apr-20	Buy	11.00	6.26
10-Oct-19	Buy	12.60	7.56

Source: Factset & ESN, price data adjusted for stock splits.
This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
Current analyst: Andrea Devita, CFA (since 01/12/2018)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.

The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B), Accumulate (A), Neutral (N), Reduce (R) and Sell (S)**.

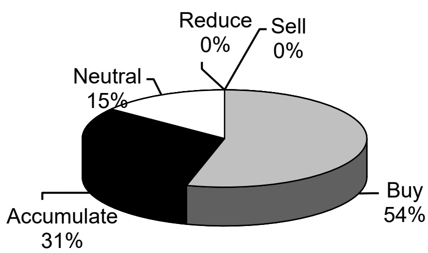
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy**: the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral**: the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce**: the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell**: the stock is expected to generate total return **under -15%** during the next 12-month
- **Rating Suspended**: the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated**: there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website Link
Date and time of production: *6 June 2022: 8:41* ***CET***
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