

# EQUITY RESEARCH

GPI  
NEWS

BUY

TP 19.1€ (vs 20.6€)

Up/Downside: 44%

## Capital Increase Confirmed

€70m will be reserved for the CDPE, €35m for the Manzana family and €35m for institutional investors.

Following 22 June's announcement, GPI's board of directors specified that the capital increase will take place no later than 31 December 2023.

The subscription price will be capped at €14/share, corresponding to the lowest volume-weighted average price recorded either in the six months preceding the capital increase or in the ten days preceding the board of directors' meeting, thus determining the issue price, plus 10%.

GPI is the market leader in business process outsourcing (BPO) for the healthcare sector (customer facing) and the second largest player in the healthcare software sector, two strategic positions that will enable the company to become one of the Italian leaders in telemedicine.

The company aims to generate revenue of €420m through organic growth and €500m through external growth by 2024. To date, our estimate is calling for over €450m by that date, following the expected closing of the Tesi Informatica and Information Systems acquisitions by the end of November.

We are also taking the opportunity to update our estimates, slightly lowering our EPS forecast in order to cautiously account for the impact of salary inflation.

We are reiterating our Buy rating and revising our TP to €19.1 (vs. €20.6 previously) following the adjustment of our estimates and market parameters, with the Italian 10-year BTP trading above 4% for the past two months.

### Key data

Price (€)	13.3
Industry	Commercial Services
Ticker	GPI-IT
Shares Out (m)	19.114
Market Cap (m €)	254.2
Average trading volumes (k shares / day)	23.152

### Ownership (%)

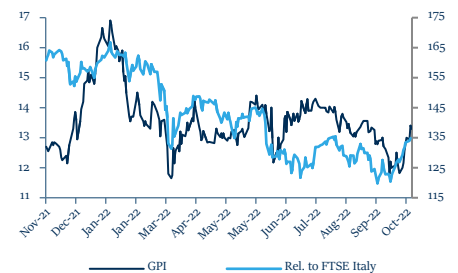
FM Srl	68.4
Treasury shares	0.6
Free float	31.0

### EPS (€)

	12/22e	12/23e	12/24e
Estimates	0.63	0.84	0.78
Change vs previous estimates (%)	-3.57	-8.62	-21.04

### Performance (%)

	1D	1M	YTD
Price Perf	-0.7	3.1	-18.4
Rel FTSE Italy	-0.8	-7.2	-2.2



TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e	Valuation Ratio	12/22e	12/23e	12/24e	Consensus FactSet - Analysts:na	12/22e	12/23e	12/24e
Sales (m €)	326.9	357.6	417.7	453.6	EV/Sales	1.2	1.1	1.0	Sales	353.5	395.5	420.5
Current Op Inc (m €)	49.8	55.5	68.2	74.7	EV/EBITDA	7.9	6.7	6.3	EBIT	32.2	39.8	40.9
Current op. Margin (%)	15.2	15.5	16.3	16.5	EV/EBIT	7.9	6.7	6.3	Net income	16.5	22.2	22.6
EPS (€)	0.61	0.63	0.84	0.78	PE	21.1	15.7	17.2				
DPS (€)	0.44	0.41	0.55	0.50								
Yield (%)	3.3	3.1	4.1	3.8								
FCF (m €)	1.0	1.0	1.0	1.0								

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## FINANCIAL DATA

<b>Income Statement</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
Sales	240.9	271.0	326.9	357.6	417.7	453.6
Changes (%)	18.3	12.5	20.6	9.4	16.8	8.6
Gross profit	230.5	261.1	316.5	345.9	403.8	438.0
% of Sales	95.7	96.4	96.8	96.7	96.7	96.6
<b>EBITDA</b>	<b>32.2</b>	<b>40.2</b>	<b>49.8</b>	<b>55.5</b>	<b>68.2</b>	<b>74.7</b>
% of Sales	13.4	14.8	15.2	15.5	16.3	16.5
<b>Current operating profit</b>	<b>32.2</b>	<b>40.2</b>	<b>49.8</b>	<b>55.5</b>	<b>68.2</b>	<b>74.7</b>
% of Sales	13.4	14.8	15.2	15.5	16.3	16.5
Non-recurring items	1.0	0.6	1.9	2.1	2.4	2.6
EBIT	15.1	19.0	23.5	23.5	30.2	29.2
Net financial result	2.3	5.7	6.8	7.4	8.6	9.4
Income Tax	3.0	0.9	5.4	4.5	6.0	5.5
Tax rate (%)	23.7	6.7	32.6	27.9	27.9	27.9
<b>Net profit, group share</b>	<b>10.0</b>	<b>12.8</b>	<b>11.4</b>	<b>11.7</b>	<b>15.7</b>	<b>14.5</b>
EPS	0.60	0.75	0.61	0.63	0.84	0.78
<b>Financial Statement</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
Goodwill	26.5	42.4	51.9	51.9	51.9	51.9
Tangible and intangible assets	84.5	108.6	110.8	117.5	121.7	122.3
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	1.4	1.5	0.5	0.5	0.5	0.5
Working capital	84.7	91.5	123.4	137.3	159.0	172.2
Other Assets	13.0	13.4	11.9	11.9	11.9	11.9
<b>Assets</b>	<b>210.0</b>	<b>257.3</b>	<b>298.6</b>	<b>319.1</b>	<b>345.1</b>	<b>358.8</b>
Shareholders equity group	70.4	81.6	105.2	108.7	116.6	120.7
Minorities	1.7	1.8	1.2	1.1	0.9	0.8
LT & ST provisions and others	1.2	1.9	1.7	1.7	1.7	1.7
Net debt	110.4	154.3	169.1	186.1	203.9	213.4
Other liabilities	21.9	15.2	15.1	15.1	15.1	15.1
<b>Liabilities</b>	<b>210.0</b>	<b>257.3</b>	<b>298.7</b>	<b>319.0</b>	<b>344.6</b>	<b>358.1</b>
Net debt excl. IFRS 16	110.4	154.3	169.1	186.1	203.9	213.4
Gearing net	1.5	1.9	1.6	1.7	1.7	1.8
Leverage	3.4	3.8	3.4	3.4	3.0	2.9
<b>Cash flow statement</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
CF after elimination of net borrowing costs and taxes	24.6	35.2	38.7	41.6	51.1	57.1
$\Delta$ WCR	-12.8	-24.9	-26.0	-13.9	-21.7	-13.2
Operating cash flow	11.8	10.4	12.7	27.7	29.4	43.9
Net capex	-13.5	-13.4	-20.6	-36.7	-39.7	-43.4
FCF	1.0	1.0	1.0	1.0	1.0	1.0
Acquisitions/Disposals of subsidiaries	-1.9	-18.0	-9.6	0.0	0.0	0.0
Other investments	5.7	16.4	-5.9	0.0	0.0	0.0
Change in borrowings	9.7	57.1	-17.8	0.0	0.0	0.0
Dividends paid	-5.2	0.0	-8.0	-8.0	-7.5	-10.0
Repayment of leasing debt	0.0	-0.4	-0.2	0.0	0.0	0.0
Others	5.0	-24.7	10.1	0.0	0.0	0.0
Change in net cash over the year	11.6	27.4	-39.2	-17.0	-17.8	-9.5
ROA (%)	4.7%	4.8%	3.8%	3.6%	4.5%	4.0%
ROE (%)	13.9%	15.2%	10.7%	10.7%	13.3%	11.9%
ROCE (%)	13.9%	15.2%	10.7%	10.7%	13.3%	11.9%

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### Methodology

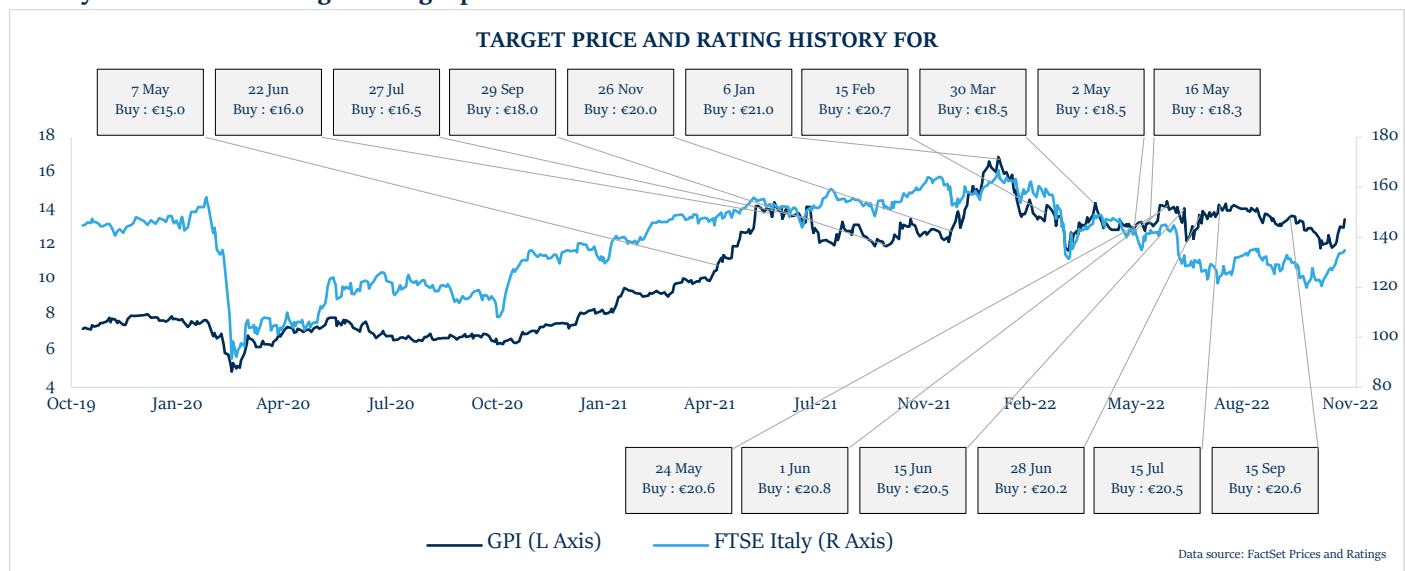
This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

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G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: GPI

### History of investment rating and target price – GPI



## Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	86%	65%
Hold	13%	39%
Sell	1%	0%
Under review	1%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

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