

# GPI

Sector: Industrials

# OUTPERFORM

Price: Eu12.28 - Target: Eu14.60

## A Further Step Toward Internationalisation

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### Stock Rating

**Rating:** Unchanged

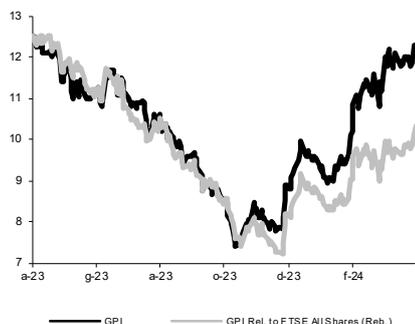
**Target Price (Eu):** from 12.30 to 14.60

	2024E	2025E	2026E
Chg in Adj EPS	-32.1%	-11.5%	

### Next Event

 1H24 Results Out 30<sup>th</sup> of September

### GPI - 12M Performance



### Stock Data

Reuters code: GPI.MI

Bloomberg code: GPI IM

Performance	1M	3M	12M
Absolute	9.6%	32.0%	-2.5%
Relative	11.2%	22.5%	-20.7%
12M (H/L)	12.52/7.39		
3M Average Volume (th):	41.62		

### Shareholder Data

No. of Ord shares (mn): 29

Total no. of shares (mn): 29

Mkt Cap Ord (Eu mn): 355

Total Mkt Cap (Eu mn): 355

Mkt Float - Ord (Eu mn): 122

Mkt Float (in %): 34.3%

Main Shareholder:

FM Srl (F. Manzana, CEO) 47.3%

### Balance Sheet Data

Book Value (Eu mn): 235

BVPS (Eu): 8.10

P/BV: 1.5

Net Financial Position (Eu mn): -287

Enterprise Value (Eu mn): 642

■ **2H23 results: EBITDA better, net income impacted by PPA.** GPI reported better-than-expected 2H23 revenue and EBITDA (€255/60mn vs. exp. €234/50mn) thanks to stronger growth and profitability at the Software division (+76% vs. +46% exp., 51% of total), both organic (CONSIP projects) and external (Tesi & Evolucare), but also moderately better margins at the Care division. Compared to company-reported figures that applied IFRS 5, our numbers include the contribution of Argentea (Pay business) as of the end of 2023, as the business was effectively sold in March 2024. Net income of €6.6mn vs. €14.7mn exp. was heavily penalised by: i) the increase in D&A relating to the start of the amortisation phase for R&D projects that have now been completed, as well as the intangibles recognised after the PPA on Tesi; ii) higher net financial charges (higher interest rate and debt); iii) higher tax rate given greater impact of personnel costs and related IRAP effect. Net debt was slightly below forecast (€365mn vs. exp. €354mn) due to higher CapEx and NWC growth (amid higher turnover) but complied with covenants.

■ **Pay business sold at ~13x EV/EBITDA.** On 20 March, GPI announced the closing of the sale of 100% of Argentea (Pay business) to Zucchetti for an equity value of €99mn plus an earn-out of €6mn. The business generated ~€15/7mn in revenues/EBITDA in 2023 and was sold in light of its limited strategic relevance and the attractiveness of the offer received. EV/EBITDA was ~13x, well ahead of GPI's multiple. Net of Argentea's €11mn NFP, the €5.5mn cash-out for the acquisition of minorities right before the sale and the capital gains tax, GPI should bring in ~€84mn from the transaction.

■ **2024 outlook: eyeing €100mn of EBITDA.** In 2024, GPI will focus on the delivery of CONSIP projects, the integration of Tesi and Evolucare, and the drafting of a new 2025-27 Business Plan. The new BP will hinge on the creation of an integrated model that will foster commercial and industrial synergies through the set-up of centralised software products vs. today's decentralised model based on customised projects. No big M&A transactions are envisaged. We forecast revenues of €490mn, +9% YoY o/w +6.6% organic and +2.6% scope (incl. -3.3% from deconsolidation of Argentea), and EBITDA of €100mn for a 20.4% margin (vs. 19.3% in 2023) thanks to stronger growth of the Software division. Net debt is seen decreasing to €290mn (vs. €365mn in FY23) after the net cash-in of €84mn from the sale of Argentea, a slightly positive FCF (incl. €50mn in CapEx to support business plan execution) and €14.5mn in dividends (DPS €0.5).

■ **Change in estimates.** We are cutting our EPS forecast, mainly due to higher D&A stemming from the PPA on Tesi (PPA on Evolucare will be carried out in 2024). However, this change has no impact on FCF generation, with the deconsolidation of Pay being offset by higher Software EBITDA, reflecting better 2023 results.

■ **OUTPERFORM; target to €14.6.** GPI reported better-than-expected FY23 results while cash generation was not far from our estimates despite stronger growth, which usually burdens NWC. After the significant M&A carried out in 2022/23 and organic revenue growth acceleration thanks to NRRP projects, the company will now focus on the key priority of its next Strategic Business Plan, namely the creation of a more international and scalable business model. The recent disposal of the Pay business at a very attractive multiple gives GPI more financial headroom to take on this challenge. As technology is an enabler of better, more coordinated healthcare while offering overall cost savings, we expect GPI to benefit from investments in healthcare digitalisation given its market position and broad product range. Our TP goes to €14.6 from €12.3 due to the roll-over of the valuation and disposal of Pay, partly offset by multiple de-rating and higher WACC.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	360	448	490	507	524
EBITDA Adj (Eu mn)	54	87	100	104	108
Net Profit Adj (Eu mn)	10	7	17	25	31
EPS New Adj (Eu)	0.343	0.354	0.598	0.875	1.104
EPS Old Adj (Eu)	0.343	0.546	0.880	0.989	
DPS (Eu)	0.500	0.500	0.500	0.000	0.000
EV/EBITDA Adj	9.8	7.9	6.4	6.0	5.4
EV/EBIT Adj	20.5	19.8	14.2	11.6	9.7
P/E Adj	35.8	34.7	20.5	14.0	11.1
Div. Yield	4.1%	4.1%	4.1%	0.0%	0.0%
Net Debt/EBITDA Adj	2.6	4.2	2.9	2.6	2.1

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 31 March 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short

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