

GPI

Sector: Industrials

OUTPERFORM

Price: Eu12.50 - Target: Eu17.20

FY22 results in line; FY23 consistent with 2024 targets

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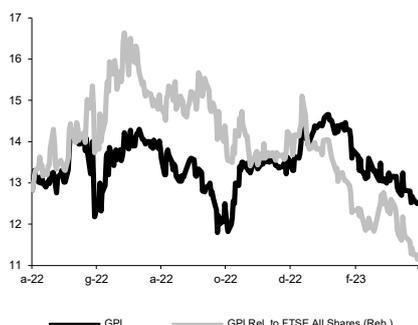
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 17.50 to 17.20		
	2023E	2024E	2025E
Chg in Adj EPS	-14.3%	-10.7%	

GPI - 12M Performance



Stock Data

Reuters code:	GPI.MI		
Bloomberg code:	GPI IM		
Performance	1M	3M	12M
Absolute	-4.6%	-13.1%	-2.8%
Relative	-13.6%	-19.7%	-13.7%
12M (H/L)	14.66/11.80		
3M Average Volume (th):	8.92		

Shareholder Data

No. of Ord shares (mn):	29
Total no. of shares (mn):	29
Mkt Cap Ord (Eu mn):	361
Total Mkt Cap (Eu mn):	361
Mkt Float - Ord (Eu mn):	126
Mkt Float (in %):	35.0%
Main Shareholder:	
FM Srl (F. Manzana, CEO)	46.6%

Balance Sheet Data

Book Value (Eu mn):	253
BVPS (Eu):	8.76
P/BV:	1.4
Net Financial Position (Eu mn):	-148
Enterprise Value (Eu mn):	510

■ 2H22 results: EBITDA in line, bottom line burdened by D&A and financial charges.

GPI reported 2H22 results in line with expectations for EBITDA (€37mn, +3%YoY, 19.3% margin), but below in terms of net profit due to higher D&A, net financial charges, and the tax rate (€9.7mn vs €12.7mn exp.). By division: Software was stronger (+26% vs +8% exp., 43% of total) thanks to the NRRP effect and Blood, while Care was lower (-5% vs +5% exp., 43% of total) due to non-repeating Covid-19 activities and the termination of some contracts only partly offset by new ones. Other businesses all grew double digit and slightly ahead of forecast (+16% vs +10% exp.). Regarding profitability, the positive mix effect (SW>CA) was offset by lower margins at both divisions. This was due to cost inflation, higher travel expenses and overheads connected to extraordinary transactions in a busy 2022 (capital increase and Tesi acquisition). In addition, GPI's growth was achieved only through volume effect as inflation-driven price adjustments are recognized the following year. Finally, the stronger growth at SW led to the worse-than-expected net debt given its higher NWC absorption (€143mn vs €130mn).

■ 2023 outlook consistent with 2024 trajectory.

GPI gave no quantitative guidance for FY23 but confirmed its growth trajectory towards the 2024 target despite the public administration's sluggishness and resistance to change. More detailed guidance is usually provided with 1H results, but we reconcile management indications pointing to ~8% organic growth and margin expansion. By division: Software is expected to remain strong (+33% YoY) amid consolidation of the Tesi acquisition (only 1 month consolidated in 2022, +19%) and CONSIP tenders driving organic growth (+14% YoY). In particular, GPI has been awarded with ~€65mn so far thanks to "Electronic Medical Records", while "Telemedicine" remains limited for the time being; Care is foreseen flattish with new and expired contracts offsetting one other; Other businesses seen continuing their growth exploiting positive momentum (+13%). EBITDA margin is expected to increase to 16.8% (vs 15.1% in FY22), almost entirely due to the consolidation of Tesi and mix effect, while profitability by division is expected to improve slightly, benefitting from price adjustments and no repeat of the extraordinary transactions carried out in 2022. We estimate revenues of €415mn, +15% YoY (o/w 8% organic), and EBITDA of €70mn.

■ Change in estimates.

We broadly confirm our operating estimates but cut our EPS by 14%/11% in 2023/24 following higher net fin. exp. (higher debt and interest rate).

■ OUTPERFORM, TP to €17.2.

As technology is a key enabler of better and 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. Through the acquisition of TESI and the completed €140mn capital increase, which are expected to contribute to group profitability and support organic (software R&D) and inorganic growth, we believe GPI is ready to deliver on its business plan. In that context, growth is expected to remain robust in 2023 as well, with underlying trends supported by CONSIP (and NRRP) programs. OUTPERFORM confirmed with the TP going to €17.2 from €17.5 following higher NWC absorption.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	327	360	415	445	461
EBITDA Adj (Eu mn)	50	54	70	79	82
Net Profit Adj (Eu mn)	11	10	18	25	27
EPS New Adj (Eu)	0.621	0.343	0.650	0.872	0.959
EPS Old Adj (Eu)	0.621	0.448	0.759	0.977	
DPS (Eu)	0.500	0.500	0.500	0.500	0.000
EV/EBITDA Adj	7.4	9.8	7.3	6.4	6.0
EV/EBIT Adj	15.7	20.5	13.1	10.4	9.5
P/E Adj	20.1	36.4	19.2	14.3	13.0
Div. Yield	4.0%	4.0%	4.0%	4.0%	0.0%
Net Debt/EBITDA Adj	3.1	2.6	2.1	1.8	1.6