

GPI

Sector: Industrials

OUTPERFORM

Price: Eu10.12 - Target: Eu13.70

Capitalising on Leadership in Software Strategy

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Stock Rating

Rating: Unchanged

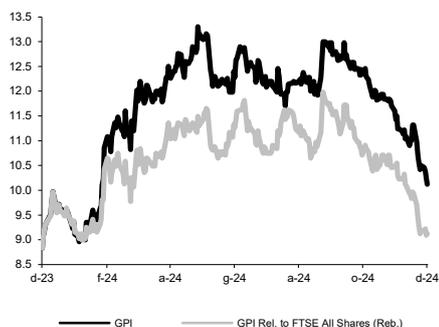
Target Price (Eu): from 14.60 to 13.70

	2024E	2025E	2026E
Chg in Adj EPS	-18.4%	-34.2%	-22.3%

Next Event

CMD in 1Q25 (tbc)

GPI - 12M Performance



Stock Data

Reuters code: GPI.MI

Bloomberg code: GPI IM

Performance	1M	3M	12M
Absolute	-11.4%	-22.0%	14.6%
Relative	-12.8%	-21.3%	3.8%
12M (H/L)		13.30/8.96	
3M Average Volume (th):		17.82	

Shareholder Data

No. of Ord shares (mn):	29
Total no. of shares (mn):	29
Mkt Cap Ord (Eu mn):	293
Total Mkt Cap (Eu mn):	293
Mkt Float - Ord (Eu mn):	100
Mkt Float (in %):	34.0%
Main Shareholder:	
FM Srl (F. Manzana, CEO)	47.6%

Balance Sheet Data

Book Value (Eu mn):	304
BVPS (Eu):	10.54
P/BV:	1.0
Net Financial Position (Eu mn):	-335
Enterprise Value (Eu mn):	627

We expect GPI to close 2024 with strong EBITDA growth thanks to the **Software** division. The strategy of becoming a national leader in the domestic healthcare (HC) software market is being rewarded with a strong positioning in public tenders, supporting our investment case (technology and digitalisation enabling better and more effective HC services), although net profit and net debt will be burdened by extended cash-in timescales for CONSIP projects. The upcoming BP presentation should confirm the growth trajectory, with an increased focus on value creation and cash generation as a concrete sign of the desire to improve financial performance. Our TP goes to **€13.7** from **€14.6** due to higher net debt partly offset by valuation rollover.

- **1H24 results: P&L stronger, net debt worse.** In 1H24, GPI reported stronger revenue and EBITDA (€236/41mn vs. 225/36.5mn E), but with net debt a touch worse than expected. The divisional breakdown showed EBITDA was better in *Software* (€37mn vs. 31mn E) with a stronger contribution from CONSIP projects and Evolucare (acquired in Aug-23), but lower in *Care* €0.8mn (1.5mn E), hit by reduced Covid-19 related activity and an exit from less profitable contracts, and *Others* €3.1mn (3.9mn E) amid delays to Industry 5.0 incentives in Italy. Net income was €2.9mn (-0.6 E) thanks to higher EBITDA and lower net fin. exp. (earn-out on Tesi acquisition) more than offsetting higher provisions. Net debt was €295mn, down from 365mn at YE23 thanks to the 83mn sale of Argentea (Pay SBA), but still slightly worse than the 285mn expected due to higher NWC absorption.
- **2024 guidance: revenues €500mn, EBITDA ~€100mn, net debt within covenants.** FY24 guidance was >€500mn/~€100mn for revenues/EBITDA, implying tempered 2H growth amid the annualisation of the Evolucare purchase (+3% vs. +15% in 1H) and a tough comparison for Software, as major CONSIP projects commenced in 2H23. Our FY/2H forecasts point to: revenues €503mn/266mn, +16/+7% YoY, with growth coming entirely from Software; EBITDA €102mn/61mn, +28/+8% YoY. Nevertheless, net debt is seen at €335mn (vs. €290mn prev.) amid delays in billing processes for CONSIP-related projects.
- **CONSIP tenders: change in market structure to reward GPI's strategy.** The PA's shift towards a national/centralised system from the previous local/decentralised approach rewards GPI's strategy of becoming a leader in HC software. The GPI-led consortium has won ~€670mn of the €3.3bn total from the first four tenders assigned since 2020 (20%). GPI has received €174mn in direct orders (o/w €99mn already executed/billed), from tenders 1 and 2 alone, with tenders 3 and 4 only just assigned. Moreover, tender 5 is at the final award stage, with the sixth to be presented soon. While it is hard to make a precise estimate on the ramp-up/down of specific contracts, the structural change is positive for GPI, offering growth in the overall market and the company's market share.
- **CMD in 1Q25 (tbc): focus on integrated model, internationalisation and value creation.** GPI should present its BP during 1Q25. We expect it to confirm its focus on: i) the creation of an integrated model fostering commercial and industrial synergies through the set-up of centralised software products vs. the current decentralised model based on customised projects; ii) international growth for software, without major M&A transactions. From a financial point of view, we expect EBITDA to grow at a mid-single-digit rate in the coming years, and would welcome an increased focus on value creation and cash generation.
- **Change in estimates.** While we are raising our revenue and EBITDA forecasts slightly (+3%), we are cutting our EBIT and EPS forecast (-15/-23%) amid higher non-cash provisions on adjustments to receivables to account for the time value of contract assets.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	347	433	503	521	538
EBITDA Adj (Eu mn)	49	80	102	108	113
Net Profit Adj (Eu mn)	6	7	14	16	24
EPS New Adj (Eu)	0.199	0.234	0.488	0.576	0.858
EPS Old Adj (Eu)	0.343	0.354	0.598	0.875	1.104
DPS (Eu)	0.500	0.850	0.500	0.500	0.500
EV/EBITDA Adj	11.0	8.5	6.2	5.7	5.3
EV/EBIT Adj	26.1	24.5	17.3	13.1	11.3
P/E Adj	50.9	43.2	20.8	17.6	11.8
Div. Yield	4.9%	8.4%	4.9%	4.9%	4.9%
Net Debt/EBITDA Adj	2.9	4.5	3.3	3.0	2.7

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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: 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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BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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