Intermonte

Milan, 21 January 2025

**Italian Equity Research – Company Update**

# GPI

# OUTPERFORM

*Sector: Industrials*

Price: Eu10.32 - **Target: Eu14.00**

## New BP Shows Sustained Growth


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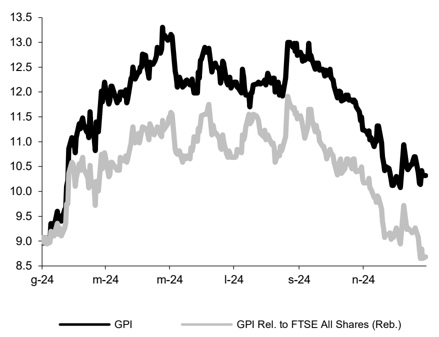
| **Stock Rating** | | | |
|---|---|---|---|
| **Rating:** | | | Unchanged |
| **Target Price (Eu):** | | | from 13.70 to 14.00 |
| | **2024E** | **2025E** | **2026E** |
| **Chg in Adj EPS** | 0.0% | 1.5% | 5.0% |

**GPI - 12M Performance**




| **Stock Data** | | | |
|---|---|---|---|
| Reuters code: | | | GPI.MI |
| Bloomberg code: | | | GPI IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | 2.0% | -16.4% | 13.3% |
| Relative | -4.6% | -19.0% | -5.2% |
| 12M (H/L) | | | 13.30/8.96 |
| 3M Average Volume (th): | | | 21.82 |

| **Shareholder Data** | |
|---|---|
| No. of Ord shares (mn): | 29 |
| Total no. of shares (mn): | 29 |
| Mkt Cap Ord (Eu mn): | 298 |
| Total Mkt Cap (Eu mn): | 298 |
| Mkt Float - Ord (Eu mn): | 102 |
| Mkt Float (in %): | 34.0% |
| Main Shareholder: | |
| FM Srl (F. Manzana, CEO) | 47.6% |

| **Balance Sheet Data** | |
|---|---|
| Book Value (Eu mn): | 300 |
| BVPS (Eu): | 10.42 |
| P/BV: | 1.0 |
| Net Financial Position (Eu mn): | -341 |
| Enterprise Value (Eu mn): | 638 |

**GPI unveiled its new, 2025-29 BP which lays the foundation for the post-pandemic evolution. Key pillars are coherent and consistent with expectations, with GPI aiming to capitalize on its leadership in *Software* in Italy, grow abroad through already successful vertical software, increase efficiency by consolidating the product offering and optimizing the corporate structure, and favouring higher profit projects in *Care* and *Automation*. As for financial targets, the BP implies sustained, entirely organic and stronger-than-expected growth for which we conservatively leave some upside. Without large M&A deals envisaged, leverage is seen improving, underpinning some FCF generation. All in all, the BP supports our investment case with the company set to benefit from investments in healthcare digitalisation, which enables better, cost-efficient services thanks to its market position and broad product range. TP to €14.0, +2%, on slightly higher estimates.**

- **Post-pandemic evolution lays foundation for new BP.** In order to appreciate the new BP, an understanding of GPI's key achievements over the 2020-24 period is crucial: i) it became the 1st player in the Italian healthcare software market, capitalizing on its consolidation strategy and the shift by the PA towards a centralized purchasing model (*Software* unit achieved a 16% organic CAGR); ii) expanded abroad (from 9% to 22%) and into new software verticals through M&A; iii) rationalized its *non-software* activities (from 32% of EBITDA to 10%), through M&A (sale of Pay) and lower growth vs *Software*.
- **2025-29 plan: extracting value.** The BP is based on four key pillars:
  - i) Consolidate national leadership through growth of the Core Offering (HIS, Social Care, ERP, Data Analytics and HR) with AI enhancing existing products. Telemedicine growth will be pursued, although results will depend on evolution of the organizational model of the public health system. Importantly, growth is expected to continue, with the end of NRRP financing not expected to create a vacuum;
  - ii) Develop an international presence focusing on vertical software apps that have already proven their success and have growth leeway (Blood, Diagnostics and Critical Care);
  - iii) Transform the organization in order to increase efficiency. Actions concern the integration and consolidation of the product offering to foster commercial and industrial synergies, and merging redundant corporate functions scattered across the organization (resulting from the M&A spree) in order to optimize the cost base;
  - iv) Capture value from non-software activities. For *Care*, recovery of profitability (burdened by labour cost inflation not covered by base contracts) through a focus on the most profitable projects and continuous technology implementation. For *Automation*, international expansion and innovation will be key.
- **Financial targets: organic, profitable growth with a greater focus on value creation.** 2027/29 targets are: revenues >€6/700mn, a 6/7% entirely organic CAGR on 2024E numbers, with large M&A deals not envisaged; EBITDA >€132/175mn with >22/25% margin and 9/11% CAGR; net debt/EBITDA <2.7/2.5x after a yearly DPS of ~€0.7, implying 2027 net debt <€356mn on cumulative ~€40mn FCF. Interestingly, ROIC (EBIT/NIC) targets were set at >11/15%, signalling a greater focus on value creation. Overall, P&L targets show some upside (HSD) also compared to our new, slightly improved, forecast.

| **Key Figures & Ratios** | **2022A** | **2023A** | **2024E** | **2025E** | **2026E** |
|---|---|---|---|---|---|
| Sales (Eu mn) | 347 | 433 | 503 | 531 | 554 |
| EBITDA Adj (Eu mn) | 49 | 80 | 102 | 111 | 118 |
| Net Profit Adj (Eu mn) | 6 | 7 | 14 | 16 | 25 |
| EPS New Adj (Eu) | 0.199 | 0.234 | 0.488 | 0.585 | 0.901 |
| EPS Old Adj (Eu) | 0.199 | 0.234 | 0.488 | 0.576 | 0.858 |
| DPS (Eu) | 0.500 | 0.850 | 0.700 | 0.700 | 0.700 |
| EV/EBITDA Adj | 11.0 | 8.5 | 6.6 | 5.7 | 5.4 |
| EV/EBIT Adj | 26.1 | 24.5 | 18.6 | 13.3 | 11.2 |
| P/E Adj | 51.9 | 44.0 | 21.2 | 17.6 | 11.4 |
| Div. Yield | 4.8% | 8.2% | 6.8% | 6.8% | 6.8% |
| Net Debt/EBITDA Adj | 2.9 | 4.5 | 3.3 | 3.1 | 2.9 |

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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&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.
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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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| | |
|---|---|
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| OUTPERFORM: | 43.28 % |
| NEUTRAL: | 25.38 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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| | |
|---|---|
| BUY: | 50.70 % |
| OUTPERFORM: | 29.58 % |
| NEUTRAL: | 19.72 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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| Emittente | % | Long/Short |
|---|---|---|



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