

## GPI

## OUTPERFORM

Price (Eu):

6.92

Target Price (Eu):

10.00

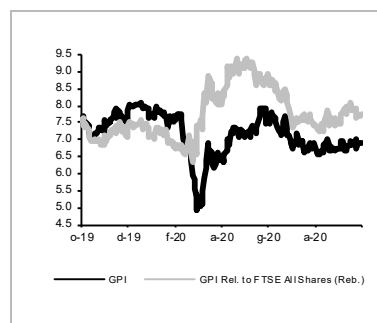
SECTOR: Industrials

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## Robust Organic Growth in 1H20 Despite Covid-19; 2020 Guidance Above Est.

- 1H20 results: better than expected.** During the period most affected by Covid-19, on the whole GPI managed to report better-than-expected results, showing robust organic growth and slightly improved profitability. Results were driven by better figures in the Care division (+6% organic vs +2% exp., 52% of total), where new bookings and cancellations more than offset the lower ordinary activity, and in Other Business (+20% vs -18% exp., 13% of total), as the Pay area (electronic payments business) saw a surge in digital food stamps, while also the Automation area (robots for automated drugs handling) was positive. On the other hand, the Software division (35% of total) was slightly below our forecast (-0% organic vs +3% exp.) as demand for new services such as pandemic related software couldn't counteract the shortfall caused by the delay in project implementations. Specifically, revenues came to €117.2mn (+6% YoY), 4% above est.; EBITDA closed at €10.5mn (+9% YoY, 8.9% margin, +0.2pp), 5% above est.); EBIT €0.9mn (vs €1.3mn exp. and €1.8mn in 1H19); net profit €0.2mn (vs €-0.4mn exp. and €1.3mn in 1H19). Net debt closed at €90.9mn, vs €92.2mn expected due to slightly better NWC management, despite higher CapEx and M&A outgoings that were almost in line.
- 2020 guidance: above estimates.** Even more importantly, the company provided quantitative guidance for 2020 that indicated revenue and EBITDA growth in excess of +6% and +8.5% respectively. Although this incorporates the contribution from M&A deals that are not yet included in our model, the guidance offers organic upside to our estimates providing investors a fair level of visibility on business development. As the M&A contribution is at ~4% vs ~2% previously, organic growth is implicitly +4% compared to our previous estimate of -2%. By division: Software should recover a bit as project delivery resumes (Veneto region contract ramp-up was delayed during 1H); Care almost in line with 1H; Other Business to normalise on a much tougher comparison base.
- M&A: permeating the Blood Management vertical.** At the end of May, GPI announced the acquisition of 100% of France-based Medinfo (closing awaited in the coming weeks) and the assets of US-based Heamonetics. The overall price was €21mn at closing (+€15mn earn-out) for €15.9mn in revenue and EBITDA of €5.5mn (35% margin). Both businesses are involved in the Blood Management market: a very attractive vertical of the Software for healthcare institutions market, managing collection, processing, storage and dispensing. These are strategic acquisitions with medium-term synergy potential, reinforcing GPI's presence in the global market (revenue of ~€24mn, ~8% market share, 10% of group) after the acquisitions of Insiel Mercato, Hemosoft and Guyot Walsler.
- OUTPERFORM and TP confirmed.** While the Covid-19 pandemic posed some challenges for the company, GPI's 1H20 results offered positive proof of strength and resilience in such a tough scenario, highlighting the visibility on the business model. We believe GPI has a strong market position, and thanks to its product offering it will successfully exploit digitalisation in the healthcare sector. Our target remains at €10.0 as we are rolling our valuation model (blend of DCF and EV/EBITDA) over to 2021/22 multiples and raising our estimates, offset by higher net debt. OUTPERFORM confirmed. Better cash generation, which could come from improved working capital, could become a key factor supporting our positive view on the stock.

## GPI - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Ch. in Adj.EPS est: 2020E 2021E  
4.2% -1.1%

## STOCK DATA

Reuters code: GPI.MI  
Bloomberg code: GPI IM

Performance	1m	3m	12m
Absolute	2.4%	-0.9%	-9.2%
Relative	3.7%	1.0%	2.1%
12 months H/L:	8.10/4.90		

## SHAREHOLDER DATA

No. of Ord. shares (mn):	16
Total No. of shares (mn):	16
Mkt Cap Ord (Eu mn):	109
Total Mkt Cap (Eu mn):	109
Mkt Float - ord (Eu mn):	40
Mkt Float (in %):	36.6%
Main shareholder:	
FM Srl (F. Manzana, CEO)	63.4%

## BALANCE SHEET DATA

	2020
Book value (Eu mn):	79
BVPS (Eu):	5.10
P/BV:	1.4
Net Financial Position (Eu mn):	-110
Enterprise value (Eu mn):	219

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on the last page of this report

Key Figures	2018A	2019A	2020E	2021E	2022E
Sales (Eu mn)	204	241	259	271	280
Ebitda (Eu mn)	27	32	35	38	39
Net profit (Eu mn)	9	9	8	8	9
EPS - New Adj.(Eu)	0.598	0.618	0.535	0.531	0.608
EPS - Old Adj.(Eu)	0.598	0.618	0.514	0.537	0.585
DPS (Eu)	0.330	0.000	0.000	0.000	0.000

Ratios & Multiples	2018A	2019A	2020E	2021E	2022E
P/E Adj.	11.6	11.2	12.9	13.0	11.4
Div. Yield	4.8%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda Adj.	6.0	6.0	6.2	5.6	5.1
ROCE	10.8%	10.6%	9.0%	9.1%	10.0%

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**GPI - KEY FIGURES**

		2018A	2019A	2020E	2021E	2022E
	Fiscal year end	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	204	241	259	271	280
	EBITDA	27	32	35	38	39
	EBIT	13	15	16	17	19
	Financial income (charges)	(0)	(2)	(4)	(5)	(5)
	Associates & Others	(0)	0	0	0	0
	Pre-tax profit (Loss)	13	13	12	12	14
	Taxes	(3)	(3)	(3)	(4)	(5)
	Tax rate (%)	26.0%	23.7%	27.0%	32.0%	32.0%
	Minorities & discontinue activities	(0)	(0)	(0)	(0)	(0)
	Net profit	9	9	8	8	9
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	29	32	35	38	39
	Ebit excl. extraordinary items	15	15	16	17	19
Net profit restated	9	9	8	8	9	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	16	16	16	16	16
	EPS stated fd	0.598	0.618	0.535	0.531	0.608
	EPS restated fd	0.598	0.618	0.535	0.531	0.608
	BVPS fd	4.330	4.564	5.100	5.631	6.239
	Dividend per share (ord)	0.330	0.000	0.000	0.000	0.000
	Dividend per share (sav)					
Dividend pay out ratio (%)	56.8%	0.0%	0.0%	0.0%	0.0%	
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	23	26	27	28	29
	Change in NWC	(10)	1	(11)	(4)	(3)
	Capital expenditure	(12)	(13)	(14)	(15)	(15)
	Other cash items	(4)	(2)	0	0	0
	Free cash flow (FCF)	2	(4)	2	9	12
	Acquisitions, divestments & others	(3)	(2)	(29)	0	0
	Dividend	(5)	(5)	0	0	0
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	(10)	(21)	(27)	9	12	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	110	125	150	146	140
	Net working capital	53	52	63	67	70
	Long term liabilities	(33)	(22)	(22)	(22)	(22)
	Net capital employed	130	155	190	190	188
	Net financial position	(61)	(83)	(110)	(101)	(90)
	Group equity	69	72	81	89	99
	Minorities	1	2	2	2	3
Net equity	67	70	79	87	96	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	109	109	109	109	109
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(61)	(83)	(110)	(101)	(90)
	Enterprise value	171	192	219	210	199
<b>RATIOS(%)</b>	EBITDA margin*	14.0%	13.4%	13.6%	13.9%	14.0%
	EBIT margin*	7.4%	6.2%	6.0%	6.4%	6.7%
	Gearing - Debt/equity	89.6%	114.8%	136.5%	113.7%	90.9%
	Interest cover on EBIT	44.2	6.6	3.9	3.5	4.0
	Debt/Ebitda	2.30	2.57	3.12	2.69	2.28
	ROCE*	10.8%	10.6%	9.0%	9.1%	10.0%
	ROE*	14.2%	13.6%	10.9%	9.7%	10.1%
	EV/CE	1.4	1.3	1.3	1.1	1.1
	EV/Sales	0.8	0.8	0.8	0.8	0.7
	EV/Ebit	11.3	12.8	14.1	12.2	10.6
Free Cash Flow Yield	1.7%	-3.2%	1.7%	8.0%	10.6%	
<b>GROWTH RATES (%)</b>	Sales	13.2%	18.3%	7.4%	4.7%	3.2%
	EBITDA*	9.5%	12.7%	9.3%	6.9%	4.3%
	EBIT*	-6.2%	-0.1%	3.1%	11.4%	8.9%
	Net profit	17.2%	1.2%	-13.3%	-0.8%	14.5%
	EPS restated	15.3%	3.2%	-13.3%	-0.8%	14.5%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

## 1H20 results

## Revenue and adj. EBITDA breakdown by division, income statement and NFP position

Revenue	1H19A	2H19A	2019A	1H20A	2H20E	2020E	1H20E	A/E %
<b>Software</b>	<b>40.7</b>	<b>50.6</b>	<b>91.3</b>	<b>41.5</b>	<b>59.0</b>	<b>100.6</b>	<b>43.3</b>	<b>-4.1%</b>
YoY growth	+1.8%	-0.2%	+0.7%	+2.1%	+16.6%	+10.2%	+5.1%	
<b>Organic*</b>	<b>+1.7%</b>	<b>-1.9%</b>	<b>-0.3%</b>	<b>-0.3%</b>	<b>+1.1%</b>	<b>+0.5%</b>	<b>+3.0%</b>	
Scope*	+0.1%	+1.7%	+1.0%	+2.4%	+15.5%	+9.7%	+2.1%	
<b>Care</b>	<b>57.6</b>	<b>62.0</b>	<b>119.6</b>	<b>61.0</b>	<b>64.9</b>	<b>125.8</b>	<b>58.6</b>	<b>4.2%</b>
YoY growth	+34.9%	+36.1%	+35.5%	+5.9%	+4.6%	+5.2%	+2.7%	
<b>Organic*</b>	<b>+34.3%</b>	<b>+35.2%</b>	<b>+34.8%</b>	<b>+5.8%</b>	<b>+4.2%</b>	<b>+5.0%</b>	<b>+2.0%</b>	
Scope*	+0.6%	+0.9%	+0.8%	+0.1%	+0.3%	+0.2%	+0.7%	
<b>Other operating sectors</b>	<b>12.2</b>	<b>17.8</b>	<b>30.0</b>	<b>14.7</b>	<b>17.7</b>	<b>32.4</b>	<b>10.3</b>	<b>42.8%</b>
YoY growth	+15.0%	+26.0%	+21.3%	+20.1%	-0.3%	+8.0%	-15.9%	
<b>Organic*</b>	<b>+8.4%</b>	<b>+24.2%</b>	<b>+17.4%</b>	<b>+20.1%</b>	<b>-0.3%</b>	<b>+8.0%</b>	<b>-18.0%</b>	
Scope*	+6.6%	+1.8%	+3.9%	+0.0%	+0.0%	+0.0%	+2.1%	
<b>Revenue</b>	<b>110.5</b>	<b>130.4</b>	<b>240.9</b>	<b>117.2</b>	<b>141.6</b>	<b>258.8</b>	<b>112.2</b>	<b>4.5%</b>
YoY growth	+18.4%	+18.1%	+18.3%	+6.1%	+8.6%	+7.4%	+1.5%	
<b>Organic*</b>	<b>+17.4%</b>	<b>+16.8%</b>	<b>+17.0%</b>	<b>+5.2%</b>	<b>+2.4%</b>	<b>+3.7%</b>	<b>+0.2%</b>	
Scope*	+1.1%	+1.4%	+1.2%	+0.9%	+6.2%	+3.8%	+1.4%	
EBITDA	1H19A	2H19A	2019A	1H20A	2H20E	2020E	1H20E	A/E %
<b>Software</b>	<b>7.3</b>	<b>14.6</b>	<b>21.9</b>	<b>7.3</b>	<b>16.6</b>	<b>23.9</b>	<b>7.8</b>	<b>-6.5%</b>
YoY growth	-0.1%	-2.6%	-1.8%	-0.2%	+14.1%	+9.3%	+6.4%	
EBITDA margin %	18.0%	28.8%	24.0%	17.6%	28.2%	23.8%	18.0%	
<b>Care</b>	<b>1.5</b>	<b>5.1</b>	<b>6.6</b>	<b>1.7</b>	<b>5.6</b>	<b>7.3</b>	<b>1.5</b>	<b>12.7%</b>
YoY growth	+33.4%	+98.2%	+78.3%	+8.9%	+11.1%	+10.6%	-1.8%	
EBITDA margin %	2.6%	8.2%	5.5%	2.7%	8.7%	5.8%	2.5%	
<b>Other operating sectors</b>	<b>0.8</b>	<b>2.9</b>	<b>3.7</b>	<b>1.5</b>	<b>2.4</b>	<b>4.0</b>	<b>0.7</b>	<b>127.3%</b>
YoY growth	-27.6%	+95.2%	+43.0%	+90.6%	-16.1%	+6.8%	-15.3%	
EBITDA margin %	6.5%	16.3%	12.3%	10.3%	13.7%	12.2%	6.5%	
<b>Adj. EBITDA</b>	<b>9.6</b>	<b>22.6</b>	<b>32.2</b>	<b>10.5</b>	<b>24.7</b>	<b>35.2</b>	<b>9.9</b>	<b>5.3%</b>
YoY growth	+0.7%	+18.7%	+12.7%	+8.7%	+9.5%	+9.3%	+3.3%	
Adj. EBITDA margin %	8.7%	17.3%	13.4%	8.9%	17.5%	13.6%	8.9%	
Adj. EBITDA margin %	8.7%	17.3%	13.4%	8.9%	17.5%	13.6%	8.9%	
Income statement & NFP position	1H19A	2H19A	2019A	1H20A	2H20E	2020E	1H20E	A/E %
<b>Revenue</b>	<b>110.5</b>	<b>130.4</b>	<b>240.9</b>	<b>117.2</b>	<b>141.6</b>	<b>258.8</b>	<b>112.2</b>	<b>4.5%</b>
YoY growth	+18.4%	+18.1%	+18.3%	+6.1%	+8.6%	+7.4%	+1.5%	
- Operating costs	(100.9)	(107.8)	(208.7)	(106.7)	(116.9)	(223.6)	(102.2)	
+ Non-recurring exp.	-	(0.0)	(0.0)	(0.0)	0.0	-	-	
<b>Adj. EBITDA</b>	<b>9.6</b>	<b>22.6</b>	<b>32.2</b>	<b>10.5</b>	<b>24.7</b>	<b>35.2</b>	<b>9.9</b>	<b>5.3%</b>
YoY growth	+0.7%	+18.7%	+12.7%	+8.7%	+9.5%	+9.3%	+3.3%	
<b>Adj. EBITDA margin %</b>	<b>8.7%</b>	<b>17.3%</b>	<b>13.4%</b>	<b>8.9%</b>	<b>17.5%</b>	<b>13.6%</b>	<b>8.9%</b>	
- D&A and provisions	(7.8)	(9.3)	(17.1)	(9.5)	(10.1)	(19.7)	(8.6)	
- Non-recurring exp.	-	0.0	0.0	0.0	(0.0)	-	-	
<b>EBIT</b>	<b>1.8</b>	<b>13.3</b>	<b>15.1</b>	<b>0.9</b>	<b>14.6</b>	<b>15.5</b>	<b>1.3</b>	<b>-28.4%</b>
YoY growth	-43.7%	+32.6%	+14.0%	-48.6%	+10.1%	+3.0%	-28.2%	
<b>EBIT margin %</b>	<b>1.6%</b>	<b>10.2%</b>	<b>6.3%</b>	<b>0.8%</b>	<b>10.3%</b>	<b>6.0%</b>	<b>1.2%</b>	
-/+ Net financial inc./(exp.)	(1.7)	(0.6)	(2.3)	(1.7)	(2.2)	(3.9)	(2.0)	
-/+ Profit/(loss) from equity acc. ir	-	0.0	0.0	-	-	-	-	
<b>Pre-tax profit</b>	<b>0.1</b>	<b>12.7</b>	<b>12.8</b>	<b>(0.8)</b>	<b>12.4</b>	<b>11.6</b>	<b>(0.7)</b>	<b>22.2%</b>
Tax rate %	n.m.	33.4%	23.7%	125.0%	33.4%	27.0%	36.0%	
- Income tax	1.2	(4.2)	(3.0)	1.0	(4.1)	(3.1)	0.2	
<b>Net profit</b>	<b>1.3</b>	<b>8.4</b>	<b>9.8</b>	<b>0.2</b>	<b>8.3</b>	<b>8.5</b>	<b>(0.4)</b>	<b>-147.7%</b>
YoY growth	-31.5%	+11.7%	+2.9%	-84.6%	-2.1%	-13.3%	-132.3%	
<b>Net profit margin %</b>	<b>1.2%</b>	<b>6.5%</b>	<b>4.0%</b>	<b>0.2%</b>	<b>5.8%</b>	<b>3.3%</b>	<b>-0.4%</b>	
- Minorities	(0.2)	(0.3)	(0.4)	(0.1)	(0.2)	(0.4)	-	
<b>Net profit attrib. to shareholder.</b>	<b>1.2</b>	<b>8.2</b>	<b>9.3</b>	<b>0.1</b>	<b>8.0</b>	<b>8.1</b>	<b>(0.4)</b>	<b>-119.9%</b>
<b>Net debt/(cash)</b>	<b>80.8</b>	<b>82.8</b>	<b>82.8</b>	<b>90.9</b>	<b>109.9</b>	<b>109.9</b>	<b>92.2</b>	<b>(1.3)</b>
Net debt/EBITDA	3.0 x	2.6 x	2.6 x	2.7 x	3.1 x	3.1 x	0.0 x	

Source: Intermonete SIM estimate (E), company data (A)

## Change in estimates

**Change in estimates.** We are upgrading our estimate to reflect higher organic growth and an improved M&A contribution, with 2020 numbers a tad above company guidance, showing revenue and EBITDA growth of +7.4%/+9.3%, offset by higher D&A and net financial expenses. Net debt also increases factoring in the cash-out for M&A and slightly lower cash generation.

### Change in estimate

	New			Old			Change %		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
<b>Revenue</b>	<b>258.8</b>	<b>271.1</b>	<b>279.8</b>	<b>240.8</b>	<b>252.0</b>	<b>260.1</b>	<b>7.5%</b>	<b>7.6%</b>	<b>7.6%</b>
YoY growth	7.4%	4.7%	3.2%	0.0%	4.6%				
<b>Organic*</b>	<b>3.7%</b>	<b>4.1%</b>	<b>3.2%</b>	<b>-1.6%</b>	<b>4.0%</b>				
Scope*	3.8%	0.6%	0.0%	1.6%	0.6%				
<b>EBITDA</b>	<b>35.2</b>	<b>37.6</b>	<b>39.3</b>	<b>32.3</b>	<b>34.8</b>	<b>36.2</b>	<b>8.9%</b>	<b>8.2%</b>	<b>8.3%</b>
YoY growth	9.3%	6.9%	4.3%	0.3%	7.6%				
<b>EBITDA margin %</b>	<b>13.6%</b>	<b>13.9%</b>	<b>14.0%</b>	<b>13.4%</b>	<b>13.8%</b>				
<b>EBIT</b>	<b>15.5</b>	<b>17.3</b>	<b>18.8</b>	<b>15.1</b>	<b>16.6</b>	<b>17.7</b>	<b>3.1%</b>	<b>4.2%</b>	<b>6.2%</b>
YoY growth	3.0%	11.4%	8.9%	0.0%	10.2%				
<b>EBIT margin %</b>	<b>6.0%</b>	<b>6.4%</b>	<b>6.7%</b>	<b>6.3%</b>	<b>6.6%</b>				
<b>EPS</b>	<b>0.54</b>	<b>0.53</b>	<b>0.61</b>	<b>0.51</b>	<b>0.54</b>	<b>0.60</b>	<b>4.2%</b>	<b>-1.1%</b>	<b>2.0%</b>
YoY growth	-13.3%	-0.8%	14.5%	-16.8%	4.5%				
<b>Net debt/(cash)</b>	<b>109.9</b>	<b>101.2</b>	<b>89.6</b>	<b>82.0</b>	<b>74.0</b>	<b>63.4</b>	<b>34.1%</b>	<b>36.7%</b>	<b>41.3%</b>

Source: Intermonte SIM estimate

## Valuation

### Valuation summary

Method	Val.	Weight	Weighted val.
DCF valuation (WACC @ 7.8%, g @ 2%)	8.0	50%	4.0
EV/EBITDA adj. FY1 @ 8x FY2 @ 7x	12.0	50%	6.0
<b>Fair value per share (Eu)</b>			<b>10.0</b>
Actual share price			6.9
<b>Upside/(Downside)</b>			<b>45%</b>

Source: Intermonte SIM estimate

### Implicit market multiples

	@ current prices			@ TP		
	2019A	2020E	2021E	2019A	2020E	2021E
EV/SALES	0.8x	0.9x	0.8x	1.0x	1.1x	1.0x
EV/EBITDA	6.2x	6.4x	5.8x	7.7x	7.8x	7.1x
EV/EBIT	13.2x	14.5x	12.5x	16.4x	17.7x	15.3x
P/E	16.9x	19.5x	19.7x	16.9x	19.5x	19.7x

Source: Intermonte SIM estimate

## Financials

### Income statement

	2017A	2018A	2019A	2020E	2021E	2022E
<b>Revenue</b>	<b>179.9</b>	<b>203.7</b>	<b>240.9</b>	<b>258.8</b>	<b>271.1</b>	<b>279.8</b>
YoY growth	+32.1%	+13.2%	+18.3%	+7.4%	+4.7%	+3.2%
<b>Organic*</b>	<b>+6.1%</b>	<b>+3.6%</b>	<b>+17.0%</b>	<b>+3.7%</b>	<b>+4.1%</b>	<b>+3.2%</b>
Scope*	+26.0%	+9.7%	+1.2%	+3.8%	+0.6%	+0.0%
- Operating costs	(154.0)	(176.9)	(208.7)	(223.6)	(233.5)	(240.6)
+ Non-recurring exp.	0.2	1.9	(0.0)	-	-	-
<b>Adj. EBITDA</b>	<b>26.1</b>	<b>28.6</b>	<b>32.2</b>	<b>35.2</b>	<b>37.6</b>	<b>39.3</b>
YoY growth	+16.5%	+9.5%	+12.7%	+9.3%	+6.9%	+4.3%
<b>Adj. EBITDA margin %</b>	<b>14.5%</b>	<b>14.0%</b>	<b>13.4%</b>	<b>13.6%</b>	<b>13.9%</b>	<b>14.0%</b>
- D&A and provisions	(10.0)	(13.5)	(17.1)	(19.7)	(20.3)	(20.4)
- Non-recurring exp.	(0.2)	(1.9)	0.0	-	-	-
<b>EBIT</b>	<b>15.9</b>	<b>13.2</b>	<b>15.1</b>	<b>15.5</b>	<b>17.3</b>	<b>18.8</b>
YoY growth	+7.4%	-16.7%	+14.0%	+3.0%	+11.4%	+8.9%
<b>EBIT margin %</b>	<b>8.8%</b>	<b>6.5%</b>	<b>6.3%</b>	<b>6.0%</b>	<b>6.4%</b>	<b>6.7%</b>
-/+ Net financial inc./(exp.)	(2.2)	(0.3)	(2.3)	(3.9)	(5.0)	(4.7)
-/+ Profit/(loss) from equity acc. inv	-	(0.1)	0.0	-	-	-
<b>Pre-tax profit</b>	<b>13.6</b>	<b>12.8</b>	<b>12.8</b>	<b>11.6</b>	<b>12.3</b>	<b>14.1</b>
Tax rate %	40.2%	26.0%	23.7%	27.0%	32.0%	32.0%
- Income tax	(5.5)	(3.3)	(3.0)	(3.1)	(3.9)	(4.5)
<b>Net profit</b>	<b>8.2</b>	<b>9.5</b>	<b>9.8</b>	<b>8.5</b>	<b>8.4</b>	<b>9.6</b>
YoY growth	+25.7%	+16.2%	+2.9%	-13.3%	-0.8%	+14.5%
<b>Net profit margin %</b>	<b>4.5%</b>	<b>4.7%</b>	<b>4.0%</b>	<b>3.3%</b>	<b>3.1%</b>	<b>3.4%</b>
- Minorities	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
<b>Net profit attrib. to sharehold.</b>	<b>7.9</b>	<b>9.2</b>	<b>9.3</b>	<b>8.1</b>	<b>8.0</b>	<b>9.2</b>

Source: Intermonte SIM estimate (E) and company data (A)

### Balance sheet

	2017A	2018A	2019A	2020E	2021E	2022E
Trade net working capital	(14.4)	(8.7)	(31.0)	(28.1)	(28.7)	(28.9)
Other current assets/(liabilities)	59.3	62.0	82.6	90.9	95.4	98.6
<b>Working capital</b>	<b>44.9</b>	<b>53.3</b>	<b>51.7</b>	<b>62.7</b>	<b>66.7</b>	<b>69.8</b>
Net fixed assets	108.7	109.9	125.3	149.9	145.5	140.5
Long-term liabilities	(38.5)	(33.1)	(22.2)	(22.2)	(22.2)	(22.2)
<b>Total fixed asset</b>	<b>70.2</b>	<b>76.8</b>	<b>103.2</b>	<b>127.7</b>	<b>123.4</b>	<b>118.3</b>
<b>Invested capital</b>	<b>115.1</b>	<b>130.1</b>	<b>154.9</b>	<b>190.5</b>	<b>190.1</b>	<b>188.1</b>
Net debt/(cash)	51.0	61.5	82.8	109.9	101.2	89.6
Equity	62.9	67.3	70.4	78.5	86.6	95.8
Minorities	1.1	1.3	1.7	2.0	2.4	2.8
<b>Total sources</b>	<b>115.1</b>	<b>130.1</b>	<b>154.9</b>	<b>190.5</b>	<b>190.1</b>	<b>188.1</b>

Source: Intermonte SIM estimate (E) and company data (A)

### Cash flow statement

	2017A	2018A	2019A	2020E	2021E	2022E
<b>NFP beginning of the period</b>	<b>(9.9)</b>	<b>(51.0)</b>	<b>(61.5)</b>	<b>(82.8)</b>	<b>(109.9)</b>	<b>(101.2)</b>
<b>Net Income</b>	<b>8.2</b>	<b>9.5</b>	<b>9.8</b>	<b>8.5</b>	<b>8.4</b>	<b>9.6</b>
D&A	9.2	13.4	16.1	18.9	19.5	19.6
Change in working capital & Others	(29.2)	(9.0)	(15.9)	(11.0)	(4.0)	(3.0)
<b>Cash flow from operations</b>	<b>(11.9)</b>	<b>13.9</b>	<b>9.9</b>	<b>16.3</b>	<b>23.9</b>	<b>26.2</b>
Capex	(5.5)	(12.0)	(13.5)	(14.5)	(15.1)	(14.6)
<b>FCF (ex. acq)</b>	<b>(17.3)</b>	<b>1.9</b>	<b>(3.5)</b>	<b>1.9</b>	<b>8.8</b>	<b>11.6</b>
Acquisitions	(25.6)	(3.1)	(1.9)	(29.0)	-	-
Dividends, buybacks and equity financing	(5.4)	(5.4)	(6.0)	-	-	-
Others (incl. IFRS 16)	7.2	(3.9)	(9.9)	-	-	-
<b>Change in NFP</b>	<b>(41.1)</b>	<b>(10.5)</b>	<b>(21.3)</b>	<b>(27.1)</b>	<b>8.8</b>	<b>11.6</b>
<b>NFP end of the period</b>	<b>(51.0)</b>	<b>(61.5)</b>	<b>(82.8)</b>	<b>(109.9)</b>	<b>(101.2)</b>	<b>(89.6)</b>

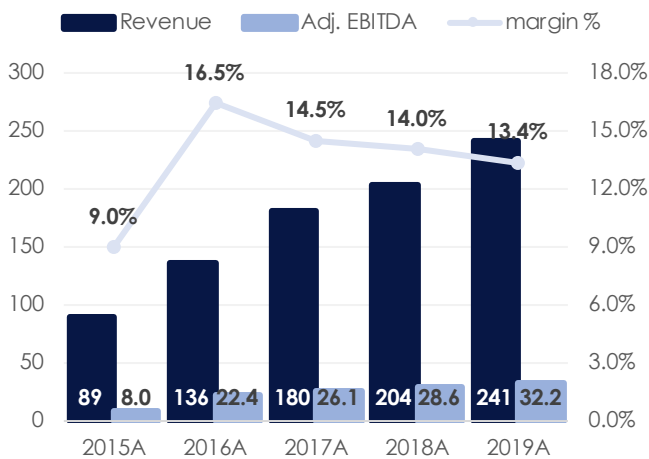
Source: Intermonte SIM estimate (E) and company data (A)

## Company description

Established in 1988 by Chairman and CEO Fausto Manzana, GPI is a leading player in the domestic market for information & communication technology services for healthcare institutions (i.e. public and private hospitals) with around 90% of its turnover generated in Italy. The company has three main business units:

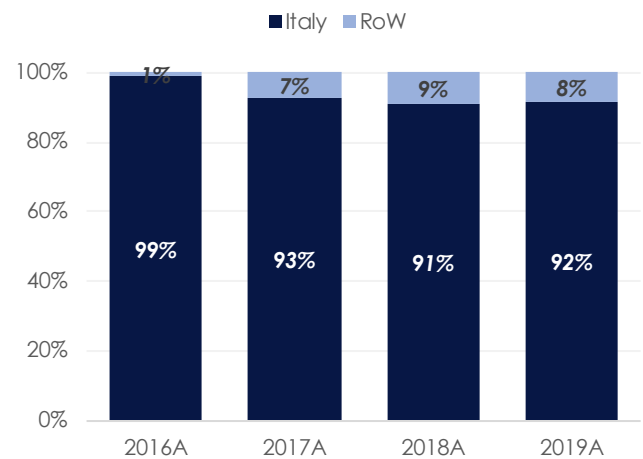
- **Software (38%/68% of turnover/EBITDA; 24% EBITDA margin)** provides solutions and services for the management of administrative-accounting processes in the public sector, of treatment processes in hospitals, and of social-welfare processes;
- **Care (49%/20% of turnover/EBITDA; 5.5% EBITDA margin)** includes ancillary services of an administrative nature (such as booking/cancellation of healthcare services, contact centre services, administrative/counter acceptance services, administrative secretarial services, cultural intermediation for foreign citizens and additional administrative services for business process outsourcing). The divisional turnover comprises a fixed annual amount and a €1 to €3 fee per contact managed;
- **Other business lines (12%/11% of turnover/EBITDA; 12% EBITDA margin)** relate to automation of the pharmaceutical supply chain, ICT (desktop management services for hospitals and other public institutions) and Pay (management of electronic payments).

### Key financial evolution (€ mn)



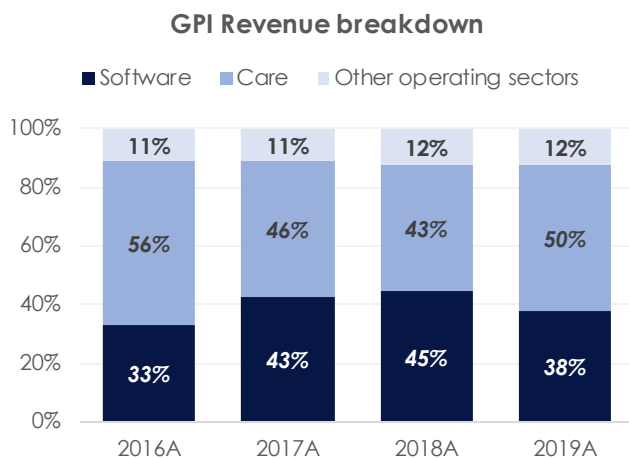
Source: company data

### Turnover breakdown by geographical area



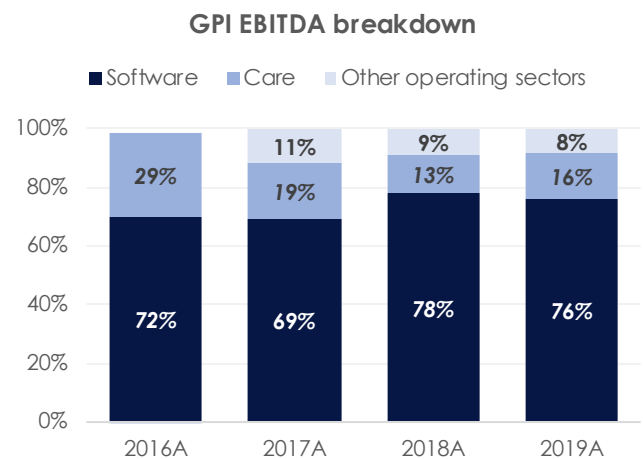
Source: company data

### Turnover breakdown by strategic unit



Source: company data

### Adj. EBITDA breakdown by strategic unit



Source: company data

## GPI Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
<b>GPI</b>	<b>6.92</b>	<b>EUR</b>	<b>109</b>	<b>2.4%</b>	<b>-0.9%</b>	<b>7.8%</b>	<b>-14.6%</b>	<b>-9.2%</b>	<b>-17.4%</b>
ALKEMY	5.70	EUR	31	-2.7%	-5.9%	33.2%	-35.2%	-47.9%	-45.7%
ALLSCRIPTS HEALTH	8.31	USD	1,354	-4.1%	26.1%	26.3%	-15.3%	-21.5%	-37.9%
ATENTO	8.62	USD	129	-6.7%	14.3%	73.2%	-40.5%	-37.4%	-75.3%
BE	1.14	EUR	154	3.4%	0.0%	14.4%	-9.2%	9.4%	32.3%
CEGEDIM	26.30	EUR	364	3.1%	-18.3%	1.2%	-9.3%	2.1%	0.0%
COMPUGROUP MEDICA	79.60	EUR	4,277	2.2%	12.1%	24.0%	24.9%	47.8%	71.1%
COMPUTER PROGRAM &	28.99	USD	421	4.6%	28.3%	32.8%	9.8%	32.5%	9.7%
CONVERGYS	---	USD	---	---	---	---	---	---	---
NEXUS	46.40	EUR	731	-1.5%	13.2%	41.5%	34.1%	54.7%	68.1%
PHARMAGEST INTERACT	86.10	EUR	1,296	11.0%	2.4%	44.2%	42.1%	52.1%	59.4%
QUALITY SYSTEMS	13.55	USD	---	1.3%	28.0%	29.8%	-15.7%	-13.4%	-29.4%
REPLY	103.80	EUR	3,883	7.7%	39.7%	67.6%	49.5%	87.0%	104.3%
SYKES ENTERPRISES	35.74	USD	1,432	11.5%	39.6%	30.0%	-3.4%	21.4%	24.3%
TELEPERFORMANCE	164.90	EUR	9,528	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TTECH	57.12	USD	2,669	5.9%	29.5%	59.1%	44.2%	25.5%	134.8%
<b>Mean performance</b>				<b>2.5%</b>	<b>13.9%</b>	<b>32.3%</b>	<b>4.1%</b>	<b>13.5%</b>	<b>19.9%</b>
<b>Italy FTSE Mib</b>	19,558.7	EUR		-1.3%	-2.2%	11.0%	-16.8%	-11.8%	1.6%

Source: FactSet

## GPI Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
<b>GPI</b>	<b>6.92</b>	<b>EUR</b>	<b>109</b>	<b>0.8</b>	<b>0.8</b>	<b>6.2</b>	<b>5.6</b>	<b>14.1</b>	<b>12.2</b>	<b>12.9</b>	<b>13.0</b>	<b>0.0%</b>	<b>0.0%</b>
ALKEMY	5.70	EUR	31	0.6	0.5	7.8	5.9	12.1	8.8	18.1	11.2	0.0%	0.0%
ALLSCRIPTS HEALTH	8.31	USD	1,354	1.3	1.2	7.2	6.6	12.7	10.8	12.5	10.6	0.0%	0.0%
ATENTO	8.62	USD	129	0.5	0.5	5.8	4.8	67.0	15.2			0.0%	0.0%
BE	1.14	EUR	154	1.0	0.9	5.9	5.1	9.7	8.2	15.7	13.5	2.6%	3.0%
CEGEDIM	26.30	EUR	364	1.2	1.1	6.0	5.5	16.7	14.7	21.3	18.6	0.5%	0.6%
COMPUGROUP MEDICA	79.60	EUR	4,277	5.4	4.8	20.9	18.5	29.6	26.1	35.3	32.3	0.6%	0.7%
COMPUTER PROGRAM &	28.99	USD	421	1.5	1.4	9.3	7.3	18.3	12.4	13.2	10.6	5.5%	5.5%
CONVERGYS		USD											
NEXUS	46.40	EUR	731	4.3	3.8	19.1	16.5	32.6	26.4	47.5	39.7	0.4%	0.4%
PHARMAGEST INTERACT	86.10	EUR	1,296	7.5	6.6	24.7	21.2	28.3	25.1	40.9	36.5	1.2%	1.3%
QUALITY SYSTEMS	13.55	USD											
REPLY	103.80	EUR	3,883	3.0	2.6	19.3	16.3	24.0	20.2	36.0	31.2	0.5%	0.5%
SYKES ENTERPRISES	35.74	USD	1,432	0.8	0.7	7.1	6.4	9.6	8.6	14.6	13.2		
TELEPERFORMANCE	164.90	EUR	9,528	2.1	2.0	12.0	11.2	16.1	15.0	21.1	20.0	1.6%	1.7%
TTECH	57.12	USD	2,669	1.6	1.5	11.2	10.7	17.0	16.3	23.7	24.1	1.2%	1.3%
<b>Median</b>				<b>1.5</b>	<b>1.4</b>	<b>9.3</b>	<b>7.3</b>	<b>17.0</b>	<b>15.0</b>	<b>21.2</b>	<b>19.3</b>	<b>0.6%</b>	<b>0.6%</b>

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

## DETAILS ON STOCKS RECOMMENDATION

Stock NAME	GPI		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	10.00	Previous Target (Eu):	10.00
Current Price (Eu):	6.92	Previous Price (Eu):	6.84
Date of report:	14/10/2020	Date of last report:	22/04/2020

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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 2.5% and a risk premium of 5.0% 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.

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Explanation of our ratings system:

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 30 September 2020 Intermonte's Research Department covered 124 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	07.44 %
OUTPERFORM:	52.07 %
NEUTRAL:	33.88 %
UNDERPERFORM	06.61 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (52 in total) is as follows:

BUY:	11.54 %
OUTPERFORM:	59.62 %
NEUTRAL:	28.84 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short
COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
LIFE CARE CAPITAL	0,59	LONG
OLIDATA	0,74	SHORT

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