

# GPI

Sector: Industrials

# OUTPERFORM

Price: Eu13.30 - Target: Eu17.50

## TESI acquisition and Rights Issue Completed; Ready to Execute BP

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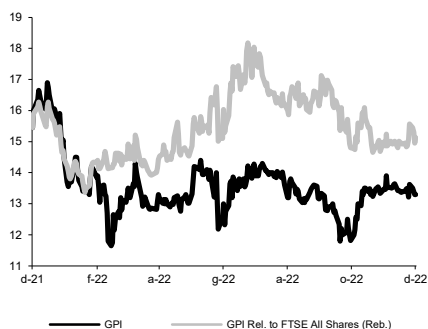
### Stock Rating

**Rating:** Unchanged

**Target Price (Eu):** from 17.30 to 17.50

	2022E	2023E	2024E
Chg in Adj EPS	nm.	-28.1%	-25.1%

### GPI - 12M Performance



### Stock Data

**Reuters code:** GPI.MI

**Bloomberg code:** GPI IM

Performance	1M	3M	12M
Absolute	-1.3%	0.6%	-13.9%
Relative	1.6%	-8.7%	-1.8%
12M (H/L)	16.90/11.65		
3M Average Volume (th):	12.64		

### Shareholder Data

**No. of Ord shares (mn):** 29

**Total no. of shares (mn):** 29

**Mkt Cap Ord (Eu mn):** 384

**Total Mkt Cap (Eu mn):** 384

**Mkt Float - Ord (Eu mn):** 162

**Mkt Float (in %):** 42.1%

**Main Shareholder:**

FM Srl (F. Manzana, CEO) 57.3%

### Balance Sheet Data

**Book Value (Eu mn):** 249

**BVPS (Eu):** 8.65

**P/BV:** 1.5

**Net Financial Position (Eu mn):** -130

**Enterprise Value (Eu mn):** 514

■ **TESI acquisition closed: expanding software portfolio and international presence.** On 21 November, GPI closed the acquisition of 65% of TESI for an EV of €90mn, paying €58mn plus put & call options on the remaining 35% for a future cash-out of between €0 and €63mn based on 2024 results. TESI provides software solutions for healthcare with a focus on laboratory and radiology information systems (LIS & RIS), blood and clinical activities. The rationale for the acquisition is: i) complementing the software offering and increasing exposure to areas where it has leeway to raise its profile; ii) improving geographical diversification; iii) generating cross-selling opportunities. In 2021, TESI had revenues/EBITDA of €29.0/11.7mn (IFRS basis; 2/3 generated abroad, mainly LatAm).

■ **Rights issue completed at €13.15 for 10.65mn new shares.** On 14 December, GPI announced that its €140mn capital increase was fully subscribed. The unit price was set at €13.15 (based on the mechanism announced in June) for a total 10.65mn new shares (28.91mn in total now). As planned, the capital increase was subscribed by: i) the founder and main shareholder through FM Srl for €35mn (2.66mn shares, 25% of total); ii) CDP Equity for €70mn (5.32mn shares, 50%); iii) and professional investors for €35mn (2.66mn shares, 25%). The capital increase was done to support the 2022-24 strategic business plan and in particular to: i) finance M&A aimed at increasing its presence in the software space, mainly abroad; ii) fund R&D investment, especially for telemedicine. GPI plans to achieve €500mn in revenues by 2024, of which €420mn organic and €80mn from M&A (~€50mn ex-TESI) and an EBITDA margin >17% (EBITDA >€85mn).

■ **2022 outlook: company guidance conservative.** In the rights issue prospectus, GPI updated its 2022 guidance saying it expects to reach EBITDA >€52.7mn, up on the previous > €52.0mn thanks to the contribution of TESI. The group also said ongoing projects and new orders for the CONSIP tender were boosting business development. At market level, healthcare institution orders that started to come in September are said to amount to ~€85mn (of which ~35% should be reserved to GPI consortium), in line with the annual rate run in our estimates (€150mn).

■ **Change in estimates.** In this note we include the acquisition of TESI and capital increase in our explicit estimates. Our 2023/24 updated adj. EPS estimates decrease by -28/-25% due to dilution from the higher number of shares (28.9mn vs 18.3mn prev.) following the rights issue, more than offsetting the higher adj. net profit estimate. Our 2023/24 adj. net profit rises by +14/+19% thanks to consolidation of TESI, partly offset by higher financial expenses due to the increase in interest rates and higher NWC absorption. We stress that: i) dilution from the rights issue is increasingly offset by expected synergies from TESI; ii) the capital structure is less efficient but offers greater flexibility to pursue further M&A opportunities in line with GPI's plan.

■ **OUTPERFORM confirmed, TP to €17.5.** 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 BP. Despite the tough comparison base due to some Covid-19 related services, 2022 should close with robust growth, which is expected to continue going forward thanks to underlying trends supported by CONSIP and NRRP programs. OUTPERFORM, TP to €17.5 (vs €17.3 prev) as roll-over to 2023/24 more than offset the higher WACC due to higher cost of debt (the acquisition of TESI and the capital increase were already included in our valuation).

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	271	327	356	412	445
EBITDA Adj (Eu mn)	40	50	55	70	79
Net Profit Adj (Eu mn)	12	11	13	21	27
EPS New Adj (Eu)	0.776	0.621	0.448	0.759	0.977
EPS Old Adj (Eu)	0.776	0.621	0.816	1.055	1.304
DPS (Eu)	0.500	0.500	0.500	0.500	0.500
EV/EBITDA Adj	6.4	7.4	9.4	7.5	6.6
EV/EBIT Adj	13.6	15.7	18.7	13.0	10.6
P/E Adj	17.1	21.4	29.7	17.5	13.6
Div. Yield	3.8%	3.8%	3.8%	3.8%	3.8%
Net Debt/EBITDA Adj	3.6	3.1	2.4	2.0	1.7

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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: 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&P/IB40 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.

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 2022 Intermonte's Research Department covered 121 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	22.13 %
OUTPERFORM:	48.36 %
NEUTRAL:	27.87 %
UNDERPERFORM	01.64 %
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:	38.46 %
OUTPERFORM:	50.00 %
NEUTRAL:	11.54 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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