Capital for Progress 1

Homing in on the Target

GPI - Key estimates and data						
Y/E December		2014A	2015A	2016E	2017E	2018E
Turnover	EUR M	73.9	98.2	131.1	150.9	173.5
EBITDA	EUR M	12.4	16.3	21.7	25.2	29.0
EBITDA margin	(%)	16.8	16.6	16.6	16.7	16.7
adj. EBIT	EUR M	6.8	8.6	13.7	17.4	21.3
adj. EBIT margin	(%)	9.2	8.7	10.4	11.5	12.3
adj. group's net Income	EUR M	2.6	3.8	6.0	8.1	10.3
Net debt	EUR M	27.0	40.9	40.5	39.5	37.9
ROCE	(%)	15.4	14.8	22.2	26.4	30.2
ROE (%)	(%)	15.2	21.9	28.4	30.8	31.7

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- **The target company: GPI Group.** Founded in 1988 by Fausto Manzana (current chairman and CEO), GPI Group is an Italian based company, primarily involved in the provision of information technology (IT) solutions for the healthcare and welfare segments. With a FY15A turnover of around EUR 98.2M, the company offers a comprehensive set of products and solutions in different business segments such as IT Solutions, Healthcare Services, Logistics and automation, Payment Solutions and Professional IT Services. The Group's ultimate mission is to provide solutions to increase healthcare efficiency both in terms of quality and costs, while reducing medical errors. In the last four years the GPI Group has doubled its turnover: from about EUR 63.5M in 2013 to EUR 131M expected for 2016, also thanks to the acquisitions of companies complementary or connected to the core business of the group.

- **Outlook.** The proceeds coming from CFP1 will be used entirely for acquisitions. We highlight that since 2014, GPI has developed a strong track record in acquiring companies and integrating them within the group. As a result, the group has had a mixed organic and external growth rate. In particular, between 2013A and 2016P, with a 27.3% revenue CAGR, the company's top line has shown a stable organic growth, while total revenues should grow at a 14.7% CAGR over the same period. We believe that GPI could be a sector consolidator, as the Italian market is highly fragmented. The top 8 operators in Italy hold a combined market share of around 33%; the other players are mostly small local companies. According to management, the ongoing consolidation process will favour only two or three Italian 'champions', with strong balance sheets and significant market shares.

- **Valuation.** The transaction valued GPI at an Equity Value of EUR 100M, with a 2016E EV/EBITDA of 6.5x and a 2016E P/E of 16.5x, vs. a peers' average 2016E EV/EBITDA of 10.1x and a 2016E P/E of 18.9x. Our DCF valuation of GPI without acquisitions using CFP1 proceeds (WACC of 7.27%, TV growth of 1%) leads to an Equity Value of around EUR 127M. Applying the average of 2016E and 2017E EV/EBITDA and P/E multiples of peers we obtain a valuation range of EUR 113.9-182.3M, although the latter should be adjusted for GPI's profitability. Lastly, we simulate the possible value accretion coming from the planned acquisitions. In the case of an acquisition paid at 5-6x normalised EBITDA, in front of an investment of around EUR 65M (EUR 50M from CFP1 plus EUR 15M coming from the recent minibond issue), the value accretion would be around EUR 52.7-33.1M.

- **Key risks.** The main risks to GPI's equity story and our estimates model, in our view, are: i) the structurally high level of working capital absorption, due to the high exposure to Italian PAs that have long-term payments; ii) a potentially significant reduction in public healthcare spending in Italy; and iii) dilution and overhang risks due to the SPAC's sponsors and investors shares and warrants. We also believe that the limited size of the group and the low liquidity on the AIM market should be taken into consideration. However we note that after the listing on the AIM, management intends to then move the listing to the MTA.

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Italy/IT System Integrators

Intesa Sanpaolo Research Department

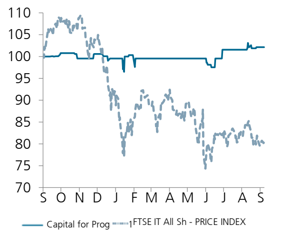
Gabriele Berti
Research Analyst
+39 02 8794 9821
gabriele.berti@intesasanpaolo.com

Alberto Francese
Research Analyst
+39 02 8794 9815
alberto.francese@intesasanpaolo.com

Corporate Broking Team
Alberto Francese
Gabriele Berti
Marta Caprini

Price performance, -1Y

28/09/2016



Source: FactSet

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See page 37 for full disclosures and analyst certification

Banca IMI is Specialist to Capital for Progress 1

Contents

Andrea Bravin contributed to this report.

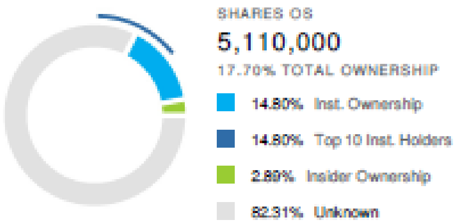
Capital For Progress 1

Capital For Progress 1 (CFP1) is a Special Purpose Acquisition Company (SPAC) which was listed on the AIM segment on 4 August 2015, raising over EUR 51M from Italian and international investors.

In the following chart we show the CFP1 shareholder structure by investor type, in particular:

- 2.89% is owned by the SPAC promoters, i.e. Massimo Capuano (former CEO of Borsa Italiana and Centrobanca), Antonio Perricone (CEO of Amber Capital SGR and former partner of B&S Private Equity), Marco Fumagalli (former head of Centrobanca Capital Markets), and Alessandra Bianchi (Amber Capital SGR);
- The FactSet data base reports the position of 8 investors, who cumulatively own 14.8% of the SPAC;
- 82.31% of the shareholders are unknown.

CFP1 shareholder structure by investor type



Source: FactSet

The capital of CFP1 comprises 5,263,300 shares, of which 5,110,000 ordinary listed shares and 153,300 special shares.

The special shares will be converted into ordinary shares at a 1:6 ratio according to the following triggers:

- 25% upon the effective business combination;
- 35% when the share price is higher than EUR 11 for 15 trading days;
- 40% when the share price is higher than EUR 12 for 15 trading days;
- After 28 months from the effective business combination, the remaining special shares will be converted into ordinary shares at a 1:1 ratio.

At the IPO, 2 warrants for each 10 subscribed shares were freely assigned, while 3 warrants for each 10 subscribed shares will be freely assigned to those investors not exercising the withdrawal right after the communication of the business combination with the target company. The warrants have a strike price of EUR 9.5 and a cap of EUR 13.3, and will expire 5 years after the effective business combination.

CFP1 was obliged to identify a target company within 24 months from the IPO, in order to make a business combination, possibly through a capital increase in the target company, which would become listed on the market at the end of the process. The target should have had an equity value of EUR 120-160M, a solid competitive positioning, a good level of profitability, and strong development potential.

The Target Company: GPI Group

Group profile

Founded in 1988 by Fausto Manzana (current chairman and CEO, and owner at 89.68% through the family holding FM S.r.L.), GPI Group is an Italian based company, primarily involved in the provision of information technology (IT) solutions for the healthcare and welfare segments.

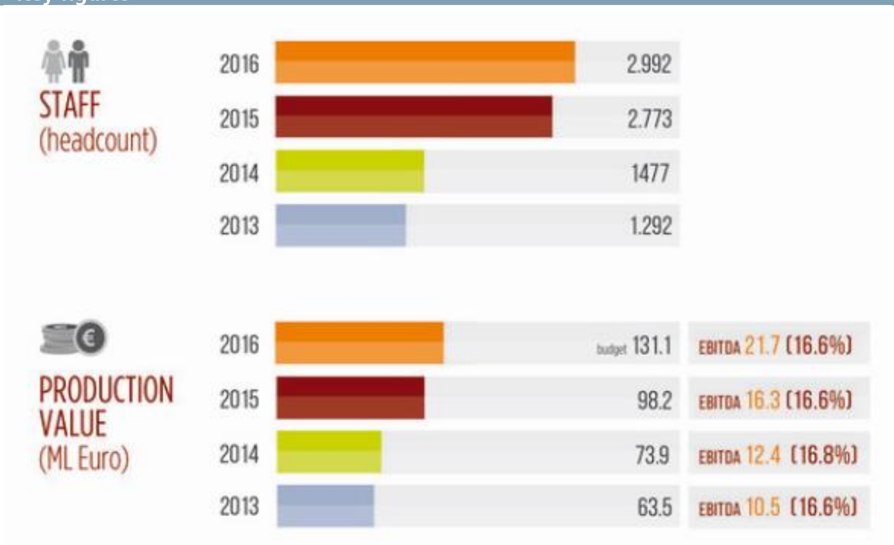
With FY15A turnover of around EUR 98.2M, the company offers a comprehensive set of products and solutions in different business segments such as IT Solutions, Healthcare Services, Logistics and automation, Payment Solutions and Professional IT Services.

The Group's ultimate mission is to provide solutions to increase healthcare efficiency both in terms of quality and costs, while reducing medical errors.

A continuous growth

In the last four years GPI Group has doubled its turnover: from about EUR 63.5M in 2013 to EUR 131M expected for 2016. At the end of 2016 the number of employees should rise to around 3,000, also thanks to the acquisition of companies complementary or connected to the core business of the group and the development of business in Italy and abroad.

GPI – Key figures



Source: Company data

The GPI Group is constantly expanding, not only in terms of jobs, turnover and investments, but also in terms of innovation of its solutions, with a strict focus on quality service enhancement. Indeed, the group's strong and wide knowledge of the world of ICT enables GPI to extend the services offered with targeted design, development and consultancy services.

Geographic presence

The GPI Group is based in Trento (Northern Italy) and has several branches throughout Italy. It also has branches in Germany, Brazil, Chile and Poland.

Although the group's current presence abroad is very limited, we highlight that management targets accelerating the company's internationalisation process in the mid-term, also through acquisitions. In particular management aims to create the conditions to transform GPI into a substantial European player, entering new markets and reaching foreign generated revenues of around 50%.

GPI - Branches in Italy and abroad

Source: Company data

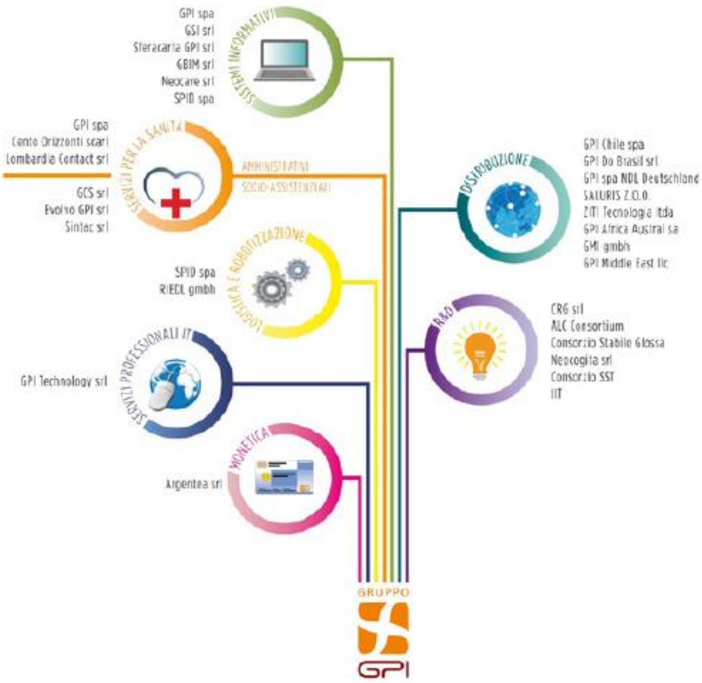
Group structure

Shareholder structure

Today, before the merger with CFP1, GPI's main shareholder is FM (89.7% stake), the Manzana family holding company. The remaining 10.3% stake is owned by Orizzonte SGR, an investment fund specialised in ICT, which entered the group's share capital in 2013.

The group operates with several controlled and participated companies. In particular, the group's companies that oversee the strategic business areas are currently 15. Furthermore, there are a large group of subsidiaries responsible for sales and distribution or for the development of specific research projects.

GPI – Group subsidiaries divided by business area



Source: Company data as of December 2015

The CEO and Chairman of the Group is Fausto Manzana, founder of GPI SpA in 1988. The Board of Directors comprises Sergio and Dario Manzana, Andrea Mora, Aldo Napoli, Massimo Corciulo and Dario Albarello. Fabio Rossi, former CEO at Exprivia Healthcare IT with responsibility for some international practices, has been hired to run the GPI international expansion.

GPI – Management Team

	Manager	Role	Years of experience	Professional background
	Fausto Manzana	Chairman and CEO	37 years (o/w 28 in GPI)	Founder of GPI in 1988. Previously operating in the IT sector
	Stefano Corvo	CFO	28 years (o/w 2 in GPI)	Mediocredito Trentino Alto Adige and CFO of Diatec Group
	Paolo Girardi	General Manager	20 years (o/w 12 in GPI)	CEO of Ecopulp Srl
	Lorenzo Montermini	Marketing Director	19 years (o/w 19 in GPI)	CTO from 2001 to 2014. Marketing director since 2014
	Maurizio Boschetti	Sales Director	21 years (o/w 21 in GPI)	Various roles in the GPI group
	Emanuele Rossi	CTO and Head of IT Solutions business unit	15 years (o/w 10 in GPI)	Accenture (2003-07) and then various roles in the GPI group
	Ruggero Pedri	Head of Professional IT Services business unit	27 years (o/w 25 in GPI)	Various roles in the GPI group

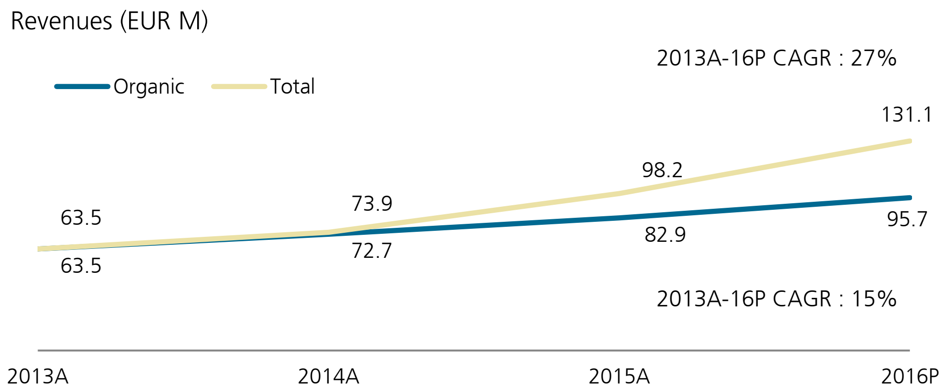
Source: Company data

A history of acquisitions

Since 2014, GPI has developed a strong track record in acquiring companies and integrating them within the group. Since 2014 GPI has finalised 9 acquisitions out of which 6 in IT Solutions, 2 in Healthcare Services (including Lombardia Contact which represents more than half of all investments) and 1 Logistic and Automation (Riedl in 2014). Overall investments have exceeded EUR 20M.

As a result, the group has had a mixed organic and external growth rate. Between 2013A and 2016P, the total revenues CAGR should be 27.3%, while organic revenues growth should be a 14.7% CAGR.

GPI – Revenues organic growth vs. total growth (2013A-16P)



NB: P = planned by company; Source: Intesa Sanpaolo Research elaboration on Company data

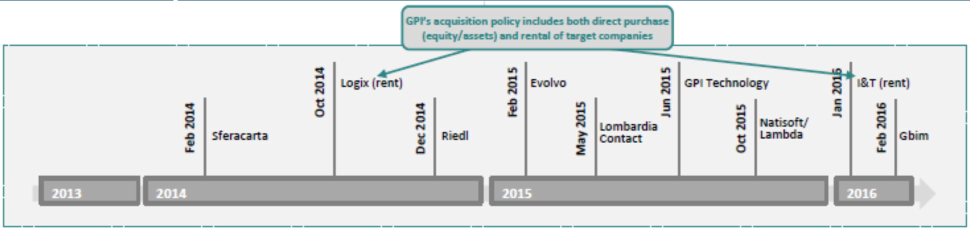
We believe management has a proven high capability in selecting targets with above average growth, which has allowed the group to expand into complementary and specific markets.

We highlight the latest acquisitions:

- In 2015, the group acquired: a) 80% of Evolvo GPI; b) 100% of Lombardia Contact; c) 80% of GPI Technology; and d) the Natisoft business unit which specialises in software and the management of disease prevention, traceability in agriculture and healthcare, and digitalisation in PA;

- In 2016: a) GPI finalised the 'rent' of Innovazione & Tecnologie Srl's "health" business unit, which allowed the group to enlarge its offering in the IT Solutions sector; b) took control of the partner GBIM Srl, a company specialised in the development of hospital information systems and the management of complex organisations; and c) acquired the remaining 20% of GPI Technology.

GPI – M&A activity since 2014



Source: Company data as at June 2016

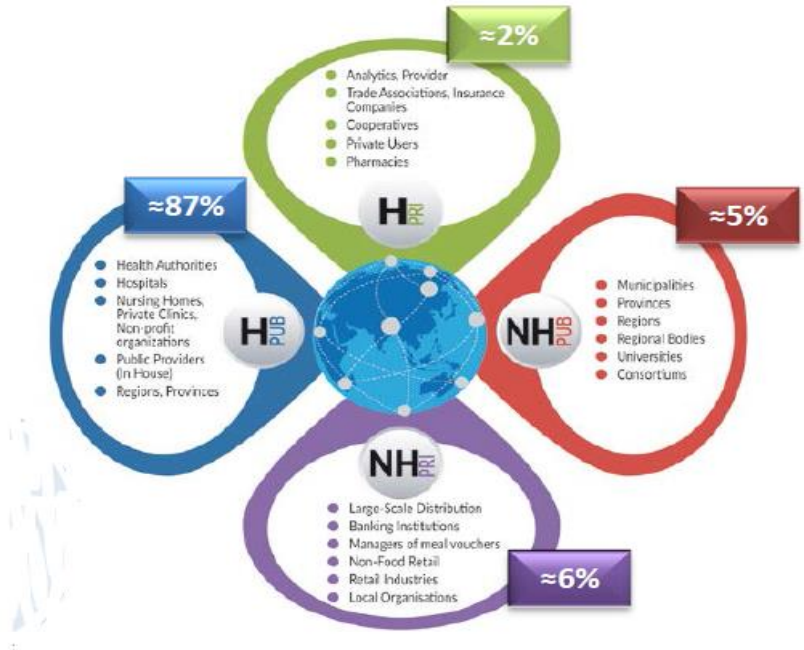
A quick customer overview

It has around 700 customers in its portfolio, including some public and private players in the healthcare system (e.g. public local healthcare agencies, hospitals, rehab houses, agencies for home care, etc.), as well as financial institutions, GDO/retailers and some SMEs.

Despite the wide number of customers, we highlight that the top 10 clients account for around 51.6% of total revenues and the top client around 10.4%.

A large number of customers are represented by public healthcare operators (approx. 87%).

GPI – Customers by category



Source: Company data

R&D investments

GPI has made research and development a key factor of its strategy. Management strongly believes that the success of the group largely depends on its ability to develop a range of innovative and competitive products.

The work of the GPI Research Centre is dedicated to the development of scientific and technical projects, the design and construction of innovative systems and services and the research into new methodologies and organisational approaches, especially with reference to the e-health, e-welfare and well-being sectors.

The GPI Research Centre was founded in 2011 as a natural evolution of the Research and Development Team – which had already been active within the GPI Group for several years – based on the conviction that a structure with its own identity and goals would add drive, value and vision to their work, while strengthening their relationship with the world of research.

The group's research centre has consolidated and extended the company's relations with national and international research bodies, universities, sector experts and potential users for the new products/services, in order to identify and set up advanced research projects.

Consistent with this strategy, research and development investments remained stable through 2014-15 at around EUR 6M.

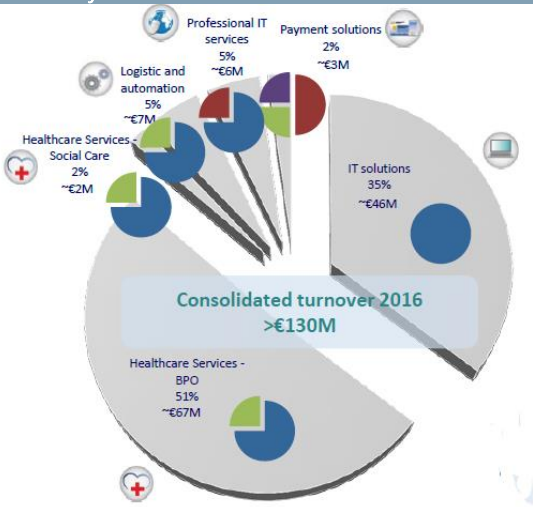
The main research guidelines are:

- Cooperation between social and healthcare service applications, with particular reference to the evolution of the Electronic Social and Healthcare Record, in response to the increasing complexity of the information needed in order to construct citizen profiles, in compliance with the data protection legislation;
- Management and control of clinical processes, with particular emphasis on preventive and operative assessment of the clinical risk;
- Design of Ambient Assisted Living systems, available in homes or usable by citizens on mobile devices;
- Visions of the future of business, new management and organisational models necessary to compete at an international level in the fields of e-health/e-welfare services for citizens.

Business Segments and Product Portfolio

In 2015, GPI posted (in Italian GAAP) EUR 98.2M revenue, made through 6 main business units, namely: IT Solutions, Healthcare Services - BPO (the largest contributor to revenue), Healthcare Services – Social Care, Logistics and automation, Payment Solutions and Professional IT Services.

GPI – 2016 expected turnover by business area



Source: Company data

The first phase of the group's value chain is represented by the design and development of products. Revenue generation mainly depends on the ability to design and implement products that meet the needs of a wide number of customers, allowing it to exploit economies of scale and to facilitate the commercialisation of products. At the base of the products offered by the Group, there is always proprietary software.

Therefore, strong and lasting relationships with customers such as Servizio Sanitario Regionale Emilia-Romagna, ASL Regione Campania and Azienda Provinciale per I Servizi Sanitari Provincia Autonoma di Trento, allow the company to strengthen business relationships and feed the pipeline with new products.

We highlight that contracts last on average 1-3 years for the IT Solutions business area and 4-6 years for the HS BPO business area. According to management, the retention rate is very high (e.g. 95% confirmation rate of clients upon expiry of the contract in the IT Solutions business area).

IT Solutions – 35% of total revenues

GPI has developed, as part of the IT solutions provided to its customers, the following product lines:

Health Enterprise Resource Planning. An integrated management system of both administrative and accounting information and governance, using business intelligence and data warehousing. In particular EUSIS is the name of the administrative process management system proposed by the GPI Group. It provides an integrated management of both administrative and accounting information (including treasury, financial analysis, budget operations, etc.) and governance, introducing management control using Business Intelligence and Data Warehousing tools. EUSIS has been developed using the ERP (Enterprise Resource Planning) logic, a methodology which has taken on an essential role in the creation of an integrated healthcare system in the health and social services sector.

We note that specifically considering the informative systems in administrative processes, the group's clients comprise more than 35k users on a national basis, more than 50 public facilities and more than 30% of the Italian health budgets.

Hospital Information System. NGH (Next Generation HIS) is the new generation hospital information system of the GPI Group. NGH is available on a Cloud platform, moreover, it manages, administers and coordinates clinical activities, processes and personnel. NGH can be accessed via internet, is compatible with all present browsers and does not require installation, configuration or on-site intervention. The system adjusts to the different working needs in different hospitals: each structure selects and activates only the modules it actually needs. The same approach is used with costs: the amount charged depends on the real use. NGH is a multilingual and multicultural system, which enables users and operators to view the interface and insert the information using the language they prefer.

Territorial Information System. The (SIT) system records and governs all information related to activities carried out by the healthcare services in the local territory. The core to the system is the patient medical record, which is adaptable to the needs of different services, thus allowing a quick, simple and reliable, multi-team/district/municipality management of all processes (opening of patient records, first visits, evaluation and exam results, classification and activation of an assistance plan, periodic monitoring of the assistance plans, end of the assistance period and medical record). All medical, nursing and social care activities carried out in different areas are registered and made available online and with a multichannel connectivity to complete the clinical and social framework related to the individual assisted.

GPI – Consolidated user base of group's patient medical record

Source: Company data

Social & Healthcare Information System. GPI offers an integrated system of information instruments, which support case management, multidimensional assessment and undertaking process activities, that is intended to implement information flows for the monitoring and assessment of social and highly integrated healthcare services (particularly focused on home help and local assistance).

Veterinary & Food Safety. The group offers different solutions capable of managing the registration and identification of animals and holds registration records for each farm, including owner/holding details and the monitoring of animal disease surveillance and public health.

Web Solutions. The group projects and realises websites and content management systems, email marketing systems and web-based applications.

The key drivers of the BU are:

- Customer orientation;
- Client loyalty with an around 95% confirmation rate of clients upon expiry of the contracts (which have an average duration of up to 3 years);
- High weighting of recurring revenues as about 58% of the BU's turnover is related to periodic maintenance;
- Competence and know-how;
- High margins (over 25%);
- Resistance to change as high entry barrier;
- Potential for M&A and international expansion.

Healthcare services – 53% of total revenues

The main solutions offered by the group in this business area are divided into two main different categories:

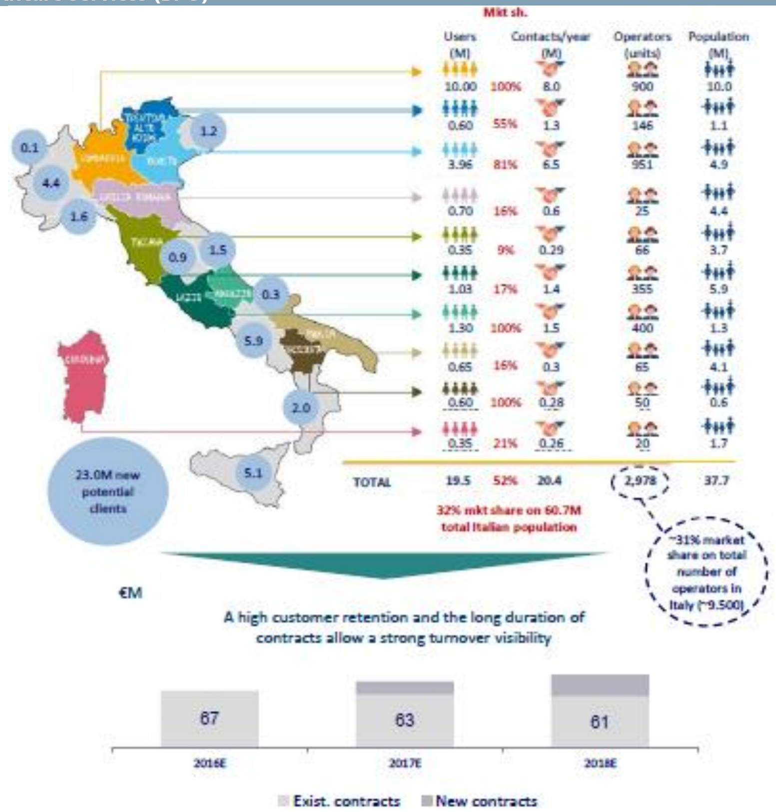
Business Process Outsourcing (BPO). The GPI group offers a complete range of customised professional services and advanced IT applications, from traditional front offices to innovative web services, to inform, assist, guide and help healthcare service users. We underline that Health Contact Centres and Front Office services require high quality and sustainable levels from an economic and organisational standpoint.

GPI manages information/booking point (CUP – Centro Unico di Prenotazione) in several Italian regions including Lombardy, employing over 2,800 skilled operators (linked to the duration of the contract) and serving 19M users.

The key drivers of this business segment are:

- Expertise and know-how;
- Good revenue visibility (average contract duration of 5-6 years);
- High hit ratio in tender;
- Good margins (slightly below 15%);
- A revenues model based on a fee per contact (EUR 1-3) + fixed yearly rate;
- Cross-selling potential.

GPI –Healthcare services (BPO)



Source: Company data

Healthcare- Social Care. Such as Telemedicine, Policura Clinic and Prosthetic 3D. The key drivers of this business segment are:

- Strong growth potential through new products;
- High margins (almost 20%).

Logistics and Automation – 5% of total revenues

Buster System. This is the group's innovative solution for the management of drugs in hospitals, the system comprises both hardware and software components. The computerisation of therapies ensures the complete traceability of all prescribed operations and administration, whereas the robotic drug cabinets in the ward and the automated warehouse for the central pharmacies ensure the full traceability of all pharmaceutical packages. At both the central and peripheral levels, the system allows an efficient management of drugs, a safe prescription and administration of therapies with significant benefits in terms of cost cutting, organisational simplification and reduction of clinical risks. In particular:

- Clinical risk management: reduction in medication errors in hospitals (nearly 65%) and a substantial improvement in patient safety, reducing liability risks for hospitals;
- Cost savings: positive impact on pharmaceutical expenditure. In particular, management stated that the system provides a 30% reduction of drug inventories in wards and a 50% reduction in hospital pharmacy inventories;
- Exact allocation of costs;
- Optimisation of logistics, human and economic resources;
- Optimisation through monitoring;
- Adaptation to the international standards for the accreditation of healthcare facilities;
- Improvement of the quality perceived by the user and the community.

Riedl Phasys (PHarmacy Automation SYStem). Is the group's innovative solution developed to meet particular drug distribution and storage needs by pharmacies and hospitals. The system was created from the collaboration between a group of German engineers, active for twenty years in the field of pharmacy automation, and SPID SpA, a subsidiary of the GPI Group, which has been operating in the field of Health Information Technology since 2003 and is a market leader in Italy in the production of systems for the computerised, robotised, clinical and logistic management of drugs.

The key drivers of the Logistics and Automation BU's are:

- Strong growth potential by private clients;
- High margins (around 25%);
- International development;
- A revenues model based on an upfront payment + periodic maintenance;
- M&A potential.

Professional IT Services – 5% of total revenues

Desktop Management - Systemic Services. These services include assistance and support services as well as specialised outsourcing, which contribute to cutting operating costs. The solutions proposed are:

- Global Assistance Service. The service mainly includes: i) the on-site supply of PCs, peripheral devices and all optional services that allow clients to be fully operative; ii) the installation of work stations, applications and servers; and iii) the operative management, maintenance and assistance for the whole network system.
- Global Service ICT. This is a turnkey service, in which clients entrust Global Service ICT with systems maintenance, relative to telematics, telephone and computer installations.

Business Intelligence/Data Warehouse. This is one of the basic monitoring tools developed by the GPI Group and used to prevent waste and identify areas of improvement. In addition to control spending, Business Intelligence can also be applied to other fields, such as epidemiology, to distribute services in the local territory, becoming a tool used to support decision-making, planning and prevention.

Payment Solutions – 2% of total revenues

The GPI group, through its subsidiary Argentea, has also develop advanced technologies and innovative electronic payment solutions for fast and secure transactions. The group proposal is:

- AMoney: the Integrated system of Multibank Payment that allows more control and greater efficiency and continuity of transactions.
- AMoney Web: customised e-Commerce solutions, MOTO payment and mobile payments.
- AMoney Smart: an innovative line based on modern technologies that allow an accelerated check-out at retailer cash desks by paying with one's Smartphone and Fidelity Card.
- AMoney VAS: a line dedicated to Value-Added Services that can be activated thanks to A-Money software and managed through an exclusively developed web portal.
- AGT Service: Argentea operates as a Terminal Manager offering services to Banks and Private Clients who already own or want to create a proper Point-of-Sale system (POS).

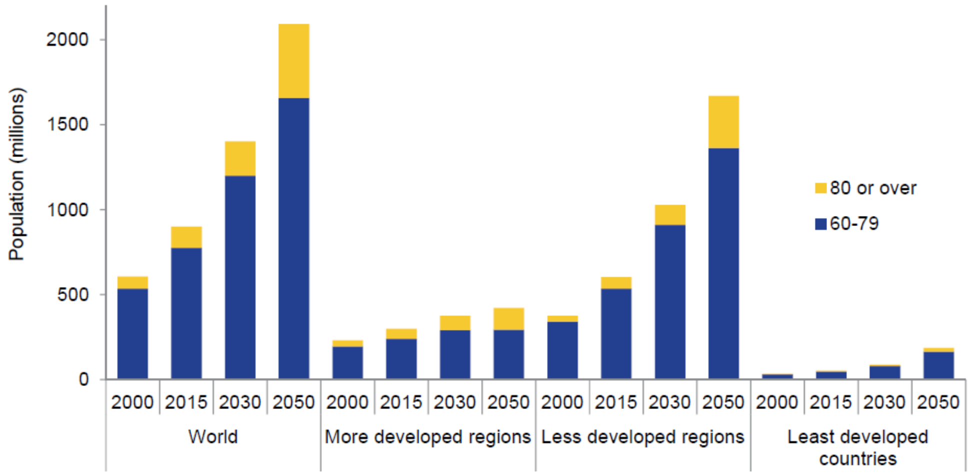
The revenues model is based on a % of the transactions.

Market Analysis

Healthcare systems throughout the world are endeavouring to rise to the challenges that result from an ageing population, the growth of chronic diseases, burgeoning technical possibilities and public expectations. To cope with these elements, an increasing proportion of GDP should be spent on health in OECD countries, with Europe being no exception.

According to data from World Population Prospects: the 2015 Revision (United Nations, 2015), the number of older persons (those aged 60 years or over) has increased substantially in recent years in most countries and regions, and that growth is projected to accelerate in the coming decades.

Population aged 60-79 years and aged 80 or over by development group, 2000, 2015, 2030 and 2050



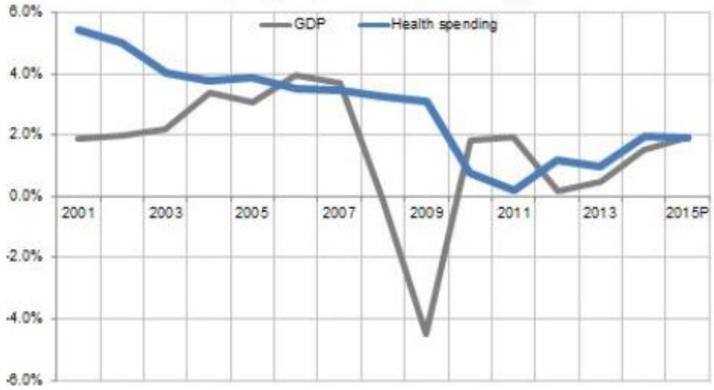
Source: United Nations (2015). World Population Prospects: The 2015 Revision

We highlight that, according to the same report, over the next 15 years, the number of older persons is expected to grow fastest in Latin America and the Caribbean with a projected 71% increase in the population aged 60 years or over, followed by Asia (66%), Africa (64%), Oceania (47%), Northern America (41%) and Europe (23%). Thus major increments in the world population should be largely concentrated in less developed countries, where GPI currently does not have a significant presence. However, in the European Union, Eurostat projects that life expectancy will continue to increase in the coming decades, reaching 84.6 years for males and 89.1 for females in 2060 (vs. an average life expectancy at birth for 2008-10 of 75.3 years for men and 81.7 years for women).

Population growth and shifting demographics toward an aging population are frequently mentioned as root causes for unsustainability. Moreover, the 2008 downturn in the world economy has increased concerns about the sustainability of such a state of affairs. In particular, as shown in the following chart, the financial crisis caused a sharp fall in health spending across OECD countries in 2009-10. In 2015, the OECD saw slowly rising health spending growth, albeit still below the growth rates seen in the years before the economic crisis.

Overall, health spending growth has closely followed economic growth since 2013. The latest rise is driven by renewed growth in government and compulsory insurance spending. Moreover, per capita spending on pharmaceuticals increased in 2014 for the first time since 2009. (Source: OECD Health Data 2016).

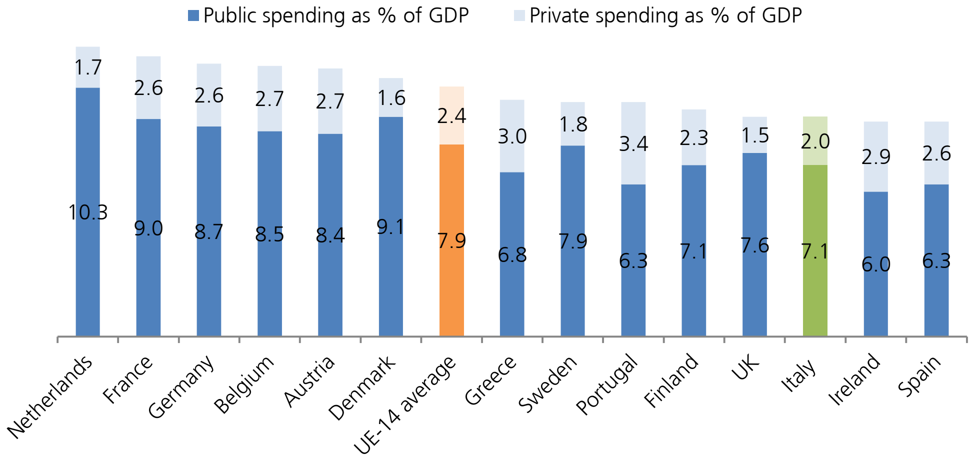
Average OECD health expenditure growth rates in real terms, 2001 to 2015



Source: OECD Websites

The charts below show that EU member states devoted an average 10.3% of their GDP to health spending in 2013. We highlight that the data was up significantly from 7.3% in 2000. We would also highlight that health spending in Italy, as a percentage of GDP, was lower than the average of the main EU countries. However, we believe that the gap is gradually narrowing.

Public and private health expenditure as a share of GDP, 2013



Source: The European House – Ambrosetti (based on OECD Health)

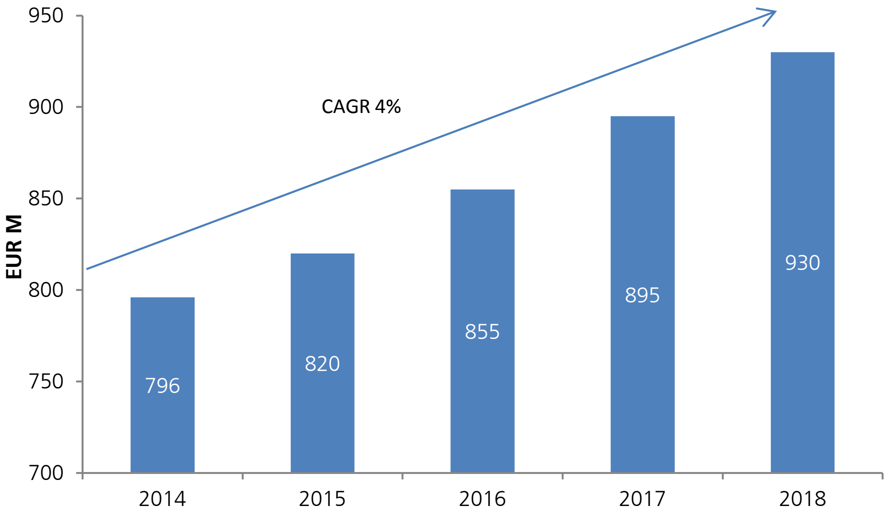
According to Osservatorio Netics, the total amount of Italian health spending was EUR 111.8Bn in 2015, slightly down compared to EUR 113.1Bn in 2014. In this context, the development of Information technology (IT) solutions is an important enabler for resolving healthcare issues. Indeed, although technologies initially require additional funding, we believe that the digitalisation of the sector will remain an important factor for achieving structural cost savings for the entire industry in Italy.

According to the ICT Health Care Observatory of the MIP School of Management, IT expenditure in the health sector in Italy in 2015 was around EUR 1.34Bn, -2% yoy, affected by the Italian Government's measures aiming to reduce Italian public spending.

In detail, according to the same report (ICT Health Care Observatory of MIP School of Management), the fields with a higher ICT spending in 2015 in Italy were electronic medical records (EMR) with a total expenditure of approx. EUR 64M, followed by front-end systems, with around EUR 61M and Disaster recovery (EUR 48M).

Overall, we highlight that the group's addressable market was around EUR 820M in 2015, up by about 3% yoy, and expected to further grow at a 2014-18 CAGR of about 4% (Source: Osservatorio Netics, 2016).

Group's addressable market evolution (2014-18)



Source: Osservatorio Netics, 2016

The major trends that should have the biggest impact on GPI's reference market growth are:

- Government incentives, which remain a key driver behind effective healthcare IT adoption;
- Consolidation of the market;
- Development of Home Care & Virtual Care models;
- Revision of organisational models of Healthcare facilities and wider diffusion of new technologies such as IoT, Big Data and Cloud.

Competitive Positioning

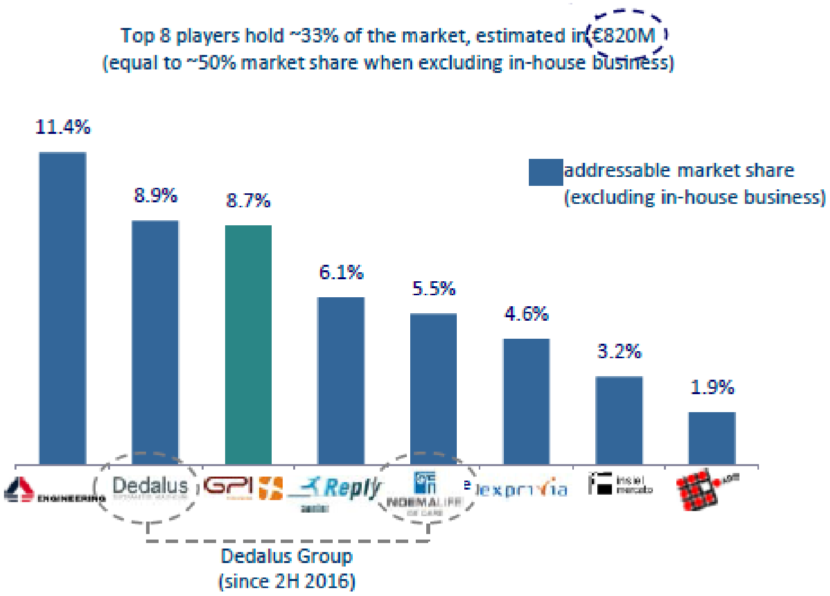
Healthcare IT market

The Healthcare IT market in Italy is very fragmented with only a few players active at a national level and a large number of players only active at a regional level. In this business segment, the group's main competitors are:

- Engineering;
- ADS/Finmatica;
- Dedalus/Noemalife;
- TBS/Insiel;
- Santer Reply;
- Exprivia.

Overall, these players, together with GPI cover around 33% of the reference market. According to management, GPI is the third largest player in Italy in terms of revenues after Engineering (Healthcare segment) and Dedalus/Noemalife.

GPI – Group's market share



Source: Company data

We underline that some players such as Dedalus/Noemalife and TBS/Insiel, similarly to GPI are focused exclusively on the healthcare industry, while others, such as Engineering or Reply, are more diversified with an IT offering which also covers different markets.

As previously mentioned, due to the high fragmentation of the market a consolidation process is expected in the industry in Italy. In this sense, we recall that in June 2016 Dedalus, an Italian producer of healthcare software, finalised the acquisition of NoemaLife. The acquisition implied multiples of around 33.2x and 20.6x on P/E and 7.0x and 5.8x on EV/EBITDA respectively in 2016E-17E (our estimates).

According to management, the ongoing consolidation process will favour 2 or 3 Italian champions, with strong balance sheets and significant market shares. We believe that, thanks to the group's strong expertise, GPI could play an important role in the consolidation process.

A quick overview of the group's other business segments

In HS BPO, GPI is the leading Italian player with a market share of about 25% (Source: Osservatorio Netics, 2016). The group's major competitors are: Tesan, Coopservice, Cooperativa Anthesys Servizi and Cooperativa Sociale Capodarco.

Looking at Logistics and Automation, we highlight that GPI increased its presence in the industry through the acquisition of the German company Riedl Gmbh in 2014. As of today, the group has a good market position, particularly in the field of public health. Overall, the main European player in the market is the German company Rowa, recently acquired by the Becton Dickinson group. Other competitors in Italy are Tecnilab Group, Pharmathek and Label Pharma.

Lastly, as regards Payment systems, the main group's competitors are financial institutions and NCR.

SWOT Analysis

Strengths

- Wide and in-depth product range. Indeed GPI's wide portfolio of services (IT, BPO, pharmacy logistics, telemedicine etc.) allows cross selling and upselling;
- Solution based on proprietary software;
- Strong relationship with customers in Italy, due to the historical presence in the sector;
- Strong investments in R&D;
- Experienced management team, with proven technical skills;
- Good visibility on revenues, given the average duration of contracts with customers and high level of retention;
- Solid track record in M&A activities, with effective results in the integration of acquired companies;
- Attractive dividend policy which implies a pay-out ratio of about 50%.

Weaknesses

- NWC structurally high due to the large exposure to Italian PA, which have long payment times;
- Almost entirely exposed to the Italian market;
- Labour-intense profile of the business;
- Limited dimension in a market (globally) dominated by large companies;
- High client concentration. Despite the large number of customers (around 700) we highlight that the top 10 clients account for around 51.6% of total revenues and the top client around 10.4%.

Opportunities

- Proceeds from the merger to finance growth opportunities and the development of the group's internationalisation process. According to management, no proceeds will be used for debt repayment;
- Opportunity to be a leader in a consolidating market. The ongoing consolidation process should favour 2 or 3 Italian champions, with strong balance sheets and significant market shares;
- Natural selection of players in the market. The 'spending review policy' represents an increasing entry barrier for participants to tender offers;
- Italian government measures for the acceleration of payments outstanding by the Italian PA;
- Increasing international IT demand for healthcare products, mainly driven by the increase in the global population and cuts in government healthcare budgets.

Threats

- Increasing competition from large multi-sector groups;
- Rapidly changing technology and product obsolescence;
- Dilution and overhang risks due to SPAC's sponsors and investors shares and warrants. We underline that promoters' lock up is 12 months starting from the conversion of each tranche of cat B shares into cat. A shares;
- Low liquidity on the AIM market. However we note that after the listing on the AIM, management intends to then move the listing to the MTA.

Source: Intesa Sanpaolo Research estimates

Strategy

Management has defined a few strategic targets as the main pillars of the group's future growth, that should allow it to reach in the mid-term (5-6 years) a consolidated value of production of around EUR 500M (vs. the EUR 98.2M posted in FY15A), with a contribution from abroad (mainly Europe) of about 50%. In particular:

Consolidating market share in Italy

The company remains focused on establishing consolidated relationships with healthcare organisations in Italy by offering tailor-made software and IT solutions, which should allow the company to strengthen its position.

Organic growth should be supported by both an increasing client base (e.g. increasing the weighting of Private facilities) and by enlarging the service/products portfolio with existing clients, thanks to a commercial strategy based on up-and-cross selling supported by the group's portfolio of services.

On the cost side, management aims to extract both cost and organisational synergies mainly through human resources development and the construction of a repository of expertise that should also lead to a reduction in external collaboration.

We highlight that, although the Italian Government's measures to reduce Italian public spending in the health sector (spending review) has led to a slowdown in new projects, we believe that the digitalisation of the Public Administration will remain an important medium to long term focus for achieving structural cost savings by public operators in healthcare.

Moreover, the company highlights its strong commitment to the optimisation of its net working capital, which is structurally negatively affected by long-term payments from Public Administrations. In this regard, the issue of the "Late Payments" directive by the EU and the recent acceleration of payments outstanding by the Public Administration should significantly help management to optimise the working capital impact on net debt.

Catch M&A opportunities

A strong focus on M&A both in Italy and abroad, mainly to reinforce the group's geographical, technological and/or product positioning. In particular, the main drivers for selecting M&A deals are:

- Direct Italian competitors (i.e. acquisition in line with market concentration process);
- Offer increase within the services offered by the hospital;
- 'Virtual care' outside hospital, with strong link to social care services;
- High tech start-up companies (i.e. 'outsourcing' of R&D);
- International opportunities (e.g. South America for IT services and EU for Logistic and Automation).

Overall, we think that external growth will be crucial to increasing the group's size, strengthening its offer and reinforcing the internationalisation process.

Exploiting potential opportunities abroad

GPI sees important growth opportunities from abroad, where it expects to grow, particularly in Logistics and Automation and IT Solutions areas, also through strategic partnerships with local operators and the main technological vendors.

We highlight some recent developments achieved in international activities: a) pharmacy logistics installations in Russia, France, Spain, Australia and Poland; and b) development of a Telemedicine project in Brazil.

Historical Financials

2013A-15A key P&L data

We highlight that 2013A-15A key data are in Italian GAAP, and management stated that the 2016 financial statements will be prepared according to IFRS. In 2013A-15A, revenues rose at a 24.4% CAGR, while EBITDA rose at a CAGR of around 24.6%.

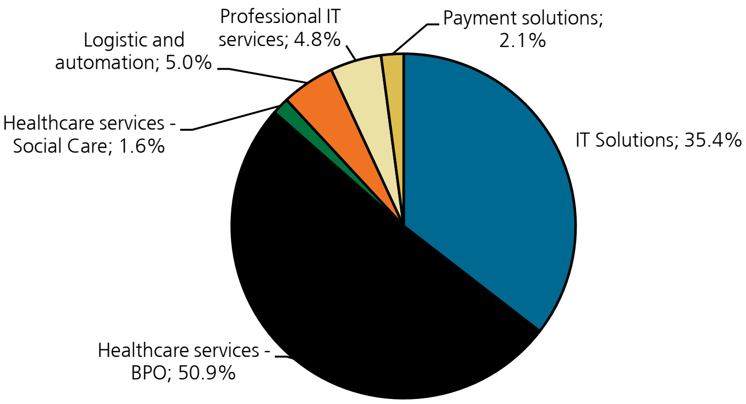
GPI - P&L historical key data (2013A-15A)

EUR M	2013A	2014A	2015A
Turnover	**63.5**	**73.9**	**98.2**
% Growth		16.4	32.9
Organic	63.5	72.7	82.9
% Growth		14.5	14.0
M&A contribution	0.0	1.2	15.3
Consumption	-2.3	-3.4	-3.5
As Revenues %	3.6	4.6	3.5
Personnel costs	-32.8	-38.3	-53.5
As Revenues %	51.6	52.7	64.5
General operative costs	-17.9	-19.7	-25.0
As Revenues %	28.2	26.7	25.5
EBITDA	**10.5**	**12.4**	**16.3**
% margin on revenues	16.6	16.8	16.6
D&A	-4.6	-5.6	-7.7
Risk Provisions	0.0	0.0	-2.8
EBIT	**5.9**	**6.8**	**5.8**
% margin on revenues	9.3	9.2	5.9
Net Financial Results	-1.7	-1.7	-2.1
Extraordinary Items	-0.2	-0.2	-0.4
EBT	**4.0**	**4.9**	**3.3**
Income Tax	-1.2	-2.3	-1.7
% Tax Rate	29.0	47.2	51.4
Minorities	0.1	0.0	0.2
Group's net income	**2.7**	**2.6**	**1.4**
adj. group's net income *	**2.7**	**2.6**	**3.8**

(*) adjusted for risk provision; A: actual; Source: Company data

Growth was driven by both acquisitions and organically. In fact, on a like-for-like basis, net of M&A contribution, the 2013A-15A CAGR would have been 14.3%. The chart below shows the FY15A revenues breakdown per business segment.

GPI - FY15A value of production's breakdown

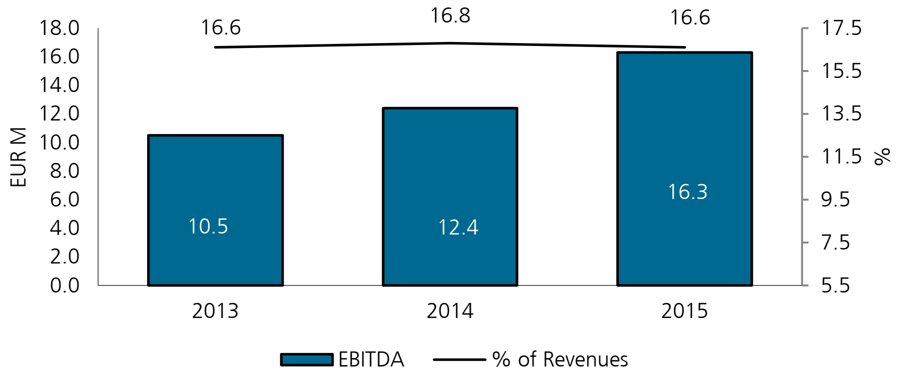


Source: Company data

We highlight that the group is subject to the high seasonality of the sector, with a significant difference in the allocation of revenues and costs across the different quarters. In particular, revenues are more concentrated in 4Q when licences are sold, especially to public hospitals.

Consolidated EBITDA increased at a 24.6% CAGR over 2013A-15A. Despite the labour-intense profile of the business (labour costs represent over 50% of sales), the EBITDA margin has stayed stable at around 16.6-16.8% over the last few years. We highlight that the significant increase in the weighting of personnel costs in FY15A was due to the award of the tender for management of the information/booking point (CUP – Centro Unico di Prenotazione) in Lombardy (Lombardia Contact). We note that the operators employment is linked to the duration of the contract.

GPI - EBITDA & margin (2013A-15A)



Source: Company data

According to management, business segments have different levels of profitability and growth potential, as shown in the chart below.

GPI – Profitability by business segment

Source: Company data

The following are the main items below EBITDA:

- **D&A: the** 2015 increase was mainly driven by acquisitions;
- **Risk provisions:** In 2015 the group accounted for risk provisions of EUR 2.8M, which affected the group's FY15A bottom line. This item mainly corresponds to the accounts receivable from the Molise Region. We underline the amount was cashed-in in 2H16, according to management;
- **Non-recurring expenses**: result from discontinued operations, indemnities paid in workforce restructuring processes and professional advisory services relating to specific non-recurring transactions;
- **Net financial charges:** Considering that the average net debt in 2015 was around EUR 46.8M, the average cost of debt was 4.3% (from 5.4% in FY14A);
- **Tax:** Tax rate (around 51% in FY15A) is negatively impacted by the weighting of IRAP in the various Italian regions.

Balance sheet key items

The table below shows the 2013A-15A balance sheet.

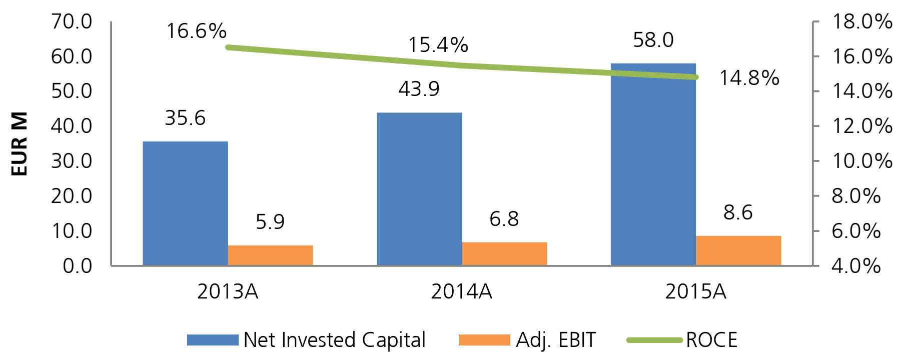
GPI - 2013A-15A balance sheets			
EUR M	2013A	2014A	2015A
Fixed assets	19.6	22.1	35.6
Net working capital	25.5	32.6	33.8
Funds/other liabilities	-9.4	-10.9	-11.4
Capital Employed	35.6	43.9	58.0
Equity	13.0	16.9	17.1
Net debt/(cash)	22.6	27.0	40.9
Total Liabilities	35.6	43.9	58.0

Source: Company data

Net capital employed increased from EUR 19.6M to EUR 35.6M in 2013A-15A, mainly due to goodwill arising from M&A investments. At the same time, the source of financing decreased to 29% in 2015 (from 37% in 2013) of the total invested capital.

The ROCE reached an attractive 14.8% in FY15A slightly decreasing from 15.4% reached in 2014, but still significantly above what the cost of capital could be (7.27% in our calculations).

GPI – Net invested capital vs. adj. EBIT and ROCE (2013A-15A)



Source: Intesa Sanpaolo Research elaboration on Company data

The group has structurally high working capital requirements. Overall, the high level of receivables mainly derives from the high exposure to the PA, which has long payment times.

However, we underline that in FY15A GPI showed a 34.4% working capital to revenues (44.1% in FY14A), showing the first benefits arising from the Italian government measures for the acceleration of payments outstanding from the Italian PA and benefiting from a more favourable business mix. Furthermore we underline that GPI has average receivables of 142 days, which is significantly better than the sector average of 168 days. (Source: Assobiomedica).

Net debt increased significantly to EUR 40.9M in 2015A from EUR 22.6M in 2013A mainly due to the strong M&A investments made over the period (EUR 17.7M), which resulted in a net debt/EBITDA of 2.5x in 2015 (from 2.2x in 2013A).

We underline that GPI issued 3 minibonds for a total amount of EUR 31.75M. Overall, the reimbursements are expected between 2018 and 2025:

- 1st Minibond – Issue date: 20/12/2013 - EUR 12.0M – 2013-18 (bullet)- Fixed Rate 5.50% listed on the ExtraMOT PRO market of the Milan Stock Exchange;
- 2nd Minibond – Issue date: 29/12/2015 - EUR 4.75M – 2015–25 (amortising) – Not Listed;
- 3rd Minibond – Issue date: 01/06/2016 - EUR 15.0M - 2016–23 (amortising) – Fixed Rate 4.30% (listed on the ExtraMOT PRO market).

GPI – Details of outstanding Minibonds

Source: Company data

Earnings Outlook

We highlight that 2013A-15A key data and our 2016E-18E estimates are in Italian GAAP, and management stated that the 2016 financial statements will be prepared according to IFRS.

In this section, we outline our estimates on a pre-money basis, and only assumed internal growth on financials for the GPI group, thus not factoring in:

- The potential cash injection from CFP1 (min EUR 36M – max EUR 51.1M), is not included in terms of debt reduction and/or new acquisitions;
- Extraordinary costs and accounting cashless effects related to the merger with CFP1 and listing expenses;
- Any potential opportunities arising from external growth which, according to management, should be a key group strategy in the next few years. We underline that the acquisition war chest would be around EUR 65M (proceeds coming from CFP1 plus a further cash in of EUR 15M coming from the recent minibond issue);
- Potentially positive effects on the group's tax rate are related to the 'Super ACE' (which entails some tax incentives for new listed companies). In particular, in case of a capital increase of around EUR 51M we estimate potential benefits of around EUR 1M for the first three fiscal years.

P&L: Drivers and main assumptions

Overall, we expect GPI's revenues to reach EUR 173.5M by end FY18E from EUR 98.2M in FY15A, corresponding to a 20.9% CAGR. In particular we projected an organic growth rate of around 15% in line with the group's historic solid track record, plus the acquisitions already finalised by the group in 2016, which should make a positive contribution to the group's financials. We expect the main revenue driver to be additional growth from existing customers. Indeed, we believe that GPI's wide portfolio of services (IT, BPO, pharmacy logistics, telemedicine etc.) should allow cross selling and upselling. We underline that management estimated around 10-11% average cross selling among business areas in 2015-16.

Room for further growth should also come from new technologies such as the Internet of Things and Support Decision Systems.

We underline that, on a divisional basis, management provided the following 2016P growth guidance for each business area:

GPI – 2016 top-line growth guidance for business area

EUR M	2015A	2016P	yoy %
IT Solutions	34.8	46.0	32
Healthcare services	51.6	69.0	34
Logistic and automation	4.9	7.0	43
Other	6.8	9.0	32
Total	**98.1**	**131.0**	**34**

A: actual; P: planned; Source: Company data

Looking at profitability, we expect margins to remain stable in FY16E and then improve by around 10bps, mainly thanks to an expected slight reduction in opex.

At the bottom-line level, we expect the company to benefit from a lower tax rate, due to the positive effects of the IRAP cut approved in the 2016 stability law by the Italian government. As a result, we envisage an increase in the group's adj. net profit to EUR 10.3M in FY18E from EUR 3.8M in FY15A.

GPI –P&L key figures (2015A-18E)					
EUR M	2015A	2016E	2017E	2018E	CAGR 15A-18E %
Turnover	98.2	131.1	150.9	173.5	20.9
% Growth	32.9	33.5	15.1	14.9	
Consumption	-3.5	-5.2	-6.0	-6.9	26.0
As Revenues %	3.5	4.0	4.0	4.0	
Personnel costs	-53.5	-69.8	-80.2	-92.1	19.9
As Revenues %	64.5	53.3	53.1	53.1	
General operative costs	-25.0	-34.4	-39.5	-45.5	22.0
As Revenues %	25.5	26.2	26.2	26.2	
EBITDA	16.3	21.7	25.2	29.0	21.1
% margin on revenues	16.6	16.6	16.7	16.7	
D&A	-7.7	-8.0	-7.8	-7.7	
Risk Provisions	-2.8	0.0	0.0	0.0	
EBIT	5.8	13.7	17.4	21.3	54.5
% margin on revenues	5.9	10.4	11.5	12.3	
Net Financial Results	-2.1	-2.4	-2.3	-2.3	
Extraordinary Items	-0.4	-0.4	-0.4	-0.4	
EBT	3.3	10.9	14.7	18.6	77.9
Income Tax	-1.7	-4.7	-6.3	-7.9	
% Tax Rate	51.4	43.0	42.9	42.7	
Minorities	0.2	0.2	0.3	0.3	
Group's net income	1.4	6.0	8.1	10.3	95.7
adj. group's net income*	3.8	6.0	8.1	10.3	39.6

(*) adjusted for risk provision; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Balance sheet and cash flow generation

As regards NWC, we assume a broadly stable NWC/revenues ratio at around 31.0%, slightly below the 34.4% reported in FY15A, mainly due to the higher weighting of business areas with a lower NWC absorption. In our estimates, we incorporated EUR 6M capex per year, mainly related R&D investments. In FY16E we also incorporated a cash-out of around EUR 2.3M related to the recent acquisitions.

Lastly, we included a dividend, which corresponds to a pay-out ratio of 50% of group's adjusted net income. Our forecasts imply that the group net debt will decrease to around EUR 37.9M by the end of 2018E.

GPI – Balance sheet (2015A-18E)				
EUR M	2015A	2016E	2017E	2018E
Fixed assets	35.6	32.2	30.8	29.4
Net working capital	33.8	41.3	47.2	53.6
Funds/other liabilities	-11.4	-11.8	-12.2	-12.5
Capital Employed	58.0	61.7	65.8	70.5
Equity	17.1	21.2	26.3	32.6
Net debt/(cash)	40.9	40.5	39.5	37.9
Total Liabilities	58.0	61.7	65.8	70.5

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

GPI – Cash flow statement (2015A-18E)				
EUR M	2015A	2016E	2017E	2018E
Net fin debt beg of year	27.0	40.9	40.5	39.5
Net income	1.4	6.0	8.1	10.3
Non-cash items	10.5	8.0	7.8	7.7
Change in working capital	-1.5	-7.5	-5.9	-6.4
Operating cash flow	10.4	6.5	10.0	11.7
Capex	-5.7	-6.0	-6.0	-6.0
Acquisitions	-16.0	-2.3	0.0	0.0
Free cash flow	-11.3	-1.8	4.0	5.7
Dividends	-1.8	-1.9	-3.0	-4.0
Other movements	-0.8	4.1	0.0	0.0
Cash flow	-13.9	0.4	1.0	1.6
Net fin debt end of year	40.9	40.5	39.5	37.9

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

The Transaction

On 5 September CFP1 announced an agreement with GPI for a business combination between the two companies.

The business combination transaction valued GPI at an equity value of EUR 100M, and all the cash of CFP1 will be used as a capital increase to finance the development of GPI.

On the basis of data available from the press release (5 September) announcing the business combination and from GPI's 2015 financial statements, we calculate a transaction multiple of around 6.5x on 2016 expected EBITDA, and around 16.5x on 2016 expected net income.

The free float after the business combination will be 33% in the case of non-withdrawal among the CFP1 shareholders (cash injected of EUR 51.1M), and 26% in the maximum case of withdrawal (cash injected EUR 36M).

FM S.r.l, GPI's main shareholder with an 89.68% stake before the business combination and with a stake that we calculate at around 60-67% after the business combination, according to the withdrawal level. It will not sell any stake, and will buy an approx. 3% stake from Orizzonte S.G.R. (which owned 10.32% before the business combination). FM S.r.l and Orizzonte S.G.R. have a 28 month lock-up period.

Current GPI shareholders will convert their shares into new ordinary shares with multiple votes, a mechanism which will allow FM S.r.l to maintain control of the entity post business combination, even if acquisitions are made, not only with the cash contributed by CFP1, but also with paper. FM S.r.l will hold voting rights of 73-78%, according to the withdrawal level.

GPI - Post-merger shareholding structure

		Shares	Voting Rights	Stake (%)	% of tot voting rights	Shares	Voting Rights	Stake (%)	% of tot voting rights
		No redemption				30% redemption			
FM	multiple voting shares	9,268,000	18,536,000	60.0	73.1	9,268,000	18,536,000	67.1	78.1
Orizzonte SGR	multiple voting shares	732,000	1,464,000	4.7	5.8	732,000	1,464,000	5.3	6.2
SPAC Promoters	special shares	114,975	0	0.7	0.0	80,482	0	0.6	0.0
SPAC Promoters	ordinary shares	229,950	229,950	1.5	0.9	160,968	160,968	1.2	0.7
Market	ordinary shares	5,110,000	5,110,000	33.1	20.2	3,577,001	3,577,001	25.9	15.1
Total		15,454,925	25,339,950	100.0	100.0	13,818,451	23,737,969	100.0	100.0
SPAC Promoters	special shares	-114,975				-80,482			
SPAC Promoters	ordinary shares	689,850	689,850			482,892	482,892		
Warrant Holders	ordinary shares	2,555,000	2,555,000			2,095,100	2,095,100		
Total (fully diluted)		18,584,800	28,584,800			16,315,961	26,315,961		

Source: Company data and Intesa Sanpaolo Research elaboration

FM S.r.l and CFP1 agreed a price adjustment for the transaction in case GPI does not reach a EUR 21.7M EBITDA and EUR 5.9M net income in 2016, and EUR 23M EBITDA in 2017. The adjustments will be made through the free assignment of existing shares to the new shareholders (up to 550,000 'remedy shares'.

The promoters will convert the first tranche of their special shares (25%, i.e. 38,325 special shares) in ordinary shares at a 1:6 ratio, thus receiving 229,950 shares. We point out that remaining special shares will be converted according to the following triggers:

- 35% when the share price is higher than EUR 11 for 15 trading days;
- 40% when the share price is higher than EUR 12 for 15 trading days;
- After 28 months from the effective business combination, the remaining special shares will be converted into ordinary shares at a 1:1 ratio.

At the SPAC IPO, 2 warrants for each 10 subscribed shares were freely assigned, while 3 warrants for each 10 subscribed shares will be freely assigned to those investors not exercising the withdrawal right. The warrants have a strike price of EUR 9.5 and a cap of EUR 13.3, which implies a potential cash-in for GPI of up to around EUR 24.3M, and will expire 5 years after the effective business combination.

The transaction agreement entails that the dividend policy (50% of net income) will be maintained.

The transaction is subject to:

- Approval by the CFP1 and GPI shareholders meetings;
- Withdrawal of CFP1 shareholders lower than 30% of capital;
- The admission of GPI to listing on the AIM.

CFP1 and GPI management expect the merger to be effective by the end of 2016. After the listing on the AIM, management intends to then move the listing to the MTA STAR (by the end of 2017).

Valuation

In the following we value GPI on a standalone basis using the DCF approach and the peers' multiple comparison. We highlight that our valuation does not include any potential opportunities arising from external growth which, according to management, should be a key group strategy in the next few years.

Discounted cash flow

We used the following key assumptions in our valuation:

- A 7.27% WACC, incorporating a risk-free rate of 1.75%, an equity risk premium of 6.25%, a re-levered beta of 1.2 (based on average beta of our peers panel. Source: Intesa Sanpaolo Research elaboration on Bloomberg data) and a long-term target gearing ratio of 30%;

GPI – WACC calculation (%)	
Risk-free rate	1.75
Equity risk premium	6.25
Beta (x)*	1.2
Cost of equity	9.13
Net cost of debt	2.9
Gross cost of debt	4.5
Tax rate	35
Gearing	30.0
WACC	**7.27**

*Bloomberg; Source: Intesa Sanpaolo Research estimates

- Terminal value growth is set at 1% to incorporate a growth path, which should go beyond FY18E;

- To calculate the LT, we applied the same level of revenues and EBIT margin we estimate for FY18E. As usual, LT depreciation equals capex.

GPI - DCF calculation				
EUR M	FY16E	FY17E	FY18E	LT
Revenues (core)	131.1	150.9	173.5	173.5
Change yoy (%)		15.1	14.9	0.0
EBIT	13.7	17.4	21.3	21.3
EBIT margin (%)	10.4	11.5	12.3	12.3
Taxes	-4.7	-6.3	-7.9	-7.9
NOPAT	9.0	11.1	13.3	13.3
D&A	8.0	7.8	7.7	
Capex	-8.0	-6.0	-6.0	
NWC changes	-7.5	-5.9	-6.4	
FCF	1.5	7.0	8.7	13.3
Discounted FCF	1.5	6.4	7.4	10.7
WACC (%)	7.27			
Perpetuity growth rate (%)	1.0			
NPV of cash flows	15.3			
NPV of terminal value	170.2			
EV	185.5			
avg. net debt (-cash) FY15A	46.8			
Funds	-11.4			
Equity value	**127.3**			

Source: Intesa Sanpaolo Research estimates

GPI – Sensitivity					
WACC/Growth (%)	0.0	0.5	1.0	1.5	2.0
6.3	132.7	147.9	166.0	187.9	214.9
6.8	117.2	130.0	144.9	162.8	184.3
7.3	103.9	114.7	**127.3**	142.0	159.6
7.8	92.3	101.6	112.3	124.7	139.2
8.3	82.1	90.2	99.3	109.9	122.1

Source: Intesa Sanpaolo Research estimates

Multiples comparison

There are no exact peers which perfectly match GPI's business model. Therefore, in our peers basket panel we have included both larger global players with a significant presence in IT Solutions for healthcare and smaller European peers (see Appendix 2: Peers Brief Description). In the following table, we report GPI's peers' key financials, and EV/EBITDA and P/E multiples.

Peers' key financials

	Revenues (%)	EBITDA (%)	Net Income (%)	EBITDA margin (%)		
	CAGR 15A-18E	CAGR 15A-18E	CAGR 15A-18E	2016E	2017E	2018E
Tieto Oyj	3.1	7.1	10.4	13.4	14.1	14.0
Exprivia SpA	NA	NA	Neg.	10.1	11.0	NA
McKesson Corporation	4.2	3.4	6.9	2.6	2.7	2.6
Cerner Corporation	9.4	11.2	11.3	32.9	34.3	34.4
NEXUS AG	6.2	9.7	15.8	20.7	21.1	21.7
Quality Systems, Inc.	1.9	2.5	5.6	17.6	18.5	17.3
Pharmagest Interactive SA	8.1	7.1	8.6	26.6	26.6	26.6
Medasys SA	9.3	22.2	Neg.	20.0	23.1	22.7
CompuGroup Medical SE	9.2	15.7	30.1	22.5	23.3	24.5
Average	**6.4**	**9.9**	**12.7**	**18.5**	**19.4**	**20.5**
GPI*	20.9	21.1	39.6	16.6	16.7	16.7

NA: not available; Neg. negative; Data priced at market close on 28/09/2016; Source: FactSet and (*)Intesa Sanpaolo Research estimates

Peers' multiples

	Price	Mkt Cap	EV/EBITDA (x)		P/E (x)	
	EUR	EUR M	2016E	2017E	2016E	2017E
Tieto Oyj	28.15	2,086	10.4	9.5	16.7	16.0
Exprivia SpA	0.64	33	4.7	3.7	12.1	6.9
McKesson Corporation	148.89	33,604	7.7	7.1	12.2	11.5
Cerner Corporation	55.80	18,845	13.0	10.9	26.6	23.2
NEXUS AG	18.50	291	11.4	9.9	22.8	20.5
Quality Systems, Inc.	10.14	624	8.3	7.2	15.1	13.5
Pharmagest Interactive SA	29.75	451	11.3	10.0	21.1	19.4
Medasys SA	0.45	17	4.9	3.9	NM	11.3
CompuGroup Medical SE	40.16	2,137	19.5	17.0	24.8	20.7
Average			**10.1**	**8.8**	**18.9**	**15.9**
GPI EBITDA* (EUR M)			21.7	25.2		
Implied EV (EUR M)			219.9	221.9		
GPI NFP* (EUR M)			40.5	39.5		
GPI net income*					6.0	8.1
Implied Equity value (EUR M)			**179.4**	**182.3**	**113.9**	**128.7**

NM: not meaningful; Data priced at market close on 28/09/2016; Source: FactSet and (*)Intesa Sanpaolo Research estimates

Conclusions

The transaction valued GPI at an Equity Value of EUR 100M, with a 2016E EV/EBITDA of 6.5x and a 2016E P/E of 16.5x, vs. a peers' average 2016E EV/EBITDA of 10.1x and a 2016E P/E of 18.9x. Our DCF valuation of GPI without acquisitions using CFP1 proceeds (WACC of 7.27%, TV growth of 1%) leads to an Equity Value of around EUR 127M. Applying the average of 2016E and 2017E EV/EBITDA and P/E multiples of peers we obtain a valuation range of EUR 113.9-182.3M, although the latter should be adjusted for GPI's profitability. We highlight that the valuation based on EV/EBITDA multiples (upper end of the multiples range) also reflects the different profitability by GPI vs. peers, in our view.

Sensitivity to acquisitions

As previously mentioned, GPI has a long tradition and track-record of acquisitions, with 9 companies acquired since 2014, bringing around EUR 35M revenues and EUR 7M EBITDA.

The proceeds coming from CFP1 will be principally used for acquisitions. We assumed the no redemption scenario, thus a cash injection of around EUR 51M.

In the following, we simulate the possible value accretion coming from the acquisitions. We assumed that:

- The acquisition war chest would be around EUR 65M (proceeds coming from CFP1 plus a further cash in of EUR 15M coming from the recent minibond issue);
- We assumed an EV/normalised EBITDA of transactions at 4-8x (thus following an eventual turnaround of the acquired company);
- We assumed that acquired companies will have a normalised EBITDA margin aligned with that of GPI (16.6% in 2016E);
- We calculated the additional EBITDA coming from integration;
- We taxed additional EBITDA with a 30% tax rate;
- We perpetualised the EBITDA net of taxes at WACC and LT growth, we used for the terminal value in our DCF model (7.27% and 1%, respectively), and discounted from LT (2019).

Additional EBITDA and value accretion from potential acquisitions

EV/normalised EBITDA (x)	additional EBITDA	Value accretion
4	16.3	82.1
5	13.0	52.7
6	10.8	33.1
7	9.3	19.1
8	8.1	8.6

Source: Intesa Sanpaolo Research estimates

In the case of an acquisition paid at 5-6x normalised EBITDA, in front of an investment of around EUR 65M , the value accretion would be around EUR 52.7-33.1M.

Financials Recap

GPI – P&L key figures (2013A-18E)						
EUR M	2013A	2014A	2015A	2016E	2017E	2018E
Turnover	63.5	73.9	98.2	131.1	150.9	173.5
% growth	0.0	16.4	32.9	33.5	15.1	14.9
Consumption	-2.3	-3.4	-3.5	-5.2	-6.0	-6.9
As revenues %	3.6	4.6	3.5	4.0	4.0	4.0
Personnel costs	-32.8	-38.3	-53.5	-69.8	-80.2	-92.1
As revenues %	51.6	52.7	64.5	53.3	53.1	53.1
General operative costs	-17.9	-19.7	-25.0	-34.4	-39.5	-45.5
As revenues %	28.2	26.7	25.5	26.2	26.2	26.2
EBITDA	10.5	12.4	16.3	21.7	25.2	29.0
% margin on revenues	16.6	16.8	16.6	16.6	16.7	16.7
D&A	-4.6	-5.6	-7.7	-8.0	-7.8	-7.7
Risk provisions	0.0	0.0	-2.8	0.0	0.0	0.0
EBIT	5.9	6.8	5.8	13.7	17.4	21.3
% margin on revenues	9.3	9.2	5.9	10.4	11.5	12.3
Net financial results	-1.7	-1.7	-2.1	-2.4	-2.3	-2.3
Extraordinary items	-0.2	-0.2	-0.4	-0.4	-0.4	-0.4
EBT	4.0	4.9	3.3	10.9	14.7	18.6
Income tax	-1.2	-2.3	-1.7	-4.7	-6.3	-7.9
% tax rate	29.0	47.2	51.4	43.0	42.9	42.7
Minorities	0.1	0.0	0.2	0.2	0.3	0.3
Group net income	2.7	2.6	1.4	6.0	8.1	10.3
adj. group - net income*	2.7	2.6	3.8	6.0	8.1	10.3

(*) adjusted for risk provision; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

GPI – Balance sheet (2013A-18E)						
EUR M	2013A	2014A	2015A	2016E	2017E	2018E
Fixed assets	19.6	22.1	35.6	32.2	30.8	29.4
Net working capital	25.5	32.6	33.8	41.3	47.2	53.6
Funds/other liabilities	-9.4	-10.9	-11.4	-11.8	-12.2	-12.5
Capital employed	35.6	43.9	58.0	61.7	65.8	70.5
Equity	13.0	16.9	17.1	21.2	26.3	32.6
Net debt/(cash)	22.6	27.0	40.9	40.5	39.5	37.9
Total liabilities	35.6	43.9	58.0	61.7	65.8	70.5

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

GPI – Cash flow statement (2014A-18E)					
EUR M	2014A	2015A	2016E	2017E	2018E
Net fin debt beg of year	22.6	27.0	40.9	40.5	39.5
Net income	2.6	1.4	6.0	8.1	10.3
Non-cash items	5.6	10.5	8.0	7.8	7.7
Change in working capital	-7.2	-1.5	-7.5	-5.9	-6.4
Operating cash flow	**1.0**	**10.4**	**6.5**	**10.0**	**11.7**
Capex	-5.9	-5.7	-6.0	-6.0	-6.0
Acquisitions	-1.7	-16.0	-2.3	0.0	0.0
Free cash flow	**-6.6**	**-11.3**	**-1.8**	**4.0**	**5.7**
Dividends	-1.8	-1.8	-1.9	-3.0	-4.0
Other movements	4.0	-0.8	4.1	0.0	0.0
Cash flow	**-4.4**	**-13.9**	**0.4**	**1.0**	**1.6**
Net fin debt end of year	27.0	40.9	40.5	39.5	37.9

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

GPI – Key financial ratios (2013A-18E)						
	2013A	2014A	2015A	2016E	2017E	2018E
Net debt/equity (x)	1.7	1.6	2.4	1.9	1.5	1.2
Net debt/EBITDA (x)	2.1	2.2	2.5	1.9	1.6	1.3
ROCE (%)	16.6	15.4	14.8	22.2	26.4	30.2
ROE (%)	21.5	15.2	21.9	28.4	30.8	31.7

Source: Intesa Sanpaolo Research estimates

Appendix 1: What is a SPAC?

A Special-Purpose Acquisition Company (SPAC) is a publicly-traded buyout company that raises money in order to pursue the acquisition of an unidentified existing company. This collective investment scheme allows investors to invest in private equity type transactions. In fact, SPACs could be considered shell companies that have no operations or no disclosed targets, but go public with the intention of merging with or acquiring a company with the proceeds of the SPAC's initial public offering. If an acquisition is not made within two years, the money is returned to the original investors.

SPAC definition and structure

SPAC structure

SPACs were traditionally sold via an initial public offering (IPO), consisting of one common share and "in the money" warrants to purchase common shares at a future date usually within four years of the offering. By market convention, 98% to 100% of the proceeds raised in the IPO for the SPAC are held in escrow to be used at a later date for the merger or acquisition.

The SPAC must sign a letter of intent for a merger or an acquisition within 12 to 24 months of the IPO. Otherwise it will be forced to dissolve and return the assets held in escrow to the public stockholders. However, if a letter of intent is signed within 12 to 24 months, the SPAC can close the transaction within 30 months. Today, SPACs are generally incorporated with 30-36 months, with limited life charters that require the SPAC to automatically dissolve should it be unsuccessful in merging with or acquiring a target prior to the second anniversary of its offering.

In addition, the acquisition target must have a fair market value that is equal to at least 80% of the SPAC's net assets at the time of acquisition and a majority of shareholders voting must approve this combination with usually no more than 20% to 40% of the shareholders voting against the acquisition and requesting their money back.

In Italy, SPAC shares are traded in the SIV segment of MIV (Market Investment Vehicles) or on the AIM Italia.

Governance

In order to allow the SPAC stockholders to make an informed decision on whether or not they wish to approve the business combination, full disclosure of the target business, including complete audited financials for it, and terms of the proposed business combination must be given. All shareholders of the SPAC are granted voting rights at a shareholder meeting to approve or reject the proposed business combination.

When a deal is proposed, a shareholder has three options. The shareholder can approve the transaction by voting in favour of it, elect to sell their shares on the open market, or vote against the transaction and redeem their shares for a pro-rata share of the escrow account. The assets of the escrow are only released if a business combination is approved by the voting shareholders, or a business combination is not concluded within 24 months of the initial offering. This guarantees a minimum liquidation value per share in the event that a business combination is not effected.

SPACs are forming in many different industries and are also being used for companies that wish to go public; this kind of vehicle is also used in areas where financing is scarce. In the case of SPACs, investors are betting on management's ability to succeed in finding a suitable target. SPACs compete directly with private equity groups and strategic buyers for acquisition candidates.

A SPAC is similar to a reverse merger. Unlike reverse mergers, SPACs usually come with a clean public shell company, certainty of financing/growth capital in place, a built-in institutional investor base and an experienced management team. SPACs are essentially set up with a clean slate where the management team searches for a target to acquire, which is a very different situation from pre-existing companies in reverse mergers.

In our opinion, based on evidence coming from hedge funds and investment banks, the risk factors seem to be lower than standard reverse mergers. For instance, SPACs allow the targeted company's management to continue running the business, sit on the board of directors and benefit from future growth or upside as the business continues to expand and grow with the public company structure and access to expansion capital. The management team members of the SPAC will typically take seats on the board of directors and continue to add value to the firm as advisors to the company's investors.

Positives & Negatives

Positives

To sum up, in our opinion, the most important advantages of SPACs are:

- SPACs are more transparent vehicles than private equity as they are registered offerings regulated by certain Stock Exchange rules, including filing their financial statements and full disclosure of any material events affecting the company;
- Since SPACs are publicly traded, they provide liquidity to an investor (i.e. investment comes in the form of common shares and warrants which can be traded). Furthermore, the fact that common shares and warrants trade separately, allows investors to increase or decrease their risk return profiles;
- The benefits for SPAC shareholders are the right to vote for or against the deal and the ability for investors to regain most of their funds, typically in excess of 98%, if the SPAC fails to generate an acquisition within 24 months or should they vote against the deal and convert their shares to cash;
- It remains an opportunity for unqualified investors to buy into hedge or private-equity funds, to participate in takeovers of private operating companies that those funds typically do;
- The SPAC vehicle for the target company is an opportunity to effect a reverse merger that yields more capital.

Negatives

Other than the risks normally associated with IPOs, additional SPAC shareholders' risks may include:

- Low visibility on future acquisition(s) at the time of the SPAC public offering;
- Dilution, due to management and sponsor shares;
- Public shareholder approval contingency may make SPAC unattractive to sellers, unless pre-approval is obtained;
- Potential delay and additional expenses attributable to the shareholders' decisional process and to the costs of functioning as a listed company;
- Potential limited liquidity of their securities.

Appendix 2: Peers Brief Description

Tieto Oyj provides full lifecycle information technology services in different industries (including Healthcare and Welfare). It also provides global product development services for companies in the communications and embedded technologies arena. Tieto was founded in 1968 and is headquartered in Helsinki, Finland.

Exprivia SpA engages in the provision of process consultancy, technology services and Information Technology (IT) solutions. It operates in the following market segments: Banks, Financial Institutions and Insurance; Industry and Aerospace; Energy; Telecommunications and Media; Health and Healthcare; Utilities and Public Administration. The Health and Healthcare segment specialises in innovative solutions for all areas of patient care, including the management and control at a regional level and local care provided by local healthcare providers and hospital care. The company was founded on 17 October 2005 and is headquartered in Molfetta, Italy.

McKesson Corp. is a health services and information technology company, which provides medicines, pharmaceutical and care management products. It operates through the McKesson Distribution Solutions and McKesson Technology Solutions segments. The McKesson Distribution Solutions segment distributes ethical and proprietary drugs, medical-surgical supplies and equipment and health and beauty care products throughout North America. This segment also provides specialty pharmaceutical solutions for biotech and pharmaceutical manufacturers, sells financial, operational and clinical solutions for pharmacies. The McKesson Technology Solutions segment provides software, automation, business services and consulting to hospitals, physician offices, imaging centres and home healthcare. It also provides interactive connectivity services that streamline clinical, financial and administrative communication between patients, providers, payers, pharmacies and financial institutions agencies and payers. The company was founded by John McKesson and Charles Olcott in 1833 and is headquartered in Wilmington, DE.

Cerner Corp. designs, develops, markets, installs, hosts and supports health care information technology, health care devices, hardware and content solutions for health care organisations and consumers. It also provides a wide range of value-added services, including implementation and training, remote hosting, operational management services, revenue cycle services, support and maintenance, health care data analysis, clinical process optimisation, transaction processing, employer health centres, employee wellness programmes and third party administrator services for employer-based health plans. The company operates its business through two segments: Domestic and Global. Cerner was founded by Neal L. Patterson, Clifford W. Illig and Paul N. Gorup in 1979 and is headquartered in North Kansas City, MO.

NEXUS AG develops and sells software and hardware solutions for hospitals, psychiatric institutions, and rehabilitation and social institutions. It operates its business through Healthcare Software and Healthcare Services segments. The Healthcare Software segment provides software products. The Healthcare Services provides Information technology outsourcing services for institutions in the healthcare system in Germany. NEXUS is headquartered in Villingen-Schwenningen, Germany.

Quality Systems, Inc. engages in the development and marketing of electronic health records, practice management, revenue cycle management, and interoperability solutions. The firm provides ambulatory solutions; population health management and analytics; revenue cycle management services; NextGen consulting services; electronic data interchange and clearinghouse; and dental solutions. It operates through the following divisions: QSI Dental, NextGen, Hospital Solutions, and RCM Services. The company was founded by Sheldon Razin in 1974 and is headquartered in Irvine, CA.

Pharmagest Interactive SA engages in the development of innovative solutions for pharmacies and the pharmaceutical industry. Its services include the training of employees, Software Technical Support and Assistance, Provision of computer equipment and Technical Expertise. The company was founded by Thierry Ponnelle, Thierry Chapusot and Vincent Ponnelle in 1996 and is headquartered in Villers-les-Nancy, France.

Medasys SA is the NoemaLife French subsidiary (listed on the Paris Stock Exchange). It is engaged in the provision of medical software for public and private health care facilities. It offers radiology and medical imaging software, record management software for nursing care and patient records; medical prescription and hospital pharmacy management programmes; and software for medical wards and laboratories. The company was founded on 10 July 1980 and is headquartered in Clamart, France.

CompuGroup Medical SE engages in the provision of e-Health solutions for the healthcare industry. It operates through the following segments: Health Provider Services I, Health Provider Services II, and Health Connectivity Services. The Health Provider Services I segment deals with software solutions for physicians, dentists, and pharmacists. The Health Provider Services II segment includes developing and selling hospital, laboratory, and special care information systems. The Health Connectivity Services segment offers products and services to facilitate networking. The company was founded by Frank Gotthardt in 1987 and is headquartered in Koblenz, Germany.

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ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances, including when Intesa Sanpaolo is acting in an advisory capacity in a merger or strategic transaction involving the company.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)

Target price and market price trend (-1Y)

Not Available

Historical recommendations and target price trend (-1Y)

Not Available

Equity rating allocations (long-term horizon: 12M)

Intesa Sanpaolo Research Rating Distribution (at August 2016)

Number of companies considered: 103	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	39	29	31	1	0
of which Intesa Sanpaolo's Clients (%) (*)	83	50	56	100	0

(*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category

Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

Equity rating key (short-term horizon: 3M)

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

Company specific disclosures

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (jointly also the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Modello di Organizzazione, Gestione e Controllo" pursuant to Legislative Decree 8 June, 2001 no. 231 (available at the Intesa Sanpaolo website, webpage http://www.group.intesasanpaolo.com/scriptIsir0/si09/governance/eng_wp_governance.jsp, along with a summary sheet, webpage https://www.bancaimi.com/en/bancaimi/chisiamo/documentazione/normative) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 69-quater and 69-quinquies of the Issuers' Regulation issued by Consob with Resolution no. 11971 of 14.05.1999 as subsequently amended and supplemented, Article 24 of "Rules governing central depositories, settlement services, guarantee systems and related management companies" issued by Consob and Bank of Italy, FINRA Rule 2241 and NYSE Rule 472, as well as the FCA Conduct of Business Sourcebook rules COBS 12.4.9 and COBS 12.4.10 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo is available in the "Research Rules" and in the extract of "A business model for managing privileged information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage http://www.group.intesasanpaolo.com/scriptIsir0/si09/studi/eng_archivio_conflitti_mad.jsp you can find the archive of Intesa Sanpaolo Banking Group's conflicts of interest.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest:

1. One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Capital for Progress 1 in the next three months
2. One or more of the companies of the Intesa Sanpaolo Banking Group have a Long position larger than the 0.5% of the issued share capital of Capital for Progress 1
3. Banca IMI acts as Nominated Advisor, Specialist relative to securities issued by Capital for Progress 1
4. One or more of the companies of the Intesa Sanpaolo Banking Group provide/have provided investment banking services to and/or concerning Capital for Progress 1 in the last twelve months

Intesa Sanpaolo Research Department – Head of Research Department: Gregorio De Felice		
Head of Equity & Credit Research		
Giampaolo Trasi	+39 02 8794 9803	giampaolo.trasi@intesasanpaolo.com
Equity Research		
Monica Bosio	+39 02 8794 9809	monica.bosio@intesasanpaolo.com
Luca Bacoccoli	+39 02 8794 9810	luca.bacoccoli@intesasanpaolo.com
Antonella Frongillo	+39 02 8794 9688	antonella.frongillo@intesasanpaolo.com
Manuela Meroni	+39 02 8794 9817	manuela.meroni@intesasanpaolo.com
Gian Luca Pacini	+39 02 8794 9818	gianluca.pacini@intesasanpaolo.com
Elena Perini	+39 02 8794 9814	elena.perini@intesasanpaolo.com
Bruno Permutti	+39 02 8794 9819	bruno.permutti@intesasanpaolo.com
Roberto Ranieri	+39 02 8794 9822	roberto.ranieri@intesasanpaolo.com
Meris Tonin	+39 02 8794 1119	meris.tonin@intesasanpaolo.com
Corporate Broking Research		
Alberto Francese	+39 02 8794 9815	alberto.francese@intesasanpaolo.com
Gabriele Berti	+39 02 8794 9821	gabriele.berti@intesasanpaolo.com
Marta Caprini	+39 02 8794 9812	marta.caprini@intesasanpaolo.com
Technical Analysis		
Corrado Binda	+39 02 8021 5763	corrado.binda@intesasanpaolo.com
Sergio Mingolla	+39 02 8021 5843	antonio.mingolla@intesasanpaolo.com
Research Clearing & Production		
Anna Whatley	+39 02 8794 9824	anna.whatley@intesasanpaolo.com
Bruce Marshall	+39 02 8794 9816	robert.marshall@intesasanpaolo.com
Annita Ricci	+39 02 8794 9823	annita.ricci@intesasanpaolo.com
Wendy Ruggeri	+39 02 8794 9811	wendy.ruggeri@intesasanpaolo.com
Elisabetta Bugliesi (IT support)	+39 02 8794 9877	elisabetta.bugliesi@intesasanpaolo.com

Banca IMI SpA		
Institutional Sales		
Catherine d'Aragon	+39 02 7261 5929	catherine.daragon@bancaimi.com
Carlo Cavalieri	+39 02 7261 2722	carlo.cavalieri@bancaimi.com
Stefan Gess	+39 02 7261 5927	stefan.gess@bancaimi.com
Francesca Guadagni	+39 02 7261 5817	francesca.guadagni@bancaimi.com
Federica Repetto	+39 02 7261 5517	federica.repetto@bancaimi.com
Daniela Stucchi	+39 02 7261 5708	daniela.stucchi@bancaimi.com
Marco Tinessa	+39 02 7261 2158	marco.tinessa@bancaimi.com
Mark Wilson	+39 02 7261 2758	mark.wilson@bancaimi.com
Corporate Broking		
Carlo Castellari	+39 02 7261 2122	carlo.castellari@bancaimi.com
Laura Spinella	+39 02 7261 5782	laura.spinella@bancaimi.com
Sales Trading		
Lorenzo Pennati	+39 02 7261 5647	lorenzo.pennati@bancaimi.com
Equity Derivatives Institutional Sales		
Emanuele Manini	+39 02 7261 5936	emanuele.manini@bancaimi.com
Andrea Cisilotto	+39 02 7261 5975	andrea.cisilotto@bancaimi.com
Francesca Dizione	+39 02 7261 2759	francesca.dizione@bancaimi.com
Enrico Ferrari	+39 02 7261 2806	enrico.ferrari@bancaimi.com
Alessandro Monti	+44 207 894 2412	alessandro.monti@bancaimi.com
Umberto De Paoli	+44 207 894 2456	umberto.depaoli@bancaimi.com

Banca IMI SpA – Head of Market Hub: Gherardo Lenti Capoduri		
E-commerce Distribution		
Alessandra Minghetti	+39 02 7261 2973	alessandra.minghetti@bancaimi.com
Francesco Riccardi	+39 02 7261 2089	francesco.riccardi@bancaimi.com
Umberto Menconi	+39 02 7261 5492	umberto.menconi@bancaimi.com
Filippo Besozzi	+39 02 7261 5922	filippo.besozzi@bancaimi.com
Fabio Del Gobbo (London Office)	+44 207 894 2432	fabio.delgobbo@bancaimi.com
Brokerage & Execution		
Sergio Francolini	+39 02 7261 5859	sergio.francolini@bancaimi.com

Banca IMI Securities Corp.		
US Institutional Sales		
Larry Meyers	+1 212 326 1241	larry.meyers@bancaimi.com
Barbara Leonardi	+1 212 326 1232	barbara.leonardi@bancaimi.com
Greg Principe	+1 212 326 1233	greg.principe@bancaimi.com

Banca IMI SpA

Largo Mattioli, 3
20121 Milan, Italy
Tel: +39 02 7261 1

Banca IMI Securities Corp.

1 William Street
10004 New York, NY, USA
Tel: (1) 212 326 1100

Banca IMI London Branch

90 Queen Street
London EC4N 1SA, UK
Tel +44 207 894 2600