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25.07.2023 - GBC Research Management Interview Health Italia S.p.A.

Company: Health Italia S.p.A. ^{*5a,11}

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*Catalogue of possible conflicts of interest starting on page 5

"[...] we aim to strengthen our position as a leader in the healthcare industry by prioritizing patient-centeredness, fostering innovation and embracing digitization."

This management interview features Livia Foglia, the CEO of Health Italia S.p.A. GBC will soon initiate research coverage on Health Italia, and the company has recently published its guidance, setting a revenue target of 50 to 52 million euros for the year 2026. Additionally, they aim for an EBITDA of 12 to 14 million euros and a positive net financial position ranging between 15.0 and 16.0 million euros. Today, we have the opportunity to speak with Livia Foglia about the company's market positioning and future prospects.

GBC AG: How would you describe your business model to investors who are not familiar with your company, considering that you are the leader in the Italian market?

Livia Foglia: Our company, which is a group, operates in the healthcare and wellbeing market. We are an integrated operator offering a complete range of solutions to improve the quality and accessibility of healthcare, assistance, and welfare services. All the activities are grouped into different companies and business lines (Promotion and Support Services, Telemedicine, and Medical services) with significant opportunities for cross-selling strategies and synergies among them.

Through Health Italia, our holding company, we promote corporate and retail supplementary healthcare solutions to individuals and families in need of healthcare coverage, as well as to companies for their employees as a benefit. We also manage welfare services and flexible benefit plans for companies or public entities' employees.

Through our subsidiaries, Health Assistance and Health Point, we provide assistance services as a third-party administrator (service provider) dedicated to assisted individuals who have subscribed to a healthcare plan. We also offer innovative telemedicine and traditional medical services.

To support our business, we are constantly developing and improving our own digital platforms that help us manage activities and seize new opportunities.

Our distribution model is multichannel and based on different channels, with the main one being our network of promoters, consisting of approximately 2,000 individuals working throughout Italy. We also collaborate with Banks Branches. Health Italia is the only company in Italy to promote supplementary healthcare solutions through the banking channel. Additionally, we work with other external independent distribution networks interested in selling solutions for wellbeing and health protection.

GBC AG: Germany has a healthcare system with two pillars, namely Statutory Health Insurance (Gesetzliche Krankenversicherung, GKV) and Private Health Insurance (Private Krankenversicherung, PKV). In Italy, however, there is an additional pillar consisting of Mutual Aid Societies and Health Funds, which are voluntary health insurance schemes. Can you provide an overview of this system to investors who may not be familiar with it?

Livia Foglia: In Italy, the healthcare system is composed of three areas called Pillars: the first is represented by the Public National system, the second is represented by Funds, and the third consists of private insurance companies.

Funds include Mutual Benefit Companies and Healthcare Funds, which are intended to complement the public health service and provide support. These entities are non-profit and individuals who benefit from their services become members rather than clients. They are registered in the Registry of Healthcare Funds at the Ministry of Health, and the government provides significant tax benefits (deductibility) to support the second pillar.

GBC AG: Italy offers flexible benefits through customizable remuneration plans, enabling employees to choose from various options. How do these flexible benefits present interesting opportunities for your company?

Hi Welfare is the division specifically dedicated to corporate welfare services. Through our online platform, we manage flexible benefit programs for companies and public entities' employees. With this formula, employees can choose the composition of their individual welfare plan according to their needs. We provide seven benefit areas:

- Health care plans
- Assistance: home care for the disabled or elderly
- Leisure: culture, sports, travel
- Supplementary pension
- Education: school fees, education expenses, from kindergarten to college
- Shopping vouchers
- Season tickets for public transportation

Additionally, with the support of Health Point, we can offer medical services and telemedicine directly within company headquarters by setting up dedicated spaces for services, check-ups, or in-house health screening campaigns. This represents an important opportunity for our company from a dual perspective.

Protective strategy: By being able to satisfy customers' welfare needs beyond just health coverage, we prevent competitors from entering as their exclusive suppliers and potentially stealing our customers.

Proactive strategy: We have two access channels for the corporate target audience. Since a company may be interested in health coverage only or a comprehensive welfare plan, we have the ability to meet their demands in both cases. Furthermore, after acquiring the customer, we can employ a cross-selling strategy to offer additional services in which they were initially not interested.

GBC AG: Which primary markets does your company currently operate in, and how do you envision the future development of these markets? How will these market dynamics impact your company?

Livia Foglia: We operate in the healthcare market, where in 2020, the national healthcare expenditure reached 160 billion euros. Out of this amount, 122 billion euros were covered by public funds, while private individuals contributed 38 billion euros. Among the private expenditure, 34 billion euros were paid out of pocket by citizens, with only 4 billion euros being brokered by healthcare funds and insurance companies. The untapped portion of this market represents our main addressable market.

In recent years, intermediated healthcare spending in Italy has been steadily increasing, driven by a reduction in state intervention and the aging population. The growth in the second pillar can be observed through the data on entities registered in the Registry of Healthcare Funds at the Ministry of Health. These entities include Funds and Mutual Benefit Companies that enjoy tax benefits (excluding insurance companies). The number of beneficiaries and registered entities has risen from approximately 7 million in 2013 to 14 million in 2019.

The corporate welfare market in Italy has also experienced growth, with the adoption of welfare plans by companies for their employees doubling from 2017 to 2021. The average budget allocated to welfare measures has also increased, surpassing €1,000 in 2021.

Furthermore, on a global scale, since the pandemic in 2020, remote health consultations have significantly increased from 0.1% to 43.5%. It is projected that around 40% of patients will continue to use telemedicine, a substantial increase compared to the pre-pandemic level of 11%. In 2021, telemedicine accounted for 35.5% of the total revenue in the healthcare sector, amounting to 62.4 billion dollars. Experts predict a compound annual growth rate (CAGR) of 36.5% from 2022 to 2028, reaching a market value of \$577 billion in 2028.

These data clearly indicate the opportunities within the sector. The presence of growing reference markets, as projected above, suggests an increase in turnover across all areas of our Group's business.

GBC AG: In light of the rapidly evolving technological landscape, how does your company stay ahead of emerging trends and leverage innovation to maintain its market leadership in Italy?

Livia Foglia: Significant technological investments are currently underway to further implement the ongoing digital transformation that has been in progress for several years. The Group is specifically investing in new software to serve the main business areas, including CRM (Customer Relationship Management), operations center management software, back-office analysis software, and cloud programs and hardware. This involves migrating to servers provided by major suppliers such as Oracle or Microsoft, benefiting from their computational capacity.

Furthermore, the entire resident server infrastructure is being replaced with cloud servers, which effectively addresses data protection concerns and enhances cyber security. An important investment is also being made to replace all existing firewalls, further bolstering security measures.

From a commercial perspective, a significant investment is being made to integrate the current sales channels with online access and explore distribution via modern online sales

platforms. This initiative aims to enhance the company's presence in the online market and capitalize on the opportunities presented by e-commerce.

GBC AG: Looking ahead, where do you envision your company in five years?

Livia Foglia: The near future scenario for the health sector, particularly regarding supplementary and/or complementary health coverage, presents a significant challenge for the global community.

The healthcare landscape is undergoing transformative changes, exploring innovative business models, and creating fresh opportunities. Simultaneously, new players from the technology, consumer products, services, and other sectors are entering the vast global health marketplace, while consumers are increasingly embracing technology-enabled solutions.

In this evolving global health space, Health Italia is making substantial advancements by prioritizing patient-centricity, fostering innovation, and embracing digitization. Through these efforts, we aim to strengthen our position as a leader in the industry by adapting to the demands of diverse populations and varying needs. We are committed to ongoing investments that focus on technological innovation, service enhancement, and customer base consolidation.

GBC AG: Thank you very much for the interview.

APPENDIX

I.

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II.

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BUY	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $\geq + 10\%$.
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