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ENTERSOFT

In a secular sweet spot

Software leader with broad offering, 55-60% recurring revenues and multi-sector exposure – Entersoft is one of the leading Greek IT software companies involved in the development and distribution of its own IP-based software and the provision of aftersales services to businesses. The company has a broad product offering ranging from fully integrated ERP to niche solutions and enjoys a diversified portfolio of active clients spanning across many industries. Entersoft operates both a licensing & maintenance (L&M) and software-as-a-service (SaaS) model, thereby combining the agility of SaaS with the front-loaded nature of the profitability of on-premise solutions. This balanced contract portfolio is manifested in a significant recurring revenue base, which is close to c55-60% of group revenues.

... facing a confluence of supportive trends and secular drivers – The software industry is in secular growth as companies focus on improving their productivity and agility through digital solutions. In Greece’s case, demand is further underpinned by idiosyncratic factors such as the low adoption levels of CRM/warehouse mgt systems (WMS), the fragmented enterprise population and the need for upgrades to outdated legacy systems. These trends are coupled with a significant upcoming boost from €7bn of projects to be financed by the Recovery Fund (RRF) till 2026. We believe the latter could expand Entersoft’s addressable market by €700-800m by 2026, effectively tripling the size of the current market (€350m).

Doubling of revenues over 2021e-2025e looks hardly overambitious, with further optionality from faster organic growth... – Entersoft has delivered 12% sales CAGR over 2015-20 (mostly organic). Looking ahead, following 47% growth in 2021e (mostly organic) we project c20% CAGR through to 2025e (purely organic), more than feasible in our view given the digitization push, new products (e.g. HR/payroll) and the solid track record. In fact, we see significant upside risk to these numbers, as our estimates effectively assume Entersoft will capture solely c4% share of the incremental market resulting from RRF-financed projects. The growth in revenues will filter through to c27% 5-year EBITDA CAGR, quite compelling growth profile among EU peers.

... and from balance sheet optionality – The combination of high recurring revenues and renewal rates (>90%) renders the business model quite cash generative and profitable, with Entersoft enjoying the highest margin among its Greek peers and at the high-end within the global software space. Given the strong financial position (€8.1m net cash in Sep’21), there is also great optionality from capital allocation, which could be manifested either via incremental M&A-driven growth (not included in our numbers) or heftier returns to shareholders.

Valuation – Despite the 88% rally ytd, we think Entersoft is an attractive play to gain exposure to the digitization theme, given the more palatable valuation vs EU software companies (which trade at EV/EBITDA multiples in the mid-teens) and the stronger growth profile. Our valuation is based on a DCF (8% WACC) and yields a baseline value of €7.6/share, effectively valuing the stock at c16x 2023e EV/EBITDA, broadly in line with current valuation of the EU sector. Flexing our WACC and perpetuity growth inputs yields a fair value range between €6.4 and €9.3 per share.

Estimates					
€m unless otherwise stated	2019	2020	2021e	2022e	2023e
Revenues	15.4	16.6	24.4	30.8	36.6
EBITDA	4.4	5.8	9.1	11.3	13.2
EBIT	3.1	4.4	7.2	9.1	10.9
Net profit	2.2	3.5	5.5	7.1	8.4
EPS (€)	0.08	0.12	0.18	0.24	0.28
DPS (€)	0.05	0.06	0.09	0.12	0.14
Valuation					
Year to end December	2019	2020	2021e	2022e	2023e
P/E	11.0x	13.7x	26.6x	20.8x	17.4x
EV/EBITDA	5.5x	7.4x	15.3x	12.1x	10.0x
EBIT/Interest Expense	19.9x	30.6x	59.1x	100.8x	147.7x
Dividend Yield	3.3%	3.7%	1.9%	2.4%	2.9%
ROE	20.8%	21.2%	26.4%	27.8%	27.7%

Source: Eurobank Equities Research.

Market Cap (€ mn) €147.0
Closing Price (22/10) €4.90

Stock Data

Reuters RIC	ENTR.AT
Bloomberg Code	ENTER GA
52 Week High (adj.)	€5.40
52 Week Low (adj.)	€1.58
Abs. performance (1m)	-6.1%
Abs. performance (YTD)	88.5%
Number of shares	30.0mn
Avg Daily Trading Volume (qtr)	€136k
Est. 3yr EPS CAGR	34.1%
Free Float	95%

ENTERSOFT Share Price



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See Appendix for Analyst Certification and important disclosures.

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Investment Summary

IT software company with broad product offering, c55-60% recurring revenue base and multisector exposure

Entersoft is one of the leading Greek IT software companies involved in the development and distribution of its own IP-based software and the provision of aftersales services to businesses. The company has a broad product offering ranging from fully integrated ERP systems to niche standalone solutions. It enjoys a diversified portfolio of active clients spanning across many industries, with no significant exposure in any particular sector. Entersoft operates both a licencing & maintenance (L&M) and software-as-a-service (SaaS) model, thereby combining the agility of a SaaS solution with the superior margins initially enjoyed by on-premise solutions. This balanced portfolio of contracts is manifested in a significant recurring revenue base, which is close to c55-60% of group revenues.

... facing a confluence of supportive trends and secular drivers

Given the extended ERP offering which is further enhanced with niche solutions, Entersoft looks well positioned to be among the winners in the digitization of Greek businesses. The software industry is in secular growth (2-digit growth rate envisaged by Gartner for the global software sector in the coming years) as companies focus on improving their productivity and agility through digital solutions. In Greece's case demand for digitization is further underpinned by idiosyncratic factors such as the low adoption levels of CRM/warehouse management systems (20-40%), the fragmented enterprise population (with just 2% of enterprises having more than 50 employees) and the need for upgrades and revamping of legacy systems (50% of Entersoft's target companies have outdated ERP software). The confluence of supportive trends – both cyclical and secular in nature – are coupled with a significant boost from c€7bn of projects to be financed by the Recovery Fund through to 2026. We believe the latter could expand Entersoft's addressable market by c€0.7-0.8bn by 2026, namely by more than 2x the current level of €0.3bn.

Solid track record of organic growth; revenues to double in next 5 years....

Entersoft has a solid track record of revenue growth, having delivered c12% revenue CAGR over 2015-2020. Most of this growth has been organic, as Entersoft has not only grown its customer base but has also been selling "more" to existing customers (upselling, niche, services). Organic growth has been topped up by M&A, with Entersoft mostly targeting domestic competitors in niche segments. Looking ahead, following c47% revenue growth in 2021e (c22% driven by acquisitions in end 2020 and beginning of 2021) we envisage c20% CAGR through to 2025e (purely organic) underpinned by the digitization push. We thus expect revenues to double in the next 5 years vs the 2021e levels, rendering Entersoft an attractive software play. Given the aforementioned c€700-800m market revenue opportunity related to the Recovery Fund, our revenue forecast looks more than feasible we reckon (as it implies a mere c4% market share to be captured by Entersoft in the RRF-related market).

... leading to 27% EBITDA 5-year CAGR and >40% ROIC in 2021

The combination of high recurring revenues and renewal rates (>90%) renders the business model quite cash generative and attractive. Indicatively, Entersoft has delivered c37% EBITDA CAGR since 2017 and looks set to post c57% growth in 2021 on our estimate. This has materialized on the back of expanding margins (16pps over 2017-2020) thanks to the positive operating leverage, with Entersoft enjoying the highest margin among its Greek peers and at the high-end within the global software space, despite its small size. As a result, Entersoft's ROIC screens out as best-in-class among its software peers, having grown from c16% in 2017 to >30% in 2020 (and >40% in 2021e). Looking ahead, the growth in revenues will filter through to c27% 5-year EBITDA CAGR, quite compelling growth profile among EU peers.

Strong balance sheet offers scope for M&A-driven growth

Entersoft enjoys a strong balance sheet (net cash €8.1m in Sep'21), being a consistent cash flow generator even during recessionary periods. Its strong financial position, which was further bolstered by a €3.8m capital raising in 2020, has allowed it to continue investing in growth through the pandemic (3 deals completed in 2020-early 2021), thereby extending its competitive advantage and product portfolio. Although our model does not assume any further M&A-driven growth, Entersoft's strong balance sheet clearly offers scope for accretive transactions in the future, especially as the group's multi-sector exposure presents it with a broad platform for M&A. Overall, optionality regarding balance sheet deployment is high and

could be manifested – alternatively – in the face of heftier returns to shareholders than incorporated in our model (we assume 50% payout).

Compelling valuation given growth profile and nature of the industry

Entersoft shares have posted a stellar performance almost doubling year-to-date, substantially outperforming both Greek non-financials and the ASE index (as well as international software peers). The stock stands >80% above its pre-pandemic levels, but, at the same time, Entersoft’s EBITDA in 2021e is set to be more than double the levels of 2019. From a valuation perspective, the limited forward-looking estimate track record makes any reference to historic valuation rather pointless. That said, with: 1) the EU software sector trading at EV/EBITDA multiples in the mid-teens and 2) the recent acquisition of Intrasoft by Netcompany having been sealed on an EV/EBITDA multiple near 13x, Entersoft’s valuation screens out as quite compelling (c10x 2023e EV/EBITDA). This is even more so the case if one takes into account the relative growth profile, with Entersoft offering an attractive c20% EBITDA CAGR over 2022-2025, with scope for stronger growth given the combination of secular/cyclical drivers. With this in mind, we think Entersoft is an attractive play to gain exposure to the digitization theme, given the more palatable valuation vs EU software companies and the stronger growth profile. Our valuation is based on a DCF (8% WACC) and yields a baseline value of €7.6 per share, effectively valuing the group at c16x 2023e EV/EBITDA, broadly in line with the current valuation of the EU sector. Flexing our WACC and perpetuity growth inputs yields a fair value range between €6.4 and €9.3 per share.

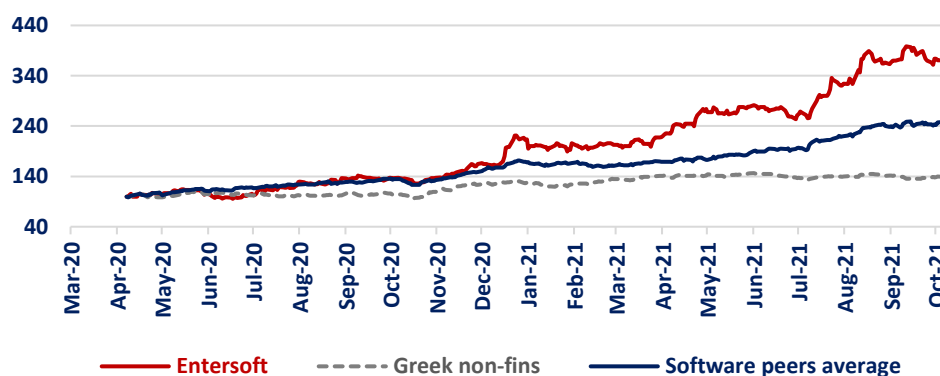
Share price performance and valuation

1. Price performance

Stock has risen >3.5x in the past 18 months, since it started trading on the ATHEX main market

Entersoft has posted stellar performance in the last 18 months more than tripled since it initiated trading on the ATHEX main market in March 2020 (following a capital raising). The company has outperformed not only Greek non financials but also the broad EM IT Services index and EU software peers. The share price consolidated in early 2021 before a new round of outperformance started after the summer. The stock remains not far from its recent all-time high.

18m performance (rebased) – Entersoft vs Greek non-financials and EU software peers



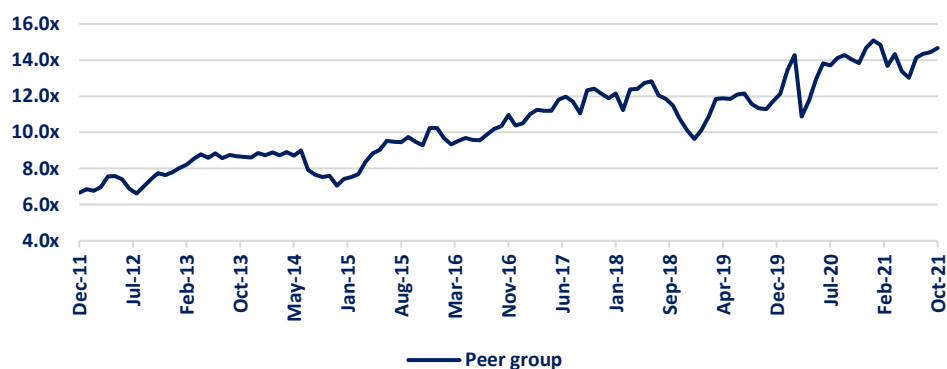
Source: Eurobank Equities Research, Bloomberg.

From a valuation perspective, making any reference to the group’s own historic valuation is rather pointless given the limited history of estimates and the fact that the stock joined the main category of the ASE just recently (in 2020).

... but valuation remains attractive taking into account growth prospects and the cash flow profile

That being said, we have looked at the historic valuation of a broad group of EU companies operating in the IT software and services sector. Indicatively our select group of peers includes, among others, SAP, Sage, Visiativ and Assecopol along with Computacenter and Softwareone (the last two are resellers, which naturally trade at lower valuation). As we display below the broad peer group has historically traded at an average of c10x EV/EBITDA over the last decade, however it has rerated substantially – to levels north of 15x – in the last 2 years. The sector is

currently trading near 15x, with resellers valued at the low end of the spectrum (c10x) and bigger software companies valued at the high end. Against this background Entersoft is still trading at substantial discount vs its peers, despite the whopping rally in the last 1.5 year. In our view, the company's smaller size certainly warrants a discount vs peers, but on the other hand the valuation – at c10x 2023e EV/EBITDA – looks palatable in our view, especially if one takes into account the combination of cash flow generation and earnings growth.

12m forward EV/EBITDA valuation – European software peers


Source: Eurobank Equities Research, Bloomberg.

Current levels indicate a c25-28% discount to peers

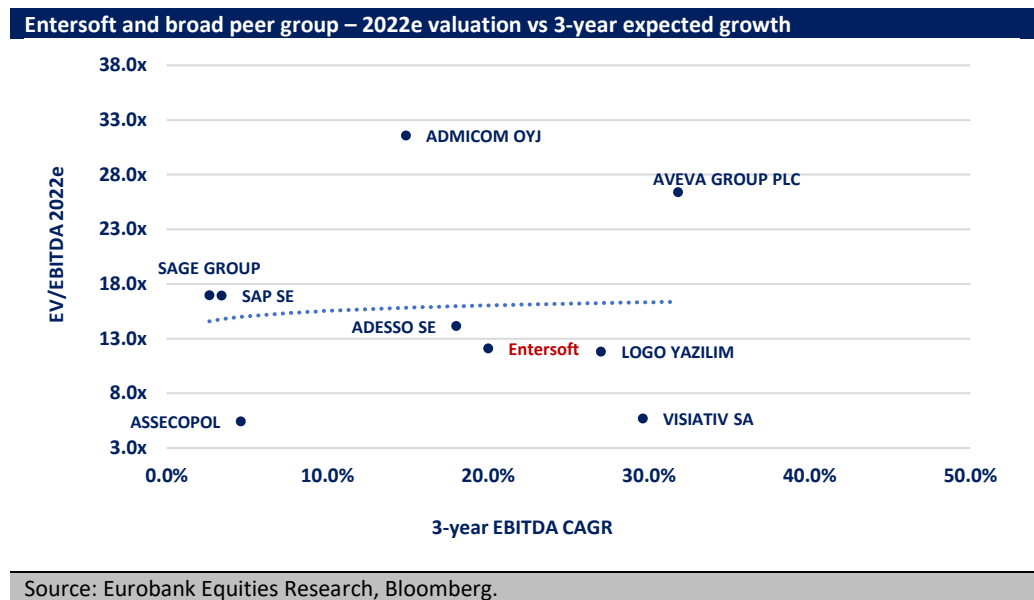
In the table below, we contrast Entersoft's current valuation against the aforementioned select group of peers in more detail. As can be seen, Entersoft seems to be trading at c25-28% EV/EBITDA discount despite enjoying one of the strongest balance sheets (on a relative basis). We also flag that the recent acquisition of Intrasoft by Netcompany was sealed at an EV/EBITDA multiple near 13x.

Peer group valuation								
Stock	Mkt Cap	PE	EV/EBITDA	DPS yield	Net debt/EBITDA	2022e	2023e	2022e
AVEVA GROUP PLC	13,100	31.2x	27.2x	26.4x	23.2x	1%	1%	0.5x
SAP SE	148,993	22.9x	20.9x	17.0x	15.7x	2%	2%	0.6x
SAGE GROUP	8,778	28.6x	25.5x	17.0x	15.4x	3%	3%	0.2x
ADMICOM OYJ	455	43.5x	35.9x	31.6x	26.7x	1%	1%	-1.5x
ADESSO SE	1,146	29.7x	25.4x	14.2x	12.4x	0%	0%	0.0x
VISIATIV SA	113	11.3x	8.6x	5.7x	4.9x			1.6x
ASSECOPOL	1,776	17.5x	16.7x	5.4x	5.2x	3%	3%	0.1x
LOGO YAZILIM	387			11.8x	8.9x			-0.9x
EMEA peers		26.4x	22.9x	16.1x	14.0x	2%	2%	0.1x
Entersoft	147	20.8x	17.4x	12.1x	10.0x	2%	3%	-1.1x
Premium / (discount) vs peers		-21%	-24%	-25%	-28%	43%	60%	
COMPUTACENTER PL	3,674	18.0x	17.6x	9.4x	9.2x	2%	2%	-0.6x
SOFTWAREONE HOLD	3,250	20.0x	16.8x	11.0x	9.5x	2%	2%	-1.2x
Resellers		19.0x	17.2x	10.2x	9.3x	2%	2%	-0.9x

Source: Eurobank Equities Research, Bloomberg.

Compelling relative valuation on earnings growth-adjusted metrics

Given that the range of valuation multiples may also reflect differences in companies' growth profile, we have also examined the current valuation of the broad peer group in conjunction with the 3-year profit outlook (incorporating only organic growth for Entersoft, namely growth in 2022-24e). As can be seen, Entersoft's valuation looks quite compelling taking into account it also enjoys one of the strongest growth profiles among EU software companies.



2. Valuation: DCF-based yields a €190-280m intrinsic value range (€6.4-9.3 per share)

DCF-based valuation yields intrinsic value of €7.6 per share

We base our valuation on Entersoft on a DCF in order to capture the expected high earnings growth in the coming years, given the secular tailwinds for the industry, and the long-term earnings potential of the business.

Our base case DCF yields a c€230m 12-month baseline market cap, translating to a €7.6 price per share. This is predicated on the following assumptions:

- Sales CAGR of c20% over 2022-2025e, driven by the digitization push, fading to c4% by 2031;
- Reported EBIT CAGR of c23% over the same period (i.e. post >60% growth in 2021e), driven by the robust top line growth, implying c3pps margin expansion vs 2021e levels on positive operating leverage. We assume that medium-term EBIT margins settle in the 33% area, up from c16% on average before 2019 and 27% in 2020. This would be in sync with best-in-class margins of bigger EU software companies, underpinned by the group's high productivity and increasing scale.
- We use a long-term growth rate of 0.5% based on a reinvestment rate near 7.5% and c7% incremental ROIC, as we expect returns to trend down in the long run, conservatively assuming that the group's competitive advantage will fade.
- The implied FCF conversion (FCF/EBITDA) in the medium term (2026-2030e) stands at c66%, a level we consider feasible.
- 8% WACC, which we believe captures the relative risk profile of the business vis-à-vis the rest of our coverage universe.

Entersoft DCF								
	2021	2022	2023	2024	2025	...	2030	2031
NOPAT	5.6	7.1	8.5	10.5	12.9	...	22.1	
Depreciation	1.9	2.1	2.3	2.5	2.7		2.7	
Working Capital	-0.4	0.0	-1.1	-1.2	-1.3		-1.6	
Capex	-3.0	-2.2	-1.4	-1.6	-1.6		-2.9	
Unlevered free cash flow	4.2	7.1	8.3	10.3	12.8	...	20.2	20.1
PV	4.2	6.5	7.1	8.2	9.4		10.1	
PV of terminal value	124.6							
Enterprise Value	220.2							
- Net debt incl. leases / other claims (net)	5.2							
Expected dividend	-1.8							
Equity value (ex-div)	223.6							
no. of shares	30.0							
1-year fair value (ex div)	226.8							
12-month indicative value per share	€7.6							

Source: Eurobank Equities Research.

A basic sensitivity on a combination of WACC and terminal growth rates is presented in the table below. As can be seen, flexing our WACC and perpetuity growth inputs by 1% and 0.5% respectively yields a fair value range between c€190m and c€280m (€6.4 and €9.3 per share).

DCF Sensitivity of our calculated group fair value per share to the WACC and LT growth assumptions						
		WACC				
		9.0%	8.5%	8.0%	7.5%	7.0%
Terminal growth	1.5%	7.1	7.6	8.3	9.0	9.9
	1.0%	6.8	7.3	7.9	8.5	9.3
	0.5%	6.6	7.0	7.6	8.2	8.8
	0.0%	6.4	6.8	7.3	7.8	8.4
	-0.5%	6.2	6.6	7.0	7.5	8.1

Source: Eurobank Equities Research.

Strategy and Business model

1. Product and geographic overview

Software developer with a broad product offering

Entersoft's core activities are centered around the development and distribution of business software solutions and the provision of aftersales services. The company offers a variety of software products, ranging from fully integrated ERP systems to niche standalone solutions, while also acting as the main product distributor and aftersales provider for its software. The group was established in Athens in 2002 and was initially listed on the ASE's alternative market in 2008, making the move to the main market in 2020.

Diversified across verticals

Entersoft has managed to maintain a diversified portfolio of active clients through the years, spanning across 37 countries and multiple industries, with no single corporate client accounting for >2% of annual revenues. This diversification has helped the company gather crucial data for the development of its business solutions, thus creating products that cater to multimarket needs and growing its customer/revenue base notwithstanding the macroeconomic challenges in recent years (e.g. multi-year Greek recession, COVID-19 outbreak).

Balanced contract mix across license/maintenance, services and SaaS

From a business standpoint, the company originates most of its revenue from 4 sources, namely the fees from product license sales, maintenance services, aftersales services and Software-as-a-Service (SaaS) subscriptions. We also note the presence of a minor segment that is related to Microsoft products that are built onto Entersoft's business software.

We describe the main components of the sales mix in more detail below:

- 1) **Licenses:** This segment involves the sale of software products to new clients, covering the entire range of Entersoft's business solutions – namely ERP, CRM, WMS (warehouse management systems) and enterprise mobility applications – except for those offered on a SaaS-based model (outlined below). It acts as the starting point for Entersoft's business model, creating grounds for developing new client relationships. Products are installed on-premise and usually need to be overseen by the clients' IT department.
- 2) **Maintenance:** Maintenance refers to the annual fees paid by clients for the available software updates and does not include any services. These fees are usually paid on a per annum basis and only apply to clients with on-premise software installations. In a sense, maintenance services are optional in their nature, as clients are licensed to use the software and are not obliged to pay for software updates. However, in practice, maintenance is a recurring fee that customers are keen to pay to ensure proper functionality (i.e. fully updated software) over the license lifecycle.
- 3) **Services:** This segment is split into two categories depending on the length of the client relationship, namely implementation and support services. Implementation services cover the initial phase of the relationship and include software implementation, customization and employee training, while support services, such as product optimization and general assistance, span along the entire duration of the license.
- 4) **Software-as-a-Service (SaaS):** The company's SaaS activity consists of two product lines, namely SaaS ERP and e-invoicing. We note that Entersoft enacts almost all SaaS ERP sales via 3rd party software resellers who are responsible for providing the corresponding services. This means that Entersoft benefits mainly from the actual sale, as additional services in this case are provided by re-sellers. In more detail:
 - a. **SaaS ERP:** This is a typical cloud-delivered product based on a subscription (SaaS ERP), allowing customers some degree of flexibility and agility compared to an on-premise solution via a license and maintenance contract. From the client's perspective, a cloud solution is cheaper to deploy initially, although this tends to be made up for in the outer years (given a SaaS annual fee tends to be higher than the annual maintenance fees under a license contract).

- b. **e-invoicing:** this is a pay-per-use model and in that regard is very scalable as the volume of transactions increases. The mandatory implementation of digital book-keeping and electronic invoicing announced by the Hellenic Independent Authority for Public Revenue (AADE) is likely to act as a catalyst for the acceleration of the uptake of e-invoicing among businesses. In addition, the Greek govt has mandated that all companies implementing projects in the context of the Recovery Fund send electronic invoices to the relevant government agencies, marking the first – and decisive – step towards the adoption of B2G e-Invoicing.

5) Other: These account for just 1-3% of total sales and include sales of Microsoft products incorporated into Entersoft’s software.

Recurring revenues have contributed >55% of total since 2017

Entersoft’s revenue streams can be divided into a recurring and a non-recurring component. Recurring revenues include maintenance along with support services (for existing clients) and SaaS revenues. Given the >90% retention ratio, Entersoft has quite a significant base of recurring sales, namely >55% of total revenues since 2017. Taking into account the limited churn, our forecasts envisage recurring revenues will stay near the c55-60% mark, except for the current year when we anticipate a spike in licence revenues (which we expect will drive significant maintenance revenues in the coming years, thus underpinning recurring sales generation).

Leveraging multisectoral knowledge to develop business solutions

Entersoft’s clientele is active in consumer-related (F&B, retail, FMCG), manufacturing, construction and pharmaceutical industries among others. This diversification has allowed the company to enjoy resilient growth through the years, without being disrupted by the various macroeconomic challenges Greece has faced (e.g. multi-year recession, COVID-19). Entersoft has also leveraged the insight gained from its multisectoral exposure to round out its business solutions (especially in integrated products), making consistent updates in order to meet the increasingly demanding needs of the corporate landscape.

Target customers across the entire enterprise spectrum, expect for micro firms

Entersoft targets market segments that are future-oriented and facilitate the promotion of its complete range of business solutions. Its primary focus is on SMEs (11-500 employees) and very small enterprises (6-10 employees), segments that usually commit to software products long-term and, as such, provide grounds for generating recurring revenues through aftersales or cross-selling. The company is also present in large enterprises (>500 employees), but mainly through niche software products, as this segment is consolidated in well-established software categories (e.g. ERP, CRM). We note that Entersoft is not engaged with micro enterprises (0-5 employees) at the current juncture, as this group of companies is more focused on price rather than quality of software while offering limited scope for recurring revenue generation.

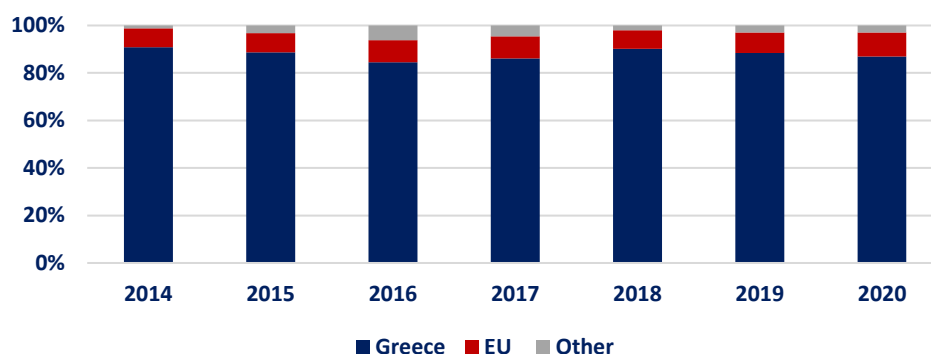
Greek companies by no. of employees, 2020		
Company Size	No. of Employees	No. of Companies
Large	>500	280
Medium	50-500	4,146
Small	11-50	27,674
Very Small	6-10	33,187
Micro	0-5	214,112

Source: Eurobank Equities Research, Hellenic Ministry of Labor.

Greece remains dominant in the sales mix (87%), but international expansion is underway (10% CAGR in international revenues since 2014)

In terms of geographic mix, the domestic market remains the main focus of the group, with Greece making up 87% of revenue in 2020. Having said that, Entersoft has been ramping up its effort to increase its presence in emerging EU software markets with medium/low ERP adoption rates, low niche category penetration and significant scope for digitalization (e.g. Bulgaria, Romania). Such markets constituted 8.7% of the mix as of 2020. The remaining revenues are contributed by activities in other foreign markets, the most noteworthy being the UAE, representing 2.3% of 2020’s total. Overall, Entersoft’s international revenues have grown from c9% of the mix in 2014 to c13% in 2020, translating to a c10% CAGR.

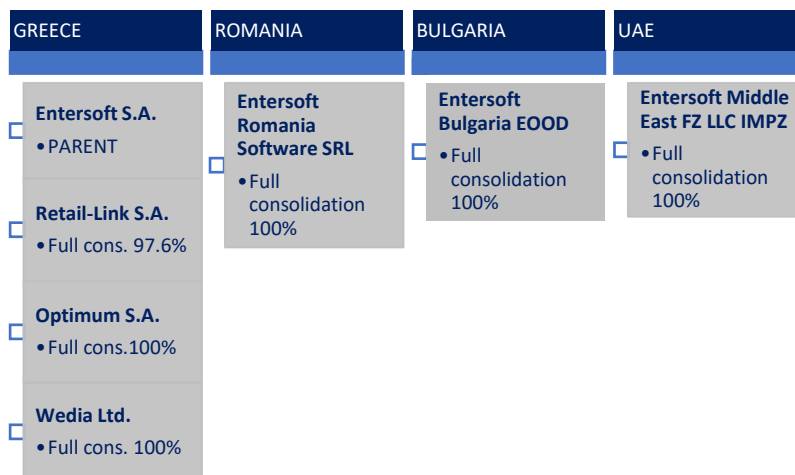
Geographic sales mix evolution



Source: Eurobank Equities Research, Company data.

Entersoft group is comprised of 7 companies in total, covering 4 countries. The company’s Greek subsidiaries are specialized in niche segments, namely e-invoicing (Retail-Link), WMS (Optimum) and e-commerce/digital marketing (Wedia), whereas its foreign subsidiaries serve as hubs for conducting business in and around each corresponding country. The parent company owns c100% of each of the 6 subsidiaries. Entersoft’s organizational structure is as follows:

Entersoft organizational structure



Source: Eurobank Equities Research, Company data.

2. Strategy

Product developer, distributor and aftersales provider

Entersoft’s operating model is built on its triple purpose as a software developer, distributor, and aftersales provider. The company boasts a long list of own-developed software solutions, ranging from the front end (e.g. enterprise mobility applications) to the tail end (e.g. warehouse management systems) of the business process. The product offering is thus quite holistic, spanning several categories in the business ecosystem including ERP, CRM, supply/retail chain management, e-invoicing, and niche solutions (enterprise mobility and invoicing on-field, e-Commerce etc.).



Predominantly direct sales distribution

On the distribution front, c80% of sales take place directly, something that allows Entersoft to have direct access to customers and to engage with them for the provision of after sales services. The remaining c20% of sales is sold through resellers, namely intermediaries providing an efficient sales channel allowing Entersoft to expand its reach accessing a wide tail of small customers. Resellers are normally paid through a mark-up on the software sold to the end client.

Broad industry exposure and focus on SMEs and large businesses

Entersoft currently has c3.7K active clients in Greece and c4K in total. From a market positioning perspective, as mentioned above its main target group for future growth consists of small, medium and large businesses, namely companies with >11 employees. There is also a secondary target group consisting of smaller entities with 6-10 employed people. Entersoft is less active in the micro segment (entities with 1-5 employees) at the current juncture, given the latter’s higher price sensitivity and limited cross-selling prospects. The organic growth opportunity for Entersoft is thus sizeable if one considers:

- the addressable market from a customer perspective (>35K SME and large companies in Greece, c31K smaller entities with 6-10 people),
- the market share gain potential (c25% of the addressable market has ERP software from non-competitive local vendors),
- the software lifecycle, with nearly half of the aforementioned companies having outdated ERP software.

From an industry perspective, Entersoft enjoys quite broad exposure having clients in a wide range of industries with both cyclical (Furniture, Fashion, Financial Institution, Construction) and defensive (Pharma, Logistics, FMCG, Retail) characteristics.

Long-term client relations, high retention

The company’s strategy is based on generating recurring revenue through client retention. Indeed, renewal rates seem to be quite high (>90%) and have been one of the factors underpinning the EBIT margin expansion in recent years (+15.7pps over 2015-20) as the natural dilutive effect from new business has been more than offset by the positive margin effect from

renewing customers. As mentioned previously, we estimate that Entersoft’s recurring revenues stand near 60% of total revenues, comprising maintenance fees, support services and SaaS revenues. Entersoft’s success in sustaining high retention rates relies heavily on the capabilities of its products (e.g. extended product functionality, state-of-the-art technology) and its cross-selling capacity. Its exposure to the healthier part of the Greek business universe, namely entities of larger size is also conducive to the high retention as larger clients allocate more money and time towards software maintenance and optimization, thus producing more long-term returns.

Recurring vs. non-recurring revenue, 2020: Recurring revenues near 60%



Source: Eurobank Equities Research, Company data.

B2B-focused

Entersoft is B2B-focused, having withdrawn from the domestic B2G (business-to-government) market since 2017. This decision has allowed it to avoid the working capital strain related to dealing with the Greek state and to focus more on strategically expanding its range of products through internal R&D and M&A, developing new solutions and improving on existing ones to create a product portfolio capable of offering end-to-end coverage of the business process.

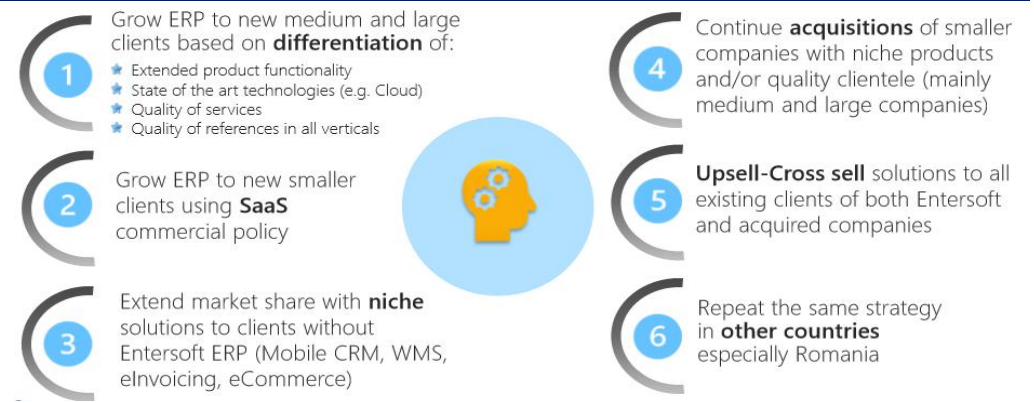
Adding medium and large customers while further penetrating small customers

The group’s growth algorithm revolves around continuing to grow its SME/large customer base thanks to its differentiated offering (quality of services, full-spectrum ERP etc). Entersoft also aspires to further penetrate the wide tail of small customers, mainly through SaaS, while winning out businesses that do not use its software via niche solutions (enterprise mobility applications, WMS, e-invoicing, e-commerce).

... and selling “more” to existing ones

The company has always relied on the early adoption of new technologies to gain an advantage over competitors. This strategy has allowed it to establish a foothold in a variety of niche segments (e.g. e-invoicing, enterprise mobility, WMS), achieving market-leader status early on and gaining invaluable exposure to new clients. It has also enabled Entersoft to keep up with the expectations of its existing clientele, especially since clients are also looking to gain a competitive edge from the technology they use. In that regard, an additional key pillar of growth is selling more to existing customers, be it via upselling or cross-selling solutions.

Algorithm for continuous growth & profitability



Source: Eurobank Equities Research, Company data.

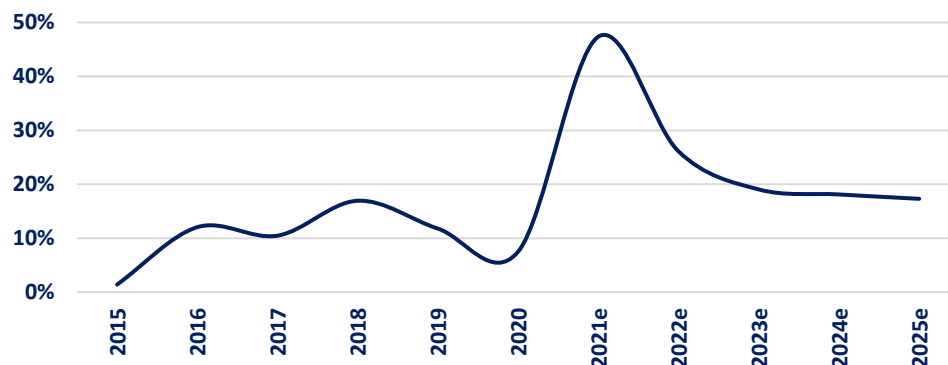
Top line overview

Strong track record of 2-digit top line growth...

1. Historic performance: solid 2-digit growth track record

Entersoft has delivered strong top line performance, sustaining double-digit growth every year since 2016, except for the pandemic-affected 2020 when it fell just shy of this mark. Remarkably, the company has achieved this through growth in all 4 of its main segments (as we explain in detail below), namely licenses, maintenance, services and SaaS, a testament to its multipurpose operating structure built around securing sustainable revenue through long-term client retention and synergy creation.

Entersoft top line growth



Source: Eurobank Equities Research, Company data.

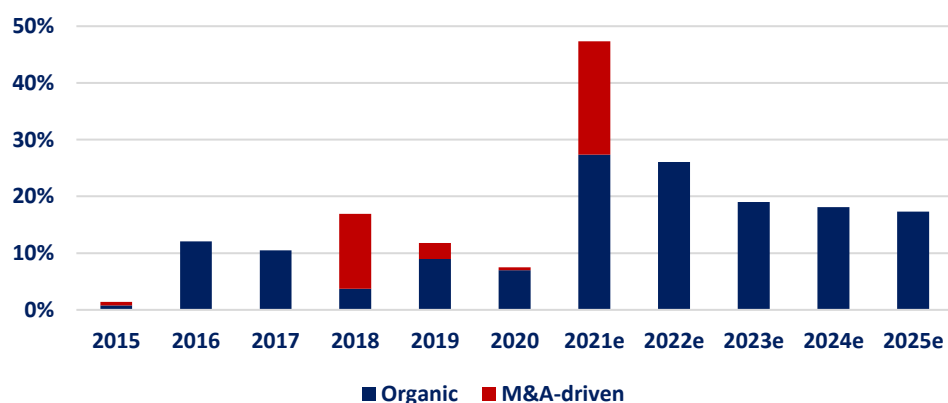
... mostly organic-driven ...

In recent years, top line growth has been driven by organic acceleration, namely by growing the customer base (c25% growth in ERP installations since 2017) and selling “more” to existing customers (upselling, niche, services). The recurring nature of the group’s revenue base has been instrumental in sustaining such high organic growth rates in a rather challenging period for Greece from a macroeconomic perspective.

... with acquisition-driven growth providing further boost in 2021e

Organic growth has been topped up by M&A, with Entersoft mostly targeting domestic competitors in niche segments. In the recent past, M&A-driven growth was most evident in 2018-19, with the acquisition of the enterprise mobility activity of Sieben (a company involved in CRM and enterprise mobility applications). 2021e is also expected to be propelled by the contribution of M&A (responsible for a bit more than half of this year’s growth on our estimate) thanks to the purchase of Computer Life’s ERP activity (c€0.7m revenue contribution) and the acquisition of Optimum (>€3m in sales) and Wedia (c€1m sales), all of which were completed in late 2020 or early 2021.

Organic vs. acquisition-driven growth evolution



Source: Eurobank Equities Research, Company data.

In what follows, we detail the dynamics and historical performance of each business segment:

Expecting mid-teens growth in licence revenues post 2021e

- 1) **Licenses:** Product licenses serve as the foundation for Entersoft’s revenue structure, acting as a first step in establishing a relationship with clients upon which the company can work in the future (e.g. cross-selling). Notwithstanding their structural importance, license sales are not among the company’s main growth drivers. This is the norm for business software companies, as revenue generation is mainly driven by maintenance and other services. In any case, license revenues tend to be seen in conjunction with revenues generated from the maintenance attached to the licensed software.

In Entersoft’s case, the particular segment has been posting quite healthy growth rates in the last 5 years despite the challenging macro backdrop. In 2016, demand for licenses bounced back as the Greek business landscape recovered from a tumultuous 2015 (capital controls, Grexit fears etc.). License revenues grew even stronger in 2018 (low teens rate, on our estimate) propelled by an influx of clients in Entersoft’s main products (ERP, CRM, WMS), as well as the purchase of Sieben’s enterprise mobility activity.

License revenues were somewhat hindered in the early stages of 2020, as liquidity concerns in Entersoft’s target markets provided limited opportunities for sales. Nevertheless, the segment managed to deliver a healthy mid-single digit growth by the end of the year, as demand picked up after 2020 Q3 as most companies looked to adapt to the new circumstances of the late and post-pandemic era. Looking ahead, following exceptionally high growth in 2021e (partly boosted by the consolidation of Optimum), we expect robust growth rates (>20% in 2022 and in the mid-teens thereafter) on new products and upselling.

- 2) **Maintenance:** Maintenance services are crucial to customers that have purchased a software license, as they are necessary for the software to be kept up-to-date. In that regard, they ought to be seen as recurring revenue provided over the lifecycle of a license contract, thus constituting Entersoft’s most significant single source of recurring revenue (almost half of recurring revenues on our estimate).

Maintenance has been the largest contributor of revenue on our numbers. The segment has delivered consistent growth since 2016, namely near 10% CAGR through to 2020. It has also displayed resilience in the pandemic-stricken 2020 (high single digit growth on our numbers). Looking ahead, we eye annual growth rates of 15-20% in the coming years, following the anticipated growth of licenses.

- 3) **Services:** Aftersales serve as the main growth driver in Entersoft’s sustainable revenue model due to the long-lasting and consistent returns they generate from clients. This segment’s performance is defined by its two subcategories, namely implementation and support services, the former being closely linked to product license sales, the latter depending mostly on macroeconomic trends and client retention.

Since 2016, the segment has been posting strong growth rates – in the double digits on our estimates – as demand for product licenses increased following Greece’s economic rebound from a turbulent 2015. Despite the COVID-induced headwind in 2020, Entersoft still managed to grow its services revenues in the low single digits on our estimates. Looking ahead, we envisage c22% growth in 2022 and >15% growth through to 2025e.

- 4) **SaaS:** Software-as-a-Service (SaaS) has been Entersoft’s fastest growing segment in the past years, benefiting from increased demand for lower cost subscription-based software solutions and favorable developments for the digitization of B2G (business-to-government) procedures in Greece. This segment has been boasting consistent growth rates in excess of 20% every year since 2016, on our numbers, underpinned both by the increasing appetite for cloud-delivered products and the proliferation of e-invoicing activities (which are included in this segment).

The SaaS segment was the least affected by 2020's woes, managing to grow >20% yoy off a low base, although it remains relatively small in the revenue mix. Both activities within SaaS gained traction during the year, with SaaS ERP solutions being sought after as a low-cost alternative to traditional integrated ERP (given the lower upfront investment relative to a licence & maintenance contract) and e-invoicing enjoying increased demand after the Hellenic Independent Authority for Public Revenue (AADE) pushed further the agenda towards the mandatory integration of e-invoicing in B2G transactions. Given the structural driver of rising e-invoicing penetration and accelerating demand for digitalization software from SMEs we model >30% annual growth rates for the particular segment.

2. Looking ahead: envisaging c30% sales CAGR over 2020-23e

We forecast group sales CAGR of c30% over 2020-23e, predicated on both secular (digitization push, low penetration of ERP, outdated solutions) and cyclical drivers coupled with the upcoming boost from €7bn of projects to be financed by the recovery fund. We believe the latter could expand Entersoft's addressable market by c€0.7-0.8bn by 2026, namely by >2x the current level of €0.3bn. Note that our estimates for 2021 include a significant boost (c€4m) from the acquisitions completed in late 2020-early 2021. Beyond 2021, we model organic revenue growth of c20% through to 2025e.

Across the main revenue segments:

Short-term boost from completed M&A; c20% average organic growth over 2022-2025e

License revenues to continue providing solid revenue base

We expect license sales to keep providing a steady base for revenue generation, underpinned by the demand for legacy system replacement in the domestic ERP market, Entersoft's leading position in niche markets (e.g. WMS, enterprise mobility) and the improving Greek business landscape. Note that post the M&A-driven exceptionally high growth in 2021, we expect more moderate, albeit still very strong, growth going forward (c19% CAGR in 2022-2025e), on new products, client acquisition and upselling.

Maintenance to continue underpinning recurring revenue generation

We see maintenance revenues growing at c20% CAGR over 2020-23e. Given that revenues from this segment depend on client renewal rates and considering the expected increases in license sales and the company's track record of >90% client retention, we reckon that our estimates for maintenance services are by no means aggressive.

Services to also grow strongly, in sync with maintenance

Aftersales service revenues are also expected to grow at a similar pace (c23% CAGR) through to 2023e, driven by Entersoft's reputation for high quality aftersales and positive developments for both of the segment's subcategories.

SaaS to enjoy superior growth off a lower base, underpinned by niche market trends and secular growth

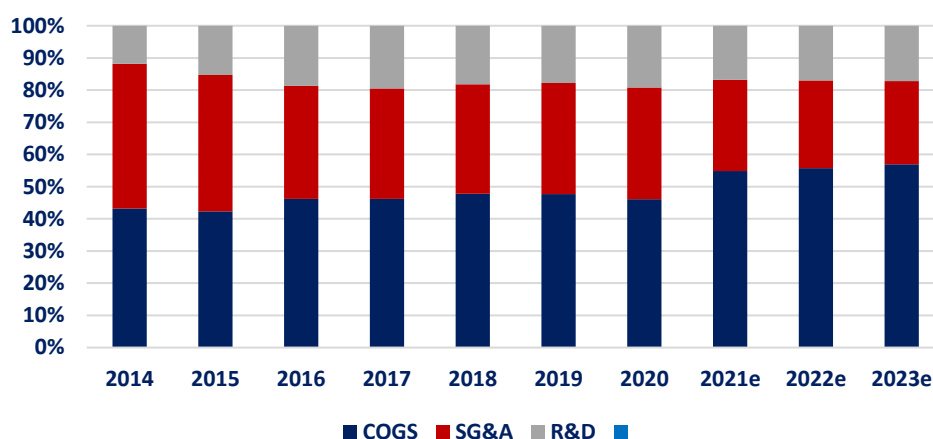
As far as the SaaS segment is concerned, we model >30% CAGR over 2021-2025e as the domestic market for niche solutions offers scope for growth. The new measures proposed by the Hellenic Independent Authority for Public Revenue (AADE) for the digitization of B2G procedures (e.g. the mandatory implementation of digital book-keeping and electronic invoicing) offers a route for Entersoft to expand its e-invoicing activity, with our forecast calling for e-invoicing revenue growth of >60% over the next 3 years (off a low base though). We also project that SaaS ERP sales will grow at c23% CAGR, as businesses turn to cloud solutions to enhance their flexibility and competitiveness.

Cost structure and margins

Very efficient cost structure + high productivity = industry leading operating margins

Entersoft’s cost base has accounted for c73-91% of revenues over 2014-2020, leaving room for a wide EBIT margin range of 9.5% to 27%. Costs are majority weighed by COGS, which encompasses a big part of the personnel costs driven by the labor-intensive nature of the industry. As such the reported gross margin has settled in between 58% (2016) and 65.5% (2020). Distribution and administrative expenses have accounted for 37% to 39% of costs since 2016, but have naturally been on a downward trajectory as % of sales (from 32% in 2016 to 26% in 2020) on account of positive operating leverage and the group’s increasing scale. The third major expense category entails R&D which have ranged between 14% and 17% of sales, consistent with Entersoft’s strategy for product development and early technology adoption. R&D make up c20% of total group costs (little-changed in the cost mix in the last 5 years).

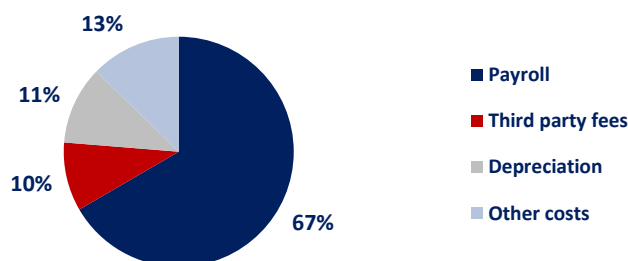
Cost breakdown (% of total costs)



Source: Eurobank Equities Research, Company data.

As far as the cost categories are concerned, clearly the main component is payroll, which accounts for c67% of total costs. D&A makes up c11%, another c10% is attributed to third party fees, with the remaining 13% of costs including various other expenses (e.g. utilities, provisions, other).

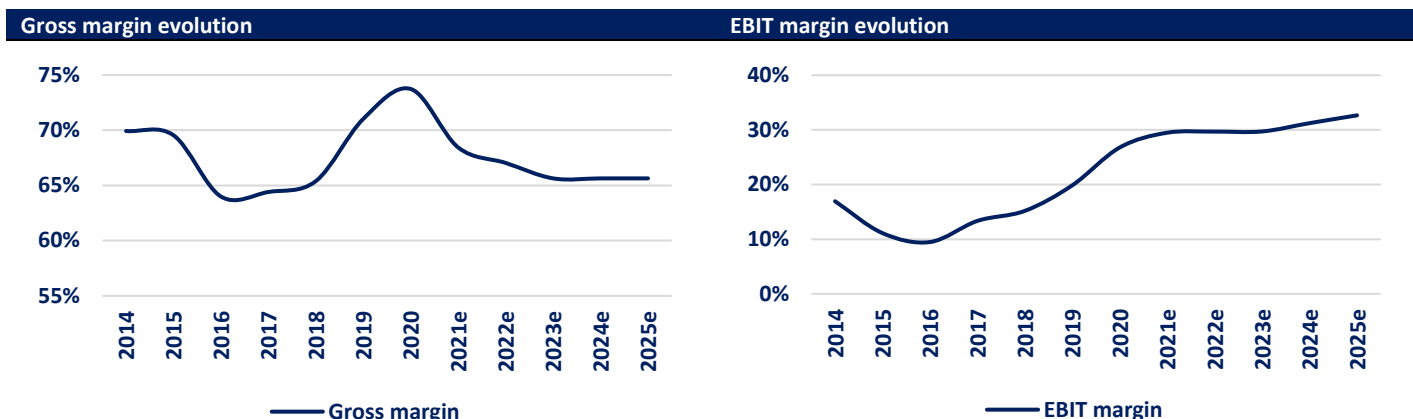
Entersoft’s Cost base (2020)



Source: Eurobank Equities Research, Company data.

Taking a closer look at the margins, we see that the gross margin dropped in 2016, driven by the rise in costs mainly stemming from a spike in personnel costs, and remained fairly unchanged until 2018, at a time when the company focused on growing its pool of employees to meet increasing demand in the software market. The gross margin picked up in the 2018-20 period on a growing top line and as the company scaled down on new hires in 2019 and 2020. EBIT margins have also entered on an upward trajectory since 2017 expanding by an impressive 17pps over 2016-2020 to levels in excess of 25%. Looking ahead we expect another round of investments in high-level personnel to weigh somewhat on gross margins and hold back the

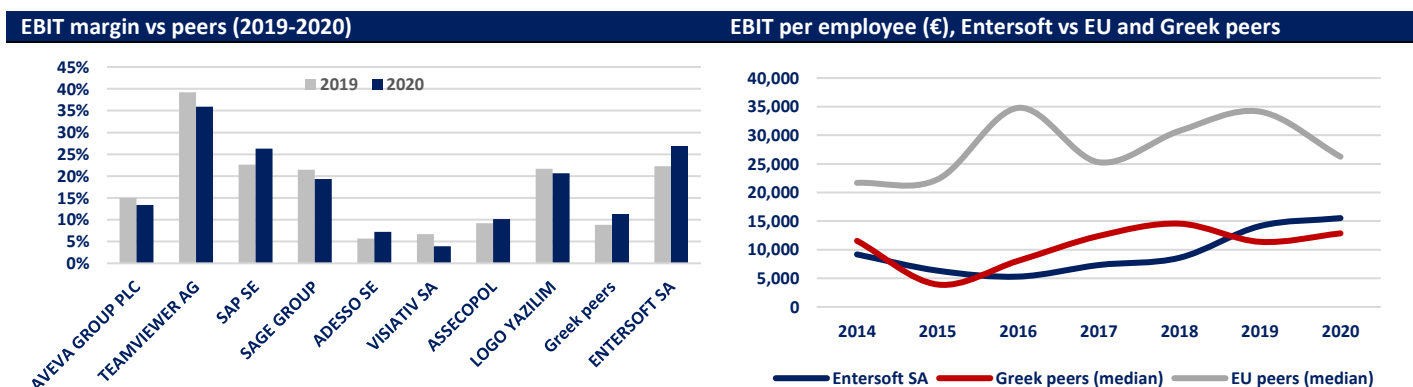
EBIT margin expansion over the next couple of years. We see the pendulum of operating leverage swinging to a strong positive tailwind in 2024 and 2025, driving EBIT margins towards the 31-33% area (comparable to TeamViewer).



Source: Eurobank Equities Research, Company data.

... thanks to the high productivity

In the charts below we contrast Entersoft's margins against those of a broad peer group, including European software companies. As can be seen, Entersoft's profitability margins are best-in-class, comparable to those of global leaders in software development (e.g. SAP, TeamViewer) and significantly higher than those of the median of its Greek peers. A similar picture is painted by EBIT per employee, with Entersoft managing to increase productivity substantially since 2017, testament to the effectiveness of its investments in human capital. Compared to EU software companies, the lower profit/employee is, in our view, a result of the smaller scale. That said, Entersoft has narrowed the gap vs EU software companies in recent years, with our forecasts calling for EBIT/per employee reaching the EU median by 2025.



Source: Eurobank Equities Research, Company data. EU software peers mentioned above include Aveva, TeamViewer, SAP, Sage, Adesso, Visiativ and Asseco.

The table below sets out our explicit forecasts for Entersoft's margin evolution. For 2021e, we see reported gross profit settling at c€15m, with the respective margin down to 60.5% (-5pp yoy). Nonetheless we see a decelerating rise in operating costs (+12% yoy vs a revenue rise of c47%), with opex/sales shaping at c23% (-7.3pps yoy). This translates into a FY'21 EBITDA of €9.1m (up by 57% yoy, underpinned by the c43% growth delivered in the 9M period) and margin expansion of >2pps yoy. Overall, our forecasts indicate Q4'21 revenue growth of 42% yoy and almost double EBITDA (+c60% yoy in H2'21).

Profitability & margins evolution							
€m	2018	2019	2020	2021e	2022e	2023e	3-year CAGR through to 2023
Gross profit rep	8.1	9.6	10.9	14.8	18.5	21.8	26.1%
<i>margin</i>	58.8%	62.6%	65.5%	60.5%	60.2%	59.4%	
Opex	-5.1	-5.3	-5.1	-5.7	-7.3	-8.6	
Opex/sales	37.0%	34.3%	30.5%	23.2%	23.6%	23.4%	31.4%
EBITDA	3.0	4.4	5.8	9.1	11.3	13.2	
<i>margin</i>	21.8%	28.3%	35.0%	37.4%	36.6%	36.0%	
EBIT	2.1	3.1	4.4	7.2	9.1	10.9	34.9%
<i>margin</i>	15%	19.9%	26.8%	29.5%	29.7%	29.7%	

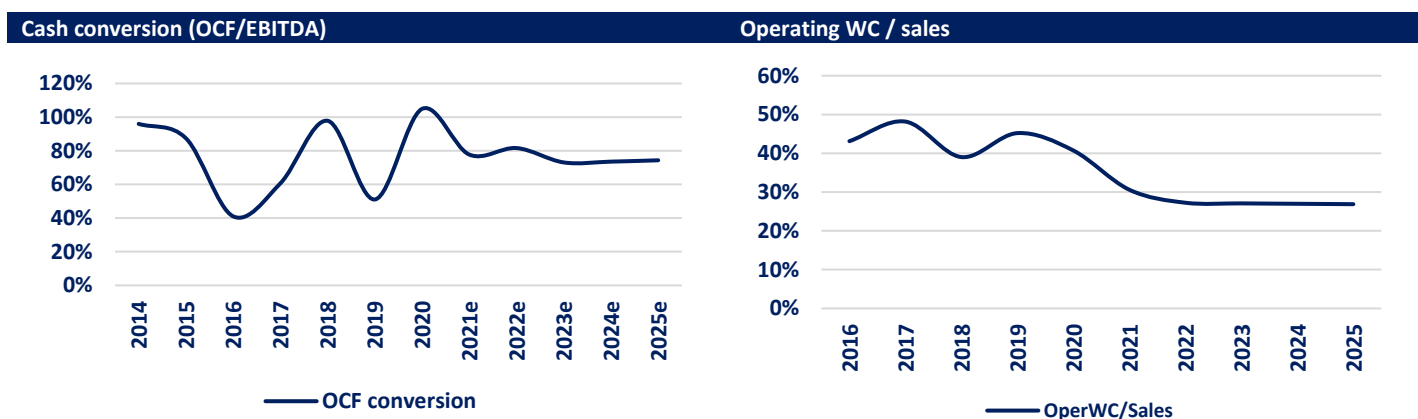
Source: Eurobank Equities Research, Company data.

Cash flow generation and returns

Solid cash conversion track record likely to continue in our view

The group has a solid track record of cash flow generation and rising returns. Since 2015, EBITDA has more than tripled, rising from €1.7m to €5.8m. Cash conversion (OCF/EBITDA) has consistently exceeded 40%, with the lowest being in 2016 (41%) and in 2019 (51%) and the highest in 2020 (105%), mostly as a result of swings in working capital.

With regard to the latter, operating WC has ranged between 41% and 48% of total sales, driven by a rising trend in receivables and swings in payables. The operating cycle has varied between 99 and 170 days, with our forecasts incorporating a number at the low end of this range assuming that receivables follow at large the sales growth rates. We thus end up with a cash conversion in excess of 70% on average for the next 5 years.



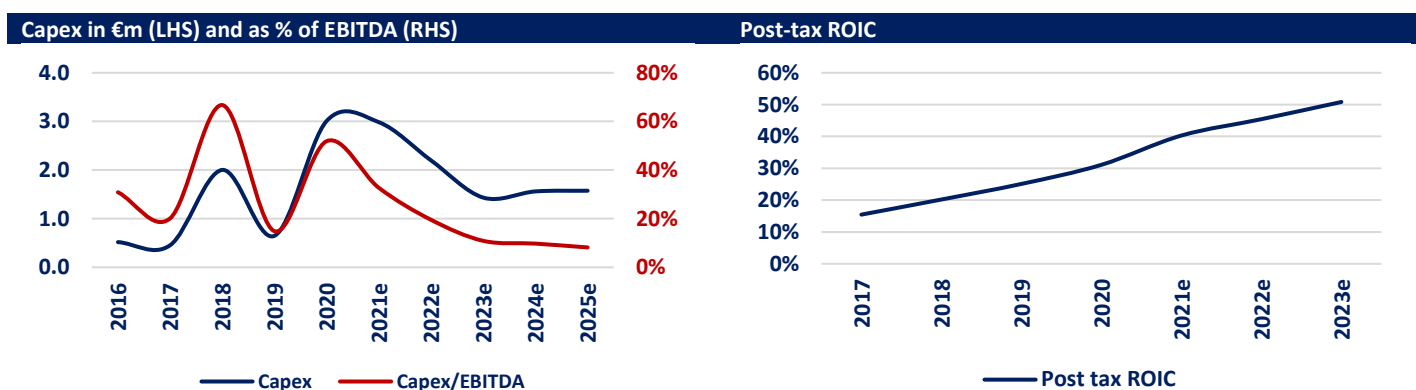
Source: Eurobank Equities Research, Company data.

Organic capex required in the €1m area; occasional M&A leading to extra outlays

Historically, capex levels have been low, in the €0.5-€1m area, rising higher at times depending on M&A activity. On the latter front, three companies, namely Nova, Retail link and Cardisoft, were acquired in the period 2009-13 (total investment at c€3m), with another acquisition (Alpha Software for c€2m) executed in Jan'2014. Overall, investments in the 2014-16 period were just >€3m, with capex on average at some c11% of revenues. In 2017, a year with no M&A activity capex retreated to c4% of sales, as was also the case in 2019. In 2018 the acquisition of PocketBiz raised the capex envelope to c€2m. In 2020, Entersoft proceeded with the acquisition of the ERP activity of Computer Life and of Optimum, thus leading group capex to €3m, namely c18% of revenues. We note that c50% of the consideration related to Optimum has not been paid yet, with two more tranches of €1.3m each remaining in 2021 and 2022. Finally, in 2021 Entersoft also acquired WEDIA for a cash consideration of €0.5m, which drove H1'21 capex up to €1.1m.

Expect accelerating returns on capital

Looking at the returns brought about by these investments, it is quite interesting to note that these have indeed driven quite good incremental returns. To exemplify this, we flag that EBIT between 2015 and 2019 increased by €2m, translating into a c55% return (pre-tax) on the €3.6m investment over the same period. As mentioned above, M&A activity in late 2020 and early 2021 will drive an uptick of capex to €2-3m over 2020-2022e, but we expect this to be accompanied by significant increase in profitability, thereby leading to accelerating returns on invested capital.



Source: Eurobank Equities Research, Company data.

... and robust cash flow generation

Below we summarize the main cash flow pillars for the group since 2018 and present our overall FCF forecast over 2021-23e. As can be seen, we contend that EBITDA will rise to c€9m in 2021e and >€11-13m in 2022-23e underpinned by the digitization push, feeding into c€4-8m of annual Free Cash Flow in 2021-23e, as the profitability uplift will be only partly absorbed by investments and working capital.

Summary Cash Flow						
EUR mn	2018	2019	2020	2021e	2022e	2023e
EBITDA reported	3.0	4.4	5.8	9.1	11.3	13.2
Change in Working Capital	0.5	-1.8	0.8	-0.4	0.0	-1.1
Tax	-0.4	-0.7	-0.7	-1.6	-2.0	-2.4
Net Interest	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1
Other	-0.1	0.5	0.3	0.0	0.0	0.0
Operating Cash Flow	2.9	2.2	6.1	7.1	9.2	9.6
Capex	-2.0	-0.6	-3.0	-1.7	-0.9	-1.4
Other investing	0.0	0.0	0.0	-1.3	-1.3	0.0
Net Investing Cash Flow	-2.0	-0.6	-3.0	-3.0	-2.2	-1.4
Capital repayment of lease obligations	0.0	-0.4	-0.5	-0.5	-0.6	-0.7
Free Cash Flow (Levered)	0.9	1.2	2.6	3.6	6.4	7.5
Dividends paid	-0.6	-0.8	-1.4	-1.8	-2.8	-3.5
Other	0.0	0.0	3.6	0.0	0.0	0.0
Net debt / (cash) – ex leases	-2.1	-2.4	-7.3	-9.1	-12.7	-16.7
Inflow / (Outflow)	0.3	0.3	4.9	1.8	3.6	4.0

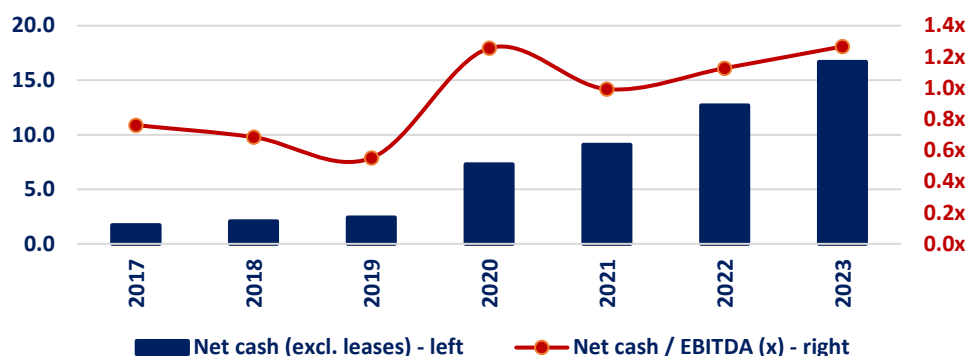
Source: Eurobank Equities Research, Company data.

Robust financial position, enhanced by accelerating cash flow generation

Balance sheet and shareholder returns

Entersoft enjoys a robust balance sheet with a net cash position of c€8.1m as of 9M'21 (€7.7m in H1'21), notwithstanding some >€6m of investments in the past 5 years. Besides organic cash flow generation, Entersoft's cash position was further propelled by a €3.8m capital raising in 2020. Of note is that the group has extra liquidity (e.g. available credit lines) which adds up to c€10m and constitutes a notable war chest in case attractive M&A opportunities arise.

Entersoft financial position (net cash in €m and net cash/EBITDA)

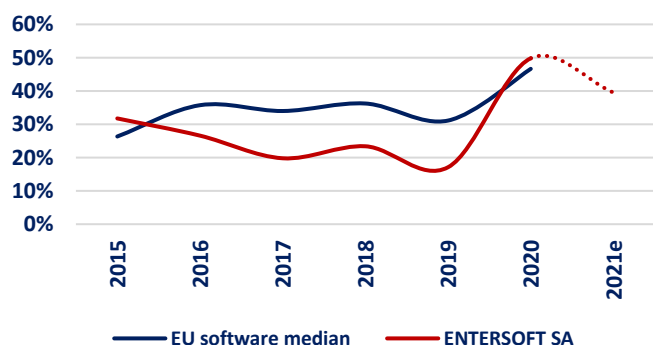


Source: Eurobank Equities Research, Company data.

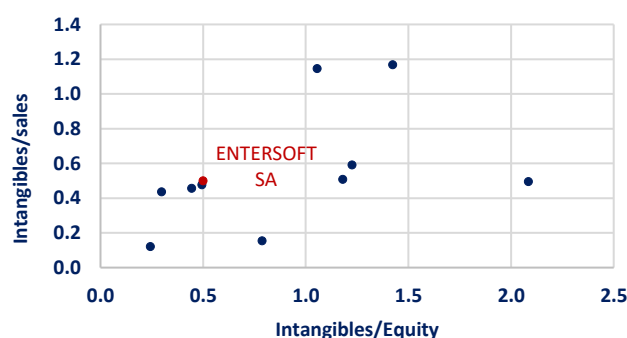
Intangibles not out of sync with other EU software companies

Being a software company, Entersoft naturally has a high number of intangibles on its balance sheet. Intangibles corresponded to c25% of revenues in most years during the last decade but spiked to c49% of sales in 2020. This was mainly the result of the acquisitions executed during the year (particularly that of Optimum). Given that the first full year of contribution from the recent M&A activity will be 2021, we expect intangibles as % of revenues to fall to c40% by the end of this year, namely a level which is below that of the EU software peer group median. Entersoft's intangibles make up c50% of the equity, again below that of EU software peers.

Intangibles as % of revenues



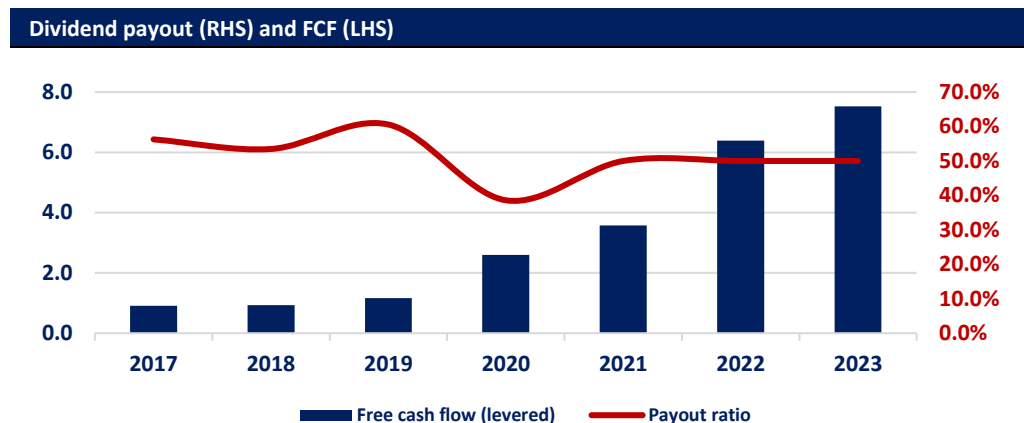
Intangibles as % of Equity and sales - 2020



Source: Eurobank Equities Research, Company data, Bloomberg.

We assume 50% payout, which would reflect a balanced capital allocation policy

As mentioned in the previous section, the business model is inherently cash generative, with Entersoft delivering FCF €1-3m over 2017-2020. Shareholder returns have been consistently high during these years, with Entersoft distributing c38% of cumulative net profits as dividends (or c59% of the cumulative FCF over the period). Looking ahead, given our expectation for a doubling of the revenue base through to 2025e, we expect rising FCF and shareholder returns, since our model does not factor in any additional M&A activity. Our numbers assume a c50% payout ratio, which we believe would balance Entersoft’s willingness to continue investing in the business, the rewarding of shareholders and optionality for capital deployment on bolt-on acquisitions.



Source: Eurobank Equities Research, Company data, Bloomberg.

Software market and competitive landscape

*The biggest change this year will be **how IT is financed, not necessarily how much IT is financed.**", John-David Lovelock, Gartner*

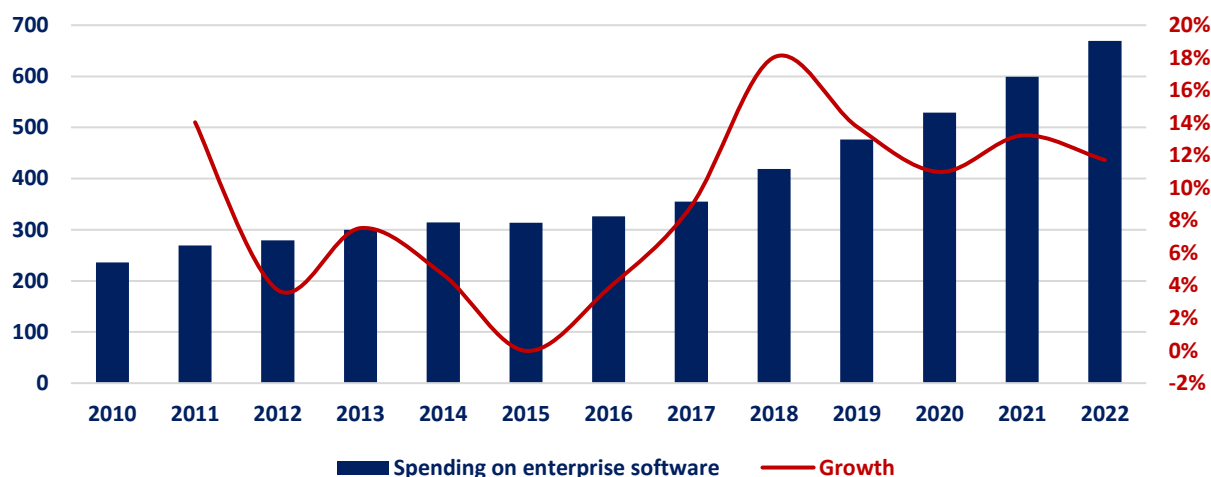
Global IT spending primed for mid-single digit growth in the next 4 years...

According to Gartner, the global IT market was worth some \$3.7 trillion in 2020, having declined c2% yoy in the aftermath of COVID, as corporates reined on "non-essential" IT spending seeking to tightly monitor costs in order to cope with the effects of the pandemic. This trend was partly offset by the acceleration of cloud adoption and the remote work deployment. The IT market is poised for a strong c7-8% rebound in 2021, as companies adjust to the post-pandemic world and their interest in software aimed at improving productivity accelerates. Given the confluence of supportive trends – both cyclical and secular in nature – global IT spending is primed for mid- single-digit CAGR through to 2024.

... with 2-digit rates envisaged for software

Across the various subcategories, enterprise software accounts for c13% of global IT spending (with the bulk stemming from communication services) but is the most dynamic segment given companies' focus on delivering on their digitization agendas. As such, software is poised to showcase c10% CAGR through to 2024, mainly driven by cloud (c20% growth) as opposed to on-premise software.

Global spending on enterprise software in \$bn and yoy change



Source: Eurobank Equities Research, Gartner.

Software market in Greece is near €350m, having showcased strong growth rates in the pre-COVID period

As for Greece, the total domestic IT market – including services, software and equipment – is worth c€1.8bn, we estimate. Excluding the latter, the addressable market is worth c€1.3bn, with software accounting for >€300m. According to the Federation of Hellenic Information Technology & Communications (SEPE), the market posted strong growth rates over 2017-2019 (4%-15%), before contracting c5% in 2020. Software spending is primed for a small bounce back in 2021 but will stay c4% below pre-COVID levels according to SEPE forecasts.

Software market in Greece in €m and yoy change



Source: Eurobank Equities Research, SEPE.

Digitalization push offers route for software market expansion in the coming years...

Looking further out, we believe software prospects are quite solid on the back of the following secular trends:

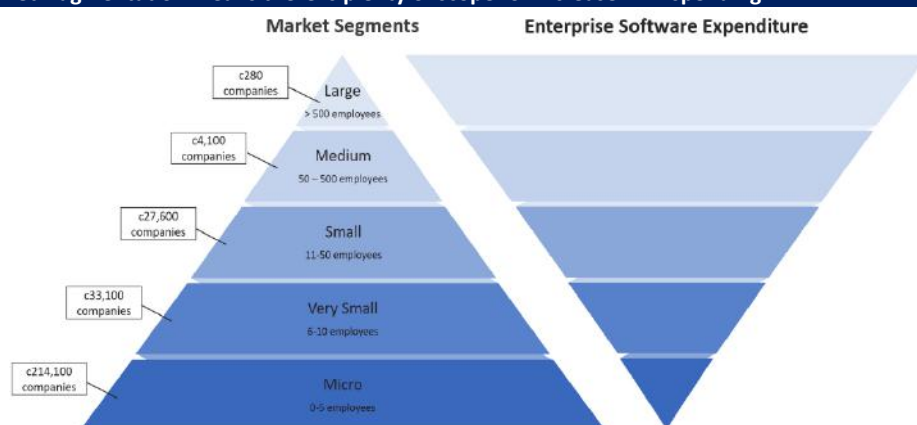
- A general push globally towards digital transformation, partly as a result of the COVID-19 outbreak. The latter has accelerated corporates' digitization plans by c5 years, according to industry experts. Increased digital workloads as businesses return to normality drive demand for software and applications.
- Rising cloud adoption as companies seek to reduce complexity and costs. Given cloud services' higher growth rates relative to on-premise software spending, cloud penetration is likely to exceed 50% (as % of total software) in the coming years.
- Channel shifts to e-commerce, which raise the need for more agility through cloud solutions and niche applications (mobile CRM, e-invoicing etc.).

... with the Greek market set to be further propelled by several additional idiosyncratic drivers

In Greece, a rather underpenetrated market in terms of software spending (partly due to the multi-year recession), we identify the following additional pillars of growth:

- A fragmented enterprise population, with just 2% of enterprises having more than 50 employees. As companies get bigger, we naturally expect IT spending to increase.

Market fragmentation means there is plenty of scope for increase in IT spending



Source: Eurobank Equities Research, Company data, Hellenic Ministry of Labor.

- The need for upgrades and revamping of legacy systems. This is even more so the case for Entersoft's target enterprises, as more than 50% have outdated ERP software, thus facing a "digital gap" which they will need to overcome in order to stay competitive.
- Low adoption levels for CRM, enterprise mobility and warehouse management systems, ranging between 20% (for WMS) and 40% (for CRM).
- Developments in the use of e-invoicing, partly on account of enterprises' own digitalization agenda and partly as a result of a legislative push by the government (e.g. tax incentives).

- The major digital transformation of state agencies and the public administration, which in turn will propel the culture of digitization, boosting niche segments that are intertwined with B2G procedures such as e-invoicing.
- Significant digitization projects to be financed by the €7.1bn from the Recovery Fund through to 2026. Although Greek software firms will face competition from foreign peers, we consider the revenue opportunity huge, with a considerable number of projects being related to areas where Entersoft has expertise, namely digital transformation of small and medium enterprises via the procurement of cloud and online services. We believe this can create a €0.8bn opportunity in Entersoft’s addressable market.

Wide range of international peers

As far as the competitive landscape internationally is concerned, international peers – in the broad sense – include ERP companies (e.g. SAP, Sage, Oracle), software companies with expertise in supply chain management (e.g. SAP) as well as other local/regional players (e.g. Asseco). There are also companies with expertise in specific B2B verticals (e.g. Temenos in Financial, Dassault in Industrials/Healthcare), but we do not consider them part of the closest peer group given the specific segment focus. Similarly, some IT companies are more heavily tilted towards services/consulting (e.g. Atos, Capgemini, Cognizant).

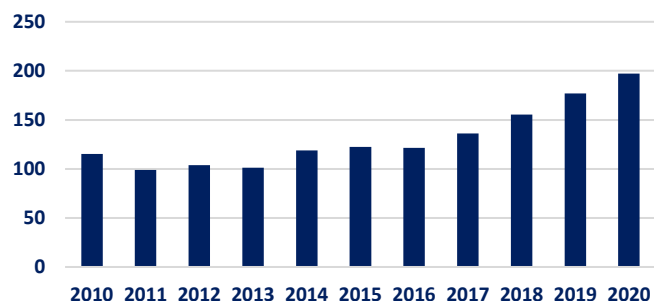
... and a flourishing IT peer group domestically

In Greece, Entersoft competes with several local-based companies, some of which are listed (e.g. Epsilon Net) and some are private companies (e.g. SoftOne). Obviously, competition also includes the relevant business ERP/CRM units of multinational companies (e.g. SAP, Microsoft).

Greek-listed IT companies becoming larger; Entersoft delivering superior top line growth in most years over the last decade

Turnover for Greek-listed IT companies has entered an upward trajectory since 2017, as the bigger vendors garnered market share from smaller competitors (or IT companies in financial distress), while also expanding their international footprint taking advantage of the accelerating digitalization push. Comparing growth rates registered by Entersoft with those of other peers, we find that Entersoft has outgrown the market in most years over the last decade.

Select Greek-listed IT companies – turnover in €m



Yoy sales growth – Entersoft vs other Greek-listed IT peers

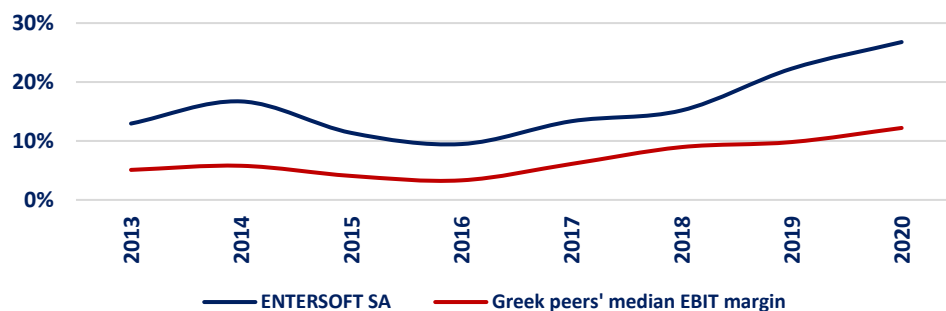


Source: Eurobank Equities Research, Company data, Bloomberg.

... on superior EBIT margins

Most importantly though, in Entersoft’s case the top line growth has been accompanied by consistency in margin expansion, as showcased in the chart below.

EBIT margins – Entersoft vs Greek listed peers median

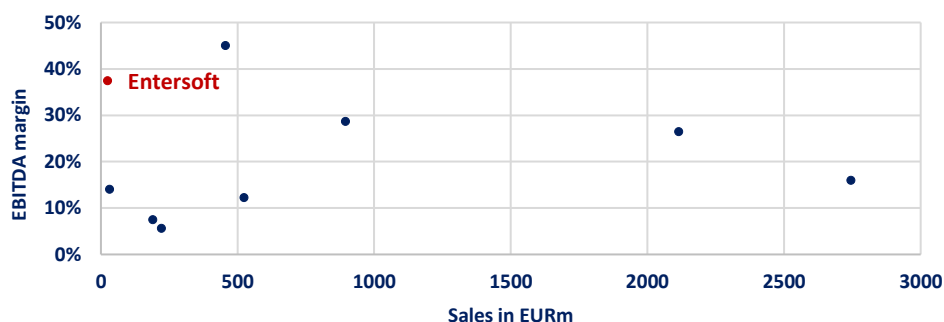


Source: Eurobank Equities Research, Bloomberg.

Entersoft margins sitting at the high end of the peer group...

As far as profitability within an international context is concerned, size in the sector clearly matters, although it is not the overriding factor for margins. Scale clearly allows companies to expand margins on account of positive operating leverage, as indicated by SAP's high margin. That said, there are several other factors that might explain differences in the margin structure of IT companies. Indicatively, dependence on SaaS and/or license/maintenance revenues normally leads to higher margins, as services tend to be less scalable (since they are people intensive). Similarly, companies exposed to hardware support face margin headwinds, as this segment is on a declining trajectory. Overall, Entersoft seems to not only enjoy superior margins relative to its Greek peers but also to feature as one of the highest-margin software companies in Europe as mentioned in the cost structure section of this report.

Size (turnover in €m) vs EBITDA margin – Entersoft and various peers

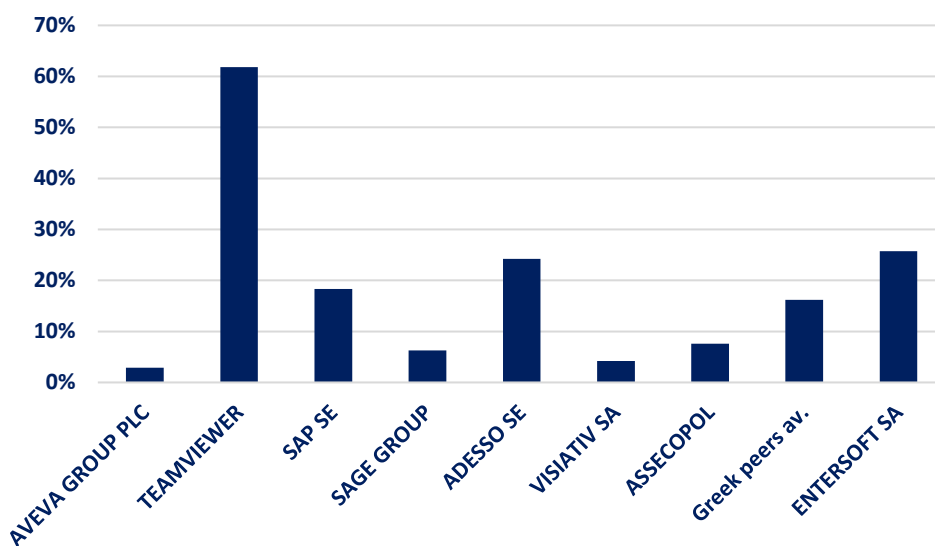


Source: Eurobank Equities Research, Bloomberg.

... driving quite attractive ROE

As a result of the superior margins, Entersoft also screens out well among its peers in terms of returns. This is depicted in the chart below where we show that Entersoft's ROE exceeds 20%, at the high end of the peer group range notwithstanding the underleveraged balance sheet.

2020 ROE – Entersoft vs select peers



Source: Eurobank Equities Research, Bloomberg.

Estimates and main assumptions

On the revenue front, our main assumptions reflect the recurring nature of more than half of Entersoft's top line and the rising penetration of niche products and expansion of the group's client base coupled with low churn rates (>90% retention). We model recurring revenue CAGR at c24% for the 5-year period 2020-25e and total revenue CAGR of c25% over the same period. Note that 2021 reported numbers are propelled by M&A activity, with organic growth in the 20% area on our numbers.

On the profit side, we assume that total costs as % of sales tick higher in 2022-23 as the group accelerates its personnel addition levels, aiming to capture the secular growth phase of the industry. We thus model little-changed EBITDA margins through to 2023e (vs 2020 levels), but we expect operating leverage to manifest itself in a more pronounced way from 2024 onwards. Overall, we end up with EBITDA CAGR of c31% through to 2023e, similar to the growth in sales.

We argue that our near-term forecasts are hardly overambitious, taking into account the following:

- The digitalization trend in Greece, which will accelerate demand for Entersoft's entire range of products (from legacy ERP upgrades to e-invoicing implementation and SaaS ERP adoption)
- The improving business landscape in Greece, which will propel demand for aftersales services;
- The digitization projects related to the Recovery Fund which will expand the addressable market by some €0.8bn through to 2026 on our estimate. Our numbers effectively assume that Entersoft will capture solely €34m by 2025e, namely a mere c4% share.

On the cash flow front, we anticipate conversion rates in the c70% area, with dividend payout at 50%. Under these assumptions, we expect Entersoft to increase its net cash position to >€15m by 2023e.

Main estimates and assumptions						
EUR mn	2018	2019	2020	2021e	2022e	2023e
Sales	13.8	15.4	16.6	24.4	30.8	36.6
growth	17%	12%	8%	47%	26%	19%
- of which organic	4%	6%	6%	27%	26%	19%
Opex	-10.8	-11.1	-10.8	-15.3	-19.5	-23.5
Opex/sales	78.2%	71.7%	65.0%	62.6%	63.4%	64.0%
EBITDA	3.0	4.4	5.8	9.1	11.3	13.2
margin	21.8%	28.3%	35.0%	37.4%	36.6%	36.0%
Net profit	1.7	2.0	3.8	5.5	7.1	8.4
OCF	2.9	2.2	6.1	7.1	9.2	9.6
Cash conversion	98%	51%	105%	78%	82%	73%
Net debt (cash)	-2.1	-2.4	-7.3	-9.1	-12.7	-16.7
Dividend payout	48%	68%	36%	50%	50%	50%
DPS	0.18 €	0.05 €	0.06 €	0.09 €	0.12 €	0.14 €

Source: Eurobank Equities Research, Company data.

H1'21 and 9M'21 overview

Strong results continuing year-to-date

Entersoft reported very solid H1 results, with sales and EBITDA spiking by an impressive 57% and 56% yoy respectively, driven by increased demand for almost all of the group's main products. Gross margin was burdened by investment in personnel, although EBITDA margins held up quite well settling at a similar level vs the same period last year. The 56% EBITDA growth filtered through to a 59% increase in pre-tax profits (€4.2m) and a >60% increase in net profit (€3.3m from €2.0m in H1'20).

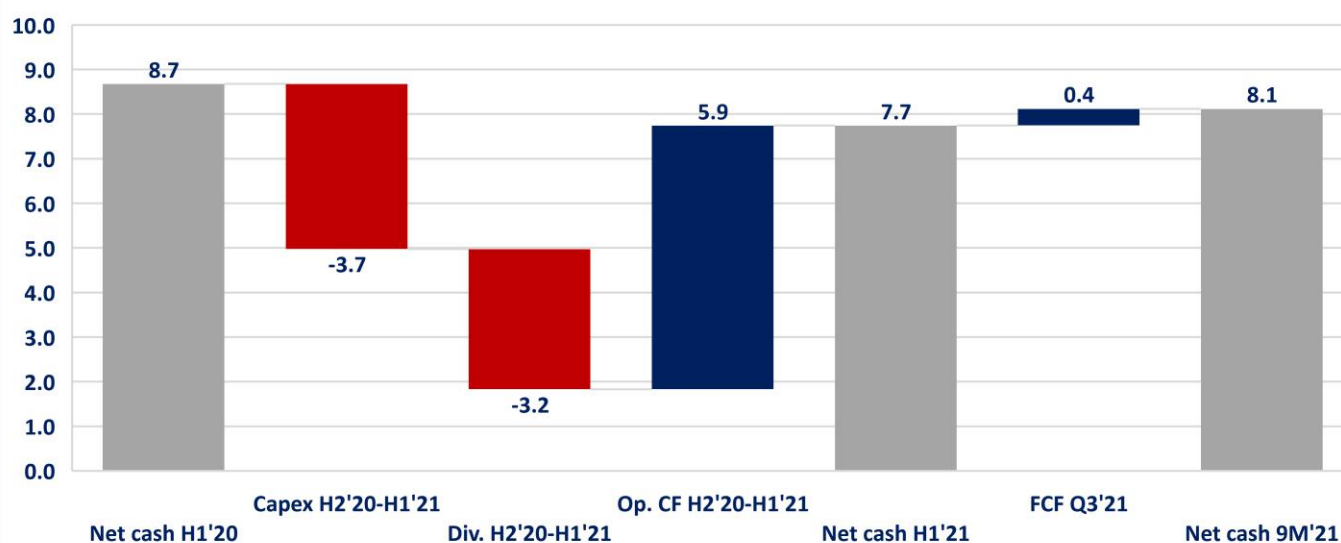
From a cash flow perspective, operating cash flow generation stayed robust (€3.4m vs. €3.3m in H1'20), as increased profitability was only partly absorbed by working capital investment (€1.6m outlay vs. €0.2m in H1'20). FCF generation also remained healthy at €2.0m, despite an increased capex envelope due to M&A (related to Wedia).

Entersoft results overview			
EUR mn	H1'20	H1'21	yoy %
Sales	8.0	12.6	57%
Gross Profit	5.4	7.9	47%
Gross margin	67%	63%	-4.4 pps
Operating expenses	-2.0	-2.6	31%
EBITDA	3.4	5.3	56%
EBITDA margin	42%	42%	-0.2 pps
EBT	2.6	4.2	59%
- tax	-0.6	-0.8	
- non-controlling interest	0.0	0.0	
EAT	2.0	3.3	65%
Operating Cash Flow	3.3	3.4	
- capex	-0.4	-1.1	
Capital repayment of leases	-0.2	-0.3	
Free Cash Flow	2.6	2.0	
Net Cash / (debt)	8.7	7.7	

Source: Eurobank Equities Research, Company data.

Of note is that the group's net cash position shaped at €7.7m as of end June 2021, namely just €1m lower than the respective position in H1'20. This was notwithstanding increased capex (€3.7m in H2'20 and H1'21) and 2 sets of returns to shareholders (€3.15m over the period), as operating cash flow was quite robust during the period. The 9-month net cash position of the group strengthened further at €8.1m, implying another €0.4m positive FCF in Q3.

Net cash bridge, H1 2020-9M 2021 (€m)



Source: Eurobank Equities Research, Company data.

9M results solid, despite a drag from one-offs in Q3

Results in the 9month period remained on an upward trajectory, with revenues +50% yoy. EBITDA increased +43% yoy in the 9 months, implying a somewhat tepid Q3 (flattish). We stress the subdued EBITDA in Q3 does not reflect any underlying weakness but was mainly the result of one-off operating costs relating to the recent acquisition of Wedia (office relocation etc.). The 43% EBITDA growth filtered through to a c50% increase in pre-tax profits (€4.7m) in the 9-month period, with Entersoft's net cash position increasing further to €8.1m as mentioned above (from €7.7m in Q2).

Entersoft 9M results overview						
EUR mn	Q3'20	9M'20	Q3'21	yoy %	9M'21	yoy %
Sales	3.6	11.6	4.8	34%	17.4	50%
EBITDA	0.9	4.3	0.9	-4%	6.2	43%
EBITDA margin	26%	37%	18%	-7.1 pps	35%	-1.7 pps
EBT	0.5	3.1	0.5	3%	4.7	50%
Net Cash / (debt)		9.7			8.1	

Source: Eurobank Equities Research, Company data.

History and shareholder structure

Entersoft was founded in 2002 by a team of executives from LogicDIS (later Singular Logic, now part of Epsilon Net and Space Hellas), a leader – at the time – in the Greek software industry. Entersoft focused on business software and services, developing its range of products on Microsoft's .NET platform.

Commercial activity effectively began in 2004, after the group developed the first iterations of its flagship line of integrated ERP systems, entering the small and mid-sized enterprise markets. This period also marked the beginning of the group's collaboration with third-party distributors, with an initial network of 15 resellers throughout Greece.

Entersoft began diversifying its business solutions in 2007, with the goal of creating a range of products with full interconnectivity capabilities between them. To that end, the group established CRM and e-commerce products during the year, enjoying new opportunities for sales, both in terms of standalone software sales and cross-selling.

In 2008, Entersoft got listed on the Athens Stock Exchange's alternative market. It also established subsidiaries in both Romania and Bulgaria. In 2009, it acquired Nova Consulting, a tech consulting firm, and Retail-Link, a developer and distributor of e-invoicing and EDI software, the former of which would later be absorbed by the parent company. The group made important additions to its product portfolio in the following years, launching two new retail-focused products and making sizeable upgrades to its existing product offering.

In 2012, the group expanded its activities to the public sector, acquiring Cardisoft, an IT company specializing in educational institution management. In 2014, the group made its first foray into an extra-EU market, founding a subsidiary in the UAE. During the same year, the group completed the acquisition of Alpha Software Solutions, its largest reseller in Greece, which would later be absorbed by the parent company to increase aftersales capacity.

In 2017, Entersoft completed the sale of Cardisoft to Ilyda, opting to focus solely on the B2B market. The group also expanded its activities to include warehouse management systems (WMS) in an effort to penetrate the large-sized enterprise market. In 2018, Entersoft acquired Sieben's enterprise mobility activity, its largest competitor in the domestic enterprise mobility market, establishing a leading position in the segment.

In 2020, Entersoft entered the main market of the Athens Stock Exchange. It managed to complete two acquisitions during the year, starting with Computer Life's textile manufacturing

ERP activity and ending with Optimum, one of the most prominent players in the Greek WMS market.

The Chairman of the BoD and co-founder of the group Mr. P. Nikolopoulos has held his position since 2002. He holds a PhD in electrical engineering from ENSIMAG and has multi-year experience as an executive in the software industry, having previously held similar positions in the Greek market.

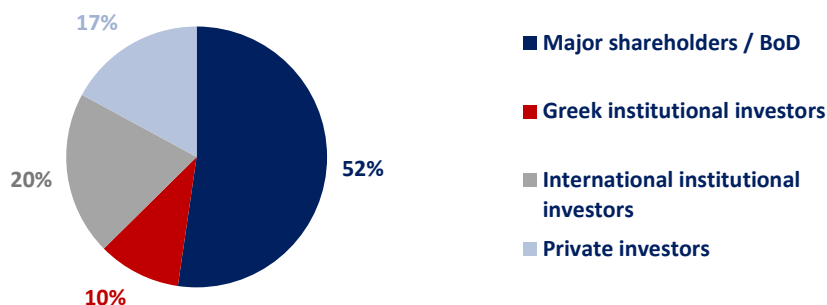
Mr. A. Kotzamanidis is the group CEO and a co-founder, having held his position since 2002. He holds a PhD in computing from Imperial College London and has been crucial in transforming Entersoft from an ERP-focused startup to a group of companies spanning a full spectrum of software products.

Mr. S. Menegos has been the group’s CTO since 2002. He holds an MSc in computing from Imperial College London and is responsible for the development of new products. He has been recognized by Microsoft on numerous occasions for his contributions to the Greek software industry.

Mr. C. Avratoglou has served as the group’s director of new business development since 2006, after acting as its technical director from 2002. He holds a PhD in electrical engineering from the University of Thrace and has been directly involved in the development of many well-known business applications in the Greek market.

Overall, the aforementioned executives hold c52% of the share capital. As far as the rest of the shareholder structure is concerned, 10% and 20% of the share capital is held by Greek and international institutional investors respectively, while 17% is owned by private investors.

Shareholder structure



Source: Eurobank Equities Research, Company data, Bloomberg.

ESG overview

With the issue of ESG gaining increasing traction among investors, we have sought to supplement our analysis with an overview of some interesting findings from some of the ESG data provided by the group. We mainly tackle Entersoft's approach regarding environmental sustainability issues, ethical responsibilities vis-à-vis employees, as well as compliance with corporate governance best practices.

In further detail:

1. Environmental and Social

Entersoft's operation has been consistent with regulations pertaining to good environmental practices through the years, with its code of ethics prioritizing environmental sustainability, despite its main activities not necessarily having an immediate impact on the environment. The group has been consistent in updating its operating framework to limit the amount of waste produced in the development and distribution of its products. It has also shown support for initiatives on sustainable development, both at a local and international level.

On the social side, Entersoft has emphasized equal opportunity in its business ethics code of conduct, while also prioritizing occupational health and safety by employing specialists (medical doctor, safety technician) to minimize any imminent risks in that aspect. The group has underlined the importance of personal and professional growth, providing employees with access to various training programs and seminars. The percentage of female employees was 37% in 2020, with the respective figure at 13% among managerial positions. In terms of impact on the community, the group has been an active supporter of various Greek and international NGOs, donating its software products and services free of charge, while also participating in a number of charitable causes through the years.

2. Corporate governance overview

As far as corporate governance is concerned, we have utilized our own framework for evaluating compliance with best practices, as laid out in the new Greek Code of Corporate Governance published in June 2021. We have focused our study on key metrics of governance which we believe are closely watched by investors, including board structure and independence, executive compensation, monitoring through independent committees etc. Note that we have conducted a similar analysis for all stocks in our G.RE.CO. universe, so as to gauge Entersoft's relative positioning vis-à-vis the other companies under our coverage.

The KPIs used to measure performance in each broad category related to corporate governance are the following:

1. **BoD structure**
 - a. **BoD size:** Best practice suggests that the BoD should be made up of 7-15 members (3-15 stipulated under the Greek law).
 - b. **Chairman/CEO separation:** We consider best practice the separation of the two roles, in line with the corporate governance framework in the vast majority of OECD jurisdictions.
 - c. **Term of BoD members (period of election):** we consider best practice cases where BoD members are submitted for election every 4 years or less (in sync with the Code).
 - d. **Average tenure of BoD members:** we score more highly companies where directors serve on the board for an average period of 3 years or less. Although shorter average tenure may not be directly linked to operational performance, it does reinforce internal discipline and control while also minimizing the likelihood of director misconduct.
 - e. **BoD diversity:** One of the main features of a diverse group of BoD members is gender representation, with the law suggesting that this should be 25% at minimum. We give credit to companies that go a bit beyond this level (min 30%).
2. **Board independence and system of internal controls**
 - a. **% of independent directors in the BoD:** The new law for corporate governance effective since the last summer suggests that independent directors should account for at least 1/3 of the members of the board. That said, the recommendation included in the Code calls for a minimum of 50% independent directors (e.g. Australia, UK, Sweden, Austria, France, Denmark, Netherlands, Portugal), something which would be in sync with the framework in other jurisdictions and which we also consider as best-practice.
 - b. **% of non-executive members in the BoD:** A board of directors in which non-executive members are at least 60% is the best practice principle we assess.
 - c. **Independent vice-chairman:** We give credit to companies having an independent vice-Chairman who safeguards the independence of the board.
 - d. **Independence of remuneration committee:** The Greek law was recently amended to not only make the existence of a remuneration committee mandatory but also to safeguard its independence (majority independent members), as a way of introducing a mechanism for normative controls on management's pay. We credit companies where all members of the remuneration committee are independent.
3. **Alignment of incentives**
 - a. **Granularity on executive remuneration:** alignment of the various stakeholders' incentives is facilitated through a good level of disclosure regarding executive pay, e.g. how remuneration of executive directors is determined, balance between fixed and variable components, KPIs for executive bonus, other contractual arrangements (pensions, stock options, long-term incentive schemes etc.).
4. **Audit firm quality**
 - a. **Big-6:** Our exercise rewards listed entities audited by Big-6 accounting firms.

Just limited deviations from best practices

We present a snapshot of our findings in the table below, where we highlight the areas where there is a deviation from corporate governance best practices. Overall, we observe compliance with most key standards (e.g. separation of Chairman/CEO roles) while emphasizing the additional independent member recently added to the BoD (to comply with the relevant law amendment). We also applaud the 33% female representation on the BoD. Some of the deviations we observe relate to the long-term nature of the BoD, both in terms of board duration and tenure, though these are typical for most Greek-listed corporations (and should be seen in the context of the unique characteristics of the software industry).

Corporate governance overview	
Board Structure	
Board Size	9
CEO/Chairman separation?	Yes
Board duration	5
Tenure of the CEO	Long term
Average Tenure of BoD	Long term
Female representation on the BoD	33%
Board Independence and system of internal controls	
% of Non-executive directors on the BoD	44%
% of Independent directors on the BoD	33%
Nomination committee Chair Independence	Yes
Independent directors on compensation committee	67%
Independent Deputy Chair?	No
Alignment with minority shareholders	
Granularity on CEO max compensation	Detailed disclosure
Criteria for CEO bonus	Yes
Quality of auditor	
Big 6?	Yes
Source: Eurobank Equities Research, Company data.	

Group Financial Statements

EUR mn					
Group P&L	2019	2020	2021e	2022e	2023e
Sales	15.4	16.6	24.4	30.8	36.6
Gross Profit (ex D&A)	10.9	12.2	16.7	20.6	24.1
EBITDA	4.4	5.8	9.1	11.3	13.2
change	45%	33%	57%	23%	17%
EBITDA margin	28%	35%	37%	37%	36%
EBIT	3.1	4.4	7.2	9.1	10.9
Financial income (expense)	-0.2	-0.1	-0.1	-0.1	-0.1
Exceptionals / other income	0.0	0.0	0.0	0.0	0.0
PBT	2.9	4.3	7.1	9.0	10.8
Income tax	-0.7	-0.8	-1.6	-2.0	-2.4
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Net profit	2.2	3.5	5.5	7.1	8.4
EPS (EUR)	0.08	0.12	0.18	0.24	0.28
DPS (EUR)	0.05	0.06	0.09	0.12	0.14
Group Cash Flow Statement	2019	2020	2021e	2022e	2023e
EBITDA	4.4	5.8	9.1	11.3	13.2
Change in Working Capital	-1.8	0.8	-0.4	0.0	-1.1
Net interest	-0.2	-0.2	-0.1	-0.1	-0.1
Tax	-0.7	-0.7	-1.6	-2.0	-2.4
Other	0.5	0.3	0.0	0.0	0.0
Operating Cash Flow	2.2	6.1	7.1	9.2	9.6
Capex	-0.6	-3.0	-1.7	-0.9	-1.4
Other investing	0.0	0.0	-1.3	-1.3	0.0
Net Investing Cash Flow	-0.6	-3.0	-3.0	-2.2	-1.4
Dividends	-0.8	-1.4	-1.8	-2.8	-3.5
Other (incl. payment of lease obligations)	-0.4	3.2	-0.5	-0.6	-0.7
Net Debt (cash) (excl. leases)	-2.4	-7.3	-9.1	-12.7	-16.7
Free Cash Flow (adj.)	1.2	2.6	3.6	6.4	7.5
Group Balance Sheet	2019	2020	2021e	2022e	2023e
Tangible Assets	2.4	2.5	2.2	1.6	1.1
Intangible Assets	2.5	6.1	7.4	7.4	7.9
Other non-current Assets	0.5	2.3	2.3	2.4	2.4
Non-current Assets	5.4	10.9	11.9	11.4	11.4
Inventories	0.0	0.0	0.0	0.1	0.1
Trade Receivables	7.0	7.2	8.1	9.2	10.9
Other receivables	0.2	0.4	0.4	0.4	0.4
Cash & Equivalents	2.8	7.2	9.0	12.6	16.6
Current Assets	10.5	15.3	17.6	22.3	28.0
Total Assets	15.9	26.2	29.5	33.7	39.5
Shareholder funds	10.7	16.5	20.9	25.4	30.5
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Total Equity	10.7	16.5	20.9	25.4	30.5
Long-term debt	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	2.1	4.1	2.9	2.9	2.9
Long Term Liabilities	2.1	4.1	2.9	2.9	2.9
Short-term debt	0.9	0.4	0.0	0.0	0.0
Trade Payables	0.1	0.5	0.7	0.8	1.0
Other current liabilities	2.1	4.8	5.0	4.5	5.0
Current Liabilities	3.0	5.6	5.7	5.4	6.0
Equity & Liabilities	15.9	26.2	29.5	33.7	39.5
Key Financial Ratios	2019	2020	2021e	2022e	2023e
P/E	11.0x	13.7x	26.6x	20.8x	17.4x
P/BV	2.3x	2.9x	7.0x	5.8x	4.8x
Adj. EV/EBITDA	5.5x	7.4x	15.3x	12.1x	10.0x
EBIT/Interest expense	19.9x	30.6x	59.1x	100.8x	147.7x
Net Debt (cash)/EBITDA	-0.6x	-1.3x	-1.0x	-1.1x	-1.3x
Dividend Yield	3.3%	3.7%	1.9%	2.4%	2.9%
ROE	21%	21%	26%	28%	28%
Free Cash Flow yield	5%	5%	2%	4%	5%
Payout Ratio	61%	39%	50%	50%	50%

Source: Eurobank Equities Research.

Company description

Entersoft is a Greek IT software company involved in the development and distribution of its own software and the provision of aftersales services. The company has a broad product offering ranging from fully integrated ERP systems to niche standalone solutions, available for on-premise or on cloud installation, while can be used either as a licensed product or as Software as a Service.

Risks and sensitivities

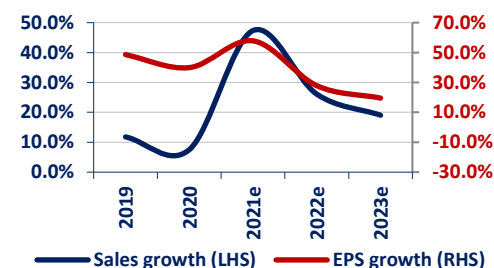
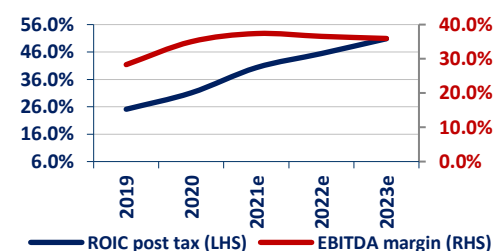
•**Macro:** Entersoft's top line largely hinges on companies' digitization push. In that regard, there is downside risk to our estimates if COVID-19 ends up having a lasting negative impact on IT spend or in case of a significant macroeconomic downturn.

•**Personnel costs:** Human capital is the overriding factor behind a software company's success, and the same is the case for Entersoft. In that regard, margins could be negatively affected if wage inflation accelerates further driving the need for the company to invest more in personnel in the future.

•**Competition risk:** The fast pace and constant evolution of the software industry means there is risk from intensifying competition which might weigh on Entersoft's growth increasing churn rates.

•**M&A integration risk:** Entersoft has at times resorted to M&A to tap new segments. In case of similar moves in the future, there is some integration risk (or risk of non-accretive M&A).

•**Sensitivity:** We estimate that flexing our revenue assumption by 5% would result in a c11% change in group EBITDA in 2022e.

Sales and EPS growth

Profitability and returns


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This report has been submitted to Entersoft for review prior to its publication. Some changes have been made by Eurobank Equities S.A. to this report as a result of the review from Entersoft.

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This report has been written by Stamatios Draziotis, CFA (Equity Analyst) and Natalia Svyriadi (Equity Analyst).

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Planned Frequency of Updates:

Eurobank Equities Investment Firm S.A. provides updates on Entersoft based on the terms of the agreement between the two parties and at least but not limited to bi-annually after the publication of financial statements of Entersoft.

12-month Rating History of Entersoft

Date	Rating	Stock price	Target price
25/10/2021	Not Rated	€ 4.90	-

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	14	52%	1	7%
Hold	5	19%	0	0%
Sell	0	0%	0	0%
Restricted	1	4%	0	0%
Under Review	2	7%	0	0%
Not Rated	5	19%	0	0%
Total	27	100%		

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
Restricted:	Under Eurobank Group policy and / or regulations which do not allow ratings
Under Review:	Our estimates, target price and recommendation are currently under review
Not Rated:	Refers to Sponsored Research reports