

Company Report

Hellenic Equity Research

Technology Sector



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Company Update: Byte, EnterSoft, Epsilon, Performance, Profile, Space Hellas Reason: Overview

Investment Thesis

We are investigating the value of certain Technology companies in the Hellenic small cap universe, with proven track record, revenue stream, and opportunities that create conviction with regards to their 5 year growth.

Their main activities include the selling of software products, software licences, software as a service, developing and selling IT solutions for corporations and for the state.

All of them are valued within the range of €20million to €80million market cap, which is two orders of magnitude smaller than the large cap listings of the Athens Stock Exchange like CocaCola (EEE €9.3b), OTE (HTO €5.7b), OPAP (OPAP €3.5b), Jumbo (BELA €1.8b), ΕΛΠΕ (ELPE €1.7b), Mytilineos (MYTIL €1.7b), (TENERGY €1.6b), Motor Oil (MOH €1.3b), TITAN (TITK €1.2b) and one order of magnitude smaller than Aegean Airlines (AEGN €320m), Kri-Kri (Kri €320m) or Fourlis (FRLr €200m).

Company (Investment Thesis)	Revenue per Employee	Current Valuation	Marketability			Assumptions			Target	Potential
	2019 Revenue/ Employee count (Thousand €)	Market Cap (Million €)	Price (€)	Marketability (%)	Relative ² Marketability (times less marketable)	Annual ³ Growth until 2025 (%)	Perpetual Growth (%)	Cost * of Equity (%)	Price (€)	(%)
Byte (FV)	160	21,9	1,41	0,155%	2,8	1,50%	1,00%	15,55%	1,46	3,55%
Entersoft (FV)	63	75,0	2,58	0,080%	5,0	12,45%	5,00%	15,55%	2,42	-6,20%
Epsilon (UV)	49	53,6	4,20	0,107%	3,9	9,59%	3,00%	15,55%	4,82	14,76%
Performance (UV)	254	32,8	9,10	0,046%	9,1	7,22%	3,50%	19,55%	10,10	10,99%
Profile (FV)	105	58,3	4,84	0,151%	2,7	5,63%	5,00%	15,05%	4,66	-3,72%
Space Hellas (FV)	201	34,8	5,50	0,015%	27,1	3,25%	3,00%	19,55%	5,50	0,00%

1 Marketability is calculated as the Daily Volume divided by the Market Cap of the company

2 Relative marketability is how many times **less marketable** are the shares, compared with the 12 most marketable shares of Athens Stock Exchange

3 Annual Growth until 2025, is the compounded annual growth rate that summarises our sales estimates

4* The assumed cost of equity is pricing equity markets risk as well as the lower liquidity and lower capitalization

All Companies are expected to broaden their scope and growth in the years ahead, following the European trend towards digitalization, the "Next Generation EU" IT projects and the Hellenic state's commitment towards that direction.

However it would be unwise to treat them as exponential or double digit growth companies. By constantly updating their products and following the technology trends, they are innovating without being regarded as disruptive/game changers.

All companies have a proven history with ups and downs, their sales are currently following an uptrend, they are providing diversification benefits for both a domestic and a foreign equity portfolio, and it all comes down to finding a justifiable price to include them.

The presentation is made in alphabetical order. All estimates for future cash flows are conservative projections of past results.



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All N. Chrysochoidis Stock Brokerage I.S.S.A. research is available on the company website and FactSet.



BYTE Computer SA (BYTr) used to be one of the largest players in the domestic technology sector with €51m in sales and 218 employees in 2008. However, following a period of gradual contraction in revenues, the company stabilized its annual revenues to c. €20m and is growing ever since. Accordingly, we expect €29m sales in 2020 with 176 employees and €32.5m sales with 179 employees by 2025. We came up to these numbers by not raising the average annual growth of the intergrated solutions segment, and by estimating that the hardware distribution segment (that generated €5.6m in 2019) will soon reach a plateau at €6m. The company has a 30% debt-70% equity structure resulting in a WACC of 13,14%. The resulting target price of 1.46€ is assuming all else contant and not pricing the possibility of shifting gears.

Entersoft SA (ENTr): We pinpoint two major attributes to Entersoft: Strong capital structure and proven growth track record. The company presents 0% debt-100% equity structure resulting in a WACC of 15,55%. Our target price assumes the continuation of double digit growth up until 2025 and a perpetual growth of 5%. Worth noting that Entersoft has recorded a compounded 10.92% growth rate over the past 13 years. We conclude that current market valuation is already pricing in that growth potential.

Epsilon Net SA (EPSr): The revenue streams can be devided in the training sector that is generating €770K per year, accounting products that are generating €6m per year and the IT solutions products and services that are generating €11m. We assume no additional growth for the training segment, an annual growth for the accounting products segment equal to 4% (which is equal to the compound annual growth of this segment over the past 15 years) and an annual growth for the IT solutions and services sector that is as high as 13%. Note that our analysis does not price in the recent 50% stake acquisition at Singular Logic. Assuming constant capital structure of 34% debt-66% equity (WACC 10,94%) and zero perpetual growth, in an attempt to find the de minimis value for Epsilon, we come up to 3,84€. Assuming 3% perpetual growth (basic scenario) we come up to the presented target price of 4,82€.

Performance Technologies IT Solutions (PREFr) is generating €9,5m from products, €21m from services and is employing 108 people. By 2025, we assume that these numbers can become 13.9m in products (7.9% CAG), 28.8m in services (6,5% CAG) and 128 employees respectively. We came up to these estimates by regressing their past performance and applying a conservative normalization. The capital structure is 0% debt-100% equity resulting in a WACC of 19,55%. The company's WACC is significantly higher from its peers, so that we account for the low daily marketability.

Profile Software (PRFr) is a financial software developer and vendor generating €15.7m sales, enjoying a high client retention rate and more than 60% exports. The capital structure is 16% debt - 84% equity resulting in a WACC of 13,65%. Our target price is not pricing the effects of Profile's investment at the technology hub of Thessaloniki that could tranlate into an annual CAPEX increase of €5~7m per year for the next 3 years, driving down the free cash flows, but at the same time it could improve the company's products and sales.

Space Hellas SA (SPAr) generated €72m sales in 2019 from three segments (IT services, IT projects and hardware distribution), employeing 360 people, and we are expecting sales to reach €85m by 2024 with 410 people. Its capital structure is 63% debt-37% equity resulting in a WACC of 10,71%. Our target price assumes 3,25% average annual growth up until 2025 and perpetual growth of 3,0%. Again, we do not price in the recent 50% stake acquisition at Singular Logic.

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