



## Company: Entersoft S.A. Reason: Upgrade

### Investment Thesis

Entersoft's actual FY2021 results paired with the current prospects of the Hellenic Technology sector indicated that we were over-conservative when we discounted their top-line growth potential, the sustainability of large EBITDA margins, and the effective use of their huge cash position and impose a more positive view on our part.

The fundamental strength of the sector is the recurring element of revenues: With new projects almost doubling in 2021 (€5.3M new projects in 2020 vs. €10M new projects in 2021), Entersoft can easily double its top line and reach the €50M annual revenues threshold by 2026. This suggests an intrinsic value of €6.80 (more than 20% upside potential)

In 2021 revenues grew by 44% year on year. Half of that growth is attributed to organic growth. The other half is attributed to the acquisitions of Optimum and Wedia. In our baseline scenario we are assuming 5% to 7% annual growth of new business and annual recurring revenue returning at 70% of total. Since 3Q21 Entersoft has announced that it has employed a consultancy company to actively search for acquisition targets in Romania. Since the last conference call, it appears likely, that a new acquisition announcement in Romania will happen within 1H22. It is prudent to expect €1M additional annual revenues from this acquisition.

Worth noting is the recent establishment of a new software implementation center in the city of Patras that is opening up the company's options in the pursuit of new talent; and the acquisition of Logon SA in the city of Larissa that is offering an additional implementation center.

### Valuation

The company is valued at €6.80 per share through a FCF exercise with an applied WACC of 8.80%. We have revised downwards the risk of future cash flows of Entersoft to account for the higher marketability that is demonstrating, lower beta against the Greek index and the strong net cash position (Cash>Total Debt).

<b>Date</b>	<b>11/04/2022</b>
<b>Fair Estimated Price (€)</b>	<b>6,80 €</b>
Investment Thesis	UV
Bloomberg Ticker	ENTER:GA
Reuters Ticker	ENTr.AT
Closing Price (08/04/22)	5,62
Low/High price 52w	2.74/5.96
Market Cap (€mn)	169
EPS (2022E)	0,22
DPS (2022 E)	0,09
Dividend Yield %	1,60%



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*For important disclosure information, please refer to the disclaimer page of this report.*

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



Summary Financials				
(€mn)	2020	2021	2022F	2023F
<b>Profit &amp; Loss Items</b>				
Total Net Revenues	16.570,0	24.000,0	29.973,0	34.037,4
EBITDA	5.801,8	8.899,5	10.402,2	11.322,1
EBIT	4.438,3	6.935,0	8.437,8	9.357,7
Net Income	3.512,1	5.330,8	6.499,1	7.174,6
<b>Balance Sheet Items</b>				
Total Assets	26.152,2	31.372,0		
Cash at Hand	7.184,0	10.312,0		
Current Liabilities	8.503,9	9.963,0		
Total Debt	3.281,0	3.973,0		
Total Equity	16.491,0	20.681,0		
Debt/Equity	19,9%	19,2%		
<b>Cash Flow Items</b>				
Operating Cash Flow	3.656,8	5.764,8	6.933,1	7.608,6
Free Cash Flow (FCFF)	2.696,6	5.826,0	6.414,7	7.499,1
CAPEX	3.010,2	1.011,4	1.133,2	1.202,8
<b>Key Financial Ratios</b>				
Revenue Growth	7,5%	44,8%	24,9%	13,6%
EBITDA Margin	35,0%	37,1%	34,7%	33,3%
EPS	11,7%	17,8%	21,7%	23,9%
DPS	0,045	0,060	0,090	
Total Debt / EBITDA (x)	0,6	0,4		

#### Πήτρα Περιορισμού Ευθύνης:

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#### Σημειώσεις/Notes

P:	Τρέχουσα Τιμή	Market Price
MCAP:	Κεφαλαιοποίηση	Capitalization
EPS:	Καθαρά Κέρδη Ανά Μετοχή	Earnings per Share
P/E:	Λόγος Τιμής προς Κέρδη	Price/Earnings Ratio
P/S:	Λόγος Τιμής προς Πωλήσεις	Price/Sales Ratio
D/A:	Συνολικός Δανεισμός προς Παθητικό	Total Debt/Assets Ratio
DY:	Απόδοση Μερισίματος	Dividend Yield
ROE:	Απόδοση Ιδίων Κεφαλαίων	Return on Equity
FV:	Τιμή Σωστής Αποτίμησης	Fair Value Price

#### Οδηγός Συστάσεων/Ratings

UV	Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος	Underpriced/ Small Risk Stock Price < 20% of Fair
UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Underpriced/ Risk Stock Price < 10% of Fair
FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Fairly Priced/ Small Risk 10% < Stock Price < 10%
OV1	Σωστή Αποτίμηση/ Κίνδυνος	Fairly Priced/ Risk Stock Price > 10% of Fair
OV	Υπερτιμημένη Μετοχή	Overvalued Stock Price > 20% of Fair
N/R	Μη Αποτιμημένη Μετοχή	Not Rated