



## Company: EpsilonNET Group of Companies Reason: Upgrade

### Investment Thesis

EpsilonNET has a strong balance sheet and is well positioned to earn from the digitalization process of the Hellenic enterprises of all sizes. The EU recovery fund adds €1bn in this market. The successful launch and accelerated sales of “EpsilonNET Smart” product (75K new subscribers since September 21) points to that direction.

Over the past 14 months, group results keep beating our estimates in a scale that favors exponential vs linear growth assumptions. In January '21, we could not foresee that the €50M annual revenue threshold could be reached prior to 2025. However, all of the 2021 earnings results (1Q21, 1H21, 9M21) have moved that milestone earlier. Ultimately, just before Christmas '21 the group announced that the €50M annual revenue threshold has already been reached in 2021 (up from €21.6M in 2020). Now, during the latest analysts' briefing, the management is projecting €75M revenues for 2022.

We have no reason to discount the given top line guidance and we feel confident suggesting a minimum target price of €7,50 for EpsilonNET. This target suggests that EBITDA will double by 2024 reaching €32M, revenues will reach €120M by 2026 and the expenses as a percentage of revenue will be maintained at current levels.

The outstanding top line results of EpsilonNET did not come at the expense of its balance sheet. Its cash position got stronger at €23M, total debt including leases is unchanged at €17M and at the same time the group has concluded the acquisition of Singular Logic and the smaller firms Technolife, iQom and PCS.

It is important to note that the rising interest rates and rising inflation are generally putting the leveraged technology global sector at risk. However, this is not the case for the unleveraged Hellenic technology companies and EpsilonNET in particular enjoys negative net debt (cash > total debt). EpsilonNET has reached a significant market capitalization size (north of €300M) that makes it even more visible to institutional investors.

### Valuation

The company is valued at €7.50 per share through a FCF exercise with an applied WACC of 10.42% and perpetual growth assumption of 3.5%. The higher marketability of EpsilonNET could justify an additional 175bps WACC reduction that would bring the target price to 8,90€. Nevertheless, this is not our baseline scenario.

Date	31/03/22
Fair Estimated Price (€)	7,50
Investment Thesis	UV
Bloomberg Ticker	EPSIL:GA
Reuters Ticker	EPSr.AT
Closing Price (31/03/22)	6,00
Low/High price 52w	1,15 / 6,00
Market Cap (€mn)	322
EPS (2021A)	0,20
DPS (2021A)	0,05
Dividend Yield %	0,8%
P/E (x)	4,83



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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					
(€ thousand)	2019	2020	2021	2022	2023
<b>Profit &amp; Loss Items</b>					
Revenues	17.978	21.696	50.511	75.000	108.538
EBITDA	3.260	5.234	15.092	22.855	34.233
Net Income	1.408	3.279	10.778	16.629	25.068
<b>Balance Sheet Items</b>					
Cash at Hand	8.594	20.789	23.354		
Total Equity	13.507	22.206	41.454		
<b>Cash Flow Items</b>					
Operating Cash Flow	1.794	3.707	10.902	16.444	24.883
Free Cash Flow	1.839	1.548	12.158	18.518	28.572
<b>Key Financial Ratios</b>					
Revenue Growth	10,78%	20,68%	132,81%	48,48%	44,72%
EBITDA margin %	18,13%	23,71%	29,88%	30,47%	31,54%
Earnings per Share	0,129	0,268	0,201	1,241	1,871
Dividend per Share	0,300	0,025	0,045		

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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 Μερισματος	Dividend Yield
ROE:	Απόδοση Ίδιων 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