

COMPANY UPDATE

ENTERSOFT

Corporate action catalyzes value crystallization; move to a Hold

Lower rating to Hold on valuation – Recent corporate action has catalyzed a faster - than our expectations - rerating of the stock, with the shares up 14% since the Olympia bid was first reported by the press. With the stock trading very close to our PT and at the Olympia bid level, the story has largely run its course, so we lower our rating to a Hold on valuation grounds.

Heading for mandatory tender offer... – Entersoft’s main shareholders reached on March 2nd, 2024, an agreement for the sale of a 53.73% stake to a consortium comprising Olympia Group and Rucio Investments S.a.r.l. The agreed purchase price was stated at €8 per share, corresponding to a 1-yr fwd EV/EBITDA of c15.8x, on our numbers. Since then, Olympia has been increasing its stake, with Entersoft announcing yesterday that Olympia’s affiliate Verdalite Limited now holds 33.58% of its share capital. As a result, the consortium seems to control 87.3% of Entersoft and is set to submit a mandatory tender offer.

... and potential squeeze-out – If, after the acceptance period for the takeover bid has ended, the bidder has acquired at least 90% of Entersoft’s voting rights, it may invoke a special squeeze-out right under the Takeover Bid Law to buy out minority shareholders. This legal provision allows the bidder to compel the target company's minority shareholders to sell their shares at a fair price. This right to squeeze out minority shareholders is exercisable within three months following the bid's acceptance period. The compensation offered to minority shareholders must be at least equivalent to the offer made during the takeover bid.

Valuation – We believe that corporate activity in the software sector was a natural outcome driven by the ongoing demand for digitization. The offer price aligns with our 1-year price target for Entersoft, providing an opportunity for selling investors to capitalize on their investment at this point. Our valuation on Entersoft is based on a DCF (8.9% WACC) and yields a 12m PT of €8.20 per share, effectively valuing the group at c16x 2024e EV/EBITDA, just above the agreed acquisition price. This is largely in sync with the current valuation of the broad EU software peer group and is indicative, in our view, of the quality of the business and the solid prospects for the domestic enterprise software market.

Recommendation	HOLD
Prior Recommendation	BUY
Target Price	€ 8.20
Closing Price (13/03)	€8.00
Market Cap (mn)	€240.0
Expected Return	2.5%
Expected Dividend	2.0%
Expected Total Return	4.5%

Entersoft Share Price



Stock Data

Reuters RIC	ENTr.AT
Bloomberg Code	ENTER GA
52 Week High (adj.)	€8.10
52 Week Low (adj.)	€3.61
Abs. performance (1m)	22.7%
Abs. performance (YTD)	25.8%
Number of shares	30.0mn
Avg Daily Trading Volume (qrt)	€1,426k
Est. 3yr EPS CAGR	21.9%
Free Float	38%

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This report was prepared and published in consideration of a fee payable by the European Bank for Reconstruction and Development (EBRD).

See Appendix for Analyst Certification and important disclosures.

Estimates					
€m unless otherwise stated	2021	2022	2023e	2024e	2025e
Revenues	24.0	29.6	38.8	46.1	53.5
EBITDA	8.9	9.5	12.5	15.0	17.7
Net profit	5.7	6.0	7.0	8.9	10.9
EPS - adj. (€)	0.19	0.20	0.23	0.30	0.36
DPS (€)	0.09	0.10	0.13	0.16	0.20
Valuation					
Year to end December	2021	2022	2023e	2024e	2025e
P/E	20.6x	21.7x	21.9x	27.0x	22.0x
EV/EBITDA	12.3x	13.5x	12.3x	15.8x	13.2x
EBIT/Interest expense	22.9x	14.8x	11.0x	14.2x	17.6x
Dividend Yield	1.5%	2.1%	2.4%	2.0%	2.4%
ROE	30.8%	27.0%	27.2%	30.0%	31.7%

Source: Eurobank Equities Research.

Group Financial Statements

Reported Figures in €m					
Group P&L	2021	2022	2023e	2024e	2025e
Revenues	24.0	29.6	38.8	46.1	53.5
Gross Profit adj.	16.7	18.5	25.0	30.0	35.3
EBITDA	8.9	9.5	12.5	15.0	17.7
% change	54%	6%	31%	21%	18%
EBITDA margin	37%	32%	32%	33%	33%
EBIT	6.9	7.1	9.9	12.3	14.9
Financial income (expense)	-0.3	-0.5	-0.9	-0.9	-0.8
Exceptionals/other income	0.0	0.0	0.0	0.0	0.0
PBT	6.6	6.6	9.0	11.4	14.0
Income tax	-0.8	-0.6	-2.0	-2.5	-3.1
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Net Profit	5.7	6.0	7.0	8.9	10.9
EPS - adjusted (EUR)	0.19	0.20	0.23	0.30	0.36
DPS (EUR)	0.09	0.10	0.13	0.16	0.20
Group Cash Flow Statement	2021	2022	2023e	2024e	2025e
EBITDA	8.9	9.5	12.5	15.0	17.7
Change in Working Capital	-0.4	-1.8	0.8	-2.8	-1.4
Net Interest	-0.3	-0.5	-0.9	-0.9	-0.8
Tax	-1.1	-1.2	-2.0	-2.5	-3.1
Other	0.0	0.0	0.0	0.0	0.0
Operating Cash Flow	7.1	6.0	10.4	8.9	12.3
Capex	-2.0	-1.5	-1.6	-1.6	-1.9
Other investing	-2.0	-5.2	-6.1	0.0	-1.0
Net Investing Cash Flow	-4.0	-6.7	-7.7	-1.6	-2.9
Dividends	-1.8	-2.7	-3.0	-3.8	-4.7
Other	-0.5	-1.0	-1.1	-1.2	-1.4
Net Debt (cash)	-8.1	-3.7	-2.3	-4.6	-8.0
Free Cash Flow (adj.)	2.4	-1.6	1.6	6.0	8.1
Group Balance Sheet	2021	2022	2023e	2024e	2025e
Tangible Assets	3.3	3.6	3.4	3.2	3.1
Intangible Assets	6.3	7.9	13.3	12.3	12.5
Other Long-term assets	2.7	8.6	8.6	8.6	8.6
Non-current Assets	12.4	20.1	25.2	24.1	24.2
Inventories	0.1	0.1	0.1	0.1	0.1
Trade Receivables	8.3	10.4	10.6	14.1	16.3
Other receivables	0.3	0.2	0.2	0.2	0.2
Cash & Equivalents	10.3	14.8	12.6	14.9	18.3
Current assets	19.0	25.5	23.5	29.3	34.9
Total Assets	31.4	45.6	48.7	53.4	59.1
Shareholder funds	20.7	22.8	25.7	29.6	34.5
Non-controlling interest	0.0	1.0	1.1	1.1	1.1
Total Equity	20.7	23.9	26.8	30.7	35.6
Long-term debt	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	3.7	10.7	9.8	9.3	8.9
Long Term Liabilities	3.7	10.7	9.8	9.3	8.9
Short-term debt	1.0	5.1	5.2	5.7	6.2
Trade Payables	0.7	0.5	0.7	0.8	0.9
Other current liabilities	5.3	5.3	6.2	6.9	7.5
Current liabilities	7.0	11.0	12.1	13.4	14.7
Equity & Liabilities	31.4	45.6	48.7	53.4	59.1
Key Financial Ratios	2021	2022	2023e	2024e	2025e
P/E	20.6x	21.7x	21.9x	27.0x	22.0x
P/BV	5.7x	5.7x	6.0x	8.1x	7.0x
EV/EBITDA	12.3x	13.5x	12.3x	15.8x	13.2x
Oper. EBIT/Interest expense	22.9x	14.8x	11.0x	14.2x	17.6x
Net Debt (cash)/EBITDA	-0.9x	-0.4x	-0.2x	-0.3x	-0.5x
Dividend Yield	2.3%	2.3%	2.4%	2.0%	2.4%
ROE	28%	26%	27%	30%	32%
Free Cash Flow yield	2%	-1%	1%	3%	3%
Payout Ratio	31%	45%	43%	42%	43%

Source: Eurobank Equities

Company description

Entersoft is a Greek software company involved in the distribution of own-developed solutions 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 cloud-based installation, which can be used either as a licensed product or as Software as a Service.

Risks and sensitivities

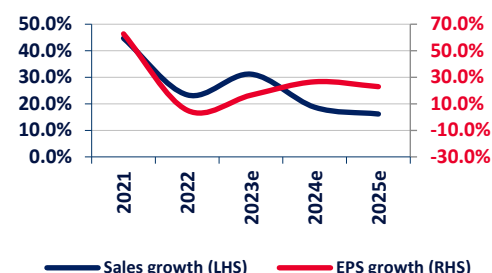
•**Macro and other demand risks:** Entersoft's top line largely hinges on the digitization agendas of companies in Greece and Romania. In that regard, there is downside risk to our estimates in case IT spending slows due to inaccessible credit lines or in case of a significant macroeconomic downturn.

•**Personnel costs:** Human capital is the overriding factor behind the success of a software company, and the same holds 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.

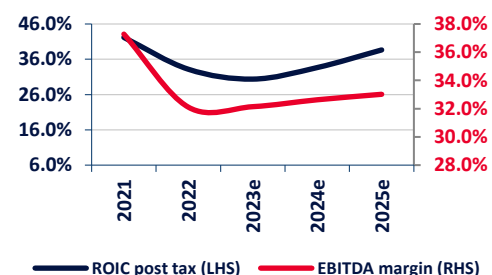
•**M&A risk:** Entersoft has at times resorted to M&A to tap new segments. In case of similar moves in the future, there is some integration risk (or risk of non-accretive M&A).

•**Sensitivity:** We estimate that flexing our revenue assumption by 1% would result in a c2.5% change in group EBITDA.

Sales and EPS growth



Profitability and returns



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

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12-month Rating History of Entersoft *

Date	Rating	Stock price	Target price
14/03/2024	Hold	€ 8.00	€ 8.20
01/02/2024	Buy	€ 6.18	€ 8.20

* Entersoft has in the past been covered under Eurobank Equities' sponsored research program. Our last report under the particular program was published on 27th July 2022.

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients		Other Material Investment Services Clients (MISC) – as of 15 th Jan 2024	
	Count	Total	Count	Total	Count	Total
Buy	21	68%	2	10%	11	61%
Hold	2	6%	0	0%	2	100%
Sell	0	0%	0	0%	0	0%
Restricted	1	3%	0	0%	0	0%
Under Review	2	6%	1	50%	2	100%
Not Rated	5	16%	1	20%	1	20%
Total	31	100%				

Coverage Universe: A summary of historic ratings for our coverage universe in the last 12 months is available [here](#).

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.
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