REAL CONSULTING

Riding on domestic champions

Prominent VAR of enterprise solutions, lead SAP Partner for Greece – Real Consulting (RC) is a leading value-added enterprise solutions reseller (VAR) with a prominent position in large Greek enterprises and long-term partnerships with some of the leading software distributors globally (SAP, Microsoft). The group effectively serves as a one-stop shop for digital transformation, offering a wide range of services including platform customization and implementation, and aftersales provision.

Exposure to the healthier side of the Greek digitization, substantial pipeline ahead – Greek companies and public institutions have faced the need for a structural revamp of their IT infrastructure in recent years, driven by demand for greater efficiency and supported by c€3bn in digitization funding. Demand has been especially strong among larger companies, where the proliferation of legacy solutions appears to have created a substantial pipeline of projects ahead. We see RC as particularly well-placed to capitalize on this need for tech upgrades thanks to its unique positioning in the enterprise/large corporates category and its long-term partnerships, which effectively give it access to top-of-the-line products with minimal internal R&D investment.

Doubling of profitability by 2026e, all organic; scale increase & cloud to catalyze growth – Organic volume acceleration and favorable supply-demand dynamics led group revenues to reach €30.3m in 2023 (from c€20m in 2020), growing at c14% CAGR during 2020-23. Further benefits from optionality in project selection and a shift away from legacy solutions translated to an impressive c25% EBITDA CAGR over the same period, driving a >4pps margin expansion to 16.6% by 2023. Looking ahead, we model c18% group revenue CAGR for 2024-27e, as RC continues to benefit from secular demand for tech upgrades. We anticipate this will lead to c23% EBITDA CAGR over the 4-year horizon, with margins supported by operating leverage from cloud migration, higher mix contribution from aftersales, and rebates on products as RC scales.

Underleveraged balance sheet allows good optionality in capital deployment – Strong profit margins and disciplined capital deployment have allowed RC to maintain an underleveraged balance sheet, while healthy OCF generation and capital from the IPO in 2021 have been more than sufficient to cover investments, M&A outflows and dividend distributions. As a result, RC stood on net debt of just €0.7m in 2023, which, combined with its solid cash generative capacity, provides sufficient headroom for potential accretive transactions and/or rising returns to shareholders.

Valuation: Initiate with Buy rating – Despite a >35% rally ytd, RC is trading at c8x 2025e EV/EBITDA, not far from EU VAR peers but offering far superior growth. With visibility around near-term growth being quite elevated, RC's growth-adjusted valuation looks quite compelling, while, from a technical viewpoint, we believe the stock's upcoming migration to the main segment of the ATHEX is likely to catalyze further re-rating. We base our valuation on a DCF (9.2% WACC), yielding a baseline value of €5.3 per share. This effectively values the stock at c12.2x 2025e EV/EBITDA, at premium vs EU VARs but at discount vs the broad EU IT sector. We thus initiate coverage with a Buy.

Estimates					
EUR mn	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Revenues	24.4	30.3	37.9	44.9	52.9
EBITDA	3.6	5.0	7.1	8.8	10.4
Net profit	2.1	2.9	5.1	6.2	7.4
EPS (EUR)	0.10	0.14	0.24	0.29	0.34
DPS (EUR)	0.03	0.04	0.05	0.06	0.07
Valuation					
Year to end December	**2022**	**2023**	**2024e**	**2025e**	**2026e**
P/E	23.6x	16.6x	15.3x	12.7x	10.7x
EV/EBITDA	13.5x	10.2x	10.5x	8.2x	6.5x
EBIT/Interest expense	10.1x	10.8x	46.3x	63.4x	70.7x
Dividend Yield	1.3%	1.6%	1.3%	1.6%	1.9%
ROE	13.1%	16.9%	24.3%	24.1%	23.6%

Source: Eurobank Equities Research

Recommendation	**BUY**
Prior Recommendation	**N/A**
Target Price	**€ 5.30**
Prior Target Price	**N/A**
Closing Price (17/06)	€3.67
Market Cap (mn)	€78.9
Expected Return	44.4%
Expected Dividend	1.3%
Expected Total Return	45.7%

Stock Data

Reuters RIC	REALCONSr.AT
Bloomberg Code	REALCONS GA
52 Week High (adj.)	€4.32
52 Week Low (adj.)	€2.05
Abs. performance (1m)	-8.5%
Abs. performance (YTD)	39.5%
Number of shares	21.5mn
Avg Daily Trading Volume (qrt)	€111k
Est. 3yr EPS CAGR	36.1%
Free Float	36%

Real Consulting Share Price

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See Appendix for Analyst Certification and important disclosures.

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Investment Summary

Real Consulting (RC) is a leading value-added reseller (VAR) with a particularly prominent position in large Greek enterprises and long-term partnerships with some of the leading software distributors globally (SAP, Microsoft). The group effectively serves as a one-stop shop for digital transformation, offering a wide range of products and services involving the customization and implementation of enterprise solutions, and the provision of aftersales. Real Consulting was established in 2001 and was listed on the Alternative Market of the ASE in 2021.

Unique position in domestic enterprises/large companies; favorable market dynamics

Greek companies and public institutions have been undergoing a structural revamp of their IT infrastructure from the onset of the pandemic, driven by the need for greater operational efficiency and supported by c€3bn in available digitization funding (RRF, EU structural funds). Demand for upgrades appears to be especially strong among larger enterprises, where the proliferation of legacy solutions and a relative supply gap for difficult-to-implement platforms appears to have created a substantial pipeline to be executed in the coming years. We view Real Consulting as especially well placed to capitalize on these drivers thanks to its unique positioning in the large/enterprise category, and see prospects further underpinned by the group's ongoing partnerships with leading software distributors, which effectively give it access to optimized products with minimal internal R&D investment.

Revenue CAGR c18% through 2027e; underlying demand for digitization still strong among enterprises

Group revenue reached €30.3m in 2023 from c€20m in 2020, growing at c14% CAGR during 2020-23 as RC looked to scale to meet demand in the domestic market. We view organic volume acceleration as the main source of growth in recent years, given robust demand tailwinds as companies exited from the pandemic, though pricing also ought to have benefited from favorable supply-demand dynamics. Organic growth has been supplemented by M&A add-ons, where RC appears to have primarily targeted SAP-partnered VARs in the EU for geographic expansion. We estimate aggregate M&A-driven revenue at c€3.5m over 2021-23, just 33% of the total revenue growth delivered over the period. Our future projections incorporate c18% group revenue CAGR over 2024-27e, as RC continues to benefit from secular demand for tech upgrades and improved pricing thanks to greater optionality in project selection. We expect growth to be enhanced by the cloud migration theme, which we anticipate will lead to faster scaling of services provision and create new pathways for aftersales revenue generation. We highlight that our forecasts do not account for potential M&A activity in the future.

EBITDA CAGR c23% over 2024-27e on greater scale, cloud migration

RC has delivered an impressive c25% EBITDA CAGR since 2020 (vs. c14% revenue CAGR over the same period) amid strong digitization tailwinds in the domestic market and a shift away from legacy solutions across the group's offering. These supportive trends drove EBITDA margins to 16.6% in 2023, >4pps higher compared to 2020, comparable to those of larger EU VAR peers (in the 16-18% range). Moving forward, we incorporate c23% EBITDA CAGR in our estimates through to 2027e, predicated on greater operating leverage from cloud migration, higher contribution of aftersales in the overall mix and rebates on products as RC scales to meet partner targets. The strong growth is set to be accompanied by minimal incremental capital investment over 2024-27e (especially in view of receivable collection in 2024e) thus driving an expansion of group post-tax ROIC to >40% by the end of the forecast period, a best-in-class performance among the Greek IT cohort.

Underleveraged balance sheet provides headroom for potential accretive transactions and/or rising shareholder returns

Strong profit margins and disciplined capital deployment have allowed RC to maintain an underleveraged balance sheet since its ASE debut in 2021, managing to generate positive FCF in all years except for 2023, when FCF was neutral due to elevated investments. Healthy organic OCF generation and capital from the IPO have been more than sufficient to cover investments, M&A outflows and dividend distributions. We highlight that group net debt improved to €0.7m in 2023, from c€6m pre-IPO in 2020. Assuming limited M&A outflows in the coming years, we expect solid cash flow generation and a switch to net cash in 2024e, with net cash expanding to >€19m by 2027e, equivalent to c1.7x 2027e EBITDA. This offers quite good flexibility in capital deployment ahead, with our numbers penciling in a c20-22% dividend payout through

2027e, a level we believe strikes a good balance between internal investment for scale and shareholder remuneration.

Valuation looks compelling on a growth-adjusted basis

Despite a >35% rally year-to-date, RC is trading at c8x 2025e EV/EBITDA, not far from EU VAR peers but offering far superior growth (27% EBITDA CAGR over 2024-26e vs a high single-digit figure for EU peers). With visibility around near-term growth being quite elevated, RC's growth-adjusted valuation looks quite compelling, we reckon. From a technical viewpoint, we believe the stock's upcoming migration to the main segment of the ATHEX is likely to catalyze a period of further outperformance/re-rating as operating momentum stays strong. We base our valuation of Real Consulting on a DCF (at 9.2% WACC, a bit higher than the discount rate used for the other IT stocks in our coverage due to the smaller size), yielding a baseline value of €5.3 per share. This effectively values the stock at c12.2x 2025e EV/EBITDA, which is at premium vs EU VARs (justified by the superior growth) but at discount vs the broad EU IT sector. Indicative of the group's strong growth profile and cash generation is that the valuation implied by our PT falls rapidly to a single digit figure by 2027e. Flexing our WACC and perpetuity growth inputs by 1% and 0.5% respectively yields a fair value range between €4.6 and €6.3 per share, indicating a positive risk-reward skew.

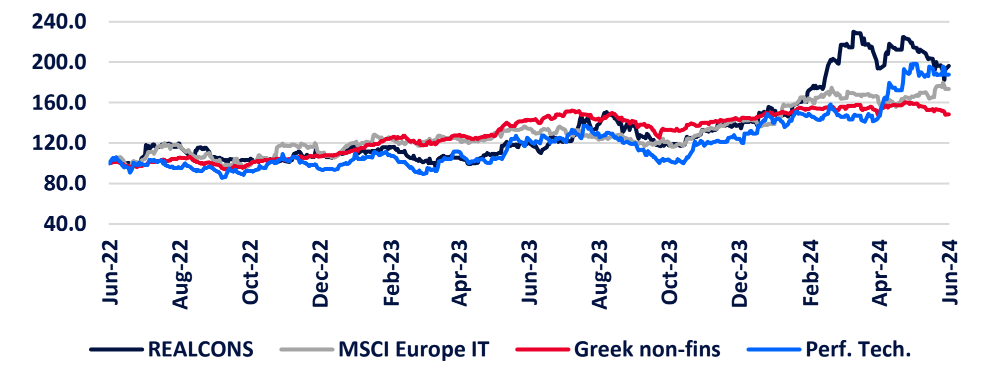
Share price performance and valuation

A. Price performance

>35% performance YTD in 2024 but runway for growth looks long

Real Consulting has enjoyed a stellar >35% YTD performance in 2024, outperforming both the EU IT sector and Greek non-financials on the back of a re-rating for tech stocks since Q4'23 and repositioning for exposure to the Greek digitization, with the whole sector coming in the spotlight following the acquisition bids for Entersoft in March and Epsilon Net in April. Looking back, REALCONS had moved in broad tandem with Greek VAR peers for the best part of the past 2 years, trending down in 2022 due to rising rates which weighed on the sector, before returning near previous historical levels by mid-2023 and rallying further in Q1'24.

REALCONS 2-yr performance (rebased) vs. EU IT and Greek non-fins

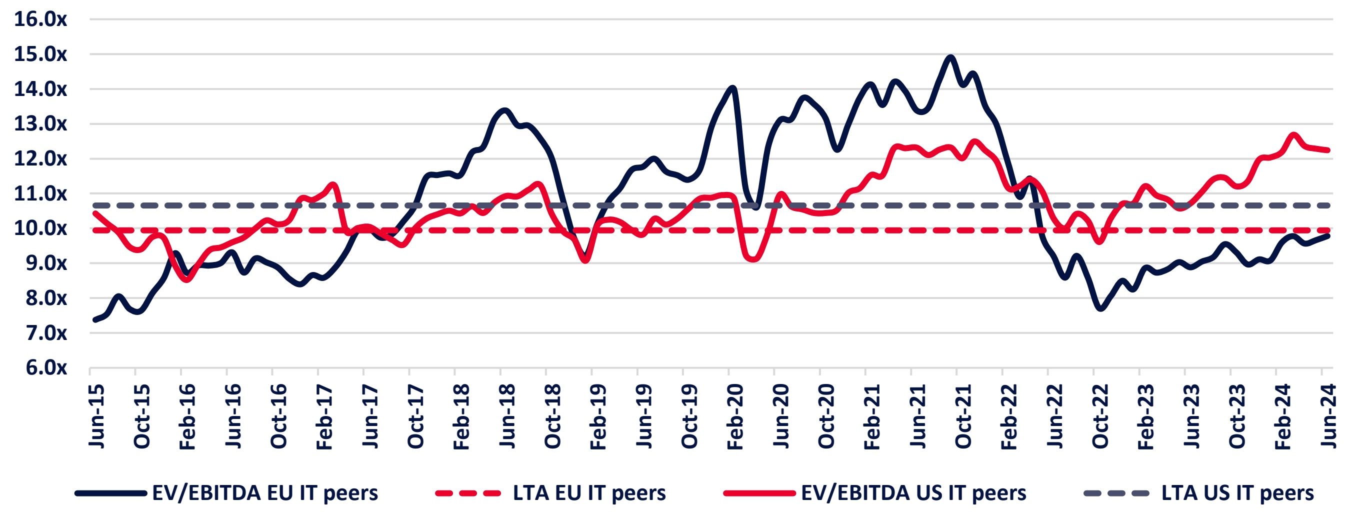


Source: Eurobank Equities Research, Bloomberg, Company data.

EU peers' valuation at >10x EV/EBITDA in the long-term

From a valuation perspective, we have tracked the performance of IT companies with some degree of product affinity, namely tech resellers and IT services providers. Specifically, we have looked at the valuation history of tech VARs (Computacenter, Softwareone, Capgemini, Atos), IT services companies (Tietoevry, Cancom) and computer retailers (CDW, Insight). Overall, the broad peer group has historically traded at an average of c10.7x EV/EBITDA over the past decade, with European names trading broadly at par (excl. Atos, due to concerns about the capital structure and financing). That said, we note that EU VAR peers seem to have decoupled from their US counterparts since early 2022, suffering a notable de-rating retreating to a valuation in the high single digits, compared to a 2-digit valuation for US-listed names. The latter group has in fact been enjoying a valuation re-rating since end 2022, on expectations about a peak in the rate hiking cycle.

12m forward EV/EBITDA valuation – IT peers



Source: Eurobank Equities Research, Bloomberg.

Broadly at par with EU peers on 2025, but with far superior growth profile which justifies higher valuation

The following table provides a detailed overview of the key valuation metrics of the broad peer group, contrasting them against those of Real Consulting. As can be seen, the stock seems to be trading broadly in sync with the EU peer median, but as we display in the following page, this effectively does not capture the materially superior growth profile that RC enjoys. In addition, RC remains at c30% 2025e EV/EBITDA discount vs US peers.

Peer group valuation

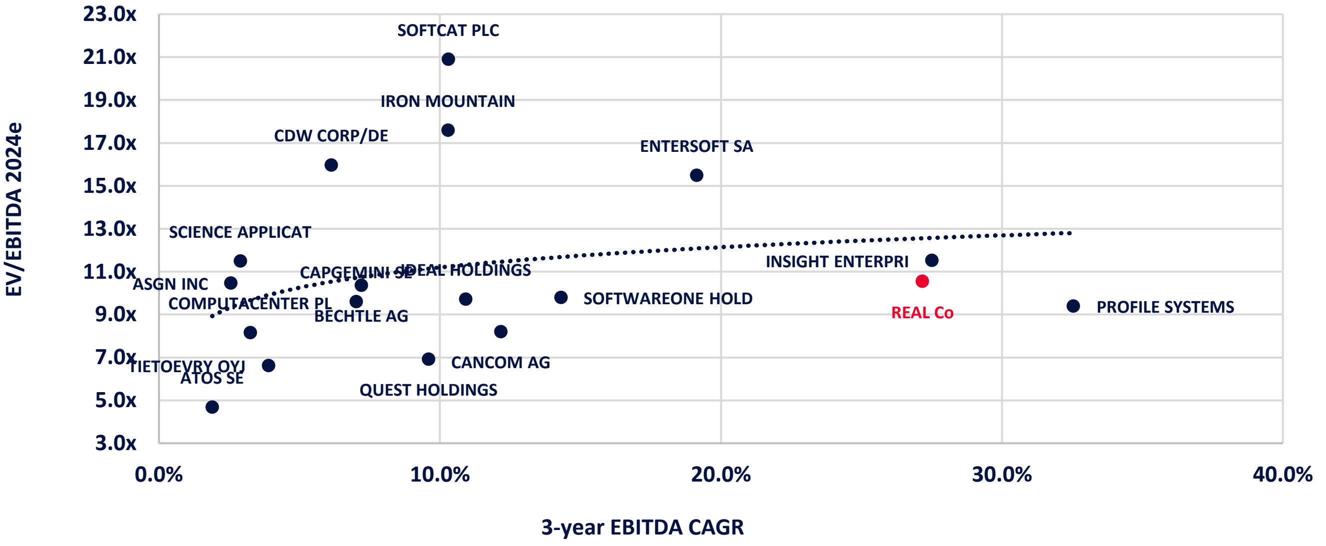
Stock	Mkt Cap	PE 24cy	PE 25cy	EV/EBITDA 24cy	EV/EBITDA 25cy	Dividend yield 24cy	Dividend yield 25cy	Net debt/EBITDA 1fy
COMPUTACENTER PL	3,839	16.1x	15.1x	8.2x	7.8x	2%	3%	-1.3x
SOFTWAREONE HOLD	2,858	18.6x	16.1x	9.8x	8.5x	2%	3%	-0.8x
ATOS SE	110	0.9x	1.1x	4.7x	4.0x	0%	0%	4.4x
CAPGEMINI SE	31,553	15.3x	13.8x	9.6x	8.8x	2%	2%	0.3x
BECHTLE AG	5,541	19.3x	17.8x	10.4x	9.6x	2%	2%	0.0x
TIETOEVRY OYJ	2,112	8.8x	7.9x	6.6x	6.3x	8%	9%	1.9x
CANCOM AG	1,133	20.5x	17.6x	8.2x	7.5x	3%	4%	-0.4x
SOFTCAT PLC	4,078	29.8x	26.8x	20.9x	18.8x	2%	2%	-0.8x
European peers		**17.4x**	**15.6x**	**8.9x**	**8.1x**	**2%**	**2%**	**-0.2x**
CDW CORP/DE	28,364	22.4x	20.3x	16.0x	14.8x	1%	1%	2.1x
IRON MOUNTAIN	24,126	47.8x	41.0x	17.6x	16.0x	3%	3%	6.0x
INSIGHT ENTERPRI	6,115	18.7x	16.5x	11.5x	10.4x			1.0x
ASGN INC	3,742	16.4x	14.6x	10.5x	9.7x			1.4x
SCIENCE APPLICAT	5,497	14.2x	12.9x	11.5x	11.0x	1%	1%	2.8x
US peers		**18.7x**	**16.5x**	**11.5x**	**11.0x**	**1%**	**1%**	**2.1x**
PROFILE SYSTEMS	110	18.6x	14.2x	9.4x	6.7x	2%	2%	-1.2x
IDEAL HOLDINGS	274	7.7x	6.6x	9.7x	8.7x	4%	5%	-1.0x
QUEST HOLDINGS	558	11.8x	11.1x	6.9x	6.4x	5%	5%	-0.3x
ENTERSOFT SA	236	26.6x	21.6x	15.5x	13.0x	2%	2%	-0.3x
Greek Peers		**15.2x**	**12.6x**	**9.6x**	**7.7x**	**3%**	**4%**	**-0.7x**
Real Consulting	**79**	**15.3x**	**12.7x**	**10.5x**	**8.2x**	**1%**	**2%**	**-0.8x**

Source: Eurobank Equities Research, Bloomberg.

Compelling relative valuation on earnings growth-adjusted metrics

The chart below is indicative of RC's attractiveness on a growth-adjusted basis, namely considering the current valuation along with the near-term growth profile. As can be seen, the stock is offering one of the highest growth rates for a valuation in the middle of the pack.

Real Consulting & broad peer group – 2024e valuation vs. 3-yr expected EBITDA CAGR



Source: Eurobank Equities Research, Bloomberg.

B. Valuation

DCF-based valuation yields intrinsic value of €5.3 per share

We base our valuation on Real Consulting on a DCF in order to capture the expected high earnings growth in the short-term, given accelerating digitization and the mid-term boost from public projects, as well as the long-term earnings potential of the business underpinned by secular tailwinds relating to the IT demand upcycle.

Our base case DCF yields a 12-month baseline price target of €5.3 per share. This is predicated on the following assumptions:

- Sales CAGR of c18% over 2024-27e, driven by the digitization push, execution of public projects and strong demand for cloud-based digital infrastructure and SaaS products; we assume medium-term growth trends down to c2%.
- Reported EBITDA CAGR of c23% over 2024-27e, driven by the robust top line growth, implying c3.4pps margin expansion vs 2023 levels on positive operating leverage. We assume EBITDA margins will accelerate to c20% by 2026-27 and hover near the c20% mark through to 2032e, at par with best-in-class peers.
- We use a medium term FCF conversion (FCF/EBITDA) assumption of c65-70%, a level we consider feasible given the nature of the industry and limited capex.
- We assume a long-term growth rate of 1%, predicated on c11% return on capital in perpetuity, which implicitly assumes that RC’s competitive advantage fades in the long-run.
- 9.2% WACC, which we believe captures the relative risk profile of the business vis-à-vis the rest of our coverage universe while also considering issues such as stock liquidity and size.

Real Consulting DCF

EURm	2024e	2025e	2026e	2027e	2028e	…	2032e
NOPAT	**5.3**	**6.5**	**7.7**	**8.8**	**9.6**		
Depreciation	0.4	0.4	0.4	0.4	0.4		
Working Capital	2.3	-1.0	-1.0	-0.8	-0.3		
Capex	-0.3	-0.3	-0.4	-0.4	-0.4		
Unlevered Free Cash Flow	**7.7**	**5.6**	**6.8**	**8.0**	**9.3**	…	**9.7**
PV	7.7	5.1	5.7	6.2	6.5		4.8
PV of terminal value	59.2						
Enterprise Value	**112.4**						
Net (debt) incl. leases / other claims	-2.8						
Expected dividend	-0.8						
Equity value (ex-div)	**108.8**						
no. of shares	21.5						
Per share	**€5.1**						
1-year fair value (ex-div)	**113.5**						
12-month value per share	**€5.3**						

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 €4.6 and €6.3 per share, indicating quite a compelling risk-reward skew.

DCF Sensitivity of our calculated group fair value per share to the WACC and LT growth assumptions

		WACC				
	5.99 €	**10.2%**	**9.7%**	**9.2%**	**8.7%**	**8.2%**
Terminal growth	**2.0%**	5.0	5.4	5.7	6.1	6.6
	1.5%	4.9	5.2	5.5	5.9	**6.3**
	1.0%	4.7	5.0	**5.3**	5.6	6.0
	0.5%	**4.6**	4.8	5.1	5.4	5.8
	0.0%	4.5	4.7	4.9	5.2	5.5

Source: Eurobank Equities Research.

Strategy and Business model

A. Products and geographic overview

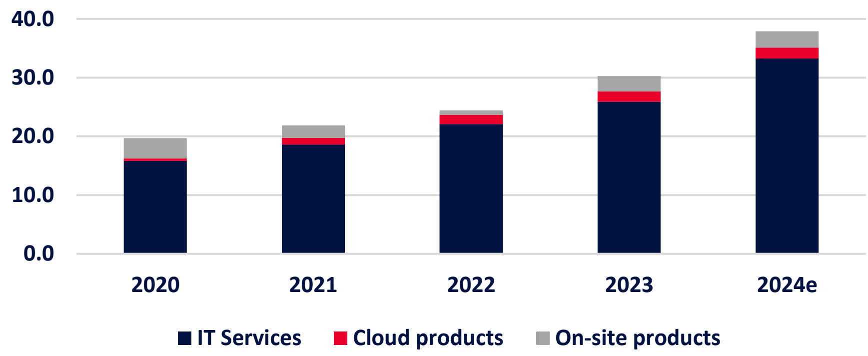
Value-added reseller (VAR) of IT solutions

Real Consulting (RC) primarily engages in the customization and distribution of third-party business hardware and software, and the provision of aftersales to private and public entities. The company effectively acts as a value-added reseller (VAR) on two levels: providing fully customizable business solutions to clients and offering full-service coverage. The company was established in 2001 and was listed on the Alternative market of the ASE in 2021.

Wide product range offers base for growth, allows room for investments; sole Greek firm certified as SAP Platinum partner

The company's portfolio spans a wide range of solutions including ERP, CRM, big data, business analytics, IT monitoring and cloud virtualization. RC holds a prominent position in the domestic VAR market, particularly in large enterprises, and is the sole Greek member of SAP's United VARs alliance, having been the primary Greek partner for the latter since 2014. The group's core expertise is in planning, managing and implementing large scale platforms by compiling technology from partnered OEMs.

Revenue mix evolution, in €m



Source: Eurobank Equities Research, Company data.

Value-added component driving growth; cloud transition boosting outlook

From a business perspective, Real Consulting generates revenues from 3 sources, namely IT Services, Cloud products and On-site products. We look further into each revenue source and its components below:

1) **IT Services:** Revenue from contracts involving the provision of value-added services for either new or existing clients. Responsible for c86% of group top line in 2023, services are the primary revenue source for RC. These entail planning, project management, design and integration of large-scale solutions, as well as the provision of maintenance post-integration (i.e. upgrades, support). Solutions are either installed on-premise or hosted off-site through the cloud and can range from conventional enterprise software (ERP, CRM) to IT monitoring, big data, business analytics and cybersecurity.

   Given the nature of the business, wherein most value-added services are provided prior to the final integration, revenue from services contracts tends to be loaded towards the front. Depending on the type of installation, solutions can either be overseen locally by a client's IT department or monitored remotely by Real Consulting in the context of long-term maintenance contracts. The latter iteration represents the main source of recurring revenue for Real Consulting. Maintenance contracts have a duration from 3 to 5 years and are protected by penalty clauses to ensure compensation if a client decides to terminate the agreement prematurely.

2) **Cloud products:** Resale of cloud-based digital infrastructure and SaaS products included in digital-only solutions. Cloud products accounted for c6% of RC's top line in 2023 and are predominantly used in remotely-hosted platforms procured through the cloud. Almost all

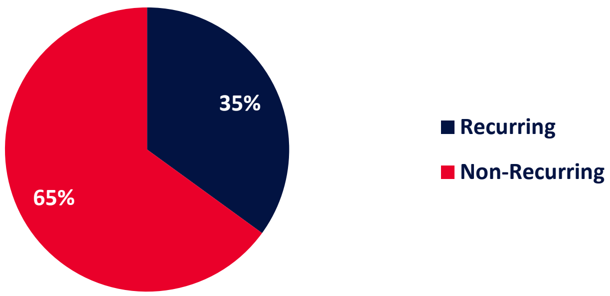
revenue from these products is considered recurring as client payments are structured in a similar manner to SaaS contracts, whereby annual/semi-annual fees are paid for product use. Cloud products are considered more conducive to profitability as minimal hardware is required and integration can be carried out remotely. Margins for these products also benefit from partners' own digitization agendas and investment in innovation (explained in detail in the section below).

3) **On-site products:** Resale of partnered software and hardware used in on-site installations. These products contributed to c9% of Real Consulting's top line in 2023. Revenues from on-site products are one-off and are generated only during the initial installation phase. The software and hardware required for on-site installations are generally considered lower margin vs. the cloud variant as installation is typically more workforce-intensive.

One-off sales dominant in the mix

Given the project-based nature of VARs, the top line is skewed towards one-off sales, with the recurring component at 35% of the group total in 2023. Recurring revenue is generated in the form of subscriptions for cloud-delivered platforms or long-term aftersales contracts (i.e. maintenance, support, updates). Our projections incorporate a wider recurring base going forward on account of strong organic growth in ARR-generative activities (maintenance contracts, cloud-based) and a decreasing share of public projects in the mix as the RRF cycle reaches a close.

Recurring vs. non-recurring revenue (2023)



Source: Eurobank Equities Research, Company data.

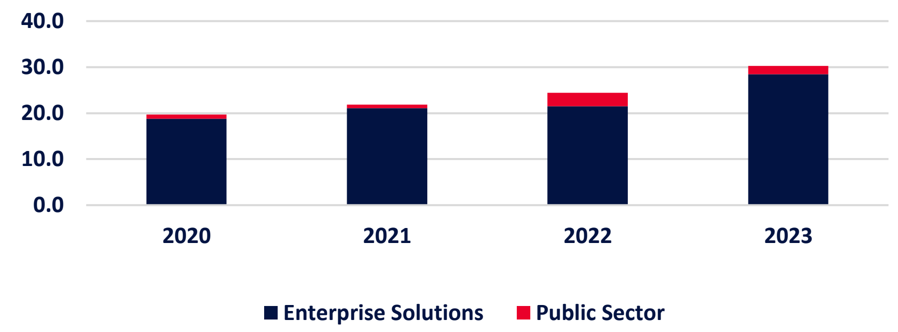
Solid partner network translates to optimized end products

The company has long-term partnerships with some of the largest software distributors globally. These relationships are crucial for RC's business model as they expand its pool of offerings, allowing for increased customization capabilities and better optimized end products, both in terms of quality and cost. Real Consulting is one of the most proactive seekers of IT partnerships in Greece and is currently the highest-ranking domestic partner for SAP. It is also among the leading Greek value-added vendors for Microsoft, Tableau and LS Central.

Diversified presence in large Greek corporates, additional activity in public sector tenders

Real Consulting has built a diverse client base over the years, comprised of some of the largest and most structurally important Greek companies in industries such as Energy, Industrials, Banks, Financial Services and Telecoms. Targeting large companies allows RC to take advantage of more opportunities for cross-selling and upselling, as companies in this size class tend to allocate more spending for planning, customization and aftersales. Additionally, the company has been involved in Greek public tenders in the past few years, aiming to capture opportunities from the demand for tech upgrades fueled by the c€2.2bn in RRF digitization finances to be released over 2021-26.

Private vs. public revenue evolution, in €m

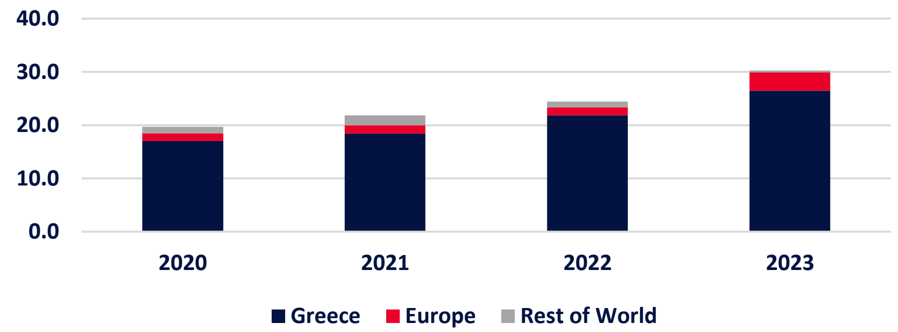


Source: Eurobank Equities Research, Company data.

Greece the focus in the revenue mix, M&A expanding Intl presence

Greece is clearly the focus in RC's geographic mix, responsible for c88% of group revenue in 2023. Europe (ex. Greece) follows, at c11% of the total, with revenues primarily generated in Cyprus and Germany. The remaining c1% of 2023 revenues was derived from countries outside the EU. International revenues reached c€3.8m in 2023 (vs. c€2.6m in 2022).

Geographic sales mix evolution, in €m

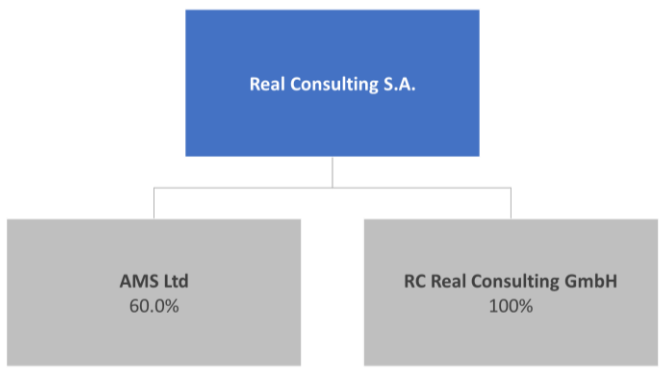


Source: Eurobank Equities Research, Company data.

Corporate structure

The group comprises 3 separate entities and is active in 3 different countries. The parent company is responsible for activities in Greece and the Balkans, with VAR service provision in the region split between a SAP Practice Office and a Microsoft Practice Office, each responsible for products distributed by the corresponding partner. Real Consulting's subsidiaries are predominantly SAP-focused resellers in Germany (RC Real Consulting GmbH) and Cyprus (AMS Ltd). We provide an overview of the corporate structure below:

Corporate structure (2023)



Source: Eurobank Equities Research, Company data.

B. Strategy

One-stop shop for digital transformation

Real Consulting serves as a one-stop shop for digital transformation, offering a range of products and services covering the entire digitization process. The business model follows the structure of a typical value-added reseller (VAR), whereby RC compiles products from partners to create customized platforms/solutions based on client requirements. The services on offer include project planning, customization and implementation, as well as aftersales maintenance and support. The group's long-term partnerships with premier global software companies provide access to an expansive pool of products, enabling in-depth customization and optimization of business solutions.

Client targeting focused on enterprises & large-sized corporates

The company's core target market comprises enterprises (>500 employees), as well as large and medium-sized companies (50-500 employees) in Greece. Entities in these size classes are more likely to have needs that align with the solutions on offer, both in terms of scale and complexity. Targeting larger Greek companies is especially important in the current timeline, as many are expanding operations into new geographies, creating additional demand for IT infrastructure. Real Consulting is currently less active in smaller companies (1-50 employees) as these typically require simpler and easy-to-implement solutions which offer limited scope for value-added activities.

Greek business landscape by company size (2023)

Company size	No. of Employees	No. of Companies
Very Small	1-10	262,634
Small	11-50	30,474
Medium	51-250	4,337
Large	251-500	456
Enterprise	>500	354

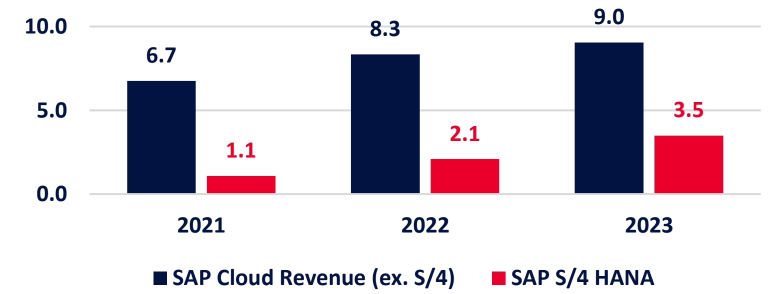
Source: Eurobank Equities Research, Greek Ministry of Labor.

We underline that RC holds a particularly prominent position in the enterprise/large category and essentially acts as the main SAP reseller for almost the entire ASE Large Cap index. Combining the strong positioning with favorable digitization demand characteristics, the group appears to be uniquely positioned to capture opportunities arising from the Greek macro story.

Portfolio transition to cloud aided by partners' own migration timeline

Management has listed customer migration to cloud as a central part of future strategy. The case for migration seems especially strong for Greek corporates considering the widespread use of outdated ERP/CRM systems in the country (>40% of the addressable market, per Entersoft mgt) from years of missed investment in IT infrastructure. We anticipate that these migration efforts will be aided by partners' own cloud transition agenda, especially in the case of SAP installations. According to Gartner (Dec. 2023) an estimated 23,000 SAP ERP Central Component (ECC) customers have not yet licensed the new cloud-based SAP S/4HANA ERP. Taking into account historical data released by the software provider, we estimate this corresponds to >60% of the global SAP ECC customer base. This is especially notable as SAP has announced it will no longer support updates for legacy ECC software by default by the end of 2027 and will instead be focusing on the new S/4HANA ERP offering.

SAP S/4HANA revenue evolution – existing & new installations, in €bn



Source: SAP.

Cloud transition boosting retention rates

Real Consulting mgt has emphasized growing the recurring base (c35% of revenues in 2023) in the coming years. Our understanding is that ARR growth will be driven by a shift in focus towards creating accretive client relationships through full-service contracts comprising planning, installation and aftersales. This effectively means switching from the previous predominantly project-based revenue model (on-site, higher upfront fees, one-off revenue) to a leaner subscription-based one (cloud-native, low initial fee, longer duration). We underline that RC's targeting of larger enterprises should also contribute to better client retention, as companies in these size classes tend to require solutions with higher specifications, thus creating more room for services provision.

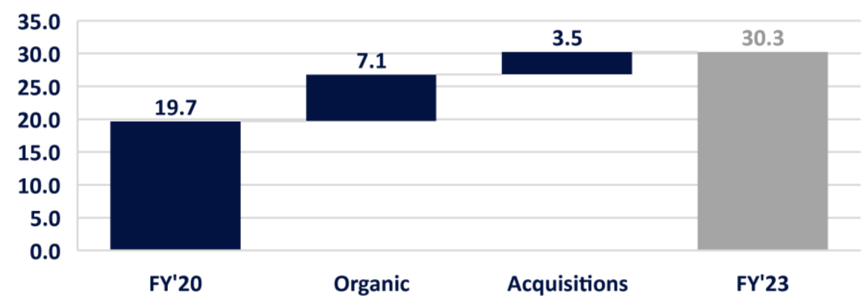
Greek public sector digitization add-ons

Given the client targeting and the historical discrepancy in IT maturity and digital infrastructure between the private and public sectors in Greece, RC's top line has naturally been skewed towards the former in past years. Despite its historical focus, the company does seem to have capitalized on opportunities arising from the €1.1bn in RRF finances for public digitization released in Greece, generating c€5.5m from public projects over 2021-23 and accumulating an estimated c€35-40m backlog of such projects for the coming years. Our understanding is that management views these projects as more of a temporary addition rather than a permanent fixture of the business. We incorporate a c€8-11m annual add-on from the public sector in our estimates for 2024-27e, expecting minimal project replenishment through the end of the RRF funding cycle in 2026.

Occasional M&A creating growth avenues in new geographies

Organic top line growth has been supplemented by acquisitions in the past 3 years, with RC primarily targeting European SAP-focused VARs with some degree of product affinity for geographic diversification. We estimate the revenue contribution from M&A at c€3.5m for 2021-23, equivalent to just 33% of top line growth generated over the period. Looking ahead, we believe it would be safe to expect that acquisitions will continue being a significant part of group strategy in the coming years, especially as RC may be looking to expedite growth efforts to capitalize on the wave of demand for digitization in and around Greece. That said, our estimates do not factor in any inorganic growth, being predicated solely on organic profit acceleration.

Revenue bridge 2021-23, in €m



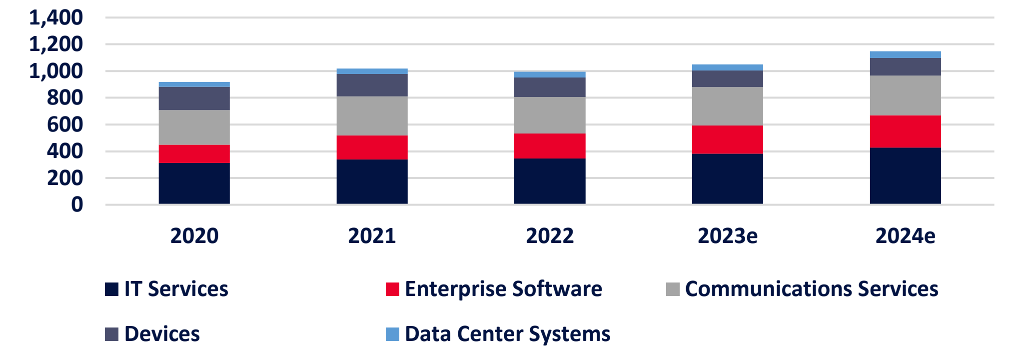
Source: Eurobank Equities Research, Company data.

IT Services Market and Competitive Landscape

According to Gartner, the EMEA IT market was worth some $1.05 trillion in 2023 and comprises 5 categories, namely data systems, software, devices, IT services and communications services. After a difficult 2020, which created liquidity concerns for enterprises and led to wariness regarding "non-essential" spending, EMEA IT rebounded significantly in 2021 as postponed projects from 2020 resumed. This event somewhat inflated the market by the end of the year and, along with persistent inflationary pressures, resulted in a mild contraction in 2022. The market looks to have bounced back in 2023 though, advancing by c5% as demand for operational efficiency and scalable IT infrastructure returned.

We present a brief historical overview of the EMEA IT market below:

EMEA IT spending, in $bn and yoy change



Source: Eurobank Equities Research, Gartner.

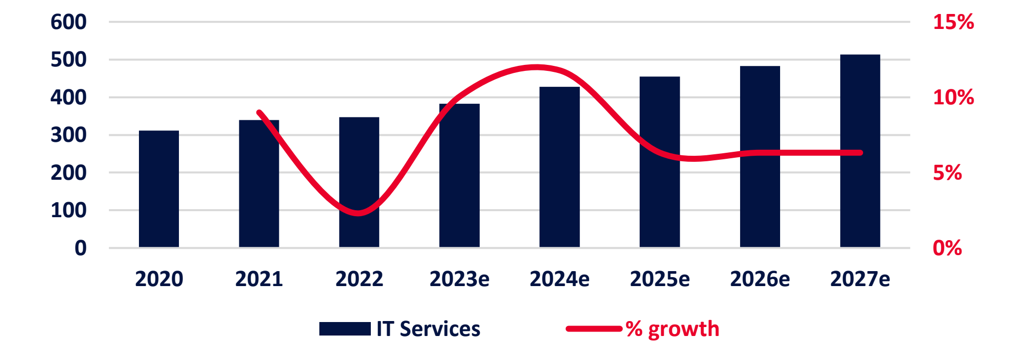
The EMEA IT services market was estimated at $382bn in 2023, corresponding to c37% of EMEA IT spending, ranking first among IT categories. The IT services market can be broken down further into 3 subcategories, namely consulting/support services, infrastructure-as-a-service (IaaS) and outsourcing.

The market was especially resilient in 2020, despite substantial headwinds, growing by c2% on account of increased demand for IaaS projects and outsourcing. IT services grew a further c9% in 2021, primarily driven by recovering consulting/support services expenditure, which had experienced the most postponements among all subcategories in 2020. Services spending increased by c2% in 2022, and by a further c10% in 2023, on the back of persistent digitization tailwinds, particularly within EU nations in the lower percentile for digital infrastructure.

EMEA IT services market primed for c7% CAGR

Statista forecasts the EMEA IT services market to develop at a CAGR of c7% through to 2027e, based on the structural tailwinds propelling consulting/support services (mainly demand for IT integration projects, and their accompanying services) and the increased adoption of leaner IT operations, which will be driving significant growth in IaaS and outsourcing.

EMEA IT Services Spending, in $bn and yoy change

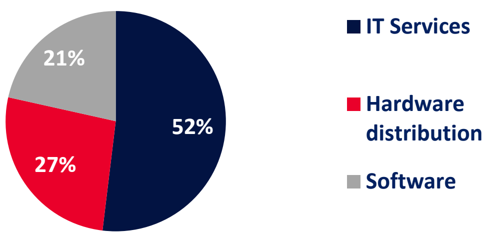


Source: Eurobank Equities Research, Gartner, Statista.

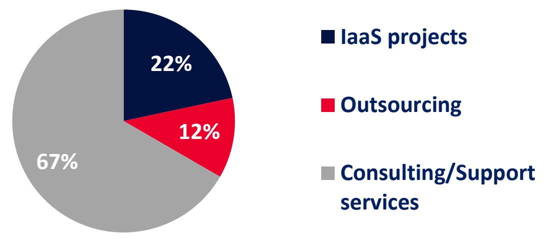
Greek IT spending focused on IT services

In terms of the domestic market, Greek IT spending stood at c€2.2bn in 2021, amounting to c34% of total ICT spending in the country. Of these c€2.2bn, the most significant expenditure was IT services (e.g. consulting/support, IaaS, outsourcing) representing c52% of the total, while c27% was contributed by hardware distribution (e.g. servers, data centers, PCs). Software distribution (e.g. ERP, CRM, big data) accounted for the remaining c21%.

Greek IT market breakdown (2021)



Greek IT Services market breakdown (2021)



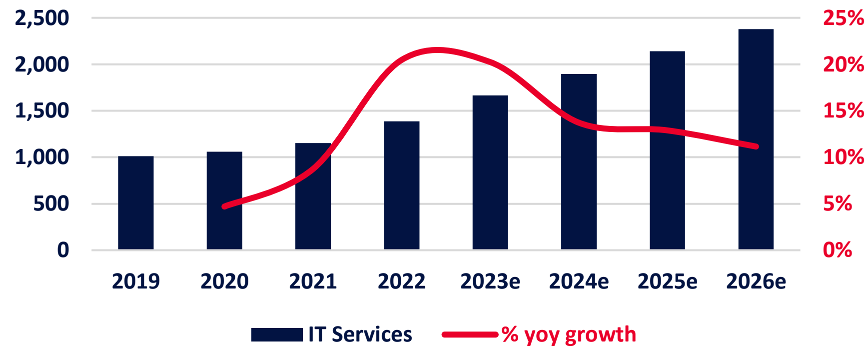
Source: Eurobank Equities Research, SEPE, Deloitte.

In terms of historical performance, the Greek IT services market displayed solid growth rates over 2018-2019 (c3%-4%) according to the Federation of Hellenic ICT Enterprises (SEPE), on increased demand for consulting/support services as the country emerged from a multi-year recession. We estimate that these levels of growth (c5%) were sustained in 2020, despite it being a seemingly off year for consulting/support services, as both IaaS projects and outsourcing benefitted from macro-induced demand for IT flexibility. Our estimates also point to a c9% jump for Greek IT services spending in 2021, reaching c€1.2bn by the end of the year, on solid performances across all 3 major subcategories.

Demand spurred on by digitization & transition to cloud...

Greek IT services are set to grow at a CAGR of c14% through to 2026e, driven by the following factors: 1) the continued push for digital transformation and the increased project funding for in both private and public sectors, 2) the uptick in spending on IT consulting/support service as monetary policy conditions ease, 3) the need for infrastructure improvements to accommodate increased digital workloads, 4) the rising adoption rates of cloud-based models as companies seek to enhance IT scalability.

Greek IT services market size (in €m) and yoy change



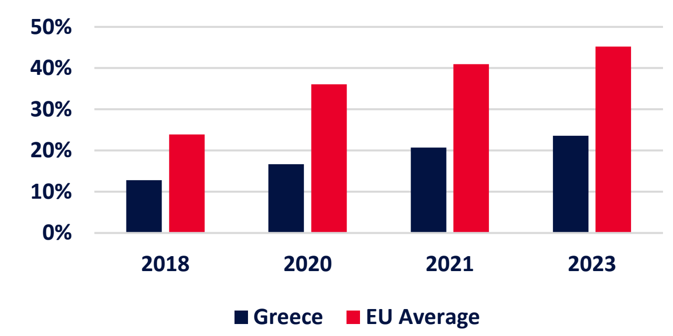
Source: Eurobank Equities Research, SEPE, Deloitte.

…and supportive idiosyncratic domestic market characteristics

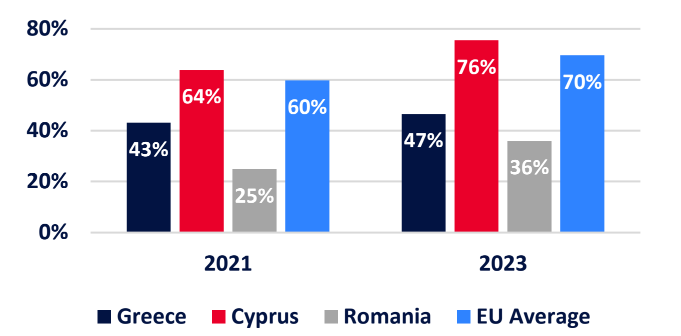
We also identify the following opportunities specific to Greece and the Greek IT services market:

- Widespread demand for upgrades of legacy systems, replacing hardware-based IT infrastructure with more flexible cloud-native alternatives for optimized resource allocation.
- c€1.1bn in remaining inflows for RRF finances for digitization to be invested in the country by 2026. Though competition in IT services is tight, we believe the opportunity is substantial considering the relative supply gap in terms of project implementation.
- Relatively low but accelerating cloud adoption by the enterprise population. We note that Greece's cloud adoption rate has almost doubled since 2018 but still lags the EU average.
- Ongoing digitization efforts in state agencies and public institutions pushing the agenda for better compatibility and interconnectivity with the private sector.

Cloud adoption rate vs. EU average (% of total enterprises)



% of Large enterprises with sophisticated cloud infrastructure



Source: Eurobank Equities Research, Eurostat.

The transition to leaner, more efficient IT infrastructure in Greece has been exacerbated by the inflow of RRF and ESPA funds. Large companies and public sector institutions have prioritized efficiency over scalability, utilizing a combination of cloud-based and traditional on-premises platforms to either adjust their existing IT infrastructure or replace it entirely. On the other hand, SMEs have primarily sought after solutions that heavily incorporate the cloud to maximize scalability.

Greek business landscape could pose a threat to project execution...

We should, however, note that this transition may inevitably be faced with some inherent risks within Greece's business landscape which could come in the way of IT projects. More specifically, we point out that: 1) competition for projects is very tight – especially for those involving the public sector, 2) tender processes can sometimes be delayed due to objections/challenges from eliminated parties and disputes over technical specifications, 3) there is a relative shortage of IT specialists to carry out the transition.

...though this should not cause trepidation, considering the abundance of catalysts

Despite the extent to which these risks may be relevant to IT projects, we believe they are sufficiently mitigated by the positive catalysts listed above (scale of necessary investments, persistent appetite for IT upgrades, plethora of available funding schemes). We are thus positive there is a piece of the pie for everyone, and especially for VARs with proven, long-term partnerships with global software companies and a strong track record of project execution such as Real Consulting.

Positioning vs. broad peer group

From a competitive standpoint, RC's international peers include computer retailers (e.g. CDW, Insight), service companies (e.g. EPAM, Cognizant, Accenture) and tech VARs offering presales customization and aftersales services (e.g. Computacenter, Softwareone, Capgemini, Atos). Of these peers, we identify the last category as the one that closest resembles Real Consulting in terms of activities, given the company's two-level value-added service offering (combining presales and aftersales).

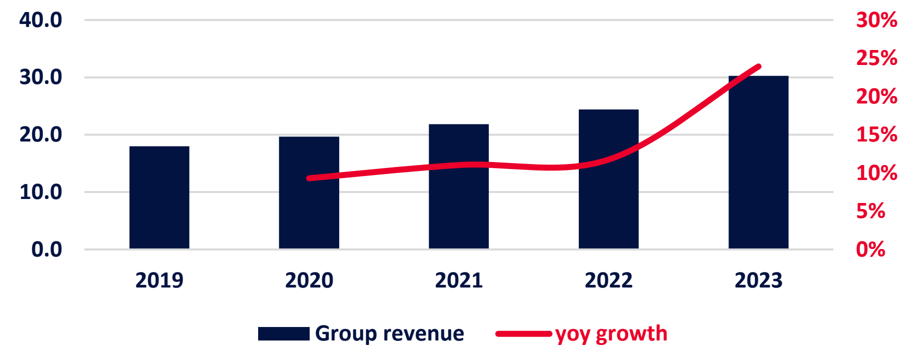
As for Greece, the company's main competitors include domestic IT service providers and VARs, as well as plain software distributors. Some of REAL's peers are listed on the ASE (e.g. Performance Technologies and Space Hellas) while others are private (e.g. Intrasoft; Unisystems, which is part of ASE-listed Quest Holdings; Byte, which is part of ASE-listed IDEAL Holdings; and Cosmos Business Systems). We note that the Greek IT market also includes an array of micro VAR companies (of 0-5 employees) specialized in the planning and implementation of niche tech projects. The market is also penetrated by multinational OEMs (e.g. Microsoft, HPE), though they tend to defer most service and distribution activities to local resellers.

Top line overview

A. Historical performance: c16% revenue CAGR over 2021-23

Real Consulting has delivered c16% top line CAGR since 2021, with group revenue reaching €30.3m in 2023 (compared to <€20m in 2020). Top line expansion has been majority-driven by organic factors, given robust demand tailwinds in Greece as companies and public institutions exited the pandemic. Occasional M&A add-ons have also supported growth. RC's quality value-added services (planning, implementation, aftersales) combined with its direct access to top-of-the-line solutions have allowed it to remain relevant in the evolving Greek enterprise solutions market, especially within enterprises and large companies.

Group top line performance, in €m

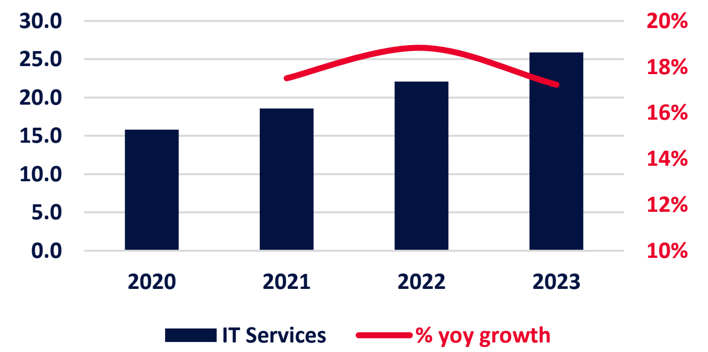


Source: Eurobank Equities Research, Company data.

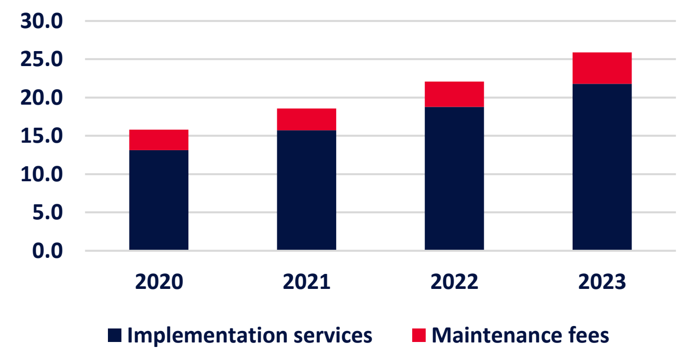
1) **IT Services:** IT services revenue grew at c18% CAGR during 2021-23, thanks to accelerated demand for tech upgrades fueled by the digitization initiatives of enterprises and large-sized Greek companies emerging from the pandemic. We believe services top line expansion was primarily the result of organic volume acceleration given widespread demand, though pricing ought to also have been boosted by favorable supply-demand dynamics. We use growth in implementation revenue (>18% CAGR over 2021-23, majority generated during planning and/or integration) as a proxy for new contracts signed.

   We highlight that in addition to higher volumes, the complexity and scope of these digitization projects appear to have created more opportunities for value accretion after the implementation phase (i.e. through maintenance/support services). This value creation is especially evidenced by the >15% annual growth in generated maintenance fees over 2021-23. Per management, demand tailwinds have also allowed RC better overall optionality in project selection, leading to improved efficiency in solution integration and aftersales provision, as well as better revenue visibility ahead.

IT services revenue evolution, in €m



Implementation vs. maintenance services revenue, in €m



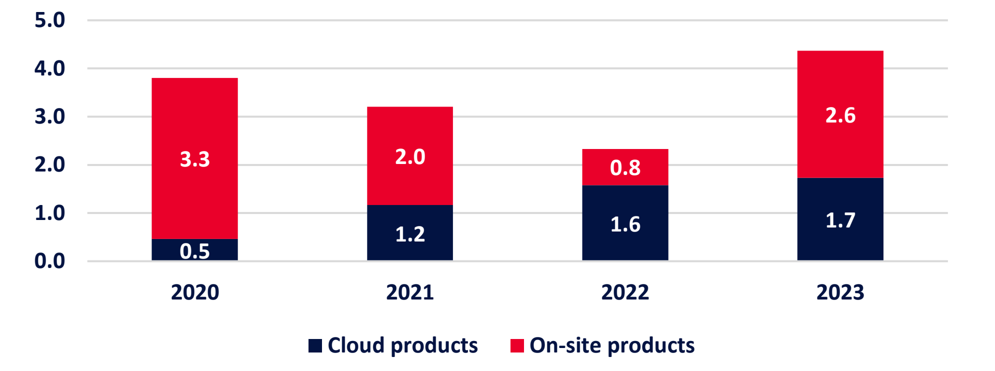
Source: Eurobank Equities Research, Company data.

2) **Product sourcing:** Revenue generated from partner products used in RC's solutions accounted for c14% of group top line in 2023, growing by >85% compared to 2022.

   a. **Cloud products:** Top line add-ons from the resale of cloud products grew >3x over 2020-23, implying a considerable shift in demand for cloud-native solutions within the Greek business landscape from the onset of the pandemic. Growth in this activity was in line with mgt targets to increase cloud/software exposure within the sales mix and leverage existing client relationships to upsell new updated cloud solutions.

   b. **On-site products:** Revenues from software and hardware used in on-site installations decreased from near €3.3m in 2020 to <€1m in 2022 as a result of mgt's focus on ramping up cloud. Our understanding is that the upswing in on-site revenues in 2023 was the result of ongoing public sector projects which typically require more software/hardware to be installed on client premises.

Products sourcing revenue evolution, in €m

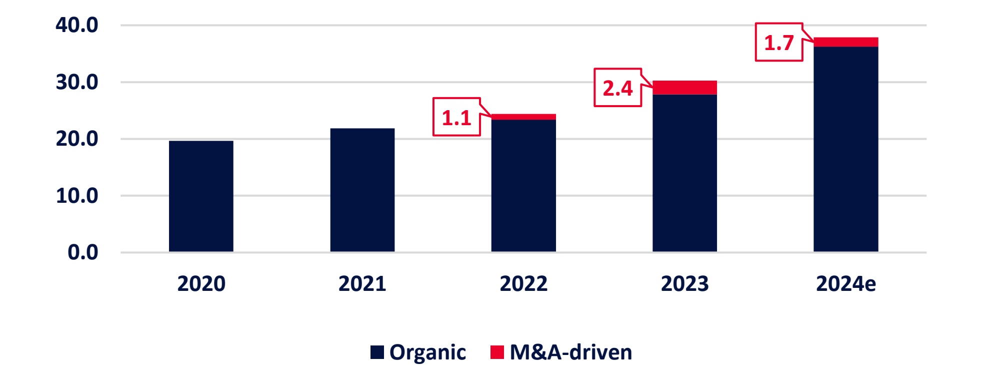


Source: Eurobank Equities Research, Company data.

Historical results have clearly been driven by organic volume expansion, with occasional top line add-ons from M&A. In more detail for each of RC's recent transactions:

- Cloudideas (rebranded as RC Real Consulting GmbH) generated c€1.7-1.8m inorganic top line growth during 2022-23, we estimate.
- AMS Cyprus (c60% consolidated) produced a c€1.7m top line addition in 2023, per our calculations, and will be responsible for a further c€1.7m in 2024e. We note that, in the context of the transaction, RC has signed a put/call option agreement under which it is required to purchase the remaining 40% of AMS within 2 years at 8x LFY EBITDA or 7.5x LFY EBITDA after the end of the 2-year term.

Organic vs. M&A-driven revenue, in €m

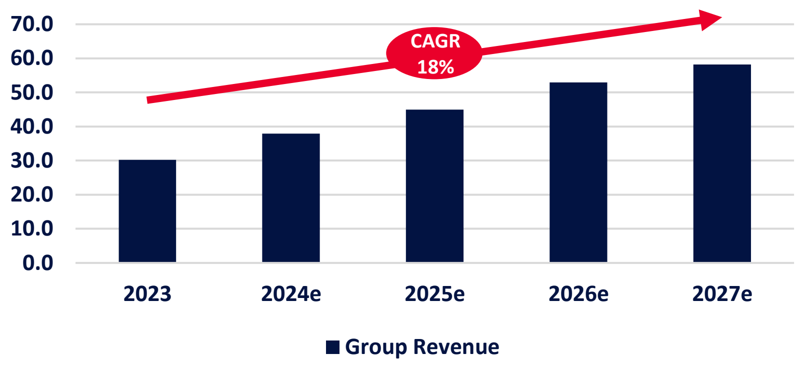


Source: Eurobank Equities Research, Company data.

B. Looking ahead: c18% top line CAGR through to 2027e

We forecast c18% group revenue CAGR over 2024-27e, as RC continues to benefit from secular demand for tech upgrades and improved pricing thanks to greater optionality in project selection. We expect growth to be enhanced by the cloud migration theme, which we anticipate will lead to faster scaling of services provision and create new pathways for aftersales revenue generation.

Group revenue, in €m

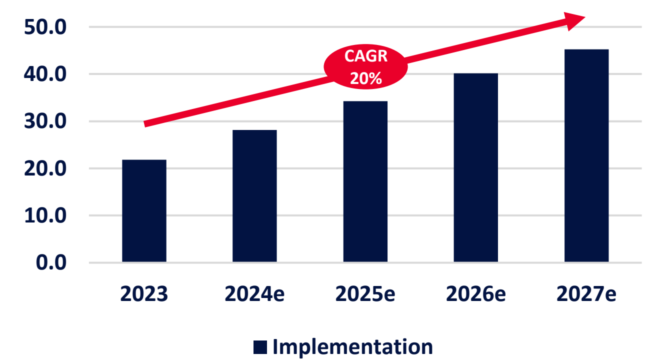


Source: Eurobank Equities Research, Company data.

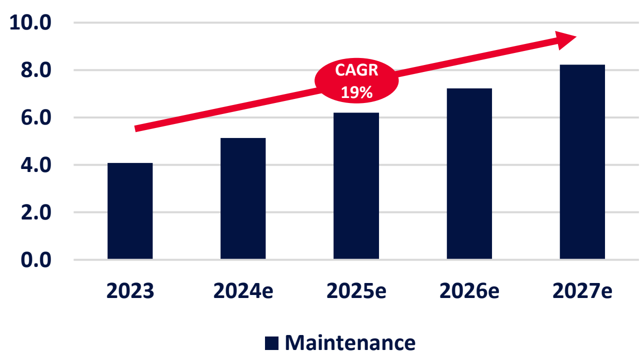
We forecast IT services to grow at c20% CAGR through 2027e, benefiting from a substantial pipeline of platform development projects and greater optionality in the Greek enterprise software market, driven in part by a notable supply gap for larger projects in particular. Our estimates seem well-supported considering RC's potential for upselling by leveraging its strong positioning within the domestic enterprise/large category to secure additional implementation projects from clients (e.g. in new geographies) or offer upgrades on the current installed base.

We see prospects in IT services further bolstered by the cloud transition theme, which will enable the use of less human capital in implementation (which can be done almost entirely remotely for cloud-native platforms) and allow for faster scaling of maintenance/support services (provided via the cloud, as opposed to on-premises). We highlight that cloud transition is also among the top priorities for the group's software partners and their digitization agenda.

Implementation services revenue, in €m



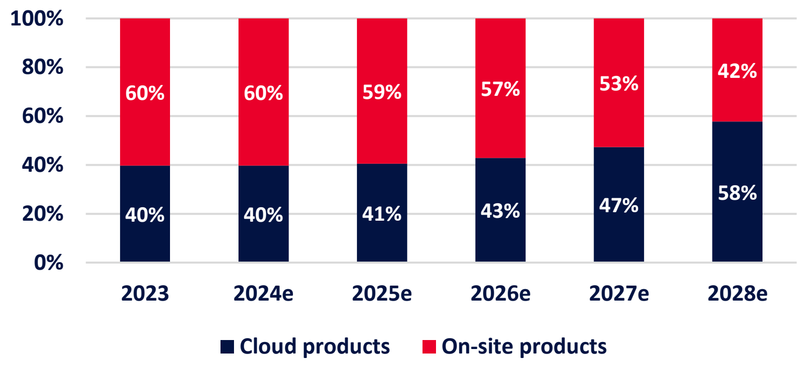
Maintenance services revenue, in €m



Source: Eurobank Equities Research, Company data.

On to revenues from product sourcing, we see on-site products driving growth in the short-term as the group continues to execute on the accumulated Greek public sector project backlog, which we expect to be delivered by 2027. Looking further ahead, we incorporate a greater contribution from cloud products as demand for leaner and more flexible solutions among Greek enterprises persists, and migration to remote-hosted platforms takes shape. Our estimates indicate cloud products will account for >55% of product sourcing revenue by 2028e, compared to c40% in 2023.

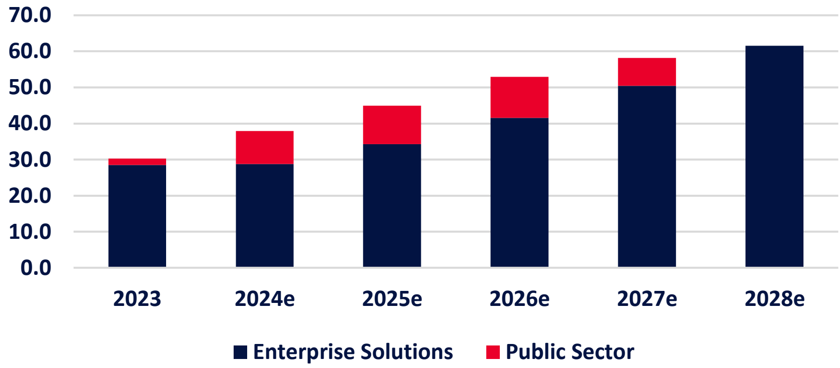
Product sourcing mix evolution forecast



Source: Eurobank Equities Research, Company data.

We model >€35m inflows from public sector digitization projects over 2024-27e, reflecting execution of the current awarded backlog. Management has noted that the majority of these inflows are related to 2 large-scale projects commissioned by the Greek state (government ERP, big data). Of note is that both projects are highly relevant to RC's offering and are not expected to require additional investment in terms of know-how. Our understanding is that limited replenishment for public projects is expected past 2026, as current Greek state contracts under tender do not seem as relevant for Real Consulting, either in scope or scale.

Enterprise solutions vs. Public sector revenue, in €m

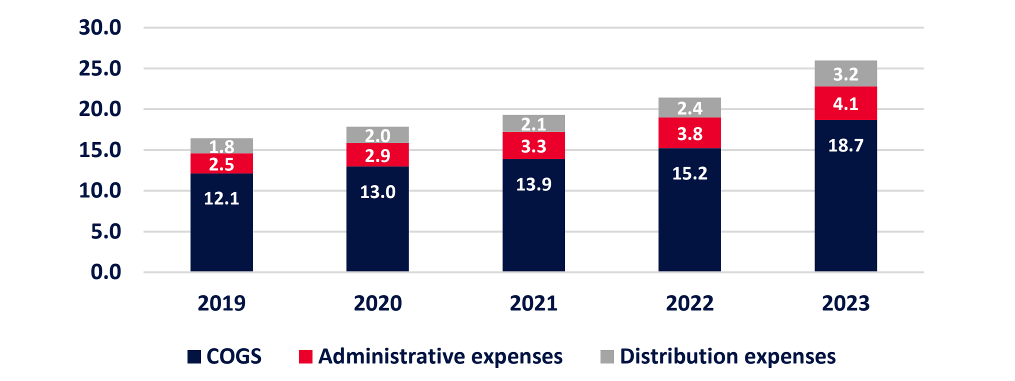


Source: Eurobank Equities Research, Company data.

Costs and margins

Real Consulting's total expenses amounted to c€26m in 2023, equivalent to c86% of revenue, allowing room for an EBITDA margin of c16.6% and an EBIT margin of 14.5%. Considering the VAR-dominant model, the cost base is primarily driven by COGS, which includes fees paid to partners for product usage rights and costs incurred during project planning and customization. COGS equated to c71-74% of total expenses over 2019-23. SG&A expenses are the other major part of the cost base, ranging between c26-29% of costs during 2019-23 and encompassing all expenses related to implementation and aftersales. We flag that, unlike larger peers, Real Consulting does not currently incur expenses for R&D.

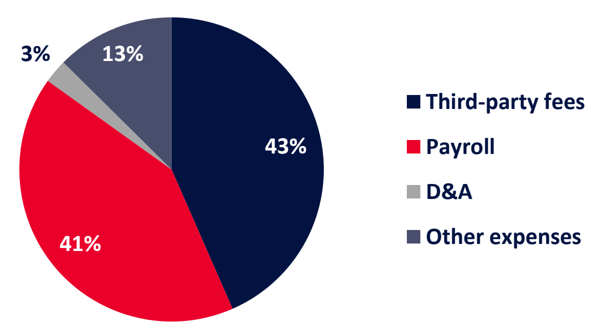
Total expenses evolution, in €m



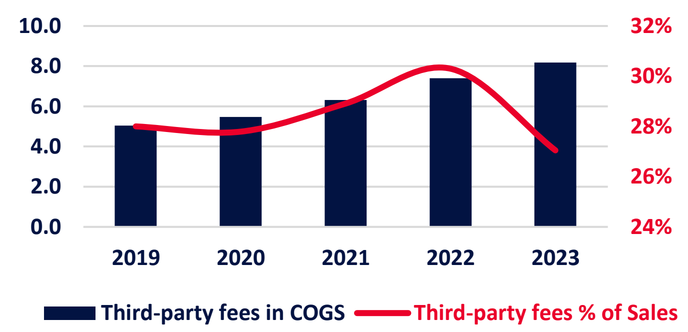
Source: Eurobank Equities Research, Company data.

From a cost category standpoint, clearly the main expense is third-party fees, a proxy for payments to partners, representing c43% of total expenses, as is typical for VARs. Employee payroll is the second largest component, at c41% of costs, while D&A is third at c3% of costs. Other expenses (e.g. utilities, provisions) round off the cost base, at c13% of the total.

Cost base per category (2023)



Payments to partners as a % of Sales



Source: Eurobank Equities Research, Company data.

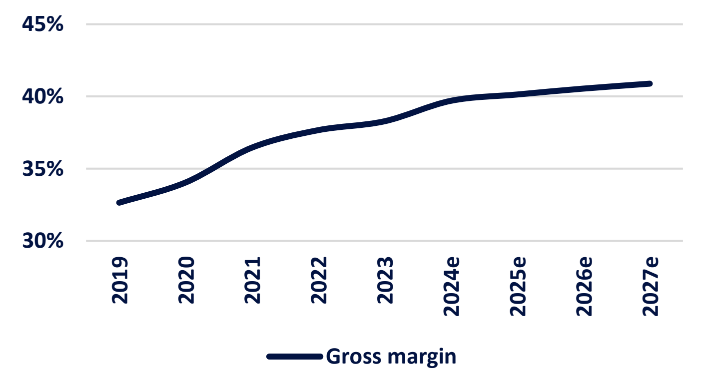
... comparable to those of larger EU VARs

In terms of group profitability, we highlight that top line growth has been accompanied by notable margin expansion in recent years, with the gross margin reaching c38% by 2023, c5.6pps higher vs. 2019. We understand this margin uptick was mostly thanks to a shift from legacy hardware to software-based alternatives across the group's offered solutions, a transition aided by RC's access to top-of-the-line products from some of the largest software providers globally. Group EBITDA margins reached 15-17% in 2021-23, benefiting from strong demand for digitization among Greek corporates and public institutions.

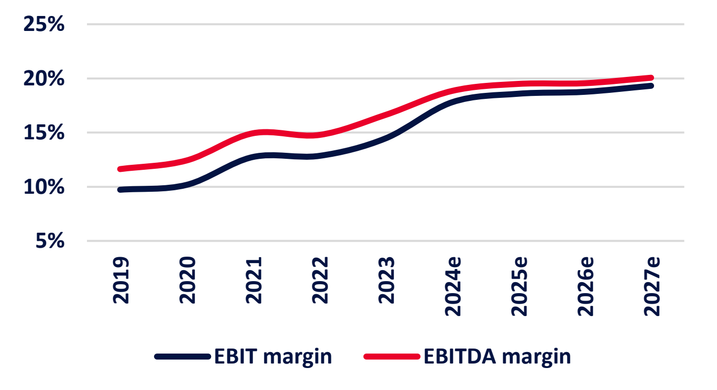
EBITDA margins have largely followed gross margins in recent years given that the majority of third-party and payroll expenses are categorized as COGS. Of note is that RC's EBITDA margins do not stray far from those of larger EU peers (between 16-18%).

Looking to the future, we expect a boost to group profitability from the increased contribution of cloud-native solutions in the mix and improved right-of-use terms with partners as targets for rebates/discounts on products are met. Overall, we see the pendulum of operating leverage being strongly positive going forward, driving EBIT margins towards the 19% area by 2026-27e.

Gross margin evolution



EBIT & EBITDA margin evolution



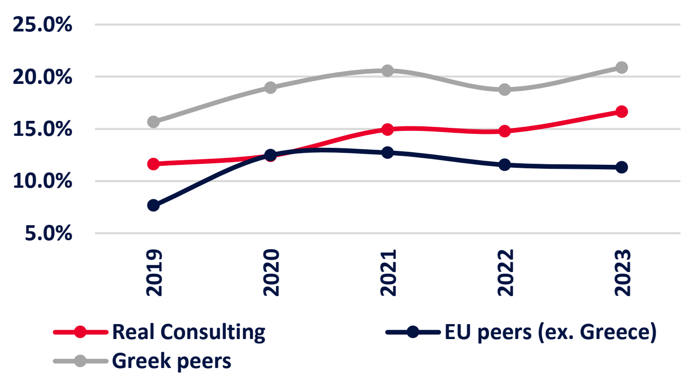
Source: Eurobank Equities Research, Company data.

Margins in sync with EU peers already

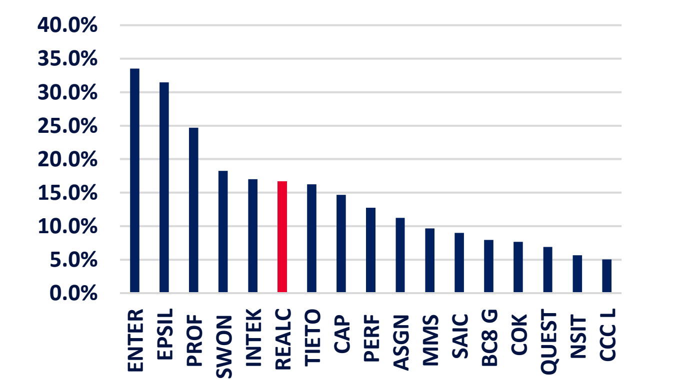
In the charts below, we contrast REAL's profitability to that of a broad group of peers comprised of European VARs. We highlight that the group delivered robust margins over 2021-23, especially given its size, with operating margins well above the domestic peer average and in line/above the likes of Capgemini and TietoEVRY. This, in our view, is indicative of the cost efficient nature of the solutions on offer and the group's capacity to generate revenue from maintenance.

Real Consulting has consistently grown EBITDA margins since its IPO, managing to reach levels above domestic peers by 2021-23 despite having to scale up operations faster to meet industry demand. This was no mean feat, considering the hot tech job market and overall payroll inflation in Greece. We highlight that all 3 Greek-listed VARs have seen quite substantial EBITDA growth from the onset of the pandemic, following years of underinvestment from local firms as a result of multiple recessionary periods.

EBITDA margin vs EU & Greek peers (2019-23)



EBITDA margin vs EU/Greek VARs & software companies (2023)



Source: Eurobank Equities Research, Company data. EU peers include: Computacenter, Softwareone, Capgemini and TietoEVRY.

The table below outlines our forecasts for RC's profit/margin evolution going forward. Overall, we project group EBITDA margin to cross the 20% threshold by 2026e, underpinned by positive operating leverage and rising cloud penetration.

Profitability & margins evolution						
in €m, unless otherwise stated	**2022**	**2023**	**2024e**	**2025e**	**2026e**	**3-yr CAGR**
adj. Gross profit	**9.2**	**11.6**	**15.0**	**18.0**	**21.5**	**22.8%**
margin	*38%*	*38%*	*40%*	*40%*	*41%*	
Opex	6.2	7.3	8.3	9.7	11.5	
Opex/sales	*25%*	*24%*	*22%*	*22%*	*22%*	
EBITDA	**3.6**	**5.0**	**7.1**	**8.8**	**10.4**	**27.2%**
margin	*15%*	*17%*	*19%*	*19%*	*20%*	
EBIT	**3.1**	**4.4**	**6.7**	**8.4**	**9.9**	**31.4%**
margin	*13%*	*14%*	*18%*	*19%*	*19%*	

Source: Eurobank Equities Research, Company data.

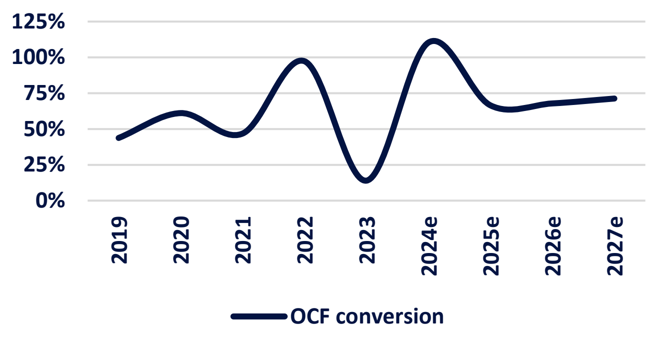
Cash flow, balance sheet and returns

Healthy cash conversion rates historically

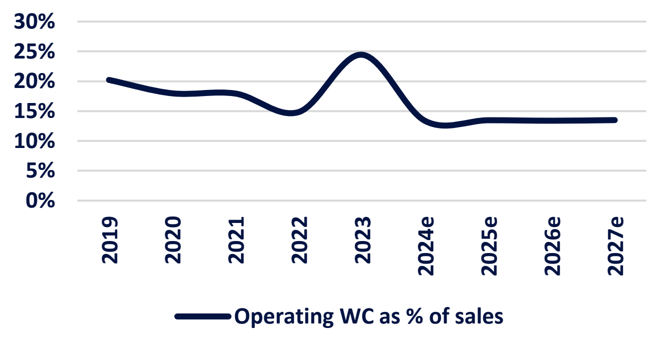
Cash generation has been quite healthy in recent years, as strong EBITDA growth from the Greek digitization wave has more than offset the higher NWC investment for scaling. OCF conversion rates (OCF/EBITDA) have ranged between 44% and 97% over 2019-22, underpinned by tight working capital management (operating WC between c15% and c24% of sales over 2019-22). Cash conversion in 2023 was poorer (14% of EBITDA) due to working capital phasing, which is set to unwind in 2024, thus bolstering FCF this year.

Looking ahead, we forecast cash conversion rates stabilizing near 70% in the medium term, expecting scale improvements and higher margins in enterprise solutions to be more than enough to cover for the longer receivable cycle usually associated with public project execution (current public backlog stretching to 2027, minimal replenishment expected).

OCF conversion (OCF/EBITDA)



Operating WC as a % of sales

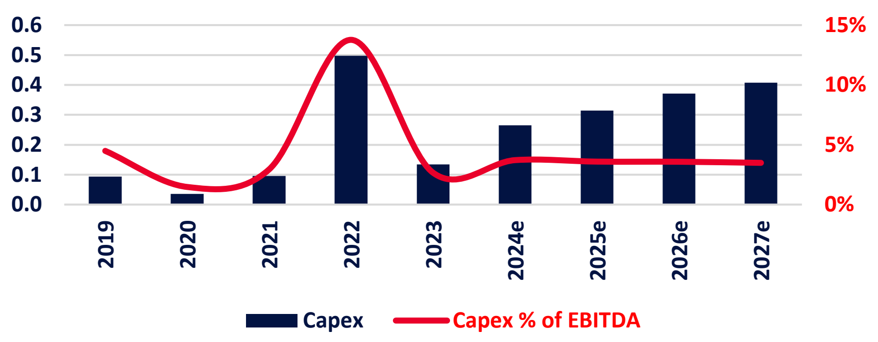


Source: Eurobank Equities Research, Company data.

Occasional capex outlays for maintenance, growth-oriented investment focused on M&A in recent years

Considering Real Consulting's smaller size and the limited scope for R&D within a typical VAR model, organic capex outlays have been modest, totaling c€1m during 2019-23. We estimate that about half of this amount related to maintenance, with only c€400k being capitalized as intangibles. We note that capitalized intangibles mainly concerned one-off activities in the context of a software localization project for one of RC's software partners and an ongoing public sector digitization project.

Capex in €m and as a % of EBITDA

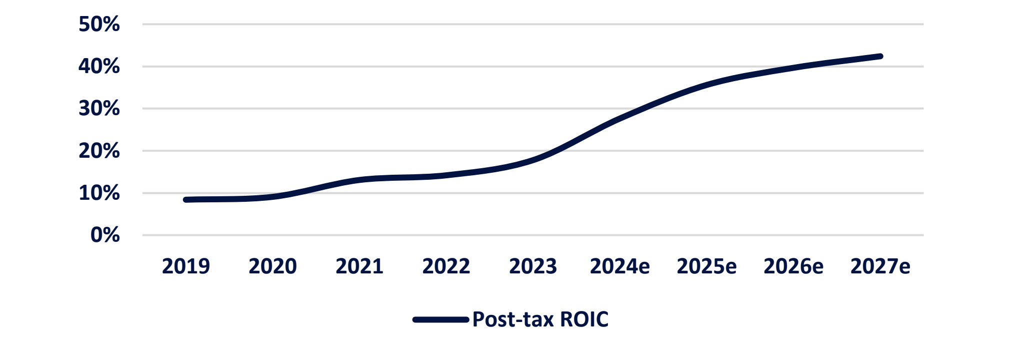


Source: Eurobank Equities Research, Company data.

Post tax ROIC set to expand further as profitability grows; we expect ROIC to exceed 40% by 2027e

Returns on capital employed have grown markedly in recent years, as RC has delivered strong profit growth (EBIT up c€2.6m between 2019 and 2023) on limited capex/working capital investment. As such, pre-tax ROIC has surged to c24% in 2023, corresponding to a post-tax return near 18%. Looking ahead, we estimate strong profit growth over 2024-27e on minimal additional capital investment, thus driving an expansion of post-tax ROIC to >40% by 2027e, a best-in-class performance for the IT sector.

Post-tax ROIC

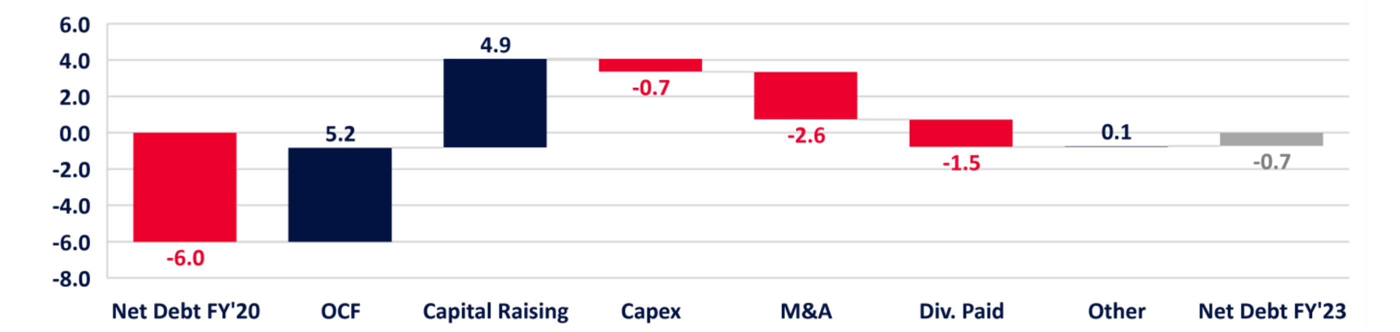


Source: Eurobank Equities Research, Company data.

Strong balance sheet, with positive FCF over 2019-22

Real Consulting has maintained an underleveraged balance sheet since debuting on the ASE in 2021 while managing to generate positive FCF in all years (except for 2023, when FCF was neutral due to elevated investments). Overall, organic OCF generation and capital from the IPO have been more than sufficient to cover capex investment, M&A outflows and dividend distributions in past years, while also allowing room for debt reduction. As a result, net debt (excl. leases) settled at €0.7m in 2023, from €6m in end 2020.

Net debt bridge 2020-23, in €m

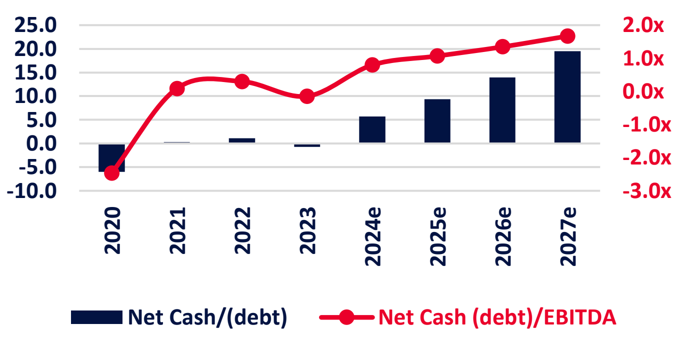


Source: Eurobank Equities Research, Company data.

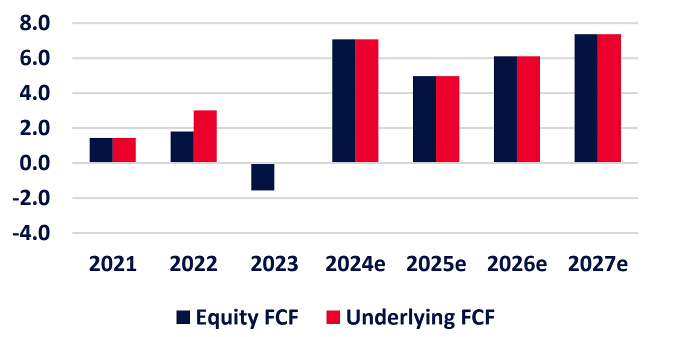
We envisage rising FCF on accelerating profitability

We expect solid FCF generation and a switch to net cash in 2024e (thanks to milestone payments from ongoing public sector projects) to allow for good flexibility in capital deployment ahead, creating enough headroom for RC to either pursue acquisitions, reinvest for scale or reward shareholders. Assuming no further M&A outlays, we forecast net cash to reach >€19m by 2027e, equivalent to c1.7x 2027e EBITDA.

Net Cash (debt), in €m & Net Cash (debt) / EBITDA



Equity FCF and Underlying FCF, in €m

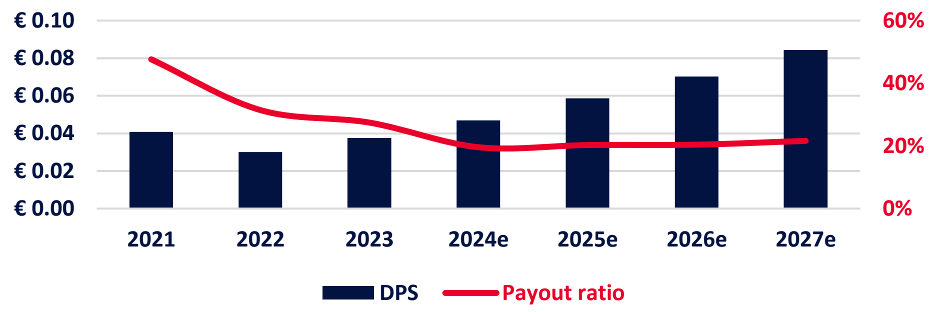


Source: Eurobank Equities Research, Company data.

We expect rising shareholder remuneration as earnings increase

The company has managed to combine strong growth with respectable distributions to shareholders, returning a total of c€1.5m to investors over 2022-23, equivalent to c50% of the underlying FCF generated over the period. Given our projections for solid top line expansion through 2026e, we expect rising shareholder returns in absolute terms. We pencil in a payout ratio of c20-22% in the coming years, which we believe presents a fair balance between necessary capex investment for scaling/margin optimization and shareholder remuneration.

DPS & Payout ratio (% of earnings)



Source: Eurobank Equities Research, Company data.

Estimates and main assumptions

On the revenue front, our forecasts reflect sustained high demand for tech upgrades in the domestic market, better pricing from project optionality and faster scaling of aftersales provision as the offering starts to lean towards cloud. We model implementation services revenue CAGR of c20% over 2024-27e and aftersales revenue CAGR of c19%, translating to group revenue CAGR of c18% for the same period.

Regarding profitability, we expect operating leverage from the cloud migration, stronger aftersales growth, and future rebates on partner products to more than outweigh the payroll cost burden required to capture secular trends in Greek IT. We thus model c3.4pps EBITDA margin expansion through 2027e, expecting benefits from scale to become more prominent in the medium term. Our projections result in c23% EBITDA CAGR for 2024-27e, one of the stronger growth profiles in the Greek-listed IT universe.

Key estimates

in €m, unless otherwise stated	2022	2023	2024e	2025e	2026e	2027e
Revenue	**24.4**	**30.3**	**37.9**	**44.9**	**52.9**	**58.2**
of which:						
IT Services	22.1	25.9	33.3	40.4	47.4	53.5
Product Sourcing	2.3	4.4	4.6	4.5	5.6	4.7
Gross profit	**9.7**	**12.2**	**15.4**	**18.4**	**21.9**	**24.2**
Gross margin	*39.6%*	*40.4%*	*40.7%*	*41.0%*	*41.3%*	*41.6%*
EBITDA	**3.6**	**5.0**	**7.1**	**8.8**	**10.4**	**11.7**
EBITDA margin	*14.8%*	*16.6%*	*18.8%*	*19.5%*	*19.6%*	*20.1%*
- Net interest expense	-0.3	-0.4	-0.1	-0.1	-0.1	-0.1
PBT	**2.8**	**4.0**	**6.6**	**8.2**	**9.8**	**11.1**
- Tax	-0.8	-1.0	-1.5	-1.8	-2.2	-2.4
Net profit	**2.1**	**2.9**	**5.1**	**6.2**	**7.4**	**8.4**
Operating Cash Flow	3.5	0.7	7.9	5.8	7.0	8.3
Capex / investments	-0.1	-0.3	-0.3	-0.4	-0.4	-0.4
Free Cash Flow	**1.8**	**-1.6**	**7.1**	**5.0**	**6.1**	**7.4**
Net cash / (debt)	**1.1**	**-0.7**	**5.7**	**9.4**	**13.9**	**19.5**

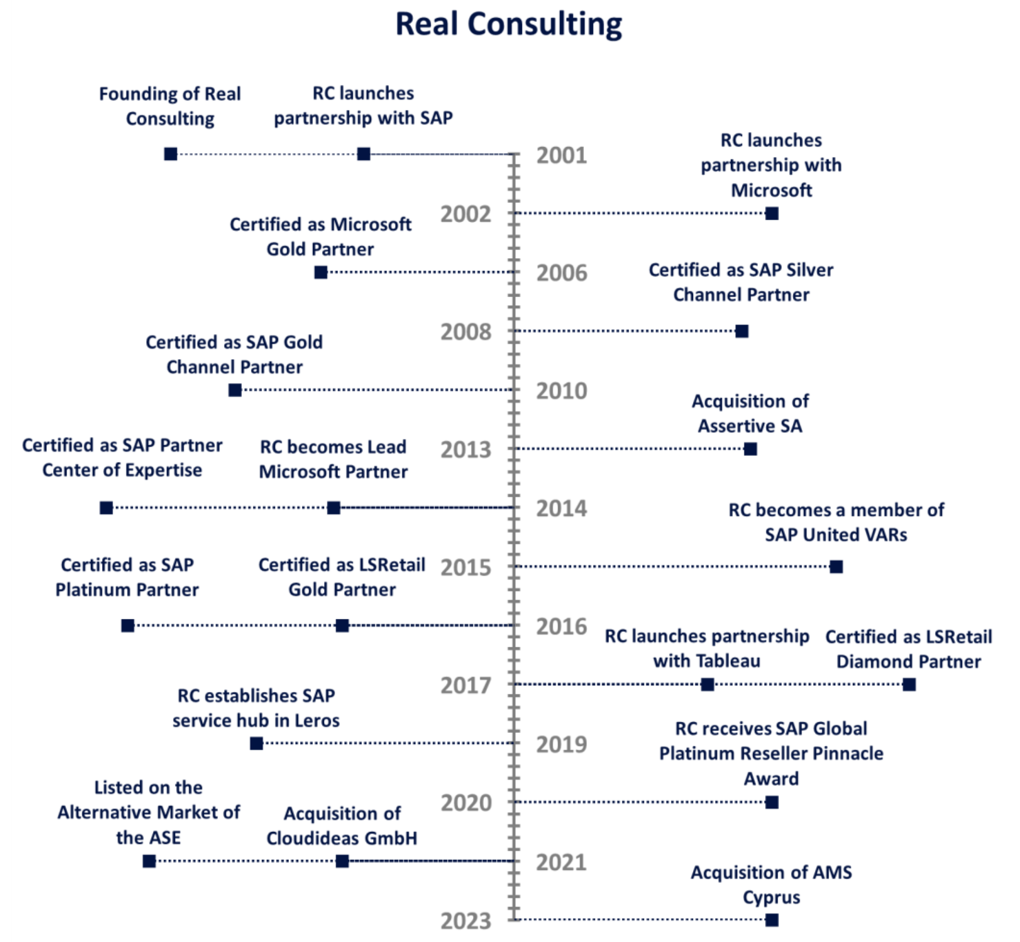
Source: Eurobank Equities Research, Company data.

On the cash flow, we expect a combination of better OCF conversion from accelerating profitability and minimal capex investment ahead to drive solid FCFE generation through 2027e. We see the effect from stronger FCFE first appearing in 2024e, where we model a switch to net cash thanks to incoming milestone payments from major ongoing Greek state projects. Looking further ahead, we see the current momentum driving net cash to >€19m by 2027e, equivalent to c1.7x 2027e EBITDA. We underline that our forecasts do not account for potential M&A outflows in the coming years.

History and shareholder structure

We present a historical overview of Real Consulting below, outlining the company's main reference points through the years.

Real Consulting historical overview



Source: Eurobank Equities Research, Company data.

Mr. N. V. Vardinogiannis is Chairman (non-executive) of the BoD, having held this position since 2005. Mr. Vardinogiannis has extensive experience in the oil and IT sectors, having held multiple senior executive positions within the oil and IT business units of the Vardinogiannis Group of Companies. He holds a BSc in International Business from Georgetown University.

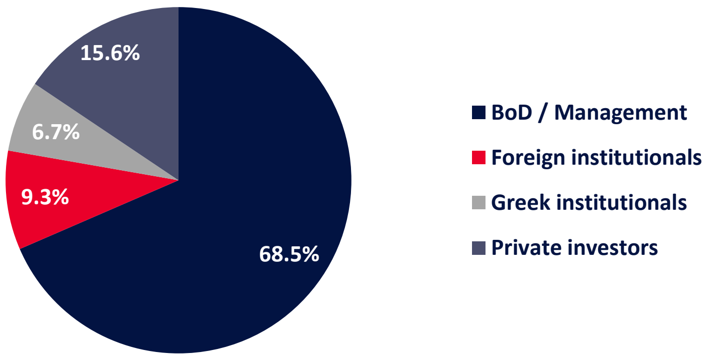
Mr. A. Papargyris is Vice Chairman (non-executive) of the BoD and the founder of Real Consulting. Mr. Papargyris founded Real Consulting in 2000 and held the position of Group CEO from RC's founding until 2019. He has >32 years of experience in senior executive positions in the IT sector, having started his career working at SAP AG. Mr. Papargyris holds a BSc in Computer Science from TU Munich.

Mr. D. Athanasakos has been the Vice Chairman (executive) of the BoD since the start of 2024. He previously held the position of Group CEO, overseeing a significant period of growth for RC during his 5-year tenure. Mr. Athanasakos has been with RC since 2006, having held several positions within the group's Consulting, Sales, and Business Development departments. He holds a BSc in Business Administration from the Athens University of Economics and Business and an Executive MBA from the Hellenic Management Association.

Ms. D. Karatza is the newly appointed CEO of Real Consulting, with her tenure starting in January of this year. Ms. Karatza has been with RC since 2006, having held numerous executive positions within the group. She has >30 years of experience in the IT sector. Prior to joining Real Consulting, she held executive positions in multinational companies including SAP, Oracle and IBM. Ms. Karatza holds a Diploma in Computer Engineering and Informatics from the University of Patras.

The aforementioned executives, along with other members of the BoD and management own c69% of the share capital. Regarding the remaining shareholder composition, c9% and c7% of the share capital is held by Intl and Greek institutional investors, respectively, while c16% is held by private investors.

Shareholder structure (2024)



Source: Eurobank Equities Research, Company data, Bloomberg.

ESG overview

Considering the growing significance of ESG criteria for investors, we believe it is essential to provide an overview of the group's alignment with commonly used standards. We mainly focus on Real Consulting's approach to climate change, ethical responsibilities towards employees and partner companies, and compliance with corporate governance best practices. Below, we examine each of the core ESG pillars:

A. Environmental and Social overview

Even though its main activities only impact the environment indirectly, RC has actively sought to reduce its environmental footprint, in line with regulatory best practices. The group has managed to reduce the generation of pollutants by: 1) incorporating sustainability criteria into its supplier selection process, 2) monitoring power usage within its offices, 3) following recycling guidelines when decommissioning hardware, and 4) seeking to minimize emissions during distribution. RC has also supported numerous environmental initiatives for sustainable development at both regional and international levels.

On the social front, RC's approach to human resources and corporate social responsibility reflects a strong commitment to ethical practices, equality, and continuous improvement. The group places a high value on fostering a supportive and inclusive work environment, not only enhancing its own success but also contributing to the overall well-being and development of its employees. RC regularly promotes professional training for employees, offers flexible working arrangements to support them and reviews processes to ensure optimal working conditions.

B. Corporate governance overview

As far as corporate governance is concerned, we have utilized our own framework to evaluate adherence to best practices, as outlined in the Greek Code of Corporate Governance (published in June 2021). Our study has focused on key governance metrics that we believe are closely monitored by investors, including board structure and independence, executive compensation, monitoring through independent committees. We note that the group is not subject to the provisions of Laws 4706/2020 and 4449/2017 regarding corporate governance as it currently trades on the Alternative Market of the ASE. We have conducted a comparable analysis for all stocks within our coverage universe, allowing us to assess Real Consulting vis-à-vis the other companies under our coverage.

The KPIs we have 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 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. In our analysis 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 most recent law for corporate governance 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 constitute at least 60% is the best practice principle we assess.
   c. **Independent vice-chairman:** Credit is given to companies that have 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.

Some deviations from best practices

A snapshot of our findings for Real Consulting is presented in the table below, where we highlight the main areas of deviation from corporate governance best practices. Overall, we observe compliance with key standards such as separation of Chairman/CEO roles, length of CEO tenure, and representation of non-executives in the BoD. Among the deviations, we highlight the long-term duration of the BoD, with the majority of members serving for >8 years, although this is common for many Greek-listed companies. Another deviation of note regarding BoD composition is the minimal female representation.

Corporate Governance Overview	
Board Structure	**Real Consulting**
Board Size	7
CEO/Chairman separation?	Yes
Executive director board duration	5
Tenure of the CEO	1
Average Tenure of BoD	>8 years
Female representation on the BoD	14%
Board Independence and system of internal controls	
% of Non-executive directors on the BoD	57%
% of Independent directors on the BoD	29%
% of Independent Remuneration Committee Members	NA
Independent Deputy Chair?	No
Alignment with minority shareholders	
Granularity on CEO max compensation	Basic Disclosure
Criteria for CEO bonus	Basic Disclosure
Quality of auditor	
Big 6?	Yes
Source: Eurobank Equities Research.	

Group Financial Statements

Reported Figures in €m					
Group P&L	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Sales	**24.4**	**30.3**	**37.9**	**44.9**	**52.9**
Gross Profit	9.7	12.2	15.4	18.4	21.9
EBITDA	**3.6**	**5.0**	**7.1**	**8.8**	**10.4**
change	*11%*	*39%*	*42%*	*23%*	*18%*
EBITDA margin	*15%*	*17%*	*19%*	*19%*	*20%*
EBIT	**3.1**	**4.4**	**6.7**	**8.4**	**9.9**
Net Financial expense	-0.3	-0.4	-0.1	-0.1	-0.1
Exceptionals/other income	0.0	0.0	0.0	0.0	0.0
PBT	**2.8**	**4.0**	**6.6**	**8.2**	**9.8**
Income tax	-0.8	-1.0	-1.5	-1.8	-2.2
Non-controlling interest	0.0	0.0	0.0	-0.2	-0.2
Net Profit	**2.1**	**2.9**	**5.1**	**6.2**	**7.4**
EPS (EUR)	**0.10**	**0.14**	**0.24**	**0.29**	**0.34**
DPS (EUR)	**0.03**	**0.04**	**0.05**	**0.06**	**0.07**
Group Cash Flow Statement	**2022**	**2023**	**2024e**	**2025e**	**2026e**
EBITDA	3.6	5.0	7.1	8.8	10.4
Change in Working Capital	0.7	-3.8	2.3	-1.0	-1.0
Net Interest	-0.2	-0.3	-0.1	-0.1	-0.1
Tax	-0.6	-0.4	-1.5	-1.8	-2.2
Other	0.0	0.1	0.0	0.0	0.0
Operating Cash Flow	**3.5**	**0.7**	**7.9**	**5.8**	**7.0**
Capex	-0.5	-0.1	-0.3	-0.3	-0.4
Other investing	-1.2	-1.6	0.0	0.0	0.0
Net Investing Cash Flow	**-1.7**	**-1.7**	**-0.3**	**-0.3**	**-0.4**
Dividends	-0.9	-0.6	-0.8	-1.0	-1.3
Other	-0.1	-0.2	-0.4	-0.8	-0.8
Net Debt (cash)	**-1.1**	**0.7**	**-5.7**	**-9.4**	**-13.9**
Free Cash Flow (adj.)	**1.8**	**-1.6**	**7.1**	**5.0**	**6.1**
Group Balance Sheet	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Tangible Assets	0.3	0.3	0.5	0.7	0.9
Intangible Assets	12.9	13.9	13.9	13.9	13.9
Other non-current Assets	1.2	1.4	1.4	1.4	1.4
Non-current Assets	**14.4**	**15.6**	**15.8**	**16.0**	**16.2**
Inventories	0.1	0.1	0.1	0.2	0.2
Trade Receivables	9.4	13.6	12.7	15.1	17.7
Other receivables	0.0	0.0	0.0	0.0	0.0
Cash & Equivalents	5.5	2.7	8.7	12.6	17.5
Current Assets	**15.0**	**16.4**	**21.5**	**27.9**	**35.4**
Total Assets	**29.4**	**32.0**	**37.3**	**43.9**	**51.6**
Shareholder funds	15.6	17.4	21.2	25.8	31.4
Non-controlling interest	0.0	0.3	0.3	0.5	0.7
Total Equity	**15.6**	**17.7**	**21.5**	**26.3**	**32.2**
Long-term debt	2.8	1.5	1.5	1.5	1.5
Other long-term liabilities	1.2	2.3	2.3	2.3	2.3
Long Term Liabilities	**4.0**	**3.8**	**3.8**	**3.8**	**3.8**
Short-term debt	1.6	2.0	1.5	1.8	2.1
Trade Payables	5.9	6.3	7.8	9.2	10.8
Other current liabilities	2.3	2.8	2.8	2.8	2.8
Current Liabilities	**9.8**	**11.1**	**12.1**	**13.8**	**15.7**
Total Equity & Liabilities	**29.4**	**32.5**	**37.3**	**43.9**	**51.6**
Key Financial Ratios	**2022**	**2023**	**2024e**	**2025e**	**2026e**
P/E	23.6x	16.6x	15.3x	12.7x	10.7x
P/BV	3.1x	2.8x	3.7x	3.1x	2.5x
EV/EBITDA	13.5x	10.3x	10.5x	8.2x	6.5x
EBIT/Interest expense	10.1x	10.8x	46.3x	63.4x	70.7x
Net Debt (cash)/EBITDA	-0.3x	0.1x	-0.8x	-1.1x	-1.3x
Dividend Yield	1.3%	1.6%	1.3%	1.6%	1.9%
ROE	13%	17%	24%	24%	24%
Free Cash Flow yield	4%	-3%	9%	6%	8%
Payout Ratio	31%	27%	20%	20%	20%

Source: Eurobank Equities Research, Company data.

Company description

RC is a leading value-added reseller with a particularly prominent position in large Greek enterprises and LT partnerships with some of the leading software distributors globally (SAP, Microsoft). The group effectively serves as a one-stop shop for digital transformation, offering a wide range of products and services involving the customization and implementation of enterprise solutions, and the provision of aftersales.

Risks and sensitivities

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

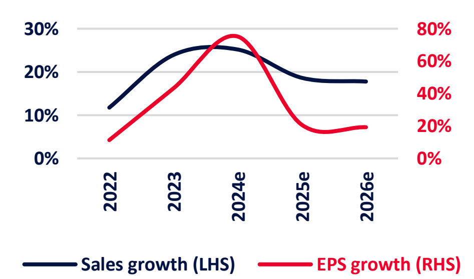
•**Personnel costs:** Human capital is the overriding factor behind the success of a services provider, and the same holds for RC. In that regard, margins could be negatively affected if wage inflation accelerates further, driving the need for the company to invest more in personnel.

•**Idiosyncratic/industry risks:** Industry competition may result in weaker-than-expected signing of new agreements and higher churn on the maintenance revenue stream. The high dependence on SAP-related revenues also means RC momentum is closely tied to SAP product competitiveness, and, in that regard, any delays in product development/releases or lower customer uptake could affect profitability.

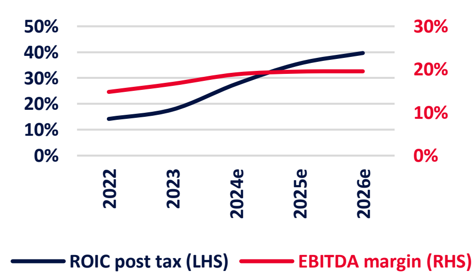
•**M&A risk:** RC has at times resorted to M&A to top up its growth profile. In case of similar moves in the future, there is some integration risk (or risk of non-accretive M&A).

•**Sensitivity:** We estimate that flexing our revenue assumption by 1% would result in a c3-4% change in group EBITDA.

Sales and EPS growth



Profitability and returns



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Date	Rating	Stock price	Target price
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	Count	Total	Count	Total	Count	Total
Buy	25	71%	3	12%	10	48%
Hold	2	6%	0	0%	1	50%
Sell	0	0%	0	0%	0	0%
Restricted	1	3%	0	0%	1	100%
Under Review	2	6%	1	50%	2	100%
Not Rated	5	14%	2	40%	3	60%
Total	**35**	**100%**				

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