

Figure 1: Key figures

Key figures	
Bloomberg Code	ENTER:GA
Market Capitalization (in millions)	€ 27.85
Share Price (09/04/2020)	€ 6.25
52w High	€ 6.90
52w Low	€ 5.40
Stock Exchange	ATHEX

Source: Bloomberg

Company Overview

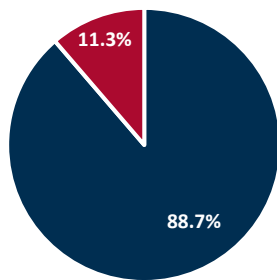
Entersoft is a leading business software and services provider making business in South Eastern Europe and the Middle East. The company supplies its customers with a comprehensive and integrated business software suite including ERP, CRM, Retail, Mobile, E-Commerce and B.I applications. Having presence in more than 20 countries and offices in Greece, Bulgaria, Romania and United Arab Emirates, has managed to have a clientele of more than 3500 businesses through its network of 480 partners. The group was founded in 2002 and currently occupies more than 200 employees. During these years, Entersoft has established itself in the Greek and European market, continuously growing and expanding its operations. The company has posted a c8% revenue CAGR accompanied by a c6.7% EBITDA CAGR in the period 2014-2018, and taking into consideration the H1'2019 results, its revenues are anticipated to grow c16% in FY19 YoY.

Entersoft generates recurring revenues that create potential for further growth. The company earns its revenues through a combination of sales and recurring revenues through annual license fees and SaaS (Software as a Service) subscriptions. Entersoft revenues were €13.8mn in 2018 with 88.7% of those revenues emerging from sales of software and support services whereas 11.3% come from internet services. The company provides a wide range of products like Entersoft Retail, Entersoft CRM and Entersoft WMS. More specifically, Entersoft Retail is a software application which provides a set of sales analysis statistics and real time information, Entersoft CRM is a Customer Relationship Management system which optimizes sales, marketing and customer service processes and Entersoft WMS is a software for the management of warehouse processes.

Improved efficiency in the back of economies of scale. Its presence in the business software market for almost 20 years has given the opportunity to Entersoft to gain the necessary experience in order to save from costs and therefore improve its profit margins. Due to its complete product portfolio, the company has managed to increase its EBITDA margin from 18.3% in 2015 to 21.8% in 2018.

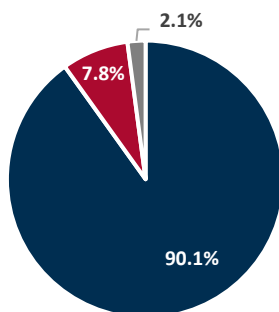
Entersoft enhances its operations through the acquisition of smaller IT-companies. It is notable that the company has successfully completed 5 acquisitions during the last 10 years with the acquisition of the Greek company Retail Link S.A. in 2009 probably to be the most important one, since it allowed Entersoft Group to enter intensively into the market of e-Invoicing, e-Ordering and the market of Software as a Service supporting the supply chain management. Cooperating with 12 countries and managing a massive number of documents being exchanged and archived among 55.000 partners, Retail Link offers a variety of services such as e-invoicing, e-archiving and e-DCM. Retail Link's revenues are expected to grow in the following years due to AADE's intention to implement mandatory e-invoicing to enterprises.

Entersoft becomes the first company in Greece to move from the alternative market of ASE to the main one. This move points the fact that the group has managed to develop from a start-up to become a leading IT company. There are many reasons why the company proceeded to the entry to the Main Market.

Figure 2: Revenues by product


- Sales of software and support services
- Internet services

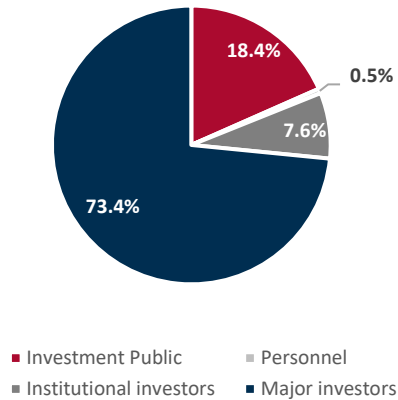
Source: Bloomberg

Figure 3: Revenues by area


- Greece
- European Union
- Third Countries

Source: Company reports

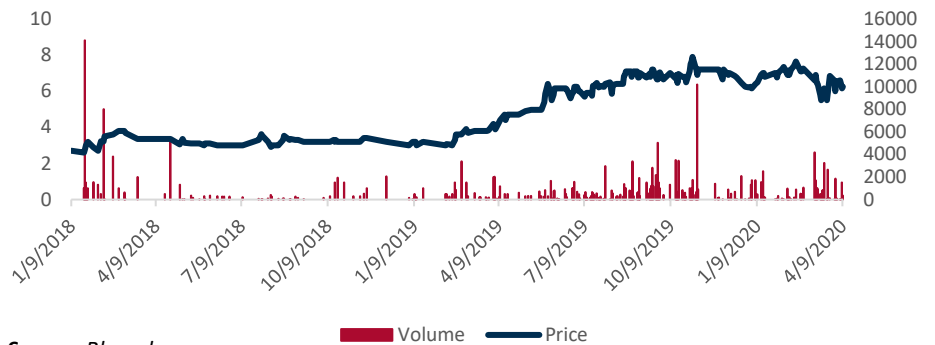
Figure 4: Ownership



Source: Company reports

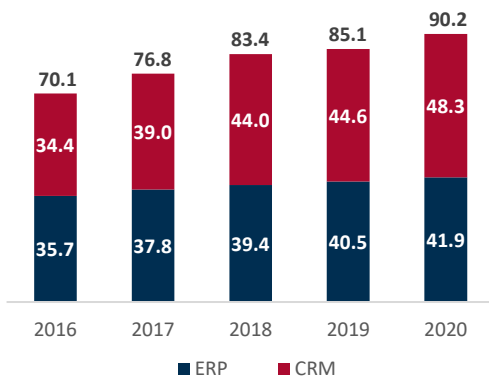
Entersoft will gain access to more capital in order to fund its 3-year investment plan, which includes the acquisition of smaller but promising IT companies in order to enhance its operating activities. In addition, the company will benefit from the increased transaction activity in the main market and will improve its share liquidity.

Figure 5: Share price & volume



Source: Bloomberg

Figure 6: Global Business Software market (in billion \$)

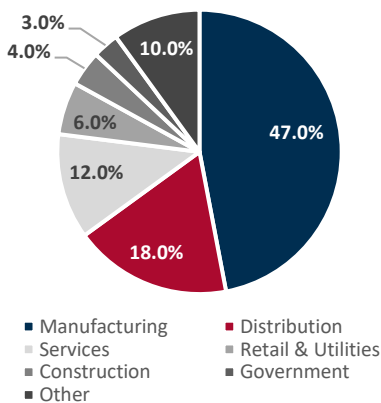


Source: Statista.com

Market Overview

The global Business Software and Services Industry has a market capitalization of \$5.2tn and revenues reaching \$438.2bn. It is forecasted to grow at a CAGR of 10.7% until 2025, which we expect to be driven by two main factors; firstly, the digitalization of the business process, which comes as a global wave and, secondly, the increasing demand for Cloud and SaaS (Software as a Service) Services. Scaling it down, the market’s potential growth is well depicted by the high margins of adoption of these technologies in Europe and Greece. As the latter had been recovering from deep recession, the economic environment has given space for digital development of the public and private sector. Even in sight of the new epidemic, we cannot be but optimistic that Greece will be following EU’s footprints in terms of digitalization the years ahead. Having said that, we trust that Entersoft, a deep-seated Greek company with strong presence in the European region and merrily in the Middle East, operating in the promising field of Business Software provision, is currently placed in an advantageous position

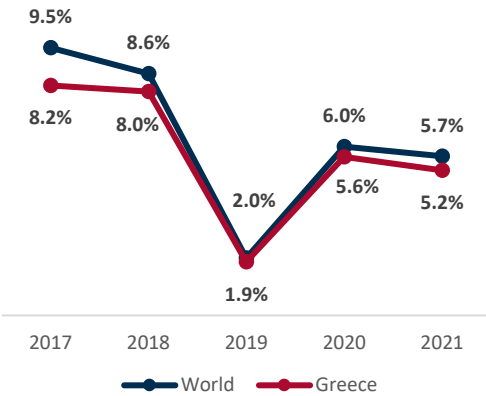
Figure 7: ERP adoption per Industry



Source: Selecthub.com

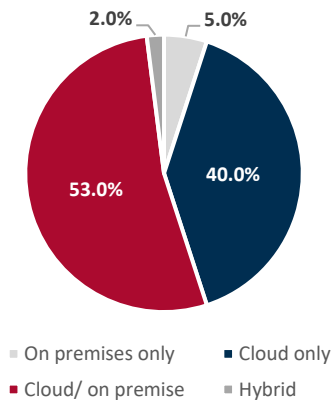
The digitalization of the business process is leading the market thrive and therefore, Entersoft’s profitability. This global effect is driving the need for growing enterprises to pursue alternative ways to optimize core planning procedures and achieve efficient strategic management. At this point, business software systems like ERP and CRM, come as a response, providing an integrated solution for operational efficiency, transparency in business procedures with automated data synchronization, and predicting capabilities which enable potential risk identification and better decision-making. As a result, the total revenue of ERP and CRM Software Industry is forecasted to further expand, reaching \$90.2bn by the end of 2020 representing c28.6% upside for the 2016-2020 period. This is where Entersoft with its strong industry presence at the national and international level, is successfully meeting customer needs, achieving an overall satisfaction rate of 98% from product installation and 95% from support and services provision, according to the 2017 Customer Satisfaction Survey. In fact, the company has managed to provide high-quality services and award-winning products, targeting at the maximum competitive benefits for its respective clientele. All the above are placing Entersoft SA among the top 10

Figure 8: Business Software market revenue growth



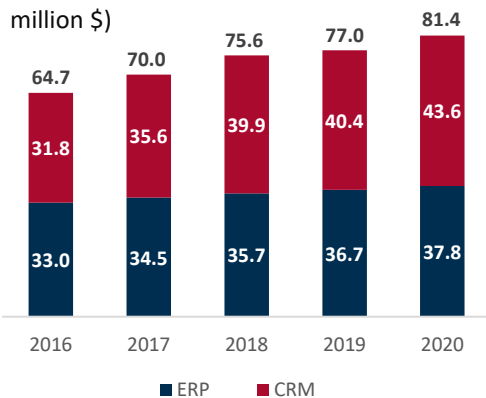
Source: Digital-agenta-data.eu

Figure 9: ERP Delivery model considered by companies



Source: Selecthub.com

Figure 10: Greek Business Software market revenue (in million \$)



Source: Statista.com

Field Service solution providers in Europe, based on the latest publication of CIO Applications Europe magazine.

The increasing demand for cloud services is placing Entersoft on high ground.

In fact, Cloud computing has noted an accelerated gain in popularity over the past years. The overall Cloud Services revenue growth is projected at c40% for the five-year period of 2016-2020 and is estimated to reach \$52bn by 2021. According to studies, cloud software is expected to become the default option by the end of 2020. Indeed, approximately 95% of enterprises stated their willingness to adopt a cloud deployment model, while just over 50% were also considering On-Premise ERP. The main factor that contributes to the enlargement of Cloud and SaaS, over On-Premise services is the provision of a simpler, more effective, flexible and cost-efficient approach in the entity’s strategic management. Cloud Service is addressed to entities of all shapes and sizes and especially to small and medium ones, which have been facing budget limitations, offering them the opportunity to implement and benefit from business software technologies at low operational cost. Thus, Entersoft has managed to enter and maturase in the cloud services market. All of the core products provided by the Entersoft Business Suite are applicable for all On-Premise, On Cloud, Licensed, or SaaS installation and are respectively serving the market requirements for increased productivity, performance optimization and embellished profitability.

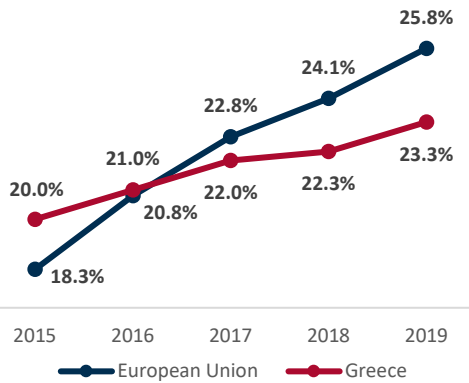
On a smaller scale, the Greek environment is setting fertile ground for Entersoft’s further regional expansion.

As well stated, the eight continuous years of economic decline along with chronic under-investment in the public and private sector, have led to sincere digital stagnation, placing Greece 22nd out of the 28 European States in terms of technological shift implementation. This means that, given the global trends, there are high margins of adoption of business software technologies in the years to come, driving an increase in corporate investment activity towards digital transformation initiatives. As a matter of fact, current data suggest that at the national level the ERP Software Industry revenues are expected to outperform last year’s figures reaching \$37.8mn, representing a rise of c3.1%. At the same time, Business Software revenue forecasts are indicating annual growth of \$4.4mn for 2020, depicting a c25.7% expansion since 2016, which we expect to further increase as the adoption rates are climbing up high as well. In fact, 54% of the Greek private industry is focusing on digital innovation this year, up from 49% last year, with the vast majority being mainly large, leading companies. Alongside, SMBs, which constitute a large part of the Greek market, are also following this trend, heading towards alternative Cloud Service solutions. They are all targeting on improving customer experience, executive and technician services and strategic planning, as well as implementing integrated systems that will assist corporate governance. Entersoft Business Suite provides a wide range of services and products designed to meet each one of the market demands mentioned, aiming to streamline customers’ operations.

The technology-oriented transformation of the public sector could also be beneficiary.

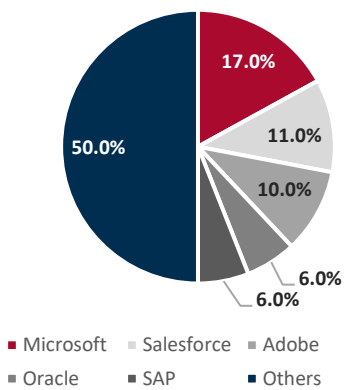
Since the elections of 2019, the digital transformation of the state has been a priority for the government. While reforms along with economic and

Figure 11: Business Digitalization rate



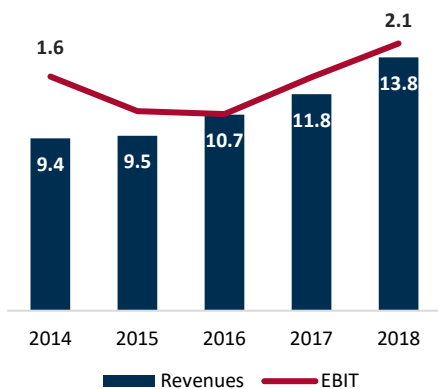
Source: Digital-agenta-data.eu

Figure 12: Top SaaS vendor market revenue share



Source: Statista.com

Figure 13: Revenues & EBIT (in million €)



Source: Company reports

technical developments in the financing and taxation, have been announced since early June 2019, we are expecting the implementation procedures to be delayed due to the recent outbreak of the Covid-19 pandemic. The proposed scheme of digital VAT books and e-invoices is heading to a modernized operational system and the automation and ease of numerous corporate procedures. The acquisition of RETAIL LINK S.A. placed in 2009 has long equipped Entersoft with the competitive advantage of entering the market of electronic invoicing and exchange of electronic documents, providing easy data processing via its fully integrated ERP system.

Threat of global economic recession could affect Entersoft's profitability.

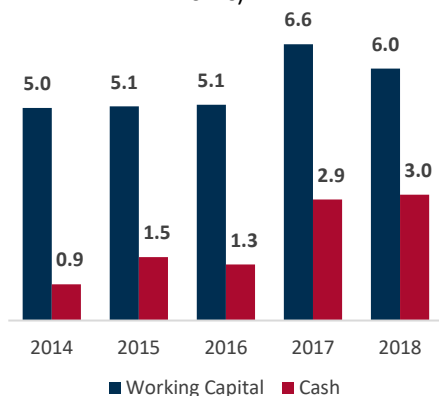
Following the recent developments regarding the coronavirus outbreak, we expect halt in Greek economic recovery, as the global economy is facing the risk of severe financial crisis. In contrast to recent projections for a 0.2% upside in GDP growth reaching 2.4%, according to the European Commission's forecasts, Greece's central bank is now assuming economic growth rates to fall below zero. This could have a negative impact on the overall investment efforts aiming to the modernization of the business processes that were discussed earlier, given the fact that a significant part of the private sector will be facing major economic difficulties. Yet, coming as a natural hedge, the strict measures that have been imposed to prevent further spread of the virus, have substantially changed the way the global industry operates. Now more than ever, organizations call for remote control mechanisms that ensure structural integrity and coordination of the functional units, to survive the crisis and be able to sustain institutional solidarity and united and consistent policy. Consequently, we should anticipate a surge in demand for IT infrastructures as well as business software, especially for rapid deployment solutions such as SaaS and Cloud services, in the near future. In this context, we trust that Entersoft, being a fundamental supplier of these products in the Greek region, will manage to mitigate the underlying risk of the coronavirus epidemic and its aftermath and achieve to capitalize from the emerging trends.

Key Financials

Robust growth through investment plan. Entersoft maintained its strong position throughout 2014-2018, supported mainly by client expansion and development of new products. The 2014-2016 period was characterized by the adoption of the investment plan. During these years, Revenues grew at 6.7% YoY on average. However, the inevitable increase of costs, such as COGS and R&D, suppressed margins (Net Income margin fell from 11% to 8% in that period) resulting to a decrease from c€1mn to c€0.93mn in net earnings (CAGR of -6.5%). In the following two years, the group was able to capitalize upon its development expenses. The larger clientele as well as the smaller need for expenses increased Sales by a c14% CAGR (reaching €13.8mn in 2018) and strengthened margins, thus generating a remarkable 42% CAGR in EBIT in 2016-2018. Subsequently Net Income rose by c50% in total throughout 2014-2018, reaching c€1.5mn and setting the stage for strong performance in the following years.

Strong profitability leads to balance sheet expansion. The company's business development led to a healthy balance sheet growth during 2014-2018. Fixed

Figure 14: Working Capital & Cash in million €



Source: Company reports

assets grew by c8% CAGR from €3mn to €5.5mn, owing to strategic acquisitions and investments in software development. Thanks to its growing profitability and strong cash generation (c37% CAGR in C&C Eq.), Entersoft was able to finance its expansion without external funding. This can be further exemplified by the company's avg. current ratio of 3.3x as well as its avg. D/E of 10% in 2014-2018. At the same time, shareholders were remunerated by a combination of principal return and an average €0.12 dividend per share.

COVID-19 During the current pandemic, the most resilient firms are the ones with high cash reserves and low leverage. Entersoft fits this description perfectly. The company's strategy for net cash and organic funding in combination with the increased demand for digital services we believe are the reasons that the virus' impact on Entersoft will be minimum. Therefore, if the current situation does not escalate to a prolonged recession, we anticipate that the company will manage to mitigate the underlying risk.

Figure 15: Key Financials

in €'000s	2014	2015	2016	2017	2018
CapEx	1,214	964	500	447	1,987
Net Debt / (Net Cash)	(822)	(1,125)	(872)	(1,247)	(1,601)
ROE	16%	10%	11%	11%	16%
ROCE	20%	13%	12%	17%	21%
WC/Sales	54%	53%	48%	56%	43%
Oper. CF/ Net Income	200%	189%	71%	132%	195%

Source: Company reports

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