Software solutions
Equity – Greece

Overweight

Target price (€)	**10.00**
Share price (€)	**7.25**
Potential total return (%)	**38**
RIC	PRFr.AT
Bloomberg	PROF GA
Market cap (€m)	87.1
Market cap ($m)	91.3
Enterprise value (€m)	75.6
Free float (%)	41.5%

29 April 2022

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Profile Software

Small steps leading to big success

- **After stellar FY21 net earnings increase to €2.9m record-high, we forecast robust 25% EPS CAGR over 2021-26e**
- **Great proxy to play the Greece's RRF theme, further inroads in financial services solutions offer strong untapped potential**
- **Initiate as OW with €10.0/sh TP; A likely €5m acquisition could add €0.5/sh to the fair value, higher RRF revenue another €0.5**

On the bright side of the moon: 2021 proved to be a booming year for Profile as net income hit a new record-high at €2.9m (+82% y-o-y), spurred by upbeat core financial activity. In fact, Fin Tech solutions revenue and EBITDA jumped 44/46% y-o-y, respectively, both making up 85% of FY21 total, at resilient 27.4% EBITDA margin. Industry trends remain solid on huge untapped potential, owing to a worldwide structural demand for banking and wealth management software solutions. This bodes well with Profile's strategic goal to exploit high growth niche markets and expand its international footprint (now accounting for 70% of sales), on strong R&D and portfolio enhancement.

Digitization and RRF projects: silver linings at the forefront. Post 2022, we expect the Fin Tech business to pass the baton to the Public sector angle, which should represent 47% of FY26e turnover (against just 15% a year ago), as RRF-funded projects (which run for a 4-year period through 2026) begin to kick-in. We have prudently low-balled Profile's revenue share to €60m, representing a small chunk (ie 4-5%) of Greece's (EU money) immense €1.3bn digitisation investment pool (we see upside risks here). All in, we forecast robust net income CAGR of 25% over 2021-26e.

Initiating as OW and €10.0/sh TP (38% upside): the average of a 3- stage DCF model (8.3% WACC, 2.0% LT growth), returning €9.7/sh, and a 13.4x 2023e EV/EBITDA target-multiple (after applying 15% size-discount to peers' 15.8x average), which yields €10.3/sh. At 8.5x its 2023e EV/EBITDA (on €16.3m net cash, representing 19% of market cap), Profile appears undeniably attractive. In fact, Profile now trades at 46% discount vs its admittedly much larger global peers, with valuation discounts persisting even at TP.

Bolt-on, low-cost acquisitions to boost growth outlook acting as key catalyst. With Profile on the lookout for new deals, seeking to further optimise/leverage its platform worldwide, a potential €5m near-term acquisition (at 1.3x sales) could add €0.5/sh to TP. What is more, company's aspiring €100m target of RRF project-related revenue would strengthen earnings outlook beyond our estimates, adding another €0.5/sh to the fair value. Following in the Login (2017) and Centavo (2021) buy-out footsteps, such moves would most likely involve turning around an underperforming, up for grabs acquisition target with a strong product offering but sub-optimal scale profitability. High recurring revenue (around 66% of total), a well-diversified product portfolio and strong FCF further burnish Profile's valuation appeal.

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Financials & valuation

Financial statements				
Year to	**2021a**	**2022e**	**2023e**	**2024e**
Profit & loss summary (€m)				
Revenue	20.1	26.1	32.2	43.4
EBITDA	5.5	6.8	8.3	11.0
Adjusted EBITDA	5.7	7.0	8.3	11.0
Depreciation	(2.8)	(3.2)	3.5	3.6
Operating profit/EBIT	2.9	3.8	4.8	7.5
Net interest	0.1	(0.2)	(0.2)	(0.1)
PBT	2.8	3.4	4.6	7.3
Taxation	(0.6)	(0.8)	(1.1)	(1.8)
Net profit	2.2	2.6	3.5	5.6
Adjusted Net profit	2.9	3.4	4.0	5.9
Cash flow summary (€m)				
Cash flow from operations	2.7	6.8	8.4	8.6
Capex	(7.0)	(2.5)	(3.5)	(3.0)
Dividends	0.6	0.8	1.0	1.3
Change in net debt / (cash)	3.2	(3.4)	(4.7)	(3.7)
FCF equity	(4.6)	4.2	4.7	5.5
Balance sheet summary (€m)				
Tangible fixed assets	4.9	4.1	3.9	3.3
Intangible fixed assets	8.6	8.6	8.6	8.6
Current & Other L/T assets	51.2	60.8	65.1	87.1
Cash & others	15.6	18.9	23.3	26.5
Total assets	43.4	47.8	52.0	59.1
Operating liabilities	11.0	13.9	15.9	19.3
Gross debt	7.5	7.4	7.0	6.5
Net cash	8.1	11.5	16.3	20.0
Shareholders' funds	24.9	26.5	29.1	33.4
Invested capital	21.7	21.2	19.2	19.8

Ratio, growth and per share analysis				
Year to	**2021a**	**2022e**	**2023e**	**2024e**
Y-o-y % change				
Revenue	33.8	29.7	23.3	34.9
Adjusted EBITDA	24.7	22.1	19.4	32.6
Operating profit	31.0	28.9	28.0	54.9
PBT	112.7	21.3	35.6	60.2
Adjusted EPS	129.4	15.6	34.2	58.2
Ratios (%)				
Revenue/IC (x)	0.9	1.2	1.7	2.2
ROIC	9.7	13.1	19.0	28.9
ROE	11.7	12.6	13.9	17.9
EBITDA margin	28.4	26.7	25.9	25.5
Operating profit margin	14.6	14.5	15.0	17.3
EBITDA/net interest (x)	63.0	36.2	47.5	79.2
Net cash/equity	32.5	43.5	56.0	60.1
Net cash//EBITDA (x)	1.4	1.7	2.0	1.8
CF from operations/net debt	33.1	59.1	51.8	42.8
Per share data (€)				
EPS reported (fully diluted)	0.19	0.21	0.29	0.45
Adj. EPS (fully diluted)	0.24	0.28	0.33	0.48
Ordinary DPS	0.07	0.08	0.10	0.16
Book value	2.09	2.20	2.38	2.70

2023e EV/EBITDA multiple-based valuation (50% weight)	
Peers EV/EBITDA (x)	15.8
Size-discount vs peers	15%
Target EV/EBITDA (x)	**13.4**
Adjusted EBITDA (€m)	8.3
Implied EV (€m)	**111.6**
Plus: Net cash (€m)	16.3
Plus: Stock option cash injection (€m)	0.6
Minus: Minorities (€m)	(0.1)
Equity value (€m)	**128.4**
Number of shares (fully diluted/stock option plan) (€m)	12.4
Appraised value per share (€)	**10.3**

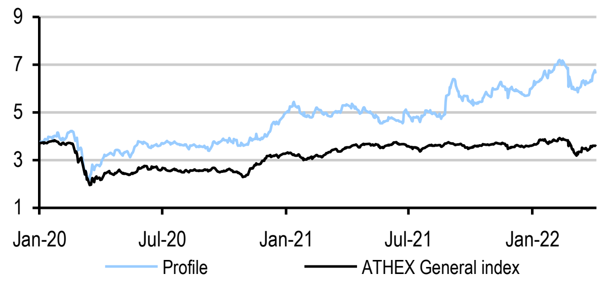
DCF (€/sh) sensitivity by flexing WACC & L-T EBITDA margin (50% weight)

		7.3%	7.8%	8.3%	8.8%	9.3%
	23.8%	10.6	9.8	9.1	8.5	7.9
L-T	**24.8%**	11.0	10.1	9.4	8.7	8.2
EBITDA	**25.8%**	11.4	10.5	**9.7**	9.0	8.4
margin	**26.8%**	11.8	10.8	10.0	9.3	8.7
	27.8%	12.2	11.2	10.3	9.6	8.9

Valuation data (x)				
Year to	**2021a**	**2022e**	**2023e**	**2024e**
EV/sales	3.9	2.9	2.2	1.5
EV/EBITDA	13.8	10.8	8.5	6.1
EV/IC	4.6	5.0	5.4	4.9
Clean PE	29.6	26.0	21.9	15.0
Ex-cash PE	26.9	22.6	17.9	11.7
P/Book value	3.5	3.3	3.1	2.7
FCF yield (%)	-5.2	4.8	5.4	6.3
Div yield (%)	1.0	1.1	1.4	2.2

* Clean PE adjusts for non-recurring items

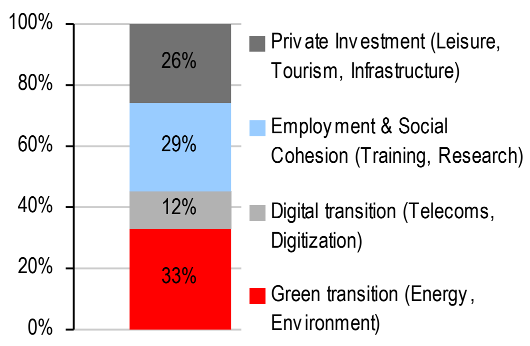
Price relative (€/share)



Source: Bloomberg

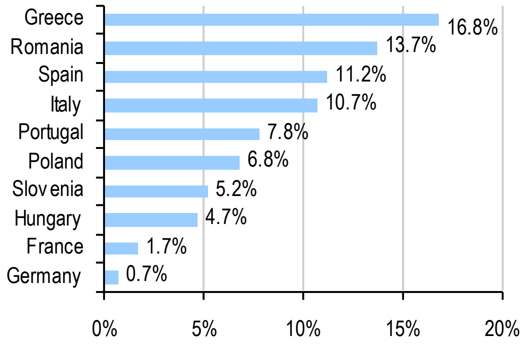
Note: price at close of 28 April 2022

Main pillars of €18.2bn grants to Greece (% of total)



Source: Greek Ministry of Finance

Greece: the highest RRF beneficiary (% of 2019 GDP)



Source: ECB, IMF

Value creation in the making

Digitalization to absorb 7% or €1.3bn of total RRF to Greece acting as game changer: The Next Generation EU (NGEU) fund is a European Union economic recovery package to support member states adversely impacted by the COVID-19 pandemic. Agreed by the European Council on 21 July 2020, the €750bn NGEU fund is an integral part of the country's future opportunity. As shown above, Greece is relatively (ie as a % of pre-Covid nominal GDP) by far the largest recipient from the Recovery and Resilience Facility - a key of NGEU component.

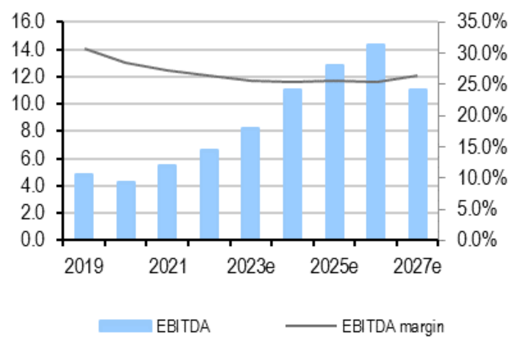
In specific, Greece will receive €31bn in total, namely €18.2bn in grants plus €12.7bn in loans (at concessionary terms). The national allocation plan, dubbed 'Greece 2.0', rests on four main RRF pillars, with particular emphasis on green and digital transitions. Crucially, it is based on the "Development Plan for the Greek Economy" prepared by the Committee headed by Nobel Prize in Economics laureate Professor Pissarides, spearheading far-reaching reforms, aiming to enhance growth, productivity, job creation and economic and social resilience.

A Bank of Greece study estimates that the scheme could add 1-2% pa to economic growth in the coming years, leave real GDP level 7% higher than otherwise by 2026, push private investment higher by 20% and create 180k jobs. Further, Greece intends to leverage-up EU funds by mobilising €26bn domestic resources (in the form of equity and debt) alongside, so as to maximise the impact, hence catapulting total investments to €57bn in the 2021-26 period.

Greece - Digital Transformation Strategy for 2020-25 underlines seven key objectives:

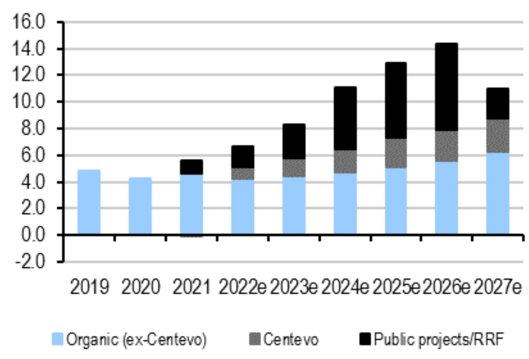
- Safe, fast, and reliable access to the internet for all,
- A digital state, providing better digital services to the citizens for all life events,
- Development of digital skills for all people,
- Facilitating and supporting the transformation of companies and SMEs into digital enterprises,
- Strengthening digital innovation,
- Making productive use of public administration data,
- Incorporating digital technologies within all economic sectors.

2020-27e EBITDA (€m) and margin



Source: Company data/Pantelakis Securities estimates

2020-27e EBITDA breakdown per segment (€m)



Source: Company data/Pantelakis Securities estimates

Raising its exposure to public sector projects over the last couple of years, thanks to its solid management, strong track-record, well-diversified product portfolio and robust balance sheet (ie €8.1m end-2021 net cash position), Profile seems well equipped to participate in future tenders.

With an estimated digital transformation project value of around €1.3bn, we see Profile successfully participating in 4.5% to 5% of upcoming tenders in Greece. This would imply €60m of incremental revenues for Profile stemming from RRF projects, which we use as our baseline for the 2023-26 period – a rather conservative scenario, we think, hence we see significant upside risks here.

As such, we expect Public sector projects to account for 42/47% of total sales during 2024-26e, compared to just 15% a year ago.

Being already active in the digitisation process of Greek court sessions (c€5m annual budget), Profile launched last December an online court scheduling/notification platform for the Justice Ministry. Further, note that together with Unisystems (a local IT player), Profile was awarded a €3m worth tender for the digitisation of the Hellenic Army Pension Fund.

All in, Profile appears well positioned to beef-up its public projects angle, thus providing a strong support to its more traditional financial services revenues.

Turning our attention to Fin Tech industry, Profile's focus is placed mostly on banking and investment management solutions. All in, Profile boasts strong net margins compared to local IT peers, benefiting the most from a particularly highly recurring nature of revenues (in excess of 65%), solid customer retention rate and smooth implementation.

Despite operating in a highly dynamic and ever-changing environment, Profile seems getting along nicely, remaining competitive, keeping a tight grip on costs. Thanks to its strong financial muscle, M&A is an essential tool of Profile's business growth strategy, playing a pivotal role in enhancing its portfolio with value accretive deals, beefing up returns. As a matter of fact, it went ahead with two bolt-on acquisitions over the past five years, namely French Login in 2017 and Nordic-based Centevo (the deal was completed in March 2021 at 0.6x price/sales – including €0.2m restructuring costs).

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Sensitivity of fair value (€ per share) to assumptions for WACC, L-T growth, L-T EBITDA margin

		Cost of capital (WACC)				
		7.3%	7.8%	8.3%	8.8%	9.3%
L-T growth pa	1.0%	10.4	9.7	9.0	8.5	8.0
	1.5%	10.9	10.0	9.3	8.7	8.2
	2.0%	11.4	10.5	**9.7**	9.0	8.4
	2.5%	12.1	11.0	10.1	9.3	8.7
	3.0%	12.9	11.6	10.6	9.7	9.0

		Cost of capital (WACC)				
		7.3%	7.8%	8.3%	8.8%	9.3%
L-T EBITDA margin	23.8%	10.6	9.8	9.1	8.5	7.9
	24.8%	11.0	10.1	9.4	8.7	8.2
	25.8%	11.4	10.5	**9.7**	9.0	8.4
	26.8%	11.8	10.8	10.0	9.3	8.7
	27.8%	12.2	11.2	10.3	9.6	8.9

Source: Pantelakis Securities estimates

Focusing in the high growth (niche) markets (ie Scandinavia, Middle East and Asia) and exploiting cross-selling synergies, Profile extends its geographical reach and maximises its client base.

Apart from acquisitions, Profile looks in a pretty good shape to keep growing organically, digitally provide financial services solutions, increase its footprint at home and abroad, while maintaining existing clientele (strong brand awareness), thus boosting shareholder value.

Initiating coverage with €10.0/sh TP, implying a 38% upside potential

We value Profile through a combination of a 3-stage DCF model (50% weight) and 2023e EV/EBITDA multiple-based valuation (50% weight).

In our 3-stage DCF valuation method we use: a) 8.3% discount rate (WACC), with 2.5% Rf, 5.5% ERP and 1.1 asset beta, b) our explicit 2022-2029e forecasts, c) an interim (2030-34e) period of fading sales growth and falling clean EBITDA margins to 25.8% in the long-term vs 28.4% in 2021, and c) a terminal (long-term) growth rate of 2.0%. Our base case yields a **EUR9.7 fair value per share**.

We present above a sensitivity analysis of our DCF valuation by flexing WACC and long-term a) growth rate and b) the EBITDA margin.

The stock appears attractively valued since our DCF model sensitivity analysis suggests that the current price discounts a sharp longer-term EBITDA margin deterioration to 17.8% from 30% average in 2017-21e.

Turning to our multiple-based valuation, using a) **2023e target EV/EBITDA** of 13.4x, after applying a 15% size/liquidity-discount to peers'15.8x average multiple and b) our Profile €8.3m adjusted EBITDA estimates for that year, we **arrive at €10.3/sh fair value**.

Averaging the two valuation methods, we **set a target price of EUR10.0** for Profile, implying a 38% upside potential vs current price levels. As a result, we initiate coverage on the stock with **Overweigh**t recommendation.

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2023e EV/EBITDA multiple-based valuation (50% weight)	2023e
Peers EV/EBITDA (x)	15.8
Size/liquidity discount	15%
Target EV/EBITDA (x)	**13.4**
Adjusted EBITDA (€m)	8.3
Implied EV (€m)	**111.6**
Plus: Net cash	16.3
Plus: Stock option cash injection	0.6
Minus: Minorities	(0.1)
Equity Value (€m)	**128.4**
Number of shs (fully diluted/stock option plan)	12.4
Equity Value per share (€)	**10.3**

Source: Pantelakis Securities estimates

At our TP, Profile trades 12.5x 2023e EV/EBITDA, still offering a 21% discount vs peers, compared to 46% currently. The stock deserves a higher rating, in our view, since besides being a great proxy to Greece's RRF theme, it also offers a solid growth potential (25% 2021-26e EPS CAGR), robust balance sheet (€16.3m net cash at end-2023e) and strong FCF generation potential.

Relative valuation 2022-23e EV/Sales (x), EV/EBITDA (x)

				---EV/Sales (x)---		---EV/EBITDA (x)---	
Company name	**Currency**	**Price**	**in EUR**	**2022e**	**2023e**	**2022e**	**2023e**
Entersoft SA Software	EUR	5.28	160	4.4	3.6	12.1	10.0
Sword Group	EUR	52.3	507	1.8	1.6	16.2	14.8
Creaologix Holding AG - REG	CHF	76	104	1.1	1.0		15.6
Intellect Design Arena LTD	INR	817.6	1363	5.6	4.6	22.1	16.8
INFOSYS LTD	INR	1552.8	82670	4.4	3.9	17.7	15.2
Factset Research Systems INC	USD	416.52	15055	9.5	8.4	26.4	22.1
Aptitude Software Group PLC	GBp	315	234	2.9	2.7	22.6	17.3
Ideagen PLC	GBp	246.5	838	7.7	6.1	23.1	18.1
Envestnet INC	USD	78.7	4142	3.4	3.0	17.4	13.7
Wolters Kluwer	EUR	96.04	25538	5.4	5.2	16.9	16.1
Broadridge Financial Solutions	USD	146.82	16352	3.6	3.4	16.4	14.8
Temenos AG - REG	CHF	83.44	7107	7.7	6.8	16.5	13.9
Computershare LTD	AUD	24.49	9984	4.7	4.0	22.7	17.4
Peer group				**4.8**	**4.2**	**19.2**	**15.8**
Profile Software	**EUR**	**7.25**	**87.1**	**2.9**	**2.2**	**10.8**	**8.5**
(discount) vs peers' average				*-40%*	*-47%*	*-44%*	*-46%*

Source: Bloomberg, Pantelakis Securities estimates Prices as of 27 April 2022

On top, with Profile on the lookout for new deals, aiming to further optimise/leverage off its platform, a potential €5m acquisition (at 1.3x sales) would add €0.5/sh to TP, on our estimates. Following Login and Centevo deals footsteps, such a move will most definitely involve turning around an underperforming, up for grabs acquisition target with strong product offering. As is often the case, a software firm fails to reach its true sales potential, burdened also by heavy opex, leading to financial troubles.

What's more, a stronger RRF project-related revenue impetus and/or faster-than-expected organic business growth should further strengthen profitability (beyond our estimates).

With RRF €60m bonanza running its course in 2026e, acting in a proactive manner, we expect Profile to seek to fill-in this admittedly large earnings gap through a more sizeable acquisition this time. After all, sitting on a €29.1m net cash pile by then, on our estimates, leaves plenty of room for a step-change €10m deal.

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Potential near-term €5m acquisition (at 1.3x Price/Sales) could add €0.5/sh to Profile's fair value	
Price/sales (x)	**1.3**
Acquisition cost (€m)	**5.0**
Sales (€m)	3.9
EBITDA (€m), assuming profitability turnaround to 25% EBITDA margin	1.0
EV/EBITDA (x) target multiple	**11.0**
Implied EV (€m)	**10.7**
Minus: Acquisition cost	5.0
Net value accretion (€m)	**5.7**
Value accretion per share (€)	**0.5**

Source: Pantelakis Securities estimates

Assuming 1.3x price-to-sales and 25% EBITDA margin, such a move could add €1.9m to 2027e EBITDA, on €7.7m sales uplift, ie 17% EBITDA accretive. In all fairness, this new revenue source could *ceteris paribus* mitigate to a large extent the RRF hit on sales, driving FY27e EBITDA 10% y-o-y lower to €12.9m, compared to our base-line scenario which calls for a sharp 23% decline to €11m in the first post-RRF year.

Catalysts and risks to our estimates & rating

Bold-on acquisitions boost growth outlook: Without a doubt, the global FinTech spectrum shows a strong appetite for M&A activity, as key players seem eager to buy-out (promising, but often risky) start-ups, seeking to enter new markets and/or geographies, thus strengthening their growth outlook.

Back in 2017, Profile acquired ailing **French Login**, which contributes some €2m per annum to the top-line. In essence, Prolife paid just below 1.0x price to book, in a space of two years managed to turn Login to positive EBITDA after boosting its sales generation capacity and slashing staff costs.

It goes without saying that stronger than expected **RRF proceeds** should beef up 2023-26 group sales momentum, bolstering bottom-line growth. Our sensitivity analysis suggests that every €10m additional RRF revenue generation, vs our €60m baseline scenario, would lead to extra profitability (taxed and discounted back to present) of €1.6m, on average, adding >€0.1/sh to our fair value.

Thus, if Profile manages to meet its aspiring €100m target of RRF-driven revenue, this would strengthen earnings outlook beyond our estimates, adding another €0.5/sh to the fair value.

On macro level, a potential economic slowdown, could dent revenue outlook. On the other hand, we argue that Profile is not that exposed to a potential negative macro backdrop, as c70% of revenues are on a recurring mode. In addition, the vast size of the global software market implies a pretty solid, steady demand for Profile's product offering, thus providing adequate cushion for downturns.

Final point, **political instability and changes in the tax framework** of Greece should adversely affect Profile's growth outlook. Additionally, a sharp rise in wages amid inflationary pressures would most definitely dent earnings momentum, driving higher capex requirements.

Company overview

An international software vendor – founded in 1990, thanks to innovation and strategic acquisitions, Profile holds an award-winning product portfolio which focuses primarily on the Fin Tech domain, the Banking and Investment Management sector, including Risk and Treasury Management operations. In addition, it is a leading software firm in the Hellenic Public sector to deliver and deploy large scale projects for digital transformation with great success.

Profile is a leading international solutions provider for the Banking and Investment Management sector enjoying a growing footprint in Europe, Middle East, America, Asia and Africa. Being an innovative financial services provider for more than 30 years, Profile seems well positioned to ride the digital transformation of the financial industry

Profile generates 70% of its sales outside Greece - Europe accounts for 45% of total, Americas 14%, with the balance coming from MEA/APAC Middle East Africa and Asia Pacific.

In terms of product revenue mix, investment management, banking and treasury solutions contribute 20% to 30% each, with smaller contributions from risk management and public projects.

Key shareholder is founder Babis Stasinopoulos that holds a 44.5% stake in Profile, with Foreign institutional investors controlling 16.9%, Greek institutionals 9.5%, top-executives 14%, with the balance (15.2%) coming from local retail investors.

A word on product portfolio

Paramount to Profile's successful inroads in the FinTech industry is fast delivery times, ease of deployment and an agile approach. On top, Profile appears well placed to address new trends (eg Al, Robo advisory, PSD2) in an effort to add value to its clientele.

Boasting a 30 year-plus experience in developing its own banking and investment management platform, Profile seems to have gained knowledge of anticipating clients' needs, demonstrating its ability of delivering solutions in "fast-time-to-market" conditions – characterised by ease of product deployment.

Tellingly, current product portfolio involves sectors, namely Investment Management, Retail/Corporate Banking, Risk Management and Treasury Operations.

Again, we argue, that Profile's competitive edge rests with its cross-functional offering, tailored solutions via an agile operating framework, taking advantage of its relative strong international foothold as well, spanning from Scandinavia to Middle East, all the way to Asia.

Its key software solution for Investment Management, **Axia,** is a web-based, wealth management, but also Robo advisory and Custody omni-channel, MiFID II drawn asset/fund management platform. Besides on-premises deployment, Axia is also a cloud software solution having long-standing partnerships with Amazon and Microsoft.

Turning our attention to Risk Management, **RiskAvert** caters financial institutions needs to reconcile data, calculate/aggregate and report regulatory credit, operational, market and concentration risk. In addition, RiskAvert addresses XBRL requirements and IFRS 9 issues (ie assessing client's credit risk profile).

That being said, Profile announced on last month the expansion of RiskAvert capabilities through the introduction of NPE Prudential Backstop and the Interest Rate Risk in the Banking Book (IRRBB) modules.

And while the former should enable Financial Institutions to meet regulatory requirements for the calculation and reporting of minimum losses for NPEs, the latter supports the EU prudential Banking supervision and regulatory reporting requirements.

Initiated by Login (acquired in 2017) but fully invested and developed by Profile, **Acumen.plus** is the front-to-back-office Trading, Risk and Treasury proposition supporting all financial market transactions: money market trades, forex, securities, currency/asset swaps, equities, futures, commodities, OTC and exchange traded options, credit linked instruments. Though a stand-alone solution, Acumen.plus can integrate with any Core Banking system.

On the other hand, **FMS.next** is a comprehensive banking platform focusing on global financial institutions, FinTech start-ups, ie digital banks, alternative financing organisations, leasing firms, crowdfunding platforms etc.

Sold on a stand-alone basis, but also as a complementary to the banking platform, **FMS.next Payments** provides a secure environment for payment transactions, offering support to various networks such as users, payment and interbank channels.

H2 clean net profit soars 67% y-o-y to €1.8m spurred by a 47% sales jump, driving FY tally 82% higher to a €2.9m record-high

Strong second-half performance by Profile as clean net earnings (ex-goodwill impairments and stock option plan costs) surged 67% y-o-y to €1.8m (+2.6x at a reported level to €1.5m) courtesy of robust top-line growth. Gathering pace, H2 2021 revenues were up by a massive 47% y-o-y to €12.1m, compared to 17% growth recorded in the first-six months of the year.

Despite opex easing at 36.3% of sales (from 39.2% in 2H20), clean EBITDA advanced 17% y-o-y to €3.2m (vs +34% in H1) owing to a sharp gross margin deterioration: down >8pp to 49.1% linked to Centevo's (first-time) consolidation (€3m revenues/extremely low gross margin). Small wonder, H2 adjusted EBITDA margin shed 6.8pp y-o-y to 26.5% following a nearly 4pp increase in the first half.

Thanks to flattish depreciation and net financial expenses (on a combined basis), pre-tax profit jumped 83% y-o-y to €1.6m, compared to 2.7x spike to €1.2m in H1 2021.

In **FY terms**, group sales and EBITDA surged 34% and 30% y-o-y to €20.1m and €5.5m, respectively, while net earnings posted a 2.3x hike to €2.2m record-high levels, aided by €0.1m positive financial income (against €0.6m FX losses/charges a year ago) and a much lower effective tax rate (21% from 27.5% in FY20).

Adjusting for €0.2m stock options plan costs, 2021 EBITDA grew 24% y-o-y to €5.7m, with net earnings up 82% to €2.9m (from €1.6m a year before) also excluding a €0.5m impairment for Login and Centevo goodwill.

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Profile Software: FY/H2/H1 2021 results (31 December, €m)

	FY20	FY21	y-o-y	2H20	2H21	y-o-y	1H20	1H21	y-o-y
Revenues	**15.0**	**20.1**	***34%***	**8.2**	**12.1**	***47%***	**6.8**	**8.0**	***17%***
Gross profit	**8.1**	**10.0**	***24%***	**4.7**	**5.9**	***26%***	**3.4**	**4.1**	***20%***
Gross margin	53.9%	49.8%		57.4%	49.1%		49.7%	50.8%	
Other income/(expenses)	0.0	0.6		(0.3)	0.1		0.3	0.5	*38%*
Selling & distribution	(2.7)	(3.2)	*16%*	(1.4)	(1.7)	*27%*	(1.4)	(1.4)	*5%*
as a % of sales	18.1%	15.7%		16.8%	14.4%		19.7%	17.6%	
Staff costs	(1.6)	(2.1)	*32%*	(0.8)	(1.2)	*53%*	(0.8)	(1.0)	*13%*
as a % of sales	10.7%	10.6%		9.4%	9.8%		12.3%	11.8%	
R&D costs	(1.9)	(2.6)	*38%*	(1.1)	(1.5)	*37%*	0.8)	(1.2)	*41%*
as a % of sales	12.6%	13.0%		13.0%	12.0%		12.1%	14.5%	
Expenses - Total	**(6.2)**	**(7.9)**	***27%***	**(3.2)**	**(4.4)**	***36%***	**(3.0)**	**(3.5)**	***17%***
as a % of sales	41.4%	39.3%		39.2%	36.3%		44.1%	43.9%	
EBITDA	**4.3**	**5.5**	***30%***	**2.4**	**3.1**	***28%***	**1.9**	**2.4**	***28%***
EBITDA margin	28.4%	27.3%	*(1.2pp)*	29.3%	25.6%	*(3.8pp)*	27.3%	29.8%	*2.5pp*
EBITDA - Adjusted	**4.6**	**5.7**	***24%***	**2.7**	**3.2**	***17%***	**1.9**	**2.5**	***34%***
EBITDA margin - Adj.	30.6%	28.4%	*(2.2pp)*	33.3%	26.5%	*(6.8pp)*	27.3%	31.2%	*3.9%*
Depreciation	2.4	2.8	*18%*	1.2	1.4	*16%*	1.2	1.4	*19%*
EBIT	**1.9**	**2.7**	***41%***	**1.2**	**1.7**	***41%***	**0.7**	**1.0**	***42%***
EBIT margin	12.7%	13.4%		14.6%	13.9%		10.4%	12.6%	
Net financial	(0.6)	0.1		(0.3)	(0.1)	*-79%*	(0.3)	0.2	
EBT	**1.3**	**2.8**	***113%***	**0.9**	**1.6**	***83%***	**0.4**	**1.2**	***173%***
EBT margin	8.7%	13.4%		10.8%	13.4%		6.3%	14.6%	
Taxes	(0.4)	(0.6)	*63%*	(0.3)	(0.2)	*-47%*	(0.0)	(0.4)	
Tax rate	27.5%	21.0%		35.6%	10.3%		10.6%	35.9%	
Minorities	0.0	0.0		(0.0)	(0.0)		0.0	0.0	
Net Income	**1.0**	**2.2**	***131%***	**0.6**	**1.5**	***156%***	**0.4**	**0.9**	***95%***
Net margin	6.3%	11.0%		6.9%	12.0%		5.6%	10.8%	
Net Income - Adjusted	**1.6**	**2.9**	***82%***	**1.1**	**1.8**	***67%***	**0.5**	**1.1**	***116%***
Net margin - Adj.	10.6%	14.5%		13.4%	15.2%		7.3%	13.4%	

Source: Company data

Star performer Fin Tech solutions revenues soared 45% y-o-y to €16.5m (ex-Centevo contribution), while sales stemming from Public projects remained flat at €3.6m.

In turn, newly acquired Centevo generated €4.7m revenues in FY21 group top-line (consolidation effective as of 19 March), reporting €0.3m losses at the EBITDA line. Tellingly, 2021 organic business (ex-Centevo) EBITDA grew by a sound 48% y-o-y to €4.7m from €3.2m (making up 86% of group total) with the respective margin climbing to 38.5% (from 28.1% last year).

End-2021 net cash (including €0.6m leases liabilities) dropped 28% y-o-y to €8.1m (from €11.3m a year earlier), with €2.7m strong underlying OCF more than offset by a 2.6x capex spike to €6.4m. This, in turn, largely relates to Centevo's €3.2m net acquisition cost, ie adjusting for the latter's €0.8m cash position. In fact, Profile switched to €4.6m negative FCF to equity (normalised FCF €3.6m negative after adjusting for €3.2m S/T investments in securities, €2.3m investment gains and €0.1m grants) vs €0.1m positive at end-2020.

On the other hand, FY21 ROE reached 11.7% against 7.3% in the previous fiscal year, indicating asset-utilization efficiency gains – ROIC edged higher to 9.7% from 9.3% before.

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FY23e clean net income seen reaching to €4m, up 20% y-o-y compared to €3.4m this year and €2.9m in 2021

For 2022e, we expect revenues to maintain a high double-digit growth rate, rising 30% y-o-y to €26.1m, courtesy of a stellar 87% increase to €5.8m in Public sector projects, owing also to a good organic operations (ex-Centevo) sales acceleration, up 10% to €13.6m (vs +4% last year). In turn, we see Centevo bringing in €6.7m of sales this year, against €4.7m in FY21, during its first full-year consolidation. As such, organic business should account for 52% of total revenues, Centevo 26%, with the remaining balance coming from the Public sector (22%).

With that in mind, 2022 started on the right foot as first quarter sales surged 90% y-o-y to almost €5m, benefiting largely from the full-blown consolidation effect of Centevo. On a full comparable basis, ie excluding Centevo €1.5m contribution (vs zero a year ago), Q1 sales were up by a sound 32% y-o-y to c€3.5m, beefing up our confidence for robust FY top-line growth.

With opex edging higher at 41.2% of sales from 39.3% a year ago (+36% y-o-y to €10.8m), we forecast FY22e adjusted EBITDA to expand by 22% y-o-y to €7m, largely driven by Centevo's €0.9m positive contribution (vs <€0.1m loss in 2021), underpinned also by a 85% jump in Greek state's projects to €1.5m from a low base though. On the flip side, organic (ex-Centevo) EBITDA are seen falling 9% y-o-y to €4.3m (from €4.7m in the year before), penalised by start-up costs, now representing 64% of group total vs 86% in FY21.

At the bottom-line, we forecast adjusted net income to expand by 15% y-o-y to €3.4m, held back by €0.2m net financial expenses (against €0.1m income last year) and a higher effective tax-rate (ie 24% vs 21% in 2021).

Unmistakably, the focal point of FY23 is the first-time inclusion of RRF-related revenues (€3.5m on our expectations), which should bolster Public sector sales to €9.8m, suggesting an impressive 69% y-o-y growth, making up 30% of total (way above 15% in 2021). Tellingly, we expect a total of €60m such RRF-driven revenues over 2023-26e, ie €11.4m in 2024e, €15.6m in 2025e and €23m in 2026e (final year), compared to Profile's aspiring €100m

Moreover, we look for FY23e growth of 10% y-o-y in Centevo to €7.4m, with the organic business maintaining a solid momentum (+10% to €15m). In this context, we see FY revenues rising at a high double-digit rate, up 23% y-o-y to €32.2m, on our estimates.

Aided also by efficiency improvements, ie opex easing at 40.4% of sales (down 0.8pp y-o-y), we forecast adjusted EBITDA advancing 19% €8.3m next year, thanks mostly to the first-ever €0.8m-plus RRF boost, owing also to organic business (ex-Centevo) switching to positive growth, up 4% to €4.5m. In fact, we see overall Greek state/RRF projects EBITDA jumping 62% y-o-y to €2.5m, generating almost 30% of total.

Further, we expect clean net income up by a sound 20% y-o-y to €4m, implying a 2.5x hike compared to €1.6m recorded back in 2020, with the operating leverage working its magic.

Profile Software: 2020-27e P&L (31 December, €m)

	FY:20	FY:21	FY:22e	FY:23e	FY:24e	FY:25e	FY:26e	FY:27e
Organic (ex-Centevo)	**11.8**	**12.3**	**13.6**	**15.0**	**17.1**	**18.9**	**20.8**	**22.7**
y-o-y		4%	10%	10%	14%	11%	10%	9%
% of total	79%	61%	52%	47%	39%	38%	37%	55%
Centevo	**-**	**4.7**	**6.7**	**7.4**	**8.0**	**8.7**	**9.3**	**10.0**
y-o-y			43%	10%	9%	8.5%	7.0%	6.7%
% of total		23%	26%	23%	19%	17%	16%	24%
Public sector projects & RRF	**3.2**	**3.1**	**5.8**	**9.8**	**18.3**	**22.6**	**26.4**	**9.0**
y-o-y		-3%	87%	69%	87%	23%	17%	-66%
% of total	21%	15%	22%	30%	42%	45%	47%	22%
Total revenues	**15.0**	**20.1**	**26.1**	**32.2**	**43.4**	**50.3**	**56.6**	**41.7**
y-o-y		38%	30%	23%	35%	16%	13%	-26%
Other income/(expenses)	0.0	0.6	0.0	0.0	0.1	0.1	0.2	0.0
Selling & distribution costs	(2.7)	(3.2)	(4.6)	(5.6)	(7.2)	(8.1)	(9.1)	(6.7)
as a % of sales	18.1%	15.7%	17.6%	17.3%	16.7%	16.2%	16.0%	16.1%
Staff costs	(1.6)	(2.1)	(2.9)	(3.4)	(4.4)	(5.0)	(5.6)	(4.2)
as a % of sales	10.7%	10.6%	11.0%	10.7%	10.2%	10.0%	9.9%	10.0%
R&D costs	(1.9)	(2.6)	(3.3)	(4.0)	(5.0)	(5.7)	(6.2)	(4.6)
as a % of sales	12.6%	13.0%	12.6%	12.4%	11.6%	11.3%	11.0%	11.1%
Expenses - Total	**(6.2)**	**(7.9)**	**(10.8)**	**(13.0)**	**(16.7)**	**(18.8)**	**(20.9)**	**(15.5)**
y-o-y	5%	27%	36%	21%	29%	13%	11%	-26%
as a % of sales	41.4%	39.3%	41.2%	40.4%	38.5%	37.5%	36.9%	37.2%
EBITDA	**4.3**	**5.5**	**6.8**	**8.3**	**11.0**	**12.9**	**14.3**	**11.0**
y-o-y		30%	24%	22%	34%	16%	12%	-23%
EBITDA margin	28.4%	27.3%	26.0%	25.7%	25.5%	25.6%	25.4%	26.4%
Organic (ex-Centevo)	**3.2**	**4.7**	**4.3**	**4.5**	**4.7**	**5.2**	**5.6**	**6.3**
EBITDA margin	28.1%	38.5%	31.8%	29.9%	27.8%	27.4%	26.7%	27.7%
y-o-y		48%	-9%	4%	6%	9%	8%	13%
% of total	74.9%	86.4%	63.9%	54.3%	42.9%	40.3%	38.8%	57.2%
Centevo	**-**	**(0.1)**	**0.9**	**1.3**	**1.7**	**2.1**	**2.3**	**2.5**
EBITDA margin		-1.4%	14.0%	18.0%	21.6%	24.6%	25.0%	25.0%
y-o-y				41%	31%	24%	9%	7%
% of total		-1.2%	13.8%	16.1%	15.7%	16.7%	16.3%	22.6%
Public sector projects & RRF	**1.1**	**0.8**	**1.5**	**2.5**	**4.6**	**5.5**	**6.4**	**2.2**
EBITDA margin	34.4%	26.3%	26.0%	25.0%	25.0%	24.5%	24.4%	24.7%
y-o-y		-26%	85%	62%	87%	21%	16%	-65%
% of total	25.7%	14.9%	22.7%	29.7%	41.4%	43.0%	44.9%	20.2%
EBITDA - Adjusted	**4.6**	**5.7**	**7.0**	**8.3**	**11.0**	**12.9**	**14.3**	**11.0**
y-o-y	6%	24%	22%	19%	33%	16%	12%	-23%
EBITDA margin	30.6%	28.4%	26.7%	25.9%	25.5%	25.6%	25.4%	26.4%
Depreciation	2.4	2.8	3.2	3.5	3.6	3.6	3.5	3.4
EBIT	**1.9**	**2.7**	**3.6**	**4.8**	**7.5**	**9.3**	**10.8**	**7.6**
y-o-y	-8%	41%	33%	33%	57%	24%	17%	-30%
EBIT margin	12.7%	13.4%	13.7%	14.8%	17.3%	18.4%	19.2%	18.2%
Net financial expenses/(income)	(0.6)	0.1	(0.2)	(0.2)	(0.1)	(0.1)	(0.0)	0.0
EBT	**1.3**	**2.8**	**3.4**	**4.6**	**7.3**	**9.2**	**10.8**	**7.6**
y-o-y	-46%	113%	21%	36%	60%	25%	18%	-29%
EBT margin	8.7%	13.9%	13.0%	14.3%	16.9%	18.2%	19.1%	18.3%
EBT - Adjusted	**1.9**	**3.5**	**4.2**	**5.1**	**7.7**	**9.2**	**10.8**	**7.6**
y-o-y		83%	19%	23%	50%	19%	18%	-29%
EBT Adjusted margin	12.7%	17.4%	16.0%	15.9%	17.7%	18.2%	19.1%	18.3%
Taxes	(0.4)	(0.6)	(0.8)	(1.1)	(1.8)	(2.0)	(2.4)	(1.7)
Tax rate	27.5%	21.0%	24.0%	24.0%	24.0%	22.0%	22.0%	22.0%
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	**1.0**	**2.2**	**2.6**	**3.5**	**5.6**	**7.2**	**8.4**	**5.9**
y-o-y		131%	17%	36%	60%	28%	18%	-29%
Net margin	6.3%	11.0%	9.9%	10.8%	12.9%	14.2%	14.9%	14.3%
Adjusted net income	**1.6**	**2.9**	**3.4**	**4.0**	**5.9**	**7.2**	**8.4**	**5.9**
y-o-y		82%	15%	20%	47%	20%	18%	-29%
Net margin	10.6%	14.5%	12.8%	12.5%	13.7%	14.2%	14.9%	14.3%

Source: Company data/Pantelakis Securities estimates

Profile Software: 2020-27e Balance Sheet (31 December, €m)

	FY:20	FY:21	FY:22e	FY:23e	FY:24e	FY:25e	FY:26e	FY:27e
Gross Property, Plant & Equipment	9.8	10.0	12.4	15.7	18.7	22.1	25.9	29.1
Less Accumulated Depreciation	4.6	5.1	8.3	11.8	15.4	19.0	22.5	25.9
Net PP&E	**5.2**	**4.9**	**4.1**	**3.9**	**3.3**	**3.1**	**3.4**	**3.2**
Goodwill	1.2	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Intangibles	5.3	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Participations/Other Long-Term Rec.	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8
Total L/T Assets	**12.3**	**16.8**	**16.1**	**15.9**	**15.3**	**15.2**	**15.4**	**15.3**
Current Assets:								
Inventories	0.1	0.1	0.2	0.2	0.3	0.4	0.4	0.3
Trade Debtors	3.7	5.0	6.4	8.0	10.8	12.7	14.4	10.7
Other	5.2	5.9	6.1	4.6	6.1	7.2	8.1	6.0
Cash & equivalents	16.0	15.6	18.9	23.3	26.6	30.4	34.8	38.5
Total Current Assets	**25.0**	**26.6**	**31.6**	**36.1**	**43.9**	**50.7**	**57.7**	**55.6**
TOTAL ASSETS	**37.3**	**43.4**	**47.8**	**52.0**	**59.2**	**65.8**	**73.1**	**70.9**
Share Capital	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Share Premium	2.3	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Reserves & Retained Earnings	14.3	17.1	18.8	21.3	25.7	30.9	36.8	39.9
Treasury stock	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Shareholders' Funds	22.1	25.1	26.8	29.3	33.7	38.8	44.8	47.9
Minority interests	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Ordinary Shareholder's Equity	**21.9**	**24.9**	**26.7**	**29.2**	**33.6**	**38.8**	**44.7**	**47.8**
Long-Term Liabilities:								
Bank Loans	2.0	3.2	3.1	2.9	2.8	2.6	2.5	2.4
Long Term Lease Liability	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Retirement & termination benefit obligations	1.2	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Grants	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other Long-Term Liabilities	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Deferred Tax Liabilities	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-Term Liabilities	**4.6**	**5.3**	**5.2**	**5.0**	**4.9**	**4.7**	**4.6**	**4.5**
Current Liabilities:								
Bank Loans & L-T Loans payable in next FY	2.1	3.7	3.6	3.5	3.1	2.8	2.5	2.3
Short Term Lease Liability	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Trade Creditors	1.5	2.1	2.7	3.2	4.1	4.6	5.1	3.8
Other payables	5.3	5.3	7.5	9.0	11.4	12.8	14.2	10.5
Taxes & Social Sec. Contributions	1.2	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Income tax payable	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Current Liabilities	**10.7**	**13.2**	**15.9**	**17.8**	**20.8**	**22.3**	**23.8**	**18.6**
TOTAL EQUITY & LIABILITIES	**37.3**	**43.4**	**47.8**	**52.0**	**59.2**	**65.8**	**73.1**	**70.9**

Source: Company data/Pantelakis Securities estimates

Owing to upbeat EPS momentum, WC improvements and reduced capex requirements, we expect FCF to equity to switch to €4.2m positive in 2022e (from €4.6m negative last year), on our projections, further up to €4.7m the following year.

In turn, we expect capex to settle at €2.5m this year, before edging higher to €3.2m in 2023e (assuming no acquisitions), down from €6.4m (largely Centevo-driven) a year before. Within this framework, we see net cash (including €0.7m lease liabilities) to €11.5m this year, compared to €8.1m in FY21, maintaining a strong uptrend to €16.3m in 2023e.

Lastly, we pencil-in a DPS of €0.08 and €0.10 for 2022-23e, respectively, implying dividend yields of 1.1% and 1.4% vs current levels – assuming 35.2/37.7% payout ratio.

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Disclosure appendix

Analyst Certification

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Important disclosures

Stock ratings and basis for financial analysis

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