INITIATION OF COVERAGE

PROFILE SOFTWARE

Reprofiling for top line acceleration

Leading international financial software provider and institutional sector platform developer, c60% recurring base, €130m backlog – Profile (PROF) is a leading Greek financial software company with a broad portfolio of solutions (spanning the entire value chain of the financial sector) and strong international presence (>54% of sales), while also engaging in projects for Greek state and Large organizations (LSS). The business model is characterized by a c60% recurring revenue base thanks to the long-term nature of active contracts and >95% client retention rates, further underpinned by a formidable c€130m backlog (effectively secured revenues for the next 3 years).

Benefiting from secular fintech tailwinds, exposure to the Greek digitization theme – Recent publications from consultancies and research firms all indicate elevated levels of IT spending for SaaS transition within the financial sector. Profile seems quite well-positioned to capitalize on the growing demand for SaaS, having completed an extended investment cycle of updates for its solutions portfolio and given its strong potential for upselling to clients. We highlight Profile's recent launch of a cross-compatible AI add-in for financial solutions as a solid indicator of effective R&D which further expands growth avenues. We expect organic growth in financial solutions to be complemented by inflows from Greek public sector projects, which we estimate will contribute c€120-130m in total over 2024-28, underpinned by the solid backlog and RRF execution.

Profitability to more than double through 2026e – Group top line was rebased to €30.1m in 2023 (from <€20m pre-2021) thanks to mgt's focus on organic acceleration (software contract base expansion, optimized pricing) post the Centevo acquisition and inflows from Greek public tenders. Looking ahead, we envisage c21% revenue CAGR over 2024-27e, as Profile continues to benefit from the SaaS transition (multitenancy of cloud-native applications, multiple clients served through a single platform) and the boost from EU-funded projects. We expect this to lead to c28% EBITDA CAGR through 2027e on higher margins (to c28-30% by 2026-27e), thanks to operating leverage, SaaS-related margin benefits, and efficiencies.

Solid cash generation provides optionality for capital deployment – The business is effectively self-financed thanks to the high recurring revenue base and healthy margins, which allow PROF to maintain consistent levels of R&D while building war-chest for potential M&A (with mgt eyeing target companies with €30-50m revenues). The solid financial position (€6.1m net cash in 2023) offers optionality in capital deployment for PROF to either pursue acquisitions, reinvest in the business or reward shareholders.

Valuation – Despite surging 50% in 2023 and 20% ytd, the stock remains attractively valued at <10x 1-yr fwd EV/EBITDA, at >45% discount vs. the EU IT sector. We base our valuation on a blended methodology (DCF at 8.9% WACC and M&A-based component) yielding a PT of €6.5. This would place PROF at <13x 1yr fwd EV/EBITDA, conservatively still at a 15-30% discount vs. pure play GR software peer Entersoft and the EU IT sector respectively. We thus initiate coverage with a Buy, with PROF offering exposure to the long-term theme of digitization and near-term tailwind of RRF execution.

Estimates					
EUR mn	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Revenues	25.0	30.1	41.6	51.4	60.2
EBITDA	6.2	7.3	10.6	13.8	17.0
Net profit	3.3	3.9	5.9	7.8	10.4
Adj. EPS (EUR)	0.13	0.16	0.24	0.32	0.42
Adj. DPS (EUR)	0.04	0.04	0.07	0.10	0.13
Valuation					
Year to end December	**2022**	**2023**	**2024e**	**2025e**	**2026e**
P/E	23.6x	24.0x	21.1x	16.1x	12.1x
EV/EBITDA	11.5x	12.0x	10.8x	7.8x	5.9x
EBIT/Interest expense	12.7x	22.5x	17.1x	26.4x	50.7x
Dividend Yield	1.3%	1.2%	1.4%	1.9%	2.5%
ROE	11.7%	12.0%	16.3%	18.5%	21.0%

Source: Eurobank Equities Research

Recommendation	**BUY**
Prior Recommendation	**NA**
Target Price	**€ 6.50**
Prior Target Price	**NA**
Closing Price (10/05)	€5.10
Market Cap (mn)	€125.4
Expected Return	27.5%
Expected Dividend	1.4%
Expected Total Return	28.9%

Stock Data

Reuters RIC	PRFr.AT
Bloomberg Code	PROF GA
52 Week High (adj.)	€5.10
52 Week Low (adj.)	€3.28
Abs. performance (1m)	24.7%
Abs. performance (YTD)	20.0%
Number of shares	24.6mn
Avg Daily Trading Volume (qrt)	€307k
Est. 3yr EPS CAGR	39.2%
Free Float	53%

Profile Share Price

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See Appendix for Analyst Certification and important disclosures.

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Investment Summary

Profile is a leading Greek financial software company with a broad portfolio of proprietary financial solutions and additional activities in large-scale Greek public sector projects. The group's financial solutions encompass applications for front and back-office operations, including wealth & investment management, banking, risk management and treasury operations. The business model is characterized by a c60% recurring revenue base thanks to the long-term nature of active contracts and >95% client retention rates, further underpinned by a formidable c€130m backlog (effectively secured revenues for the next 3 years).

Digitization/outsourcing to underpin high single digit IT spending growth by financial institutions through 2026e…

Globally, financial institutions and investment firms are undergoing a transition to SaaS-based solutions to enhance flexibility and scalability. Recent reports from WealthBriefing, IDC, and McKinsey all indicate elevated levels of IT spending across the financial sector in the coming years, with consensus pointing to front office operations as the key investment area across the industry. Profile's continuous investment to keep its solutions portfolio up to date positions it favorably to capitalize on the growing demand associated with the SaaS transition**. We highlight that Profile recently launched an AI add-in compatible across its financial solution offering, being among the first financial software developers to offer products with embedded AI capabilities, thus being well placed to capitalize on the significant – and largely untapped – growth avenues this segment presents.** Its solid client base also presents additional opportunities for value generation through upselling solutions with improved terms to existing clients.

Well-rounded financial software approach, comprising wealthtech and digital/core banking

Profile boasts a well-rounded portfolio of software solutions for wealth managers and financial institutions, allowing for a holistic approach to the market. Its wealth management offering has consistently been recognized by industry reports and clients in terms of functionality, automation capabilities and client service. The company also boasts an award-winning digital banking solution, enabling financial institutions of all sizes to deliver personalized products and services and enhance user experience across channels. Profile's core banking solution has provided financial institutions with a strong foundation through the years, allowing for sufficient flexibility and scalability to accommodate client needs and online transactions, catering to the growing demand for a seamless digital experience. Overall, by combining its leadership in Financial Software Solutions with cutting-edge AI, Profile Software offers a comprehensive and future-oriented software portfolio. This positions it well to capitalize on the rising demand for SaaS solutions in the financial sector, particularly for front-office operations.

Near-term prospects also bolstered by RRF projects

RRF/ESPA inflows for Greek public sector digitization have created a significant pipeline of projects to be executed by domestic IT firms. **In Profile's case, we expect c€120-130m for such projects to be carried out over a 4-year horizon, stemming both from existing contracts and new tenders to be announced, thus bolstering group numbers, and acting as an additional tailwind to the broad digitization theme.** Our projections for successful bids going forward correspond to c6% of the c€1.1bn in remaining RRF finances to be released by 2026, which is by no means aggressive in our view.

Revenue CAGR 21% over 2024-27e; RRF boost likely to drive long-term digitization push, besides the near-term boost relating to specific projects

Profile delivered c29% top line CAGR over 2021-22 followed by another 20% growth in 2023, with the revenue base reset at €30m, namely 2x the respective 2020 level. Public projects in 2023 more than tripled vs. the 2020 level, settling at c€9m in 2023. As for financial solutions, recent top line growth has been bolstered by elevated demand for SaaS-based platforms among banks and investment firms and improved pricing/mix from the optimization of the Centevo product suite. Concerning the latter's acquisition in 2021, we estimate it generated an inorganic revenue add-on of €6.2m during 2021-22. Looking ahead, we anticipate c21% group revenue CAGR over 2024-27e, effectively forecasting Profile to continue benefiting from demand tailwinds from the SaaS transition of the financial sector, with group results further enhanced by the temporary boost from digital-enablement public projects financed through the RRF. **The latter is likely to have a more long-term effect, though, given the digitization push ought to naturally create the need for ongoing maintenance, post the RRF horizon. We**

underline that our estimates entail upside risk as they do not incorporate potential M&A activity ahead.

EBITDA CAGR c28% through to 2027e; ROIC to exceed 30% post 2025e on our numbers

Management focus in recent years appears to have shifted towards growing the top line by leveraging Profile's >15 years of public sector experience to capitalize on public tenders in Greece. The ensuing step-up in public project execution has naturally resulted in a dilutive effect on margins since 2021, given these projects bear a lower margin compared to the group's financial solutions offering. Indicatively group EBITDA margin hovered near 27-28% over 2019-21 but de-escalated to c24-25% in 2022-23 as public projects gained traction. Going forward, we embed modest margin accretion, projecting EBITDA margins to expand to 28-30% by 2026-27e, anticipating the negative mix effect from public projects to be offset by: 1) scale benefits in financial solutions (i.e. multitenancy of cloud-native applications, multiple clients served through a single platform), 2) SaaS transition facilitating updates/upselling and mitigating hardware needs, 3) subsiding wage inflation in the software developer market. Profile's margins corresponded to a high-teens ROIC (post tax) in 2022-23, which we see rising to >30% in the coming years as profitability accelerates.

Solid balance sheet allows for optionality in capital deployment

Thanks to the robust c60% recurring revenue base and solid profitability margins, the model looks self-funded, allowing Profile to sustain current levels of R&D while also building up war-chest to seize potential M&A opportunities. Looking back, the group was on net cash of c€8.7m in 2021, ending 2023 with a net financial position of €6.1m in spite of elevated capex deployment for software development and adverse working capital phasing (e.g. receivables related to public sector projects). Although our model does not account for future M&A activity, Profile's strong balance sheet provides the company with enough leeway to finance potential acquisitions ahead. If a deal were to materialize, our understanding is that target companies would be quite sizeable, namely with a €30-50m revenue base, thus offering scope for value crystallization (e.g. through synergies) depending on the price tag. In case of no M&A, the group could alternatively deploy capital to either reinvest in the business or reward shareholders in a more generous way than our numbers envisage.

Valuation looks compelling

Despite a +50% performance in 2023 and c20% ytd, the stock has not re-rated materially considering: 1) the rally has been accompanied by robust c19% annual EBITDA growth over 2021-23, 2) the stock was starting off a low price base given the weak performance across IT in 2022 in the face of tightening monetary policy settings. As a result, Profile is still trading at <10x 1-yr fwd EV/EBITDA, a >30% discount to pure play Greek-listed IT companies (and more in line with platform developers) and still at a >45% discount vs. the EU IT sector. Although in our view a relative discount to foreign peers seems justified given mix considerations (rising contribution in the short-term of Greek RRF projects, which have a non-recurring component), we believe that the projected top line growth from the c€130m accumulated backlog, the group's strong position in Financial solutions coupled with untapped opportunities from AI integration, and the optionality for future capital deployment as cash generation accelerates, have not been fully imprinted on the price. We base our valuation of Profile on a blended methodology (DCF at 8.9% WACC and M&A-based component) coming up with a baseline value of €6.5 per share. This effectively values the group at <13x 1yr fwd EV/EBITDA, still at a 15-30% discount vs. pure play Greek software peer Entersoft and the EU IT sector respectively. We thus initiate coverage with a Buy, with Profile offering exposure to the long-term theme of digitization and near-term tailwind of RRF execution.

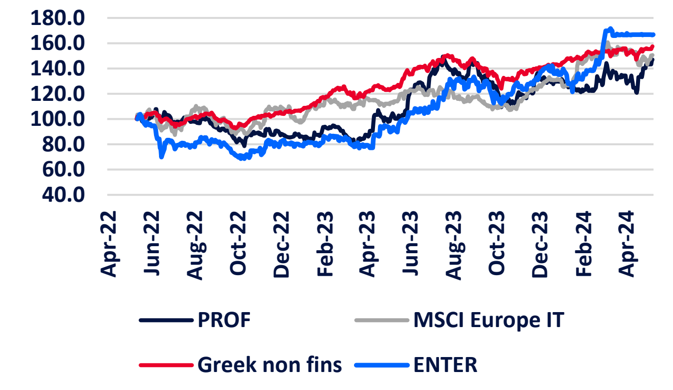
Share price performance and valuation

A. Price performance

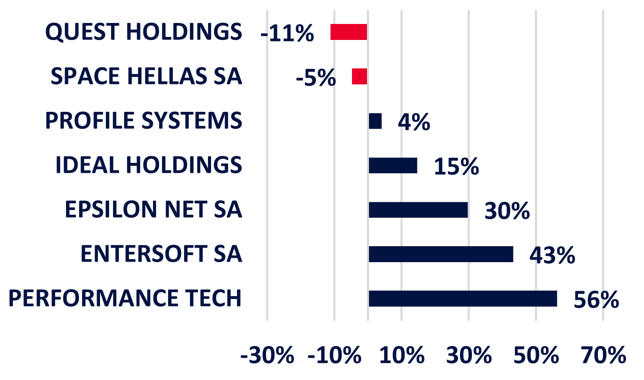
Significant gains on a 2-year basis, albeit with the stock just a tad higher than its previous peak in July 2023

PROF has posted a strong performance in the past 2 years, moving in broad tandem with the EU software sector. That said, we note that the stock had a lukewarm performance between mid-2023 and April 2024. As such, despite regaining strong momentum in recent weeks, PROF remains little-changed vs its previous peak registered in July 2023 (just 3% higher), notwithstanding the positive profit momentum and prospects for the broad Greek IT sector. Interestingly, over the same time period other IT stocks have enjoyed 2-digit returns, with Entersoft and Epsilon Net standing out among the top performers, further bolstered by M&A activity (bid by Olympia Group for the former at c16x 1yr fwd EV/EBITDA; bid by General Atlantic/NBG for the latter at 21.5x trailing EV/EBITDA).

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



Greek-listed IT firms, total return since July 2023

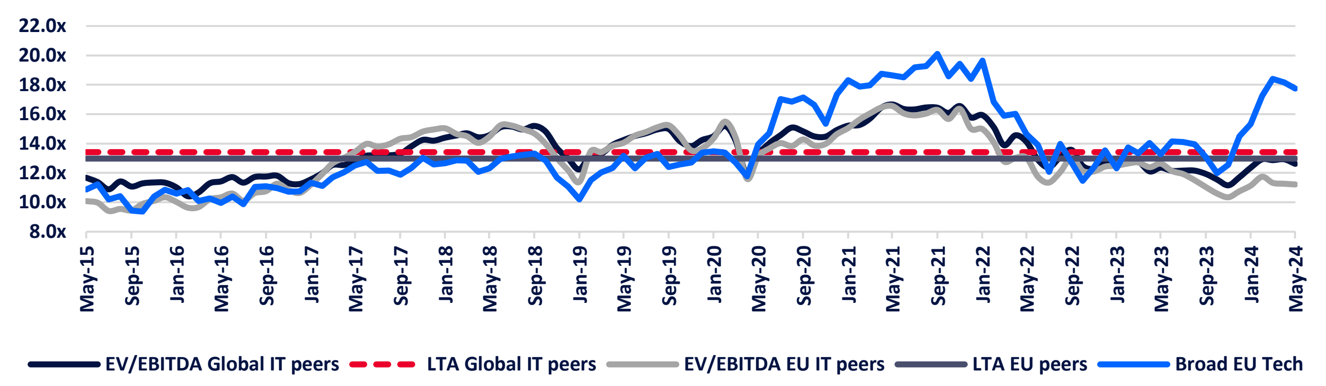


Source: Eurobank Equities Research, Bloomberg.

Sector valuation at c13-13.5x EV/EBITDA in the long-term

From a valuation perspective, we have looked at the track record of companies with some degree of product affinity, namely financial software. In particular, we have examined the valuation history of payment processors (FIS/Fiserv), IT services companies (Tietoevry, Sword), data analytics (Wolters Kluwer), EM heritage vendors (e.g. Infosys) etc. Overall, the particular peer group has historically traded at an average of c13x EV/EBITDA over the past decade, with European names being valued at just a small discount. Since the tightening of monetary policy settings, peers' valuation has retreated to the low teens, as displayed in the chart below. By comparison, the long-term valuation of the broad MSCI EU technology gauge has been near c13.5x EV/EBITDA, with the sector currently trading at c17.8x.

12m forward EV/EBITDA valuation – Software peers



Source: Eurobank Equities Research, Bloomberg.

The stock is currently at excessive discount vs peers

The following table lays out in detail some of the valuation metrics of the broad peer group contrasting those against Profile's valuation metrics. As can be seen, the stock seems to be trading at an excessive discount vs its peers while enjoying one of the strongest balance sheets.

Peer group valuation

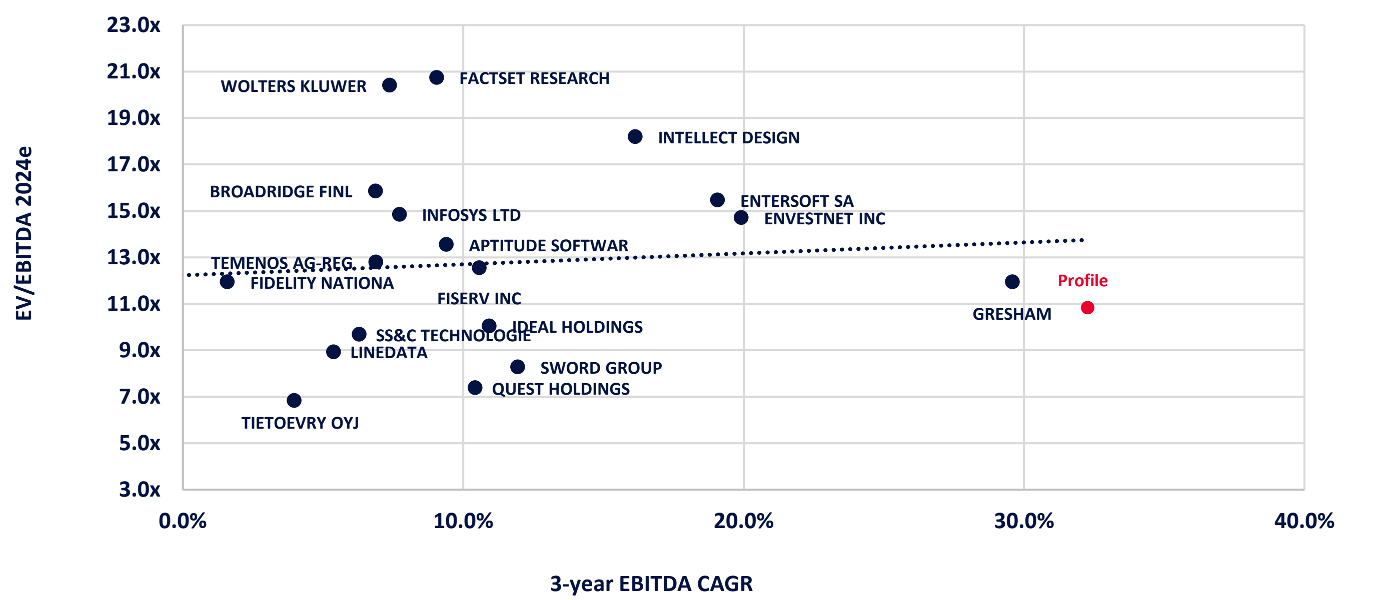
Stock	Mkt Cap	PE 24cy	PE 25cy	EV/EBITDA 24cy	EV/EBITDA 25cy	Dividend yield 24cy	Dividend yield 25cy	Net debt/EBITDA 1fy
TEMENOS AG-REG	4,188	17.7x	16.0x	12.8x	11.5x	2%	2%	1.2x
TIETOEVRY OYJ	2,205	9.0x	8.2x	6.8x	6.5x	8%	8%	1.9x
LINEDATA SERVICE	404	15.0x	14.0x	8.9x	8.7x	2%	2%	1.0x
WOLTERS KLUWER	36,519	30.2x	27.4x	20.4x	18.9x	2%	2%	1.5x
APTITUDE SOFTWAR	204	21.3x	18.8x	13.6x	12.1x	2%	2%	0.5x
GRESHAM TECHNOLO	158	23.1x	13.5x	11.9x	8.1x	0%	0%	-0.7x
SWORD GROUP	340	14.2x	12.1x	8.3x	7.4x	5%	5%	-0.3x
European peers		**17.7x**	**14.0x**	**11.9x**	**8.7x**	**2%**	**2%**	**1.0x**
SS&C TECHNOLOGIE	14,450	12.3x	11.2x	9.7x	9.1x	2%	2%	2.7x
FISERV INC	83,736	17.7x	15.3x	12.6x	11.4x	0%	0%	2.4x
FIDELITY NATIONA	38,529	14.8x	13.5x	11.9x	10.8x	2%	2%	2.7x
FACTSET RESEARCH	15,534	27.4x	25.0x	20.7x	19.3x	1%	1%	1.1x
ENVESTNET INC	3,444	25.2x	21.9x	14.7x	12.7x			2.1x
BROADRIDGE FINL	21,461	23.0x	20.9x	15.9x	15.0x	2%	2%	1.8x
COMPUTERSHARE LT	9,761	14.6x	14.1x	10.0x	10.0x	4%	4%	0.3x
INFOSYS LTD	65,693	22.5x	20.1x	14.9x	13.5x	3%	4%	0.4x
INTELLECT DESIGN	1,330	26.9x	21.8x	18.2x	15.1x	0%	1%	-1.7x
Global peers		**22.5x**	**20.1x**	**14.7x**	**12.7x**	**2%**	**2%**	**1.8x**
ENTERSOFT SA	236	26.2x	21.8x	15.5x	13.0x	2%	3%	-0.3x
Profile		**21.1x**	**16.1x**	**10.8x**	**7.8x**	**1%**	**2%**	**-1.2x**

Source: Eurobank Equities Research, Bloomberg.

Compelling relative valuation on earnings growth-adjusted metrics

Given that the range of valuation multiples may also reflect differences in companies' growth profile, we have also examined the current valuation of the broad peer group in conjunction with the 3-year profit outlook (incorporating only organic growth for Profile). As can be seen, Profile's valuation looks quite compelling taking into account it also enjoys one of the strongest growth profiles among software peers.

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



Source: Eurobank Equities Research, Bloomberg.

B. Precedent transaction multiples

Precedent transactions in the software space indicate valuations near 13.5x LTM EV/EBITDA on average

Given intense M&A activity in the broad software space in the last few years, underpinned by the sector's critical role in enabling digital transformation across various industries, we have also examined the valuation embedded in precedent transactions. This approach is not just about benchmarking but rather seeks to gauge the inherent value attributed by informed buyers under real market conditions. For software companies, this is particularly important due to the sector's unique dynamics—such as rapid innovation, scalability, and the intangible nature of its assets. These factors can significantly influence a company's value and are often reflected in the premia paid in past transactions.

In the table below, we display the valuation implicit in several deals since 2015. The range is rather wide, with richer purchase prices normally associated with the target company providing access to innovative technology, enjoying a strong client base, or offering scope for significant synergies with the acquirer. Overall, the median valuation stands near 13.5x EV/EBITDA.

Precedent transactions in the software space

Date	Acquirer/bidder	Target company	LTM EV/EBITDA
2024	General Atlantic/NBG	Epsilon Net	21.5x
2024	Olympia Group	Entersoft	19.2x
2021	Netcompany	Intrasoft	13.0x
2019	Kiwi Holdco CayCo Ltd	GBST Holdings Ltd	13.1x
2018	SS&C Technologies	Intralinks Holdings	11.4x
2018	State Street Technologies	Charles River	17.4x
2018	SS&C Technologies	Eze Software	13.8x
2018	ION Investment Grow	Fidessa	31.9x
2018	SS&C Technologies	DST Systems Inc	14.5x
2018	Winnipeg Participations SASU	Harvest SA	25.9x
2018	Quarantacinque SpA	CAD IT SpA	3.4x
2017	Vista Equity Partners	D+H	10.7x
2017	Temenos	Rubik Financial Ltd	14.9x
2015	FIS	SunGard	11.9x
2015	D+H	Fundtech	3.6x
2015	Envestnet Inc	Yodlee Inc	8.8x
	Median		**13.5x**

Source: Eurobank Equities Research, Press reports.

C. Valuation

Blended valuation methodology indicates very positive risk-reward skew

We base our valuation on Profile on a blended methodology, based on a combination of the following: 1) a 67% weighting to a DCF at 8.9% WACC, and 2) a 33% weighting on an M&A-based component, implied by prior deal activity in the sector (assuming modest size-related discount to the valuation embedded in precedent transactions). This is summarized in the table below:

Valuation

EURm unless otherwise stated		Weight	Comment
DCF	€6.3	67%	8.9% WACC
M&A valuation	€7.0	33%	12.5x 2025e EV/EBITDA
Blended valuation	**€6.5**		
Current price	€5.1		
Upside	28%		
Dividend yield	1%		
Total return	**29%**		

Source: Eurobank Equities Research

In particular, as far as our DCF is concerned, this is meant to capture the expected high earnings growth in the coming years, given the secular tailwinds for the industry and the rich backlog related to RRF projects, as well as the long-term earnings potential of the business on a normalized basis, namely after the RRF tailwind wanes.

Our base case DCF yields a 12-month baseline price of €6.3 per share. This is predicated on the following assumptions:

- Sales CAGR of c21% over 2024-27e, driven by the digitization push and RRF project execution; we assume non-public revenue growth of 8-11% in the medium-term, namely post the RRF impulse.
- Reported EBITDA CAGR of c28% over 2024-27e, driven by the robust top line growth, implying >5pps margin expansion vs 2023 levels on positive operating leverage (especially as cloud is set to be margin-accretive). We assume a modest EBITDA debasement post 2028, c15% lower vs. peak 2028e levels, as RRF projects get exhausted. That said, we assume that the IT demand up-cycle related to the public sector will continue to bring recurring revenues (especially as projects financed by EU structural funds are recurring in nature), thus resulting in Profile retaining >40% of its peak public project EBITDA over 2029-2030.
- We assume that medium-term EBITDA margins settle in the 30-31% area, higher than the pre-2022 era thanks to the positive pendulum of operating leverage. This would be in sync with the median EU software margin by 2026e.
- We use medium term FCF conversion (FCF/EBITDA) assumption of >60%, a level we consider feasible given the nature of the industry. We also assume a long-term growth rate of 1% coupled with incremental returns in perpetuity in the mid-teens.
- 8.9% 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.

Profile DCF							
EURm	2024e	2025e	2026e	2027e	2028e	…	2032e
NOPAT	**6.3**	**8.1**	**10.6**	**12.7**	**13.0**		
Depreciation	2.6	3.5	3.5	3.5	3.7		
Working Capital	0.2	-0.7	-0.5	0.0	0.0		
Capex (net)	-0.5	-1.5	-2.8	-4.0	-4.4		
Unlevered Free Cash Flow	**8.5**	**9.5**	**10.9**	**12.2**	**12.3**	…	**11.4**
PV	8.5	8.7	9.2	9.4	8.7		
PV of terminal value	73.1						
Enterprise Value	**170.1**						
Net cash (-debt, incl. leases) / other claims	4.5						
Expected dividend	-1.2						
Equity value (ex-div)	**149.7**						
no. of shares	24.6						
Per share	**€6.1**						
1-year fair value (ex-div)	**154.6**						
12-month value per share	**€6.3**						

Source: Eurobank Equities Research.

A basic sensitivity of our DCF-derived fair value 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 €5.5 and €7.4 per share, thus indicating a positively skewed risk-reward balance given the current share price level.

DCF Sensitivity of our calculated group fair value per share to the WACC and LT growth assumptions						
		WACC				
	5.13 €	**9.9%**	**9.4%**	**8.9%**	**8.4%**	**7.9%**
Terminal growth	**2.0%**	6.0	6.3	6.7	7.2	7.7
	1.5%	5.8	6.1	6.5	6.9	**7.4**
	1.0%	5.6	5.9	**6.3**	6.6	7.1
	0.5%	**5.5**	5.8	6.1	6.4	6.8
	0.0%	5.4	5.6	5.9	6.2	6.5

Source: Eurobank Equities Research.

Strategy and Business model

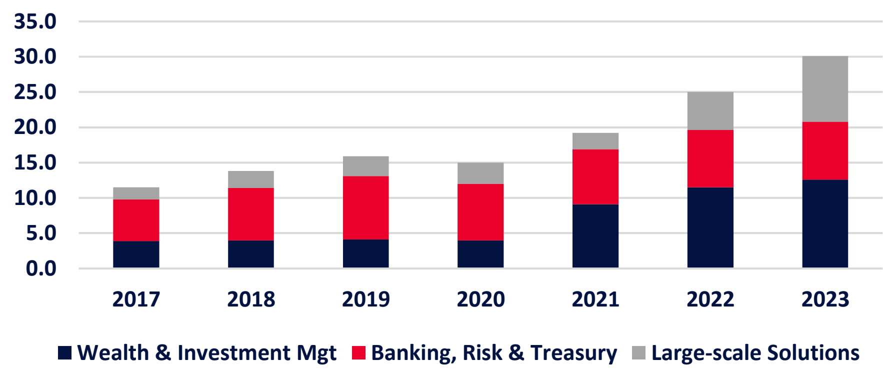
A. Products and geographic overview

Profile is a leading international software solutions provider with a core product portfolio comprising solutions for wealth & asset management, digital and core banking, risk management, and treasury operations. The group is additionally active in large-scale public sector solutions involving platform development (historically c20-30% of revenue). Profile operates 10 offices globally and is present in 50 countries, serving >300 clients across Europe, MEA, Asia and the Americas. Founded in 1990, the company was listed on the Athens Stock Exchange in 2003.

The group's financial solutions are either offered as ready-to-use turnkey applications or customized with additional options to meet specific client needs that go beyond the standard functionality of existing products. These solutions are either procured on-premise through a typical license & maintenance (L&M) contract or delivered via cloud in the context of a SaaS agreement. The product portfolio is complemented by a full set of services covering the various stages of installation (project management, customization, consulting) and aftersales (platform updates, maintenance, support).

Profile's top line settled at c€30.1m in 2023 (+20% yoy) with EBITDA at c€7.3m. The revenue mix is majority-weighed by wealth & investment management (W&IM) with smaller contributions from banking, risk & treasury solutions, and public sector projects. Following the acquisitions of Login (2017) and Centevo (2021) c54% of group revenue is generated outside Greece. We understand that the mix of revenues is not likely to change materially in the future, barring M&A activity.

Revenue mix evolution, in €m



Source: Eurobank Equities Research, Company data.

We describe the main components of the mix in more detail below:

1) **Wealth & Investment Management Solutions:** This division accounted for c42% of group top line in 2023 and comprises specialized platforms for wealth, asset and fund managers, custodians, and family offices. The Axia Suite represents the group's legacy offering in W&IM, having been developed entirely by Profile since its inception. The Centevo Suite was acquired from Euronext in 2021 and has since been optimized with new capabilities. Looking into each platform in more detail:

    a. **Axia Suite:** Omni-channel, MiFID II enabled investment management platform covering the entire range of investment operations required by wealth managers, custodian banks and family offices. The platform offers full process automation via an own-developed Robo-Advisor as well as integrated client management capabilities (e.g. onboarding, reporting). The Axia Suite is deployed on-premise or via cloud.

b. **Centevo Suite:** Fully integrated cloud-native platform for asset management firms. This suite provides value by enabling asset managers to monitor all aspects of the business, from digital onboarding and client engagement to automated offer customization and asset allocation. The platform's SaaS-focused deployment makes it quite scalable and margin accretive while also allowing room for customization according to the needs of each client. The suite was acquired through the acquisition of Centevo in March 2021 and has since increased the group's presence in the Nordics significantly.

2) **Banking, Risk & Treasury Solutions:** Encompassing the group's suite of solutions for financial institutions, this division contributed c27% of total revenues in 2023. The Banking & Risk subsegments consist entirely of products developed in-house by Profile, while the proprietary software for the Treasury solution was acquired from Login in 2017 and enhanced in the following years. We present the core products of the Banking, Risk & Treasury division below:

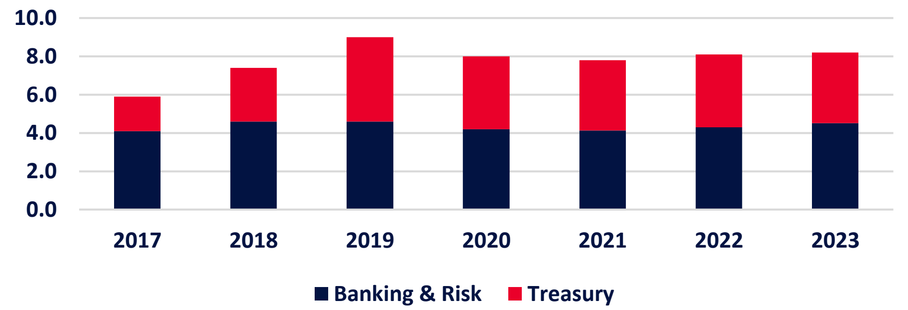
a. **Banking (Finuevo):** Banking-centered product line covering end-to-end operations for conventional banks, fintechs and neobanks, among others. The following major products comprise the Finuevo line:

- **Finuevo Core:** Core banking software platform for back-end operations. The suite offers powerful capabilities ensuring a high degree of automation and risk-free deployment in day-to-day functions, along with an optimized user experience and efficient straight-through processing (STP) of transactions.
- **Finuevo Digital:** Digital banking platform offering an integrated banking experience, connecting professionals with end-users across channels. Finuevo Digital is deployable either through cloud or on-premises. The platform is designed with the aim to provide bankers with high functionality and flexibility, streamlined processes and automated operations.
- **Finuevo Suite:** Complete end-to-end smart banking platform combining the functionalities of Finuevo Core and Finuevo Digital.

b. **Risk (RiskAvert):** Risk management solution for financial institutions that gathers and reconciles financial data, and calculates, aggregates, and reports regulatory credit, market, operational and concentration risk. RiskAvert possesses a comprehensive MIS (management information system) reporting engine that fully adheres to market disclosure requirements, while also covering supervisory review through a holistic stress-testing framework.

c. **Treasury (Acumen.plus):** Treasury solution designed to manage a wide range of financial market transactions, including money market trades, forex, collateral deals, securities, interest, currency and asset swaps, equities and futures, among others. The platform is equipped with straight through processing (STP) capabilities, featuring intermediate checking points to ensure efficiency. One of its notable features is real-time updates on branch deals, facilitating continuous calculation of Position, P&L, Limits, and Risk. Acumen.plus is deployable either as a standalone application or integrated within a core banking platform.

Banking, Risk & Treasury top line breakdown, in €m



Source: Eurobank Equities Research, Company data.

3) **Large-scale Solutions:** Profile generated c31% of group revenue from Greek public projects in 2023. The group primarily targets tenders involving platform development for public institutions leveraging its expertise in financial software and has quite solid positioning in the space with a track record spanning >15 years. Profile has markedly increased its involvement in public projects since the initial inflows for digitization from the RRF in Q3'21, with the segment's contribution to group revenue rising by c5.5pps vs. the historical average over 2016-21.

   Some major projects Profile has implemented include:
   - Automated recording and digitization of judicial records for the Ministry of Justice
   - Financial management platform for the Engineers and Public Works Contractors Fund (TMEDE)
   - Document digitization for the Ministry of Health and the Hellenic Cadaster

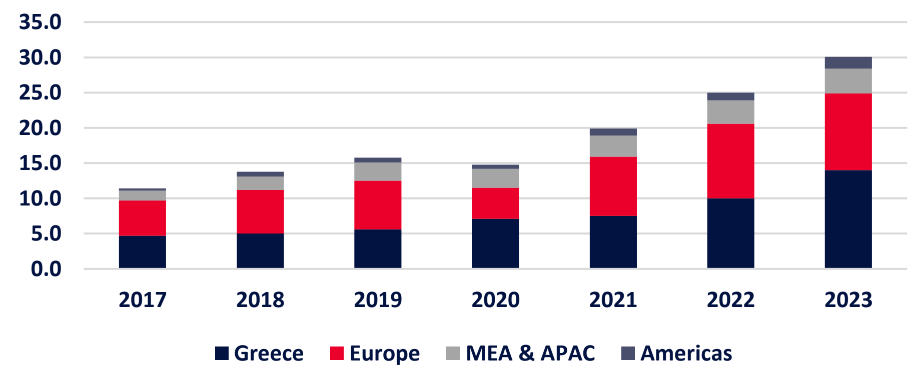
   The group has secured a substantial backlog from successful project bids in recent years, and we expect c€120-130m for such projects to be carried out over a 4-year horizon, stemming both from existing contracts and new tenders to be announced, thus bolstering group numbers and acting as an additional tailwind to the broad digitization theme.

Other products in the group's fintech portfolio include **Mobius Wealth** (native wealth mgt mobile app), **GS Market Suite** (real-time data monitoring application and aggregator of information from back-end systems regarding portfolios, cash and real-time data feeds), **RegiStar** (monitoring and management of shareholder registry), **Plexus** (real-time market data streaming on mobile phones), **Profile Vote** (voting system that fully supports remote voting according to SRD II requirements) and **AI.Adaptive** (LLM-agnostic AI add-in compatible with all financial solutions). As one of the first financial software developers to integrate AI capabilities into its products, Profile is well positioned to capitalize on the significant growth avenues this technology segment presents. Indicatively, according to a study by Gartner, the needs of the global financial industry in Artificial Intelligence are primed to surge to $55bn by 2027.

>50% of revenues are international, with strong presence in Nordics

Given the diverse solution portfolio, Profile has historically prioritized geographic expansion, with >50% of revenues stemming from international clients. Greece became the largest revenue contributor in 2023, accounting for c46% of group top line, primarily the result of increased activity in Greek public sector digitization. Europe (ex. Greece) followed, responsible for c36% of FY'23 revenue, spearheaded by a particularly strong presence in the Nordics. MEA & APAC together accounted for c12% of total sales, while the remaining c6% were derived from the Americas. Intl revenues are entirely generated from the sale of financial solutions, whereas revenues in Greece comprise both financial solutions and public projects.

Geographic sales mix evolution, in €m

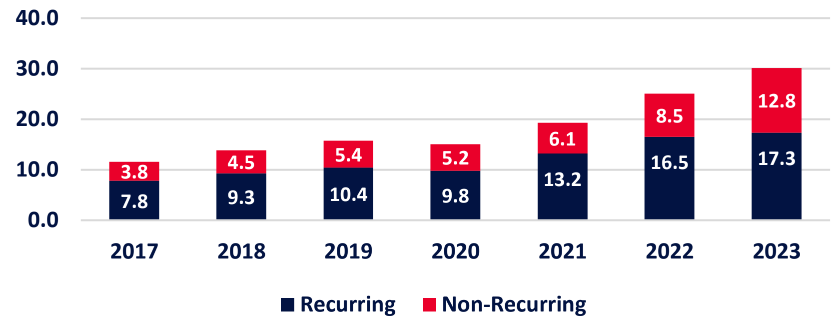


Source: Eurobank Equities Research, Company data.

Recurring revenues account for c60% of the sales mix, thanks to long-term nature of product portfolio

The long-term nature of the contract portfolio (minimum length of 5 years, maximum of 10) has resulted in a significant recurring base at c60% of revenue.

Recurring vs. non-recurring revenue evolution, in €m

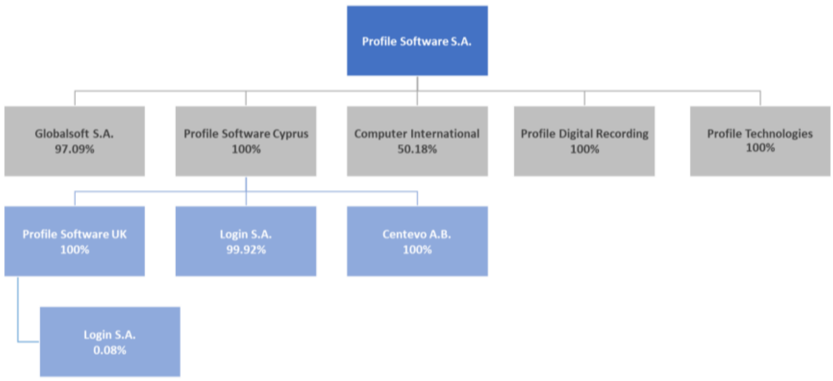


Source: Eurobank Equities Research, Company data.

Corporate structure

The group comprises 9 companies operating across 5 countries. In Greece, Profile's subsidiaries include companies specialized in financial solutions (Globalsoft), public sector projects (Profile Digital Recording) and educational services (Computer International), while Profile Technologies is the registered company for the group's offices in Thessaloniki. Profile's own-branded foreign subsidiaries serve as hubs for conducting business in and around their respective countries, while both foreign companies acquired since 2017 (Login, Centevo) have been retained as separate entities. We present an overview of the corporate structure below:

Corporate structure (2023)



Source: Eurobank Equities Research, Company data.

B. Strategy

Four-pronged approach

Profile's business strategy is based on four main pillars, namely: a) leveraging its brand equity and product portfolio to capture market share amidst evolving trends in financial services, b) expanding margins by optimizing the contract mix to incorporate more SaaS clients that justify premium pricing, c) tapping into the ongoing wave of digitization in the Greek public sector financed by some c€3bn in RRF/EU funding, and d) capitalizing on potential accretive acquisitions of fintechs with complementary products.

High recurring revenue base

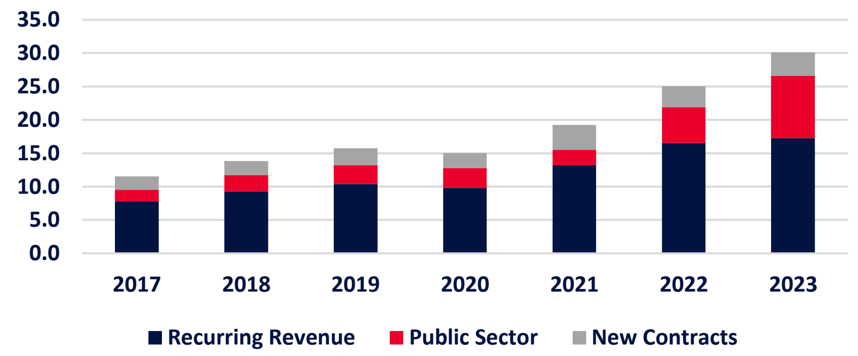
The operating model is centered around generating recurring revenue through long-term SaaS contracts and license & maintenance (L&M) agreements, constituting c60% of the annual base, likely to increase further in the coming years. Profile derives additional revenue from Greek public sector projects, where it has strategically ramped up its presence in recent years looking to capitalize on the domestic digitization wave.

Currently, the contract mix leans towards L&M, though there is evidence of a focus shift to cloud-delivered SaaS, which typically delivers higher returns throughout the duration of the contract. Profile's active contracts have a duration of 5-10 years on average and are subject to automatic extended perpetual renewals at the end of term. Additional revenues are derived from service fees for project management, consulting, maintenance, and general support.

Resilient client retention rates

Profile has >300 active clients across its products, enjoying long-term relationships and high retention rates thanks to the agile framework adopted across all financial solutions on offer, where client needs are addressed quickly, efficiently, and cost-effectively. Remarkably, renewal rates post-expiration of the initial term are near 95%, implying most clients usually opt in to extended contracts.

Recurring vs. Public vs. New Contracts top line evolution, in €m

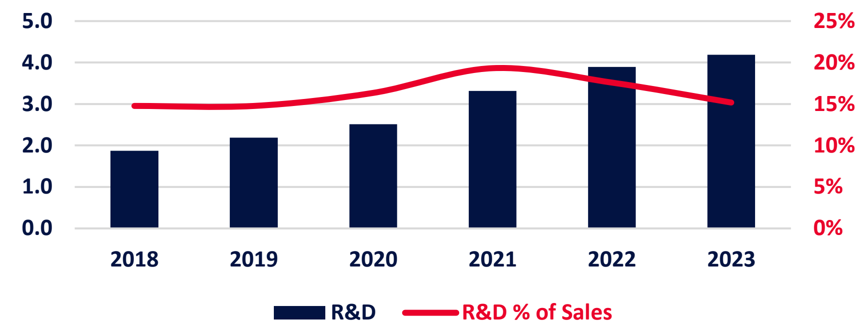


Source: Eurobank Equities Research, Company data.

Annual R&D expense c15-19% of sales

Profile has invested c15-19% of annual revenues into R&D (expensed and capitalized) in efforts to better address client needs and update the solution portfolio to reflect developments in fintech/wealthtech. The group recently announced the launch of AI.Adaptive, an AI add-in with predictive, generative and autonomous functions compatible with all existing solutions, being among the first financial software developers to offer products with embedded AI capabilities. Looking ahead, management has made note of its interest in leveraging Open API systems to evolve the product portfolio and developing managed services infrastructure to optimize the procurement of aftersales/support services. As with most software peers, the group has prioritized SaaS over license & maintenance (L&M) across its product range in recent years in an attempt to capture the higher margins these solutions offer.

R&D, in €m and R&D as a % of Sales



Source: Eurobank Equities Research, Company data.

Diverse client base

Profile's client base comprises >300 clients across 50 countries, while its products cater to >15,000 users in c650 sites. The group has notable exposure to prime banking and financial institutions, insurance firms, and investment management offices.

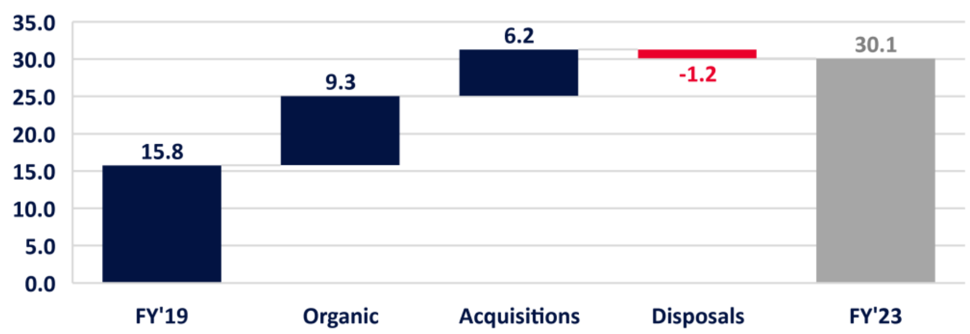
Indicative clients per region

Source: Company data.

Occasional M&A action

Profile derived quite substantial inorganic growth (c€6.2m over 2021-22) following the acquisition of Centevo in March 2021. Centevo is an ex-Euronext subsidiary and a leading provider of asset and fund management software for asset managers, fund managers, pension funds, family offices and banks in the Nordics. By the time of its acquisition, the company was serving a total of 65 clients including Nordea Bank, Danske Bank AM, Swedbank and Handelsbanken, among others. The total consideration for the Centevo acquisition was €4m.

Revenue bridge 2019-23, in €m

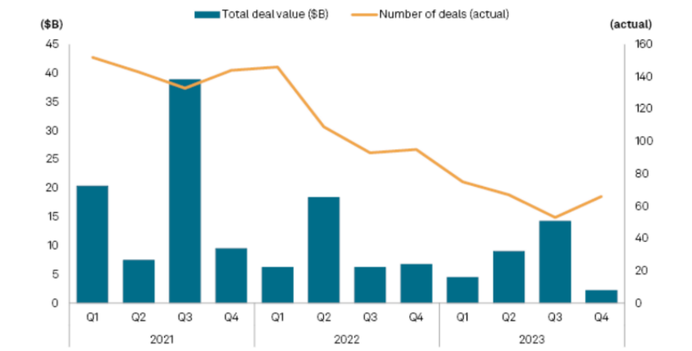


Source: Eurobank Equities Research, Company data.

In terms of discontinued activities, Profile finalized the sale of its ticketing and customs operations business units to CRS Liknoss in June 2022 for a total consideration of €2.5m. Prior to the sale, the turnover generated from these business units amounted to c€1.1m, broken down into c€850k in 2021 and c330k in 2022.

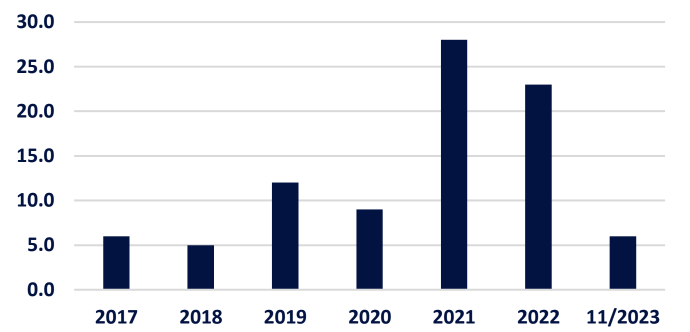
Despite a slowdown in deal volumes since the highs of 2021, fintech remains among the most dynamic sectors in terms of M&A activity thanks to the plethora of startups in the space and the relative nascency of the technologies under development. Though our model does not account for further M&A ahead, we note that Profile's strong balance sheet and solid net cash position (c€6m in 2023) provide sufficient headway for potential value-adding acquisitions should suitable opportunities arise.

Fintech M&A deals announced in 2021-23, in $bn



Source: S&P Global

EU fintech VC funding evolution, in $bn



Source: Dealroom.co

Public sector exposure

Profile has >15 years of experience in the Greek public sector, having undertaken several IT projects through off-the-shelf solutions or bespoke development. The group primarily undertakes project planning and development, while installation/implementation is carried out by subcontractors. We note that Profile has staffed a dedicated in-house project management team for these public projects. Although the full effect of this move has not yet been evident due to limited execution, we view this as a net positive in terms of operating leverage ahead.

To this end, we highlight that Profile has significantly ramped up involvement in the public sector in recent years aiming to capture opportunities from the Greek digitization wave and the c€2.2bn in RRF financing inflows over 2021-26. Of note is that demand for public projects in Greece will be bolstered by a further c€913m in EU structural funds for digitization (i.e. ESPA subsidies) through 2027.

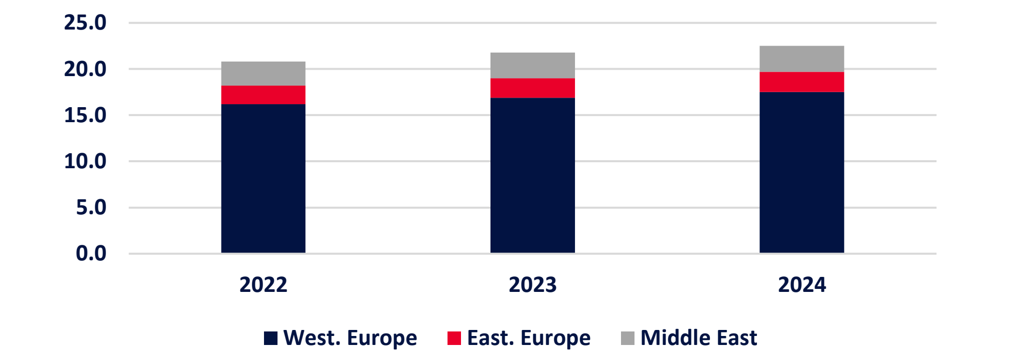
Market and Competitive landscape

IT spending by investment firms growing in the mid-single digits annually

A. Wealth & Investment Management Solutions

According to research firm Celent, IT spending by investment firms in Europe and the Middle East was estimated at $20.8bn in 2022 and projected to reach >$22bn by end 2024. Western Europe accounted for the majority of IT investment in 2022, totaling $16.2bn, followed by the Middle East ($2.6bn) and Eastern Europe ($2.0bn). As with other sectors where tech spending was considered "non-essential" prior to the pandemic, tech spending in wealth management has seen significant acceleration over the past 3 years, primarily a result of renewed client expectations for services/deployment and increased demand for cost flexibility among firms looking to retain margins during a challenging market environment.

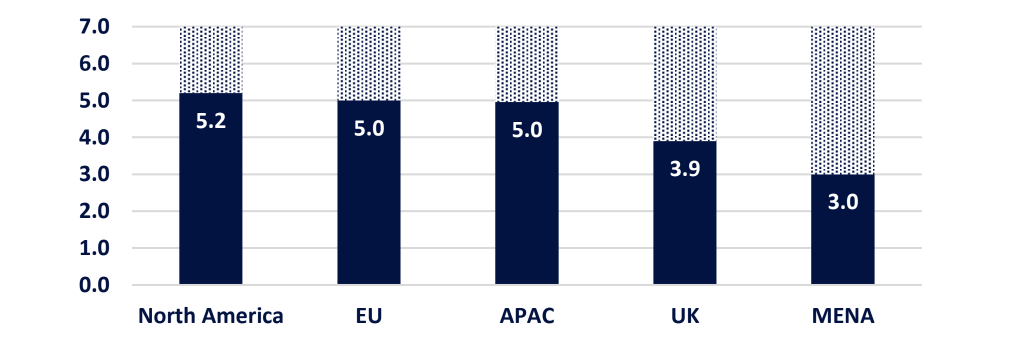
IT spending by investment firms in Europe and the Middle East, in $bn



Source: Celent.

WealthBriefing's annual Tech & Ops survey for 2023 highlights significant advancements in the digital transformation of wealth managers, with key areas of progress including increased automation of portfolio management/rebalancing, improved data reliability and the emergence of generative AI to enhance existing solutions. Across regions, US and EU firms ranked best for digitization in 2023, scoring well above counterparts in the UK and MENA, where firms faced challenges due to outdated legacy systems and incompatible data sources.

Digitization score for wealth & investment management firms across geographies (Max: 7)

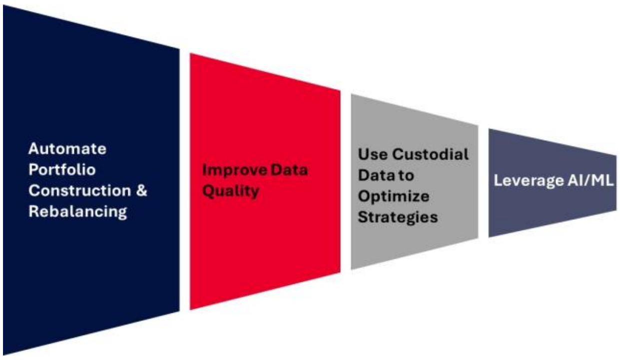


Source: WealthBriefing, SS&C Advent.

In terms of investment trends in the sector, WealthBriefing notes that most respondents stated they will prioritize maximizing automation in portfolio construction and rebalancing going forward. Automation is increasingly being perceived as the preferred way to customize services on offer, allowing firms to deliver consistent, accurate and high-quality results for clients while optimizing internal efficiencies and straight-through processing (STP). Notably, the adoption of automation in portfolio construction/rebalancing among firms globally increased by c9% in 2023.

Other responses indicate firms will also focus on improving data quality/reliability, leveraging custodial client data to improve strategies, and creating value from machine learning and AI in the coming years.

Key tech investment areas among WealthBriefing survey respondents (2023)

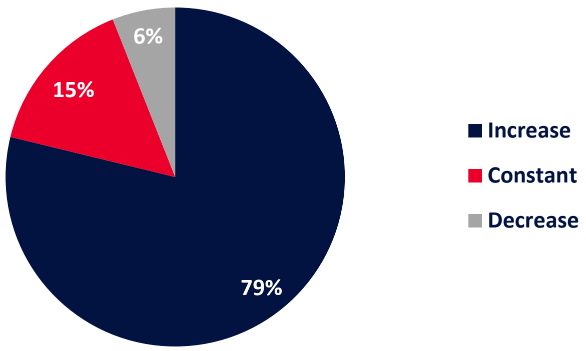


Source: WealthBriefing, SS&C Advent.

Firms' tech budgets have increased consistently since the onset of the pandemic, fueled by elevated client expectations for personalized experiences, data security, automation and data analytics, and increased regulatory scrutiny on compliance/risk. WealthBriefing survey respondents echoed that tech upgrades continue to be high in their strategic hierarchy, with an overwhelming 79% replying they are planning to increase tech spend over 2024-26.

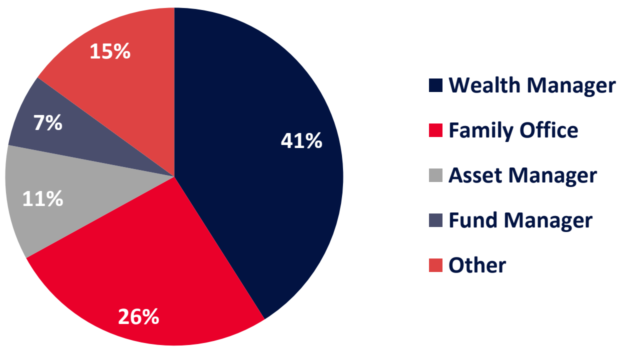
Considering the key investment areas mentioned above, investment focus seems to be on improved efficiency in front office procedures and outsourced management of non-core activities (i.e. data analytics, portfolio accounting, compliance). Looking at survey respondents quoted as highly likely to increase their tech spend over the next 3 years by firm category, wealth managers seem to be leading in terms of expected investment, with family offices ranking second and asset managers third.

Changes in tech budget among surveyed firms through 2026



Source: WealthBriefing, SS&C Advent.

Firms increasing their tech budget, by firm category



Source: WealthBriefing, SS&C Advent.

Per a 2022 survey by Celent on IT spending trends among wealth managers in Europe and the Middle East, it seems that indeed the prevailing sentiment among investment firms is to optimize front office activities by leveraging new technologies (digital onboarding, hybrid/robo advisory, retail-centric digital brokerage) and to improve margins by outsourcing non-core applications (CRM, data analytics, regtech). Among surveyed regions, firms in Western Europe considered directing the bulk of their IT investment towards back/middle office operations a priority, while firms in Eastern Europe and the Middle East favored spending on front office applications.

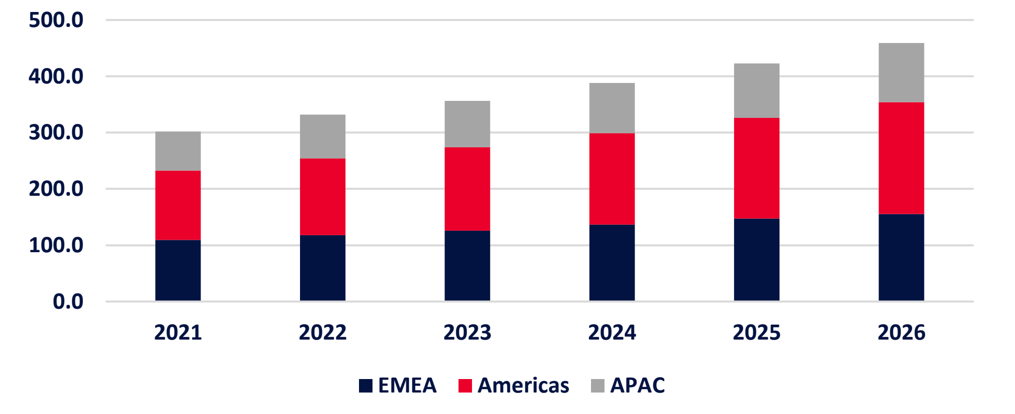
B. Banking, Risk & Treasury Solutions

c9% CAGR in IT spending by banks globally

Research firm IDC estimated global bank IT spending at >$350bn in 2023, with banks in the EMEA region contributing c$130bn of the total. The firm projects global spending to grow at 8.8% CAGR through 2026, driven by the industry-wide transition to SaaS for better flexibility/scalability, the increased adoption of data and analytics in front office operations, and rising demand for cybersecurity infrastructure/services.

Across regions, institutions in the Americas are forecasted to lead in terms of spending growth, projected at >10% CAGR during 2024-26, while those in the EMEA region are expected to allocate investments at a slightly lower 7.6% CAGR over the next 3 years.

Global banks IT spend by geography, in $bn

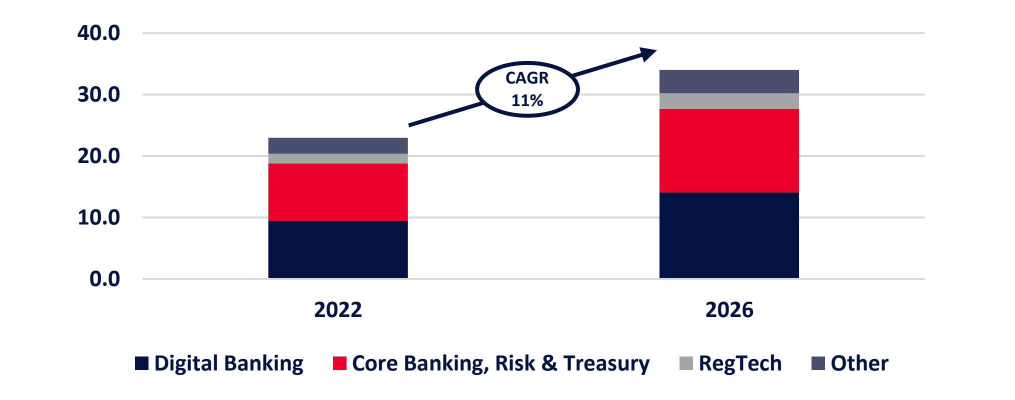


Source: IDC Worldwide Banking IT Spending Guide (2023).

… as penetration of third-party tech providers in banking remains low

In its 2023 CMD presentation, Temenos estimated that the penetration of third-party tech providers in banking is relatively low, at just c30%, compared to 70-80% in other industries at maturity. Temenos calculated its addressable market at c$23bn in 2022, with digital banking platforms, and core banking, risk and treasury solutions (41% and 40% of the total, respectively) being the main contributors to total bank IT spending. Under Temenos' base scenario, its aggregate addressable market should expand to $34bn by 2026, corresponding to c11% CAGR over 2023-26.

Temenos estimates on bank IT spending in its addressable markets, by function (in $bn)



Source: IDC, Ovum, McKinsey, S&P Capital IQ, Temenos.

Similar to enterprise software, banking software is undergoing a market-wide shift to leaner cloud-delivered SaaS solutions. This is especially the case for 2nd-3rd tier banks, challengers and startups given the smaller scale and the greater emphasis on flexibility in these business models. Temenos mgt estimated revenues from their SaaS-based platforms (solutions for digital banking, core banking, treasury, among others) to grow at >30% CAGR over 2023-26e vs. just c5% 3-yr CAGR for on-premise platforms.

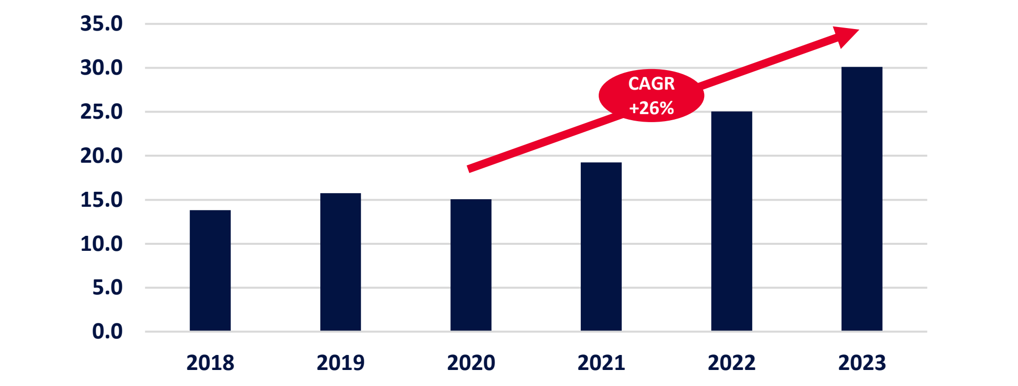
Top line overview

A. Historical performance: Strong post-pandemic impetus driving >25% growth p.a.

Solid track record of >25% sales momentum, fueled by…

Profile delivered c26% top line CAGR over 2021-23, with group revenue reaching €30.1m by end 2023, 2x the total of 2020. This growth has been fueled by a combination of organic and acquisition-driven acceleration, the former led by inflows from public project execution, the latter stemming from the acquisition of the Swedish fintech Centevo in March 2021.

Group top line performance, in €m



Source: Eurobank Equities Research, Company data.

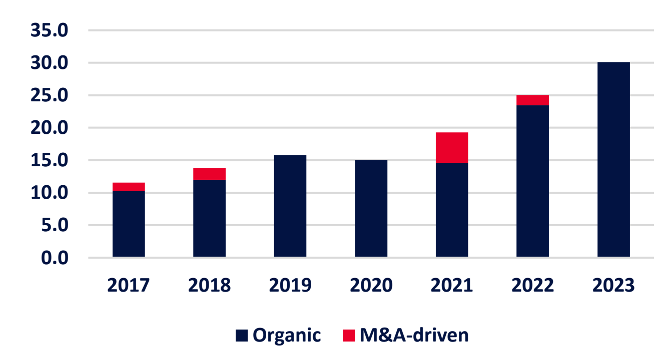
…organic growth

Following the initial release of RRF digitization funds in Greece in 2021, public sector projects have been the primary driver of organic growth (>€7m top line effect in 2021-23). Notably, management has indicated that some of these projects are structured as long-term contracts, implying they will continue to generate revenue into the medium term. As for financial solutions, we reckon 2022 and 2023 top line growth was favored by improved pricing for W&IM from the optimization of the Centevo Suite post its 2021 acquisition. We assume an overall positive effect on financial solutions from the industry-wide shift to cloud-delivered SaaS which, in our view, provided a significant opportunity for upselling to clients.

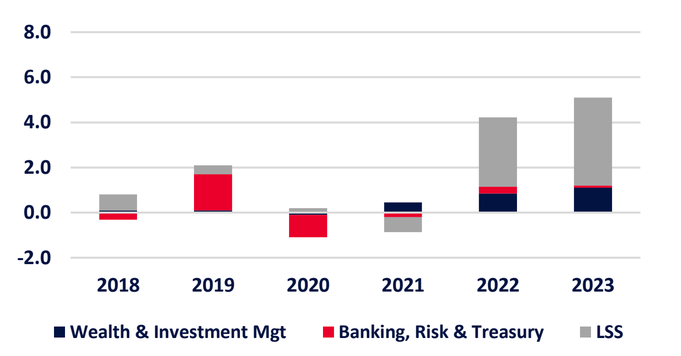
… and M&A

Organic growth in recent years was supplemented by the acquisition of Centevo in March 2021. We estimate Centevo produced a total inorganic revenue add-on of €6.2m post-acquisition, broken down into c€4.6m in 2021 and c€1.6m in 2022. It's worth noting that the Centevo deal stands as the largest acquisition the group has undertaken, the second largest being that of the French software firm Login in 2017, which contributed c€3.1m in inorganic growth over 2017-18, on our calculations.

Organic vs. M&A-driven revenue, in €m



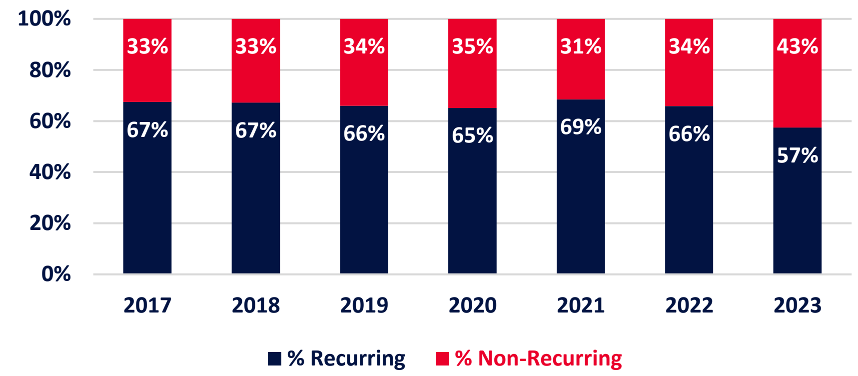
Organic top line growth per division, in €m



Source: Eurobank Equities Research, Company data.

The long-term nature of Profile's active contract portfolio and the high client retention rates have resulted in a robust annual recurring revenue (ARR) base, exceeding 55% of sales since 2017. In the next few years, recurring revenues look set to reach near 65-70%, we estimate. Recurring revenues are primarily derived from financial solutions given the sales mix, while some additional contributions are generated from ongoing public sector projects (i.e. automated recording project for the Ministry of Justice, financial management platforms for TMEDE and TEKA).

Recurring vs. non-recurring as a % of sales, in €m



Source: Eurobank Equities Research, Company data.

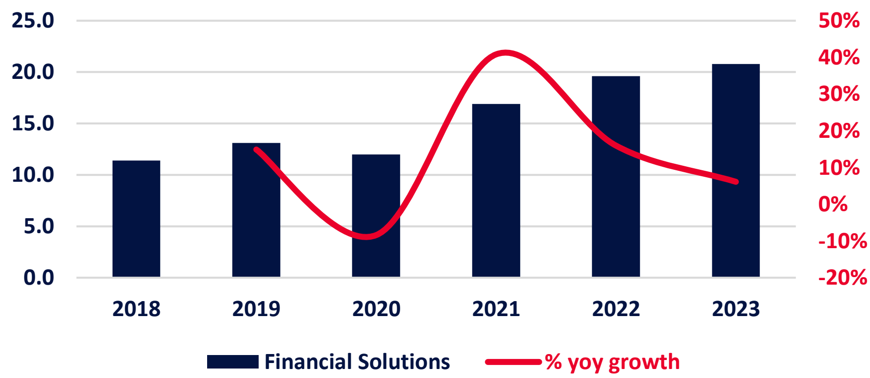
We delve into the dynamics and historical performance of the main business segments below:

Financial Solutions in secular growth thanks to SaaS transition

Financial Solutions: Encompassing the entire range of Profile's financial software solutions, spanning wealth & investment management, banking, risk and treasury platforms, these accounted for c69% of group top line in 2023. The segment benefitted from increased demand for cloud-based SaaS solutions post-pandemic, maintaining steady mid-single-digit annual organic growth, aside from a slight decline in 2020 due to COVID-induced pressures. We assume growth was primarily driven by pricing/mix from upselling to existing clients and supported by incremental volume growth from organic contract base expansion.

Apart from a c€6.2m inorganic revenue add-on over 2021-22, the acquisition of Centevo added further optionality in the form of increased exposure to the Nordics and upselling opportunities from the refinement of the Centevo Suite. Looking at other inorganic historical factors, we note a minor impact on FY'22 group top line from the sale of Profile's ticketing business. Ticketing generated revenues in the c€850k area in 2021 and had contributed €330k to 2022 top line prior to being sold in June of the same year.

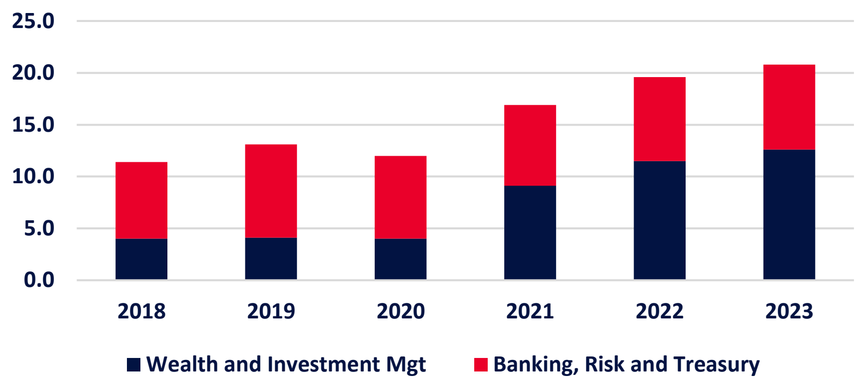
Financial solutions revenue evolution, in €m



Source: Eurobank Equities Research, Company data.

W&IM solutions have been the largest contributor to Financial Solutions top line since the acquisition of Centevo in 2021, accounting for c55-60% of the total in 2021-23. Banking, Risk, and Treasury solutions had historically been the primary driver of organic growth prior to 2021, representing c65-70% of Financial Solutions revenue, but decreased to near 40-45% post the Centevo acquisition.

Financial solutions revenue breakdown by software, in €m

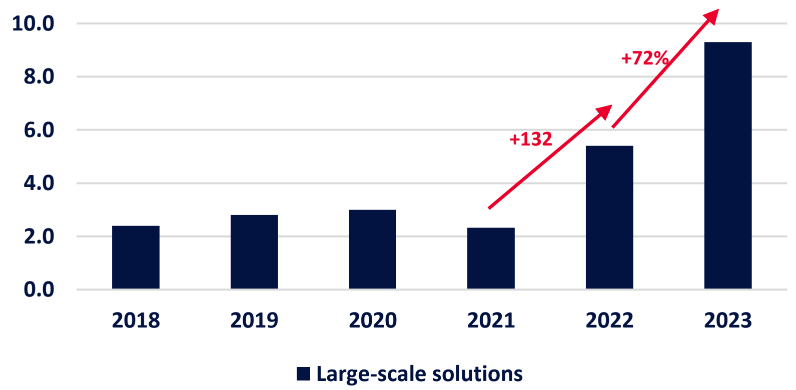


Source: Eurobank Equities Research, Company data.

"Large-scale Solutions" has been rising in importance as Profile rides the digitization wave

Large-scale Solutions: Profile significantly increased its involvement in public sector projects since the first release of RRF finances for digitization in Greece in 2021. Public projects accounted for c31% of revenues in 2023. We estimate total contracted and future revenues in digitization financing released by the RRF/ESPA over 2024-28 are set to exceed €120-130m. We highlight that management's focus on the Greek digitization has led public revenues to more than quadruple over 2021-23, which, coupled with the impressive backlog accumulation over the period, is quite indicative of the group's ability to make successful bids for value-adding projects, in our view.

Large-scale solutions revenue evolution, in €m



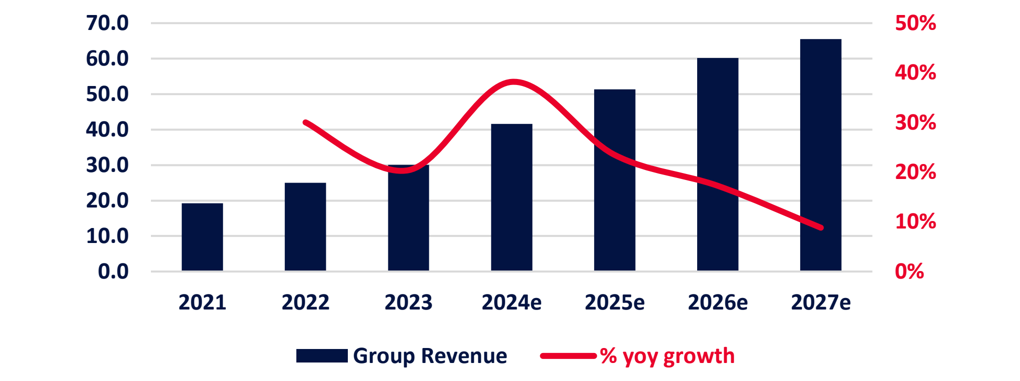
Source: Eurobank Equities Research, Company data.

B. Looking ahead: Expecting 21% revenue CAGR through to 2027e

21% revenue CAGR over 2024-27e underpinned by secular theme of digitization and RRF-related projects

With Profile well placed to benefit from the switch to leaner SaaS-based models across the financial sector and the secular theme of Greek public sector digitization, we envisage c21% group revenue CAGR over 2024-27e. We effectively forecast the sustainable demand tailwinds from the SaaS transition of the financial sector to be further enhanced by the temporary boost from digital-enablement projects related to the RRF, which we expect to propel Profile's numbers until the medium-term at least.

Group revenue forecast, in €m



Source: Eurobank Equities Research, Company data.

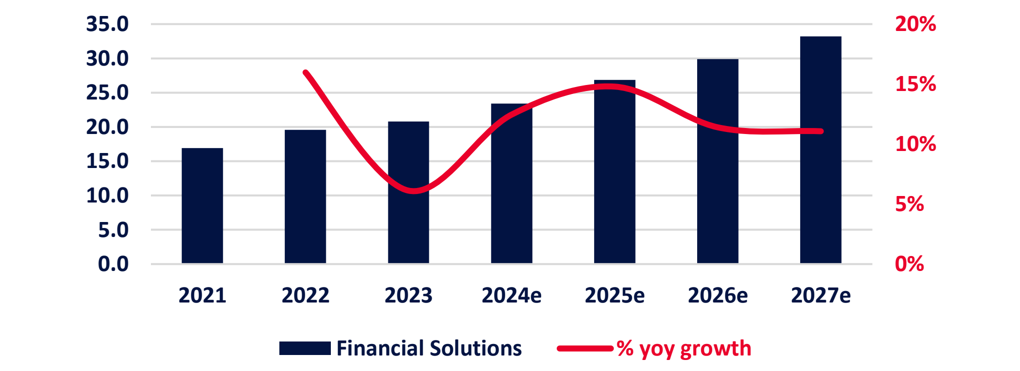
In more detail for each main segment:

Financial Solutions: we envisage c12% CAGR through 2027e

Financial solutions are experiencing an industry-wide transition to SaaS across core markets and solutions, a trend that is particularly prominent in software related to front office operations (digital banking, investment mgt). We pencil in c12% top line CAGR for financial solutions over 2024-27e, broken down into:

- c11% 4-yr CAGR for wealth & investment mgt, reflecting mild contract base expansion considering the mature state of the markets where the group is most active (Western Europe, Nordics).
- c14% 4-yr CAGR for banking, risk and treasury, predicated on robust client base expansion stemming from the recent optimization of the BR&T solution portfolio and pricing/mix effects from new higher margin SaaS contracts.

Financial solutions revenue forecast, in €m



Source: Eurobank Equities Research, Company data.

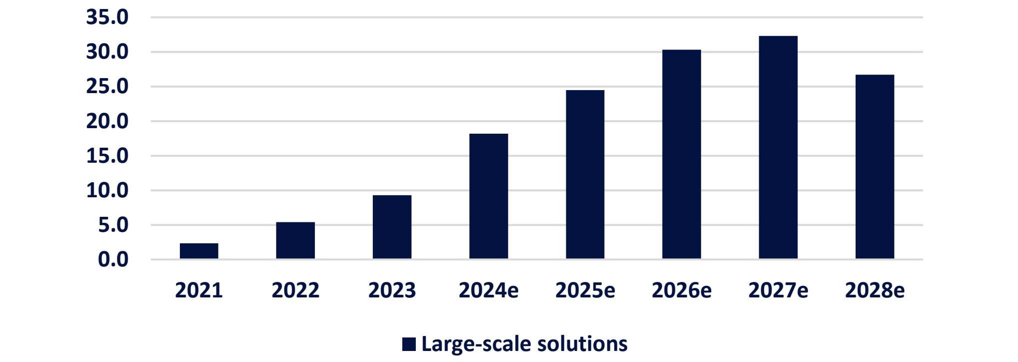
Profile's continuous investments to keep its solution portfolio up to date position it favorably to capitalize on the growing demand associated with the SaaS transition. Its solid client base presents additional opportunities for value generation through upselling solutions with improved terms to existing clients. Of note is that despite a relatively tepid macro environment in Europe, investing in IT remains high in the pecking order for financial institutions, especially among 2nd and 3rd-tier EU banks looking to enhance flexibility/scalability.

Large-scale Solutions: €120-130m to be executed through 2028; robust replenishment rates boosted by RRF/ESPA

On to Large-scale Solutions, the strong backlog and rich tech-related budget of EU projects provides solid visibility for public revenues ahead, with the only notable caveat being potential execution risk given the shortage of IT experts in Greece. To this end, we are confident this risk is sufficiently mitigated through Profile's use of subcontractors for public project implementation and the long-term nature of the backlog.

We expect c€120-130m for such projects to be carried out over a 4-year horizon, stemming both from existing contracts and new tenders to be announced, thus bolstering group numbers, and acting as an additional tailwind to the broad digitization theme. We note that a portion of the current awarded projects have a recurring component, which we reckon could contribute c€8-10m to the ARR base until 2028 or more depending on backlog replenishment and the impact from the overall digitization dynamic.

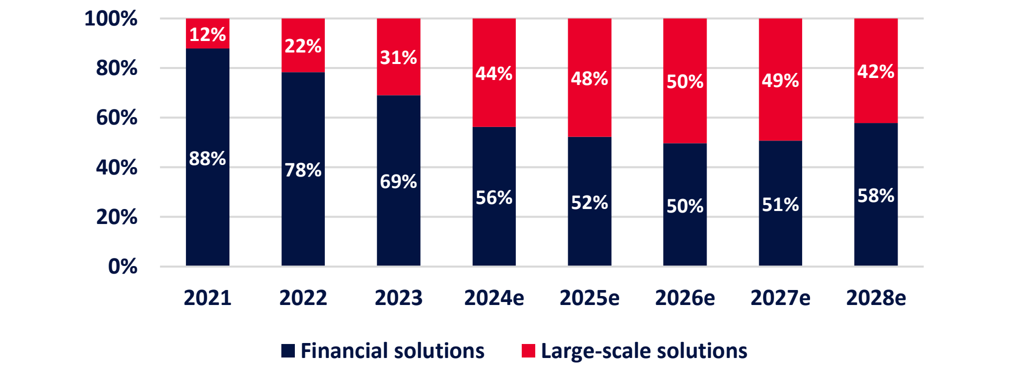
Large-scale solutions revenue forecast, in €m



Source: Eurobank Equities Research, Company data.

Comparing the significant step up in public projects revenue to growth in financial solutions in the context of recurring revenue generation, we estimate the dilutive mix effect on ARR from public projects (majority non-recurring) will be offset by an increased participation of cloud-based SaaS contracts for financial solutions. Our estimates incorporate recurring revenues in the 65-70% area ahead.

Financial solutions vs. Large-scale solutions revenue mix contribution



Source: Eurobank Equities Research, Company data.

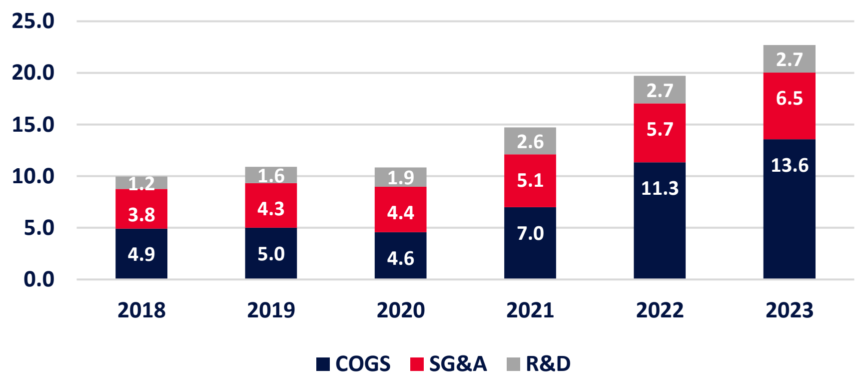
In terms of the outlook post-2028, we forecast high-single-digit top line growth p.a. for financial solutions, considering the increased scale of the activity and the more mature state of the industry following the period of elevated investment in 2024-28e. As for public projects, we model revenue in the €8-16m range through to 2032, reflecting execution of the residual RRF/ESPA backlog, contributions to ARR from longer-term public projects and upselling on completed projects (i.e. upgrades, general aftersales). We underline our expectations for slower backlog replenishment post 2026-27 as the RRF/ESPA funding cycle concludes.

Costs and margins

Profile's total expenses (excl. D&A) stood at c€22.7m in 2023, equivalent to 75% of group top line. As typical for most software companies, COGS (c€13.6m in FY'23, c60% of total expenses) is the main cost contributor, encompassing the majority of employee payroll associated with software development, as well as third-party costs incurred for subcontractors used in public projects. SG&A expenses are the next-largest cost component (c€6.5m in FY'23, c29% of the cost base) followed by R&D, at c€2.7m or c12% of FY'23 expenses, in line with mgt spending targets to ensure solutions remain up to date with developments in fintech/wealthtech.

We note that R&D costs on the P&L account for c10% of revenues, somewhat lower than the case for other Greek (e.g. Entersoft, Epsilon Net) and foreign peers (e.g. Temenos, Aptitude >20%). This is because Profile capitalizes several software development costs, with the respective amount in 2023 making up c5% of revenues. In general, there are differences among software companies in the capitalization criteria which might reflect differences in their interpretation of capitalization criteria (e.g. one company might capitalize costs associated with developing a new software product after proving its technical feasibility, while another might expense similar costs, considering them as part of ongoing research activities) or commitment to innovation (e.g. expensing might be more conservative from an accounting perspective but might also reflect lower focus on investing for growth).

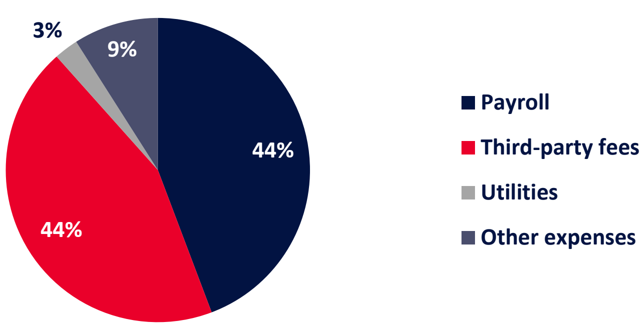
Cost base evolution, in €m



Source: Eurobank Equities Research, Company data.

As far as cost categories are concerned, the main components are employee payroll and third-party fees for subcontractors and clients' managed hosting services, each accounting for c44% of total expenses in 2023. Utilities were the next-largest constituent at c7% of the FY'23 cost base. The remaining c9% was attributed to other expenses.

Cost base per category (2023)



Source: Eurobank Equities Research, Company data.

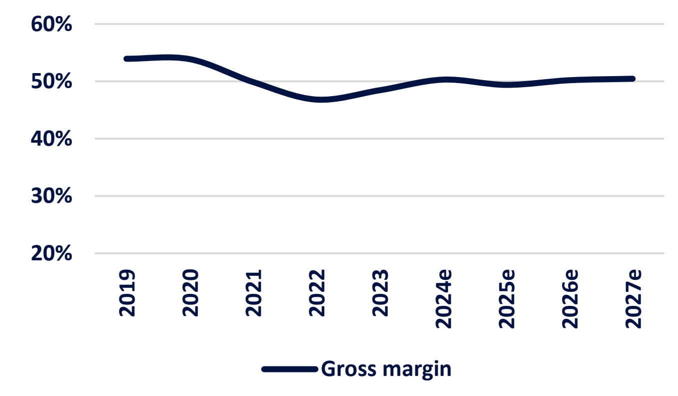
Turning to group margins, we note that gross margin ranged between 50-55% over 2018-21, reaching a peak near 55% in the COVID-affected years (2019-20) as the group scaled down on spending in response to the pandemic. We note that Profile considers third-party fees to contractors as part of group COGS and, as such, changes in gross margins largely depend on activities involving public projects. Gross margins dropped to 47-48% in 2022-23, on increased third-party fees for contractors stemming from the higher contribution of public projects in the mix.

We anticipate gross margins to trend towards 49-50% in the mid-term, expecting improvements in public project margins from the elevated demand to be offset by the overall increased contribution of public projects in the mix – given they are generally considered lower margin vs. financial solutions. We again underline that our projections do not account for any future effects from M&A.

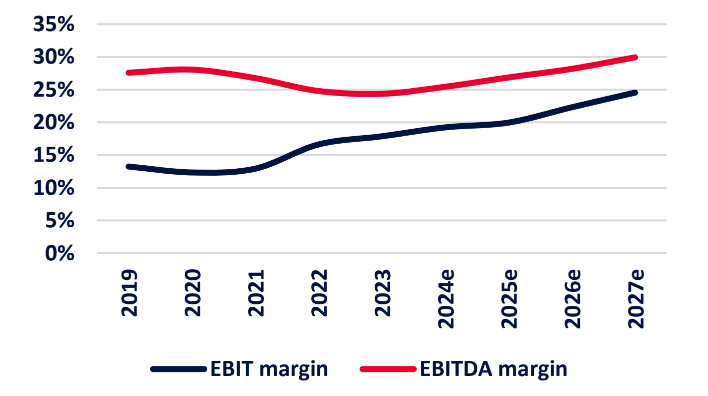
Group opex ranged between c36-40% of revenues over 2018-21, quite elevated levels for a software company but largely justified given Profile classifies the majority of employee payroll as SG&A. Given the cost structure (payroll in opex, third-party fees in COGS) and the historical focus on financial solutions which are usually associated with payroll, EBIT margins have generally moved inverse to gross margins, remaining in the 12-14% area during 2018-21. Increased activity in the public sector over 2022-23 led to a c2pps yoy decrease in gross margin and a subsequent c5pps yoy rise in EBIT margin vs. 2021 figures, reaching 18% by 2023.

Looking ahead, we expect EBIT margins to trend towards the 22-26% area in the mid-term, corresponding to EBITDA margins between 28-32%. We see margin expansion being primarily driven by opex efficiencies in financial solutions as: 1) economies of scale from the updated Finuevo banking software kick in; 2) SaaS transition creates greater uniformity for products, facilitating updates/upselling; 3) multitenancy of cloud-native solutions mitigates hardware needs; 4) wage inflation in the software developer market subsides. We anticipate the effects from financial solutions margin expansion to be supplemented by rising profitability in public projects from greater optionality thanks to persistent demand for digitization among domestic authorities.

Gross margin evolution



EBIT and EBITDA margin evolution

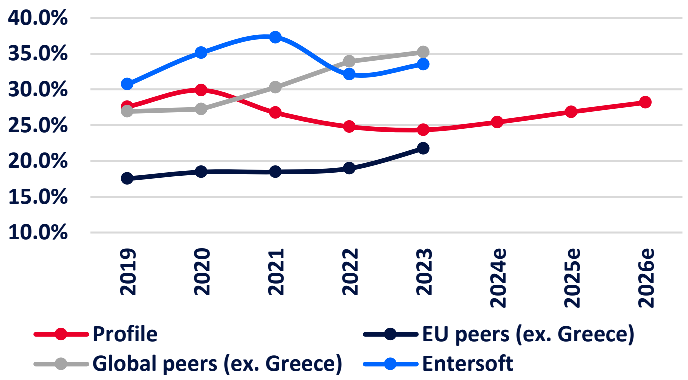


Source: Eurobank Equities Research, Company data.

Profile margins in the middle among international software peers

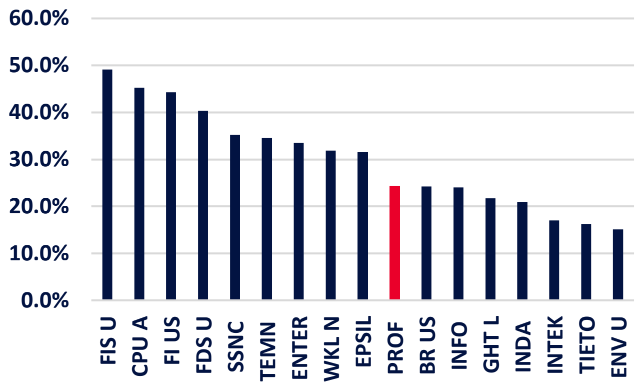
In the charts below, we compare Profile's profitability against that of Greek software peer Entersoft and other EU/global software companies. As can be seen, margins for Greek companies have retreated somewhat since 2021 owing to inflationary pressures and a tight software developer job market. On the other hand, scale benefits protected the margins of foreign peers. That said, despite the small margin contraction, Profile ranks in the middle among peers notwithstanding its smaller size. We note that besides inflationary pressures, the historic margin evolution indicates a negative mix effect for companies ramping up public sector activities, as has been the case for Profile.

EBITDA margin vs peers (historical evolution)



Source: Eurobank Equities Research, Company data.

EBITDA margin vs. peers (2023)



Source: Eurobank Equities Research, Company data.

The table below outlines our forecasts for Profile's margins going forward. Overall, we project EBITDA margins to reach c30% by 2027e, anticipating the negative mix effect (higher growth for public sector projects) to be more than offset by scale benefits for banking software, increased adoption of cloud-native financial solutions and slower IT job market wage inflation.

Profitability & margins evolution

in €m, unless otherwise stated	2021	2022	2023	2024e	2025e	2026e	2027e	4-yr CAGR
Opex	-7.7	-8.4	-9.1	-12.9	-15.1	-16.8	-17.0	
Opex/sales	*40%*	*33%*	*30%*	*31%*	*29%*	*28%*	*26%*	
EBITDA	**5.2**	**6.2**	**7.3**	**10.6**	**13.8**	**17.0**	**19.6**	**27.9%**
margin	*27%*	*25%*	*24%*	*25%*	*27%*	*28%*	*30%*	
EBIT	**2.5**	**4.2**	**5.4**	**8.0**	**10.2**	**13.4**	**16.1**	**31.5%**
margin	*13%*	*17%*	*18%*	*19%*	*20%*	*22%*	*25%*	

Source: Eurobank Equities Research, Company data.

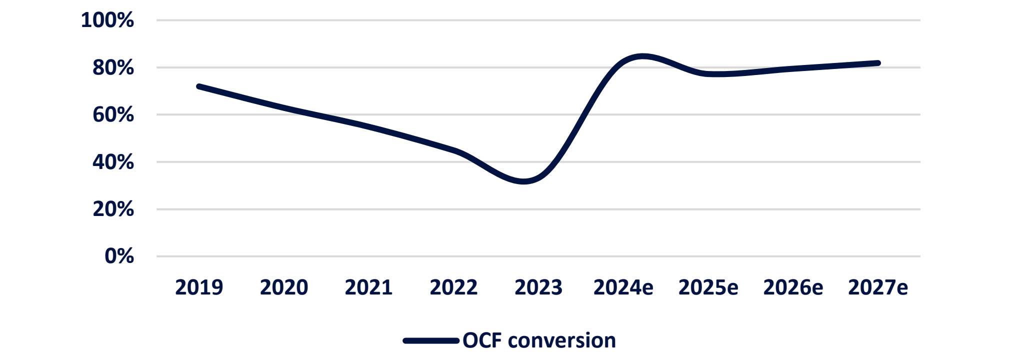
Cash flow generation and returns

Solid cash conversion track record likely to continue in our view

The long-term nature of Profile's contract base and the limited client churn provide solid visibility for revenues and, thus, quite a good view of cash generation ahead. The company has a consistent track record of cash generation, with OCF conversion (OCF/EBITDA) topping near 60-70% in 2019-20, reflecting solid margins and minimal incremental working capital requirements. We note that the drop in cash conversion rates over 2021-22 is largely attributed to increased working capital related to receivables from public projects.

We estimate cash conversion in the 77-82% area through 2027e, assuming minimal strain from public sector receivables - due to our assumption that the majority of project awards relate to RRF - and modest working capital investment for growth.

OCF conversion (OCF/EBITDA)



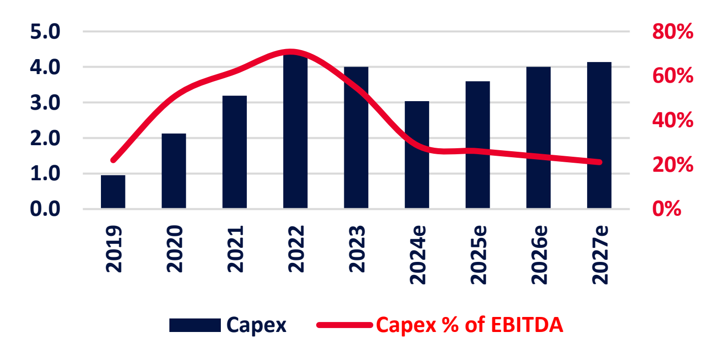
Source: Eurobank Equities Research, Company data.

Organic capex ramping up in recent years; accompanied by occasional M&A

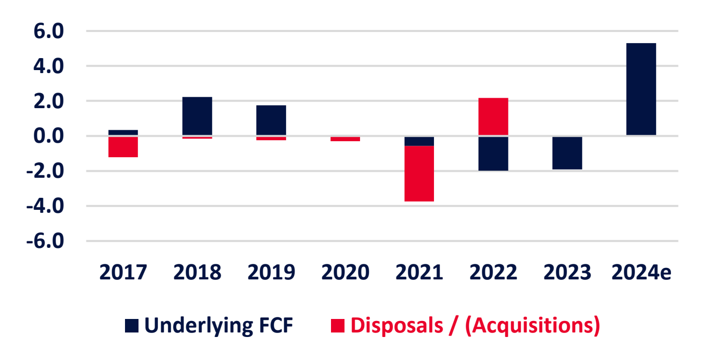
Profile geared increasingly more spending for growth post-pandemic, accumulating >€11m in organic software development costs during 2021-23 (vs. c€4.6m in 2017-20). We expect spending on development to continue, modeling Capex in the €3-4m range annually through the mid-term. We view this level of investment as indicative of the company's commitment to remain on top of developments in fintech/wealthtech.

In addition to organic investment, Profile expanded its solution portfolio through the acquisition of Centevo in 2021 for a cash consideration of €4m. Centevo had generated revenues in the c€6m area prior to its acquisition and was key in expanding the group's presence in the Nordics, a region where Profile was not previously active. We highlight that the group's Equity FCF for FY'22 was inflated by a c€2.5m inflow related to the sale of its ticketing and customs operations business units to CRS Liknoss in June 2022.

Capex in €m and as % of EBITDA



Underlying FCF vs. M&A flows, in €m



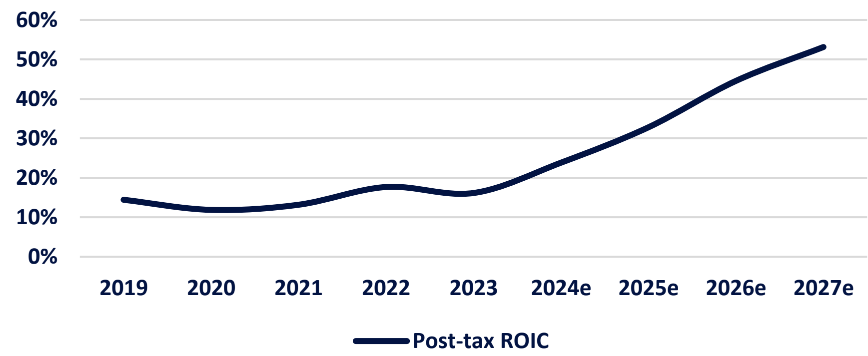
Source: Eurobank Equities Research, Company data.

Expecting accelerating returns on capital

In terms of the returns generated by these investments, we note that they have produced fairly good incremental yields. To illustrate, EBIT increased by >€3m over 2019-23, translating to a >19% return (pre-tax) on the €17m aggregate investment over the same period. At group level, we note that following the Centevo deal, which was coupled with organic improvement in profitability, there was an upswing in post-tax ROIC, which rose to c17% in 2022.

Going forward, we anticipate an upswing in ROIC through to the mid-term as the investment cycle reaches a more mature state and operating leverage from the optimization of financial solutions and improved project management in the public sector takes effect.

Post-tax ROIC



Source: Eurobank Equities Research, Company data.

…and robust cash flow generation

Below we summarize the main cash flow pillars for the group since 2020 and present our overall FCF forecast over 2023-26e. As can be seen, our estimates envisage strong 2-digit EBITDA growth annually, with the group nearing the €14m mark in 2025e and reaching €17m by 2026e. We see this feeding into an annual Free Cash Flow of €7.8-10.3m over 2024-26e, thus leading to further strengthening of the already robust balance sheet.

Summary Cash Flow Statement

in €m, unless otherwise stated	2021	2022	2023	2024e	2025e	2026e
EBITDA (reported)	5.2	6.2	7.3	10.6	13.8	17.0
Change in working capital	-1.4	-3.4	-4.3	0.2	-0.7	-0.5
Tax	-0.5	-0.3	-0.6	-1.6	-2.1	-2.8
Net interest paid	-0.1	-0.2	-0.4	-0.5	-0.4	-0.3
Other	-0.3	0.5	0.4	0.0	0.0	0.0
Operating Cash Flow	**2.8**	**2.8**	**2.4**	**8.7**	**10.6**	**13.5**
Capex	-3.2	-4.4	-4.0	-3.0	-3.6	-4.0
Other Investing cash flow	-4.0	1.2	0.7	2.5	2.1	1.3
Net Investing Cash Flow	**-7.2**	**-3.2**	**-3.3**	**-0.5**	**-1.5**	**-2.8**
Capital repayment of lease obligations	-0.2	-0.4	-0.3	-0.4	-0.4	-0.5
Free Cash Flow (Levered)	**-4.6**	**-0.7**	**-1.2**	**7.8**	**8.8**	**10.3**
Underlying FCF (excl. M&A)	-0.6	-2.0	-1.9	5.3	6.6	9.0
Dividends paid	-0.6	-0.8	-1.0	-1.2	-1.8	-2.3
Other	2.0	0.3	0.7	0.0	0.0	0.0
Net debt / (cash) (excl. leases)	**-8.7**	**-7.5**	**-6.1**	**-12.7**	**-19.7**	**-27.6**
Inflow / (Outflow)	-3.2	-1.2	-2.6	6.6	7.0	7.9

Source: Eurobank Equities Research, Company data.

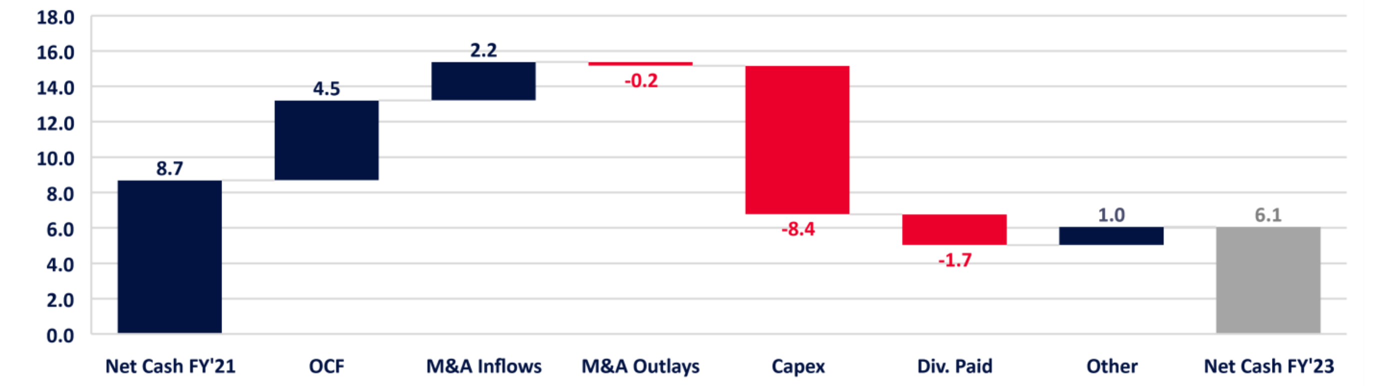
Balance sheet and shareholder returns

Healthy financial position, balanced capital allocation policy

Profile has remained comfortably cash positive in spite of increased spending on software development in recent years, with net cash ranging between €7m and 9m since 2021. This resilience is attributed to the robust ARR base (c60% of revenues) and strong profitability margins which, combined with a c€2.2m inflow from the sale of the ticketing/customs business units, have created substantial cash reserves for the group to tap into in case attractive M&A opportunities arise.

Looking back, the group was on net cash of c€8.7m in FY'21 and, following a period of sustained high levels of capex investment, ended FY'23 on a net cash position of €6.1m. This placed net cash at c0.8x 2023 EBITDA, providing the group with ample headroom to finance potential acquisitions or continue investing in the business.

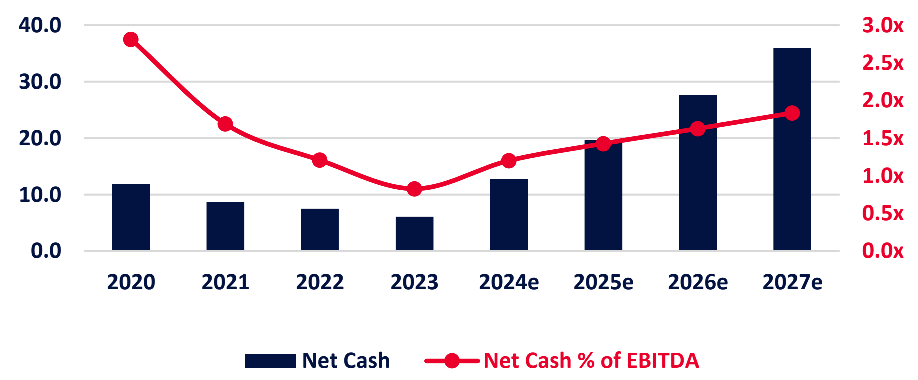
Net debt bridge 2021-23, in €m



Source: Eurobank Equities Research, Company data.

Looking ahead, we anticipate the strong cash generative nature of the business and the future visibility from the accumulated public sector backlog to drive net cash to >€35m by 2027e. It is worth noting that net cash has exceeded c1x EBITDA almost every year since 2020, underscoring that cash generation remains solid even in periods of heightened investment in software development. We note that our forecasts do not factor in potential M&A activity going forward.

Net cash, in €m & Net cash as a % of EBITDA

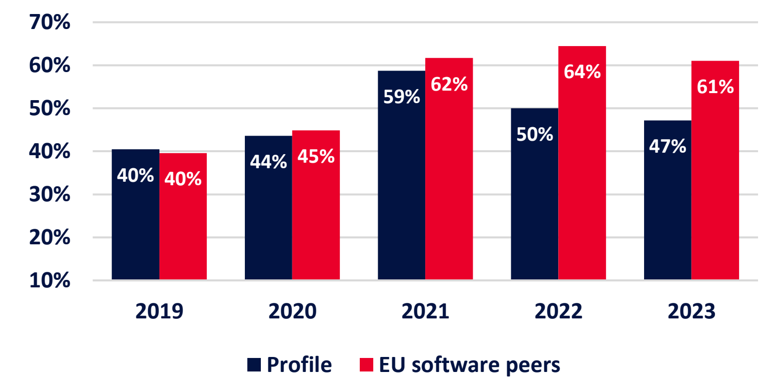


Source: Eurobank Equities Research, Company data.

Intangibles lower than peers

As is typical for software developers, Profile has a high number of intangibles on its balance sheet. Intangibles ranged between 40% and 60% of revenue over 2019-23, naturally peaking in years when M&A activity was stronger, and the revenue base was lower. In the absence of further M&A, we expect intangibles as % of revenue to settle below 40% in 2024e, namely lower than the median of EU software peers. Profile's intangibles corresponded to c47% of equity in 2023, again below the levels of most EU software peers and lower than the respective mark for other Greek software companies.

Intangibles as % of revenue vs. EU software peers

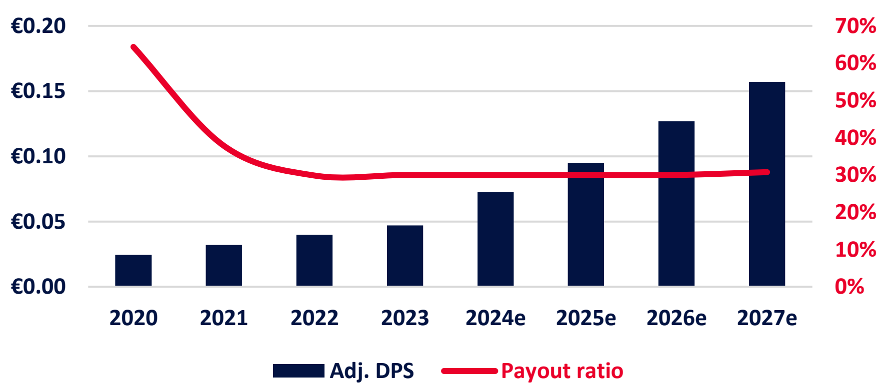


Source: Eurobank Equities Research, Company data, Bloomberg.

We assume a 30-31% payout reflecting a balanced capital allocation policy

Healthy fundamentals and a starting point of an underleveraged financial position have led to progressive shareholder returns in the last few years. Indicatively, Profile distributed c€2.2m to shareholders over 2019-22 in the form of dividends, despite FCF being absorbed by capex and M&A over the same period, with the company reducing its net cash position from €11m in 2019 to €6m in 2023. Going forward, we pencil in dividend payout at c30-31% of earnings, a level which we believe strikes a good balance between Profile's willingness to invest in the business, its capacity to reward shareholders and the flexibility to build a war chest for potential acquisitions.

Adj. DPS, in € and Payout ratio (% of earnings)



Source: Eurobank Equities Research, Company data.

Estimates and main assumptions

On the revenue front, our main assumptions reflect the recurring nature of c60% of Profile's top line (which is set to increase further in the coming years), organic client base expansion in financial solutions and public project inflows. We model total revenue CAGR of 21% over 2024-27e, expecting growth in financial solutions to be driven by banking, wealth, risk and treasury solutions and public sector top line to range between €18m and €32m. We highlight that our projections do not account for potential M&A activity.

In terms of profitability, we expect EBITDA margins to hover near 25-27% in the next couple of years as the negative mix effect from the rising contribution of public revenues partly offsets the benefits of positive operating leverage. We anticipate an uptick to the 28-32% area in later years, driven by the accretive effect of scale benefits and higher spend per client in financial solutions, as well as improved margins for RRF projects as investments in Greek public sector IT infrastructure mature.

On the cash flow front, we project the jump in revenues to translate to OCF near €13m by 2026e. We anticipate conversion rates between 77% and 82%, with dividend payout at c30-31%. Considering the strong cash generative capacity of the business, the future visibility from the strong backlog and our assumption for no M&A activity ahead, we expect Profile to increase its net cash position to >€27m by 2026e.

Key estimates

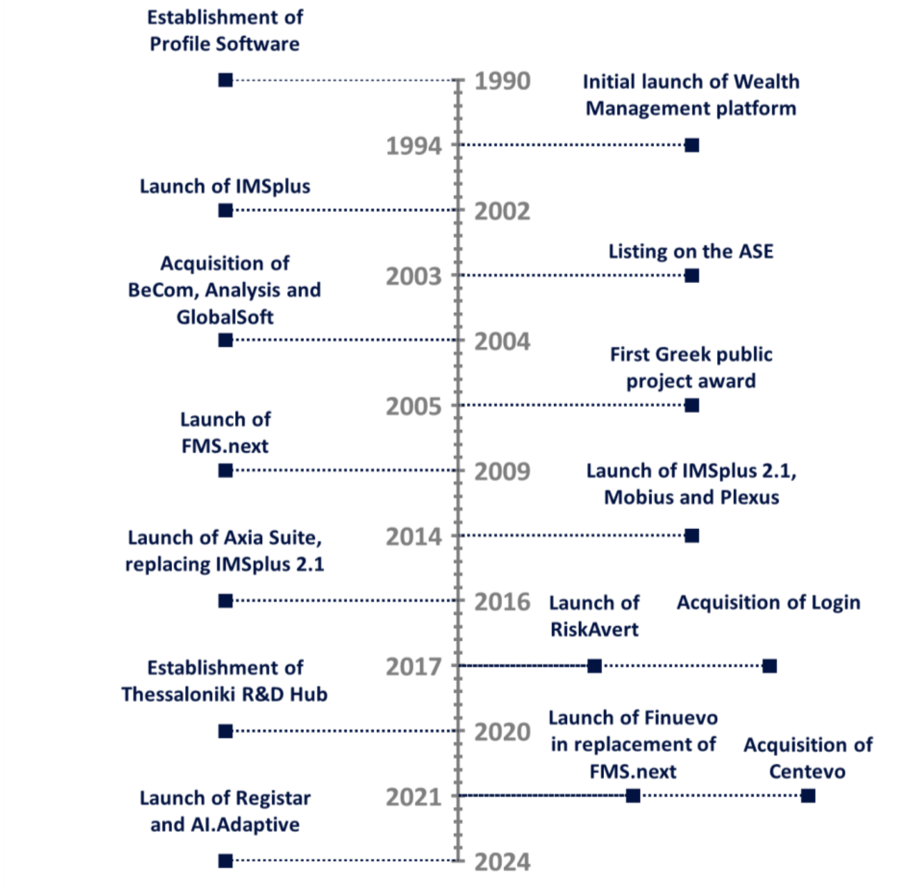
EURm unless otherwise stated	2021	2022	2023	2024e	2025e	2026e
Revenue	**19.3**	**25.0**	**30.1**	**41.6**	**51.4**	**60.2**
of which:						
Wealth & Investment Mgt	9.1	11.5	12.6	14.1	16.1	17.6
Banking, Risk & Treasury	7.8	8.1	8.2	9.3	10.7	12.3
Large-scale Solutions	2.4	5.4	9.3	18.2	24.5	30.3
Gross profit	**9.6**	**11.7**	**14.6**	**20.9**	**25.4**	**30.2**
Gross margin	*50%*	*47%*	*48%*	*50%*	*49%*	*50%*
EBITDA	**5.2**	**6.2**	**7.3**	**10.6**	**13.8**	**17.0**
EBITDA margin	*27%*	*25%*	*24%*	*25%*	*27%*	*28%*
- Net interest expense	0.1	-0.3	-0.2	-0.5	-0.4	-0.3
PBT	**2.6**	**3.8**	**5.1**	**7.5**	**9.9**	**13.2**
- Tax	-0.5	-0.6	-1.3	-1.6	-2.1	-2.8
Net profit	**2.0**	**3.3**	**3.9**	**5.9**	**7.8**	**10.4**
Operating Cash Flow	2.8	2.8	2.4	8.7	10.6	13.5
- Gross Capex	-3.2	-4.4	-4.0	-3.0	-3.6	-4.0
± other investing inflow/outflow	-4.0	1.2	0.7	2.5	2.1	1.3
Capital repayment of leases	-0.2	-0.4	-0.3	-0.4	-0.4	-0.5
Free Cash Flow	**-4.6**	**-0.7**	**-1.2**	**7.8**	**8.8**	**10.3**
Net cash	**8.7**	**7.5**	**6.1**	**12.7**	**19.7**	**27.6**
Dividend payout	38%	30%	30%	30%	30%	30%
Adj. DPS	**€0.03**	**€0.04**	**€0.05**	**€0.07**	**€0.10**	**€0.13**

Source: Eurobank Equities Research, Company data.

History and shareholder structure

We present a brief historical summary of Profile Software below, outlining the group's main reference points over the years.

Profile Software historical overview



Source: Eurobank Equities Research, Company data.

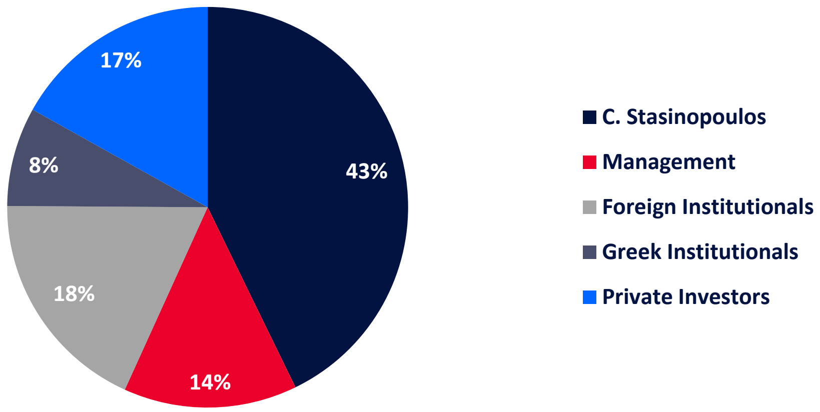
Mr. C. Stasinopoulos is the Executive Chairman of the BoD and the founder of Profile Software. Mr. Stasinopoulos has >30 years of experience at Profile, helping guide the company from an investment management fintech startup to a group of companies covering a wide range of financial solutions. He holds degrees in IT and Business Administration and assumed his current position in 2021.

Mr. E. Angelides is the current CEO of Profile, having assumed duties since 2021. Mr. Angelides has >24 years of experience managing companies in the Software, IT, Telecoms, Manufacturing and Logistics sectors and has held numerous top management positions at Profile since 2014. He holds a BA in Economics from the American College of Greece and an MSc in Money, Banking and Finance from the University of Birmingham. He is a certified public accountant in the UK and holds the title of FCCA.

Mr. S. Barbatos is the Vice President (non-executive) of Profile. Mr. Barbatos has >35 years of experience in the IT sector, having held prominent positions within Profile since 1999. Prior to joining the group, he was the CEO of BeCom, an IT company acquired by Profile in 2003. He holds a degree in Economics from Athens University of Economics and Business.

Overall, the aforementioned executives hold c57% of the share capital. Regarding the rest of the shareholder structure, 18% and 8% of the share capital is held by foreign and Greek institutional investors, respectively, while 17% is owned by private investors.

Shareholder structure (2024)



Source: Eurobank Equities Research, Company data, Bloomberg.

ESG overview

Given the growing significance of ESG criteria for investors, we believe it is essential to provide an overview of Profile's alignment with commonly used standards, using data provided by the group. We mainly focus on the group's approach regarding climate change, ethical responsibilities towards employees and suppliers, as well as compliance with corporate governance best practices. In more detail:

A. Environmental and Social overview

In an effort to address risks associated with climate change, Profile assesses the environmental impact of its activities, identifies risks, and implements preventive measures during scheduled reviews. Given the nature of the business, emissions are primarily generated from indirect sources, through power usage within the offices, employee travel for ongoing projects or third parties used for project implementation. Despite having limited direct control over emissions, the group conducts regular reviews to improve energy consumption and looks to make upgrades accordingly to reduce the use of energy-intensive equipment. Profile also promotes internal educational programs for environmental and social awareness.

On the social front, the group is involved in several community initiatives and partnerships aimed at societal improvement. Profile encourages employees to participate in initiatives for recycling paper waste and providing support to the homeless by offering food and shelter. Additionally, the group supports causes related to the provision of medical care to less privileged children and has participated in programs to supply IT equipment to schools and NGOs. Profile has additionally collaborated with a number of employment and entrepreneurship programs aimed at helping students and young professionals advance in their careers through the years.

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. 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. It is worth mentioning that we have conducted a comparable analysis for all stocks within our coverage universe, allowing us to assess Profile's positioning 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 the 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.

A few deviations from best practices

The snapshot of our findings for Profile 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 (e.g. separation of Chairman/CEO roles, representation of non-executives in the BoD). However, one of the deviations we note relates to 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. Additionally, we caveat that Profile does not use a Big 6 auditor, which is atypical within our coverage universe.

Corporate Governance Overview	
Board Structure	**Profile**
Board Size	7
CEO/Chairman separation?	Yes
Executive director board duration	5
Tenure of the CEO	3
Average Tenure of BoD	Long-term
Female representation in the BoD	14%
Board Independence and system of internal controls	
% of Non-executive directors on the BoD	71%
% of Independent directors on the BoD	29%
% of Independent Remuneration Committee Members	67%
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?	No
Source: Eurobank Equities Research	

Group Financial Statements

Reported Figures in €m					
Group P&L	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Revenue	**25.0**	**30.1**	**41.6**	**51.4**	**60.2**
Gross Profit	13.8	16.5	23.5	28.9	33.8
EBITDA	**6.2**	**7.3**	**10.6**	**13.8**	**17.0**
change	*20%*	*18%*	*44%*	*30%*	*23%*
EBITDA margin	*25%*	*24%*	*25%*	*27%*	*28%*
EBIT	**4.2**	**5.4**	**8.0**	**10.2**	**13.4**
Net Financial expense	-0.3	-0.2	-0.5	-0.4	-0.3
Exceptionals/other income	0.0	0.0	0.0	0.0	0.0
PBT	**3.8**	**5.1**	**7.5**	**9.9**	**13.2**
Income tax	-0.6	-1.3	-1.6	-2.1	-2.8
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Net Profit	**3.3**	**3.9**	**5.9**	**7.8**	**10.4**
Adj. EPS (EUR)	**0.13**	**0.16**	**0.24**	**0.32**	**0.42**
Adj. DPS (EUR)	**0.04**	**0.05**	**0.07**	**0.10**	**0.13**
Group Cash Flow Statement	**2022**	**2023**	**2024e**	**2025e**	**2026e**
EBITDA	6.2	7.3	10.6	13.8	17.0
Change in Working Capital	-3.4	-4.3	0.2	-0.7	-0.5
Net Interest	-0.2	-0.4	-0.5	-0.4	-0.3
Tax	-0.3	-0.6	-1.6	-2.1	-2.8
Other	0.5	0.4	0.0	0.0	0.0
Operating Cash Flow	**2.8**	**2.4**	**8.7**	**10.6**	**13.5**
Capex	-4.4	-4.0	-3.0	-3.6	-4.0
Other investing	1.2	0.7	2.5	2.1	1.3
Net Investing Cash Flow	**-3.2**	**-3.3**	**-0.5**	**-1.5**	**-2.8**
Dividends	-0.8	-1.0	-1.2	-1.8	-2.3
Other	-0.1	0.4	-0.4	-0.4	-0.5
Net Debt (cash)	**-7.5**	**-6.1**	**-12.7**	**-19.7**	**-27.6**
Free Cash Flow (adj.)	**-0.7**	**-1.2**	**7.8**	**8.8**	**10.3**
Group Balance Sheet	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Tangible Assets	4.5	5.0	4.9	4.3	4.3
Intangible Assets	10.2	12.1	12.7	12.7	12.3
Other non-current Assets	3.9	3.5	3.5	3.5	3.5
Non-current Assets	**18.6**	**20.6**	**21.0**	**20.4**	**20.0**
Inventories	0.1	0.9	1.2	1.5	1.8
Trade Receivables	5.8	11.6	12.6	15.6	17.9
Other receivables	8.5	10.5	10.5	10.5	10.5
Cash & Equivalents	14.2	12.2	18.5	24.9	32.4
Current Assets	**28.6**	**35.2**	**42.8**	**52.5**	**62.5**
Total Assets	**47.2**	**55.8**	**63.8**	**73.0**	**82.6**
Shareholder funds	28.0	32.0	36.4	42.0	49.6
Non-controlling interest	-0.1	-0.1	-0.1	-0.1	-0.1
Total Equity	**27.9**	**31.9**	**36.3**	**41.9**	**49.5**
Long-term debt	2.1	0.6	0.6	0.6	0.6
Other long-term liabilities	2.1	1.9	4.4	5.9	6.3
Long Term Liabilities	**4.2**	**2.5**	**5.0**	**6.5**	**6.8**
Short-term debt	4.5	5.6	5.2	4.7	4.2
Trade Payables	2.0	3.7	5.0	6.1	7.2
Other current liabilities	8.6	12.1	12.4	13.8	14.8
Current Liabilities	**15.1**	**21.4**	**22.5**	**24.6**	**26.2**
Total Equity & Liabilities	**47.2**	**55.8**	**63.8**	**73.0**	**82.6**
Key Financial Ratios	**2022**	**2023**	**2024e**	**2025e**	**2026e**
P/E	23.6x	24.0x	21.1x	16.1x	12.1x
P/BV	2.8x	2.9x	3.4x	3.0x	2.5x
EV/EBITDA	11.5x	12.0x	10.8x	7.8x	5.9x
EBIT/Interest expense	12.7x	22.5x	17.1x	26.4x	50.7x
Net Debt (cash)/EBITDA	-1.2x	-0.8x	-1.2x	-1.4x	-1.6x
Dividend Yield	1.3%	1.2%	1.4%	1.9%	2.5%
ROE	11.7%	12.0%	16.3%	18.5%	21.0%
Free Cash Flow yield	-1.0%	-1.3%	6.2%	7.0%	8.2%
Payout Ratio	29.8%	30.0%	30.0%	30.0%	30.0%

Source: Eurobank Equities

Company description

Profile is a Greek software company with a core product portfolio comprising solutions for wealth & asset management, digital and core banking, risk management, and treasury operations. The company is additionally active in large-scale solutions for public and other large organizations involving platform development (historically c20-30% of sales). It operates 10 offices globally and is present in 50 countries, serving >300 clients across Europe, MEA, Asia and the Americas.

Risks and sensitivities

•**Macro and other demand risks:** Profile's top line is somewhat dependent on the digitization agenda of the Greek public sector, thus hinging on the speed of project execution. However, this risk is mitigated by the contracted nature of these revenues and PROF's high international exposure.

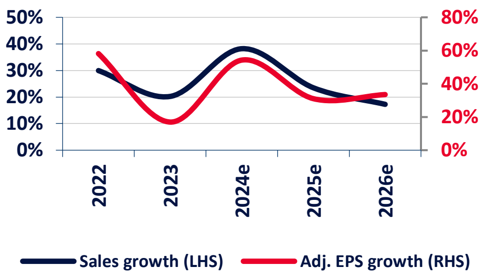
•**Personnel costs:** Human capital is the overriding factor behind the success of a software company, and the same holds for Profile. In that regard, margins could be negatively affected if wage inflation accelerates further, driving the need for the company to invest more in personnel.

•**Regulatory risk:** PROF's business is subject to evolving fintech regulation, including reporting, investment mgt and related regulations. Changes to the scope/ effect of regulatory regimes or modifications of accounting policies across its areas of operation may affect demand for its products. On the other hand, these also present opportunities for new business development.

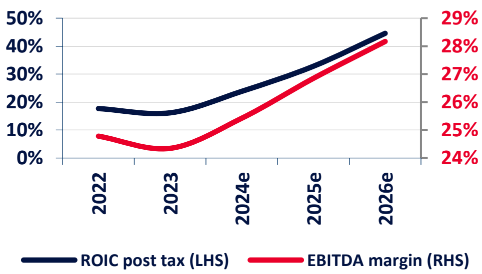
•**M&A risk:** Profile has at times resorted to M&A to tap new geographies. In case of similar moves in the future, there is some integration risk (or risk of non-accretive M&A), although we stress that the past track record is quite strong.

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

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12-month Rating History of Profile

Date	Rating	Stock price	Target price
13/05/2024	Buy	€ 5.10	€ 6.50

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients		Other Material Investment Services Clients (MISC) - as of 15th Apr 2024	
	Count	Total	Count	Total	Count	Total
Buy	23	70%	3	13%	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	15%	2	40%	3	60%
Total	**33**	**100%**				

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

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
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Under Review:	Our estimates, target price and recommendation are currently under review
Not Rated:	Refers to Sponsored Research reports