

Valuation & Research Specialists (VRS)
Equity Research Team
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Share Price (15/11/2019) € 2.64

# of Shares (mn)	11.17544
Market Cap (in € mn)	29.50
Daily Volume (p)	3,350
Beta Co-efficient	0.86

Source: VRS Calculations, Reuters.
Period as day/month/year.

Stock Price Performance & Transaction Volume

(Last 6 months, in € and in number of share units)



Note: Share price performance based on share price closes on Stock Exchange.
Period as day/month/year if applicable.

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EPSILON NET S.A.

Listed on Athens Exchange - Greece

[Bloomberg Ticker: EPSIL:GA] [Reuters Ticker: EPSr.AT]

Business Sector | Industry: Software & Services

Our View on Epsilon Net S.A. (*)

- **Epsilon Net S.A.** is a continuously growing group of companies that operates since 1999 in the areas of information technology (Epsilon Net Software), the development and publication of online content (Epsilon Net Network) and training (Epsilon Net Training). It is listed on the Athens Exchange, Greece, since 2008, has more than 400 employees in Thessaloniki and Athens and a continuously increasing network of more than 300 partners and resellers nationwide. Below, we highlight some of our views combined with selective data presented by the company's management during the recent Analyst Day (*).
- **Growth trajectory:** The Group has implemented a strong corporate strategy plan over the last years, which has resulted into a significant growth trajectory. More specifically, the first half of 2019 saw the revenues growing by 11.7% (at €8.1 million) vs H1 2018. Additionally, in H1 2019, Net Profit and EBITDA increased by 54.2% and 44.8% respectively versus the same period of 2018. In FY 2018, all of EBITDA, EBIT and Net Profit rose by 9.6%, 20.4% and 50.9% respectively. Furthermore, a notable rise of 12.5% on the level of sales was observed in FY 2018 versus FY 2017.

What we like

- The company sustained an approximately 55% of repetitive revenue through recurring maintenance contracts whereas it held 70-75% of the market in payroll software and HRM products.
- In July 2019, Epsilon Net announced a strategic cooperation with HIT SA. The latter operates in the sector of tourism & catering. Epsilon Net established a new subsidiary under the trade name "Epsilon Support Center" with a focus on analysis and implementation of software projects, after-sales support, programming solutions and custom PYLON platform solutions.

What we anticipate

- The constantly changing conditions of information technology market highlight the necessity to develop software solutions and practices which can be implemented swiftly in order to allow enterprises to operate efficiently. In this regard, Epsilon Net is anticipated to take advantage of the market trends and carry out subsequent projects that will be based on fintech (such as Tr.U.St and Compass) and hybrid technology to keep the company competing to market trends.
- The company is in position to further explore a potential clientele of about 250,000 large, medium and small sized businesses, in vertical markets in Greece which need computerization and are potential customers of the PYLON business software platform.

What we will monitor

- Epsilon Net is going through a period where it needs to redefine its strategy for the next 5 years.
- The group announced that an extraordinary General Meeting was held on November 15, 2019 concerning the approval of its share capital increase by € 667,368 and the listing of its shares on the Main Market of the Athens Exchange (previously the company was listed on the Alternative Market, called "ENA"). The General Meeting approved all above whilst the completion of listing is scheduled at the start of 2020.

Epsilon Net Stock

- In 2019, Epsilon Net share price increased by about 137%, from €1.11 at the beginning of the year to €2.64. This sharp increase becomes even more noteworthy given that during the same period the Athens General Index rose by 46.2%.
- In January 2019, the company increased its share capital by €1.67 million (capitalization of reserves), via distribution of 5,587,720 new shares with nominal value of €0.30 per share, to the company's shareholders, under the terms of 1 new common registered share for every 1 old share.
- With a market cap of €29.5 million and net profit of €1.038 million in FY 2018, the historic price earnings ratio (P/E) stands at 28.4x.

(*) VRS Research Team attended the company's presentation at the ATHEX Small Cap Conference, held on Thursday October 10, 2019, in Athens Greece. The event was organized by the Athens Exchange Group at the latter's facilities.

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DISCLOSURE CHECKLIST

Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
EPSILON NET S.A.	EPSIL:GA	EPSr.AT	€ 2.64	November 15, 2019	6

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