SPONSORED RESEARCH

PROFILE

A Financial Solutions Outfitter

Financial software developer and vendor - Profile is a Greek origin software developer and vendor that covers various domains of Banking, Fintech and Investment Management. Operating in 38 countries worldwide, it generates most of its revenue (c. 65%) outside Greece. Profile's product portfolio is well established in FinTech, with the company maintaining solid track record in terms of rapid delivery times and ease of deployment, while als6o being strategically positioned on new trends, ensuring that it will continue to bring value to its clients. Competitive advantages in relation to its peers lie with its global presence, cross-functional product offerings and tailored solutions through an Agile operating framework.

Enjoys high client retention rates – Its business model is characterised by contractually recurring revenue. Profile generates c. 70% of its revenue through long-term maintenance, SaaS and PayG contracts. Maintaining solid track record, Profile has managed to build strong and rather long-term customer relationships and enjoys high client retention rates (c.97%-99%) and industry recognition through references.

Solid organic growth prospects - Through organic growth and strategic acquisitions, the company enjoyed sales & EBITDA growth of 13-14% CAGR in 2016-2018. Looking ahead, we see further organic growth as Profile leverages on new FinTech trends led by technological advances and systems modernisation. The company showcases impressive growth in new contract undertaking, which at current run rates, implies average sales growth of 14.1% in 2019-2020, driven by increased 3rd party spend for software products. Profit-wise, we expect Profile will maintain overall healthy margins, owing to solid geographic/product mix and high client retention rates, which should result in a free cash flow conversion rate of c. 75% of EBITDA on average over the next 5-10 years, broadly in-line with the 2018 historical figure.

Trades at deep discount to global peers - To better gauge the fair value of Profile, we contrast EV/EBITDA valuations against its peers' outlook. Global peers have traded on avg at c. 14x over the last 2 years. Despite its re-rating year-to-date, Profile trades at a deep discount to peers. Given the positive outlook ahead, we believe the market should eventually pay attention on the sustainability of EBITDA and cash flow generation, which warrant even higher multiples than the company's historical avg, thus further convergence towards industry avg is likely. These dynamics are further supported by a fair value assessment on the back of a peer multiple and DCF valuation, resulting in a €67-68mn fair value (€5.9 - €6.0 per share, excluding treasury shares). Meanwhile, potential strategic M&A would imply further value enhancement, adding as much as €1.80 per share.

Estimates					
€ mn	2017	2018	2019e	2020e	2021e
Revenues	11.6	13.8	16.3	18.0	19.4
EBITDA	3.9	4.1	4.7	5.2	5.6
Net Profit	1.0	1.3	1.8	2.2	2.6
EPS	0.09	0.11	0.15	0.19	0.22
DPS (gross)	0.00	0.04	0.05	0.07	0.08
Valuation					
	2017	2018	2019e	2020e	2021e
P/E	28.9	22.4	15.1	11.9	9.8
EV/Sales	2.4	1.9	1.6	1.4	1.2
EV/EBITDA	7.0	6.5	5.5	4.8	4.1
EBIT/Interest expense	3.7	7.9	14.0	26.6	33.1
Dividend Yield (gross)	0.0%	1.3%	1.6%	2.1%	2.4%
ROE	5.6%	6.8%	9.2%	10.5%	11.2%
ROIC	5.3%	7.4%	11.2%	14.6%	17.3%

Market Cap (mn)	€37.3
Closing Price (05/06)	€3.16

Stock Data

Reuters RIC	PRFr.AT
Bloomberg Code	PROF GA
52 Week High (adj.)	€3.16
52 Week Low (adj.)	€1.15
Abs. performance (1m)	3.5%
Abs. performance (YTD)	142.4%
Number of shares (fully diluted)	11.8mn
Avg Trading Volume (qrt)	€71k
Est. 3yr EPS CAGR	26.8%
Free Float	50%

Profile Share Price

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This report was prepared and published in consideration of a fee payable by Profile Systems & Software S.A.

See Appendix for Analyst Certification and important disclosures.

Contents

Eurobank Equities

Investment Summary | Convergence towards industry average is likely

Greek software developer

Profile is a Greek software developer and vendor that covers various domains of the FinTech industry, spanning from Banking to Investment Management, Risk Management and Treasury operations. The company operates 7 international offices and is present in 38 countries across the world, servicing approximately 250 clients in Europe, the Middle East, America, Asia and Africa. Following the acquisition of Login in 2017 (software developer of the Acumen^{net} front-to-back office Treasury, Risk and Accounting platform), the company generates the majority of its revenue (c. 65%) outside Greece.

Offers "Agile" investment mgt and banking solutions

Profile has been developing its own investment management and banking platforms for almost 30 years and has reached deep levels of know-how and understanding of its clients' business needs as well as the ability to operate in a "fast-time-to-market" environment where products are easily deployable. The company offers Agile business-wide operations across its product portfolio, with emphasis on a team-based approach to development and extensive customer involvement throughout the project. The customer is given ample opportunity to monitor the process, make decisions and changes, thus ending up with a highly customised product that will best suit individual business needs while in the process gain a strong sense of ownership.

Global presence and cross-functional tailor-made products offer competitive advantage

Profile's product portfolio is well established in the FinTech industry, with the company maintaining solid track record in terms of rapid delivery times and ease of deployment. It is also strategically positioned on new trends - Robo advisory, PSD2, AI, RegTech, among others - ensuring that it will continue to bring value to its clients. Competitive advantages in relation to its peers lie with its global presence, cross-functional product offerings and tailored solutions through the Agile operating framework.

Enjoys high client retention rates and industry recognition

The company's business model is characterised by contractually recurring revenue. Profile generates c. 70% of its revenue through long-term maintenance, SaaS and PayG contracts while additional revenue is incurred by selling maintenance services, typically under annual contracts. Committing to addressing clients' needs quickly, efficiently and cost-effectively, Profile has managed to build strong and rather long-term customer relationships and enjoys both high client retention rates (c.97%-99%) as well as industry recognition through references.

Solid prospects for organic avg sales growth of 14% in 2019-2021; M&A optionality

Through organic growth and strategic acquisitions, the company enjoyed sales and EBITDA growth of 13%-14% CAGR in 2016-2018, having generated revenue of €14mn and EBITDA of €4mn in 2018. Looking ahead, we see further organic growth as Profile leverages on new trends in the FinTech industry led by technological advances, systems modernisation, increased regulatory scrutiny and evolving financial standards that create new business needs. The company showcases impressive growth in new contract undertaking, which at current run rates, implies further sales growth to the tune of c. 14% on average in 2019-2021 and c. 8% CAGR on a long-term basis (2019-2025). This is driven by increased 3rd party spend for software products on the back of a shift towards a more digitised era, which creates growth opportunities for firms that can leverage technology to create products that serve this scope. Further growth (on our numbers c. 13% CAGR from c. 8% as per base-case scenario) may be incurred through acquisitions, given Profile's financial flexibility (36% of balance sheet in cash) and appetite for strategic M&A.

Healthy margins; cash conversion at c. 75% of EBITDA

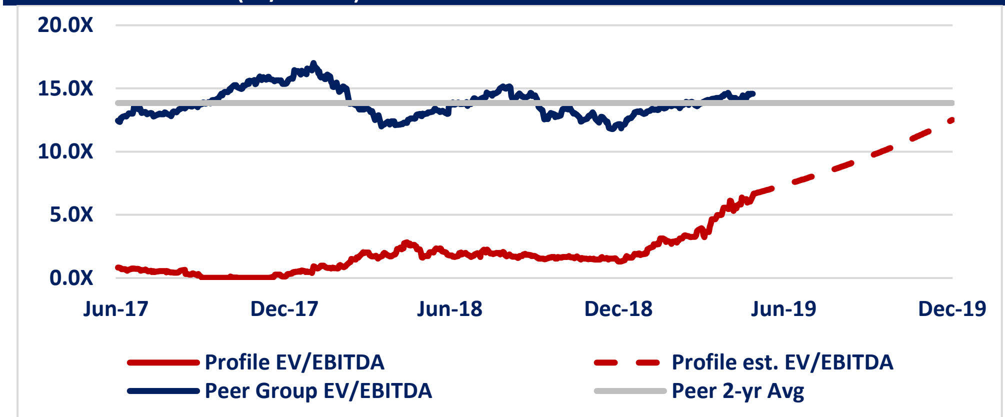
In terms of profitability, Profile's gross margin stands at an average c. 60% at a group level, with financial solutions appearing to be more profitable in relation to corporate services, reflective of the high complexity of financial/banking solutions, which warrants premium pricing. Looking ahead, we expect Profile will maintain overall healthy margins, owing to solid geographic/product mix and high client retention rates, combined with scale effects once the hiring of highly skilled personnel, which is underway, starts paying off. These should result in a free cash flow conversion rate of c. 75% of EBITDA on average over the next 5-10 years, broadly in-line with the 2018 historical figure.

Peers enjoy high valuation x; convergence towards industry average is likely

To better gauge the fair value of Profile, we compare EV/EBITDA valuations to a peer group forward looking profit outlook. Global peers have historically traded at quite hefty multiples ranging between 8.0x to 30.0x EV/EBITDA, while averaging near the 14x mark over the last 2 years. Profile has re-rated somewhat in the past few months, however valuation multiples still remain well below its peers. Given the positive outlook ahead, we believe the market should eventually pay attention on the sustainability of EBITDA and cash flow generation, which warrant even higher multiples than the company's historical average, thus further convergence towards industry average is likely.

The aforementioned dynamics are further supported by a fair value assessment on the back of a peer multiple and DCF valuation, resulting in a €66.5-67.5mn fair value (€5.9 - €6.0 per share, excluding treasury shares).

Share Price Valuation (EV/EBITDA)



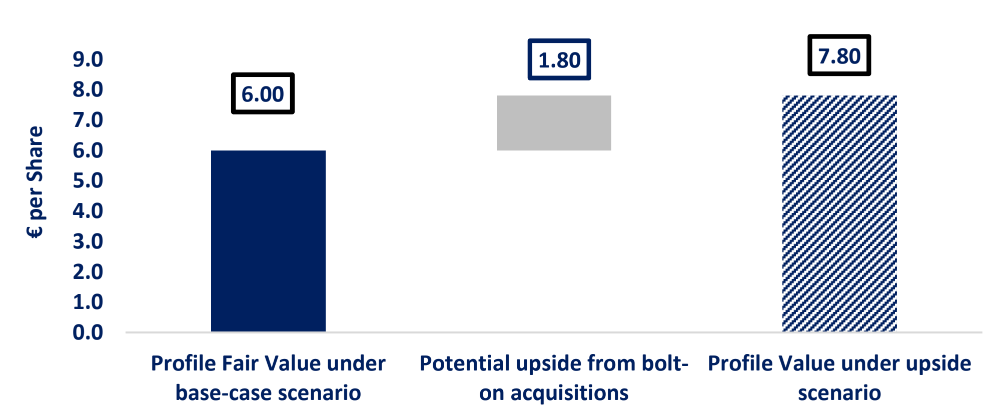
Source: Bloomberg, Eurobank Equities Research

Bolt-on Acquisitions may enhance value further

Meanwhile, potential strategic M&A activity would imply further value enhancement. The FinTech space has seen strong M&A appetite, especially from established players which bid for smaller companies or start-ups with the aim to acquire value-adding technology, gain workforce or expand in new markets / geographies, in an effort to stay relevant in the modern era. Given its solid balance sheet and net cash position, Profile is well positioned for value-adding strategic acquisitions ahead, if such opportunities arise.

The company could acquire as much as 3 or 4 companies (assuming Login's size) in the next two to three years, i.e. €2.5mn sales per annum each and a 25-28% EBITDA margin. Assuming a 75% cash conversion rate (in-line with historical numbers), these acquisitions could lead on our numbers to an incremental €2-2.5mn per annum cash flow, implying an additional c. €20mn value (c. €1.80/share).

Profile | Accretion from potential M&A activity



Source: Eurobank Equities Research

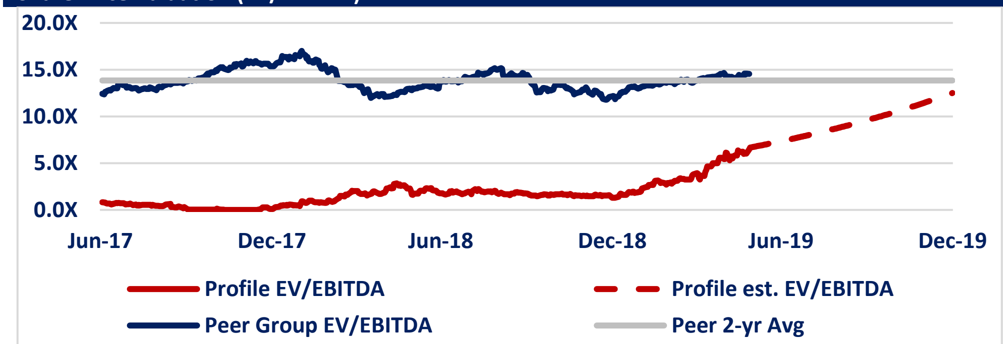
Valuation

Peers have historically enjoyed high valuation

To put Profile's valuation in context with that of other FinTech software solution providers, we compare EV/EBITDA valuations to the respective companies' forward-looking profit outlook. Global peers have historically traded at quite hefty multiples ranging between 8.0x and 30.0x EV/EBITDA, reflective of high earnings growth and cash flow generation combined with strong balance sheets as well as structural factors underpinning these characteristics, such as high barriers to entry and competitive advantages in terms of agility and/or ease of product deployment. Peer valuation is averaging near the 14x mark over the last 2 years.

As shown in the chart below, Profile has re-rated somewhat in the last few months, however valuation multiples remain well below its peers. Given the positive outlook ahead, we believe the market should eventually pay attention on the sustainability of EBITDA generation and cash flow generation, which warrant even higher multiples than the company's historical average, thus further convergence towards industry average is likely.

Share Price Valuation (EV/EBITDA)



Source: Bloomberg, Eurobank Equities Research

10% discount to peers' 2020e multiple implies a €67mn fair value

As explained earlier, Profile trades at a deep discount to its global peers on all valuation metrics, reflective of investors' perception regarding country risk, which has been prone to volatility given the macro saga of the last 9 years. While a discount may be warranted to reflect size, relatively low liquidity, there appears to be an asymmetry between the discount rate implied by Profile's current valuation and the company's growth prospects.

Global FinTech software vendors currently trade at a c. 13.4x EV/EBITDA on 2020e numbers. Applying a 10% discount to peers, we reach an assumed fair multiple of 2020e EV/EBITDA of 12.1x, which implies a €67mn value for Profile.

Profile | Fair Multiple Valuation

€ mn	2020e
Peer Group EV/EBITDA	**13.4x**
Premium / (Discount) to Peers	-10%
Profile Fair EV/EBITDA	**12.1x**
EBITDA	**5.2**
Fair Enterprise Value (PV)	**57.0**
Net Cash 2019e	9.8
Fair Equity Value	**66.8**
Fair Value per Share (€) *	**5.90**

Source: Bloomberg, Eurobank Equities Research

** adjusted for treasury stock*

DCF-based methodology results in a €68mn fair value

Using a DCF-based methodology under a base-case growth scenario, Profile's implied fair value stands at €67.8mn, implying a €6.0 fair value per share (adjusted for treasury stock). The main assumptions are summarised below.

- WACC of 9.2%
- Average sales growth of c. 14% in 2019-2020 and long-term CAGR of 7.8% over the 2019 to 2025 period, along with average EBITDA growth of c. 13% in 2019-2020 and long-term CAGR of 7.9% in 2019-2025
- R&D expense as a % of sales at c. 20% of revenue on average

These result in free cash flow conversion at c. 75% of EBITDA on average over the next 5-10 years, broadly in-line with the 2018 historical figure.

Profile | DCF Valuation (base-case scenario)

€ mn	2019e	2020e	2021e	2022e	2023e	2024e	2025e
Sales	**16.3**	**18.0**	**19.4**	**20.9**	**22.3**	**23.8**	**25.2**
EBITDA	**4.7**	**5.2**	**5.6**	**6.1**	**6.8**	**7.2**	**7.4**
EBITDA Margin	*28.5%*	*28.7%*	*29.1%*	*29.3%*	*30.5%*	*30.2%*	*29.5%*
Unlevered Free Cash Flow (UNFCF)	**2.5**	**3.0**	**4.0**	**4.9**	**5.2**	**5.5**	**5.6**
PV of UNFCF	2.5	2.7	3.3	3.7	3.7	3.5	3.3
Sum of PV of UNFCF	22.8						
PV of Terminal Value	36.4						
Fair Enterprise Value	**59.1**						
Net Cash/(Debt)	9.1						
Dividends	0.6						
Fair Equity Value	**67.7**						
Shares outstanding (x-treasury stock)	11.2						
Fair Value Per Share (€)	**6.00**						

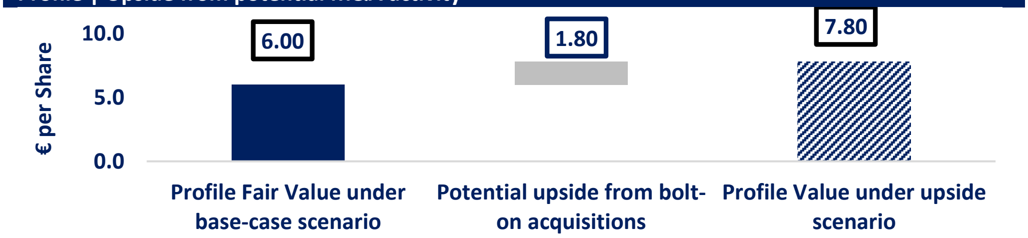
Source: Eurobank Equities Research

Bolt-on Acquisitions may enhance value further

The FinTech space has seen strong appetite for strategic M&A activity, especially from established players which acquire start-ups with the aim to expand in new markets and/or geographies, acquire value-adding technology or gain workforce needed to stay relevant in the modern era. Profile has already taken advantage of one such opportunity, through the acquisition of Login in 2017, which added incremental revenue of over €2mn per annum. Given that M&A activity in the global tech scene appears to be increasing, it would make strategic sense for the company to keep an eye on further value adding opportunities and seek to become a concentrator in the sector.

Given its solid balance sheet and net cash position (36% of balance sheet in cash), Profile could acquire as much as 3 or 4 companies similar to Login in the next two to three years i.e. €2.5mn sales per annum each and a 25-28% EBITDA margin. Assuming a 75% cash conversion rate (in-line with historical numbers), these acquisitions could lead to incremental cash flows of as much as €2-2.5mn per annum, implying an additional c. €20mn value (c. €1.80/share).

Profile | Upside from potential M&A activity



Source: Eurobank Equities Research

DCF Sensitivity

Our base-case DCF exercise reflects long-term (2019-2025) free cash flow CAGR of 7.8%, while our fair value is derived on the back of a 9.2% WACC. Nevertheless, the table below exhibits our fair value assessment sensitivity to a 3% shift to our free cash flow long-term CAGR along with a ±1% WACC assumption.

Profile | Base-Case DCF Sensitivity to WACC & FCF LT CAGR

		WACC				
		11.2%	**10.2%**	**9.2%**	**8.2%**	**7.2%**
	1.8%	2.90	3.20	3.40	3.80	4.20
Deviation of FCF LT CAGR	**4.8%**	4.00	4.30	4.70	5.20	5.90
vs. our estimates	**7.8%**	5.10	5.50	**6.00**	6.70	7.60
	10.8%	6.10	6.70	7.40	8.20	9.30
	13.8%	7.20	7.90	8.70	9.70	11.00

Source: Eurobank Equities Research

Company Overview

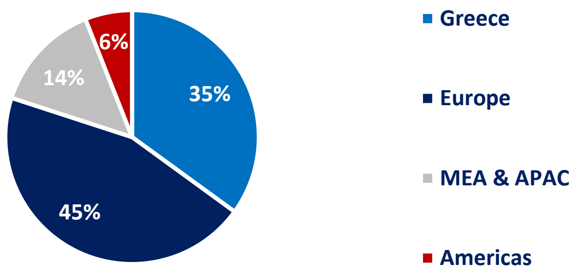
Profile is a software developer and vendor, founded in 1990 and listed on the Athens Stock Exchange since 2003. Through innovation and strategic acquisitions, it has built a product portfolio that covers various domains of the FinTech industry, spanning from Banking to Investment Management, Risk Management and Treasury operations. The company operates 7 international offices and is present in 38 countries across the world, servicing approximately 250 clients in Europe, the Middle East, America, Asia and Africa.

Profile offers a full set of services that cover its clients' needs during the various implementation stages from inception to training, including project management, customisation and consulting. Its product portfolio consists of both turn-key "plain-vanilla" solutions as well as highly customised products in cases where project requirements mandate an individual approach that extends beyond the functionality of existing products. It also offers post-implementation services, including technical support and consulting so as to help clients fully leverage the use of its products.

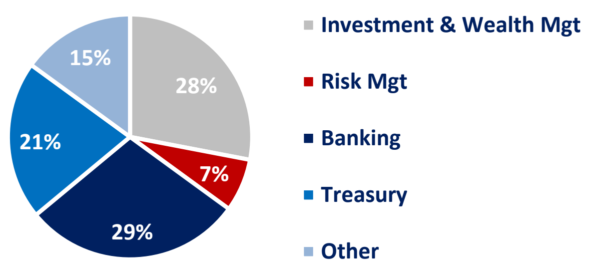
The company generates annual revenue in the range of c. €14mn and EBITDA of c. €4mn. Following the acquisition of Login, Profile generates the majority of its revenue (c. 65%) outside Greece. The largest market is Europe, where Profile generates c. 45% of its revenue while another c. 35% comes from its Greek operation. In terms of the product mix, it appears to be balanced among investment management, banking and treasury solutions (c. 20-30% each), with smaller contribution from remaining operations (namely risk management and Greek projects).

Profile | Revenue Breakdown

Revenue Mix per Geography (2018)



Revenue Mix per Client Category (2018)



Source: Company, Eurobank Equities Research

FinTech & Financial Services Industry

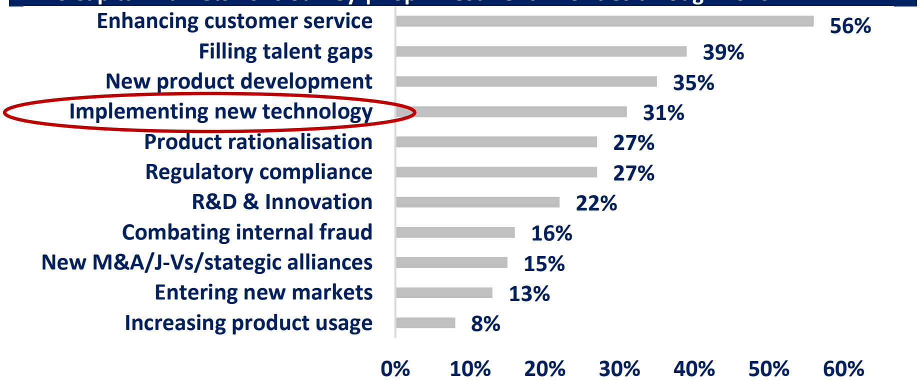
With an increasing number of “traditional” financial institutions starting to give in to the disruptive nature of FinTech in an effort to increase operational efficiency, respond to customer demands and appeal to a younger audience, funding of FinTech start-ups has increased by an impressive 41% over the last four to five years, with over $40bn invested (PwC Global FinTech Report 2017). In addition, a number of established banking organisations collaborate with new FinTech firms to enhance their services and overcome competition challenges, with focus areas being APIs in use, Open Banking and PSD2, consumer behaviour change to non-traditional financial services, saving with the use of AI (EY, PwC, Capgemini). General consensus dictates that at this pace of change, FinTech companies will have completely redrawn the financial services industry landscape over the next five to ten years.

Strong Growth Potential

During a Capital Markets Day hosted in London in May 2019 by Temenos, one of the leading FinTech industry firms, the company estimated that the addressable market for financial software companies stands at $57bn globally (+5% CAGR since 2015), with 3rd party spend at $12bn (8% CAGR since 2015). The company reported total software licensing growth of 21% (CAGR) in the last five years (2013-2018) and expects CAGR of at least 15% on a long-term basis, which is indicative of industry growth rates.

During the same period, Profile posted c. 7% growth (CAGR), while our long-term forecasts incorporate CAGR of c. 7.8% (2019e-2025e), in-line with the industry. Main growth drivers are identified in core banking, front office, wealth, payments and fund administration (c. 7% - 10% CAGR each on a long-term basis), all areas in which Profile is active. These growth rates appear to be supported by industry surveys conducted by PwC and Deloitte, that identify the implementation of new technology among top priorities in the financial services sector.

PwC Capital Markets 2020 Survey | Top Investment Priorities through 2020



Source: PwC Capital Markets 2020 Survey, Eurobank Equities Research

Cloud & SaaS Gain Traction

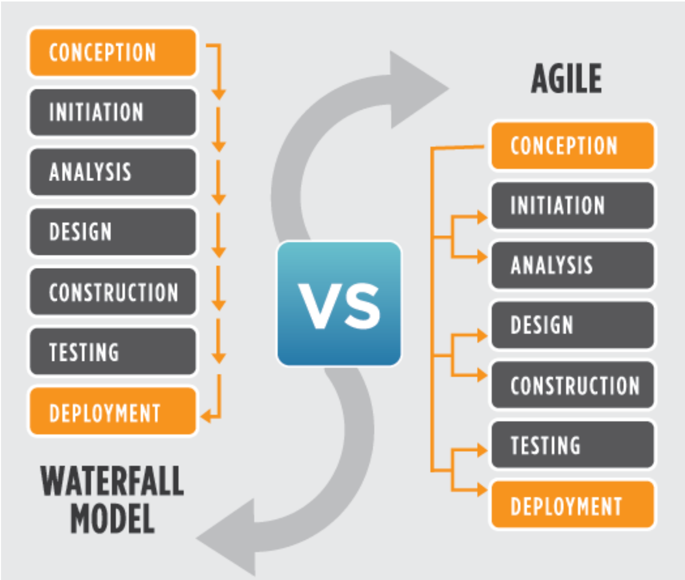
In addition to solid growth prospects due to increased spending for FinTech services and investments towards modernising existing financial services to achieve better customer experience, Cloud and SaaS offered on top of core banking or investment management services further supports a conducive backdrop. Such solutions present a cost reduction opportunity and enable users to optimise their use of FinTech offerings. With financial institutions attempting to stay ahead of the market, increased uptake of these services is likely, implying further growth for financial technology vendors. According to the Economist Intelligence Unit, 60% of the industry expect to be deploying more “computing power” in the public cloud by 2025 than they currently deploy in all private clouds while 35% are looking into cloud offerings to address their needs.

Agile Software Development Approach

Profile offers Agile business-wide operations across its product portfolio, with emphasis on a team-based approach to development and extensive customer involvement throughout the project. The customer is given ample opportunity to monitor the process, make decisions and changes, thus ending up with a highly customised product that will best suit individual business needs while in the process gain a strong sense of ownership.

The Agile development framework evolved out of real-life experiences of software professionals who saw challenges and limitations of the traditional waterfall development. Unlike waterfall development, which follows a linear sequential design that is relatively rigid, Agile software is developed collaboratively between self-organising cross-functional teams and the products' end-users, with focus being on the people doing the work, how they work together and how they best utilise appropriate practices for their context. In other words, Agile development advocates adaptivity, evolution, continuous improvement and flexibility, which can be summarised as the ability to create and rapidly respond to change.

Profile | Agile vs Waterfall Software Development



Source: Segue Technologies, Eurobank Equities Research

Unlike the waterfall approach (a.k.a. traditional approach), which has proven a risky and expensive way to build software systems, Agile's lightweight framework seems to bring higher initial business value along with the ability to continuously maximise value along the way through further collaboration, adaptation and change. It is our understanding that Agile has become the norm in the software development industry and as such those that exhibit the required traits are more likely to become the partner of choice in the growing FinTech spending cycle.

Product Portfolio

Profile's product portfolio is well established in the FinTech industry, maintaining solid track record in terms of rapid delivery times, ease of deployment and a flexible Agile approach. The company is strategically positioned on new trends (e.g. IFRS 9, Robo advisory, PSD2, AI) that ensure it will continue to bring value to its clients.

Profile has been developing its own investment management and banking platforms for almost 30 years and has reached deep levels of know-how and understanding of its clients' business needs as well as the ability to operate in a "fast-time-to-market" environment were products are easily deployable. Its current product portfolio comprises of solutions that cover four main business needs, namely Retail and Corporate Banking, Investment Management, Risk Management and Treasury Operations. Competitive advantages in relation to its peers lie with its global presence, cross-functional product offerings and tailored solutions through an Agile operating framework (see page 10 for Agile product development and its advantages).

FMS.next & FMS.next Payments: FMS.next is a platform for the banking ecosystem, a modern Banking platform targeted towards global financial institutions as well as FinTech start-ups, such as universal, private, Islamic banks, leasing institutions, crowdfunding platforms, alternative financing organisations and digital banks. Offered as a standalone solution or complementary to the FMS.next Core Banking Platform, the Payments solution offers a secure environment for payment transactions, supporting multiple networks including users, payment channels and interbank networks.

Axia: Axia is Profile's software solution for investment management. It features a web-based, wealth management as well as Robo advisory and Custody omni-channel, MiFID II enabled asset and fund management platform. It covers the full range of investment operations with powerful reporting and onboarding capabilities, whilst it can be deployed on premises or in the cloud, following established partnerships with Microsoft and Amazon.

RiskAvert: Featuring a modern risk management system, RiskAvert is Profile's solution for financial institutions that meets the need to reconcile financial data, calculate, aggregate and report regulatory credit, market, operational and concentration risk. Apart from covering various approaches to operational, market and credit risk, it also accommodates IFRS 9 and XBRL requirements (assessing credit risk profile of banks' clients).

Acumen^{net}: Acumen^{net} is Profile's front-to-back office Treasury, Trading and Risk platform, developed by Login SA, a company acquired by Profile in 2017. It supports all financial market transactions, including money market trades, forex, securities, interest, currency and asset swaps, equities, futures and FRA, OTC and exchange traded options, credit linked instruments, commodities and Islamic deals. It is offered as a stand-alone solution but may also be seamlessly integrated with any Core Banking system.

Other products in Profile's FinTech solutions portfolio include **IMSplus** (investment management platform), **Mobius Wealth** (a native wealth management mobile app), **GS Market Suite** and **GS Trader** (real-time data feed monitoring application and aggregator of information from back-end systems regarding portfolios, cash and real-time data feeds and news), **Plexus** (real-Time Market Data Streaming on iPhone® and iPad® mobile devices) and **Registry** (monitoring and management of shareholders registry).

Client Portfolio

Profile’s client portfolio comprises over 250 clients across the world servicing 15,000 users in 650 sites and mainly consists of prime banking and financial institutions, insurance firms, and investment management offices.

Profile | Client Portfolio

Banks		Insurance Firms	Investment Mgt
Greece			
Banks		**Insurance Firms**	**Investment Mgt**
Alpha Bank Eurobank RBS		Groupama ERGO Metlife Alico Generali	Attica Wealth Management IBG National Bank of Greece Piraeus Bank
Rest of Europe			
Banks		**Insurance Firms**	**Investment Mgt**
Ditto Bank Allica Bank Bank of Cyprus Intesa Sanpaolo-Bank Luxembourg Cooperative Central Bank Mercedes Benz Bank S-Pankki	Hinduja Bank cdb bank Credins Bank Bremer Landesbank Nordic Investment Bank -(NIB) Fiduciam - (fi) MuniFin	CNP Insurance Allianz	National Bank Private Banking TCR International AJK 7Q Financial Services Twenty First Capital Think Wealth Claresco Hellenic Bank Astrobank
Middle East & Africa, Asia & Pacific			
Banks		**Insurance Firms**	**Investment Mgt**
Alizz Islamic Bank Bankmed Zanaco Sumitomo Mitsui Trust Bank (SuMiTB) Chase Bank	Union Bank DTB (Diamond Trust Bank) Family Bank Orient Bank	BNH MADA Capital ADNIC	Albilad Capital Masraf Al Rayan Arrow Capital ADSS Rasmala
Americas			
Banks		**Insurance Firms**	**Investment Mgt**
Interbank CIBC Morgan & Drake			BAC Credomatic

Source: Company, Eurobank Equities Research

International Recognition

As evidence to Profile’s high quality, reliable FinTech product portfolio, the company ranks among the best solutions providers across a number of industry experts and market places, including Gartner (as of 2011), Celent (2013), Forrester (2011-2012) and Aite (2014). The company has been featured in Aite’s “Independent Wealth Managers in Europe and Asia: 10 Portfolio Management Systems to Consider” report and Celent’s list of “European Wealth Management Vendors”, among others, ranking among the top European providers. These platforms enhance Profile’s visibility in the Fintech industry, giving access to a wide potential client portfolio and ultimately enhancing the ability to secure new business.

Indicatively, the industry is sizable and growing, expected to reach €500bn by 2020, of which over 37% will refer to non-traditional banking by 2021 (c. €185mn). IT spending is estimated at 5% to 10% of operating costs, based on international research reports.

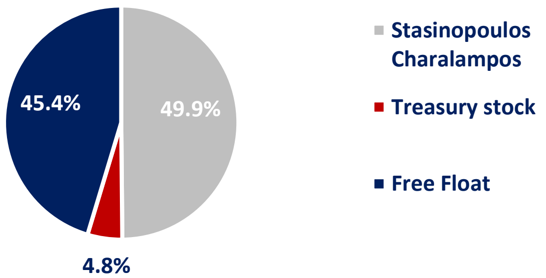
Profile has also gained several awards and distinctions across the world over the last decade, which add to the enhanced visibility across the industry. Below is a selection of the most recent awards and distinctions in 2018-2019.

- "FinTech Solutions Provider of the Year 2019 - United Kingdom" - 2019 Corporate Excellence Awards - Corporate Vision Magazine
- "Best Investment Management Software Solutions Providers 2019 – UK" - AI Hedge Fund Awards
- "Best Financial Solutions Provider of the Year - UK" - M&A Today - Global Awards 2019
- "Profile Software: Ones To Watch in Investment Management Solutions 2019" - Global Business Insight Awards
- "Top 10 Banking Tech Solution Providers 2019" – MyTechMag
- "Innovative Client Solution" - WealthBriefing GCC Region Awards 2018
- "Best Specialty Financial Services Software Provider 2018 - Login SA" - Technology Innovator Awards - Corporate Vision Magazine
- "Most Innovative Banking Treasury Management Software: Acumen^{net} " - Technology Innovator Awards - Corporate Vision Magazine
- "Most Innovative Investment Management Software Solutions Firm - 2018" - AI's Global Excellence Awards
- "Business Innovation Award - 2018" - MONEY magazine
- "Most Outstanding for Financial Management Software - UK" - TMT's magazine 2018 Global Excellence Awards
- "Leading Core Banking Solutions Provider of the year 2018 - Greece & Switzerland" - 2018 Global Business Insight Awards
- "Most Innovative FinTech Solutions Provider - United Kingdom" - Technology Innovator Awards 2018 - Corporate Vision Magazine
- "Best Financial Solutions Provider of the Year - UK" - M&A Today Global Awards 2018 - KMH Media publication
- "Financial Services System Provider of the Year" - Global Fund Awards 2018 - Corporate LiveWire magazine
- "Investment Management Solution Provider of the Year - UK" - Business Excellence Awards 2018 - Corporate Insider publication
- "Most Trusted Banking Treasury Solutions Provider - Europe 2018" - Global Brands Magazine
- "Most Outstanding Core Banking Solutions Provider Europe 2018" - Corporate Excellence Awards - Corporate Vision magazine
- "Technology Firm" - MENA IR Insurance Awards 2018

Shareholding structure

With regard to the shareholder structure, founder Charalampos Stasinopoulos is the major shareholder, owning a 49.8% stake. Foreign institutional investors hold c. 3.5% of capital. Note that c. 4.8% of the share count is treasury stock.

Profile | Shareholding Structure



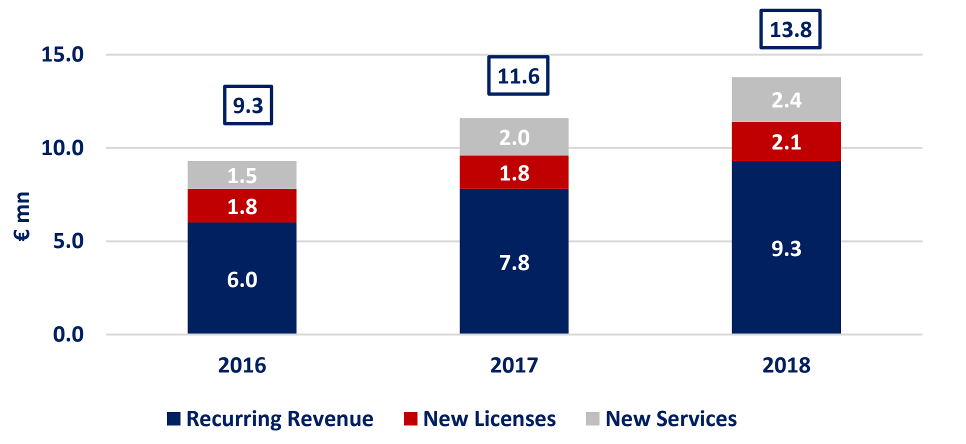
Source: AthEx, Company, Eurobank Equities Research

Business Model & Strategy

Profile's business model is characterised by contractually recurring revenue. The company generates c. 70% of its revenue through long-term maintenance, SaaS and PayG contracts with a 5-year duration on average, that require periodic payments and are subject to automatic renewal (for a 12-month period) at the end of term, unless terminated by either party. Additional revenue is incurred by selling maintenance services, typically under annual contracts.

Profile maintains solid track record in terms of customer relationships and enjoys high client retention rates, while operating under an Agile framework where clients' needs are addressed quickly, efficiently and cost-effectively. Revenue retention rates post-expiration of the aforementioned 5-year contracts is in the range of 97-99%, implying that most clients opt for contract renewals.

Profile | High Revenue Retention



Source: Company, Eurobank Equities Research

As per our understanding, Profile typically offers two types of contracts: clients may opt for a front-loaded payment structure (license upfront payment & customization fee, with annual installments thereafter) or a more linear payment structure throughout the duration of the contract, which is common in cloud/SaaS type services.

Profile's business strategy focuses on three main pillars, namely leveraging on its brand equity and solid product portfolio to capture market share amidst evolving trends in the financial services industry, continuing to capitalise on strategic acquisitions of complementary products and lastly, enhancing profitability and cash flow generation capacity through margin expansion stemming from offering value-adding software solutions that warrant premium pricing.

Research & Development

Keeping abreast of new developments in the FinTech industry and introducing innovative solutions that will address clients' needs is at the core of Profile's business. The company invests in R&D on a regular basis, so as to develop new products that reflect developments in the industry and ensure client requirements are met. R&D investments typically account for 15% to 20% of revenue, which is in line with the rest of the industry. The company is currently looking into new products that will address all new trends in the industry, from open banking and APIs (core banking) to payments and alternative finance (e.g. crowdfunding), to more efficient treasury and risk management, RegTech (regulatory reporting), AI tools (Robo advisory), blockchain (cryptocurrencies) and Wealth/Insur Tech (investment management, insurance management).

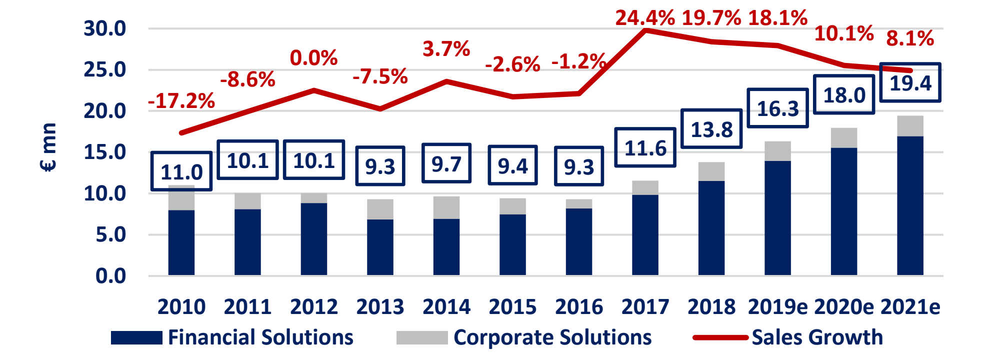
Financial Overview

Top-line drivers

a. Organic sales growth

Organic sales growth for software developers such as Profile stems from new contracts undertaken, in the form of product licenses sold to new clients or additional licenses sold to existing clients that may opt for a wider range of services. Further growth may be incurred through strategic acquisitions. Profile is showcasing solid sales growth over the past couple of years, with total sales growing by c. 22% on average driven mainly by sales to financial customers due to organic growth as well as the acquisition of Login. We see further growth ahead, albeit at a more moderate pace of c. 9% per annum on average, driven by increased 3rd party spend for software products on the back of a shift towards a more digitised era, which creates growth opportunities for firms that can leverage technology to create products that serve this scope.

Profile | Revenue Evolution

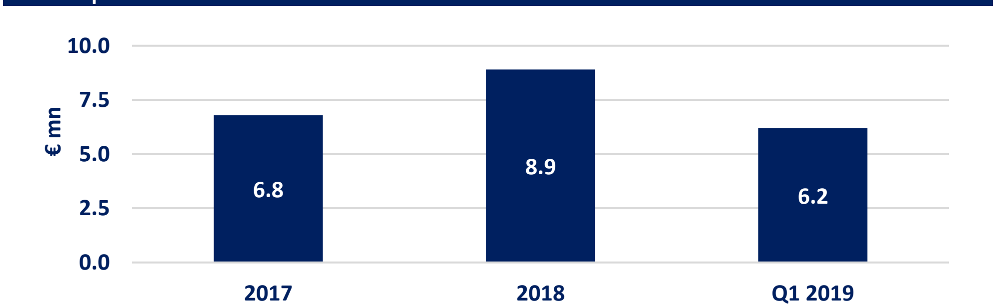


Source: Company, Eurobank Equities Research

b. New contracts

Leveraging on new trends in the FinTech industry led by technological advances, systems modernisation, increased regulatory scrutiny and evolving financial standards that create new business needs (e.g. digitisation, new products aiming to enhance customer experience, IFRS 9 and the need for enhanced risk management monitoring), Profile showcases impressive growth in new contract undertaking. Through maintaining solid track record in terms of product delivery and overall healthy fundamentals, the company has gained industry recognition and references and has built a diversified client portfolio, consisting of prime names. The company posted growth of c. 30% in 2018 in terms of value (at €8.9mn) and has already secured €6.2mn worth of contracts during the first quarter of 2019, which is close to the total value of contracts secured during the course of 2017.

Profile | New Contracts



Source: Company, Eurobank Equities Research

c. Acquisitions

On top of organic growth through product development and client acquisitions, strategic acquisitions help enhance Profile's product portfolio and geographic footprint. Profile's latest M&A took place in 2017, when the company acquired Login SA, the developer of the Acumen^{net} Treasury management software solution. The product was easily integrated to Profile's product portfolio, acting as a complementary offering to the FMS.next banking platform, enhancing the value of the company's offering and adding another c. €3mn sales p.a.

d. SuMiTB contract: testament to Profile's solid brand equity, sales growth potential and value-adding M&A

As a testament to Profile's solid brand equity, sales growth potential and value-adding strategic acquisitions, the company announced recently that its Login Acumen^{net} solution was selected by Sumitomo Mitsui Trust Bank (SuMiTB) in Japan to support their treasury operations across six overseas offices in the UK, USA, China, Singapore, Hong Kong and Thailand. Profile's solution will cover the full range of FX, MM, securities, OTC derivatives and Exchange Traded derivatives. Acumen^{net} will be integrated to several dealing platforms currently used by SuMiTB, while the latter is also looking into utilising cloud environment to further improve efficiency.

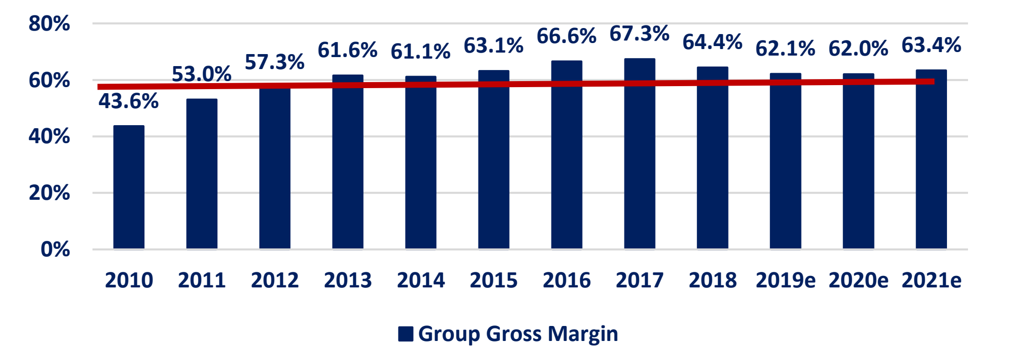
Apart from incremental revenue incurred through the new contract with SuMiTB, there are further positive prospects for Profile linked to increased visibility in the market of Tier I banks such as Sumitomo, through referencing.

Profitability

In terms of profitability, Profile's gross margin is averaging at c. 60% at a group level, with financial solutions appearing to be more profitable in relation to corporate services. This reflects both the high complexity of financial/banking solutions, which warrants premium pricing, as well as a margin dilutive corporate-related project undertaken in Greece (e.g. ticketing system of Attica Group).

Looking ahead, we expect Profile will maintain overall healthy margins, owing to solid geographic/product mix and high client retention rates, combined with scale effects once the hiring of highly skilled personnel, which is underway, starts paying off. We also note that a more frequent contract renewal scheme and/or higher-than-anticipated large contract wins would pose upside risk to our estimates.

Profile | Gross Margins



Source: Company, Eurobank Equities Research

Disciplined Capital Allocation

Companies that embrace a disciplined approach to capital allocation tend to be better positioned to create value from industry disruptions and have more flexibility to quickly assess and act upon new investment opportunities, thus maximising shareholder returns.

Profile seems to have established a "cash culture" that favours cash flow generation (free cash flows of c. €1mn per annum over the last 7 years), thus maintaining a strong balance sheet, evidenced by significantly less leverage in relation to its global peers.

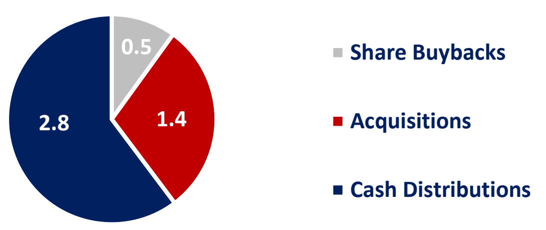
Global FinTech Services Providers	
Company	**2019e Net Debt / EBITDA**
INFOSYS	Net Cash
GRESHAM HOUSE	Net Cash
SWORD GROUP	Net Cash
APTITUDE SOFTWARE	Net Cash
SS&C	3.7x
WOLTERS KLUWER	1.5x
TEMENOS	0.9x
Global FinTech Services Providers	**2.0x**
Profile (Eurobank est.)	**Net Cash**

Source: Bloomberg, Eurobank Equities Research

At the same time, it has showcased agility in deploying capital in case of value-creating investment opportunities, such as the acquisition of Login in 2017, which on top of incremental revenue of as much as €3mn per annum, further enhanced organic growth prospects for the company; taking advantage of Login's Acumen^{net} software offering, Profile secured a new contract with SuMiTB (see page 16), gaining exposure to a Tier I bank with operations across the world.

Solid fundamentals have led to healthy shareholder return: over the 2012 to 2018 period, Profile distributed a total of €2.8mn to its shareholders, in the form of dividends or capital return (c. 8% average yield). On top of cash distributions, the company has also spent €0.5mn for share buybacks.

Profile | Disciplined Capital Allocation (€ mn; 2012-2018)



Source: Company, Eurobank Equities Research

A glimpse into corporate governance

With the issue of corporate governance gaining increasing traction among investors, we have sought to supplement our analysis of Profile's fundamentals with an evaluation of the group's compliance with corporate governance best-practices, as laid out in the Code of Corporate Governance of the Athens Exchange. We have focused our study on key metrics of governance which we believe are closely watched by investors, including board structure and independence, executive compensation, monitoring through independent committees etc.

1. **BoD Structure**
    a. **BoD size:** Best practice suggests that the BoD should be made up of 7-15 members.
    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 minimising the likelihood of director misconduct.
2. **BoD Independence**
    a. **% of non-executive members in the BoD:** A board of directors in which non-executive members are the majority is the best practice principle we assess.
    b. **% of independent directors in the BoD:** The Code's recommendation is for independent directors to account for at least 1/3 of the members of the board. We consider best-practice a 30% representation of independent directors. Note that similar frameworks in other jurisdictions are stricter, calling for a minimum of 50% independent directors (e.g. Australia, UK, Sweden, Austria, France, Denmark, Netherlands, Portugal).
    c. **Independent vice-chairman in case of CEO/Chairman duality:** In cases where the roles of the CEO/Chairman are not separated, we give credit to companies having an independent vice-Chairman who safeguards the independence of the board.
3. **System of internal controls**
    a. **Establishment of Remuneration Committee:** We believe the existence of a Remuneration Committee is a good way of introducing a mechanism for normative controls on management's pay.
    b. **Independence of Audit Committee:** The Greek Law prescribes that a listed company must have an Audit Committee. We check for compliance with the Code's recommendation that Audit Committees be composed in their majority of independent non-executive board members.
    c. **Independence of Remuneration Committee:** Best practice suggests that the majority of the Remuneration Committee members should be independent. This inhibits entrenched management from securing excessive remuneration packages.
4. **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.).

The snapshot of our findings for Profile is laid out in the table below. Overall, we observe compliance with legal requirements.

Corporate Governance Overview - Profile	
Board Structure	
Board Size	7 members
CEO/Chairman separation	No separation
Executive director board duration	5 years
Tenure of the CEO	Since founding
Average Tenure of BoD	>10 years
Board Independence	
% of Non-executive directors on the BoD	14%
% of Independent directors on the BoD	29%
% of Independent and Non-Executive directors on the BoD	43%
Audit Committee Independence	
% of Audit Committee Members that are Independent	67%
% of Audit Committee Members that are Non-Executive	33%
% of Independent and Non-Executive directors on the Audit Committee	100%
Remuneration	
Remuneration Committee	To be established in 2019 *
Audit	
External Auditor	SOL Crowe S.A.
Source: Company, Eurobank Equities Research	

** as per legal requirement introduced by new Greek legislation (L.4548/2018)*

Company Description

Profile is a Banking, Fintech and Investment Management software solutions provider. Operating 7 international offices, it has presence in 38 countries across the world, servicing approximately 250 clients in Europe, the Middle East, America, Asia and Africa.

Risks

- **Macroeconomic conditions:** Given its exposure in Greece (35% of sales), Profile is dependent on the domestic macroeconomic environment. Any significant decline in Greek economic activity would thus weigh on group performance, affecting demand. In addition, low visibility with regards to the UK market, where Profile generates a significant part of its sales (Europe x-Greece accounts for 45% of revenue), following the country's decision to leave the European Union is also a source of uncertainty given that neither a timeframe or potential impact on the UK market can be assessed.

- **Heightened competition:** Profile effectively competes against a number of established multinational software companies and smaller niche brands. Competitive activity particularly in the FinTech sector may at times be intense, as participants strive to expand their client base, thereby putting pressure on market shares and/or margins.

- **Technological advances:** Adaptation to rapidly changing technology is a key for companies engaging in the fast-paced area of information technology. Competitiveness of software vendors such as Profile is highly dependent on their ability to improve their existing product portfolio, develop new products and keep pace with developments so as to meet changing client needs.

- **Employee attraction & retention:** Profile's success, as in any tech company, is due in part to its ability to attract and retain skilled employees. Competition for qualified personnel in the software industry is intense and failure to attract and/or retain a sufficient number of highly skilled employees could prevent the company from developing new products, efficiently servicing existing and/or new clients.

- **Regulatory risk:** Profile's business is in part subject to evolving regulation related to FinTech, including processing, recordkeeping, reporting, investment management and related regulations. Changes to the scope or effect of regulatory regimes, including changes or modifications of accounting policies across Profile's areas of operation may affect demand for its products.

Group Financial Statements

Balance Sheet					
€ mn	2017a	2018a	2019e	2020e	2021e
Property, Plant & Equipment (net)	6.1	5.6	5.1	4.6	4.2
Intangible Assets	6.2	5.6	5.2	4.9	4.8
Goodwill	1.5	1.5	1.5	1.5	1.5
Other Non-Current Assets	0.8	0.8	0.8	0.8	0.8
Total Non-current Assets	**14.6**	**13.5**	**12.6**	**11.8**	**11.2**
Inventory	0.2	0.2	0.1	0.1	0.1
Receivables	6.9	6.4	7.5	8.1	8.6
Other Current Assets	2.4	2.1	2.4	2.6	2.8
Cash & Cash Equivalents	13.1	13.7	14.7	14.6	15.7
Total Current assets	**22.6**	**22.4**	**24.7**	**25.4**	**27.2**
Total Assets	**37.1**	**35.9**	**37.2**	**37.1**	**38.4**
Share Capital & Premium	8.5	8.5	8.5	8.5	8.5
Reserves	9.8	10.2	11.4	12.9	14.5
Non-Controlling Interest	-0.1	-0.1	-0.1	-0.1	-0.1
Total Equity	**18.2**	**18.6**	**19.8**	**21.3**	**22.9**
Long-Term Loans	2.0	1.5	0.9	0.0	0.0
Other Long-Term Liabilities	4.8	3.7	3.7	3.7	3.7
Total Long-Term Liabilities	**6.8**	**5.2**	**4.6**	**3.7**	**3.7**
Short-Term Loans	3.2	3.1	4.0	3.9	3.6
Payables, Deferred Income, Accrued Expenses, Advances	8.8	8.7	8.5	7.9	7.8
Other Short-Term Liabilities	0.1	0.3	0.4	0.4	0.5
Total Short-Term Liabilities	**12.2**	**12.1**	**12.9**	**12.2**	**11.8**
Total Equity and Liabilities	**37.1**	**35.9**	**37.2**	**37.1**	**38.4**

Source: Company, Eurobank Equities Research

P&L					
€ mn	2017a	2018a	2019e	2020e	2021e
Turnover	**11.6**	**13.8**	**16.3**	**18.0**	**19.4**
change	*24.4%*	*19.7%*	*18.1%*	*10.1%*	*8.1%*
Gross Profit (excl. depreciation)	**7.8**	**8.9**	**10.1**	**11.2**	**12.3**
Gross margin	*67.3%*	*64.4%*	*62.1%*	*62.0%*	*63.4%*
Selling, Administrative & R&D Expenses	-4.1	-5.0	-5.7	-6.2	-6.9
Other Income/(Expense)	0.3	0.2	0.2	0.2	0.2
EBITDA	**3.9**	**4.1**	**4.7**	**5.2**	**5.6**
change	*39.4%*	*3.2%*	*14.7%*	*11.0%*	*9.3%*
EBITDA margin	*34.0%*	*29.3%*	*28.5%*	*28.7%*	*29.1%*
Depreciation	-2.0	-2.1	-2.0	-2.1	-2.1
EBIT	**1.9**	**2.0**	**2.6**	**3.1**	**3.5**
change	*150.5%*	*1.4%*	*34.0%*	*19.1%*	*13.6%*
EBIT margin	*16.6%*	*14.1%*	*16.0%*	*17.3%*	*18.2%*
Financial Income/(Expense), net	-0.5	-0.2	-0.2	-0.1	-0.1
Extraordinary Income	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax	**1.4**	**1.7**	**2.4**	**3.0**	**3.4**
change	*156.3%*	*21.4%*	*42.4%*	*23.5%*	*14.5%*
EBT margin	*12.1%*	*12.3%*	*14.9%*	*16.7%*	*17.7%*
Income Tax	-0.4	-0.4	-0.6	-0.7	-0.9
Effective Tax Rate	*27%*	*26%*	*25%*	*25%*	*25%*
Non-Controlling Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	**1.0**	**1.3**	**1.8**	**2.2**	**2.6**
change	*81.1%*	*23.6%*	*44.4%*	*23.4%*	*14.5%*
Net Profit margin	*8.8%*	*9.1%*	*11.2%*	*12.5%*	*13.2%*
EPS1	**0.09**	**0.11**	**0.15**	**0.19**	**0.22**
DPS1	**0.00**	**0.04**	**0.05**	**0.07**	**0.08**

Source: Company, Eurobank Equities Research

Cash Flow Statement					
€ mn	**2017a**	**2018a**	**2019e**	**2020e**	**2021e**
Net Profit	**1.0**	**1.3**	**1.8**	**2.2**	**2.6**
Depreciation	2.0	2.1	2.0	2.1	2.1
Changes in Working Capital	0.6	0.9	-1.5	-1.4	-0.7
Other Adjustments	-2.9	-1.3	0.0	0.0	0.0
Net Inflows (Outflows) from Operating Activities	**0.7**	**2.9**	**2.4**	**2.9**	**3.9**
Capex	-0.1	-0.1	-0.1	-0.1	-0.1
Other Adjustments	-0.3	0.2	0.0	0.0	0.0
Net Inflows (Outflows) from Investing Activities	**-0.4**	**0.2**	**-0.1**	**-0.1**	**-0.1**
Free Cash Flow	**0.3**	**3.1**	**2.3**	**2.9**	**3.9**
Dividends	**0.0**	**0.5**	**0.6**	**0.8**	**0.9**
Net Debt	**-7.9**	**-9.1**	**-9.8**	**-10.7**	**-12.2**

Source: Company, Eurobank Equities Research

Ratios					
	2017a	**2018a**	**2019e**	**2020e**	**2021e**
P/E	28.9	22.4	15.1	11.9	9.8
P/BV	0.2	0.2	0.2	0.1	0.1
P/Sales	3.1	2.6	2.2	2.0	1.8
EV/EBITDA	7.0	6.5	5.5	4.8	4.1
EV/Sales	2.4	1.9	1.6	1.4	1.2
EBIT/Interest Expense	3.7	7.9	14.0	26.6	33.1
Net Debt/EBITDA	-2.0	-2.2	-2.1	-2.1	-2.2
Dividend Yield	0.0%	1.3%	1.6%	2.1%	2.4%
ROE	5.6%	6.8%	9.2%	10.5%	11.2%
Cash Flow Yield	2.0%	8.3%	6.7%	8.3%	11.1%
Payout Ratio	0.0%	37.4%	32.4%	35.0%	35.0%

Source: Company, Eurobank Equities Research

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Authorisation No: 6/149/12.1.1999
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Planned Frequency of Updates:

Eurobank Equities Investment Firm S.A. provides updates on Profile Systems & Software S.A. based on the terms of the agreement between the two parties and at least but not limited to bi-annually after the publication of financial statements of Profile Systems & Software S.A.

12-month Rating History of Profile Systems & Software S.A.

Date	Rating	Stock price	Target price
05/06/2019	Not Rated	€ 3.16	-

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	16	73%	1	6%
Hold	4	18%	0	0%
Sell	0	0%	0	0%
Restricted	1	5%	0	0%
Under Review	0	0%	0	0%
Not Rated	1	5%	0	0%
Total	22	100%		

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.
Restricted:	Under Eurobank Group policy and / or regulations which do not allow ratings
Under Review:	Our estimates, target price and recommendation are currently under review
Not Rated:	Refers to Sponsored Research reports