

CY4GATE

Sector: Industrials

BUY

Price: Eu9.92 - Target: Eu14.00

Incorporating YE22 Order Slippage and Diateam Acquisition

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Stock Rating

Rating: Unchanged

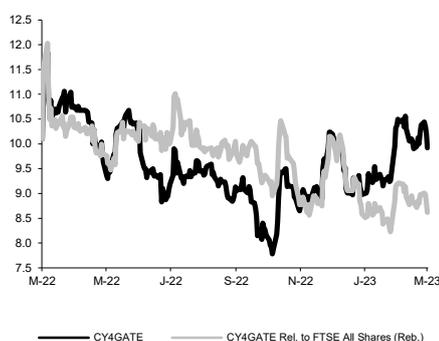
Target Price (Eu): from 15.20 to 14.00

	2022E	2023E	2024E
Chg in Adj EPS	-21.2%	-1.7%	-2.0%

Next Event

 Results Out on March 23rd

CY4GATE - 12M Performance



Stock Data

Reuters code: CY4.MI

Bloomberg code: CY4 IM

Performance	1M	3M	12M
Absolute	-5.5%	-2.7%	-1.8%
Relative	-6.1%	-16.5%	-16.8%
12M (H/L)	11.84/7.78		
3M Average Volume (th):	18.69		

Shareholder Data

No. of Ord shares (mn):	24
Total no. of shares (mn):	24
Mkt Cap Ord (Eu mn):	234
Total Mkt Cap (Eu mn):	234
Mkt Float - Ord (Eu mn):	106
Mkt Float (in %):	45.5%
Main Shareholder:	
Elettronica S.p.A.	38.4%

Balance Sheet Data

Book Value (Eu mn):	141
BVPS (Eu):	5.99
P/BV:	1.7
Net Financial Position (Eu mn):	-4
Enterprise Value (Eu mn):	238

- Early 2023 order intake acceleration benefits from YE22 spillover:** since the start of 2023 CY4 has announced new cyber security and cyber intelligence contracts worth a total of Eu16.6mn, already higher than the equivalent recorded in 2H22 (Eu16.3mn), even though under normal business seasonality activity is usually concentrated in November and December. The largest contract, worth Eu9mn and spread over 36 months, has been signed with a European institutional client for the provision of Decision Intelligence systems; a further new contract worth Eu4mn, linked to business activities already started in 1Q22, has been signed in forensic intelligence and data analysis with a foreign government client.
- 2022 estimates seen down due to order rescheduling:** we welcome the acceleration in the order intake, as such developments are key to the strong growth embedded in our medium-term estimates, but the shift of the Eu4mn foreign contract to early 2023 is likely to generate a negative impact on P&L and cash flow; we now expect FY22 revenues at Eu58.4mn (cut by 6% vs. prev. est.), and adj. EBITDA at Eu16.7mn (down -9% vs prev. est.). YE22 net cash is seen at Eu2mn (prev. est. Eu7mn) amid lower cash earnings and further fine-tuning of CapEx and NWC.
- Including Diateam acquisition in our model:** CY4 has signed the closing agreement on the acquisition of 55.33% of Diateam (Eu2.2mn revenue and Eu0.6mn EBITDA), valuing the company at an EV of c.Eu10mn, or c.4.5x EV/Sales '21 and c.16x EV/EBITDA '21. The purchase price was set at Eu5.5mn, with Eu3.3mn paid at closing and the remaining Eu2.2mn to be paid by YE23 based on the achievement of undisclosed financial targets. The contract also entails a put & call option for the acquisition of minorities to be exercised in 2024-26. The acquisition provides continuity to the execution of the internationalisation and external growth strategy put in place so far, while also allowing CY4 to gain new technological know with the aim of enriching product functionality in the cyber protection field. We are raising our 2023-24E revenue and EBITDA forecasts by 2% on average, although slightly higher D&A and CapEx estimates lead to a slight cut in EPS estimates and worse FCF generation.
- BUY confirmed; new target €14.0 (from €15.2):** we are reducing our multiples-based TP to mainly reflect lowered forecasts on FCF generation. We confirm our positive view on the stock, reflected in the 41% upside implied by our new TP, as we believe the stock price still does not factor in the transformational acquisition of Aurora, the increasing footprint on the European market, and CY4's strong innovation capabilities. Italian politics continue to add some short-term complexity, but material medium-term opportunities stem from the NRRP. Still, the YTD order intake acceleration provides greater visibility to our estimates and once again highlights the importance of cyber security services for both public and private sector organisations, which are seeking to ensure greater operational resilience, especially after the hacker attacks that have taken place in recent weeks.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	13	18	58	85	94
EBITDA Adj (Eu mn)	5	5	17	25	27
Net Profit Adj (Eu mn)	4	3	7	14	15
EPS New Adj (Eu)	0.253	0.218	0.312	0.576	0.649
EPS Old Adj (Eu)	0.306	0.221	0.396	0.586	0.662
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	13.4	28.6	13.8	9.7	8.2
EV/EBIT Adj	11.9	33.3	22.4	12.0	10.3
P/E Adj	39.2	45.5	31.8	17.2	15.3
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-1.8	0.3	-0.1	0.2	-0.3