

# CY4GATE

Sector: *Industrials*
**BUY**

Price: Eu5.20 - Target: Eu6.30

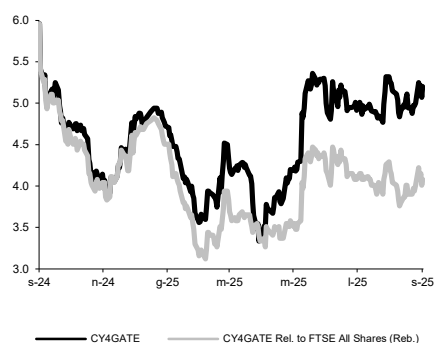
## FY Guidance Intact with Stronger Visibility. Reorganization Progressing

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 6.10 to 6.30		
	2025E	2026E	2027E
Chg in Adj EPS	n.m.	n.m.	n.m.

**Next Event**  
3Q Results Out on Nov 13<sup>th</sup>

### CY4GATE - 12M Performance



Stock Data			
Reuters code:	CY4.MI		
Bloomberg code:	CY4 IM		
Performance	1M	3M	12M
Absolute	-1.0%	4.0%	-12.8%
Relative	-2.5%	-2.5%	-39.8%
12M (H/L)	5.41/3.34		
3M Average Volume (th):	36.63		

Shareholder Data	
No. of Ord shares (mn):	24
Total no. of shares (mn):	24
Mkt Cap Ord (Eu mn):	123
Total Mkt Cap (Eu mn):	123
Mkt Float - Ord (Eu mn):	47
Mkt Float (in %):	38.3%
Main Shareholder:	
Elettronica S.p.A.	38.4%

Balance Sheet Data	
Book Value (Eu mn):	89
BVPS (Eu):	3.79
P/BV:	1.4
Net Financial Position (Eu mn):	-26
Enterprise Value (Eu mn):	144

As noted in our previous reports, CY4 is in the midst of a reorganization focused on cash flow management and cost efficiency. While the improvement in cash generation is already evident and revenue acceleration has exceeded expectations, 2Q margins were impacted by certain non-cash items and lower capitalisation of R&D costs, which is now being expensed. In this update, we are raising our revenue estimates by 6%—slightly above the top end of guidance—as approximately 90% of the mid-point has already been secured through order backlog. On EBITDA, we are factoring in higher R&D expenses, which weigh on profitability with positive repercussions for cash generation (we are lowering our CapEx by ~€5mn per year). We maintain our positive view on the stock and raise our TP to €6.30, based on FY26 estimates and applying a 9x EV/adj. EBITDA multiple. We believe that any progress on reorganization initiatives (already underway) may support further upside on our current valuation.

- **Mixed set of results in 2Q.** While the 2Q revenue figure is indicative of a sharp acceleration by the business, in line with the CY4 strategy, the surge in the cost base has had a dilutive impact on profitability. This increase in operating expenses is mostly due to higher R&D costs booked on the P&L (no longer capitalised), other non-recurring items, and an increase in labour costs linked to the renewal of nationally-agreed sector contracts.
- **2Q in figures.** Sales came in at €23.7mn (+54% YoY), above our estimate (+6%). In terms of the mix, both Forensic Intelligence and Decision Intelligence saw a sharp increase, with the former also benefiting from an easier comp., and recording a positive increase of licences and services; Cyber Security also remained positive (+12% YoY). Geographically, foreign sales (50% of total) more than doubled YoY, while the Italian market was up low single digit. On profitability, adj. EBITDA was €2.3mn (flat YoY), with the margin decreasing to 9.4% (14.2% in 2Q24), mainly due to higher operating expenses and some non-recurring costs (net of which, the margin should have been higher YoY); net debt was €28.4mn, still improving QoQ, mainly thanks to better WC management and a more selective approach on CapEx at €2mn (€7mn as of 2Q24).
- **Revenue guidance confirmed.** CY4 has reiterated 2025 guidance for: i) revenues of €84-87mn; ii) backlog expiring in 2025 worth €75mn; and iii) €11mn to be achieved through conversion of the commercial pipeline. During the confcall, management highlighted that international activities are likely to expand, with both the forensic and decision intelligence businesses regaining momentum. CY4 also sees a stronger positioning in defence, which could open new international opportunities. Looking ahead, management continues to focus on: i) strengthening new partnerships; ii) pursuing commercial initiatives such as product verticalization and platform integration to reduce revenue seasonality; and iii) reorganizing operations, which currently implies higher short-term spending.
- **Change in estimates.** Following CY4's 1Q results and management guidance, we are raising our FY25 revenue growth assumptions above the top end of guidance (+4% on the mid-point), supported by strong visibility and continued double-digit momentum in 2H. At the same time, we now incorporate around €3mn of higher R&D expenses on the P&L, together with other non-recurring and personnel costs, which weigh on adjusted EBITDA but ultimately enhance cash generation through lower CapEx needs.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	68	75	91	96	101
EBITDA Adj (Eu mn)	12	12	15	19	23
Net Profit Adj (Eu mn)	-5	-4	-4	-2	2
EPS New Adj (Eu)	-0.228	-0.160	-0.184	-0.073	0.076
EPS Old Adj (Eu)	-0.228	-0.160	-0.142	0.024	0.098
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	17.5	13.6	9.6	7.6	6.1
EV/EBIT Adj	nm	nm	nm	nm	21.0
P/E Adj	nm	nm	nm	nm	68.3
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	1.1	2.6	1.7	1.2	0.8

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIIB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	30.60%
OUTPERFORM:	38.06%
NEUTRAL:	31.34%
UNDERPERFORM:	00.00%
SELL:	00.00%

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BUY:	48.72%
OUTPERFORM:	30.77%
NEUTRAL:	20.51%
UNDERPERFORM:	00.00%
SELL:	00.00%

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