

# CY4GATE

Sector: Industrials

**BUY**

Price: Eu6.61 - Target: Eu8.70

## Encouraging Outlook. FY Guidance Reiterated

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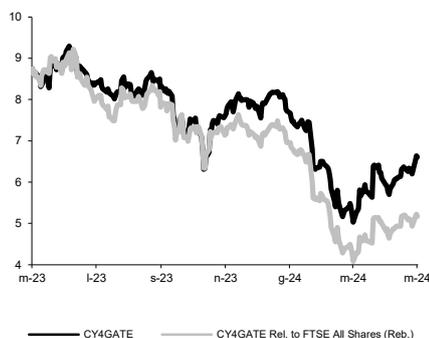
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	0.0%

### Next Event

Results 2Q Out on Sep 12

### CY4GATE - 12M Performance



### Stock Data

Reuters code:	CY4.MI		
Bloomberg code:	CY4 IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	11.7%	1.7%	-24.5%
Relative	7.5%	-9.5%	-52.4%
12M (H/L)	9.29/5.03		
3M Average Volume (th):	106.94		

### Shareholder Data

No. of Ord shares (mn):	24
Total no. of shares (mn):	24
Mkt Cap Ord (Eu mn):	156
Total Mkt Cap (Eu mn):	156
Mkt Float - Ord (Eu mn):	71
Mkt Float (in %):	45.5%
Main Shareholder:	
Elettronica S.p.A.	38.4%

### Balance Sheet Data

Book Value (Eu mn):	117
BVPS (Eu):	4.95
P/BV:	1.3
Net Financial Position (Eu mn):	-19
Enterprise Value (Eu mn):	175

- 1Q24 in line with estimates.** 1Q24 results were broadly in line with our expectations. Revenues came in at Eu14.4mn (+2% YoY, -c.5% organic considering c.Eu1mn of revenue from the integration of XTN), vs. our estimate of Eu14mn (+3%); the 1Q23 figure (Eu14.1mn) also included an order of c.Eu4mn relating to FY22, which was delayed to early 2023. Adj. EBITDA was at breakeven (Eu-0.3mn in 1Q23), while adj. EBIT was negative at Eu-3.3mn (Eu-3.1mn in 1Q23); the net loss came to Eu-5.9mn (Eu-5.0mn in 1Q23); adj. net debt (net of the put option for Diateam worth Eu5.7mn) was Eu17.3mn vs. Eu7.9mn as at YE23, mainly due to the cash-out for the acquisition of XTN (c.Eu5mn), the buyback (Eu1.6mn) and CapEx (Eu3.5mn). 1Q order intake was Eu13.9mn, more than double the 1Q23 figure.
- Increasing revenue contribution from cyber security.** The business mix has improved YoY with a healthy increase in cyber security (Eu3.3mn, c. 3x YoY), at 23% of the total vs. 8% in 1Q23, mainly due to the higher sales of licences and services, clearly benefiting from the integration of acquired assets. Decision Intelligence is still performing well (Eu5.9mn, +20%), while revenues from Forensic Intelligence were down -40% to Eu4.6mn, hit by a lower contribution from foreign clients, as some orders are still in a development phase and are expected to contribute to revenues in the coming quarters. Geographically, foreign sales fell by c.-34% YoY, while the Italian market posted a very good performance (Eu9.5mn, +35%).
- FY24 revenue guidance confirmed.** CY4gate has reiterated 2024 guidance for revenues of Eu84-90mn: i) Eu32-35mn from the conversion of the commercial pipeline (net of c.Eu8mn of new orders signed since April); ii) backlog expiring in 2024, worth ~Eu21mn, and iii) Eu31-34mn from recurring contracts.
- Key messages from the call:** i) defence sector gaining traction, with several opportunities for R&D projects in both decision intelligence and cyber security: CY4 aims to intercept these needs, including through the network of ELT Group (CY4's main shareholder); ii) encouraging signs on corporate clientele, thanks to intensified activities starting from January, with the pipeline projected at Eu13-14mn, featuring widespread interest across the entire product range (RTA, Digital Twin, XTN); iii) investing in new solutions to strengthen the Italian procurement system, mitigating possible budget restrictions coming from the likely justice system reform, although we highlight there have been no budget cuts thus far.
- Estimates unchanged.** We are leaving our estimates unchanged, still projecting revenues at Eu85mn (including a ~Eu5mn contribution from the consolidation of XTN in January), with the adj. EBITDA margin returning to 2022 levels (30%).
- BUY; target €8.70 confirmed:** in 2024, CY4 aims to expand its corporate client base, tapping into opportunities in defence and cybersecurity, and to improve business seasonality (high amount of revenue and cash-in skewed towards the last part of the year). While M&A remains a key growth driver, we do not expect this to occur in the short term. At this stage, we believe delivery on financial targets and the announcement of new contracts remain crucial for a stock re-rating. On the back of unchanged estimates, we confirm our BUY rating and target price of €8.70.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	57	68	85	93	99
EBITDA Adj (Eu mn)	17	12	26	30	33
Net Profit Adj (Eu mn)	7	-4	7	9	11
EPS New Adj (Eu)	0.339	-0.148	0.278	0.378	0.461
EPS Old Adj (Eu)	0.339	-0.148	0.278	0.378	0.461
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	13.6	18.1	6.8	5.7	5.1
EV/EBIT Adj	32.9	nm	15.1	12.3	10.4
P/E Adj	19.5	nm	23.8	17.5	14.3
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-0.2	1.1	0.8	0.6	0.4

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- 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)

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Frequency of research: quarterly.

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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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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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