

CY4GATE

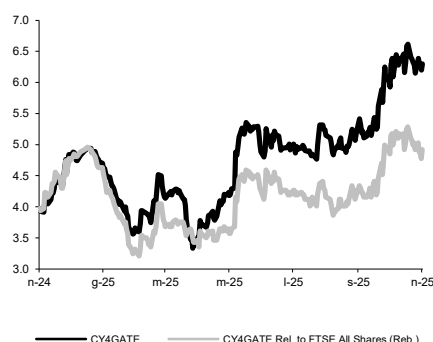
Sector: *Industrials*
BUY
Price: Eu6.30 - Target: Eu7.40

Robust Results and Upgraded Guidance. Internal Restructuring Clearly Paying Off

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 6.30 to 7.40		
	2025E	2026E	2027E
Chg in Adj EPS	n.m.	n.m.	24.6%

CY4GATE - 12M Performance



Stock Data			
Reuters code:	CY4.MI		
Bloomberg code:	CY4 IM		
Performance	1M	3M	12M
Absolute	6.2%	22.3%	58.5%
Relative	2.0%	19.3%	30.9%
12M (H/L)	6.62/3.34		
3M Average Volume (th):	68.39		

Shareholder Data	
No. of Ord shares (mn):	24
Total no. of shares (mn):	24
Mkt Cap Ord (Eu mn):	148
Total Mkt Cap (Eu mn):	148
Mkt Float - Ord (Eu mn):	57
Mkt Float (in %):	38.3%
Main Shareholder:	
Elettronica S.p.A.	38.4%

Balance Sheet Data	
Book Value (Eu mn):	89
BVPS (Eu):	3.77
P/BV:	1.7
Net Financial Position (Eu mn):	-20
Enterprise Value (Eu mn):	169

Quarterly results were solid, marked by strong revenue growth, significant margin expansion, and cash generation that is well above our expectations. These results provide further evidence of the strong momentum in order intake, combined with the internal restructuring process initiated at the beginning of the year, which reflects a clear commitment to operational efficiency and streamlining investments. The outlook remains encouraging, leading to an upgrade to revenue guidance. As a result, we are raising our estimates and reiterating our positive view on the stock, increasing our target price to €7.40 (from €6.30), while continuing to apply a 9x EBITDA multiple on our FY26 estimate. We believe that any progress on restructuring initiatives (already underway) may support further upside to our current valuation

■ **Strong 3Q, cash generation beats forecasts.** CY4 reported a strong set of results in 3Q, which saw the continuation of a sharp top line acceleration (+52% YoY) at a similar rate to 2Q. Unlike in 2Q, the sharp expansion of the top line had a greater impact on margins, which returned above the 20% threshold. This strong improvement is attributable to higher revenues in the Forensic Intelligence segment, which features higher profitability. There was also a significant improvement in the net debt position, featuring +€7mn FCF (compared to -€8mn in 3Q24), thanks to better cash earnings and WC dynamics.

■ **3Q25 in figures.** Sales came in at €23.6mn (+52% YoY), above our estimate (+7%). In terms of the mix, both Forensic Intelligence and Decision Intelligence saw sharp increases, while Cyber Security was weaker (almost flat over 9M, down -€1mn in 3Q). Geographically, foreign sales (50% of total) more than doubled YoY, while the Italian market was down YoY, partly due to a tough comparison (c.+60% in 3Q24). On profitability, adj. EBITDA was €6mn (€1.2mn in 3Q24), implying a 24.4% margin (7.5% in 2Q24), with the bottom line reaching breakeven; net debt was €22.5mn, still improving QoQ, (€28.4mn as at the end of 2Q).

■ **Improving outlook: new revenue guidance floor raised by +5%.** The company has raised revenue guidance, now expected at >€90mn (vs. the €85.5mn mid-point of previous guidance). Overall, the tone of the call was constructive, supported by the improving cash-generation trend and strong order-intake momentum, with foreign Forensic activities showing signs of recovery. Management also highlighted a potential additional €15mn order awaiting routine approvals, which could provide meaningful upside to current FY25 expectations. The backlog stands at approximately €100mn, with around €70mn (including the recurring portion) pertaining to FY26, offering better visibility for next year.

■ **Change in estimates.** We are raising our top line assumptions by c.+4% on average over the protected period, moving slightly above the FY25 guidance floor (+4.4%), supported by stronger visibility on order intake. We are raising margins to an even greater extent than revenue, reflecting a better margin outlook and ongoing efficiency measures. We are also improving our net debt expectations to factor in deleveraging YtD and still positive expectations on 4Q. We are also lowering our CapEx/D&A in FY26/27 to account for a more conservative approach on investments, including a cautious stance on R&D CapEx.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	68	75	94	99	105
EBITDA Adj (Eu mn)	12	12	17	20	23
Net Profit Adj (Eu mn)	-5	-4	-4	0	2
EPS New Adj (Eu)	-0.228	-0.160	-0.161	-0.017	0.095
EPS Old Adj (Eu)	-0.228	-0.160	-0.184	-0.073	0.076
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	18.0	14.0	9.9	8.1	7.0
EV/EBIT Adj	nm	nm	nm	nm	22.7
P/E Adj	nm	nm	nm	nm	66.4
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	1.1	2.6	1.2	0.8	0.5

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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 FTSEMIB40 Index, most of those on the MIDEX 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:	32.06%
OUTPERFORM:	37.40%
NEUTRAL:	29.78%
UNDERPERFORM:	00.76%
SELL:	00.00%

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BUY:	50.65%
OUTPERFORM:	29.87%
NEUTRAL:	18.18%
UNDERPERFORM:	01.30%
SELL:	00.00%

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