

# CY4GATE

Sector: Industrials

**BUY**

Price: Eu8.26 - Target: Eu13.20

## A proprietary suite of solutions in Intelligence, Defense and Security

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### Stock Rating

**Rating:** from 14.20 to 13.20

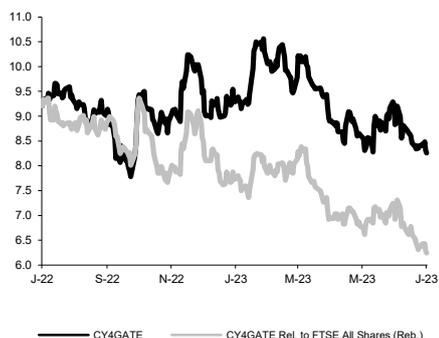
**Target Price (Eu):** Unchanged

	2023E	2024E	2025E
<b>Chg in Adj EPS</b>	-10.6%	-10.1%	-8.2%

### Next Event

1H Results Out Sep 13

### CY4GATE - 12M Performance



### Stock Data

**Reuters code:** CY4.MI

**Bloomberg code:** CY4 IM

Performance	1M	3M	12M
Absolute	-6.5%	-7.3%	-10.2%
Relative	-10.4%	-10.4%	-42.8%
12M (H/L)		10.56/7.78	
3M Average Volume (th):		11.25	

### Shareholder Data

No. of Ord shares (mn):	24
Total no. of shares (mn):	24
Mkt Cap Ord (Eu mn):	195
Total Mkt Cap (Eu mn):	195
Mkt Float - Ord (Eu mn):	89
Mkt Float (in %):	45.5%
Main Shareholder:	
Elettronica S.p.A.	38.4%

### Balance Sheet Data

Book Value (Eu mn):	129
BVPS (Eu):	5.49
P/BV:	1.5
Net Financial Position (Eu mn):	4
Enterprise Value (Eu mn):	191

- A proprietary suite of solutions in Intelligence, Defense and Security.** Cy4Gate is a software house (founded in 2014, IPO June 2020) among the European leaders in the fields of cyber intelligence, cyber security, and forensic intelligence. CY4 develops, produces, and sells software products, systems, technologies, and services to clients ranging from the armed services and police forces to corporations in Italy and abroad.
- Forensic Intelligence.** After the acquisition of RCS, forensic intelligence has become the main line of business (64% of total sales in FY22). In this field, CY4 provides investigatory software solutions to governmental clients such as judicial authorities, law enforcement bodies and intelligence agencies.
- Decision Intelligence.** CY4's leading capabilities in AI, ML and cognitive computing are embodied in its Decision Intelligence platform, enabling governments to leverage the collection of structured and unstructured data in order to support decision-making. In this field, CY4 also supports decision-making by companies, enabling them to assess performance indicators using real-time data and historical data analysis tools with the aim of improving business strategies.
- Cyber Security.** The offering (products and services) involves predictive cyber security monitoring, orchestration, and response features, with the focus on prevention through the automatic collection, analysis and indexation of numerous events taking place on a client's IT infrastructure. CY4 solutions enable the detection of anomalies and ensure a response in a clear and timely manner. Following the acquisition of Diateam, the group now offers a Cyber Digital Twin platform for training, testing and validation in the cyber field.
- 1H23 preview:** we expect revenue at €31mn (+86% YoY) driven by organic (+20%) and M&A (+66%) growth; adj. EBITDA at €3.3mn (€2.3mn in 1H22) with the margin on sales at 10.7%; and the NFP at -€7mn, featuring the business seasonality already seen in 1Q.
- Estimates.** We have left our revenue estimates unchanged but reduced our adj. EBITDA and EPS estimates by c. 5% and 10% respectively for the FY23E-25E period to account for a slight increase in OpEx and financial charges.
- BUY reiterated, TP at €13.2 (from €14.2).** We believe the group is well positioned to exploit growth opportunities and to benefit from the synergic integration of the acquired companies. The key pillars of our investment case are: i) the commitment of the management team with a strong track record in the military and cyber fields; ii) the huge opportunity in the cyber security business driven by structural trends and NRRP-related projects; iii) the solid foundations on which to further expand its international footprint, including through M&A; iv) the good visibility granted by order intake. The main downside risks to our valuation relate to: i) potential regulatory restrictions affecting the Italian lawful interception market; ii) possible difficulties in attracting and retaining qualified personnel; and iii) customer base concentration, with the top 10 clients accounting for 55% of total turnover. Elsewhere, the start of trading on the STAR may ensure greater visibility among foreign investors and therefore increase liquidity. We confirm our BUY recommendation and update our TP to €13.2.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	18	57	83	92	100
EBITDA Adj (Eu mn)	8	17	25	28	32
Net Profit Adj (Eu mn)	5	7	11	13	16
EPS New Adj (Eu)	0.346	0.339	0.446	0.547	0.664
EPS Old Adj (Eu)	0.346	0.335	0.499	0.608	0.723
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	18.6	13.6	7.6	6.5	5.5
EV/EBIT Adj	33.3	32.9	12.7	10.4	8.5
P/E Adj	23.9	24.3	18.5	15.1	12.4
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.2	-0.2	-0.2	-0.4	-0.6