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Italian Equity Research – FY22 Results

CYBEROO

BUY

Sector: Industrials

Price: Eu5.98 - **Target: Eu7.50**

Strong Growth to Continue in 2023

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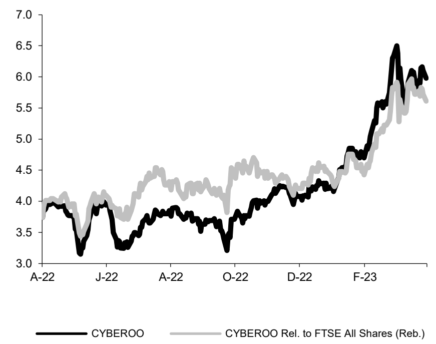
Stock Rating		
Rating:		Unchanged
Target Price (Eu):		from 5.50 to 7.50
	2023E	**2024E**
Chg in Adj EPS	-22.8%	-24.5%

Next Event

1H23 Results Out on Sep 28th

CYBEROO - 12M Performance



Stock Data			
Reuters code:			CYB.MI
Bloomberg code:			CYB IM
Performance	**1M**	**3M**	**12M**
Absolute	-5.7%	41.0%	63.8%
Relative	-3.3%	30.1%	56.8%
12M (H/L)			6.50/3.15
3M Average Volume (th):			30.76

Shareholder Data	
No. of Ord shares (mn):	19
Total no. of shares (mn):	20
Mkt Cap Ord (Eu mn):	115
Total Mkt Cap (Eu mn):	115
Mkt Float - Ord (Eu mn):	39
Mkt Float (in %):	33.6%
Main Shareholder:	
Founders	3.7%

Balance Sheet Data	
Book Value (Eu mn):	23
BVPS (Eu):	1.15
P/BV:	5.2
Net Financial Position (Eu mn):	7
Enterprise Value (Eu mn):	112

- **FY22 results highlight strong growth…** CYB released a good set of financial figures, which showed an acceleration of growth and margins in the second half of the year. FY22 revenues came to €15.6mn (+76.4% YoY), slightly below our est. of €16.7mn (-7%), featuring strong growth at the Cyber Security & Device Security division (rev. at €11mn, i.e., +156% YoY), which is benefiting from investments on the commercial front aimed at enhancing service quality and growing in Managed Detection & Response (MDR). By contrast, revenues from Managed Services (€4.3mn) and Digital Transformation (€0.2mn) were almost flat YoY, highlighting an enhancement of the mix, with cybersecurity accounting for c.70% of revenues vs. 48% the previous year, in line with management's focus on high-margin business featuring recurring revenue, at 63% of the total for FY22 (€9.8mn). The shift vs our estimates is attributable to the concentration of client investments towards the end of the year. As at YE22, CYB had 200 new clients, with an average ticket of c.€50K, in line with its goal of increasing the share of larger and mid-size customers and improving the quality of products and services offered (cyber security perceived as a complex process involving consultancy and training on specific items). EBITDA came to €6.7mn, margin at 38%, vs our. est. of €8mn with margin at 43%.
- **…and good cash generation.** The NFP was positive at €1.9mn (negative at €-0.8mn as at the end of 1H22), above our estimate of €1.3mn, highlighting €2.7mn of cash generation in 2H22, thanks to limited WC absorption and basically flat CapEx.
- **Growth to continue in 2023.** Management provided qualitative outlook for 2023, which is projected to be another year of strong growth thanks to consolidation in the distribution channel, the expanded commercial footprint, and investments in R&D, technology and human resources. Growth in FY23 is expected to feature a more balanced and healthy approach, along with a steadier increase of the cost base, likely to add to a healthy level of operating leverage, enabled by the scalability of CYB's MDR offering. CYB is also working on bolstering its operations through a new SOC in Poland (hiring of 15 new employees) to increase service accuracy and reduce escalation to the final level (the SOC based in Italy) to just 5/10% of total requests. CYB is not experiencing any issues in attracting or retaining talent and enjoys a very low attrition rate, according to management.
- **Changes to estimates.** Considering FY22 results and company indications for more balanced and sustainable growth with a greater focus on mid/large customers, as well as investments in hiring for the new SOC, we are lowering our revenue and EBITDA est. on avg. by 12% and 21% for 2023E-24E. Our estimates assume top-line growth of c.55% and the EBITDA margin close to 50% in 23E.
- **BUY confirmed, TP at €7.50 (from €5.50).** FY22 results provide evidence of the effectiveness of the CYB business model, able to combine solid growth with high profitability and sound cash generation. The Gartner ranking of CYB among the top 50 MDR vendors in the world is further proof of the quality of its offering. We reiterate our positive view on the stock and raise our TP to €7.50 (from €5.50). Our valuation models are still based on market multiples, but now include 2023/24 figures to factor higher visibility on the business and better capture the fast-growth profile of Cyberoo. At our new TP, Cyberoo would trade at 12.5x EV/EBITDA and 22x PE on 2023E.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Sales (Eu mn)	8	10	18	27	36
EBITDA Adj (Eu mn)	0	1	5	11	18
Net Profit Adj (Eu mn)	0	0	3	7	11
EPS New Adj (Eu)	0.003	0.009	0.140	0.335	0.566
EPS Old Adj (Eu)	0.003	0.008	0.173	0.434	0.749
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	nm	nm	14.1	10.1	5.7
EV/EBIT Adj	nm	nm	16.3	10.7	5.9
P/E Adj	nm	nm	42.6	17.8	10.6
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-3.8	0.3	-0.4	-0.6	-0.8

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