

# CYBEROO

Sector: Industrials

**BUY**

Price: Eu3.37 - Target: Eu4.60

## Growth to Remain Strong in 2024

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 3.75 to 4.60		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	-18.9%	-20.3%	

### Next Event

 1H Results Out on Sep-26<sup>th</sup>

### CYBEROO - 12M Performance



### Stock Data

Reuters code:	CYB.MI
Bloomberg code:	CYB IM

Performance	1M	3M	12M
Absolute	3.1%	9.4%	10.1%
Relative	1.8%	-1.6%	-10.6%
12M (H/L)		3.55/2.33	
3M Average Volume (th):		25.57	

### Shareholder Data

No. of Ord shares (mn):	41
Total no. of shares (mn):	41
Mkt Cap Ord (Eu mn):	140
Total Mkt Cap (Eu mn):	140
Mkt Float - Ord (Eu mn):	51
Mkt Float (in %):	36.9%
Main Shareholder:	
Cyberoo Glob1 Spa	52.8%

### Balance Sheet Data

Book Value (Eu mn):	26
BVPS (Eu):	0.64
P/BV:	5.3
Net Financial Position (Eu mn):	6
Enterprise Value (Eu mn):	133

- Growth continued in 2H.** CYB released another good set of results, which showed a continuation of the growth trajectory in the second half of the year. FY23 net sales were Eu20.0mn (+29% YoY), slightly below our Eu21.7mn estimate (-7%), fully driven by the exceptional performance of the Cyber Security & Device Security division, +40% YoY (+35% in 2H), while the Managed Services division remained flat for the third consecutive year, in line with company strategy to focus mainly on high-margin business. Rising demand for MDR services boosted profitability, with EBITDA at Eu9.3mn (+38% YoY), leading to a 42.2% margin on VoP (+380 bps YoY), despite c.Eu0.5mn higher OpEx in the Polish market (still at startup phase) to set up a new SOC and sales network. Cash generation stayed positive (NFP at ~Eu4mn vs. Eu1.4mn in 1H) albeit below expectations, amid higher investments and working capital absorption for increased receivables linked to the acquisition of new customers. As at YE23, CYB had 270+ new clients, increasing the share of larger and mid-size customers and improving the quality of products and services offered.
- Continuing to invest in new SOC and sales force.** CYB launched its SOC in Poland in 2023, bolstering its capabilities with 24/7 support from cyber experts, thus beefing up its activities across 3 levels (Ternopil, Warsaw, Reggio Emilia), in addition to so-called operational level 0, based in Milan. At the same time, CYB strengthened its sales team in Italy (mainly in the south and centre) aiming to tap potential opportunities, and Poland, signing partnerships with local entities and recruiting its first sales representatives to secure local clients.
- Change in estimates.** CYB anticipates growth remaining solid in 2024, driven by expanded penetration in the MDR segment; i) net sales seen increasing ~30% YoY, (new business in Poland to contribute about 1/3 of the growth); ii) EBITDA margin to remain almost stable/ increase slightly YoY; iii) CapEx to exceed Eu3mn, while NWC on sales to remain relatively consistent YoY. Considering FY23 results and qualitative messages during the call, on average we are trimming our FY24-25 estimates by 9% on sales and 14% on EBITDA. We expect revenue concentration to remain significant in 2H, with 1H expected to contribute c.35% of the total.
- BUY confirmed; new TP Eu4.60.** We reiterate our BUY rating, raising our TP from Eu3.75 to Eu4.60 on the back of an updated DCF that features a WACC of 8.3% (down from 9.3%), a lower risk-free rate (from 4.5% to 4.0%) and a lower additional equity risk premium for small caps (from 1.0% to 0.5%). At our TP, CYB would still be at a ~40% discount vs. cyber security players. Our investment case and positive view relies on: i) exposure to a fast-growing market segment, with a leading position in the Italian MDR market; ii) resilience of its 3-level SOCs; iii) solid client acquisition (250 new clients on average a year), with a very low churn rate (~2%); iv) an attractive business model based on recurring revenues and multiyear contracts, combined with high margins and good cash generation. Furthermore, a successful startup may showcase the replicability of the business model also in other European countries (Spain and Portugal) and provide additional upside to our estimates and valuation. Finally, Gartner's recognition of CYB among the top 50 vendors of MDR in the world, and the only Italian among the 12 European firms chosen, completes the picture.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	16	20	25	31	37
EBITDA Adj (Eu mn)	7	9	12	16	19
Net Profit Adj (Eu mn)	3	4	6	8	10
EPS New Adj (Eu)	0.070	0.096	0.141	0.195	0.248
EPS Old Adj (Eu)	0.070	0.118	0.174	0.244	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	10.9	12.4	10.9	8.1	6.4
EV/EBIT Adj	16.8	18.9	15.2	10.8	8.2
P/E Adj	48.1	35.2	23.9	17.3	13.6
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-0.3	-0.4	-0.5	-0.6	-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)

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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;

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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 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
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