

SABABA SECURITY

Sector: *Industrials*
BUY

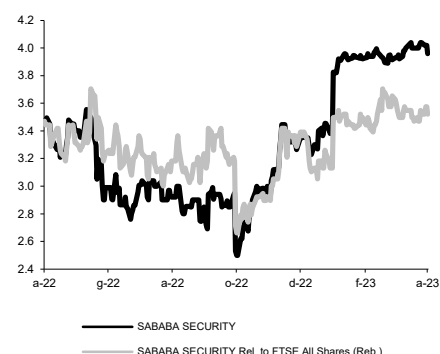
Price: Eu3.96 - Target: 5.40

Voluntary Tender Offer Period Will End on 5 May

Andrea Randone: +39-02-77115.364
andrea.randone@intermonte.it

Stock Rating		
Rating:	Unchanged	
Target Price (Eu):	Unchanged	
	2023E	2024E
Chg in Adj EPS	0.0%	0.0%

Sababa Security - 12M Performance



Stock Data			
Reuters code:	SBBA.MI		
Bloomberg code:	SBB IM		
Performance	1M	3M	12M
Absolute	0.8%	3.5%	14.1%
Relative	-2.7%	1.1%	1.6%
12M (H/L)	4.04/2.50		
3M Average Volume (th):	20.27		

Shareholder Data	
No. of Ord shares (mn):	7
Total no. of shares (mn):	7
Mkt Cap Ord (Eu mn):	29
Total Mkt Cap (Eu mn):	29
Mkt Float - Ord (Eu mn):	9
Mkt Float (in %):	31.4%
Main Shareholder:	
Ikkham S.r.l.	30.3%

Balance Sheet Data	
Book Value (Eu mn):	13
BVPS (Eu):	1.70
P/BV:	2.3
Net Financial Position (Eu mn):	3
Enterprise Value (Eu mn):	27

■ **Strong sales growth:** FY22 sales were up +98% YoY to €9.72mn, a touch below our forecast of €10.46mn. In terms of business segments, Security Monitoring services generated revenues of €3.75mn, up 76% YoY, Security Technology services revenues were €4.60mn, up 174% YoY, Security Audit services came to €1.07mn, up 7% YoY and Security Training €0.30mn, up 183% YoY. Technology and Training businesses performed ahead of our forecasts, while Audit and Monitoring segments grew below expectations. From a geographical point of view, 90% of the revenues were generated in Italy, 9% in Switzerland and the remainder in Uzbekistan, Germany and Spain.

■ **Cost structure reflects ramp-up of company structure:** SBB's margins in FY22 were lower than in FY21 and below our estimates. Reported EBITDA came in at €1.01mn while EBITDA net of capitalised R&D costs was at break-even. Fixed costs increased, as SBB continued to build up its technical workforce, leading to personnel costs of €2.44mn (up from €0.43mn in 2H21, vs. our est. €0.93mn), while capitalised R&D costs were €0.47mn (from €0.68mn in FY21). EBIT/net income amounted to €0.50mn/€0.42mn (-15.6%/-26.0% YoY). FCF was negative to the tune of Eu3.3mn, with net cash down to €4.1mn at YE22 from €6.8mn at YE21.

■ **Voluntary tender offer by HWG at €3.90 per share:** on 26 January 2023, a voluntary tender offer was launched by HWG Group HoldCo S.p.A. (an Italian group specialised in cybersecurity, shareholder and historical partner of Sababa) in concert with the main SBB shareholders, i.e. i) Ikkham (30.3% stake) of Enrico Orlandi, CEO of HWG, ii) Ponchik (28.6%) of CEO Alessio Aceti, iii) Drag (10.1%) SBB chairman Davide Rota. The offer i) is on all SBB shares traded on Euronext Milan (2.33mn shares, 31.4% of capital); ii) is aimed at delisting the stock; iii) is priced at Eu3.90 per share. The Offeror filed the Offer Document on 24 March. The offer period, which began on 3 April, will end on 5 May. Following the successful completion of the Offer, Sababa's reference shareholders will reinvest in the HoldCo through the contribution, in whole or in part as the case may be, of their shareholdings, transferring to the Offeror the Sababa shares not conferred.

■ **On 23 February after market close Sababa completed the acquisition of the first 40% of Digipoint,** a Genoa-based Cybersecurity firm, for Eu2.24mn, entirely in cash. We note that Sababa will be able to acquire a further 42% at Eu2.35mn by 30 June 2023, while the remaining 18% can be purchased between June and December 2023 for Eu1.0mn. The operation was announced in November 2022. Adding up all 3 tranches the deal values 100% of Digipoint equity at Eu5.6mn or an EV of over Eu7mn (assuming net debt as at YE22 in line with the YE21 figure), i.e. an EV/sales multiple of c.1.0x and EV/EBITDA of c.8x, based on (broad) indications for expected 2022 performance (EBITDA between Eu0.7mn and Eu1.1mn) contained in the November 2022 press release, which also mentions synergies for Sababa without giving figures. The deal is not included in our current estimates.

■ **Awaiting the results of the tender offer we leave our estimates unchanged.** For the time being we are not changing our view, nor our target price.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Sales (Eu mn)	2	5	11	18	24
EBITDA Adj (Eu mn)	0	1	0	3	6
Net Profit Adj (Eu mn)	0	1	0	2	4
EPS New Adj (Eu)	0.015	0.076	0.057	0.321	0.515
EPS Old Adj (Eu)	0.015	0.076	0.166	0.321	0.515
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj		32.5	nm	8.0	4.5
EV/EBIT Adj		34.8	39.7	7.5	4.7
P/E Adj	nm	51.8	70.0	12.3	7.7
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-0.8	-10.7	-2452.4	-0.8	-0.4