Intermonte

Milan, 08 August 2024

Italian Equity Research – New Coverage

SYS-DAT

OUTPERFORM

Sector: Industrials

Price: Eu4.12 - **Target: Eu5.10**

Fresh IPO Money to Exploit New M&A Growth

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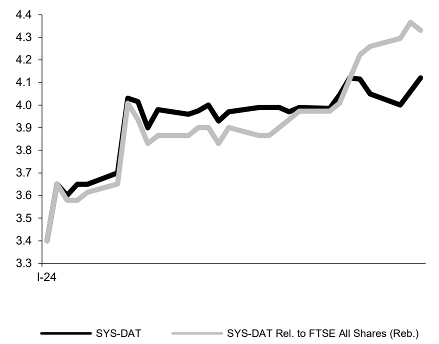
Stock Rating	
Rating:	OUTPERFORM (New Coverage)
Target Price (Eu):	5.10 (New Coverage)

Next Event
2Q Results Out on Sept 12th

SYS-DAT - 12M Performance



Stock Data			
Reuters code:			SYS.MI
Bloomberg code:			SYS IM
Performance	**1M**	**3M**	**12M**
Absolute	12.9%		
Relative	19.2%		
12M (H/L)			4.12/3.40
3M Average Volume (th):			111.67

Shareholder Data	
No. of Ord shares (mn):	31
Total no. of shares (mn):	33
Mkt Cap Ord (Eu mn):	129
Total Mkt Cap (Eu mn):	129
Mkt Float - Ord (Eu mn):	38
Mkt Float (in %):	29.4%
Main Shareholder:	
Vittorio Neuroni	28.2%

Balance Sheet Data	
Book Value (Eu mn):	57
BVPS (Eu):	1.83
P/BV:	2.3
Net Financial Position (Eu mn):	40
Enterprise Value (Eu mn):	89

- **SYS-DAT identity card.** With c.€46.5mn revenue and €9.3mn EBITDA in FY23, SYS-DAT is a Milan-based Italian player that designs, develops and implements a wide range of innovative and proprietary ICT solutions for both small and large enterprises operating across several sectors, ranging from manufacturing to distribution, from retail to omnichannel, from fashion & luxury to footwear. It supports clients during their digital journey, not only from a technological point of view, but also through strategic consultancy. SYS-DAT can count on 2,600+ active clients, 450+ employees and 20 offices across Italy. It has delivered outstanding revenue growth over the last three years (>20% on average), partly thanks to its ability to integrate acquired companies (12 M&A deals since 2020).
- **A complete, vertically specialised value proposition.** The offer includes a wide range of products and services, mainly relating to proprietary solutions (c.75% of the total revenue), such as business management systems, data analytics, digital tools for the monitoring and management of business performance, as well as additional services in the cloud and cyber security field or for data protection purposes. SYS-DAT's product offering is a sum of skills, capabilities, methodologies, software, and infrastructure grouped in three business segments: Core Business Software Solutions (72% of revenue); Value Added SW Solutions (10%) and ICT Services (18%). The main proprietary solutions focus on ERP which are suitable for different end-markets and fit perfectly with key third-party technological partners' platforms (primarily Microsoft and SAP) to offer fully customised integrated solutions.
- **Make or buy?... the mantra is to pursue a make & buy approach.** Rather than focusing exclusively on organic growth, SYS-DAT also pursues growth through external lines. Over the years, the company has grown through a make & buy approach, acting as a natural aggregator of small ICT firms in the domestic arena, extracting value from acquired companies, and exploiting cross and up-selling synergies. Since 2020, SYS-DAT has successfully finalised 12 transactions, showing strong capabilities in acquiring small companies with a good strategic fit at undemanding valuations, as we calculate an average acquisition multiple of c. 5.0x EV/EBITDA.
- **Highly proficient and fully committed management team with lengthy experience in the sector**, and main shareholders completely involved in the business (Neuroni family holding 52% of share capital), and Emanuele Angelidis (Executive Vice Chairman) owning a 13% stake. Since 2020, the company has entered a new phase in both its business operations and corporate structure, with a clear focus on: i) products, developing end-to-end software solutions; ii) processes, by adopting best practices in corporate governance; and iii) people, by adding managers and managerial education and launching a growth strategy aimed at combining M&A-driven growth with organic expansion.
- **Initiating coverage with an OUTPERFORM recommendation; TP Eu5.10** based on the fully-diluted number of shares. At our target price, SYS-DAT would trade at 10.2/8.7x EV/EBITDA, 14.0/11.8x EV/EBIT on our FY24E/25E estimates, broadly in line with the relative valuation of a clutch of Italian small/mid-caps.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	38	46	59	65	73
EBITDA Adj (Eu mn)	8	9	12	14	15
Net Profit Adj (Eu mn)	4	4	6	7	8
EPS New Adj (Eu)	0.188	0.190	0.192	0.229	0.263
EPS Old Adj (Eu)					
DPS (Eu)	0.030	0.030	0.000	0.000	0.000
EV/EBITDA Adj			7.4	6.2	5.1
EV/EBIT Adj			10.1	8.4	6.9
P/E Adj	22.0	21.6	21.4	18.0	15.7
Div. Yield	0.7%	0.7%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-0.7	-0.3	-3.3	-3.4	-3.4

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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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 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.

Explanation of our ratings system:

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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As at 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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