

SYS-DAT

Sector: Industrials

OUTPERFORM

Price: Eu5.29 - Target: Eu6.00

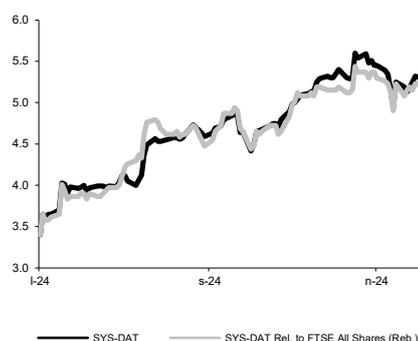
Resilient Double-Digit Growth with M&A Driving Further Upside Potential

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 5.25 to 6.00		
	2024E	2025E	2026E
Chg in Adj EPS	-9.5%	-4.2%	-5.1%

SYS-DAT - 12M Performance



Stock Data

Reuters code:	SYSD.MI		
Bloomberg code:	SYS IM		
Performance	1M	3M	12M
Absolute	-2.0%	16.3%	==/100
Relative	1.9%	14.2%	#VALUE!
12M (H/L)	5.60/3.40		
3M Average Volume (th):	30.06		

Shareholder Data

No. of Ord shares (mn):	31
Total no. of shares (mn):	31
Mkt Cap Ord (Eu mn):	165
Total Mkt Cap (Eu mn):	165
Mkt Float - Ord (Eu mn):	49
Mkt Float (in %):	29.4%
Main Shareholder:	
Vittorio Neuroni	28.2%

Balance Sheet Data

Book Value (Eu mn):	56
BVPS (Eu):	1.78
P/BV:	3.0
Net Financial Position (Eu mn):	33
Enterprise Value (Eu mn):	133

SYS achieved double-digit growth in 9M24 driven by a mix of organic growth and M&A, while maintaining strong free cash flow (FCF/EBITDA at 50%). Although the stock appears almost fairly valued based on its fundamentals after a strong rally since the IPO, we believe that untapped potential from further M&A could offer additional upside. We remain positive on the stock, continuing to appreciate the quality of management and the resilience of the business model. Our updated DCF indicates a fair equity value of €6.0 p.s. on a fully diluted basis, not yet accounting for the extra value SYS may generate from M&A, which we estimate in the €50–€80 million range, assuming financial leverage between 1.0x and 2.0x, which would capture successful integration of acquired companies and the ability to exploit both up-selling and cross-selling synergies.

- **Still growing double-digit.** 9M results were in line with expectations, showcasing strong double-digit growth across the P&L, driven by organic expansion and M&A. In 9M, sales reached €40.6mn, up 24% YoY; EBITDA came to €8.2mn (+21% YoY), with a 20% margin (20.5% in 9M23). Net Income was €3.7mn, with a positive net financial position (NFP) of €36.6mn (up from €5.8mn in 1H24), reflecting the net proceeds of the IPO and the cash-out to acquire Flexxa, completed in August. FCF-to-EBITDA ratio still robust at 50%, underscoring the strong cash generation capabilities of the SYS business model.
- **Three small acquisitions announced since the IPO at undemanding valuation.** Since its IPO, SYS has announced three strategic acquisitions at attractive valuations, aimed at enhancing its service portfolio and competitive edge: i) Flexxa, a cybersecurity and business solutions provider with €1.25mn in revenues and a 21% EBITDA margin; ii) Glam Srl and Glam Digital Srl, specialized in digital commerce, contributing €2.2mn in revenues with a 30% EBITDA margin; iii) Matrix Solution, a business process management firm generating €1.2mn in turnover with a 25% EBITDA margin, bolstering SYS-DAT's capabilities in document archiving and workflow management. In total, these acquisitions add €1.2mn in EBITDA (approximately 10% of SYS's group EBITDA) at a valuation of ~5x EBITDA, in line with past transactions.
- **No guidance announced, focus still on M&A.** SYS has not issued formal guidance but anticipates that 4Q will contribute a significant portion of total FY revenues, consistent with 3Q23 (approximately 29%), whereas 3Q typically accounts for only 20–22% of annual revenues. The Group remains actively engaged in pursuing M&A opportunities, reviewing new prospects and holding discussions with potential targets. The focus is on acquiring profitable, cash-generating companies with high recurring revenue, which either address new markets or complement the existing portfolio. SYS-DAT continues its strategy of fostering strong relationships with entrepreneurs and founders, often incorporating earnout mechanisms tied to a three-year plan.
- **Estimates fine-tuning.** We have made slight adjustments to our estimates, reducing organic growth projections for 2024 and 2025 by 3% and 4%, respectively, while keeping the EBITDA margin largely stable. On cash flows, we anticipate the net financial position (NFP) reaching approximately €33mn by end-2024. We expect cash generation to remain sound, with average FCF/EBITDA conversion at 45% on average in the forecast period.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	38	46	57	68	74
EBITDA Adj (Eu mn)	8	9	12	14	15
Net Profit Adj (Eu mn)	4	4	5	7	8
EPS New Adj (Eu)	0.188	0.190	0.174	0.219	0.250
EPS Old Adj (Eu)	0.188	0.190	0.192	0.229	0.263
DPS (Eu)	0.030	0.030	0.000	0.000	0.000
EV/EBITDA Adj			11.4	9.1	7.7
EV/EBIT Adj			16.7	13.4	11.2
P/E Adj	28.2	27.8	30.4	24.1	21.2
Div. Yield	0.6%	0.6%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-0.7	-0.3	-2.8	-2.8	-3.0

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- 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.

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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.

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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:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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