

SYS-DAT

Sector: Industrials

OUTPERFORM

Price: Eu4.72 - Target: Eu5.25

Solid Delivery in 1H, Focus on M&A

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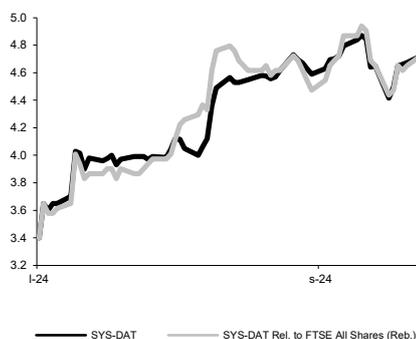
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 5.10 to 5.25		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

 3Q24 Results Out on 14th Nov

SYS-DAT - 12M Performance



Stock Data

Reuters code: SYSD.MI
 Bloomberg code: SYS IM

Performance	1M	3M	12M
Absolute	2.3%	--	--
Relative	2.4%	--	--
12M (H/L)		4.87/3.40	
3M Average Volume (th):		69.22	

Shareholder Data

No. of Ord shares (mn):	31
Total no. of shares (mn):	31
Mkt Cap Ord (Eu mn):	148
Total Mkt Cap (Eu mn):	148
Mkt Float - Ord (Eu mn):	43
Mkt Float (in %):	29.4%
Main Shareholder:	
Vittorio Neuronì	28.2%

Balance Sheet Data

Book Value (Eu mn):	57
BVPS (Eu):	1.83
P/BV:	2.6
Net Financial Position (Eu mn):	40
Enterprise Value (Eu mn):	108

1H results were in line with our expectations and remain well on track to match FY estimates. SYS achieved high double-digit growth in both revenue and EBITDA, driven by a combination of organic growth and M&A activity, while maintaining strong free cash flow generation. Although the company did not provide formal guidance, it expects to continue its strategy of combining organic growth with M&A. The Group will remain focused on identifying attractive acquisition opportunities to enhance its product portfolio and enter new market segments. We reiterate our positive view and increase our TP to €5.25 to factor in a re-rating in peers' multiples.

- **1H results slightly better.** Net sales came in at €28.4mn (+28% YoY) vs. our estimate of €28.2mn (+1%), thanks to a combination of organic growth and M&A (contributing c.€3.6mn, i.e. c.12% of revenues). EBITDA was €5.9mn (+25% YoY) with a margin of 20.6% (acceleration in 2Q, i.e. a 21.7% margin). At bottom line, net income reached €2.6mn (+23% YoY). Cash generation remained extremely positive, with an NFP of €5.7mn (€3.7mn as at 1Q24) leading to an EBITDA cash conversion ratio of 44% (net of the €0.7mn dividend payment).
- **Recurring and repeatable revenues still at two-thirds of the total:** the contribution of individual business lines to total revenues was broadly in line with FY23 figures. Recurring revenues, combined with repeatable revenues (i.e. those generated from clients that have contributed consistently for at least 5 years, despite not having acquired licences with recurring fees) continue to account for c.2/3 of the total.
- **Focus on M&A, several dossiers on the table:** during the conference call, SYS confirmed that it is actively working on several M&A opportunities, focusing on cybersecurity, digital commerce, and IoT software applications. Post-IPO, SYS is targeting larger acquisitions, seeking companies with positive margins, strong growth potential, and healthy cash flow. The goal is to enhance its product portfolio, enter new markets and exploit potential upselling opportunities.
- **Estimates unchanged, still pointing to double-digit increase:** we are leaving our estimates unchanged, still not considering any future M&A transactions (although we are not ruling out the possibility that the company may complete more deals in the future). We expect growth to remain in the double-digit range (2023-26 CAGR 16%, or c.12% as of 2023PF), EBITDA margins to be stably above 20% (seen at 20.8% in FY26), and net income to almost double by FY26 (€8.2mn vs. €4.2mn achieved in FY23). On the cash flow side, we expect the company to continue to generate cash, with FCF foreseen at c.40% of EBITDA in the 2024E-26E period.
- **OUTPERFORM, new TP Eu5.25 (from Eu5.10),** based on the fully diluted number of shares, following an expansion of peers' multiples. At our target, SYS-DAT would trade at 10.6/9.1x EV/EBITDA, 14.6/12.3x EV/EBIT on our FY24E/25E estimates, broadly in line with the relative valuation of a clutch of Italian small/mid-caps. We believe M&A activity may therefore represent a positive catalyst on the stock and represent an important growth driver. We estimate SYS to boast c.€40mn of NFP at YE24, which will probably be deployed in external growth deals, with the aim of best exploiting potential cross-selling and upselling opportunities.

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)	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			8.9	7.6	6.3
EV/EBIT Adj			12.3	10.3	8.5
P/E Adj	25.2	24.8	24.5	20.6	17.9
Div. Yield	0.6%	0.6%	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.

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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;

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

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

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Emittente	%	Long/Short
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