

CY4GATE

Sector: Industrials

BUY

Price: Eu7.45 - Target: Eu10.50

FY23 revenue hit by €13mn order delay. Order intake up 22%

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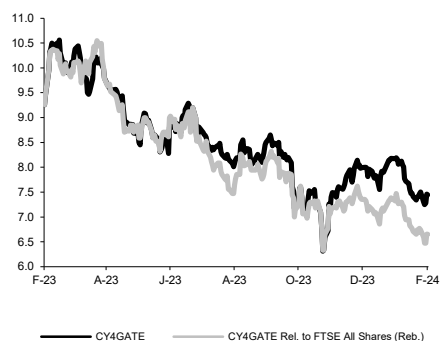
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 12.00 to 10.50		
	2023E	2024E	2025E
Chg in Adj EPS	n.m.	-31.2%	-19.7%

Next Event

 FY23 Results March 14th

CY4GATE - 12M Performance



Stock Data

Reuters code:	CY4.MI		
Bloomberg code:	CY4 IM		
Performance	1M	3M	12M
Absolute	-8.8%	0.7%	-19.5%
Relative	-9.5%	-7.7%	-31.5%
12M (H/L)	10.56/6.31		
3M Average Volume (th):	14.46		

Shareholder Data

No. of Ord shares (mn):	24
Total no. of shares (mn):	24
Mkt Cap Ord (Eu mn):	176
Total Mkt Cap (Eu mn):	176
Mkt Float - Ord (Eu mn):	80
Mkt Float (in %):	45.5%
Main Shareholder:	
Electronica S.p.A.	38.4%

Balance Sheet Data

Book Value (Eu mn):	121
BVPS (Eu):	5.12
P/BV:	1.5
Net Financial Position (Eu mn):	-16
Enterprise Value (Eu mn):	192

- FY23 revenues below exp. due to €13mn order rescheduling.** CY4 has just announced preliminary revenues at €65mn (€57mn on FY22, +15% YoY), or -4% YoY compared to pro-forma FY22, implying 4Q23 revenue at €20mn (vs. €30mn recorded in 4Q22). Indeed, preliminary revenue came in lower than our €80mn expectation (-19%), mainly due to the postponement of an important foreign order in the Cyber Intelligence field worth €13mn, which was awarded in mid-December, but for which the conditions precedent were realized only in January, and on which negotiations to finalize the contract are still underway. As is customary for CY4 activities, order intake typically peaks in November and December due to normal business seasonality. However, as has been the case in the past, some orders may experience delays, as the contractual framework often requires extra time for negotiation and finalization.
- Order intake in FY23 amounted to €73mn**, a 22% increase on 2022 data. Going by the most noteworthy contracts announced by the company during the year, we highlight a good contribution from both Decision Intelligence and Cyber Security solutions, with a great contribution from foreign (European) clients. Despite turnover for the year falling below expectations, we view the accelerated order intake as a fundamental driver for medium-term growth. Approximately half of these orders will run for three years.
- Change in estimates.** For FY23, we are aligning our revenue estimate with the just-announced preliminary data, while nearly halving our EBITDA estimate, resulting from the delayed profitability on the aforementioned large foreign order, as it involves licenses for software applications in the field of Decision Intelligence featuring high margins. In our FY24-25 forecasts, we also include the recent acquisition of XTN, which we expect to contribute c. 6% to both revenue and adj. EBITDA. On the cash flow side, we factor in the lower cash earnings for FY23 and include the €8.7mn payment of the first tranche of the XTN acquisition in 2024E.
- Investment case.** Preliminary FY23 revenues are likely to be negative news but already partly discounted in the share price, and somewhat offset by the supportive order intake flow and current pipeline, which enhance visibility on 2024. The latest acquisition enhances continuity on execution of the external growth strategy put in place so far, enabling CY4 to gain new technological know-how with the aim of enriching product functionality in the cyber protection field. We expect M&A to continue to be an important pillar of growth, with a focus on the acquisition of software houses, targeting new and complementary cyber niches. In our view, the ongoing newsflow regarding potential regulation of the Italian lawful interception market is hindering the current stock performance, but no budget cuts have occurred thus far, and fears could have been excessive. Furthermore, CY4 has been deploying new solutions, as management envisages strong opportunities from the adoption of AI technologies in the lawful interception business, with the aim of mitigating potential budget restrictions for individual prosecutors. We confirm our BUY rating, reducing our TP to Eu10.5 (from Eu12.0) in light of the new estimates, based on 3.5x EV/sales and 10.5x EV/adj. EBITDA on our 2024E forecasts.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	18	57	65	85	93
EBITDA Adj (Eu mn)	8	17	12	23	28
Net Profit Adj (Eu mn)	5	7	-3	8	10
EPS New Adj (Eu)	0.346	0.339	-0.125	0.326	0.445
EPS Old Adj (Eu)	0.346	0.339	0.382	0.473	0.554
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	18.6	13.6	17.9	8.2	6.6
EV/EBIT Adj	33.3	32.9	nm	16.8	13.1
P/E Adj	21.6	22.0	nm	22.9	16.8
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.2	-0.2	1.1	0.7	0.4

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- 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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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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