

# CYBEROO

# BUY

Price (Eu):

3.72

Target Price (Eu):

7.20

SECTOR: Industrials

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## Rising Cyber Threats Create Real Investment Opportunity

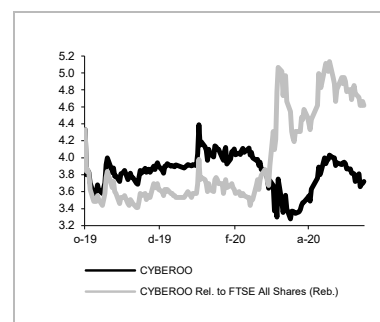
- A leading Italian cybersecurity company.** Founded in 2008, Cyberoo is a managed service provider present in the IT outsourcing segment with a strong focus on cybersecurity services. The company is part of the SEDOC group (private company) and has been listed on the AIM segment of the Italian stock exchange since its IPO on 7<sup>th</sup> October 2019. Cyberoo serves over 600 corporate clients, mostly in Italy. It employs over 100 people across Italy and the Ukraine.
- A cutting-edge offering, answering to external threats and internal needs.** Cyberoo reinforced its focus on cybersecurity activities in 2017, when it started developing a set of high value-added solutions for the security and monitoring of corporate IT ecosystems. Launched in 2019, the Cyber Security Suite (CY and CSI) and the Titaan suite offer: i) advanced customisability; ii) decisive innovation with a high degree of automation (AI, ML, DL); iii) a pro-active approach through root-cause analysis; and iv) continuous monitoring (24/7/365). Most importantly, Cyberoo's solutions help reduce the massive volume of alerts, limiting the number of time-consuming "false positives", allowing clients to enhance the productivity of their IT teams.
- Poised to benefit from subsequent economies of scale:** Cyberoo has access to a pool of highly-skilled professionals at low labour costs through its Ukrainian labs. Furthermore, the company's decisive capabilities in Artificial Intelligence and Machine Learning enable strong scalability of operations with a limited increase in fixed costs, further boosting the major economies of scale that could be tapped by Cyberoo.
- Supportive market conditions add to organic growth rationale:** The Italian cybersecurity market was estimated to be worth over €1.1bn in 2019 and was set to grow at a double-digit pace in the next few years (+14% 2018-22 CAGR estimated pre-Covid), displaying even stronger potential in the markets of Cyberoo's main proprietary products. Indeed, demand drivers indicate a higher request from mid-sized companies for cybersecurity solutions (and especially managed detection and response). The Covid-19 impact looks limited for the company (strategic activity under Italian decree) and the industry.
- Our estimates:** We forecast a 2019-23 production value CAGR of 41%, primarily driven by the significant increase forecast in sales volumes of CSI, CY and Titaan solutions as we remain convinced of the strong potential of the company's offering. We expect the EBITDA/EBIT margin to expand to 49.4%/41.3% in 2022 (up from 36.5%/16.9% in 2019), reflecting the improving segment mix and strong economies of scale. Our estimates do not include any M&A going forward, even though we believe the company would have up to €10mn of M&A firepower at its disposal based on 2019 figures.
- New Coverage: BUY rating, €7.2 TP.** Our target price results from a DCF approach. It reflects 94% upside to the last closing price, justifying our BUY rating. The valuation multiples implicit at our target are broadly in line with peer group levels for 2021, which are also consistent with historical averages. Overall, our valuation reflects the company's strong top line and margin growth potential, supported by robust development potential in the cybersecurity market. We believe Cyberoo's decisive technological capabilities in the artificial intelligence and machine-learning fields, showcased in its flagship solutions (Cyber Security Suite and Titaan Suite) and enabled by its high-skill /low-cost structure, can lead to a notable volume upsurge with vast economies of scale in the coming years.

Key Figures	2018A	2019A	2020E	2021E	2022E
Sales (Eu mn)	5	7	8	13	20
Ebitda (Eu mn)	2	2	3	5	10
Net profit (Eu mn)	0	1	1	3	5
EPS - New Adj.(Eu)	0.000	0.092	0.085	0.257	0.520
EPS - Old Adj.(Eu)					
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
Ratios & Multiples	2018A	2019A	2020E	2021E	2022E
P/E Adj.	nm	40.2	43.5	14.5	7.2
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda Adj.	20.7	13.1	9.7	4.9	2.4
ROCE	9.6%	21.7%	16.5%	49.0%	84.0%

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Next event:  
1H20 Results out Sep. 28<sup>th</sup> 2020

### CYBEROO - 12m Performance



RATING: New Coverage

TARGET PRICE (Eu): New Coverage

Ch. in Adj.EPS est: 2020E 2021E

### STOCK DATA

Reuters code: CYB.MI  
Bloomberg code: CYB IM

Performance	1m	3m	12m
Absolute	-6.3%	-7.0%	--
Relative	-9.2%	22.6%	--
12 months H/L:	4.39/3.28		

### SHAREHOLDER DATA

No. of Ord. shares (mn):	10
Total No. of shares (mn):	10
Mkt Cap Ord (Eu mn):	35
Total Mkt Cap (Eu mn):	35
Mkt Float - ord (Eu mn):	9
Mkt Float (in %):	26.3%
Main shareholder:	
Founders	3.7%

### BALANCE SHEET DATA

	2020
Book value (Eu mn):	14
BVPS (Eu):	1.38
P/BV:	2.7
Net Financial Position (Eu mn):	7
Enterprise value (Eu mn):	28

Please see important disclaimer  
on the last page of this report

**ŞCompanynameŞ - KEY FIGURES**

		2018A	2019A	2020E	2021E	2022E
Fiscal year end		31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	5	7	8	13	20
	EBITDA	2	2	3	5	10
	EBIT	0	1	1	4	8
	Financial income (charges)	0	0	0	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	0	1	1	4	8
	Taxes	(0)	(0)	(0)	(1)	(3)
	Tax rate (%)	-100.0%	-32.9%	-33.0%	-33.0%	-33.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	0	1	1	3	5
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	2	2	3	5	10
	Ebit excl. extraordinary items	0	1	1	4	8
	Net profit restated	0	1	1	3	5
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	7	10	10	10	10
	EPS stated fd	0.000	0.092	0.085	0.257	0.520
	EPS restated fd	0.000	0.092	0.085	0.257	0.520
	BVPS fd	0.377	1.120	1.382	1.639	2.159
	Dividend per share (ord)	0.000	0.000	0.000	0.000	0.000
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)		0.0%	0.0%	0.0%	0.0%
<b>CASH FLOW (Eu mn)</b>	Gross cash flow		2	3	4	7
	Change in NWC		(1)	(1)	(1)	(2)
	Capital expenditure		(4)	(1)	(2)	(2)
	Other cash items		0	0	0	0
	Free cash flow (FCF)		(3)	1	1	4
	Acquisitions, divestments & others		(0)	0	0	0
	Dividend		0	0	0	0
	Equity financing/Buy-back		8	3	0	0
Change in Net Financial Position		4	4	1	4	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	4	7	6	6	6
	Net working capital	0	2	2	3	5
	Long term liabilities	(1)	(1)	(1)	(1)	(1)
	Net capital employed	3	7	8	9	10
	Net financial position	(0)	3	7	8	12
	Group equity	3	11	14	17	23
	Minorities	0	0	0	0	0
Net equity	3	11	14	17	23	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	35	35	35	35	35
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(0)	3	7	8	12
	Enterprise value	36	32	28	27	23
<b>RATIOS(%)</b>	EBITDA margin*	33.1%	36.5%	35.3%	41.9%	49.4%
	EBIT margin*	5.7%	16.9%	14.8%	30.4%	41.3%
	Gearing - Debt/equity	18.3%	-30.9%	-47.8%	-48.9%	-53.5%
	Interest cover on EBIT	nm	nm	nm	nm	nm
	Debt/Ebitda	0.28	nm	nm	nm	nm
	ROCE*	9.6%	21.7%	16.5%	49.0%	84.0%
	ROE*	0.0%	10.6%	6.6%	17.0%	27.4%
	EV/CE	11.5	6.1	3.8	3.3	2.4
	EV/Sales	6.8	4.8	3.4	2.1	1.2
	EV/Ebit	nm	28.2	23.2	6.8	2.9
Free Cash Flow Yield		-9.5%	1.9%	4.2%	10.4%	
<b>GROWTH RATES (%)</b>	Sales		28.3%	23.0%	58.3%	49.4%
	EBITDA*		41.7%	18.8%	88.2%	76.2%
	EBIT*		279.9%	8.0%	224.6%	102.7%
	Net profit		nm	18.0%	222.5%	102.3%
	EPS restated		nm	-7.6%	200.7%	102.3%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

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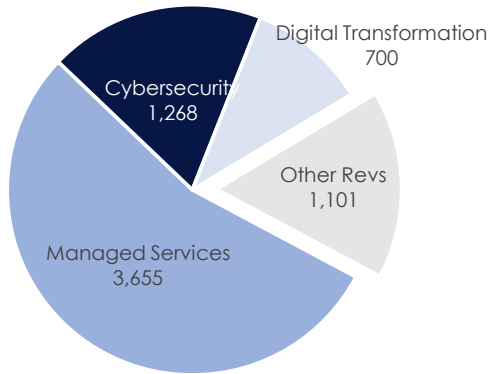
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## Executive Summary

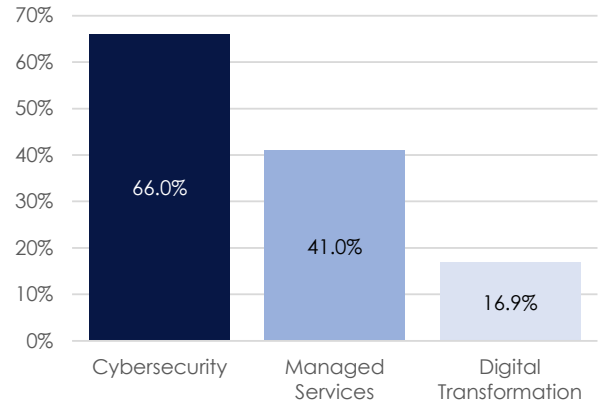
**A leading Italian cybersecurity company.** Founded in 2008, Cyberoo is a managed service provider present in the IT outsourcing segment with a strong focus on cybersecurity services. The company is organised in three divisions: Cybersecurity (23% of net sales), Managed Services (65%) and Digital Transformation (12%). Cyberoo is part of the SEDOC group (private company) and has been on the AIM segment of the Italian stock exchange since its IPO on 7<sup>th</sup> October 2019 (€7.15mn raised, 26% float). Nearly all of the company's sales are generated in Italy, where it serves over 600 corporate clients. It employs over 100 people across Italy and Ukraine. The company's headquarters are in Reggio Emilia and it has operating centres in Milan, Lodi, Kiev and Tempil.

Cyberoo –breakdown of production value, 2019



Source: Company data

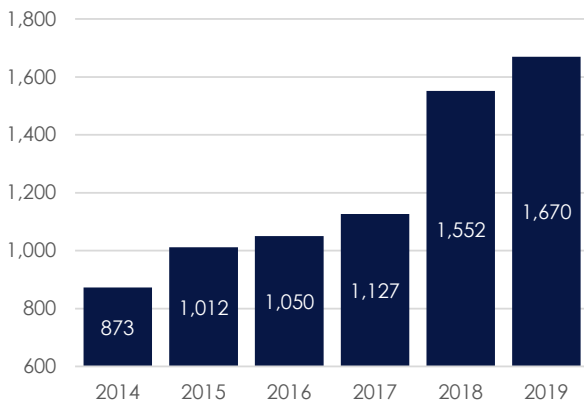
Cyberoo – EBITDA margin by segment, 2019



Source: Company data

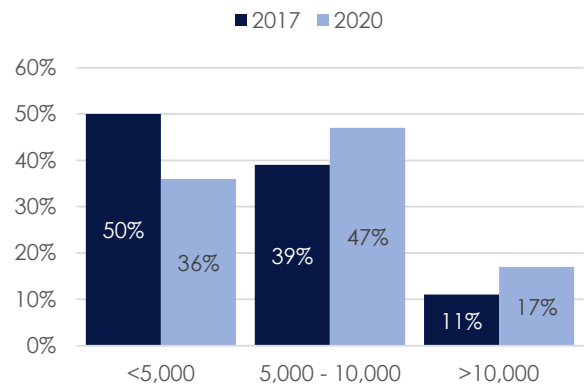
**A cutting-edge offering answering to external threats and internal needs.** Cyberoo reinforced its focus on cybersecurity activities in 2017, when it started developing a set of high value-added solutions for the security and monitoring of corporate IT ecosystems. Launched in 2019, the Cyber Security Suite (CY and CSI) and the Titaan suite are the main solutions in the company's 360-degree security offering and provide a protection against the growing threat of a cyber attack. The main characteristics of these solutions are: i) advanced customisability; ii) decisive innovation with a high degree of automation (AI, ML, DL); iii) a pro-active approach through root-cause analysis; and iv) continuous monitoring (24/7/365). Most importantly, Cyberoo's solutions help reduce the massive volume of alerts, limiting the number of time-consuming "false positives", allowing clients to enhance the productivity of their IT teams.

Number of serious cyberattacks declared in Italy – in units



Source: Clusit

Number of daily IT security alerts in corporations

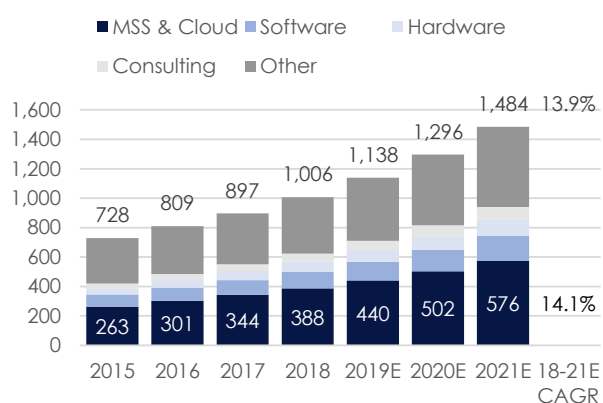


Source: Cisco 2020 Benchmark Study – sample of 2,800 respondent companies

**Poised to benefit from subsequent economies of scale:** Cyberoo has access to a pool of highly skilled professionals at low labour costs through its labs in Ukraine, where the company has developed its Intelligence Security Operations Centre, ensuring the continuous monitoring of both security and managed services platforms. Furthermore, the company's decisive capabilities in Artificial Intelligence (AI) and Machine Learning (ML) enable a strong scalability of operations with limited increase in fixed costs, further enabling the high economies of scale potentially tapped by Cyberoo.

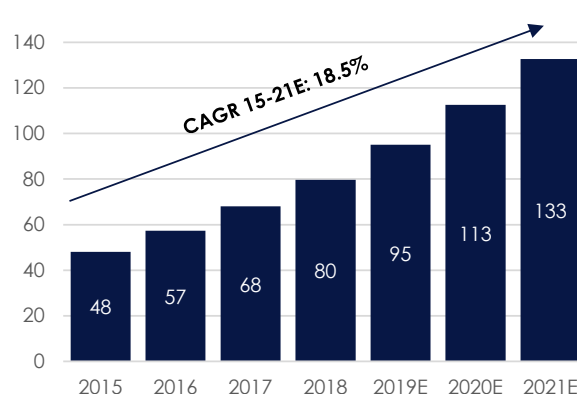
**Supportive market conditions add to organic growth rationale:** The Italian cybersecurity market was estimated to be worth over €1.1bn in 2019 and was set to grow at a double-digit pace by 2022 (2018-21 CAGR +14.5%, based on a Netconsulting study, pre-Covid). The market segment for Cyberoo's star products is set to grow at an even faster pace in Italy (2018-21 CAGR +19%, Netconsulting study) and globally (+20% in 2019, Gartner study). These high market growth expectations are based on demand drivers that indicate a higher demand from mid-sized companies for cybersecurity solutions (especially managed detection and response). The impact of Covid-19 appears to be minor for the company (its activities have been defined as strategic according to Italian government decree) and the cybersecurity industry as a whole, as increased remote working creates new opportunities for cybercrime, and therefore enhances the need for cybersecurity.

**The Italian Cybersecurity Market (Pre-Covid-19 outbreak) - €mn**



Source: Netconsulting cube, Anitec-Assinform

**Threat Intelligence Process Market (Pre-Covid-19 outbreak) - €mn**



Source: Netconsulting cube, Anitec-Assinform

**Our estimates:** We forecast a 41% 2019-23 production value CAGR, primarily driven by the significant increase forecast in sales volumes of CSI, CY and Titaan solutions as we remain convinced of the strong potential of the company's offering in the context of supportive market trends. We forecast both EBITDA and EBIT to accelerate at a faster rate than the top line, reflecting the enhancing segment mix and strong economies of scale. Consequently, we expect EBITDA/EBIT margins to expand to 49.4%/41.3% in 2022 (up from 36.5%/16.9% in 2019). Please note our estimates do not include any M&A going forward, even though we estimate the company would have up to €10mn of M&A firepower at its disposal based on 2019 figures.

#### Intermonte estimates - snapshot

EUR '000s	FY18PF	FY19A	FY20E	FY21E	FY22E	FY23E
<b>Total Net Sales</b>	<b>4,575</b>	<b>5,623</b>	<b>7,274</b>	<b>11,897</b>	<b>18,364</b>	<b>25,706</b>
YoY		22.9%	29.4%	63.6%	54.3%	40.0%
<b>Production Value</b>	<b>5,241</b>	<b>6,724</b>	<b>8,274</b>	<b>13,097</b>	<b>19,564</b>	<b>26,906</b>
YoY		28.3%	23.0%	58.3%	49.4%	37.5%
<b>EBITDA</b>	<b>1,733</b>	<b>2,455</b>	<b>2,918</b>	<b>5,491</b>	<b>9,674</b>	<b>14,747</b>
% Margin	33.1%	36.5%	35.3%	41.9%	49.4%	54.8%
YoY		41.7%	18.8%	88.2%	76.2%	52.4%
<b>EBIT</b>	<b>299</b>	<b>1,136</b>	<b>1,227</b>	<b>3,983</b>	<b>8,073</b>	<b>13,138</b>
% Margin	5.7%	16.9%	14.8%	30.4%	41.3%	48.8%
YoY		279.9%	8.0%	224.6%	102.7%	62.7%
<b>Net Income</b>	<b>0</b>	<b>705</b>	<b>832</b>	<b>2,683</b>	<b>5,428</b>	<b>8,832</b>
% Margin	0.0%	10.5%	10.1%	20.5%	27.7%	32.8%
YoY		0.0%	18.0%	222.5%	102.3%	62.7%
<b>Net Debt / (Cash)</b>	<b>481</b>	<b>-3,289</b>	<b>-6,898</b>	<b>-8,369</b>	<b>-12,056</b>	<b>-18,492</b>

Source: Intermonte SIM (E), company data (A, PF)

**New Coverage: BUY rating; target €7.2:** our target price is obtained through a standalone DCF model (i.e. with no contribution from M&A). It reflects 94% upside to the last closing price, justifying our BUY rating. The valuation multiples implicit in our target price are broadly in line with peer group levels for 2021, which are also consistent with historical averages. Overall, our valuation reflects the company's strong top line and margin growth potential, supported by the robust growth trends expected in the cybersecurity market. We believe its decisive technological capabilities in the artificial intelligence and machine learning fields, showcased in its flagship solutions (Cyber Security Suite and Titaan Suite) and enabled by its high-skill /low-cost structure, can lead to significant volume uptake and economies of scale in the coming years.

#### DCF sensibility

		WACC				
		8.5%	9.5%	10.5%	11.5%	12.5%
g	0.0%	9.1	7.8	6.8	5.9	5.3
	0.5%	9.5	8.1	7.0	6.1	5.4
	1.0%	10.0	8.4	7.2	6.2	5.5
	1.5%	10.4	8.7	7.4	6.4	5.6
	2.0%	11.0	9.1	7.7	6.6	5.8

Source: Intermonte SIM

#### Valuation summary

		2020	2021	2022
CYB @ last close	EV/EBITDA	11.0x	5.6x	2.8x
<b>CYB @ our TP</b>	<b>EV/EBITDA</b>	<b>23.5x</b>	<b>12.2x</b>	<b>6.5x</b>
Peer Group Median	EV/EBITDA	16.1x	13.1x	11.6x
CYB @ last close	EV/EBIT	26.2x	7.7x	3.3x
<b>CYB @ our TP</b>	<b>EV/EBIT</b>	<b>55.8x</b>	<b>16.8x</b>	<b>7.8x</b>
Peer Group Median	EV/EBIT	28.4x	21.8x	14.4x

Source: Intermonte SIM, Factset

## Company description

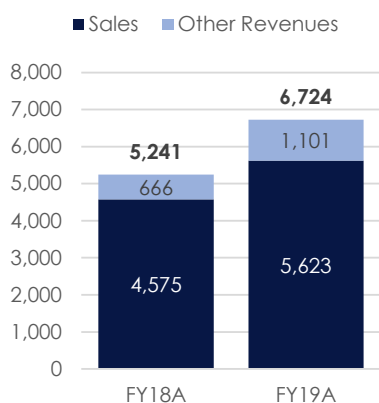
### Company description

Cyberoo, an emerging and innovative information technology company based in Reggio Emilia, is part of the Sedoc group. Cyberoo was created in 2008, initially as an IT device supplier, and has evolved over the years to reach its current structure in 2019. It employs over 100 people across Italy and the Ukraine and has operating centres in Milan, Lodi, Kiev and Ternopil. Cyberoo provides its clients with continuous (24/7/365) IT services consisting of the outsourced management of their IT infrastructure.

Cyberoo has recently begun to focus strongly on cybersecurity, for which it develops and provides custom solutions, primarily for mid- to large companies. The company still primarily provides managed services, consisting of datacentre, cloud and device management services. Finally, Cyberoo also provides digital transformation services. We describe the group's activities in more detail later in this report.

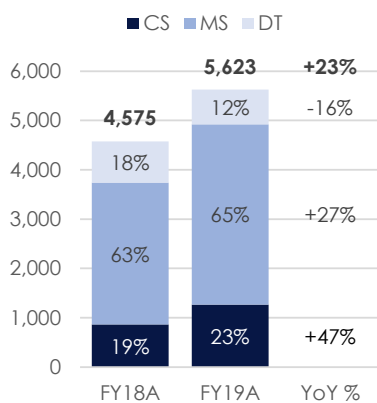
Cyberoo realised production value (as defined by Italian GAAP) of €6.7mn in 2019, of which net sales came to €5.6mn as described in the graphs below. Its main activity remained Managed Services, with 65% of sales. The group's business is based on a subscription model, as clients pay a periodic fee for the IT outsourcing services provided. Such recurring revenues accounted for 73% of sales in 2018 and 79% of sales in 2019.

#### Breakdown of Production Value



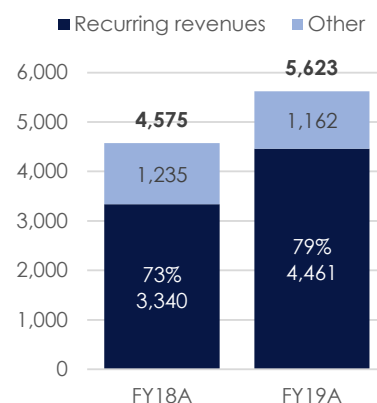
Source: Company data

#### Breakdown of Net Sales by Segment



Source: Company data

#### Breakdown of Net Sales by Source



Source: Company data

## Ownership Structure & Management

### Ownership structure

Cyberoo was formed in 2019 by the unification of 3 activities within the Sedoc Digital Group S.r.l. (hereafter "Sedoc"). Sedoc is owned by Fabio Leonardi, Massimo Bonifati and Davide Cignatta, who are all board members at both Cyberoo and Sedoc. SDG Innovative technologies, an SPV that is 100% owned by Sedoc, also owns a 51% stake in Cyberoo.

On 7<sup>th</sup> October 2019, Cyberoo floated on the AIM segment of the Italian stock exchange. The market float now comes to 26.31% of capital.

The distribution of voting rights matches the ownership structure, as Cyberoo has only issued ordinary shares.

### Focus on SEDOC

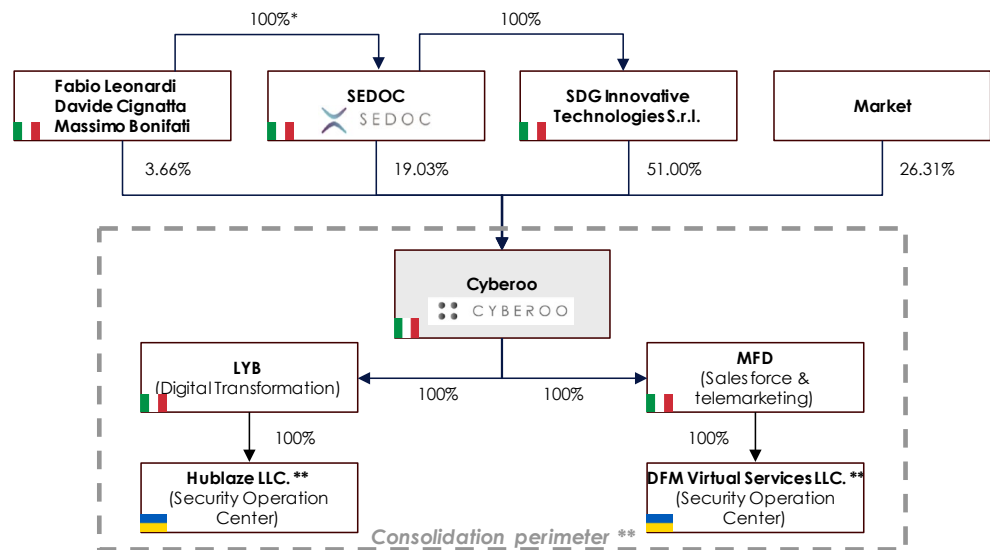
Cyberoo is part of Sedoc, as the group and its owners Messrs. Leonardi, Bonifati and Cignatta own 73.7% of the company directly and indirectly. We will now provide a brief outline of Sedoc, Cyberoo's parent company.

Sedoc Digital Group S.r.l. was founded in 1973 in Reggio Emilia, Italy. Sedoc was then the object of an MBO in 2011, with the three main current Directors of Cyberoo (and Sedoc) playing an active part in the process, as described later on in this report. The group primarily focuses on providing IT consultancy and services such as software solutions development and marketing. Sedoc is composed of three main companies: Cyberoo (IT managed services and cybersecurity), Core Solution (ERP and software

solutions development and consultancy) and LyB ("Life your Brand", marketing and software consultancy, part of Cyberoo). The Sedoc group employs over 150 people overall and serves over 1,500 clients.

In 2019, Cyberoo generated €1.69mn worth of sales with Sedoc, representing 25% of the production value for the year.

### Ownership structure



Source: Intermonte SIM on company data - \*SEDOC is 65% owned by Fabio Leonardi, 15% by Massimo Bonifati and 20% by Davide Cignatta.- \*\* Accounts for the two Ukrainian companies are not consolidated, both companies are treated as Cost Centres

We note that in addition to SEDOC and SDG, managers with a direct equity holding have signed up to an 18-month lockup agreement on shares held in the company, for a period commencing on the IPO date (7<sup>th</sup> October 2019).

### Management picture: the BoD is led by the Sedoc team

Cyberoo's BoD is composed of 7 members, 2 of whom are independent. The BoD is organised as follows:

- Massimo Bonifati, CEO of Sedoc, is the Non-Executive Chairman.
- Davide Cignatta holds the role of Non-Executive Director, along with Marco Orlandi.
- Fabio Leonardi, Chairman of Sedoc, is CEO and CFO of Cyberoo and as such has a seat on the company's BoD.
- Veronica Leonardi holds the role of Chief Marketing Officer and has a seat on the BoD.
- The BoD also has 2 independent Directors, namely Renzo Bartoli and Alessandro Viotto.
- The BoD members' mandates run until the approval of 2021 accounts.

A short biography of key management members is provided below:

- **Fabio Leonardi, CEO and CFO, 57 years old:** Mr Leonardi currently holds the position of CEO and CFO of Cyberoo as well as Non-Executive Chairman of Sedoc and other subsidiaries of the Sedoc group. Mr Leonardi took an equity stake in Sedoc and joined its BoD in 1991, and successively played an active part in the development of the group's strategy and expansion, holding the roles of Commercial Director, General Manager and then CEO of the group. In 2011, he was among the main protagonists of the MBO that saw Sedoc spin-off from MBFG.
- **Veronica Leonardi: CMO, 30:** Ms Leonardi has been Chief Marketing Officer (CMO) of Cyberoo since 2018. Prior to joining the company, she was Marketing Specialist at Henkel's Beauty Care division for 2 years. Previously, she also held the role of Web Marketing Consultant for LYB (Sedoc group) between 2014 and 2016. Ms Leonardi holds a post-graduate Master's degree in Marketing and Communication from SDA Bocconi (Milan) and another Master's degree in Management Engineering from Milan's Politecnico University.
- **Massimo Bonifati: Chairman, 53.** Mr Bonifati is Chairman of Cyberoo's BoD and CEO and CFO of the Sedoc group. His professional experience includes over 10 years as Project Manager in the Finance, Administration and Control area and then as sole administrator of Four Consulting S.r.l.. Mr Bonifati started working for Sedoc in 2005 and played an active part in the 2011 MBO. Mr Bonifati holds a Bachelor's degree in Economy and Commerce from the University of Verona and completed a management course at Milan's SDA Bocconi.



- **Davide Cignatta: Non-Executive Director, 40.** Mr Cignatta has a background in IT and has developed strong specific skills in designing and implementing network infrastructure. In 2001, he entered the capital of Oversystem Computer Service where he took over as Manager and Head of Sales. After the acquisition of Oversystem by Sedoc in 2005 and its integration into Gamma Servizi, Mr Cignatta took on several management roles, reaching the position of Commercial Director of Sedoc. Mr Cignatta is currently an Associate, Director and Brand Ambassador of Sedoc group and is a Non-Executive Director at Cyberoo.

## Warrants

After last October's IPO and the subsequent capital increase, Cyberoo issued a series of Warrants, details of which are described in this part of the report.

Overall, Cyberoo has issued 1,882,250 Warrants (IT0005383663) called "Cyberoo Warrants 2019-2023":

- 1,250,000 Warrants were issued on the IPO date and assigned 1:1 to the subscribers of primary offered shares.
- 632,250 Warrants were issued on 6<sup>th</sup> April 2020 and assigned for free to the investors that held the stock during the 180-day period following its IPO. One warrant was attributed for every two shares held for this period. The maximum number of warrants that could have been attributed in this instance was therefore 1,250,000.

Rules for the exercise of warrants are as follows:

- **Exercise ratio:** one new share for every two warrants held. Consequently, 941,125 new shares can potentially be issued, representing a 10% dilution vs. the current NOSH.
- **Exercise periods:** 4 distinct exercise periods have been set, running from 1<sup>st</sup> October and 16<sup>th</sup> October each year from 2020 until 2023.
- **Exercise price:** each exercise period has a different exercise price: €3.14 in Period 1 (2020), €3.45 in Period 2 (2021), €3.79 in Period 3 (2022) and €4.16 in Period 4 (2023). The potential capital increase resulting from the conversion of all of the warrants in circulation would range from €3.0mn to €3.9mn.

## Quarterly income statement and net cash

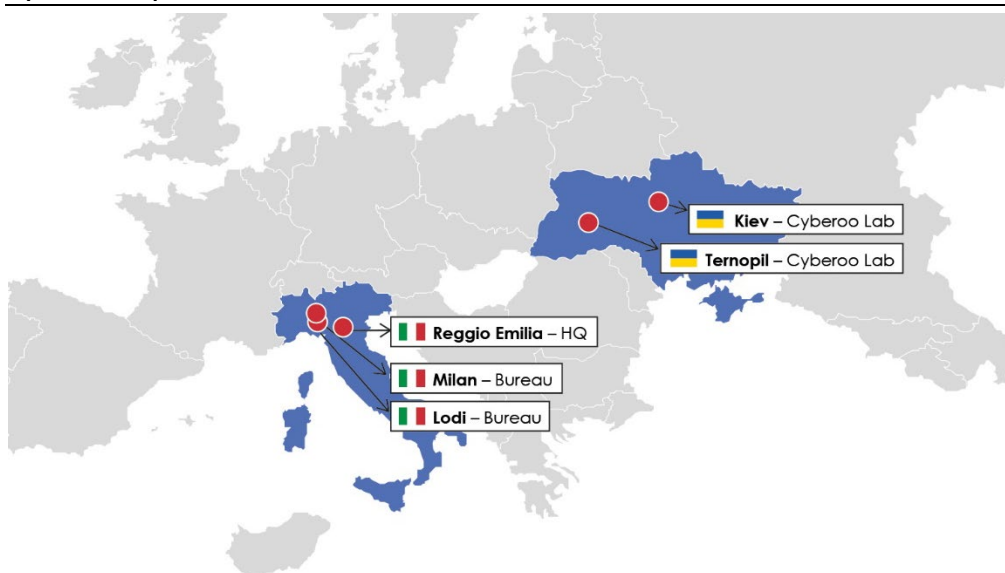
	Start date	End date	Exercise price	Nb Warr	Nb Shares	Aucap EURmn
Exercise period 1	01/10/2020	16/10/2020	3.14	1,882,250	941,125	3.0
Exercise period 2	01/10/2021	16/10/2021	3.45	1,882,250	941,125	3.2
Exercise period 3	01/10/2022	16/10/2022	3.79	1,882,250	941,125	3.6
Exercise period 4	01/10/2023	16/10/2023	4.16	1,882,250	941,125	3.9

Source: Intermonte SIM (E), company data (A), FactSet (C)

## Footprint

Cyberoo is a young and expanding company that has a presence in two European countries:

### Cyberoo - footprint



Source: Intermonte SIM on company data

- In **Italy**, where the company has its roots within the Sedoc group:
  - Cyberoo's headquarters are in Reggio Emilia, alongside the Sedoc HQ.
  - Cyberoo also has an operational branch in Lodi (Lombardy)...
  - ...and has recently opened an office in Milan (10 employees), consolidating its impressive presence in the dynamic north-west of the country.
  - The company has 55 employees in the country (as of March 2020).
  - Almost all of Cyberoo's revenues are generated in Italy, where it monitors over 43,000 devices for over 600 clients.
- In **Ukraine**, home of the Cyberoo Lab:
  - The company has developed a pool of highly skilled resources in the Ukraine, benefitting from the country's competitive advantage in terms of IT/cybersecurity education (and low labour costs).
  - Cyberoo has two "labs", i.e. Intelligence – Security Operations Centres (I-SOC), running 24/7/365 in the country, employing 52 people overall as of March 2020 (with the aim of reaching 80 by YE20).
  - The first lab was opened in 2016 and is located in Kiev.
  - The second, more recent lab is located in Ternopil, as the company entered into a partnership with Ternopil University in December 2019.
  - These labs cover tasks for the whole range of the company's offering, including managed services (help desk), Cybersecurity (I-SOC team in charge of Cyberoo's advanced defence platforms) and Digital Transformation (software development, Web design).

#### **Ukrainian labs grant Cyberoo access to a highly skilled workforce at a low cost**

Since its arrival in the country in 2016, Cyberoo has developed a wide pool of highly-skilled cybersecurity specialists, firstly at its Kiev lab, and most recently at its new Ternopil lab. Ukraine was chosen for this expansion in 2016 for the following reasons:

- **Highly specialised local engineers:** over 130,000 new engineers graduate every year in the country, of which about 16,000 are specialised in IT (the most in Europe, the 7<sup>th</sup> most worldwide).
- **Access to top cybersecurity professionals:** in a 2016 HackerRank study Ukrainian developers ranked 1<sup>st</sup> worldwide in the Cybersecurity segment.
- **Access to a pool of universities teaching military-grade knowledge:** Cyberoo's technological hubs in Kiev and Ternopil have sealed partnerships with local university hubs with advanced specialisations in cutting-edge cybersecurity techniques.
- **Russian-speaking workforce a key asset in the fight against cybercrime:** An important part of the deep and dark web is located in Russia, with significant numbers of hackers emerging from the country. Consequently, having a workforce able to access Cyrillic resources can be a definitive edge when monitoring the cyber risk of client companies.
- **Low labour costs:** the average wage in Ukraine was below €400 a month over the last year according to Trading Economics website. This compares to about €2,400 in Italy in 2018.

#### **History**

Cyberoo's current structure has been in place since 2019, when, prior to the IPO, the Sedoc group re-organised its activities and put cybersecurity, managed services and digital transformation activities together in the same joint-stock company. Cyberoo acquired the entire capital of LyB (on 20<sup>th</sup> December 2018) and MFD (on 22<sup>nd</sup> February 2019) from Sedoc and its key managers (Messrs. Leonardi, Bonifati and Cignatta) respectively.

We summarise the company's history below:

- **2008** – The company is created under the name AT S.r.l. (LLC) and starts its activity as a device distribution company.
- **2011** – AT S.r.l. starts offering new printing management and monitoring services, in partnership with HP.
- **2015** – AT S.r.l. offers Managed Service Provider (MSP) services, still specialising in printing management.
- **2016** – Opening of the company's first lab in Kiev, Ukraine.
- **2017** – The company makes the strategic decision to enhance its emphasis on Cybersecurity services in addition to MSP, reacting to the "Fexploit" hacker attacks, and provides a wider offering for the management, monitoring and protection of clients' IT infrastructure.
- **2017-2018** – Development of new Cybersecurity solutions: Cyber Security Intelligence (CSI) and Cypeer (CY), as well as the Titaan suite.
- **2018** – Acquisition of the shareholdings in Life your Brand S.r.l. ("LyB", digital transformation division) from Sedoc group.
- **2019** – Company name changes to Cyberoo S.p.A following the change in corporate status.
- **2019** – Launch and marketing of both the Cybersecurity Suite and Titaan.
- **2019** – Acquisition of the shareholdings in MFD International S.r.l. (sales force and telemarketing activities) from Messrs. Leonardi, Bonifati and Cignatta.
- **2019** – On 7<sup>th</sup> October, the company floats a 26.31% stake on the AIM segment of the Milan stock exchange, raising €7.15mn.
- **2019** – In December, Cyberoo signs an agreement with the University of Ternopil and creates its second lab in Ukraine.

## In-depth look at the activities of Cyberero's divisions

### Cybersecurity: a continuous process, not a product

#### **360-degree security capabilities**

Cyberero started offering Cybersecurity services to its clients in 2017 and has since developed significant expertise in that field, which is provided to clients through its comprehensive offering of security solutions, ranging from basic security applications (such as firewall, anti-virus or anti-spam software provided by third-party suppliers) to cutting-edge, pro-active processes aimed at detecting and responding to the most advanced types of cyber-security threats. In 2019, Cybersecurity represented 23% of Cyberero's net sales, making it the group's second biggest division. However, Cyberero is pushing the development of this division, as it offers the highest growth prospects, as shown later in this report.

Over the years, the company has developed a set of "multi-layer" solutions, designed to protect clients' IT systems against constantly evolving threats and attacks from both within and outside the organisation.

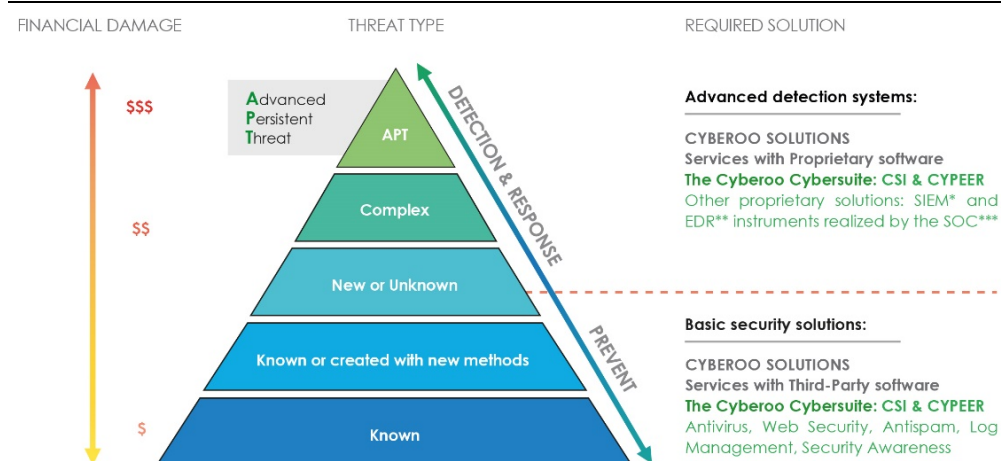
Cyberero aims at offering a **360-degree** security service to clients by combining its key assets in this domain:

- **Continuous, remote coverage** of threats with expert technicians on station all year round (24/7/365) in the Ukraine to monitor breaches and potential attacks, remaining in constant contact with clients' IT teams.
- **Key technological abilities and highly skilled personnel:** The company invests in the latest available technology and has a team of skilled professionals who constitute its Cyberero Lab. The Cyberero team is able to access information on the deep and dark web and the company has also developed critical capabilities in Artificial Intelligence, Machine Learning and Deep Learning.
- **Wide range of solutions and high degree of customisability:** As shown in the graph below, the company's proprietary offering covers all kinds of threat, with the most advanced risks being addressed by the Cyberero Cyber Security Suite, made up of the group's most innovative processes, CSI and Cypeer, which we describe later in this report. In addition, Cyberero provides clients with an **Assessment** of their IT ecosystem's vulnerability to threats.
- **Legal and Insurance advice** completes the 360-degree coverage. Cyberero has partnered with Digital 360, a multi-disciplinary Italian consultancy group specialising in information technology activities. This partnership provides consultancy on the definition of clients' IT incident-response strategies and potential avenues of legal redress in the event of such an occurrence, as well as on their broader digital strategy.

#### **Cutting-edge offering that suits the most advanced needs**

As shown in the graph below, Cyberero aims to address a wide range of security concerns. Indeed, cyber-threats vary by their degree of significance, although a common denominator is constant evolution, requiring organisations to stay up to date on potential new sources of attack. The most common and least damaging threats can be assessed using "vanilla" applications available from global industry players. However, the most advanced threats require greater focus and higher customisation of each of the entity's needs. Cyberero's offering covers both types by providing i) basic third-party products and ii) tailored proprietary solutions with industry-leading technological content.

#### **Cybersecurity – a snapshot of Cyberero's offering**



\* SIEM = Security Information and Event Management \*\* EDR = Endpoint. Detection & Response \*\*\* SOC = Security Operations Center

Source: Intermonte SIM on company data - \*SIEM = Security Information and Event Management; \*\*EDR = Endpoint Detection & Response; \*\*\* SOC= Security Operations Centre

One of the company's main assets in the cybersecurity area is its proprietary Cyberoo Lab. The Lab is a network of proprietary technological hubs composed of Cyberoo's dedicated resources in the Ukraine. Since its launch in 2017, it has contributed to the development and launch of solutions aimed at ensuring the security and continuity of operations of client companies. The two most innovative solutions developed by the Cyberoo Lab and now marketed by the company as the **Cyberoo Cyber Security Suite** are the two cutting-edge Managed Detection and Response (MDR) services, which we describe in more detail below.



**CSI: monitoring attack risk by pro-actively looking at the whole web**

Cyber Security Intelligence (CSI) was launched in 2018. It unites various services which proceed to search the whole web (i.e. both the easily accessible www and the remote "dark" and "deep" webs) for signals that an act of cybersecurity violation is either being prepared by agents external to the monitored company or has already been achieved, in which case CSI collates data on which resources or information have been impacted and proceeds to inform the company of the breach and/or potential attack (detection phase). Cyberoo then proceeds to address the issue and works alongside the client's IT team to durably fix the exposed vulnerabilities (response phase).

**CY: reducing risk by enhancing monitoring abilities of internal IT system in a single dashboard**

Cypeer (CY) is an advanced system that collects and correlates all the data and logs from pre-existing security applications on the clients' IT ecosystem in a unique platform with a user-friendly dashboard. Moreover, CY identifies the latent issues that would otherwise not have been raised, and notifies the I-SOC (Intelligence-Security Operations Centre, i.e. Cyberoo's AI and staff that continuously monitor potential alerts). The platform vertically integrates the other basic security applications operated by the client by i) ensuring optimised communication between these individual services and ii) reducing the volume of "false positives" through the use of Artificial Intelligence, i.e. breach notifications that are often overlooked by internal IT teams (AI). By doing so, CY covers potential structural gaps that cyber-attackers could look to exploit.

**Summary of Cyberoo's Cyber Security Suite offering**

KEY ACTIVITY	 <b>CSI</b> CONTROLS DEEP AND DARK WEB ACTIVITIES	 <b>CY</b> DETECTION SYSTEM & ADVANCED ATTACK RESPONSE
Shared Features	Pro-activeness and prevention in exposure management (24/7/365 coverage) Elimination of "False Positives" Competitive Pricing	
Distinctive Features	Continuous update to face the newest threats	All security services visible in one user-friendly dashboard Elimination of grey areas within security services

Source: Intermonte SIM on company data

Cyberoo also provides basic cyber-security solutions, mostly acquired from third-party companies. These include: anti-spam (detection and protection from unwanted emails), anti-virus (detection and removal of viruses and malware), web security (definition and application of web usage rules within an organisation), log management (managing access and roles within IT systems), threat hunting (communication of witnessed threats with third-party SOC) and security awareness (e-learning database on cyber-security awareness).

**Managed Services: enhancing capacity and control of clients' IT ecosystems**

**A wide array of IT ecosystem management outsourcing services**

Cyberoo has been a Managed Service Provider (MSP) since 2015, with an initial offering for printer systems. In 2019, the Managed Services division was the group's most important, realising 65% of its net sales. Cyberoo offers a wide set of services in this domain, providing clients with IT outsourcing solutions that can be classified in three main categories: i) Data Centre Management; ii) Cloud Management; and iii) Device Management.

**Data Centre Management**

Data Centre Management (DCM) services consist of the management of some of the clients' IT infrastructure in order to ensure business continuity through the constant monitoring by Cyberoo's team of experienced specialists. More specifically, the DCM service provides for the management of physical or virtual servers as well as other network equipment and disc drives present within a data centre.

Cyberoo's DCM service covers remote or local management of issues that could arise on clients' devices, on both the hardware and the software sides. The other main service offered by the company in its DCM suite is *Back-Up Management*, i.e. implementing and monitoring the process of

saving clients' data and virtual machines. In that domain, Cyberoo also developed its *Back-Up in Cloud* service, enabling clients to save their data on a dematerialised "cloud" infrastructure hosted on Sedoc group secure servers.

Cloud Management

Cyberoo's *Cloud Management* services consist of providing clients with constant and proactive monitoring of a cloud infrastructure, as well as its dedicated maintenance. In other words, this service gives clients the ability to access computer system resources such as data storage, computing power and applications on demand, without any direct active management by the user and without the user having to operate its own servers.

Cyberoo offers its clients Infrastructure as a Service (IaaS), aimed at enhancing clients' access to their own data through a turnkey service solution. Cyberoo's IaaS service is available in two offerings: i) a *Cloud* solution for multi-branch companies (data and services hosted at an externally owned data centre); or ii) a *On-Premises* solution for manufacturing or single-branch companies (local infrastructure on client premises hosting data and services).





Device Management

Cyberoo's *Device Management* services consist of the management and monitoring of the devices operated on clients' IT networks. In other words, clients outsource the management of the terminals present on their IT ecosystems to Cyberoo. The company's offering in this case includes a *Help Desk (24/7)* service, monitoring both the hardware and software characteristics of the devices as well as managing their system and application updates.

**Focus on the TITAAN suite: AI at work to overview the whole IT ecosystem through a user-friendly solution**

TITAAN is the most innovative solution provided by Cyberoo's Managed Services division: it is defined as a "System Behaviour Analyser" which brings together all the data from the various service logs, applications, virtual servers and infrastructure server assets in a unique, user-friendly platform. It provides real-time reporting and forecasting abilities, enabling the client to prevent inefficiencies within its IT ecosystem. TITAAN uses Artificial Intelligence (AI) to understand when devices and applications are deviating from their usual behaviour, assess the gravity of the deviation and, when needed, flags up the occurrence, allowing the company to take a pro-active approach to resolving the issue in a timely manner.

**Summary of Cyberoo's Titaan suite offering**

			
<b>SHORT DESCRIPTION</b>	 Monitoring of IT ecosystems service and performance, Admin log	 Monitoring of IT and network infrastructure (Hardware) at physical level	 Cloud-based monitoring systems for business critical services with forecasting abilities
<b>CORE DISTINCTIVE ABILITIES</b>	Collects log of all services, servers & applications in one unique solution Detailed vision of the whole IT ecosystem Guarantees data management compliance with GDPR	Omni-comprehensive visibility of network assets Use of asset geo-localization High level of detail for each device	Driven by Unsupervised AI, with no human input Market leading computing power Forecasting of future infrastructure degradation up to 8 weeks ahead
<b>SHARED CHARACTERISTICS</b>	Elimination/ Reduction of "false positives" - Gain in productivity Real-Time visibility in one single dashboard Integration of third party services/devices Pro-active approach: identifies anomalies and sends alerts within 70 seconds of issue occurrence Root cause analysis: metrics correlation helps identify what service/device causes the issue		

Source: Intermonte SIM on company data

The main differentiating characteristic of TITAAN lies in its greater technological capacity, through the use of AI, deep learning and big data applications, to provide IT managers with no time-consuming "false positive" alerts. The TITAAN service is characterised by three key contributions to the client: i) a pro-active approach, with anomalies detected in a timely manner and only significant alerts being provided to the client; ii) a Root Cause Analysis capability, rapidly identifying the cause of an issue based on correlations between various metrics; and iii) Predictability, as an analysis is made on the device to assess the consequences in the event of an anomaly arising on the machine.

sales@intermonte.it

The TITAAN suite is composed of three offerings, each corresponding to a different level of services:

- **TITAAN Atlaas:** consists of a unique dashboard presenting the entire IT ecosystem's features in detail. Atlaas receives the main data on all IT system elements in real time, analyses the "normal behaviour" of these items and only alerts the IT team when a real issue, not a "false positive", arises. The Atlaas solution automatically integrates the devices and applications on the clients' IT network regardless of whether they are internal or third party. The TITAAN Atlaas software also received General Data Protection Regulation (GDPR) compliance certification in April 2020.
- **TITAAN Croono:** gives a highly detailed, comprehensive view on all of the inventory of physical assets comprising the client's IT infrastructure. Croono provides real-time performance metrics and can be integrated with Atlaas. The deep level of detail given on any networked hardware device allows IT teams to clearly identify which device faces existing or potential issues. Croono is also highly customisable.
- **TITAAN Hyperioon:** is the top solution in the TITAAN suite, suited to clients with the most complex IT structures (multi-location organisations). This solution, solely accessible through the cloud, offers the greatest computing power of the TITAAN products and offers critical advantages (compared to the other suite offerings) through its Root Cause Analysis and forecasting capabilities. Hyperioon guarantees: i) identification of issue and cause within 70 seconds of occurrence; ii) complete forecasts on future malfunctions up to two months ahead; iii) eradication of "false positives" through greater computing ability involving AI and correlation analysis; and iv) a timely, deep and detailed vision of all business critical systems in order to ensure clients' business continuity.

#### Digital Transformation: giving clients the tools to enter the modern business era

Cyberoo's legacy Digital Transformation division is now the group's smallest activity, representing 12% of 2019 net sales. This division appears to have less strategic importance given its size and the limited synergies between its main activities and the other two divisions.

Cyberoo's Digital Transformation services offering includes:

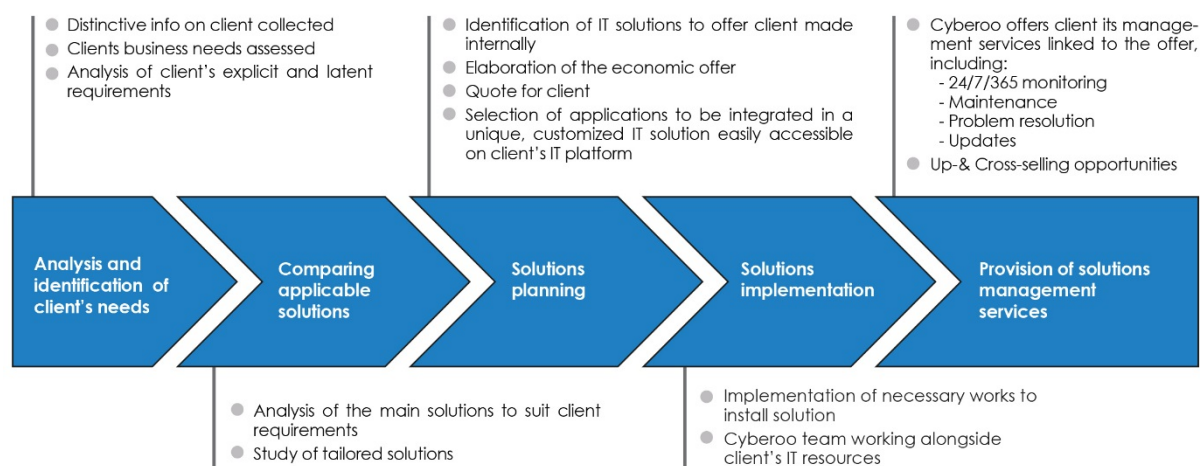
- **Customer Relationship Management (CRM):** a managerial, strategic and operating software solution allowing the planning, management and monitoring of all client-related business activities.
- **Human Resources Management (HRM):** software operated by the LyB subsidiary, allowing the management of employees' daily activities: presence, sign in and out, and other HR support services (holidays, expenses).
- **Product Management System (PMS):** a solution enabling clients to gather product data from different departments within a single solution, allowing such data to be communicated to other channels (web, B2B, B2C).
- **Check-in Point:** operated by LyB, this solution manages reception applications, such as automated entry credential management for visitors.
- **Digital Marketing:** Cyberoo offers a wide range of solutions, including search engine optimisation, social media marketing, web advertising, web marketing, web design and e-commerce services.
- **Mobile App:** consists of the creation of mobile applications for use on iOS and Android powered smartphones and tablets. Cyberoo designs and develops apps, and also provides maintenance and upgrade services.

## Business Model

### Business Model

Cyberoo targets medium-sized enterprises in the Italian market by providing a dedicated outsourced solution, tailored to its clients' needs and resources. Cyberoo's business model and how it develops projects for new clients are summarised in the graphic below. The process is similar for both MSP and Cybersecurity solutions.

#### Cyberoo – Business model summary



Source: Intermonte SIM on company data

### Product

We have already examined the solutions offered across Cyberoo's 3 divisions in the previous section of this report. Nevertheless, the services offered to clients by the company all have the following characteristics in common:

- **High value-added solutions, pro-active approach** responding to a distinct requirement from clients:
  - Management of IT ecosystems under "classical" solutions creates major issues in terms of investigating alerts, soaking up IT teams' time and resources for troubleshooting. Furthermore, classical open-source IT infrastructure management systems (such as Nagios and Zabbix) generate a massive amount of "false positives" due to the systematic/threshold approach adopted for monitoring devices, performance and access.
  - Cyberoo's automated solutions, using AI applications, minimise the number of alerts (i.e. false positives) and offer significant clarity to IT teams thanks to a user-friendly centralised interface giving a unified view of the ecosystem's operation and security features. This allows IT teams to focus exclusively on troubleshooting real issues, minimising time spent managing minor/non-incident issues and maximising the time available to work on more value-adding projects.
- **Innovative technological content.** Cyberoo's solutions take advantage of intense R&D efforts coupled to the most advanced computing capabilities in order to enable cutting-edge applications using Artificial Intelligence (AI), Machine Learning (ML) and Deep Learning (DL) features for application to clients' IT ecosystems.
- **Tailored and user-friendly solutions.** Cyberoo's products are user-friendly and highly customisable. The company is able to quickly adapt its solutions to clients' detailed needs, therefore reducing onboarding time. The Cyberoo staff uses its advanced knowledge of clients' IT ecosystems and strong experience in order to offer the most suitable solutions for clients' dedicated capabilities (IT infrastructure, IT team).
- **Continuous monitoring by top professionals.** For both its MSP and Cybersecurity offerings, Cyberoo provides clients with continuous monitoring of alerts and issues. Indeed, Cyberoo provides clients with a 24/7 help-desk for MSP solutions and guarantees a 24/7/365 presence by its Intelligence Security Operating Centre (i.e. its team of cybersecurity experts based in the Ukraine) to monitor and help resolve potential issues.
- **Cost advantage of outsourcing.** Cyberoo solution pricing aims to be more cost-effective for its SME clients than building a dedicated in-house team. We cover this point in more detail later in this report.

- **High industry recognition.** Technological and commercial partnership agreements have been signed with leading sector companies, which enhance the credibility and recognition of Cyberoo's product offering. On the technology front, Cyberoo has entered partnerships with Gartner, a top IT advisory and consulting firm. On the commercial front, top Italian players such as Retelit and NPO Sistemi now distribute Cyberoo solutions to their (wide) client bases.

## R&D

All of the group's three star products that it is currently marketing have been developed in-house, leveraging staff experience in these areas and the contribution of the Ukrainian Labs' vital capabilities. Indeed, Cyberoo's above-par R&D capability is a key differentiating factor.

Cyberoo leverages decades of experience from its specialised staff in both Italy and the Ukraine, where the company has access to a wide pool of skilled professionals thanks to its close relationship with top universities.

- In Italy, the R&D team numbers 12 dedicated, experienced professionals, with advanced knowledge in AI and ML applications.
- In the Ukraine, Cyberoo benefits from access to a broad pool of professionals, which is hard to access in Italy: The Kiev and Ternopil labs together have 12 resources focusing on R&D.
- Budget: €800k to €900k per annum. All R&D expenses are capitalised.
- The cutting-edge characteristics of Cyberoo's product offering also stem from the technical staff's long-standing experience in managing a wide range of applications that are key to IT ecosystems in the client base.

## Sales approach

Cyberoo's 9-strong sales force is located solely at the group's offices in Italy. As currently set up, the sales force typically executes 250 useful contacts and 100 client meetings a week.

Cyberoo also uses partnerships as a core component of its sales development approach. Indeed, the sale of Cyberoo products on both cybersecurity and MSP is made indirectly by partners who supply the Cyberoo solution as part of a broader range of services. Namely:

- Large Italian players with a nationwide presence: Retelit & NPO.
  - **Retelit** is a leading Italian IT group, listed on Borsa Italiana since 2000. The group is able to fully address client digital needs thanks to the combination of proprietary assets (a comprehensive domestic and international fibre optic network and a nationwide data centre network) and the innovation and digital expertise of PA Group (part of the Retelit Group since 2020). Group 2019 pro-forma revenues amounted to Eu181mn.
  - **NPO Sistemi**, part of Ricoh Group, established in 1985, has invested in the creation of partnerships with the market's leading technological vendors and certifiers of methodologies and frameworks for services, project management and development. Last year, the group generated turnover of almost Eu100mn. The agreement was announced in May 2020.
  - **ICOS**, a subsidiary of Sesa Group, is a major IT service distributor in the Italian market. ICOS provides clients with a wide range of enterprise solutions in data centre infrastructure, with a strong focus on digital transformation. ICOS's business model is based on its partnerships with market leaders in various IT services. ICOS is based in Ferrara but has a nationwide presence. It generated €51mn of turnover in 2017.
- Smaller local distributors with which Cyberoo has a reselling partnership: ZeroUno (Lombardy/North Italy), Ricca IT (Sicily) and Digital 360 (Lombardy/North Italy).

Finally, the company very recently launched an innovative programme aimed at enhancing the visibility of its products for its SME targets by providing a free-trial solution: "Cyberoo Defence for Italy" is a new program launched on April 20th 2020 that offers a three-month free trial of cybersecurity solutions to its clients. The company aims to raise awareness of security issues in its clients' IT teams and then convert the trial periods into permanent contracts.

## Clients

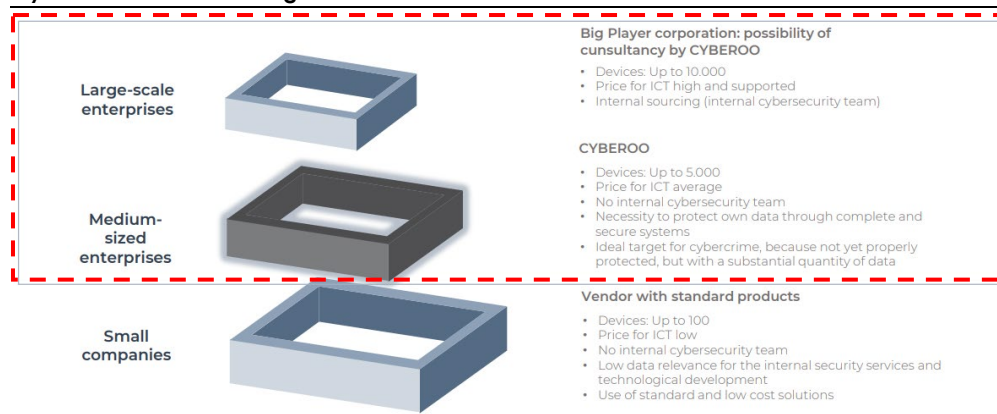
Cyberoo had over 600 clients at the end of 2019 and expects to expand its client base in the near future. Its main client targets are mid- to large Italian companies that typically have over 1,000-2,000 devices in use across their IT infrastructure.

For obvious reasons, clients of Cyberoo's Cybersecurity offering ask to remain anonymous. The company only indicates whether their clients fit the aforementioned description.

For MSP services, Cyberoo's client base is also composed of such mid-sized Italian companies and also includes wider groups, which cannot be named due to NDAs.



## Cyberoo – Client base & target



Source: Company presentation

## Pricing and recurring payment system

As is the case for its services, Cyberoo's pricing is also tailored to clients' needs and economic situation. The pricing varies depending on the solution and size of the client's IT ecosystem. For its services, Cyberoo also has a **recurring payment system** in place, which matches the continuous provision of monitoring and support services linked to the solutions sold. This is common practice in the cybersecurity industry, where most players are using a licensing model for their software and solutions (such as SOCs, MDRs, SIEMs).

Pricing data for Cyberoo and its competitors is strategic and kept confidential. Furthermore, the high degree of customisation offered by Cyberoo and the differences in features included in competitors' offerings significantly limits the comparability of a pricing analysis based on the paucity of data available.

The aim of Cyberoo's pricing is for the services provided to Mid-sized and large clients to be an expense that is appropriate to the client company's needs and most of all to its economic circumstances. Indeed, the solutions within the Cyber Security Suite offer the continuous outsourced monitoring of threats for a price that remains competitive for companies when compared to the alternative of recruiting a dedicated specialist employee. The average salary of a cybersecurity specialist in Italy varies from €47k to €66k a year, according to specialist websites Glassdoor and Economic Research Institute. Even ignoring the fact that demand for such professionals continues to exceed supply in Italy, the pricing proposed by Cyberoo nevertheless remains more attractive for a company with an IT ecosystem of about 1,000 devices.

Pricing is also attractive compared to the cost of risk, as explored in more detail later in this report.

## SWOT

### STRENGTHS

- **Cyberoo's labs in Ukraine** offer a pipeline of highly-skilled, knowledgeable professionals at competitive prices (high skill / low pay), which combined with the advanced use of **Artificial Intelligence** offers the potential for major economies of scale as cybersecurity activity increases.
- A complete, innovative and highly **customisable proprietary** offering
- Set of capabilities and cutting-edge technology that are **hard to replicate**
- **Resilience** of activities during Covid-19 crisis, highly compatible with remote working
- **Recurring revenue stream** from billing structure of Cybersecurity and MSP offering
- **Key strategic partnership** on both technologic and operational advisory with top-flight industry consultant **Gartner**
- **Experienced management**
- **High client loyalty** and retention in these activities

### WEAKNESSES

- **Small size** compared to top global cybersecurity players
- **High geographical concentration** in north-west Italy, low degree of internationalisation
- Non-core status of **digital transformation unit**
- **Key personnel risk**: The group's business relies to a significant degree on the long-term retention of a group of key people.

#### OPPORTUNITIES

- **Growing demand** for MSP and cyber-security services in Italy and worldwide
- **Wide Managed Services Client base** (also through Sedoc) gives opportunity to cross/up-sell cybersecurity products
- Growth opportunity through rising number of **partnerships** with other **local and international** players
- **Continuing low penetration of cybersecurity equipment** among Italian SMEs
- **Potential to export** solutions to other European markets
- **Scarcity of cybersecurity professionals in Italy** and high cost for companies to build dedicated in-house capability
- **Regulatory tailwinds boost focus on cybersecurity:** regulations and initiatives in the EU include the GDPR, the NIS Directive and the Cybersecurity Act.
- **A sector with high M&A activity:** this trend is illustrated by the 5 deals completed by Palo Alto Networks, a global cybersecurity leader, in the last 12 months.

#### THREATS

- **Cybercrime is a constantly evolving threat:** a drastic change in the form of cybercrime might breach group security models
- **Crowded Italian IT outsourcing market in the Managed Services segment,** with many local and international players offering a variety of solutions that overlap with those proposed by Cyberoo
- **Significant exposure to the Ukraine** with all the underlying economic and geo-political risks that entails
- The relationship with parent company **Sedoc** generates important synergies but might also be seen as a **potential source of conflict of interest**

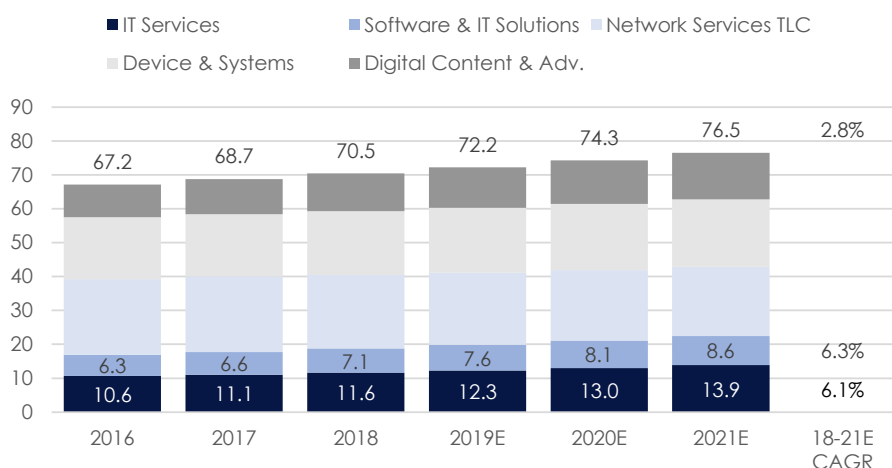
## Industry/Market

### The Italian Cyber landscape: Assessing Cyberoo's core markets

#### Italian digital markets are set to expand

Cyberoo's primary focus is delivering cybersecurity solutions in Italy, which is part of the local digital market: a study by Netconsulting Cube in 2019 assessed the size of the Italian digital market at €70.5bn in 2018. Cyberoo's main activities are solutions that can be labelled as either IT services or Software & IT solutions under the nomenclature of the study: this core market was worth a total €18.8bn in 2018, as both segments featured attractive growth prospects with forecast 2018-2021E CAGRs of over 6% (prior to Covid-19), as shown in the chart below.

#### The Italian Digital Market – composition, size and forecasts (Pre-Covid-19 outbreak)

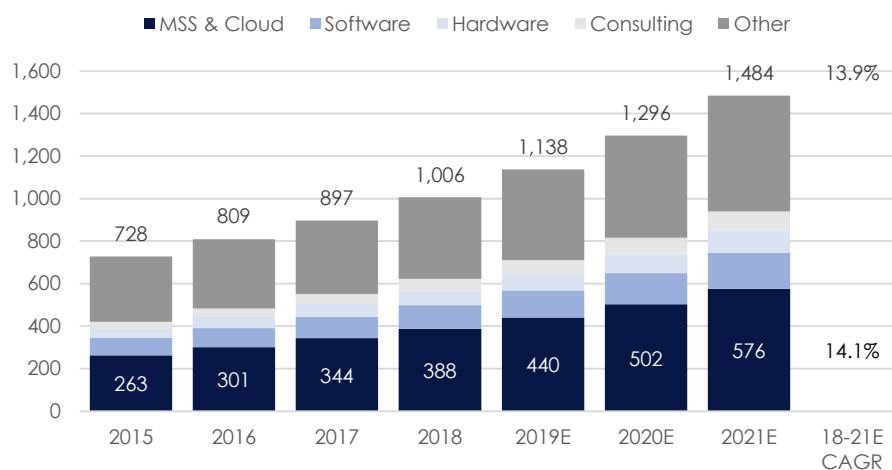


Source: Netconsulting cube, Anitec-Assinform

#### Cybersecurity: A billion-Euro industry with robust growth prospects ...

The Netconsulting Study also assesses the size of the Italian cybersecurity market, which was €1.0bn in 2018 (see chart below). As was forecast for IT services, the cybersecurity solutions market was expected to expand constantly in the next few years (prior to the Covid-19 disruption): a 13.9% CAGR was forecast for the 2018-2021E period. Specifically, the Italian cybersecurity market is composed of Managed Security Services & Cloud applications, which partly fit the coverage of Cyberoo's Managed Services Division. This market segment was worth €388mn in 2018 and was expected to grow at a CAGR of 14.1% between 2018 and 2021. The remainder of the market was made up of applications including Software, Hardware, Consulting and Other Services (education, system integration), also with a forecast pre-Covid-19 CAGR of about 14% for the period. Cyberoo's Cybersecurity division offers services for these 'Other' activities, which form the bulk of the market.

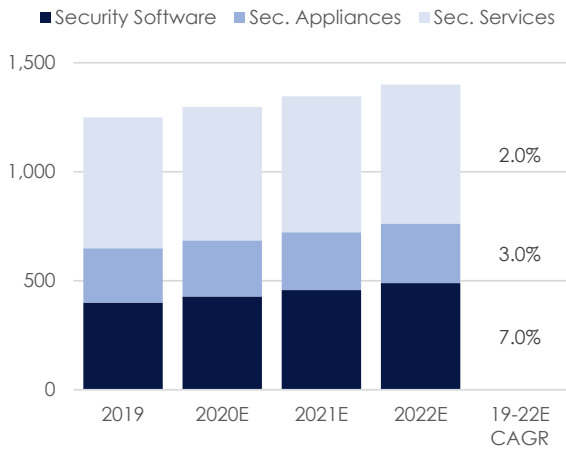
#### The Italian Cybersecurity Market – composition, size and forecasts (Pre-Covid-19 outbreak) - €mn



Source: Netconsulting cube, Anitec-Assinform

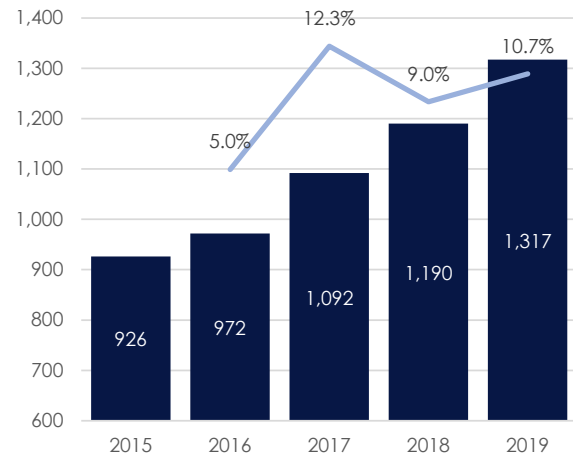
Another market study, published by the Italian branch of IDC (International Data Corporation), assessed the Italian cybersecurity market at about €1.25bn in 2019. The IDC study found that the IT security software segment (covering Cyberoo's core activities) was worth €400mn in 2019 and was set to grow at a CAGR of 7% over 2019-2022, with Security & Vulnerability Management and Network Security Management driving the segment's growth. The other two components, namely Security Appliances (basic cybersecurity applications such as firewalls, VPN...) and Security Services (IT consulting, system integration), are worth c.€250mn and c.€600mn respectively and had expected CAGRs for 2019-2022e of about 3% and 2% respectively. We summarise the aforementioned forecasts in the chart below left.

**Italy Cybersecurity Market – IDC Italia assessment**



Source: IDC Italia

**Italy Information Security market – Politecnico Observatory - €mn**



Source: digital innovation observatory, Politecnico University of Milan

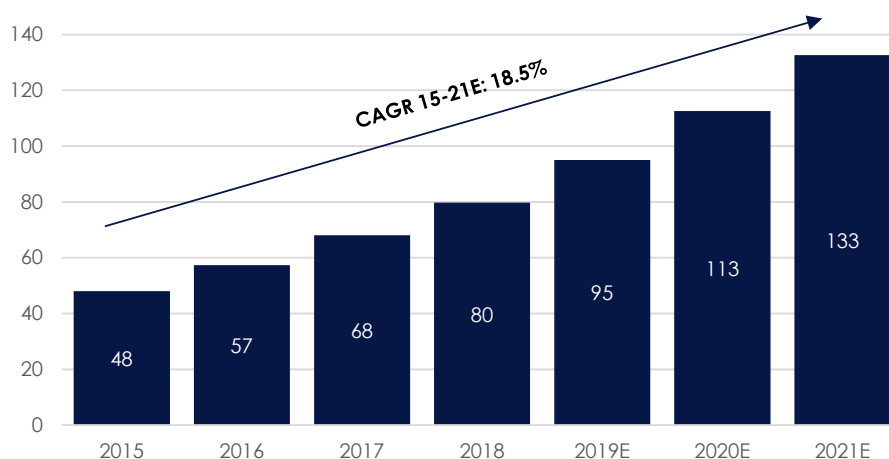
The chart above right provides another assessment of Cyberoo's core market, as it shows data for the Italian Information Security market reported by the dedicated digital innovation observatory at the Politecnico University of Milan. This source broadly confirms the Netconsulting study assessments shown previously and also adds the following observations in its 2019 release:

- **Difficulty of finding specialised staff:** 40% of companies are willing to recruit new specialised IT security resources; 77% of these companies have difficulties filling vacancies.
- **Higher awareness of cybersecurity** at large corporations and SMEs **due to legal pressure.** Rules and initiatives in the EU include the GDPR (General Data Protection Regulation, implemented in April 2018), the NIS Directive (initiated in June 2018 in Italy) and the Cybersecurity Act. More specifically, the GDPR contains obligations for data controllers to ensure the security of data collected. It requires companies, amongst other things, to appoint a dedicated DPO (Data Protection Officer) and to notify the supervisory authority of any data breach without undue delay. At the end of 2019, only 55% of Italian companies had complied with all the GDPR requirements.
- **Rise of cyber insurance:** 30% of the companies in the study had taken out insurance policies to transfer cyber risk in 2019, 37% were considering it, 23% were still not interested and 10% did not know of their existence.
- **SME coverage:** 90% of Italian SMEs were using basic cybersecurity solutions (antivirus, antispam) in 2019, and 43% of SMEs had a resource taking care of IT security (mostly an internal IT resource monitoring tools in use and managing the relationship with providers); 54% of SMEs had activated cybersecurity education classes in 2019 (up from 33% in 2018).

**Cyberoo Cyber Security Suite's core market shows even better prospects, both in Italy...**

We also highlight that Cyberoo's star Cyber Security Suite products, namely Cyber Security Intelligence (CSI) and Cypeer (CY), use AI and Machine Learning to pro-actively detect threats and, as such, can be defined as threat intelligence processes. Such offerings represent the most dynamic segment of the Italian cybersecurity landscape. Indeed, the Netconsulting study found that Threat Intelligence is the fastest growing segment in the country. As shown in the chart below left, this category represented c.8% of Italy's cybersecurity activities, recorded the fastest growth pace in 2018 (+17% vs. overall market +12%), and had a projected CAGR of 18.5% for the 2018-2021E period (vs. market +13.9%).

### Threat Intelligence Process Market – size and forecasts (Pre-Covid-19 outbreak) - €mn



Source: Netconsulting cube, Anitec-Assinform

#### ... and internationally, driven by growing demand from mid-sized enterprises

**Managed Detection and Response (MDR)** services are defined as solutions aimed at rapidly identifying and limiting the impact of security incidents on customers' IT ecosystems. These services are focused on remote 24/7 threat monitoring, detection and targeted response. As explained previously in this report, Cyberoo's star Cyber Security Suite offerings of CY and CSI both fit the description and could therefore be defined as MDR solutions.

MDR services represent a fast-expanding global market: in its "Market Guide for MDR Services" report, issued in June 2019, top IT consulting firm Gartner described the MDR market as follows:

- The global MDR services market was worth \$600mn in 2018, up +20% on 2017.
- Gartner analyst inquiries on the MDR topic expanded 25% in 2019, indicating increased interest from IT professionals worldwide.
  - Furthermore, Gartner highlighted that demand for this issue was particularly strong in the mid-market, i.e. mid-sized enterprises.
- Low equipment rate set to rapidly expand: 25% of organizations are expected to use MDR services by 2024, up from 5% today
- 40% of mid-sized enterprises are expected to use MDR services by 2024

#### A closer look at competitors in the Italian digital market

For each of Cyberoo's main activities, the Italian market is split among a range of small, local companies that tend to have a strong local or regional foothold. Cyberoo aims to differentiate itself through the key characteristics of its proprietary solutions, developed in-house. This broadly depicts a rather crowded and diversified set of markets.

#### **Cybersecurity**

The Italian cybersecurity landscape (focused on MDR providers) is made up of small and mid-sized firms, all part of a bigger IT-focused holding. Among the most comparable:

- **Yarix**, which also provides continuous (24/7) Cyber Threat Intelligence services through a proprietary SOC. Yarix' revenues are c. €20mn, with a c.10% EBITDA margin. Yarix has an R&D lab in Tel Aviv, Israel. It is headquartered in Montebelluna, in the Vento region. Yarix is part of the Var Group (itself part of the SESA group).
- **Certego** provides MDR and Managed Security Services through cloud access. Certego is headquartered in Modena, in the Emilia-Romagna region. The company is part of the VEM Sistemi group, which had sales of €46mn and over 161 employees in 2018.
- **Yoroi** also provides a set of cybersecurity services, including managed advanced threat protection solutions targeting advanced persistent threats (the ones targeted by VY and CSI). The company is headquartered in Rome, in the Lazio region. Yoroi is part of the Cybaze group, which has 7 offices in Italy, employing over 120 IT staff.
- Local branches of global specialised groups, which offer user-behaviour based threat detection systems similar to Cyberoo's offering, such as **Cynet** (US) or **Cybonet** (US), which are active on the Italian market, particularly in the mid-sized company segment.

#### **MSP**

Italian Managed Service Providers (MSP) offering solutions similar to Cyberoo's are generally small companies:

- **Var Group**, which owns Yarix (among local cybersecurity peers), realises revenues of over €343mn and has over 1900 employees across 23 locations in Italy. Var Group is specialised

in offering business technology solutions and EPR & Industry solutions, consisting in IT outsourcing and consulting services aimed at enhancing IT ecosystem management and productivity of company processes.

- **Elmec** is an MSP provider specialising in digital infrastructure services, such as data centre and cloud solutions, as well as network and device management services. Elmec had over 1500 clients and 670 employees in 2018. Elmec is headquartered in Brunello, in the Lombardy region.
- **Lutech** operates in various IT outsourcing and consulting fields. Lutech acquired Sinergy, a company specialised in system integration and in the design, realisation and management of data centre solutions, in 2017. Today, Lutech offers a technology platform based on Hybrid cloud technology. The company employs over 2,700 and is headquartered at Cologno Monzese, in the Lombardy region.
- **Errevi System** is an IT solutions and consulting group offering web software solutions for business process management, and specialised consulting and services in data centre and IT infrastructure management. In 2017, Errevi system had over 300 clients located in north and central Italy and realised sales worth €12.5mn. Errevi System is based in Reggio Emilia.

**Digital transformation**

There is no really comparable company on the Italian market for Cyberoo’s Digital Transformation activities. Cyberoo competes against “Software Houses” and digital marketing agencies such as Relatech, Webranking, Neosperience or Lovemark.

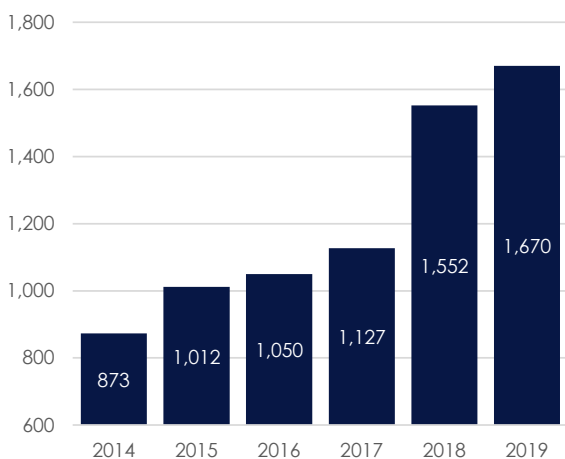
**Demand drivers: continuously evolving need for cybersecurity**

*// The rising threat of cyber attacks*

In the latest edition of its report on cyber criminality in Italy, Clusit (Italian association for IT security) highlighted that 2019 had been the worst year ever in terms of the evolution of cyber threats. Clusit added that 2019 marked a turning point in cyber criminality, as the world entered uncharted territory amid the ever-wider variety of attacks and threats IT ecosystems now face.

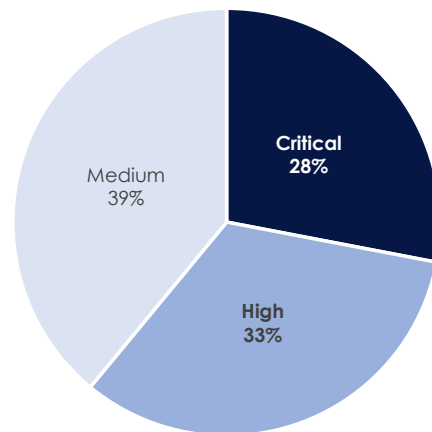
In a digital and connected world, corporations would be advised to focus on protecting their IT ecosystems from external attacks. Just in Italy, the number of serious cyberattacks has substantially increased over the last few years. Furthermore, we note that the Clusit data shown below only reflect declared attacks, implying that the actual number of cyberattacks is higher. The charts below show the increased intensity of significant attacks as well as the wide diversity of methods used and industries targeted.

**Number of serious cyberattacks declared in Italy – in units**



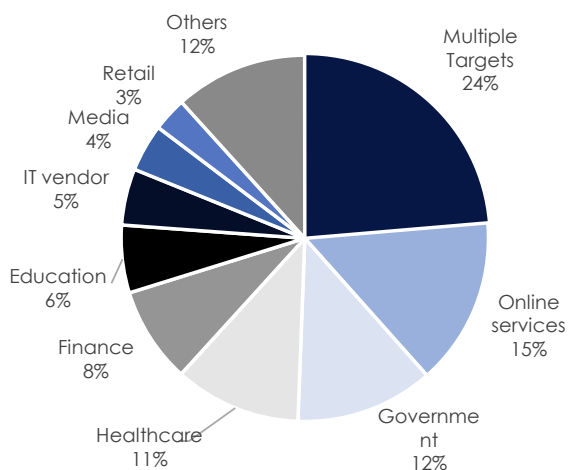
Source: Clusit

**Severity of declared attacks in Italy – 2019**



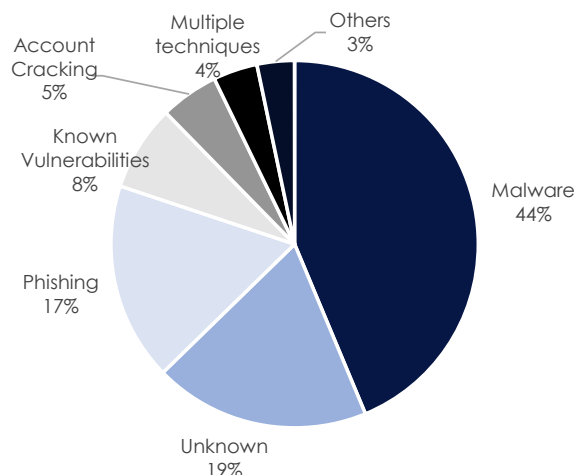
Source: Clusit

**Cyberattack victims breakdown by sector**



Source: Clusit

**Cyberattack breakdown by typology**



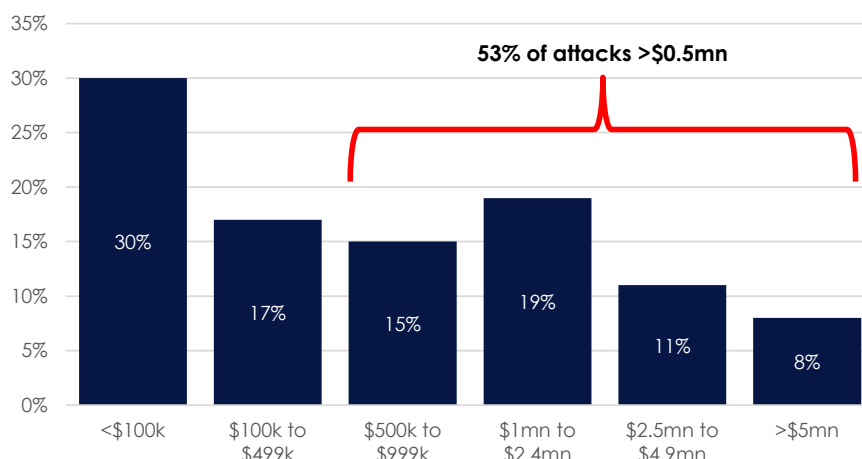
Source: Clusit

The data shown above reflects what Clusit defines as "Serious attacks", i.e. attacks that had a meaningful impact for the victims, either in terms of economic loss, reputation loss, or data loss, or which imply an alarming scenario.

2/ assessing the cost of a cyberattack

Cyber-attacks can be costly to victims: in its Annual Cybersecurity Report, industry leader Cisco assessed the cost of cyberattacks on businesses globally in 2018. We summarise this data in the chart below. Overall, over half of cyberattacks globally in 2018 had a financial impact of over \$0.5mn, while attacks resulting in multi-million damages accounted for over 20% of total.

**Cost of cyberattacks assessment - 2018**



Source: Cisco Annual Cybersecurity report 2018

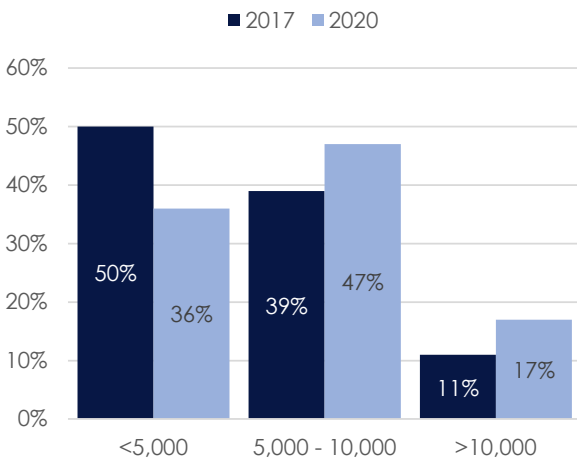
3/ False positives, a significant drain on time and IT resources

**Massive amount of alerts from security/MSP features is a time and cost-consuming drawback**

Organisations are increasingly sensitive to the importance of cybersecurity, and basic solutions such as antivirus and firewalls are now widespread among both SMEs and large corporations. Such standard products display alerts when a breach is detected, but the degree of customisation is rather limited. The management of such applications is usually through open-source systems that enable the inter-connection of the various basic services in place and the centralisation of alert settings through the imposition of user-defined parameters, usually under the form of rigid thresholds. In the Managed Services space, the most widespread open-source systems in place for IT infrastructure management are Nagios and Zabbix, which also rely on user-defined fixed thresholds for displaying alerts.

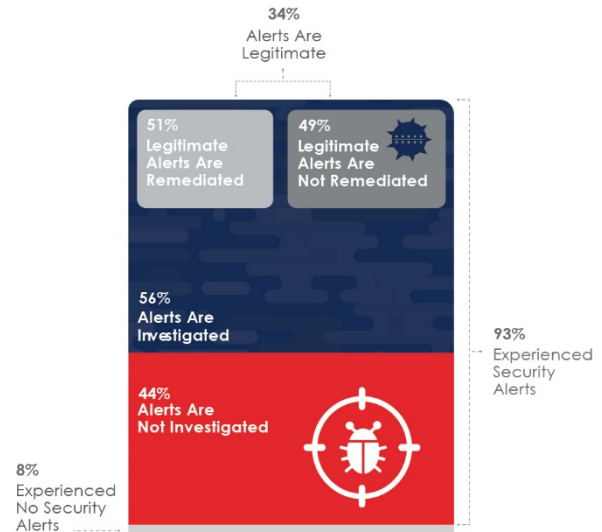
However, by using these methods, Internal IT services face massive numbers of alerts on a daily basis, which take time and resources to investigate. The Cisco 2020 Benchmark Survey also indicated that the number of alerts received has increased over the last few years, as shown in the chart on the below left.

### Number of daily IT security alerts in corporations



Source: Cisco 2020 Benchmark Study – sample of 2,800 respondent companies

### Alert Investigation, Remediation



Source: Cisco 2018 Security Capabilities Benchmark Study – sample of 3,600 respondent companies

As highlighted in the chart above right, those tasked with monitoring IT ecosystem security/operations at an organisation tend to be flooded with security alerts. Such a high flow means a **significant number of “false positives”** among alerts: in 2018, only 34% of alerts were legitimate. **Alert investigation is time-consuming** and only 56% of alerts could be investigated. **Remediation remains an issue:** 49% of legitimate alerts shown in Cisco’s report had been remediated. Un-remediated alerts can be explained by a lack of time, a paucity of personnel in general or specialised personnel in particular.

Consequently, the Cisco Annual Cybersecurity Report 2018 highlighted the challenge of monitoring a high number of security alerts: it reported that in 2018, 74% of security professionals said it was challenging to manage security alerts from multiple vendors. Indeed, still according to Cisco’s 2018 report, 70% of organisations had recourse to more than 5 security vendors in 2017, bumping up the importance of the issue.

### Assessing the impact of Covid-19: sector and company display resilience

#### IT sector as a whole

In a press release issued on 12<sup>th</sup> May, specialist consulting firm Gartner estimated an 8% YoY decline in global IT spending by companies in 2020 due to the coronavirus outbreak. In more detail, Gartner forecast a slightly lower decline in Enterprise softwares (-6.9%) and IT services (-8.7%) while Data Center Systems (-9.7%) and Devices (-15.5%) should have been hit hardest. The read-across for Cyberoo on these global data remains limited due to the company’s strong focus on cybersecurity and the Italian market.

#### A reflection on the implications for cybersecurity activities

The subsequent rise in so-called “smart working” during the pandemic has caused an unprecedented increase in volumes of access to corporate IT ecosystems from external devices, which bear a greater risk of an attack on company resources. As such, the pandemic served as a real-life test for many corporations’ IT infrastructure and potentially unveiled the need to strengthen security features for needs that until then were considered secondary. As such, the change in behaviour arising from the new importance of working remotely introduced by recent events might push companies to review their security budgets. This trend may be counteracted in the short term by reduced overall budgets caused by the economic difficulties arising from the slowdown in activity during and after the pandemic.

#### Cyberoo almost unaffected by Covid-19

Cyberoo’s activities have been labelled “Strategic” in the various government decrees issued in Italy throughout the pandemic. As such, the group never ceased operations during the lockdown, with both its work for clients and commercial operations remaining fully operational as the Italian staff worked from remote locations.



## Strategy

### Key Strategic Factors assessment

- **Distinctive innovation ability:** The R&D capabilities due to the know-how of its experienced staff and the distinctive abilities in developing AI, machine learning and deep learning as well as accessing restricted information through the deep and dark web make Cyberoo's cybersecurity capabilities difficult to replicate by its mid-sized clients and competitors without investing time and resources.
- **Cyberoo Labs in Ukraine:** the previous KSF is further strengthened by Cyberoo's Ukrainian Lab resources, which enable low labour-cost access to such advanced skills. Furthermore, the Ukraine-based staff ensures constant operational monitoring and updating of client IT ecosystems from the Intelligence Security Operations Centre (I-SOC). Finally, the local, mostly Russian-speaking staff can access and comprehend a comprehensive set of resources in Cyrillic available on the deep and dark web.
- **Critical value added by solutions offered:** Cyberoo's star products offer the key ability to reduce/exclude (using AI) the time and resource-consuming "false positives" from both device management and cybersecurity applications, allowing IT staff to focus on core value-adding activities. Furthermore, the user-friendly interfaces and high customisability of CY and Titaan help reduce the time and cost of onboarding and assistance for clients (and for Cyberoo).
- **Recurring payment scheme:** the core of group revenues is composed of recurring payments (79% of net sales in 2019), ensuring Cyberoo a steady and resilient revenue base going forward.
- **Competitive pricing:** with complete cybersecurity solutions offering continued monitoring of attack and breach risk as well as identification and response abilities for a value inferior to the price of a dedicated internal resource.

### A two-fold growth strategy

The company recently unveiled its main plans for growth going forward as it raised €7.15mn in its partial IPO on October 7<sup>th</sup>. The company will pursue two development paths:

#### i) Organic growth

- **Clear targets for raising sales:** Cyberoo has set rising targets for sales of licenses for its star products over the next few years:
  - CY and CSI: Cyberoo sales targets of 40 units in 2020, 120 in 2021, 200 in 2022 and 250 in 2023
  - TITAN: Cyberoo targets selling 45 units in 2020, 200 in 2021, 250 in 2022 and 300 in 2023
- **Sales force increase.** Efforts have been made recently to strengthen the company's sales force with the new office opening in Milan. Sales staff went from three in 2018 to 5 in 2019 and 9 now. Additional resources could be employed to support this commercial development.
- **Tech capabilities enhanced with increased staff at Ukrainian labs.** Cyberoo has recently increased the size of its highly qualified technical staff at its Ukraine-based labs, where the local workforce has now reached 52 people, from 32 in 2018, as the company has opened its new Ternopil lab at the beginning of 2020.
- **Partnership approach to commercial development.** Dynamism shown on partnerships since the IPO and even during the Italian lockdown period is set to continue going forward. Indeed, since the IPO, Cyberoo has achieved 3 commercial partnerships (ICOS, RiccaIT, ZeroUno) and 3 technical partnerships (Gartner, Freedcamp, Digital360).
- **Enhanced product recognition.** Substantial efforts are being made to enhance industry recognition for Cyberoo's main offering. Indeed, the group is aiming for its main processes (CY, CSI, TITAN) to enter Gartner's "Magic Quadrants". These "quadrants" are recognised among IT professionals globally as indicating high quality and reliable services for software, services, processes and suites.

#### ii) External growth

- **M&A potential.** The company balance sheet is robust, with a cash-positive NFP (€3.3mn as at YE19, or 1.3x EBITDA) thanks to high profitability and the €7.15mn raised in the October 2019 IPO. We believe Cyberoo has M&A firepower of about €10.7mn (based on 2019 figures) given that it could easily access bank debt until it reaches a net debt/EBITDA ratio of 3x, a level already reached by some international peers.
- **Management experience.** In the past, Cyberoo's managers successfully led multiple M&A operations including the MBO of SEDOC digital group in 2011, the turnaround of SDG Four Dynamics (bought in 2008, taken above EBITDA break-even and sold for 6x EBITDA in 2013), the sale of Longwave Srl (founded in-house in 2000, sold in 2014 for 6x EBITDA) and the sale of SEDOC Finance Network (acquired in 2007 for €0.77mn, sold in 2014 for €13mn/10x EBITDA).

## Financials

### Historical

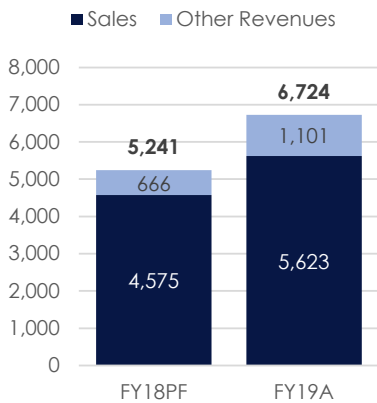
Our analysis of Cyberoo's historical financial data is limited to FY19 consolidated accounts and FY18 pro-forma figures, given that the company has only been active for one full fiscal year in its current consolidation base.

#### Top-Line

In accordance with Italian GAAP, Cyberoo reports its top-line as Production value, i.e. the sum of i) net sales, ii) Increase in Fixed Assets for internal works and iii) Other revenues. Net sales are the main contributor, representing 85% of production value on average over the last two years.

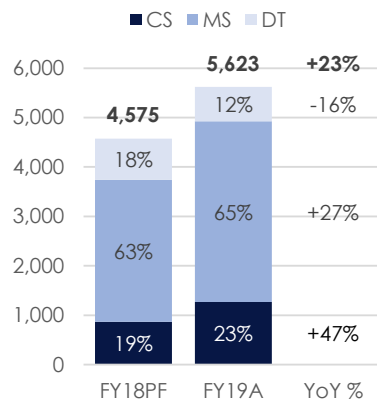
Looking at net sales in more detail, we note that the weight and trend of revenue for each of the company's divisions reflect their strategic importance and growth potential. Indeed, as shown in the chart below centre, Managed Services (MS) represent most of the company's sales and displayed robust +27% YoY growth in 2019. Cybersecurity (CS) progressed at an even faster rate, with sales up +47% YoY in 2019. Both divisions benefitted from the launch of new solutions (Cyber Security Suite for CS and Titaan for MS) in the second part of the year. Digital Transformation (DT) was the only segment displaying a decline in sales in 2019, as its strategic importance was being reconsidered.

**Breakdown of Production Value**



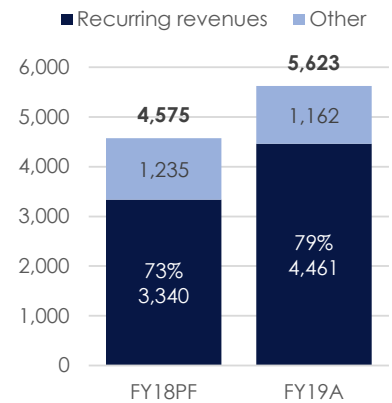
Source: Company data

**Breakdown of Net Sales by Segment**



Source: Company data

**Breakdown of Net Sales by Source**



Source: Company data

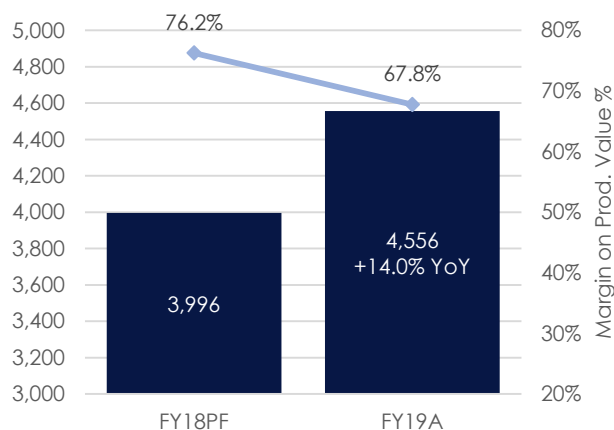
Cyberoo's business model is characterized by its focus on recurring revenues. As shown above left, these recurring revenues represented 79% of net sales in 2019.

#### Margins

In this section, we take a look at Cyberoo's margin trends in 2019. More details are shown on P&L items in the [forecast](#) section of this report

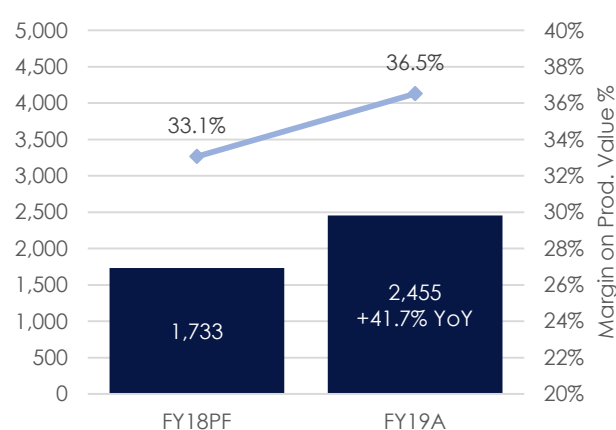
- Cyberoo's **gross margin** was up +14% YoY in 2019 (vs. pro-forma 2018 figures), growing at a slower rate than the top line as the company accelerated "raw materials" purchases (i.e. products, such as devices and servers, and software licenses) at the end of 2H19, in order to benefit from discounts, driving the gross margin down 8.4pp YoY to 67.8%.
- **EBITDA** (+41.7% YoY to €2.5mn) and EBITDA margin (+3.4pp YoY to 36.5%) were both up in 2019, benefitting from higher sales as well as a better mix, enhancing fixed cost coverage despite increased variable costs weighing on gross margins. See the chart top left on the next page. A more detailed divisional breakdown of EBITDA is provided later in this report.
- **EBIT** (+280% to €1.1mn) and EBIT margin (+11.2pp YoY to 16.9%) also benefitted from improved fixed cost absorption, with D&A remaining broadly steady YoY in 2019. See the bottom-right chart on the following page.
- **Net Income** rose to €0.7mn in 2019, from nil in 2018, as operating margins progress and the income tax charge comes down (P&L tax rate down to 33% in 2019, from 100% in 2018).

## Cyberoo - Gross Margin trend (in €'000s)



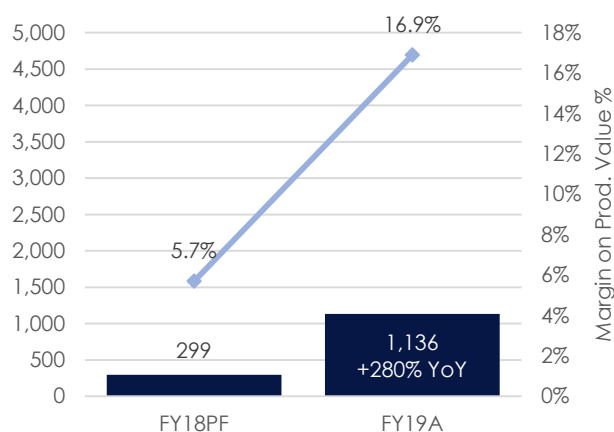
Source: Company data

## Cyberoo - EBITDA trend (in €'000s)



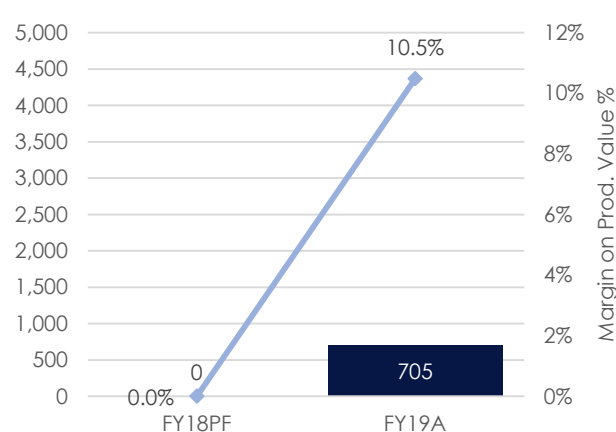
Source: Company data

## Cyberoo - EBIT evolution (in €'000s)



Source: Company data

## Cyberoo - Net Income evolution (in €'000s)

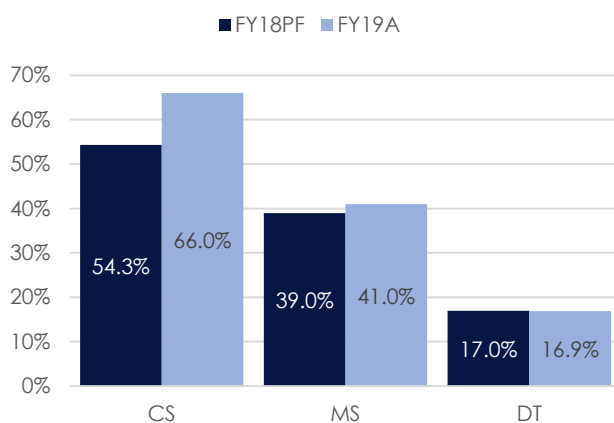


Source: Company data

**Focus on EBITDA breakdown by segment**

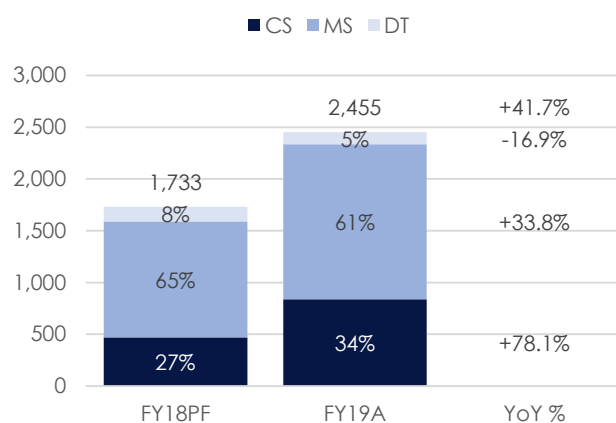
The progress in EBITDA and EBITDA margin witnessed in 2019 can at least partially be explained by an improved mix effect. The (high) EBITDA margin of the Cybersecurity segment progressed by +7.7pp YoY in 2019, while the segment's sales gained weight on the company's top line breakdown. This translated into a major contribution to consolidated EBITDA, as shown in the charts below.

## Cyberoo - EBITDA margin by segment



Source: Company data

## Cyberoo - EBITDA breakdown trend



Source: Company data

### Cash flow

The company only has one published FY cash flow statement. The main items are summarised in the tables shown below. We note that reported FCF, calculated using CapEx as displayed in the company's consolidated cash flow statement, is understated. Indeed, part of the €3.8mn of net CapEx is made up of intangible assets from the LYB subsidiary, integrated at the time of the merger in early 2019. Overall, Cyberoo closed FY19 with a net cash position thanks to the €7.6mn of proceeds received from its IPO in October.

#### Cyberoo – FY19A FCF breakdown

EUR '000s	FY19A
Net Income	705
D&A	1,319
Change in WC	-1,318
Other	-197
<b>CF from Operations</b>	<b>509</b>
Net Capex	-3,883
<b>FCF</b>	<b>-3,374</b>

Source: Company data

#### Cyberoo – FY19A Net Cash flow

EUR '000s	FY19A
<b>FCF</b>	<b>-3,374</b>
M&A and others	-491
Capital Increase	7,635
<b>Net Cash Flow</b>	<b>3,770</b>
<i>Net Debt (Cash) at Beginning of period</i>	<i>481</i>
<b>Net Debt / (Cash) at End of period</b>	<b>-3,289</b>
Net Debt/EBITDA	-1.3x

Source: Company data

### Forecasts

#### Divisions

Our divisional net sales forecasts are presented in the table below. Our main assumptions are as follows:

- **Cybersecurity division:** We forecast sustained sales growth of as much as +90.4% YoY for 2020E, reflecting the dynamism triggered by the recent launch (2H19) of the cutting-edge Cyber Suite services (CY and CSI), as the client base for this offering keeps growing, with negligible impact from the recent coronavirus disruption. From 2021 onwards, our sales forecast reflects client net adds for CSI and CY that are in line with management targets. Our pricing assumptions show slight improvements on the current situation. Our 2019-23 CAGR of 80.8% mostly reflects the low starting point (less than a year of Cyber Security Suite sales in FY19) and the strong commercial potential of this groundbreaking offering.
- **Managed Services division:** Similarly to the Cybersecurity division, our estimates reflect the strong potential of the division's star product TITAAN, which was also launched in 2H19. Our 2020 forecast for +15.7% YoY sales growth in the segment also factors in some resilience from sales of the Titaan solution, with similar client net adds to the Cyber Security Suite products. Pricing for the MS offering remains over 50% lower than for Cybersecurity in our estimates for 2020 onwards. This partly explains the lower 2019-23 revenue CAGR of 32.6% in our estimates, despite similar client net adds foreseen over the period in question.
- **Digital Transformation division:** As the strategic value of this division is being re-assessed, we expect digital transformation sales to carry on declining in 2020E, while some slight recovery can be expected later on, benefitting from the growing demand for the proposed digital services. The relative weight of this division gradually loses significance in our forecasts.

#### Net Sales forecast by division

	FY18PF	FY19A	FY20E	FY21E	FY22E	FY23E	CAGR 19-23E
<b>Cyber Security &amp; Device Security</b>	<b>865</b>	<b>1,268</b>	<b>2,414</b>	<b>5,006</b>	<b>9,056</b>	<b>13,556</b>	<b>80.8%</b>
YoY		46.6%	90.4%	107.4%	80.9%	49.7%	
% Net Sales	19%	23%	33%	42%	49%	53%	
<b>Managed Services</b>	<b>2,873</b>	<b>3,655</b>	<b>4,230</b>	<b>6,230</b>	<b>8,580</b>	<b>11,313</b>	<b>32.6%</b>
YoY		27.2%	15.7%	47.3%	37.7%	31.9%	
% Net Sales	63%	65%	58%	52%	47%	44%	
<b>Digital Transformation</b>	<b>837</b>	<b>700</b>	<b>630</b>	<b>662</b>	<b>728</b>	<b>837</b>	<b>4.6%</b>
YoY		-16.4%	-10.0%	5.0%	10.0%	15.0%	
% Net Sales	18%	12%	9%	6%	4%	3%	
<b>Total Net Sales</b>	<b>4,575</b>	<b>5,623</b>	<b>7,274</b>	<b>11,897</b>	<b>18,364</b>	<b>25,706</b>	<b>46.2%</b>
YoY		0.0%	22.9%	29.4%	63.6%	54.3%	40.0%
% of production value	87%	84%	88%	91%	94%	96%	

Source: Intermonte SIM (E), company data (A)

## P&amp;L

The key assumptions reflected in our P&L forecasts, shown in the table below, are as follows:

- **Production value:** our forecast is mostly based on the aforementioned net sales estimates; we assume the other revenue components will remain fairly steady for the years ahead.
- **Raw material costs, gross margin:** we expect the gross margin to expand by 5.5pp by 2023E due to the improved product category mix and a reduction in expenses due to some software costs being brought in-house. Indeed, the forecast decline of the relative share of Managed Services within the sales mix (from 65% in 2019 to 44% in 2023E) should support the relative decline of raw materials costs. MS activities consume products, such as devices and servers, as well as software licenses, that are defined as "raw materials".
- **Other OpEx Items:**
  - **Services:** this reporting line mostly reflects the cost of the staff present in the Ukrainian labs. At YE19, headcount in Ukraine was 38. Since the creation of the new Ternopil lab, this figure has already risen to 52. Our forecasts reflect a further increase in staff over the next few years, with the cost per unit remaining steady.
  - **Staff costs:** reflects the wages of Italian personnel. The headcount in Italy was 34 in 2019. Our forecasts reflect the current situation (55 employees) and factor in a continuous increase in staff numbers, although with fewer than 5 additional resources per year.
  - **R&D costs 100% capitalised,** and therefore only affect P&L figures as part of D&A on intangible assets.
    - **D&A:** our D&A forecasts reflect a 5-year depreciation period for intangible assets and our expected CapEx in the forecast period (see the following page).
- **EBITDA and EBIT progress reflect economies of scale, better mix:** EBITDA and EBIT margins are expected to improve substantially in the 2019-2023E period, according to our estimates. This is due to our assumptions on sales and OpEx lines, which are well-defined elements. Indeed, the progress in operating margins reflects the enhancing segment mix, which itself embodies the major economies of scale on offer from the use of AI capabilities and the highly-skilled staff in Ukrainian labs, enabling rapid top line growth with only minimal cost expansion.
- **Net financial income/cost:** we assume marginal financial revenue over the period, reflecting the company's net cash position.
- **Tax rate:** we assume a steady income tax rate of 33% over the forecast period.
- **Number of Shares (NOSH):** our NOSH forecast factors-in the full conversion of warrants in early October 2020.

## Income statement forecast

	FY18PF	FY19A	FY20E	FY21E	FY22E	FY23E
<b>Total Net Sales</b>	<b>4,575</b>	<b>5,623</b>	<b>7,274</b>	<b>11,897</b>	<b>18,364</b>	<b>25,706</b>
YoY	0.0%	22.9%	29.4%	63.6%	54.3%	40.0%
Increase in Fixed Assets for internal works	520	851	800	900	900	900
Other revenue	146	250	200	300	300	300
<b>Production Value</b>	<b>5,241</b>	<b>6,724</b>	<b>8,274</b>	<b>13,097</b>	<b>19,564</b>	<b>26,906</b>
YoY		28.3%	23.0%	58.3%	49.4%	37.5%
Raw mat, consumption, goods	-1,141	-2,527	-2,546	-3,807	-5,509	-7,198
<b>Gross Margin</b>	<b>3,996</b>	<b>4,556</b>	<b>5,728</b>	<b>9,290</b>	<b>14,055</b>	<b>19,708</b>
% Margin	76.2%	67.8%	69.2%	70.9%	71.8%	73.2%
YoY		14.0%	25.7%	62.2%	51.3%	40.2%
Services	-835	-433	-588	-798	-967	-1,106
Use of third party assets	-87	-115	-145	-250	-386	-540
Staff costs	-1,227	-1,461	-1,977	-2,652	-2,928	-3,215
Other	-114	-92	-100	-100	-100	-100
<b>EBITDA</b>	<b>1,733</b>	<b>2,455</b>	<b>2,918</b>	<b>5,491</b>	<b>9,674</b>	<b>14,747</b>
% Margin	33.1%	36.5%	35.3%	41.9%	49.4%	54.8%
YoY	0.0%	41.7%	18.8%	88.2%	76.2%	52.4%
D&A	-1,434	-1,319	-1,691	-1,508	-1,601	-1,610
<b>EBIT</b>	<b>299</b>	<b>1,136</b>	<b>1,227</b>	<b>3,983</b>	<b>8,073</b>	<b>13,138</b>
% Margin	5.7%	16.9%	14.8%	30.4%	41.3%	48.8%
YoY	0.0%	279.9%	8.0%	224.6%	102.7%	62.7%
Net Financial costs	37	-87	15	21	29	44
<b>PBT</b>	<b>336</b>	<b>1,050</b>	<b>1,242</b>	<b>4,004</b>	<b>8,101</b>	<b>13,182</b>
Tax	-336	-345	-410	-1,321	-2,673	-4,350
Tax rate %	-100%	-33%	-33%	-33%	-33%	-33%
<b>Net Income</b>	<b>0</b>	<b>705</b>	<b>832</b>	<b>2,683</b>	<b>5,428</b>	<b>8,832</b>
YoY	0.0%	0.0%	18.0%	222.5%	102.3%	62.7%
NOSH avg	7,000	7,625	9,735	10,441	10,441	10,441
<b>EPS</b>	<b>0.00</b>	<b>0.09</b>	<b>0.09</b>	<b>0.26</b>	<b>0.52</b>	<b>0.85</b>

Source: Intermonte SIM (E), company data (A), Pro-Forma data provided by company (PF)

### Cash Flow and Balance Sheet

The key assumptions reflected in our cash flow and balance sheet forecasts, shown in the tables below, are as follows:

- **Working capital:** we factor in the impact of the recently-launched "Cyberoo Defence for Italy" free trial offer that should entail an increase in receivables, offset in part by rising revenues. Our inventories forecast reflects a level corresponding to 10% of Managed Services sales. Overall, operating WC is foreseen growing along with the top line but at a slightly faster rate (OpWC to sales rising from 22% in 2019 to 26% in our 2022E forecast).
- **CapEx:** Our net CapEx forecasts for the coming years reflect the company's budgeted R&D spending, intangible acquisitions (mostly softwares and patents) and hardware. Our net CapEx forecasts yield a CapEx-to-sales ratio declining from 12.6% in 2020E to 6.6% in 2023E, more aligned with listed global industry players.
- **Capital increase:** our €3mn increase in the capital in 2020E reflects the expected full conversion of warrants in the dedicated window in October 2020.
- **Dividend:** No dividend policy is in place and we believe the company will re-invest net income to finance future growth.
- **Net cash:** all in all we forecast positive FCF and do not project any M&A spending in the next few years, translating into an improving net cash position.

#### Cash flow forecast

	FY19A	FY20E	FY21E	FY22E	FY23E
Net Income	705	832	2,683	5,428	8,832
D&A	1,319	1,691	1,508	1,601	1,610
Change in WC	-1,318	-568	-1,220	-1,742	-2,305
Other	-197	0	0	0	0
<b>CF from Operations</b>	<b>509</b>	<b>1,954</b>	<b>2,970</b>	<b>5,287</b>	<b>8,136</b>
Net Capex	-3,883	-1,300	-1,500	-1,600	-1,700
<b>FCF</b>	<b>-3,374</b>	<b>654</b>	<b>1,470</b>	<b>3,687</b>	<b>6,436</b>
M&A and others	-491	0	0	0	0
Capital Increase	7,635	2,955	0	0	0
Dividend Payment	0	0	0	0	0
<b>Net Cash Flow</b>	<b>3,770</b>	<b>3,609</b>	<b>1,470</b>	<b>3,687</b>	<b>6,436</b>
Net Debt (Cash) at BoP	481	-3,289	-6,898	-8,369	-12,056
<b>Net Debt / (Cash) at EoP</b>	<b>-3,289</b>	<b>-6,898</b>	<b>-8,369</b>	<b>-12,056</b>	<b>-18,492</b>
Net Debt/EBITDA	-1.3	-2.4	-1.5	-1.2	-1.3

Source: Intermonte SIM (E), company data (A)

#### Balance sheet forecast

	FY18PF	FY19A	FY20E	FY21E	FY22E	FY23E
Intangible	2,857	5,662	5,271	5,263	5,262	5,353
PPE	862	854	854	854	854	854
Financial	135	141	141	141	141	141
Provisions	-206	-215	-215	-215	-215	-215
Other non-recurring liabilities	-895	-776	-776	-776	-776	-776
<b>Net Fixed Assets</b>	<b>2,753</b>	<b>5,666</b>	<b>5,275</b>	<b>5,267</b>	<b>5,266</b>	<b>5,357</b>
Inventories	3	362	423	623	858	1,131
Receivables	1,352	2,823	3,723	5,697	8,217	11,300
Payables	-706	-1,696	-2,089	-3,043	-4,055	-5,106
Other current assets	314	1,081	1,081	1,081	1,081	1,081
Other current liabilities	-595	-884	-884	-884	-884	-884
<b>Net Working Capital</b>	<b>368</b>	<b>1,686</b>	<b>2,254</b>	<b>3,475</b>	<b>5,217</b>	<b>7,522</b>
<b>Net Capital Employed</b>	<b>3,121</b>	<b>7,352</b>	<b>7,530</b>	<b>8,742</b>	<b>10,483</b>	<b>12,879</b>
share capital	116	950	950	950	950	950
Reserves	2,634	8,986	11,941	11,941	11,941	11,941
Profit/loss carryforward	-111	0	705	1,537	4,219	9,647
Profit/loss of the period	-1	705	832	2,683	5,428	8,832
<b>Equity</b>	<b>2,639</b>	<b>10,641</b>	<b>14,428</b>	<b>17,110</b>	<b>22,538</b>	<b>31,370</b>
Cash & equivalents	-9	-4,384	-7,993	-9,464	-13,151	-19,587
Financial debts	490	1,095	1,095	1,095	1,095	1,095
<b>NFP</b>	<b>482</b>	<b>-3,289</b>	<b>-6,898</b>	<b>-8,369</b>	<b>-12,056</b>	<b>-18,492</b>
<b>Net Invested Capital</b>	<b>3,121</b>	<b>7,352</b>	<b>7,529</b>	<b>8,742</b>	<b>10,483</b>	<b>12,878</b>

Source: Intermonte SIM (E), company data (A), Pro-Forma data provided by company (PF)

## Peers

None of Cyberoo's direct competitors operating on the Italian market (as described in the [Industry/Market](#) section of this report) are listed. We have therefore drawn up a set of listed companies displaying some similarities with Cyberoo. We have then divided this large peer group into two buckets, reflecting the diverse profiles of the comparable companies we identified:

- **Bucket 1:** International listed cybersecurity groups.
- **Bucket 2:** Italian small/mid-caps active in the IT services and consulting segments.

The key valuation metrics and financial features of our peer group are summarised in the tables below. Please note that we provide a short description of the selected peers in [Annex 1](#) of this report.

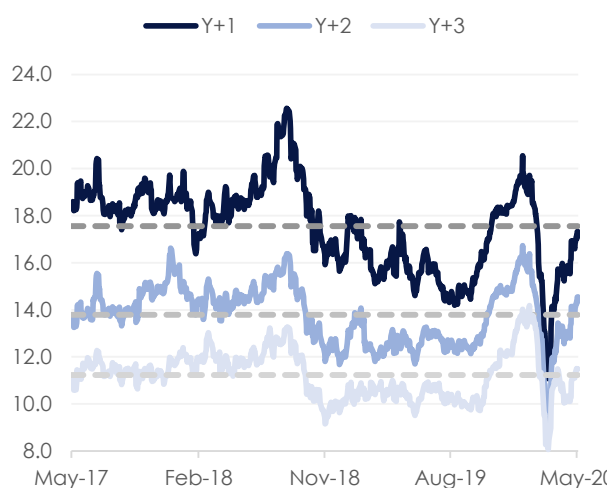
### Peer analysis – valuation snapshot

	Mkt Cap (Eu mn)	EV/Sales			EV/EBITDA			EV/EBIT			PE			
		2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	
<b>Bucket 1: International Cybersecurity</b>														
USA	Fortinet Inc	21,414	9.1x	7.6x	6.3x	33.3x	26.8x	22.1x	37.4x	30.1x	24.7x	51.0x	43.8x	38.7x
USA	Palo Alto Networks	21,268	6.6x	5.4x	4.2x	29.8x	24.9x	17.8x	40.5x	30.2x	21.1x	52.9x	42.1x	33.1x
ISR	Check Point Software Tech	14,264	5.4x	5.3x	5.7x	10.8x	10.8x	11.6x	11.2x	11.0x	12.0x	16.8x	15.9x	15.0x
JPN	Trend Micro	6,842	3.8x	3.5x	3.3x	12.1x	11.5x	10.6x	17.1x	15.4x	14.4x	27.0x	25.7x	24.7x
GBR	NCC Group	487	2.0x	1.7x	1.5x	13.9x	9.4x	8.9x	24.1x	13.3x	11.7x	29.5x	17.8x	-
FIN	F-Secure	468	2.2x	2.0x	1.9x	18.2x	14.7x	12.2x	43.7x	29.4x	21.0x	77.8x	44.9x	30.8x
	<b>Median</b>		<b>4.6x</b>	<b>4.4x</b>	<b>3.7x</b>	<b>16.1x</b>	<b>13.1x</b>	<b>11.9x</b>	<b>30.8x</b>	<b>22.4x</b>	<b>17.7x</b>	<b>40.2x</b>	<b>33.9x</b>	<b>30.8x</b>
	Average		4.8x	4.2x	3.8x	19.7x	16.3x	13.9x	29.0x	21.6x	17.5x	42.5x	31.7x	28.5x
<b>Bucket 2: Italy IT Services &amp; Consulting</b>														
ITA	Replay	2,652	2.0x	1.8x	1.6x	13.5x	11.1x	9.8x	17.2x	13.8x	12.1x	26.6x	21.7x	19.9x
ITA	WIIT	272	6.4x	6.1x	4.6x	18.7x	16.6x	12.1x	34.9x	28.2x	18.5x	39.0x	31.5x	23.3x
ITA	Expert System	119	3.5x	3.2x	-	21.5x	17.9x	-	NR	32.8x	-	-	-	-
ITA	Neosperience	40	2.7x	2.0x	1.7x	10.1x	7.2x	5.7x	28.4x	13.8x	7.9x	43.2x	18.5x	9.4x
	<b>Median</b>		<b>3.1x</b>	<b>2.6x</b>	<b>1.7x</b>	<b>16.1x</b>	<b>13.8x</b>	<b>9.8x</b>	<b>28.4x</b>	<b>21.0x</b>	<b>12.1x</b>	<b>39.0x</b>	<b>21.7x</b>	<b>19.9x</b>
	Average		3.7x	3.3x	2.6x	15.9x	13.2x	9.2x	26.8x	22.1x	12.8x	36.3x	23.9x	17.5x
			EV/Sales			EV/EBITDA			EV/EBIT			PE		
			2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
	Bucket 1: International Cybersecurity	Median	4.6x	4.4x	3.7x	16.1x	13.1x	11.9x	30.8x	22.4x	17.7x	40.2x	33.9x	30.8x
	Bucket 2: Italy IT Services & Consulting	Median	3.1x	2.6x	1.7x	16.1x	13.8x	9.8x	28.4x	21.0x	12.1x	39.0x	21.7x	19.9x
	<b>TOTAL PEER GROUP</b>	<b>Median</b>	<b>3.6x</b>	<b>3.4x</b>	<b>3.3x</b>	<b>16.1x</b>	<b>13.1x</b>	<b>11.6x</b>	<b>28.4x</b>	<b>21.8x</b>	<b>14.4x</b>	<b>39.0x</b>	<b>25.7x</b>	<b>24.0x</b>
	<b>TOTAL PEER GROUP</b>	<b>Average</b>	4.4x	3.9x	3.4x	18.2x	15.1x	12.3x	28.3x	21.8x	15.9x	40.4x	29.1x	24.4x

Source: based on Intermonte SIM estimates for Replay and WIIT, Factset consensus estimates for the other companies

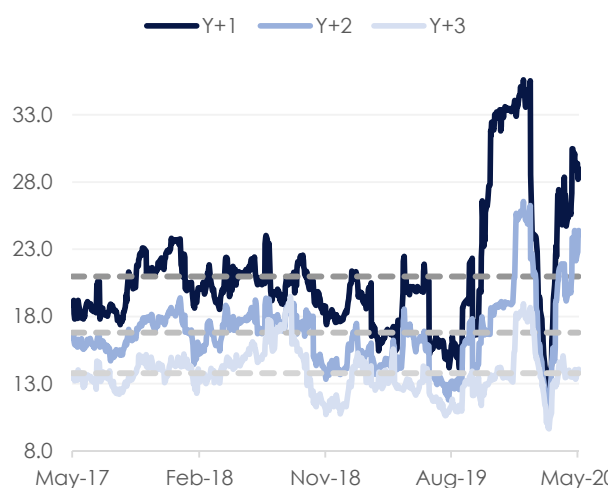
Current peer group multiples appear to be in line with historical averages. In the charts below, we show trends in the various peer groups' key multiples over the last 3 years.

Total peer group – EV/EBITDA historical data (3Y)



Source: Factset

Total peer group – EV/EBIT historical data (3Y)



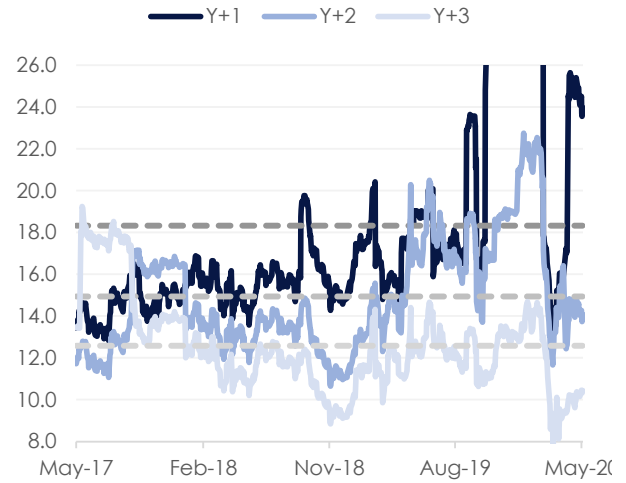
Source: Factset

**Bucket 2: Italian peers – EV/EBITDA historical data (3Y)**



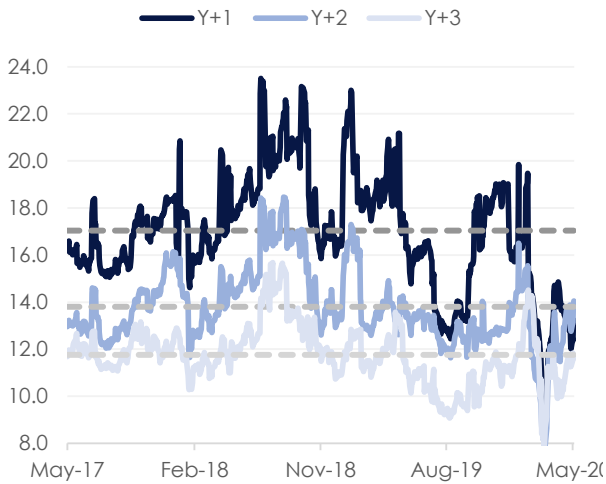
Source: Factset

**Bucket 2: Italian peers – EV/EBIT historical data (3Y)**



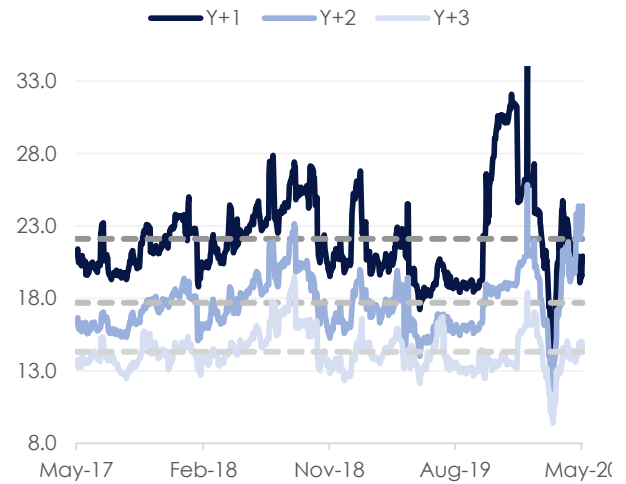
Source: Factset

**Bucket 1: International peers – EV/EBITDA historical data (3Y)**



Source: Factset

**Bucket 1: International peers – EV/EBIT historical data (3Y)**



Source: Factset

The tables below show the main financial characteristics expected each fiscal year for Cyberoo (based on our estimates) and for peer group components (based on Intermonte estimates for WIIT and Reply and Factset consensus for the other companies).

**Peer analysis – P&L trends snapshot**

		19 Sales EUR	Sales growth			EBITDA margin			EBIT Margin		
			2020	2021	2022	2020	2021	2022	2020	2021	2022
<b>Bucket 1: International Cybersecurity</b>											
USA	Fortinet Inc	1,967	15.6%	15.6%	14.5%	27.2%	28.2%	28.4%	24.2%	25.1%	25.4%
USA	Palo Alto Networks	2,626	15.1%	17.6%	18.4%	22.1%	21.6%	23.5%	16.2%	17.8%	19.8%
ISR	Check Point Software Tech	1,804	0.8%	2.8%	1.6%	49.7%	49.0%	49.5%	48.1%	47.9%	47.6%
JPN	Trend Micro	1,380	5.0%	5.2%	4.5%	31.2%	30.8%	31.0%	22.0%	22.9%	22.8%
GBR	NCC Group	281	-5.2%	16.9%	6.8%	14.7%	18.1%	17.4%	8.5%	12.8%	13.2%
FIN	F-Secure	217	0.6%	5.9%	5.4%	11.9%	13.6%	15.2%	4.9%	6.8%	8.9%
<b>Bucket 2: Italy IT Services &amp; Consulting</b>											
ITA	Reply	1,183	4.3%	10.3%	8.3%	14.8%	15.9%	15.9%	11.8%	12.9%	13.0%
ITA	WIIT	34	37.4%	7.3%	13.0%	34.5%	36.5%	38.5%	18.5%	21.5%	25.2%
ITA	Expert System	32	9.2%	11.1%	-	16.1%	18.1%	-	5.3%	9.9%	-
ITA	Neosperience	14	18.0%	45.0%	35.0%	26.6%	28.2%	29.4%	9.5%	14.8%	21.3%
<b>ITA</b>	<b>Cyberoo</b>	<b>7</b>	<b>23.0%</b>	<b>58.3%</b>	<b>49.4%</b>	<b>35.3%</b>	<b>41.9%</b>	<b>49.4%</b>	<b>14.8%</b>	<b>30.4%</b>	<b>41.3%</b>

Source: based on Intermonte SIM estimates for Cyberoo. Reply and WIIT, Factset consensus estimates for the other companies



We note that Cyberoo and our peer group members broadly share the following:

- Sustained top line growth to 2022, with resilience in 2020.
- Double-digit EBITDA and EBIT margins, progressing YoY.
- Solid balance sheets with net cash positions or sustainable levels of debt.
- Low/no dividend policy.

#### Peer analysis – other characteristics

		Net Debt (cash) / EBITDA			Dividend Yield			Capex to sales		
		2020	2021	2022	2020	2021	2022	2020	2021	2022
<b>Bucket 1: International Cybersecurity</b>										
USA	Fortinet Inc	-2.6x	-3.2x	-3.9x	0.0%	0.0%	0.0%	8.5%	3.9%	4.0%
USA	Palo Alto Networks	-1.9x	-2.6x	-3.6x	0.0%	0.0%	0.0%	6.6%	4.7%	4.8%
ISR	Check Point Software Tech	-4.8x	-4.6x	-3.4x	0.0%	0.0%	0.0%	1.4%	1.2%	1.3%
JPN	Trend Micro	3.2x	1.9x	-0.2x	0.0%	0.0%	0.0%	4.9%	4.2%	3.8%
GBR	NCC Group	0.2x	-0.1x	-0.4x	0.5%	1.2%	1.4%	5.8%	6.2%	6.6%
FIN	F-Secure	5.5x	4.4x	3.6x	3.3%	3.3%	3.7%	2.6%	2.7%	3.7%
<b>Bucket 2: Italy IT Services &amp; Consulting</b>										
ITA	Reply	-0.6x	-0.7x	-1.0x	0.6%	0.8%	0.8%	1.8%	2.0%	2.0%
ITA	WIIT	1.6x	1.6x	1.4x	1.5%	1.9%	2.5%	12.9%	12.0%	10.6%
ITA	Expert System	0.7x	1.2x	-	0.0%	0.0%	-	19.1%	17.2%	-
ITA	Neosperience	0.9x	1.2x	1.4x	-	-	-	10.3%	8.4%	7.2%
<b>ITA</b>	<b>Cyberoo</b>	<b>-2.4x</b>	<b>-1.5x</b>	<b>-1.2x</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>17.9%</b>	<b>12.6%</b>	<b>8.7%</b>

Source: based on Intermonte SIM estimates for Cyberoo, Reply and WIIT, Factset consensus estimates for the other companies

## Valuation

Our DCF based valuation yields a value of €7.2 per share and is calculated as follows:

- 7-year forecast period;
- WACC of 10.5%, calculated based on 100% equity financing structure. This figure includes a 2.5% risk-free rate, an 8% equity risk premium (6% base ERP for Italian market, 2% additional risk premium to reflect small size of company and exposure to Ukraine);
- We use a conservative terminal growth rate of 1%;
- We deduct our NFP estimate for 2020 from the calculated EV to obtain our Equity fair value estimate;
- We apply a further 10% discount to the obtained equity value to reflect the lower liquidity of the stock.

Please note that our valuation is made on a standalone basis, i.e. not including any add-ons from potential M&A deals in the future years.

### DCF valuation approach

Year	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E	TV
<b>EBITDA</b>	<b>2,918</b>	<b>5,491</b>	<b>9,674</b>	<b>14,747</b>	<b>17,891</b>	<b>21,469</b>	<b>25,763</b>	
% sales	40.1%	46.2%	52.7%	57.4%	58.0%	58.0%	58.0%	
<b>D&amp;A</b>	<b>1,691</b>	<b>1,508</b>	<b>1,601</b>	<b>1,610</b>	<b>1,851</b>	<b>2,036</b>	<b>2,221</b>	
% sales	23.2%	12.7%	8.7%	6.3%	6.0%	5.5%	5.0%	
<b>Tax on EBIT</b>	<b>-405</b>	<b>-1,314</b>	<b>-2,664</b>	<b>-4,336</b>	<b>-5,293</b>	<b>-6,413</b>	<b>-7,769</b>	
% tax rate	-33.0%	-33.0%	-33.0%	-33.0%	-33.0%	-33.0%	-33.0%	
<b>Capex</b>	<b>-1,300</b>	<b>-1,500</b>	<b>-1,600</b>	<b>-1,700</b>	<b>-1,851</b>	<b>-2,036</b>	<b>-2,221</b>	
% sales	-17.9%	-12.6%	-8.7%	-6.6%	-6.0%	-5.5%	-5.0%	
<b>Change in WC</b>	<b>-568</b>	<b>-1,220</b>	<b>-1,742</b>	<b>-2,305</b>	<b>-1,465</b>	<b>-1,574</b>	<b>-2,073</b>	
<b>FCF</b>	<b>2,335</b>	<b>2,964</b>	<b>5,269</b>	<b>8,016</b>	<b>11,133</b>	<b>13,482</b>	<b>15,921</b>	<b>15,921</b>
Y	0	1	2	3	4	5	6	6
discount factor	1.00	0.90	0.82	0.74	0.67	0.61	0.55	0.55
Disc CF	<b>2,335</b>	<b>2,683</b>	<b>4,315</b>	<b>5,941</b>	<b>7,467</b>	<b>8,184</b>	<b>8,746</b>	<b>50,572</b>
Annual Cash flows discounted	39,671	<b>44%</b>	We		100%			
Terminal Value discounted	50,572	<b>56%</b>	Wd		0%			
<b>EV (from DCF approach)</b>	<b>90,243</b>		Rf		2.5%			
Net Debt (Cash) '20E	-6,898		ERP		8.0%			
<b>Equity Value</b>	<b>83,345</b>		Beta		1.0			
NOSH	10,441							
<b>Fair Value</b>	<b>8.0</b>							
Liquidity discount	-10%				<b>WACC</b>		<b>10.5%</b>	
<b>TP</b>	<b>7.2</b>				g		1.0%	

Source: Intermonte SIM

### DCF Sensitivity – Fair value per share

		WACC				
		8.5%	9.5%	10.5%	11.5%	12.5%
Terminal Growth	0.0%	9.1	7.8	6.8	5.9	5.3
	0.5%	9.5	8.1	7.0	6.1	5.4
	1.0%	10.0	8.4	<b>7.2</b>	6.2	5.5
	1.5%	10.4	8.7	7.4	6.4	5.6
	2.0%	11.0	9.1	7.7	6.6	5.8

Source: Intermonte SIM

We detail the valuation multiples implied by our DCF-based valuation in the tables below.

## Intermonte valuation vs. peer group

		EV/Sales			EV/EBITDA			EV/EBIT			PE		
		2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
<b>CYB @ TP</b>	<b>€ 7.20</b>	<b>8.3x</b>	<b>5.1x</b>	<b>3.2x</b>	<b>23.5x</b>	<b>12.2x</b>	<b>6.5x</b>	<b>55.8x</b>	<b>16.8x</b>	<b>7.8x</b>	<b>84.3x</b>	<b>28.0x</b>	<b>13.8x</b>
TOTAL PEER GROUP	Median	3.6x	3.4x	3.3x	16.1x	13.1x	11.6x	28.4x	21.8x	14.4x	39.0x	25.7x	24.0x
Premium/(discount) vs peer group median %		128.9%	51.3%	(1.7%)	46.2%	(6.8%)	(43.5%)	96.8%	(22.7%)	(45.6%)	115.9%	9.0%	(42.3%)
Bucket 1: International Cybersecurity	Median	4.6x	4.4x	3.7x	16.1x	13.1x	11.9x	30.8x	22.4x	17.7x	40.2x	33.9x	30.8x
Bucket 2: Italy IT Services & Consulting	Median	3.1x	2.6x	1.7x	16.1x	13.8x	9.8x	28.4x	21.0x	12.1x	39.0x	21.7x	19.9x
CYB @ Mkt Px	€ 3.72	3.9x	2.3x	1.4x	11.0x	5.6x	2.8x	26.2x	7.7x	3.3x	43.5x	14.5x	7.2x

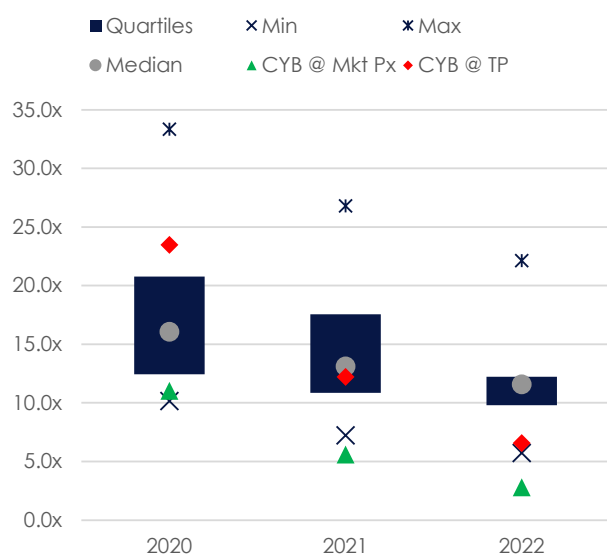
Source: based on Intermonte SIM estimates for Cyberoo, Reply and WIIT, Factset consensus estimates for the other companies

The implicit multiples from our DCF-based target price reflect:

- High 2020 valuations, which reflect the company's strong growth potential in the unique business conditions currently in force. We also note that, based on our estimates, the stock is currently trading at a discount to most peers on EV/EBITDA and EV/EBIT.
- On 2021 numbers, our target reflects valuations that are in line with median peer group values on both of these metrics.
- Finally, on 2021 our target reflects multiples that would rank the stock at the bottom end of the peer group range.

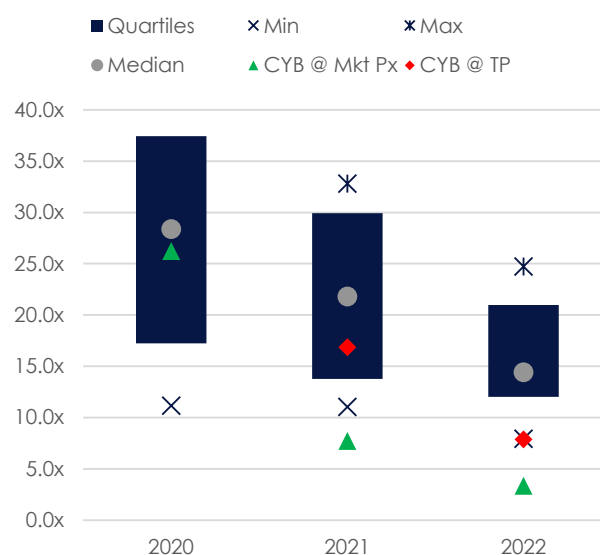
Overall, based on the valuation picture over the next three years, we believe our €7.2 target fairly reflects the company's rapid growth profile.

## EV/EBITDA – CYB valuation positioning vs. peer group



Source: Intermonte SIM, Factset

## EV/EBIT – CYB valuation positioning vs. peer group



Source: Intermonte SIM, Factset

## ANNEX 1 – Peer group description

### **Bucket 1: Listed international Cybersecurity companies**

**Fortinet Inc.** is an American company founded in 2000 and listed on the NASDAQ. Fortinet provides IT security services and manufactures network security appliances for over 450,000 clients worldwide. Fortinet is active in the network security, infrastructure security, Cloud Security and End Point Protection segments as well as IoT and Operational technology. Fortinet offers a wide range of services, covering basic cybersecurity applications (firewall) to advanced AI-powered threat intelligence.

**Palo Alto Networks** is an American company founded in 2005 and listed on NYSE. The company provides network security solutions including firewalls and cloud-based offerings. It serves about 70,000 customers in over 150 countries. Its offering is divided between its Network security suite (Strata), a Cloud security suite (Prisma) and a detection and response suite (Cortex, more similar to Cyberoo's offering).

**Check Point Software Technologies Ltd.** is an Israeli company listed on the NASDAQ. The company primarily operates in the US, where it proposes software and hardware solutions, including cybersecurity services such as threat prevention solutions, firewalls, cloud security, mobile security and security management services. Check Point has over 5,200 employees.

**Trend Micro** is a Japanese cybersecurity company listed on the Tokyo stock exchange with headquarters in Tokyo and Texas. Trend Micro was founded in 1988 and is currently serving over 500,000 companies worldwide. Trend Micro proposes cybersecurity services including cloud security solutions, network security and end-point protection services.

**NCC Group plc** is a British company listed on the London stock exchange which employs over 2,000 employees in its 35 offices worldwide. NCC engages in the provision of information technology assurance, security software, and consultancy services. The group specialises in software escrow and cybersecurity, with the latter being composed of penetration testing services, risk management and governance consulting and application security solutions.

**F-Secure** is a Finnish cybersecurity company mostly operating in Scandinavia. The company specialises in managed threat-hunting services, detection and response solutions, endpoint protection services and anti-virus processes. The company was founded in 1988, is listed on the Helsinki stock exchange and has over 1,700 employees in 30+ offices serving over 100,000 corporate clients worldwide.

### **Bucket 2: Italian IT services and consulting listed companies**

**Reply** is made up of a network of highly specialised companies, which support leading industrial groups in defining and developing business models to optimise and integrate processes, applications and devices, using new technology and communication paradigms, such as Big Data; Cloud Computing; Digital Communication; Internet of Things; Mobile and Social Networking. Reply's main offices are in Italy, Germany, the UK and the US. Reply services include Consulting, System Integration and Digital Services. Reply's offer covers three areas of competence: Processes, Applications and Technologies. The company was founded in June 1996 and it has been listed since 2000. In 2019, group turnover came in at €1.18bn.

**WIIT** is a leading Italian Cloud Computing market player, focused particularly on the Hybrid Cloud and Hosted Private Cloud for enterprises market. The company focuses and specialises in Hosted Private and Hybrid Cloud services for enterprises requiring critical application management and business continuity and manages all the main international platforms (SAP, Oracle and Microsoft), providing an end-to-end approach. WIIT manages its own data centers, with the main center "Tier IV" certified - the highest level of reliability possible - and is among the SAP's best certified partners. The group has been able to maintain an excellent business growth thanks to both organic performance and M&A contribution. WIIT is willing to: continue to focus on clients' critical applications, build a solid portfolio of references, invest in the quality of its asset base (data center), and develop the ability to provide end-to-end solutions.

**Expert System** was founded in 1989 and is based in Modena, Italy. It engages in the development of semantic technology, with a strong focus on automation and AI-based applications for natural language understanding. It provides solutions for online activities such as search and explore, tagging and categorisation, intelligence, natural language understanding, and advertisement.

**Neosperience SpA** is based in Milan, employs over 120 people across Italy and has been listed on the AIM segment of the Milan stock exchange since February 2019. The company develops and operates a cloud-based software platform dedicated to the digital customer experience, enabling client companies to access AI-powered processes, and gathering and analysing customer experience data.

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Stock NAME	\$Companyname\$		
Current Recomm:	BUY	Previous Recomm:	naL
Current Target (Eu):	7.20	Previous Target (Eu):	na
Current Price (Eu):	3.72	Previous Price (Eu):	na
Date of report:	25/05/2020	Date of last report:	na

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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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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:	08,73 %
OUTPERFORM:	49,21 %
NEUTRAL:	37,30 %
UNDERPERFORM	04,76 %
SELL:	00,00 %

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OUTPERFORM:	66,67 %
NEUTRAL:	18,75 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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IKF	0,57	SHORT
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OLIDATA	0,74	SHORT
SPACTIV	1,08	LONG
THESPAC	0,89	LONG
VEI 1	0,87	LONG

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