

# CYBEROO

# BUY

SECTOR: Industrials

Price (Eu):

5.84

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Target Price (Eu):

9.20

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## 2H20 Trends In Line, 2021 Growth Expectations Confirmed

- 2H20 results broadly in line with expected trends.** 2H20 net sales fell 7% YoY to €2.78mn, below our €3.00mn forecast, as the top line was affected by the "Defense for Italy" commercial offer (terminated as of 2021) coupled with the seasonality of new contracts, which as expected were skewed towards late 4Q. Lower revenues in the small "Digital Transformation" segment (€0.08mn vs our €0.33mn est.), the hardest hit by Covid-19 which also underwent a change in value proposition in 2H, were the main reason the top line fell short. Cybersecurity sales (35% of 2H sales) were up +27%, some 10% above our forecast, thanks to continued commercial development. Sales of Managed Services were broadly in line with our forecast at €1.74mn, flat YoY. EBITDA dropped -53% YoY to €0.67mn, a 24% margin (vs. our est. €0.74mn/25%) due to accelerated investments in personnel and consulting expenses to support expected growth. EBIT was €-0.3mn, better than our €-0.43mn estimate amid lower D&As. The net loss was in line with our forecast at €-0.3mn. Net cash was €2.1mn, below our €3.0mn estimate due to lower cash EBITDA (€-0.1mn excluding R&D capitalisation vs. our €0.04mn estimate) and greater WC cash absorption with rising receivables.
- 2021 growth expectations confirmed.** The company achieved its target of 40 new cybersecurity clients in 2020. CYB re-iterated its top line and margin growth expectations for 2021, already reflected in consensus estimates and our previous forecasts. New client targets for its main CSI/Cypeer Cybersecurity (250 in Italy vs. 217 net adds in our previous estimate) and Managed Services (100 new clients vs. 131 net adds in our previous estimate) offerings were confirmed. These targets are powered by the enhanced distribution network in Italy (25 resellers at YE20 vs. 2 at YE19) and do not include potential new clients abroad (France, Germany and Austria). The recent major distribution agreement with Engineering (the leading Italian Systems Integrator) is set to help increase the average contract size, as new Cybersecurity clients are said to be more towards the larger end of the mid-sized company segment. Digital Transformation segment sales are foreseen recovering. Staff headcount is expected to remain fairly steady in Italy for now (currently 87 resources in Italy, from 76 at YE20, and 52 at YE19). CapEx is foreseen steady at around €3mn. Capitalised R&D costs are envisaged stable at around €1mn (€1.5mn in FY20).
- Change in estimates.** We are adjusting our forecasts to better reflect the client acquisition targets for the Cypeer/CSI and TITAN offerings. Our total revenue forecast remains unchanged, but with an increased contribution from cybersecurity, also benefitting from the end of the commercial discount offer. We are also fine-tuning our staff and service costs, resulting in broadly unchanged top line and margin forecasts, broadly in line with company indications.
- BUY rating confirmed; target €9.2 confirmed.** The expected trends materialised in 2H20, and 2021 will be an important year for the company's growth story. Interesting commercial growth prospects enabled by the recent expansion of the distribution network are reflected in achievable client acquisition targets in Italy that are factored into our estimates. We maintain our positive view on the stock and confirm our TP in light of unchanged estimates.

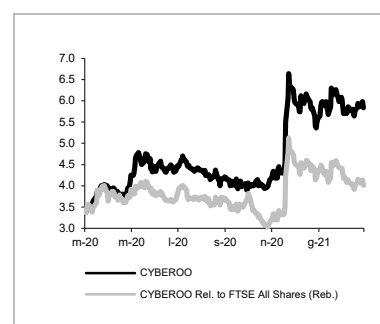
Key Figures	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	7	8	13	21	29
Ebitda (Eu mn)	2	2	4	10	17
Net profit (Eu mn)	1	0	1	5	10
EPS - New Adj.(Eu)	0.092	0.006	0.146	0.522	0.952
EPS - Old Adj.(Eu)	0.092	0.006	0.146	0.522	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000

Ratios & Multiples	2019A	2020A	2021E	2022E	2023E
P/E Adj.	63.2	nm	40.1	11.2	6.1
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda Adj.	21.6	28.8	12.3	4.7	2.3
ROCE	21.7%	2.3%	21.0%	65.7%	102.8%

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Next event:  
1H21 Results out September 30<sup>th</sup> 2021

### CYBEROO - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Ch. in Adj.EPS est:	2021E	2022E
	-0.3%	-0.0%

### STOCK DATA

Reuters code: CYB.MI  
Bloomberg code: CYB IM

Performance	1m	3m	12m
Absolute	-2.3%	-2.0%	73.6%
Relative	-10.2%	-12.8%	27.5%
12 months H/L:	6.64/3.39		

### SHAREHOLDER DATA

No. of Ord. shares (mn):	10
Total No. of shares (mn):	10
Mkt Cap Ord (Eu mn):	56
Total Mkt Cap (Eu mn):	56
Mkt Float - ord (Eu mn):	15
Mkt Float (in %):	26.3%
Main shareholder:	
Founders	3.7%

### BALANCE SHEET DATA

	2021
Book value (Eu mn):	15
BVPS (Eu):	1.47
P/BV:	4.0
Net Financial Position (Eu mn):	4
Enterprise value (Eu mn):	53

Please see important disclaimer  
on the last page of this report

**CYBEROO - KEY FIGURES**

		2019A	2020A	2021E	2022E	2023E
	Fiscal year end	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	7	8	13	21	29
	EBITDA	2	2	4	10	17
	EBIT	1	0	2	8	15
	Financial income (charges)	0	0	0	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	1	0	2	8	15
	Taxes	(0)	(0)	(1)	(3)	(5)
	Tax rate (%)	-32.9%	-42.3%	-33.0%	-33.0%	-33.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	1	0	1	5	10
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	2	2	4	10	17
	Ebit excl. extraordinary items	1	0	2	8	15
Net profit restated	1	0	1	5	10	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	10	10	10	10	10
	EPS stated fd	0.092	0.006	0.146	0.522	0.952
	EPS restated fd	0.092	0.006	0.146	0.522	0.952
	BVPS fd	1.120	1.156	1.470	1.992	2.944
	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%	0.0%
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	2	1	4	8	12
	Change in NWC	(1)	(0)	(2)	(1)	(1)
	Capital expenditure	(4)	(3)	(3)	(3)	(3)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	(3)	(2)	(1)	4	9
	Acquisitions, divestments & others	(0)	(0)	0	0	0
	Dividend	0	0	0	0	0
	Equity financing/Buy-back	8	0	3	0	0
Change in Net Financial Position	4	(1)	2	4	9	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	7	8	9	9	9
	Net working capital	2	2	3	5	6
	Long term liabilities	(1)	(1)	(1)	(1)	(1)
	Net capital employed	7	9	12	13	14
	Net financial position	3	2	4	8	16
	Group equity	11	11	15	21	31
	Minorities	0	0	0	0	0
Net equity	11	11	15	21	31	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	56	56	56	56	56
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	3	2	4	8	16
	Enterprise value	53	54	53	49	40
<b>RATIOS(%)</b>	EBITDA margin*	36.5%	24.7%	32.3%	48.7%	58.2%
	EBIT margin*	16.9%	2.5%	16.4%	38.3%	50.3%
	Gearing - Debt/equity	-30.9%	-19.1%	-24.3%	-37.3%	-53.2%
	Interest cover on EBIT	nm	nm	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	21.7%	2.3%	21.0%	65.7%	102.8%
	ROE*	10.6%	0.5%	11.0%	30.1%	32.3%
	EV/CE	10.1	6.6	5.1	3.9	2.8
	EV/Sales	7.9	7.1	4.0	2.3	1.4
	EV/Ebit	nm	nm	24.3	6.0	2.7
Free Cash Flow Yield	-6.0%	-2.9%	-2.0%	7.1%	15.3%	
<b>GROWTH RATES (%)</b>	Sales	28.3%	13.5%	72.7%	60.5%	39.0%
	EBITDA*	41.7%	-23.2%	126.3%	141.8%	66.0%
	EBIT*	279.9%	-83.5%	1053.1%	274.4%	82.7%
	Net profit	nm	-92.1%	2514.9%	272.0%	82.6%
	EPS restated	nm	-93.7%	2382.9%	257.9%	82.6%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

## 2H/FY20 results snapshot

## 2H/FY20 results snapshot

Net Sales	2H19A	FY19A	2H20A	FY20A	2H20E	FY20E	2H AvE %	FY AvE %	2H AvE €	FY AvE €
<b>Cyber Security &amp; Device Security</b>	<b>756</b>	<b>1,268</b>	<b>962</b>	<b>1,631</b>	<b>877</b>	<b>1,546</b>	<b>9.7%</b>	<b>5.5%</b>	<b>85</b>	<b>85</b>
YoY		46.6%	27.2%	28.6%	16.0%	21.9%				
% Net Sales	25%	23%	35%	29%	29%	27%				
<b>Managed Services</b>	<b>1,740</b>	<b>3,655</b>	<b>1,737</b>	<b>3,748</b>	<b>1,792</b>	<b>3,803</b>	<b>-3.1%</b>	<b>-1.4%</b>	<b>-55</b>	<b>-55</b>
YoY		27.2%	-0.1%	2.5%	3.0%	4.0%				
% Net Sales	58%	65%	62%	67%	60%	66%				
<b>Digital Transformation</b>	<b>493</b>	<b>700</b>	<b>82</b>	<b>207</b>	<b>330</b>	<b>455</b>	<b>-75.2%</b>	<b>-54.5%</b>	<b>-248</b>	<b>-248</b>
YoY		-16.4%	-83.4%	-70.4%	-33.1%	-35.0%				
% Net Sales	16%	12%	3%	4%	11%	8%				
<b>Total Net Sales</b>	<b>2,989</b>	<b>5,623</b>	<b>2,781</b>	<b>5,586</b>	<b>2,999</b>	<b>5,804</b>	<b>-7.3%</b>	<b>-3.8%</b>	<b>-218</b>	<b>-218</b>
YoY		22.9%	-6.9%	-0.7%	0.4%	3.2%				
% of production value	81%	84%	76%	73%	81%	76%				

P&L	2H19A	FY19A	2H20A	FY20A	2H20E	FY20E	2H AvE %	FY AvE %	AvE €mn	
<b>Total Net Sales</b>	<b>2,989</b>	<b>5,623</b>	<b>2,781</b>	<b>5,586</b>	<b>2,999</b>	<b>5,804</b>	<b>-7.3%</b>	<b>-3.8%</b>	<b>-218</b>	<b>-218</b>
YoY		22.9%	-6.9%	-0.7%	0.4%	3.2%				
Increase in Fixed Assets for internal works	470	851	778	1,478	700	1,400	11.2%	5.6%	78	78
Other revenue	232	250	118	570	0	451				
<b>Production Value</b>	<b>3,691</b>	<b>6,724</b>	<b>3,678</b>	<b>7,634</b>	<b>3,699</b>	<b>7,655</b>	<b>-0.6%</b>	<b>-0.3%</b>	<b>-21</b>	<b>-21</b>
YoY		28.3%	-0.4%	13.5%	0.2%	13.9%				
<b>EBITDA</b>	<b>1,425</b>	<b>2,455</b>	<b>667</b>	<b>1,884</b>	<b>745</b>	<b>1,962</b>	<b>-10.4%</b>	<b>-3.9%</b>	<b>-77</b>	<b>-77</b>
% Margin on net sales	47.7%	43.7%	24.0%	33.7%	24.8%	33.8%				
% Margin on Prod. Value	38.6%	36.5%	18.1%	24.7%	20.1%	25.6%				
YoY		41.7%	-53.2%	-23.2%	-47.7%	-20.1%				
<b>EBIT</b>	<b>561</b>	<b>1,136</b>	<b>-303</b>	<b>188</b>	<b>-432</b>	<b>58</b>	<b>30.0%</b>	<b>223.8%</b>	<b>130</b>	<b>130</b>
% Margin on net sales	18.8%	20.2%	-10.9%	3.4%	-14.4%	1.0%				
% Margin on Prod. Value	15.2%	16.9%	-8.2%	2.5%	-11.7%	0.8%				
YoY		279.9%	-154.0%	-83.5%	-177.1%	-94.9%				
<b>Net Income</b>	<b>349</b>	<b>705</b>	<b>-305</b>	<b>56</b>	<b>-306</b>	<b>55</b>	<b>0.3%</b>	<b>1.5%</b>	<b>1</b>	<b>1</b>
YoY		NM	-187%	-92%	-188%	-92%				
<b>EBITDA excl. R&amp;D capitalization</b>	<b>955</b>	<b>1,604</b>	<b>-111</b>	<b>406</b>	<b>45</b>	<b>562</b>	<b>N.M.</b>	<b>-27.7%</b>	<b>-156</b>	<b>-156</b>
% Margin on net sales	32.0%	28.5%	-4.0%	7.3%	1.6%	10.1%				

Cash Flow	2H19A	FY19A	2H20A	FY20A	2H20E	FY20E	2H AvE %	FY AvE %	AvE €mn	0
OpCF	-67	509	-278	1,341	846	2,464	N.M.	-45.6%	-1,124	-1,124
Net Capex	-2,582	-3,883	-1,143	-2,948	-1,390	-3,195	-17.7%	-7.7%	246	246
FCF	-2,648	-3,374	-1,421	-1,608	-544	-730	-161.5%	120.2%	-878	-878
<b>Net Debt / (Cash)</b>	<b>-3,289</b>	<b>-3,289</b>	<b>-2,126</b>	<b>-2,126</b>	<b>-3,003</b>	<b>-3,003</b>	<b>-29.2%</b>	<b>-29.2%</b>	<b>-80</b>	<b>877</b>

Source: Company data, Intermonte SIM estimate

## Change in estimates

### Change in estimates (in EUR mn)

	New Estimates			Old Estimates			Diff %		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
<b>Cyber Security &amp; Device Se</b>	<b>6.1</b>	<b>13.4</b>	<b>20.6</b>	<b>5.6</b>	<b>12.0</b>	<b>17.9</b>	<b>10%</b>	<b>12%</b>	<b>15%</b>
YoY	274.9%	118.4%	54.3%	260.7%	114.5%	49.9%			
<b>Managed Services</b>	<b>5.2</b>	<b>6.3</b>	<b>7.5</b>	<b>5.4</b>	<b>7.4</b>	<b>9.6</b>	<b>-3%</b>	<b>-15%</b>	<b>-22%</b>
YoY	38.3%	21.4%	18.8%	40.8%	38.9%	29.2%			
<b>Digital Transformation</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>-47%</b>	<b>-47%</b>	<b>-47%</b>
YoY	40.0%	10.0%	5.0%	20.0%	10.0%	5.0%			
<b>Total Net Sales</b>	<b>11.6</b>	<b>20.0</b>	<b>28.4</b>	<b>11.5</b>	<b>20.0</b>	<b>28.2</b>	<b>1%</b>	<b>0%</b>	<b>1%</b>
YoY	107.4%	72.3%	42.3%	97.7%	74.2%	40.9%			
<b>Production Value</b>	<b>13.2</b>	<b>21.2</b>	<b>29.4</b>	<b>13.1</b>	<b>21.2</b>	<b>29.2</b>	<b>1%</b>	<b>0%</b>	<b>1%</b>
YoY	72.7%	60.5%	39.0%	70.8%	62.1%	37.6%			
<b>EBITDA</b>	<b>4.3</b>	<b>10.3</b>	<b>17.1</b>	<b>4.3</b>	<b>10.3</b>	<b>17.0</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
% Margin	32.3%	48.7%	58.2%	32.5%	48.7%	58.4%			
YoY	126.3%	141.8%	66.0%	116.9%	142.5%	65.2%			
<b>EBIT</b>	<b>2.2</b>	<b>8.1</b>	<b>14.8</b>	<b>2.2</b>	<b>8.1</b>	<b>14.8</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
% Margin	16.4%	38.3%	50.3%	16.6%	38.2%	50.7%			
YoY	1053.1%	274.4%	82.7%	3644.0%	273.5%	82.5%			
<b>EPS</b>	<b>0.15</b>	<b>0.52</b>	<b>0.95</b>	<b>0.15</b>	<b>0.52</b>	<b>0.95</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Capex	-3.0	-2.5	-2.5	-3.0	-2.5	-2.5	0%	0%	0%
FCF	-1.1	4.0	8.6	-1.1	4.0	8.5	5%	2%	1%
<b>Net Debt (Cash)</b>	<b>-3.7</b>	<b>-7.8</b>	<b>-16.4</b>	<b>-4.7</b>	<b>-8.6</b>	<b>-17.2</b>	<b>-20%</b>	<b>-10%</b>	<b>-5%</b>
<b>Net Debt (Cash) / EBITDA</b>	<b>-0.9x</b>	<b>-0.8x</b>	<b>-1.0x</b>	<b>-1.1x</b>	<b>-0.8x</b>	<b>-1.0x</b>			
<b>EBITDA excluding R&amp;D capi</b>	<b>2.9</b>	<b>9.1</b>	<b>16.1</b>	<b>2.9</b>	<b>9.1</b>	<b>16.0</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
% Margin (on net sales)	24.7%	45.6%	56.7%	24.9%	45.6%	57.0%			
YoY %	605.3%	218.1%	76.9%	408.1%	219.4%	75.9%			

Source: Intermonte SIM Estimates

## Valuation

### Valuation

	Intermonte Estimate EUR mn	Multiple	EV EUR mn	Net Cash / (Debt) '22 EUR mn	Other EV Adj. EUR mn	Equity Value EUR mn	NOSH fully diluted	Equity Value per share
Net Sales FY22E	20.0	3.5x	69.9	7.8	-0.3	77.3	10.4	7.4
EBITDA Adj. FY22E	9.3	10.0x	93.1	7.8	-0.3	100.5	10.4	9.6
EPS FY22E	0.5	20.0x				100.6		10.4
<b>Average</b>						<b>88.3</b>		<b>9.2</b>
Current market value						56.3		5.8
<b>Up/(Downside)</b>								<b>56.7%</b>

Source: Intermonte SIM Estimates

Our valuation is based on the following multiples:

- 3.5x EV/Net sales 2022: in line with both current peer group valuations (in both buckets) and historical total peer group levels.
- 10x EV/EBITDA Adj. 2022 and 20x P/E Adj. 2022: in line with the current valuations in our Italian peer group (Bucket 2).

### 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>€ 9.9</b>	<b>16.8x</b>	<b>8.0x</b>	<b>4.4x</b>	<b>86.5x</b>	<b>27.4x</b>	<b>9.5x</b>	<b>N.M</b>	<b>42.6x</b>	<b>10.9x</b>	<b>N.M</b>	<b>68.0x</b>	<b>19.0x</b>
TOTAL PEER GROUP	Median	6.1x	5.8x	4.1x	17.6x	17.2x	12.5x	25.0x	26.5x	16.3x	31.6x	39.5x	25.3x
Premium/(discount) vs peer group median %		174%	38%	8%	391%	59%	(24%)		61%	(33%)		72%	(25%)
Bucket 1: International Cybersecurity	Median	4.9x	4.6x	4.5x	16.3x	15.2x	13.8x	25.0x	22.9x	19.7x	38.8x	34.0x	30.0x
Bucket 2: Italy IT Services & Consulting	Median	8.3x	6.0x	4.1x	19.5x	17.7x	10.8x	25.0x	26.5x	15.0x	31.6x	39.5x	23.0x
CYB @ Mkt Px	€ 5.84	7.1x	4.0x	2.3x	28.9x	12.4x	4.7x	N.M.	24.5x	6.0x	N.M.	40.1x	11.2x

Source: based on Intermonte SIM estimates for Cyberoo, Cy4Gate, Tinexta and WIIT, FactSet consensus estimates for the other companies - CYB multiples as follows: EV/Net Sales, EV/ Adj. EBITDA, Price to Adj. EPS

#### DETAILS ON STOCKS RECOMMENDATION

Stock NAME	CYBEROO		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	9.20	Previous Target (Eu):	9.20
Current Price (Eu):	5.84	Previous Price (Eu):	5.58
Date of report:	31/03/2021	Date of last report:	01/02/2021

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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IntermonTE SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 December 2020 IntermonTE's Research Department covered 124 companies. IntermonTE's distribution of stock ratings is as follows:

BUY:	10,57 %
OUTPERFORM:	50,41 %
NEUTRAL:	34,95 %
UNDERPERFORM	04,07 %
SELL:	00,00 %

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

BUY:	18,37 %
OUTPERFORM:	55,10 %
NEUTRAL:	26,53 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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Emittente	%	Long/Short
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COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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