

Cyber Security 1

Mangold Insight – Commissioned Research – Update – 2024-08-26

Great potential in cybersecurity

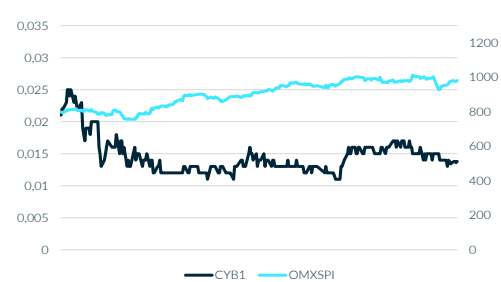
Mangold updates Cyber Security 1 (“CYBER1”). Revenues increased to EUR 28.7 (25.1) million in the first half of 2024, corresponding to a growth rate of around 15 percent. The revenue was in line with our estimate, which we believe shows that the company is on the right path. The gross margin was 21.0 (22.5) percent, which was slightly lower than estimate. However, personnel costs and other costs were lower than we expected, which means that we will lower the operational costs moving forward. We continue to estimate that CYBER1 will achieve full-year profitability in 2024. Mangold welcomes the fact that revenues from Europe are the highest ever, as more deals from the area are expected to contribute to continued high growth.

Directed issue secures capital needs

The cash balance amounted to only EUR 220 thousand at the end of the first half of 2024. The company carried out a directed issue of EUR 0.9 million at a price of EUR 0.015 per share, which resulted in a dilution of 5.3 percent. Through the issue, we see that CYBER1 will be able to reach profitability and that the capital requirement is covered given expected profitability. We estimate that the second half of the year will be stronger, which is supported by the fact that the end of the year is generally stronger, given seasonal variation in sales.

Model shows upside

Mangold raises the price target to EUR 0.045 (0.040) per share. In order for the price target to be reached, CYBER1 needs to improve margins and achieve profitability on a full-year basis in 2024.



Price development %	1m	3m	12m
CYB1	-8,0	-12,7	-38,9
OMXSPI	-1,5	-1,5	23,7

Information

Price target (EUR)	Buy 0,045
Risk	Medium
Price (EUR)	0,0142
Market Cap. (MEUR)	16,1
Number of shares (M)	1 136,3
Free float	90,5%
Ticker	CYB1
Next report	2025-02-27
Website	cyber1.com
Analyst	Pontus Ericsson

Ownership structure	Shares (M)	Capital
Saxo Bank Client A.	360,3	31,7%
Abn Amro Sweden	210,3	18,5%
Morgan Stanley & Co	84,7	7,5%
Frank R. Pensioen	60,0	5,3%
AMEVI Management	59,3	5,2%
Ibkr Financial Services	52,1	4,6%
Robert Brown	36,3	3,2%
UBS Switzerland	29,5	2,6%
Total	1 136,3	100%

Key figures	2023	2024E	2025E	2026E	2027E
Revenue (MEUR)	52,9	59,8	66,9	74,3	81,7
EBIT (MEUR)	0,2	0,7	2,5	4,6	6,7
Profit before tax (MEUR)	-0,8	0,1	2,0	4,4	6,5
EPS (EUR)	-0,002	0,000	0,001	0,003	0,005
EV/S	0,4	0,4	0,3	0,3	0,3
EV/EBITDA	33,4	14,6	6,5	4,0	2,9
EV/EBIT	99,8	30,5	8,3	4,6	3,2
P/E	neg	161,5	10,0	4,6	3,1

Investment case

An undervalued defense

Mangold repeats Buy with increased price target of EUR 0.045 (0.040) per share in 12 months' time. This represents an upside of over 200 percent. Mangold continues to see that CYBER1 is undervalued given its expected cash flows.

Price target EUR 0,040 per share

Broader range of services

CYBER1 offers a wide range of software solutions and services related to cybersecurity. The company has license rights to sell software solutions from a large number of cybersecurity vendors, allowing them to offer a strong protection. The company also uses professional services to identify deficiencies, acts as advisers on solutions and ensures that the right processes are in place in case of a data breach. The new Managed services business gives customers a chance to defend themselves against cyber attacks by CYBER1 monitoring real-time security remotely. Mangold believes that the wide range of different products and services gives CYBER1 the opportunity to increase its sales and maintain good margins in the future.

Comprehensive cyber-attack protection

Forward for the cybersecurity market

The global cybersecurity market is expected to grow from USD 177 billion to USD 403 billion between 2020 and 2027, representing a 12.5 percent annual growth rate (CAGR), according to Brand Essence Research. Digitalization is taking place on a global scale and costs related to cyber crime are expected to reach USD 10.5 trillion by 2025, according to cybersecurity magazine Cybersecurity Ventures. Mangold estimates that CYBER1 benefits from the market trend and can increase its sales based on the underlying demand.

Cybersecurity market grows with 12.5 percent CAGR

Successful reconstruction

Mangold estimates that CYBER1 is undetected. The company has undergone a reconstruction in 2021 and written off debts. They have also managed to achieve growth of 26 percent in 2022 and 13 percent in 2023. In 2022, the company completed the acquisition of the companies Trinexia Southern Africa and Trinexia Africa (formerly CSSA and CSAD), which strengthened their position in Africa. In 2023, CYBER1 delivered a positive EBIT margin of 0.4 percent, which shows that the company is well on its way to profitability. Overall, Mangold estimates that there is upside to CYBER1 stock.

Upside to collect in CYBER1's stock

Cyber Security 1 – Update

Higher revenue, lower gross margin

CYBER1's revenues increased to EUR 28.7 (25.1) million in the first half of 2024, compared to the same period last year. This corresponds to a growth rate of around 15 percent. That was about 1 percent lower than our estimate. In parallel, gross profit increased to about EUR 6.0 (5.7) million, corresponding to an increase of 7 percent. However, the gross margin was 1.5 percentage points lower than the same period last year, which means that we adjust the estimate downwards for the coming years. It should be noted that CYBER1 has changed to half-yearly reporting, which means that we have translated the presentation of results and estimates to half-yearly basis.

Growth rate of 15 percent

CYBER1 - OUTCOME 2023

(TEUR)	H1 23	H1 24	Diff
Revenues	25 057	28 700	15%
Growth (%)	5 650	6 018	7%
Gross profit	22,5%	21,0%	
Growth (%)	3 731	3 797	2%
Gross margin	1 535	1 865	21%
Personnel costs	212	206	-3%
Change (%)	384	356	-7%
EBITDA	1,4%	1,2%	
EBITDA margin	22	-17	nm.
Profit margin	0,1%	-0,1%	

Source: Mangold Insight

Improved cost structure

Personnel costs increased to EUR 3.8 (3.7) million in the first half of the year compared to last year. This represents an increase of 2 percent. We believe that the increase in costs is small given both inflation and relative to the increase in revenue. However, other costs increased to EUR 1.9 (1.5) million, representing an increase of 21 percent. In parallel, EBITDA decreased to EUR 356 (384) thousand, which is 7 percent lower than the same period last year.

Personnel costs increase by only 2 percent compared to last year

Cyber Security 1 – Update continued.

Mixed development among the subsidiaries

CYBER1's various subsidiaries have developed relatively strongly in the first half of 2024, with four out of six subsidiaries delivering a positive EBITDA. On a particularly positive note, CYBER1 Solutions EME (Europe & Middle East) delivered its strongest half year to date, with approximately EUR 5.4 million in revenue. and a positive EBITDA. CYBER1 Solutions Southern Africa has also delivered a strong quarter with an EBITDA of EUR 0.8 million. Below is an overview of the first half of 2024.

Four out of six subsidiaries deliver a positive EBITDA

CYBER1 - SUBSIDIARY H2 24

Subsidiary	CYBER1 Solutions				TRINEXIA	
	Southern Africa	East & West Africa	EME	Middle East & India	Southern Africa	Africa
Region						
TEUR	H1 24	H1 24	H1 24	H1 24	H1 24	H1 24
Revenues	12 551	305	5 372	2 441	4 218	6 411
Gross profit or loss	3 551	113	540	246	697	1 275
Gross margin	28,3%	37,2%	10,1%	10,1%	16,5%	19,9%
EBITDA	802	-138	99	-795	198	160
EBITDA margin	6,4%	-45,3%	1,8%	-32,6%	4,7%	2,5%

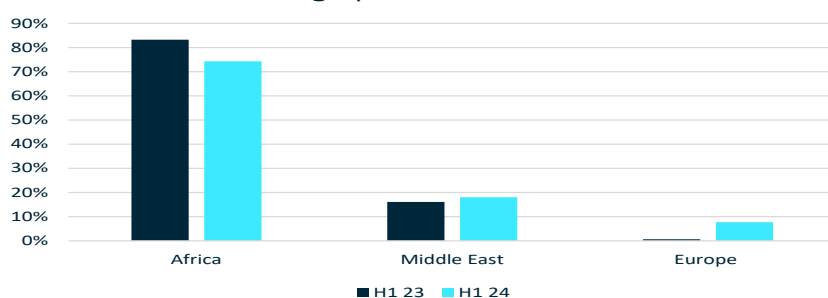
Source: Mangold Insight

Geographical breakdown

CYBER1 has increased the share of revenues from Europe to 7.7 (0.7) percent in the first half of 2024 compared to the same period last year. It is the highest share from Europe ever, which shows that the investment in the office in the UK is starting to bear fruit. Revenues amounted to EUR 2.5 (0.2) million in Europe, the highest total revenues from the continent. We welcome the fact that Europe is starting to generate revenue. The share of revenues from the Middle East also increased to 18 (16) percent. Four out of six subsidiaries are located in Africa, which explains a high proportion of sales on the continent.

Europe delivers strongest half year ever

Geographical distribution



Source: Mangold Insight

Cyber Security 1 – Update cont.

Developments in CYBER1 Solutions Southern Africa

In CYBER1 Solutions Southern Africa, revenues amounted to approximately EUR 12.6 million in the first half of 2024, of which 26 percent related to new business customers. A further 15 percent was obtained from services, which shows more diversified revenues compared to the previous year. EBITDA amounted to approximately EUR 0.8 million, corresponding to a margin of 6.4 percent, which was also the highest among all subsidiaries.

Highest EBITDA margin among subsidiaries of 6.4 percent

CYBER1 Solutions East and West Africa

CYBER1 Solutions East and West Africa reported revenues of approximately EUR 0.305 million in the first half of 2024. The company aims to continue to grow in Uganda and Kenya, where the company sees strong demand for cyber security solutions. The company delivered a negative EBITDA of EUR -0.138 million. The subsidiary updates its offer with technical know-how from CYBER1 Solutions Southern Africa.

Continued focus on Uganda and Kenya

CYBER1 Solutions EME

The revenues were the highest ever for the subsidiary, reaching around EUR 5.4 million in the first half of the year. In addition, gross profit amounted to approximately EUR 0.5 million. Many multi-annual contracts were signed during the period which will have a positive impact in the coming years. Two major solutions were delivered for a financial services company and extensions of contracts in online gaming. The subsidiary is primarily focused on the financial services, online gaming and manufacturing sectors.

Record six months for the subsidiary

TRINEXIA

Middle East and India

TRINEXIA The Middle East and India had a relatively weak half-year with revenues of about EUR 2.4 million. The company has further developed its partner network in Egypt, Saudi Arabia, Qatar and the United Arab Emirates. The subsidiary will open an office in Saudi Arabia that is expected to contribute with the new deal in pace with digitization projects in the region.

Focus on further development of partner networks and new office

Southern Africa

Within TRINEXIA Southern Africa (formerly CSSA), revenues amounted to approximately EUR 4.2 (2.9) million in the first half of 2024. EBITDA amounted to approximately EUR 0.2 million and the subsidiary will further expand by participating in supplier and industrial events in the region.

EBITDA of approximately EUR 0.2 million

Africa

TRINEXIA Afrika (formerly CSAD) also delivered a strong first half of the year with approximately EUR 6.4 (5.0) million in revenue. EBITDA amounted to approximately EUR 0.2 million during the period and the strong result is derived from targeted marketing efforts and increased demand for cloud services in Africa. The company has hired several new account managers to expand their presence in Nigeria, Zambia, Ethiopia and Mauritius.

Strong half year with EUR 6.4 (5.0) million in revenue

Cyber Security 1 – Estimates

Changes in estimates

Mangold has chosen to maintain its full-year estimate of revenues of approximately EUR 59.8 million for 2024. We expect revenue to increase by 8.3 percent in the second half of the year, given that the second half is historically strong, which is based on some seasonality in sales. We expect the gross margin to strengthen and to total 22.0 percent for the full year, down from the previous estimate of 23.7 percent. Both personnel and other costs are expected to increase during the second half of the year, which is expected to contribute to increased sales. We see that the EBITDA margin will be 2.4 percent for the full year 2024.

Second half expected to be stronger

CYBER1 - ESTIMATES H2

Teur	H1 24	H2 24P	Diff (%)	2024E
Revenue	28 700	31 072	8,3%	59 772
Gross profit	6 018	7 132	18,5%	13 150
Gross margin	21,0%	23,0%	2,0% p.p	22,0%
Personnel costs	3 797	3 904	2,8%	7 701
Other costs	1 865	2 143	14,9%	4 008
EBITDA	356	1 085	204,6%	1 441
EBITDA margin	1,2%	3,5%	2,3% p.p.	2,4%
Profit	-17	83	nm.	100
Profit margin	-0,1%	0,3%		0,0%

Source: Mangold Insight

Full year estimates

CYBER1 is expected to continue to grow at a high rate in the future, given the great need for cybersecurity solutions and the fact that the company is active in emerging markets. However, the growth rate is expected to be slightly lower in 2025 to 2027 than in the previous estimate, mainly driven by a slower than expected recovery of the global economy. We expect the EBIT margin to be slightly lower, which is affected by a lower gross margin but continued lower costs in terms of operational costs.

Expected to grow at a continued high rate

CYBER1 - ESTIMATES

	2022	2023	2024E	2025E	2026E	2027E	2028E
Sales growth	25,8%	13,0%	13,0%	12,5%	11,5%	10,5%	
Sales growth(new)	25,8%	13,0%	13,0%	12,0%	11,0%	10,0%	6,5%
Gross margin	19,9%	22,9%	23,7%	25,3%	26,5%	27,5%	
Gross margin (new)	19,9%	22,9%	22,0%	23,3%	24,5%	25,5%	26,5%
EBIT margin	-7,8%	0,4%	1,7%	4,3%	6,5%	8,5%	
EBIT margin (new)	-7,8%	0,4%	1,2%	3,8%	6,2%	8,2%	9,7%

Source: Mangold Insight

Financing

CYBER1's cash position amounted to EUR 220 thousand at the end of the first half of 2024. Given the poor cash position, CYBER1 carried out a directed issue of 60 million shares at a price of EUR 0,015 per share. CYBER1 received EUR 0,9 million before issuance costs, which is considered necessary for continued expansion and repayment of previous loans. The dilution was slightly more than 5.3 percent. We have chosen to slow down the rate of investment, as the investments only amounted to EUR 56 thousand in the first half of the year.

Directed issue of EUR 0,9 million

Cyber Security 1 – Valuation

Undervalued share

Mangold uses a DCF model to value CYBER1. We choose to increase the return requirement from 12.0 to 12.6 percent in accordance with PwC's risk premium study 2024 for companies with a market capitalization of around SEK 100 million. The valuation results in an increase in the price target to EUR 0.045 (0.040) per share. This represents an upside of over 200 percent. Since CYBER1 delivers a positive EBITDA, is growing at a high rate and has improved its financing situation, we consider that the company has good opportunities to achieve a higher valuation.

Price target EUR 0.045 (0.040)

CYBER1 - DCF

(TEUR)	2024E	2025E	2026E	2027E	2028E
EBIT	690	2 523	4 578	6 663	8 486
Free cash flow	793	2 670	3 933	5 600	7 141
Terminal value					67 366

Assumptions	Req. return	Growth	Tax
	12,6%	2%	21%

Fair Value

Enterprise value	56 521
Equity value	51 609
Fair value per share (EUR)	0,045

Source: Mangold Insight

Sensitivity analysis

Mangold has conducted a sensitivity analysis to test the model's outcome given different sales levels and return requirements. If CYBER1 reaches 80 percent of estimated sales, fair value will fall to EUR 0.041 per share. If sales increase by 20 percent, the fair value will rise to EUR 0.050 per share. Changes in yield requirements affect the price target more than changes in sales. In summary, the model shows a range between EUR 0.033 and EUR 0.064 per share. The model shows upside regardless of the level of sales and return requirements in the model, which indicates that the company is undervalued.

Valuation range between EUR 0,033 and EUR 0,064 per share

CYBER1 - SENSITIVITY ANALYSIS

Req. return %	Bear (0,8x)	Base Sales (x)	Bull (1,2x)
10,6	0,052	0,058	0,064
12,6	0,041	0,045	0,050
14,6	0,033	0,037	0,041

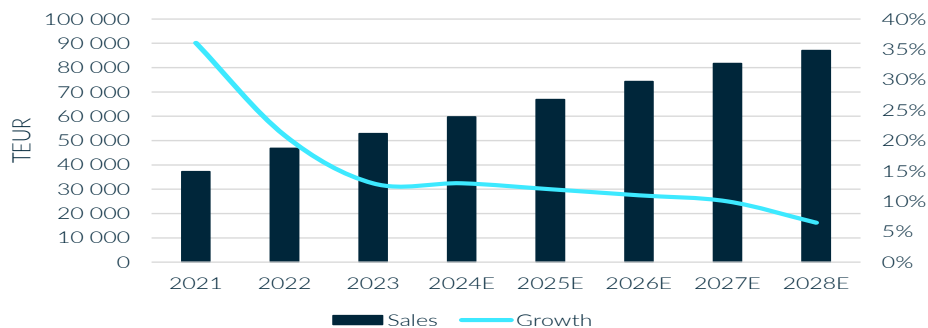
Source: Mangold Insight

Cyber Security 1 – SWOT

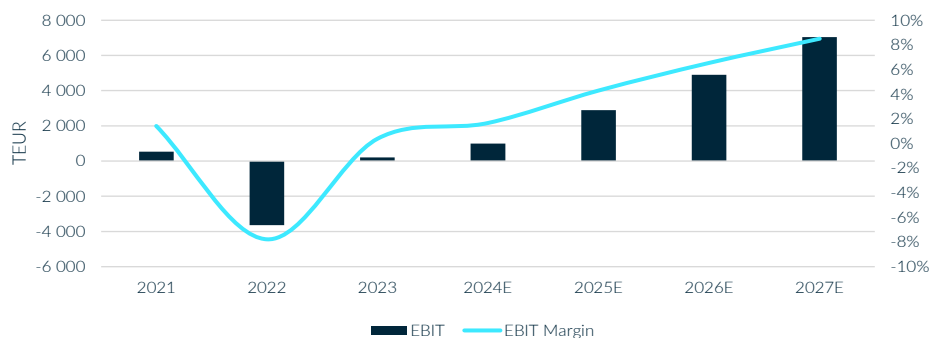


Cyber Security 1 – Appendix

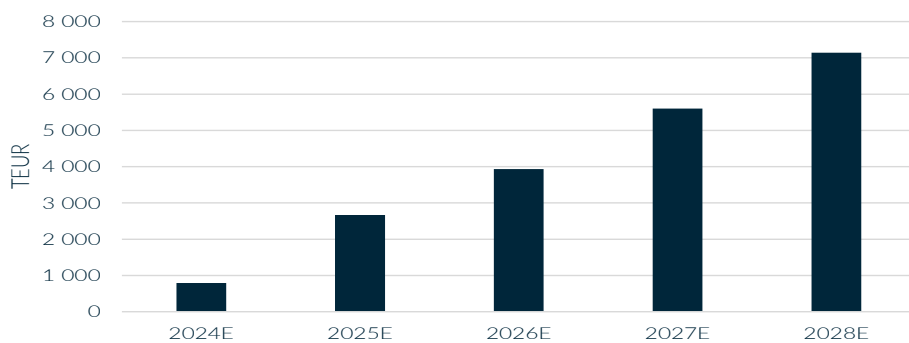
CYBER1 - Sales & Growth



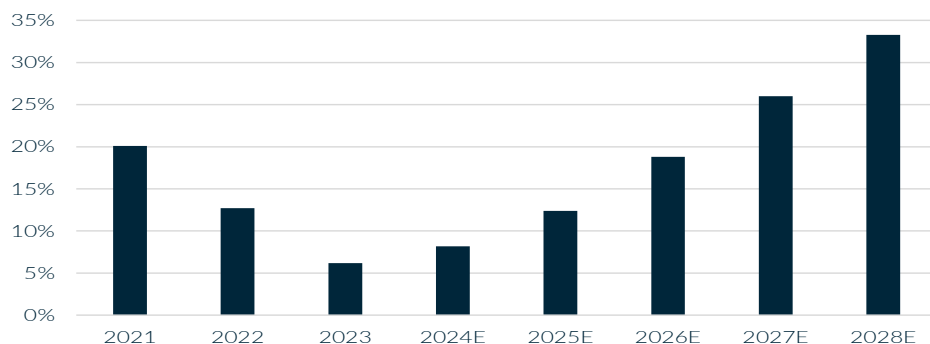
CYBER1 - EBIT & EBIT Margin



CYBER1 - Free cashflow



CYBER1 - Solvency



Cyber Security 1 – Income Statement & Balance Sheet

Income Statement (Teur)	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenue	37 221	46 833	52 905	59 772	66 945	74 309	81 739	87 053
Cost of sales	-27 127	-37 520	-40 795	-46 622	-51 347	-56 103	-60 896	-63 984
Gross profit	10 094	9 313	12 110	13 150	15 598	18 206	20 844	23 069
Gross margin	27%	20%	22,9%	22,0%	23,3%	24,5%	25,5%	26,5%
Personnel costs	-6 346	-8 460	-7 668	-7 701	-8 022	-8 281	-8 562	-8 845
Other expenses	-2 895	-3 950	-3 812	-4 008	-4 355	-4 685	-4 990	-5 141
Depreciation	-323	-541	-419	-751	-698	-661	-627	-597
Operating result	530	-3 638	211	690	2 523	4 578	6 663	8 486
Operating margin	1,4%	-7,8%	0,4%	1,2%	3,8%	6,2%	8,2%	9,7%
Net interest income	3 785	-213	-1 017	-564	-489	-203	-203	-203
Profit or loss after net financial items	4 315	-3 851	-806	126	2 034	4 376	6 461	8 283
Loss from discontinued operation		-15	-1 837					
Taxes	0	0	-26	-26	-419	-901	-1 331	-1 706
Net profit	4 315	-3 866	-2 669	100	1 615	3 474	5 130	6 577
Profit margin	11,6%	-8,3%	-5,0%	0,2%	2,4%	4,7%	6,3%	7,6%

Source: Mangold Insight

Balance Sheet (Teur)	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Assets								
Cash and bank	620	747	728	1 188	506	4 236	9 634	16 573
Trade receivables	16 143	23 500	18 469	24 891	27 512	30 538	33 592	35 775
Deferred tax	0	145	254	254	254	254	254	254
Inventory	6	151	99	319	352	384	417	438
Fixed assets	7 184	8 120	7 507	6 981	6 608	6 272	5 970	5 698
Total assets	23 954	32 663	27 057	33 634	35 232	41 685	49 867	58 738
Liabilities								
Payables	18 628	23 485	19 747	25 993	28 839	31 817	34 869	37 163
Liabilities	510	5 028	5 640	4 890	2 028	2 028	2 028	2 028
Total Liabilities	19 138	28 513	25 387	30 883	30 866	33 845	36 897	39 191
Equity								
Restricted equity	599	269	268	1 168	1 168	1 168	1 168	1 168
Unrestricted equity	4 217	4 334	1 669	1 769	3 384	6 858	11 988	18 565
Non-controlling interests		-453	-267	-186	-186	-186	-186	-186
Total equity	4 816	4 150	1 670	2 751	4 366	7 840	12 970	19 547
Liabilities and equity	23 954	32 663	27 057	33 634	35 232	41 685	49 867	58 738

Source: Mangold Insight

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Mangold analyzed Cyber Security 1 on March 14, 2024.

Mangold's analysts don't own shares in Cyber Security 1.

Mangold does not own shares in Cyber Security 1 such as own inventory.

Mangold owns shares in Cyber Security 1 through an assignment as a liquidity provider.

Mangold has performed services for the Company and has received compensation from the Company based on this.

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Recommendation structure:

Mangold Insight grades stock recommendations over a 12-month term using the following structure:

Buy - An upside in the share of at least 20 percent

Increase - An upside in the stock of 10-20 percent

Neutral - An upside and downside in the stock of 0 to 10 percent

Decrease - A downside of the stock of 10-20 percent

Sell - A minimum of 20 percent downside of the stock