

Cyber Security 1

Mangold Insight - Update - 2023-08-21

Moving towards profitability on a full year basis

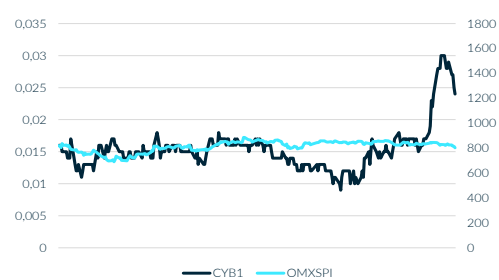
Mangold is updating Cyber Security 1 ("CYBER1") after the second quarter of 2023. CYBER1's revenue increased to MEUR 25.1 (19.3) in the first half of 2023 compared to the same period last year. That represents a growth rate of 30 percent. Gross profit increased to MEUR 5.7 (3.9) during the same period, which corresponds to an increase of 45 percent. EBITDA and profit also turned to black figures; MEUR 0.4 (-1.5) and MEUR 0.0 (-1.9) respectively in the first half of the year. Mangold continues to believe that CYBER1 will reach profitability on a full year basis in 2023 driven by its growth and margin improvements. Given that revenue and gross margin were lower than expected in the second quarter, we are adjusting the 2023 estimate downwards. Personnel costs, investments and other costs were lower than expected, and Mangold downwardly adjusts the cost base estimate moving forward.

Decreasing costs

CYBER1's operating costs fell by 3 percent in the first half of the year, while revenue increased by 30 percent. This is despite the fact that the company made two acquisitions last autumn. The cash amounted to MEUR 0.5 at the end of the quarter, corresponding to approximately MSEK 6.0. Mangold believes that the cash is sufficient provided that the company continues to be profitable, which we also estimate.

Model shows upside

Mangold repeats the target price of EUR 0.055 per share, corresponding to an upside of more than 100 percent. In order to achieve the price target, Mangold believes that the company needs to continue to deliver margin improvements, achieve profitability on an annual basis, and continue to grow at a high pace.



Price development %	1m	3m	12m
CYB1	53,1	129,6	56,0
OMXSPI	-3,9	-5,4	-2,3

Information

Price target (EUR)	Buy 0,055
Risk	Medium
Price (EUR)	0,0248
Market Cap. (MEUR)	25,4
Number of shares (M)	1 025,9
Free float	93%
Ticker	CYB1
Next report	2023-11-15
Website	cyber1.com
Analyst	Pontus Ericsson

Ownership structure	Shares (M)	Capital
Saxo Bank Client A.	241,0	23,5%
Abn Amro Sweden	210,3	20,5%
SIX SIS AG	99,6	9,7%
Morgan Stanley	70,6	6,9%
Robert Brown	68,4	6,7%
Cs (Ch) Client	59,3	5,8%
lbr Financial Services	35,4	3,5%
UBS Switzerland	29,5	2,9%
Total	1 025,9	100%

Key figures

	2022	2023E	2024E	2025E	2026E
Revenue (MEUR)	46,8	57,7	68,7	77,3	87,0
EBIT (MEUR)	-3,6	0,8	2,6	4,3	6,5
Profit before tax (MEUR)	-3,9	0,3	2,1	4,0	6,4
EPS (EUR)	-0,004	0,000	0,002	0,003	0,005
EV/S	0,6	0,5	0,4	0,4	0,3
EV/EBITDA	neg	18,8	8,9	5,9	4,1
EV/EBIT	neg	38,5	11,5	6,9	4,6
P/E	neg	118,9	15,4	8,1	5,0

Investment case

An undervalued defense

Mangold updates the CYBER1 and repeats Buy with repeated price target of EUR 0.055 per share over 12 months. That represents an upside of over 100 percent. The sales estimate has been lowered while the profitability estimate has slightly increased. Mangold sees that CYBER1 continues to have good opportunities to grow at a high pace. It is driven by completed acquisitions, the establishment of SOC and the strong underlying market demand in cybersecurity.

Price target EUR 0,055 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 \$177 billion to \$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 \$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 an undiscovered company and undervalued. The company has generated an operating profit of TEUR 530 in 2021, while they have undergone a reconstruction during the year and written off debts. They have also managed to achieve growth of 36 percent, while costs have been significantly reduced in relation to sales. In 2022, the company completed acquisitions of the companies CSSA and CSAD which strengthened their position in Africa. Overall, Mangold believes that there is an upside available in the CYBER1 share.

Upside to collect in CYBER1's stock

Cyber Security 1 – Update

Higher gross margin and lower revenue

CYBER1's revenue amounted to MEUR 25.1 (19.3) in the first half of 2023, compared to the same period last year. It represents a growth rate of around 30 percent. The growth rate is slightly higher than our full year 2023 estimate of 28.4 percent. However, revenue was about 16 percent lower than our estimate for the quarter, which means that we adjust revenue from MEUR 60.0 to MEUR 57.9 in 2023. Gross profit was 45 percent higher than in the corresponding period of the previous year, which is regarded as a positive development. The gross margin of 22.5 (20.2) percent was significantly higher than in the previous year, but did not reach our full year estimate of 23.3 percent. Mangold chooses to adjust the gross margin down marginally for 2023. CYBER1 still has a positive EBITDA margin for the first half of the year, indicating that the turn to positive figures is holding.

Revenue increased by 30 percent in the first half of the year

CYBER1 - OUTCOME H1 23

(TEUR)	Q2 22	Q2 23	H1 22	H1 23	Diff
Revenues	9 779	11 671	19 266	25 057	30%
Gross profit	1 995	2 537	3 887	5 650	45%
Gross margin	20,4%	21,7%	20,2%	22,5%	
Personnel costs	2 027	1 870	3 859	3 731	-3%
Other expenses	891	657	1 514	1 535	1%
EBITDA	-922	8	-1 486	384	
EBITDA margin	-9,4%	0,1%	-9,1%	1,5%	
Results	-1 187	-75	-1 876	22	
Profit margin	-12,1%	-0,6%	-9,7%	0,1%	

Source: Mangold Insight

Positive cost development

Personnel costs decreased to MEUR 1.9 (2.0) in the second quarter of 2023 compared to last year. Also on a half-yearly basis, the personnel costs decreased MEUR to 3,7 (3,9), which is impressive given that the company acquired CSSA and CSAD in the second half of 2022. Other costs increased marginally in the first half of 2023, falling from MEUR 0,9 to EUR 0,7 in the second quarter. Total operational costs have thus fallen by 3 percent in the first half of 2023, while revenue has increased by 30 percent. The company has managed to streamline the cost structure and Mangold sees improved margins in the future. Mangold has chosen to downscale the investment estimate for 2023 from around MEUR 0,9 to MEUR 0,3 for 2023 as it invested only TEUR 140 in the first half of 2023.

Total operational costs decreased 3 percent in the half year

SOC takes steps forward

In August, CYBER1 signed a 5-year agreement regarding its SOCaaS (Security Operations Center as a Service). The company will supply security and incident management services to a security company established in Africa. CYBER1's SOC was certified ISO (International Organization for Standardization) in August with ISO 27001. The certification shows that the CYBER1 delivers a high quality service that should be able to take market share in the future.

SOC receives ISO certification

Cyber Security 1 – Estimates

Revenue estimate decreased

Mangold estimates that CYBER1 will show a growth rate of 23.3 percent for the full year 2023, down from 28.4 percent. This is justified by the lower-than-expected revenues in the second quarter of 2023. Further sales within the SOC (Security Operation Center), including TRINEXIA Africa (CSAD) and TRINEXIA Southern Africa (CSSA) and the demand for cybersecurity are expected to contribute to growth.

Expected growth rate of 23.3 percent in 2023

CYBER1 - OUTCOME H1 23

Teur	Q1	Q2	Q3E	Q4E	2023E	2023E (Previous estimate)
Sales	13 386	11 671	15 156	17 521	57 734	59 952
Quarterly growth	-18%	-13%	30%	16%	23%	
Profit margin	-12,1%	-0,6%	-9,7%	0,1%		

Source: Mangold Insight

Changes in estimates

Mangold has chosen to adjust down the sales estimate for 2023 given that revenues decreased more than expected. In addition, we have chosen to adjust costs down in future, given the positive developments in the first half of the year. Mangold traces that the gross margin will be lower than the previous estimate, but with a higher EBIT margin from 2024 onwards. Mangold still maintains that CYBER1 is undervalued given expected cash flows and that Mangold's track that the company will report profits during the year. This assumption is supported by the fact that EBITDA amounted to approximately MEUR 0,4 in the first half of 2023.

Reduced revenue estimate and operational costs

CYBER1 - OUTCOME H1 23

	2022	2023E	2024E	2025E	2026E	2027E
Sales	25.8%	28.0%	19.0%	12.5%	12.5%	12.5%
Sales (new)	25.8%	23.3%	19.0%	12.5%	12.5%	12.5%
Gross margin	19.9%	23.3%	24.3%	25.3%	26.3%	27.1%
Gross margin (new)	19.9%	23.0%	24.3%	25.3%	26.3%	27.1%
EBIT margin	-8%	1.6%	3.5%	5.4%	7.3%	8.9%
EBIT margin (new)	-7.8%	1.3%	3.8%	5.6%	7.5%	9.1%

Source: Mangold Insight

Capital need covered on continued profitability

Given that CYBER1 continues to deliver positive results, Mangold sees no reason why it should have to raise additional capital. It should be noted that CYBER1 received loans repayable in 2024 and 2025. One loan of MEUR 1.5 runs until September 2024 can be set off against shares or paid in cash. Given that we calculate without dilution, we assume that the loan is paid in cash. The second loan of MEUR 2,5 can also be set off against shares or cash and matures in June 2025. Mangold assumes that it can pay off the loans in the light of the expected cash flow. Mangold expects an annual interest rate of 10 percent. The cash at the end of the quarter amounted to MEUR 0.5, corresponding to approximately MSEK 6.0.

Assessed to have sufficient capital at continued profitability

Cyber Security 1 – Update continued.

Mixed developments in CYBER1 subsidiaries

CYBER1's various subsidiaries have developed in a mixed way during the second quarter, where half of the subsidiaries turned to negative EBITDA and half continued to deliver strong positive figures. The overall picture shows that the company generates a positive EBITDA at group level. The following is an overview of the first half of the year:

African subsidiaries went strong

CYBER1 - SUBSIDIARY Q2 2023

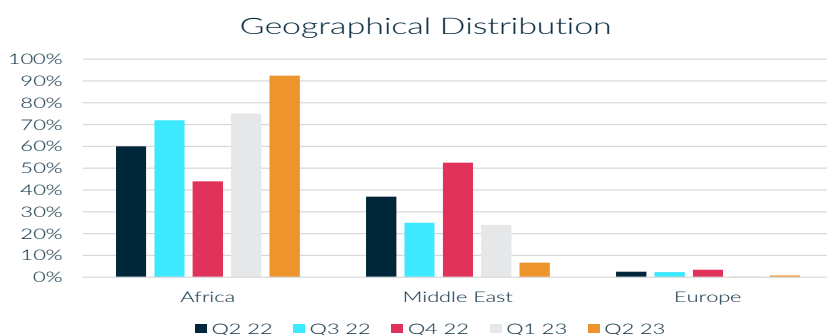
Subsidiary	CYBER1 Solutions	CYBER1 Solutions	CYBER1 Solutions	TRINEXIA	TRINEXIA	TRINEXIA
Region	Southern Africa	East & West Africa	EMEA	Middle East & India	Southern Africa	Africa
Teur	H1 23	H1 23	H1 23	H1 23	H1 23	H1 23
Revenues	12 724	780	600	3 549	2 920	4 960
Gross profit or loss	2 543	235	124	1 083	542	1 069
Gross margin	20,0%	30,1%	20,7%	30,5%	18,5%	21,5%
EBITDA	271	-69	-74	-3	79	146
EBITDA margin	2,1%	-8,9%	-12,3%	-0,1%	2,7%	2,9%

Source: Mangold Insight

Geographical breakdown

CYBER1 has increased the share of revenues from Africa compared to Middle East and Europe since the previous quarter. The highest proportion of revenues from Africa of the company are also those that reported the highest EBITDA margins during the first half of the year. The company has plans to expand in both the Middle East and Europe, where investments in both marketing and various events should be visible in revenue over the next quarters.

Highest proportion of revenues from Africa



Source: Mangold Insight

Developments in CYBER1 Solutions Southern Africa

Within CYBER1 Solutions Southern Africa's revenues amounted to approximately MEUR 12.7 in the first half of 2023. Revenues were 25 percent higher than in the same period of the previous year. Revenue from services including SOC amounted to 10 percent of revenues and 50 percent of revenues related to new customers. The company signed a 5-year agreement within SOC which Mangold States can generate additional revenue with higher margins within this revenue leg. However, the company does not present any value for the contract. EBITDA amounted to approximately MEUR 0.3, which demonstrates the subsidiary's ability to generate positive cash flows.

25 percent more revenue

Cyber Security 1 – Update cont.

CYBER1 Solutions Kenya

CYBER1 Solutions Kenya reported revenue of approximately MEUR 0.8 in the first half of 2023. Political uncertainty marked by protests and mass demonstrations has taken place in Kenya. The subsidiary has adapted the business with a hybrid approach with a focus on private organizations to minimize the impact. The company states that it has a strong pipeline for the rest of 2023, which should be converted into significantly higher revenue than in the second quarter of 2023.

Political uncertainty affects operations during the quarter

CYBER1 Solutions EMEA

Revenue was lower than the previous quarter and amounted to approximately MEUR 0.6 on a full-year basis. Since its establishment in London, the company has participated in several events around the cybersecurity conference InfoSec UK. The subsidiary generated a negative EBITDA of MEUR -0,074 which is a decrease from a positive EBITDA in the previous quarter. Mangold's believes that CYBER1 can take market shares in Europe through its SOC and contracts with key suppliers.

Investing in marketing during the quarter

TRINEXIA

Middle East and India

In TRINEXIA Middle East and India, revenues amounted to approximately MEUR 3.55 in the first half of 2023. The gross margin has increased to 31 percent for the period, compared to 17 percent in the same period last year. EBITDA was marginally negative for the first half of the year and significantly more business is expected in the second half of 2023. The company has participated in nine events in the Middle East with almost a thousand potential new customers. This, together with a seasonal variation in sales, is expected to lead to significantly higher revenues for the rest of 2023.

Substantially improved gross margin

Southern Africa

Within TRINEXIA Southern Africa (formerly CSSA), revenue amounted to approximately MEUR 2.9 during the first half of the year. EBITDA remained positive at MEUR 0,08 during the first half of the year. The company is included in the accounts from the third quarter of 2022 and is expected to contribute to the expected growth in 2023.

Strong development is expected to continue

Africa

TRINEXIA Africa (formerly CSAD) delivered a strong first half year with approximately MEUR 5,0 in revenue. The EBITDA remained positive at around MEUR 0,15. New customers reached 53 percent in the second quarter, which shows the company's ability to generate new business. The company was included in the accounts during the fourth quarter of 2022.

Included in the third quarter 2022 accounts

Cyber Security 1 – Valuation

Undervalued share

Mangold uses a DCF model to value CYBER1. The fair value per share is EUR 0.054, and we repeat the price target of 0.055 euro per share. It represents an upside of over 100 percent. CYBER1's exchange rate developments have been very positive in recent months, with an increase of approximately 130 percent over the last three months. Mangold view is despite this that the company remains undervalued in terms of future cash flows.

Price target EUR 0,055 per share

CYBER1 - DCF

(TEUR)	2023E	2024E	2025E	2026E	2027E
EBIT	772	2 587	4 326	6 520	8 935
Free cash flow	1 337	3 306	4 161	5 025	6 931
Terminal value					69 307

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

Fair Value

Enterprise value	59 612
Equity value	55 331
Fair value per share (EUR)	0,054

Source: Mangold Insight

Sensitivity analysis

Mangold has conducted a sensitivity analysis to test the model's outcome given different sales levels and yield requirements. If CYBER1 reaches 80 percent of the estimated sales, the fair value will fall to EUR 0.049 per share. If the sale increases by 20 percent, the fair value rises to EUR 0.059 per share. Changes in the required rate of return affect the price target more than changes in sales. In conclusion, the model shows a range between EUR 0,040 and EUR 0,076 per share. The model shows an upside regardless of sales and required return in the model, which indicates that the company is undervalued.

Valuation range between EUR 0,040 and EUR 0,076 per share

CYBER1 - SENSITIVITY ANALYSIS

Req. return %	0,8x	Base Sales (x)	1,2x
10	0,063	0,069	0,076
12	0,049	0,054	0,059
14	0,040	0,044	0,048

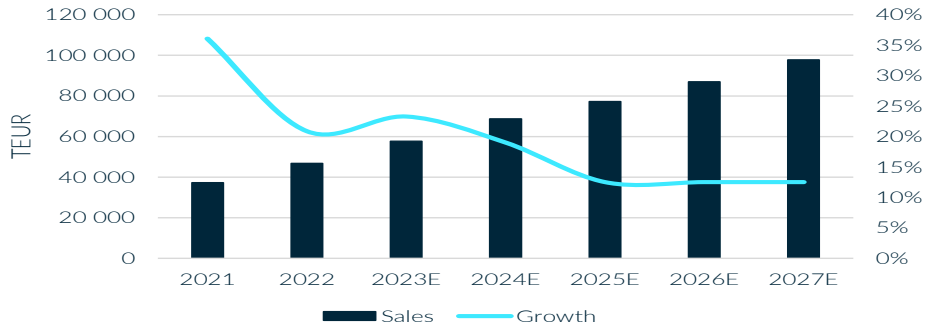
Source: Mangold Insight

Cyber Security 1 – SWOT

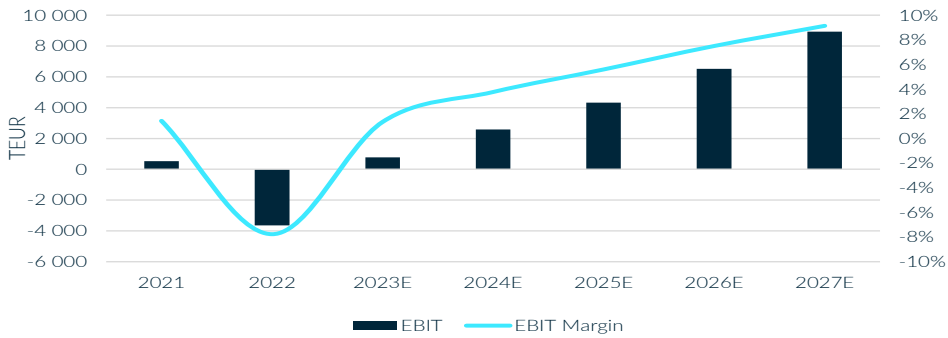


Cyber Security 1 – Appendix

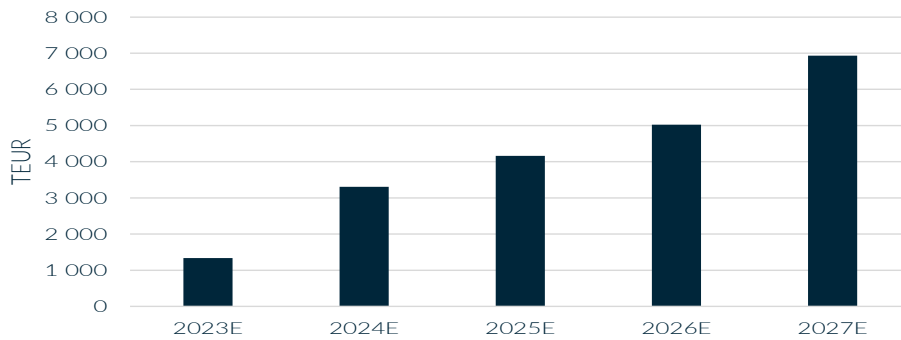
CYBER1 - Sales & Growth



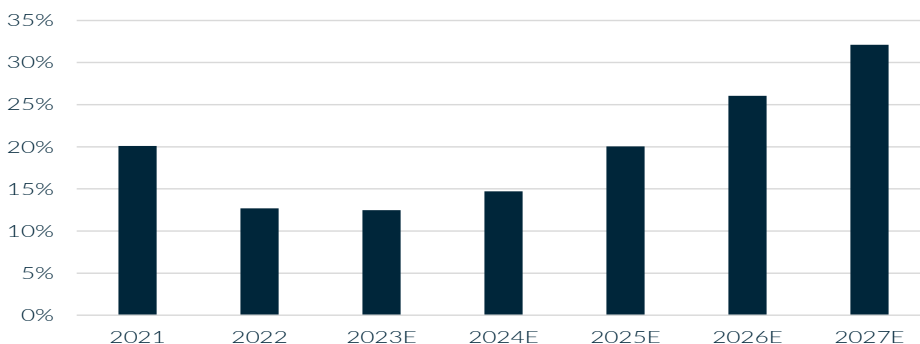
CYBER1 - EBIT & EBIT Margin



CYBER1 - Free cashflow



CYBER1 - Solvency



Cyber Security 1 – Income Statement & Balance Sheet

Income Statement (Teur)	2021	2022	2023E	2024E	2025E	2026E	2027E
Revenue	37 221	46 833	57 734	68 703	77 291	86 952	97 821
Cost of sales	-27 127	-37 520	-44 455	-52 008	-57 736	-64 084	-71 312
Gross profit	10 094	9 313	13 279	16 695	19 555	22 868	26 510
Gross margin	27%	20%	23%	24%	25%	26%	27%
Personnel costs	-6 346	-8 460	-8 218	-9 291	-9 930	-10 501	-11 104
Other expenses	-2 895	-3 950	-3 476	-4 053	-4 560	-5 130	-5 771
Depreciation	-323	-541	-812	-763	-739	-718	-699
Operating result	530	-3 638	772	2 587	4 326	6 520	8 935
Operating margin	1%	-8%	1%	4%	6%	7%	9%
Net interest income	3 785	-213	-503	-503	-353	-103	-103
Profit or loss after net financial items	4 315	-3 851	269	2 085	3 973	6 417	8 832
Part of net profit from partnership		-15					
Taxes	0	0	-56	-429	-818	-1 322	-1 819
Net profit	4 315	-3 866	214	1 655	3 154	5 095	7 013
Profit margin	12%	-8%	0%	2%	4%	6%	7%

Source: Mangold Insight

Balance Sheet (Teur)	2021	2022	2023E	2024E	2025E	2026E	2027E
Assets							
Cash and bank	620	747	1 581	2 885	4 193	9 115	15 943
Trade receivables	16 143	23 500	25 308	30 116	33 881	38 116	42 881
Deferred tax		145	145	145	145	145	145
Inventory	6	151	304	356	395	439	488
Fixed assets	7 184	8 120	7 630	7 392	7 178	6 985	6 812
Total assets	23 954	32 663	34 969	40 894	45 792	54 800	66 269
Liabilities							
Payables	18 628	23 485	25 577	31 347	35 591	39 504	43 959
Liabilities	510	5 028	5 028	3 528	1 028	1 028	1 028
Total Liabilities	19 138	28 513	30 605	34 875	36 619	40 532	44 987
Equity							
Restricted equity	599	269	269	269	269	269	269
Unrestricted equity	4 217	3 881	4 095	5 750	8 904	13 999	21 012
Total equity	4 816	4 150	4 364	6 019	9 173	14 268	21 281
Liabilities and equity	23 954	32 663	34 969	40 894	45 792	54 800	66 268

Source: Mangold Insight

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Mangold analyzed Cyber Security 1 on May 29, 2023.

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.

Mangold is under the supervision of the Swedish Financial Supervisory Authority.

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