REDEYE

Cybersecurity report 2023





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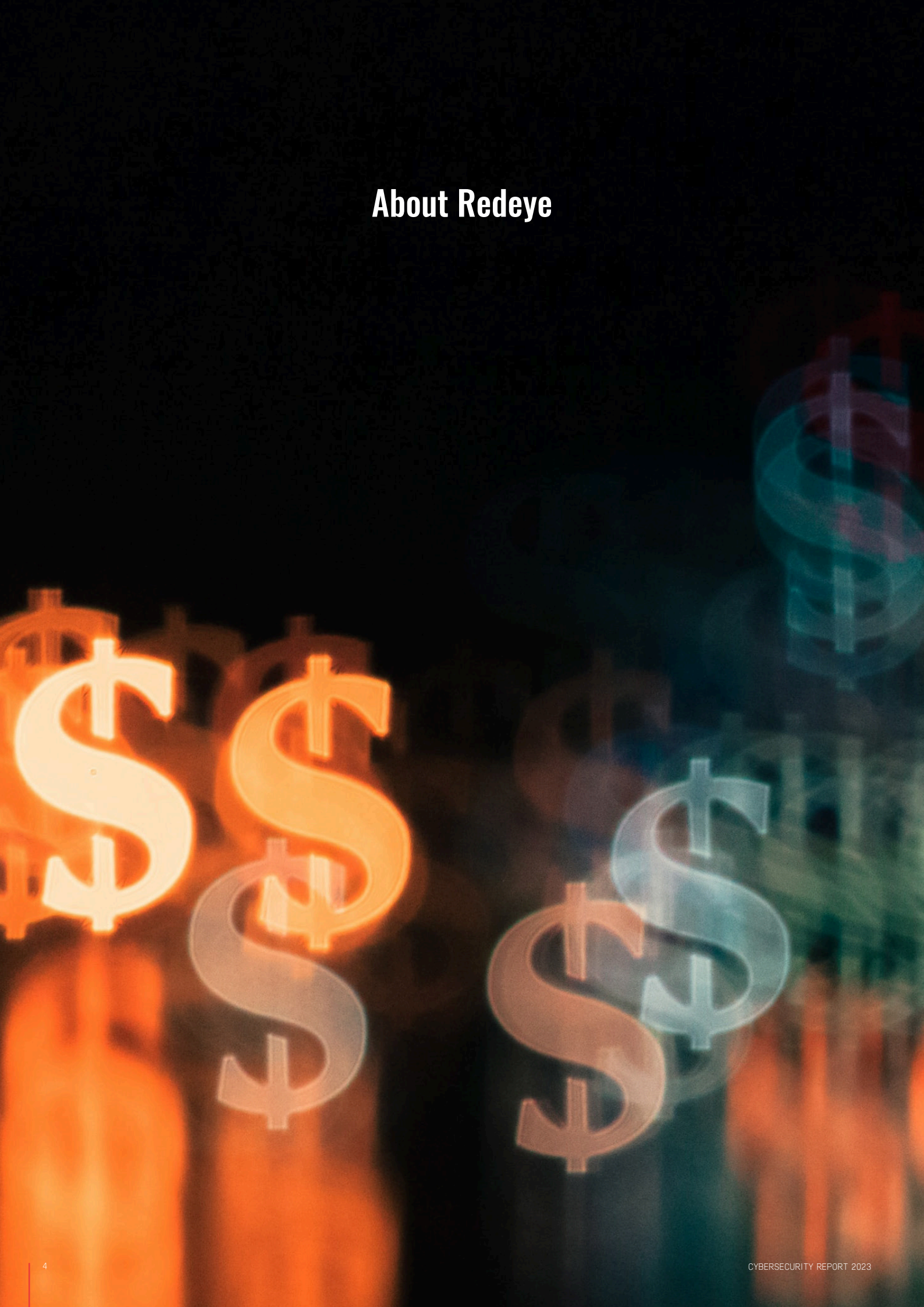
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About Redeye



Redeye at a Glance

Focusing on Growth Companies within the Tech and Life Science Sectors

Founded 1999

Under supervision of the Swedish FSA

Corporate Finance 150+

150+ transactions executed over the last five years

Employees 75+

Analysts: 30, Corporate Advisory: 25

Certified Adviser 50+

50+ public corporates as clients

Corporate Broking 170+

170+ public corporates as clients

Key Specialties Tech & Life Science

STRONG, INTERNATIONAL INVESTOR NETWORK

Institutions investing in Small and Micro Cap 75

HNWIs, Family Offices, "Instividuals" & Institutional Investors 350

International Funds 25

Registered members, redeye.se 110,000+

Past Transaction in Technology & Life Science

In-depth Sector Knowledge and Track Record that Makes a Difference

2023

Mestro **SEPTEMBER 2023** Directed Issue 12 MSEK	neodynamics **AUGUST 2023** Rights Issue 58 MSEK	CLS **JUNE 2023** Rights Issue Joint Lead Manager 114 MSEK	BIOSERVO **JUNE 2023** Rights Issue 37 MSEK	ALLIGATOR bioscience **MAY 2023** Rights Issue Joint Global Coordinator 181 MSEK
JUMPGATE **APRIL 2023** Rights Issue 63 MSEK	OBLIQUE THERAPEUTICS **FEBRUARY 2023** Private Placement SEK 54 MSEK	ORTOMA improved performance **FEBRUARY 2023** Rights Issue SEK 63 MSEK	COALA **FEBRUARY 2023** Rights Issue 84 MSEK	ES ENERGY SAVE **FEBRUARY 2023** Directed Issue and Secondary Placement – Joint Bookrunners and Joint Lead Manager 279 MSEK
ES ENERGY SAVE **FEBRUARY 2023** Directed Issue & Secondary Pl. 279 MSEK	THING **JANUARY 2023** Directed & Rights Issue 30 MSEK	THING **JANUARY 2023** Directed Issue - Rights Issue 27 MSEK		

2022

advenica **JULY 2022** Rights Issue SEK 66 MSEK	SOFTHOUSE **JUNE 2022** Private Placement SEK 27 MSEK	NGENIC **JUNE 2022** Rights Issue SEK 25 MSEK	VERTISEIT **APRIL 2022** Public Take-Over on MultiQ 197 MSEK	CombinedX **MARCH 2022** IPO 60 MSEK
Biocrine **DECEMBER 2022** Private Placement 13 MSEK	acarix **DECEMBER 2022** Rights Issue 33 MSEK			



The cybersecurity market

Investment case

Growing cybersecurity demands

Perfect storm creating opportunity

- Growing geopolitical tensions
- Lack of governance and law enforcement models
- Legacy security models are unable to detect and prevent modern threats
- Speed of attacker innovation
- Increased network connectivity expands the attack surface e.g., mobile, social, cloud, IoT, OT (manufacturing)
- Remote work
- Growing internet population: 5.2bn by April 2023 (up from 3.4bn in 2016), drastically increasing processed data

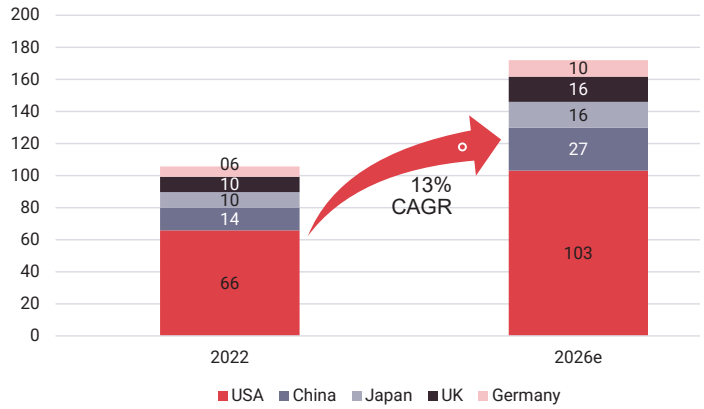
Trends to keep in mind

- Point solutions are increasingly subsumed into platforms – the goal of vendors is to offer all-encompassing platforms
- Automation will grow thanks to efficacy requirements (e.g., increased adoption of AI/ML) and skills shortage
- The market is far from mature – this is seen in the number of new entrants employing new tech/models, leading to fragmented sectors
- Consolidation will likely accelerate across fragmented and very competitive sectors, e.g., endpoint and IAM
- Cloud adoption is on the rise: Many companies already employ a multi-cloud strategy

Size and growth

USA the largest market today – and is expected to remain so

Top-5 largest cybersecurity markets 2022 and expected in 2026, USDbn

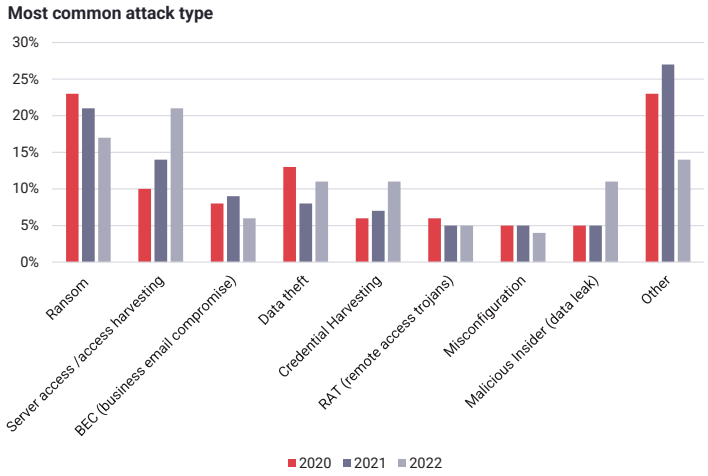


- Cybersecurity already a USD100bn market
- USA biggest market today – and tomorrow
- China with fastest growth, 17% CAGR

Source: Statista, financial statements of leading stakeholders, national US organizations, World Economic Forum

Most common cyberattacks

Ransomware still most common – but other types are closing in

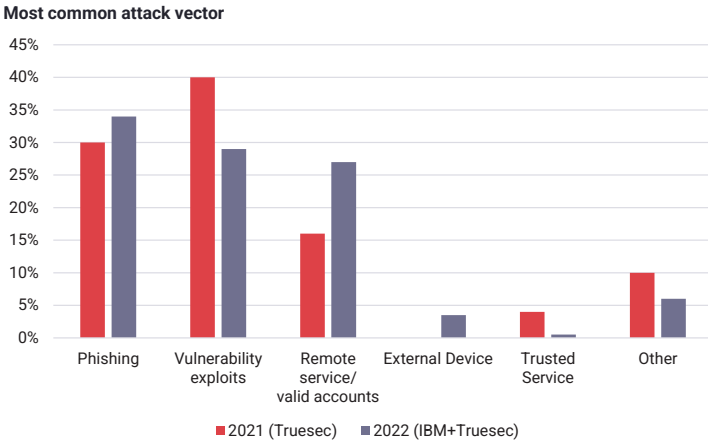


- Ransomware is generally the most common attack
  - = Malware designed to deny a user or organization access to files on their computer
  - Paying the ransom is often the easiest and cheapest way to regain access to the files
- The dip in ransomware in 2022 (mainly H1) was only temporary – 25% share in H2 2022
  - Cybercriminals had to reorganize financial activities due to sanctions after Russia invaded Ukraine

Source: Truesec Threat Intelligence Report 2023, IBM X-Force Threat Intelligence Index 2022 and 2023

Top attack vectors for ransomware attacks

Top-3 remain constant – but using valid credentials is becoming more common



Top 3 attack vectors remain the same as in 2021:

1. Phishing emails
2. Vulnerability exploits
3. Valid credentials

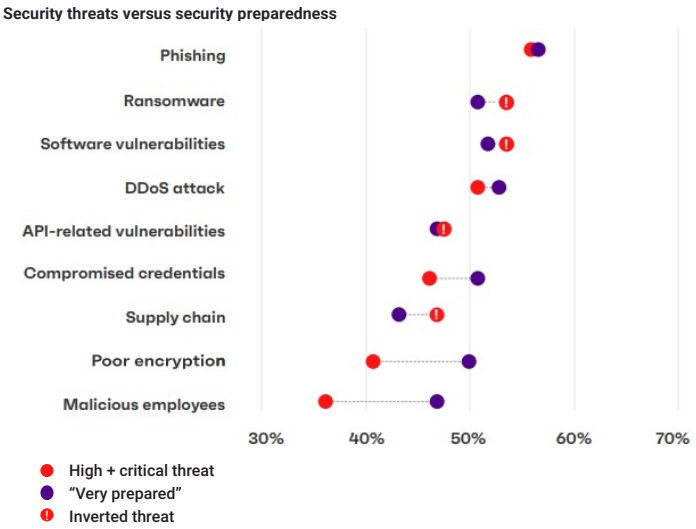
Using valid credentials for remote services, e.g., VPN and RDP, grew in popularity in 2022.

Rapidly growing market of cybercriminals stealing credentials and selling them to other cybercriminals.

Source: Truesec Threat intelligence report 2023, IBM X-Force Threat Intelligence Index 2022 and 2023

Security threats versus security preparedness

Companies believe they are prepared for most threats – but known weaknesses exist



Source: Ivanti, A 2023 Cybersecurity Status Report

- Most companies believe they are prepared to meet the growing threat landscape
  - Approximately 50% believe they are "very prepared" to face most threats
- Supply chain threats, ransomware, and software vulnerabilities – areas with insufficient protection

Cloud Security

Increased capacity and scalability, but centralized cloud storage also poses threats

Cloud gives rise to benefits and concerns

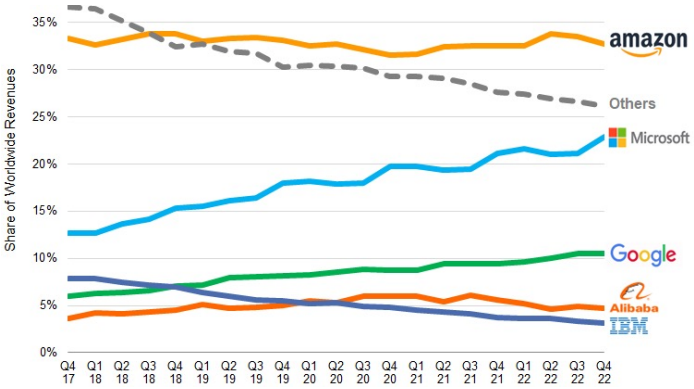
Companies are centralizing more data than ever thanks to cloud storage, where many employees, third-party contractors, and others are given access. Although the benefits are many (e.g., increases in capacity, scalability, and agility), a McKinsey study states that 95% of organizations were moderately to extremely concerned about the security of public clouds

Opportunities for new entrants to grow in cloud

Cloud poses a secular shift for many industries, as data storage is centralized rather than stored in-house. Given the increased concentration of data, a potential breach could have profound implications for cloud customers.

Thus, cloud providers will likely continue spending large amounts of resources to prevent cybercrime. Although the industry's largest players (e.g., Amazon and Microsoft) have significant in-house competence, others are likely to take advantage of external actors to help secure their offering. This will provide a significant opportunity for new companies, as well as existing firms, to scale up their operations.

Top cloud providers as of Q4 2022 by market share



Source: Synergy Research Group, McKinsey, Statista

AWS maintaining lead, but Microsoft is fast closing in

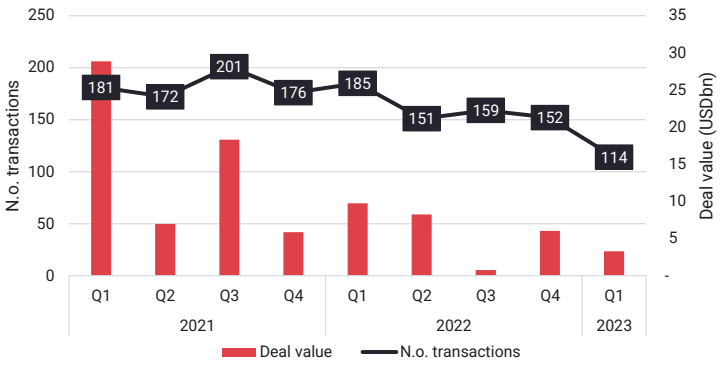
Among top cloud providers, Amazon Web Services (AWS) is maintaining its market leadership with c33% market share. However, both Microsoft Azure and Google Cloud Platform are growing fast – having grown their market shares from 13% and 6% in Q4'17 to 23% and 11% in Q4'22.

M&A activity



M&A
Low activity

Total deal value & volume



- Transaction volume has come down since Russia invaded Ukraine
  - This is also when valuations became lower
- Kaseye and Google have made the largest acquisitions, valued at USD5-6bn each, since Q2'22

Target	Acquirer	Deal value (USDm)	Date announced	Deal type
Datto	Kaseye	6 200	Apr, 2022	Acquisition
Mandiant	Google	5 400	Mar, 2022	Acquisition
Vivint Smart Home	NRG Energy	5 200	Dec, 2022	Acquisition
Magnet Forensics	Morpheus Purchaser	1 334	Jan, 2023	Acquisition
EtQ	Hexagon	1 200	Feb, 2022	Acquisition

Source: GlobalData Technology Intelligence Center (Data) Redeye research (Chart structuring)

Appendix



Authors



Jesper von Koch

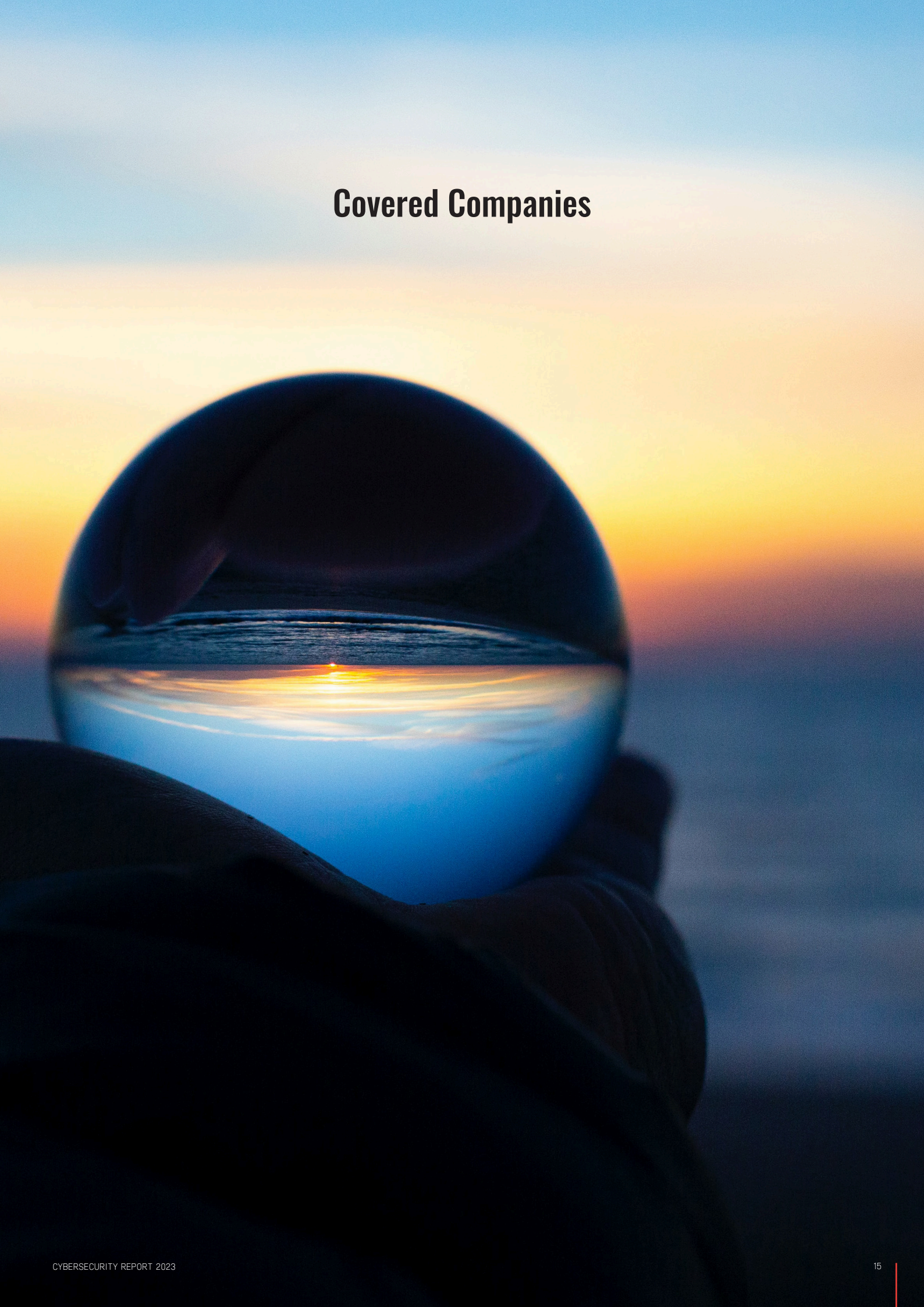
At a young age I started a community for investors. A hobby that led seamlessly into my present job, as an equity analyst on Redeye´s tech team. However, I still tend to think of myself as an investor rather than as a traditional analyst, which can be an edge sometimes. My background as a civil engineer also comes in handy in understanding the technological aspect of a company. Having said that, it is still the business side I find most intriguing.



Fredrik Reuterhäll

My background as an entrepreneur and as a buy-side trader from one of the larger emerging market funds is key in my work as an equity research analyst at Redeye. I am very interested and fascinated by the art of developing and managing companies. I believe I have an eye for patterns and trends and I get a kick out of completing projects and move on to the next one.

Covered Companies



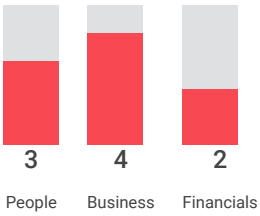
Advenica ADVE

Company page
https://www.redeye.se/company/advenica

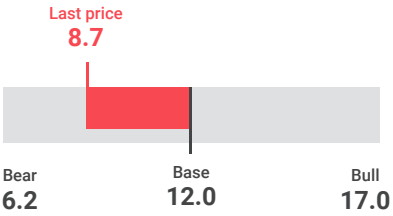
Publication date
September 12 2023

Redeye Rating

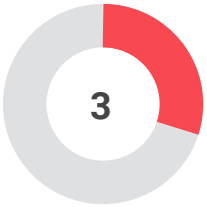
COMPANY QUALITY



FAIR VALUE RANGE

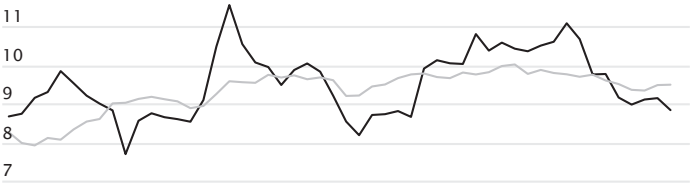


TIMELINESS



Snapshot

Advenica
OMXS30





Marketplace	First North Stockholm
CEO	Marie Bengtsson
Chairman	Per Wargéus

Share information

Share price (SEK)	8.7
Number of shares (M)	44.0
Market cap (MSEK)	384
Net debt (2023E, MSEK)	-86

Analyst



Fredrik Reuterhäll
fredrik.reuterhall@redeye.se

Conflict of interests

Fredrik Reuterhäll owns shares in Advenica: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2021	2022	2023E	2024E	2025E
Revenue, MSEK	101	118	161	204	234
Growth	*20.0%*	*16.9%*	*36.2%*	*26.7%*	*14.2%*
EBITDA	-15	-2	5	11	15
EBITDA margin	*Neg*	*Neg*	*3.0%*	*5.4%*	*6.6%*
EBIT	-15	-2	5	11	16
EBIT margin	*Neg*	*Neg*	*3.3%*	*5.6%*	*6.8%*
Pre-tax earnings	-17	-2	6	11	16
Net earnings	-17	-2	5	10	13
Net margin	*Neg*	*Neg*	*3.0%*	*5.1%*	*5.4%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.48	-0.05	0.12	0.26	0.31
P/E adj.	-25.3	-210.9	85.3	39.6	32.8
EV/S	-0.1	3.1	2.3	1.8	1.6
EV/EBITDA	0.5	-223.4	75.1	33.1	23.5

Last updated: 2023-06-09

Owner	Equity	Votes
Familjen Linde	33.2%	33.2%
Fredrik Rapp	22.0%	22.0%
Avanza Pension	5.0%	5.0%
Clearstream Banking S.A. W8imy	4.6%	4.6%
Fjärde AP-fonden	4.3%	4.3%
Mikael Sandberg	3.7%	3.7%
BNP Paribas SA Jersey	2.7%	2.7%
Nordnet Pensionsförsäkring	2.3%	2.3%
Hans Hillberg	1.0%	1.0%
Pei-Quan Ye	0.9%	0.9%

Company description

Advenica, a leading Swedish cybersecurity firm, has established itself as a trusted provider of advanced encryption systems and products for network segmentation solutions. With 30 years of experience in developing high-quality technical solutions and hardware, the company has garnered an impeccable reputation among demanding clients, including governments and European defense industries. As one of only four companies in the world with EU-approved producing SECRET VPN technology, Advenica occupies a unique position in the market.

The company has demonstrated a strong order inflow past years and improved gross margin, which increased from 37% in 2014 to 84% today. This trend suggests that Advenica is well-positioned to capitalize on the growing demand for cybersecurity solutions in the years to come. Furthermore, the company's operational profit has steadily improved over the last five years, with Advenica posting a profit in last two quarters. This performance indicates that the company is poised for profitable growth moving forward.

As digitalization accelerates across critical infrastructure systems, for example power distribution and air traffic control, there is an increasing need for robust security measures to protect high-value data. With 80% of its revenue currently derived from the defense industry, Advenica is well-positioned to meet the surging demand from governments and private organizations seeking to bolster their IT defenses against the rising threat of cyberattacks.

Investment thesis

Case

Advenica, a leading Swedish cybersecurity firm

Advenica, a leading Swedish cybersecurity firm, has established itself as a trusted provider of advanced encryption systems and products for network segmentation solutions. With 30 years of experience in developing high-quality technical solutions and hardware, the company has garnered an impeccable reputation among demanding clients, including governments and European defense industries. As one of only four companies in the world with EU-approved producing SECRET VPN technology, Advenica occupies a unique position in the market. The company has demonstrated a strong order inflow past years and improved gross margin, which increased from 37% in 2014 to 82% today. This trend suggests that Advenica is well-positioned to capitalize on the growing demand for cybersecurity solutions in the years to come. Furthermore, the company's operational profit has steadily improved over the last five years, with Advenica posting a profit in last two quarters. This performance indicates that the company is poised for profitable growth moving forward. As digitalization accelerates across critical infrastructure systems, for example power distribution and air traffic control, there is an increasing need for robust security measures to protect high-value data. With 80% of its revenue currently derived from the defense industry, Advenica is well-positioned to meet the surging demand from governments and private organizations seeking to bolster their IT defenses against the rising threat of cyberattacks.

Evidence

Growth prospects for the coming years are likely to remain resilient

Advenica's growth prospects for the coming years are likely to remain resilient, even in the face of a potential recession. The company's product cycles span multiple years, and the robust demand for its offering should continue to drive revenue growth.

Challenge

Lack of transparency of orders and clients

Advenica operates in a highly secretive industry, which can mean limited visibility into its order pipeline and client base. This lack of transparency can make it difficult for investors to accurately assess the company's future prospects and potential risks. However, the historical order book builds trust and should prove just as robust in the future.

Challenge

High R&D costs and scalability issues

The company produces both cutting-edge hardware and software products, and the need for continuous research and development can elevate costs, making it challenging to scale the business. However, Advenica receives funding when developing specific new products together with clients.

Valuation

Base case: SEK13

In our base case, we assume FMV will remain Advenica's largest client for the foreseeable future, while private costumers will increase slightly over time. Continuously stable order intake will smooth out future revenue and support organic growth. Revenues for 2023: SEK161m Revenue CAGR for 2023–2027: 21% Terminal growth: 3% Avg. EBIT margin for 2023–2027: 7% Terminal EBIT margin: 9%

Catalyst types

- **Developing partnerships with large IT consultant companies**

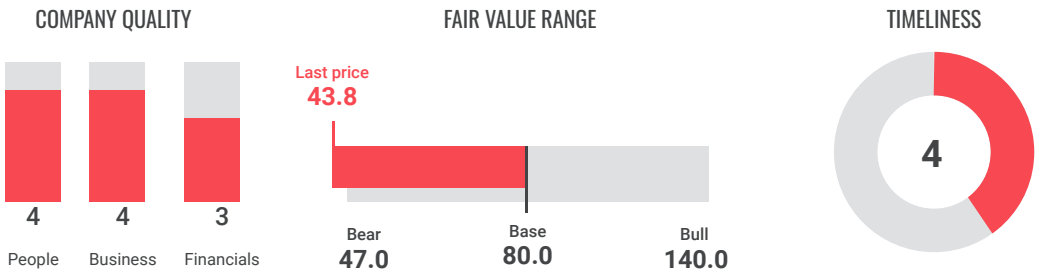
By forging strategic partnerships with established IT consulting firms, Advenica can potentially broaden its reach and expand its customer base. These partnerships can also provide access to additional resources and expertise, which could enhance the company's offering and fuel its growth.

Enea ENEA

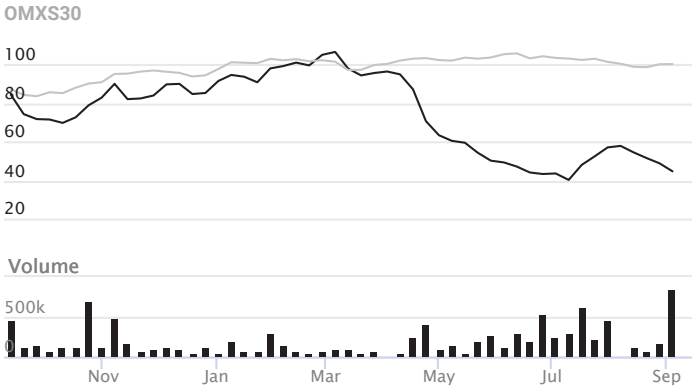
Company page
https://www.redeye.se/company/enea

Publication date
September 12 2023

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Anders Lidbeck
Chairman	Kjell Duveblad

Share information

Share price (SEK)	43.8
Number of shares (M)	21.9
Market cap (MSEK)	956
Net debt (2023E, MSEK)	286

Analyst



Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Enea: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2021	2022	2023E	2024E	2025E
Revenue, MSEK	994	959	941	919	995
Growth	*6.9%*	*-3.4%*	*-1.9%*	*-2.3%*	*8.3%*
EBITDA	375	292	196	250	264
EBITDA margin	*37.8%*	*30.5%*	*20.9%*	*27.2%*	*26.5%*
EBIT	214	118	-507	80	94
EBIT margin	*21.6%*	*12.3%*	*Neg*	*8.7%*	*9.4%*
Pre-tax earnings	220	101	-558	53	67
Net earnings	199	203	-579	42	53
Net margin	*20.0%*	*21.2%*	*Neg*	*4.5%*	*5.3%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	10.26	4.94	-26.47	1.91	2.43
P/E adj.	26.5	9.3	-1.7	24.1	19.0
EV/S	6.1	1.4	1.4	1.2	1.0
EV/EBITDA	16.2	4.5	6.6	4.5	3.8

Last updated: 2023-07-18

Owner	Equity	Votes
Per Lindberg	34.1%	34.4%
Avanza Pension	12.1%	12.2%
Första AP-fonden	7.8%	7.8%
Handelsbanken Fonder	6.9%	7.0%
The Bank Of New York Mellon Sa/Nv	6.3%	6.3%
C WorldWide Asset Management	4.9%	4.9%
Swedbank Robur Fonder	3.2%	3.2%
Fondita Fund Management	2.6%	2.6%
HSBC Bank Plc	2.4%	2.5%
Canaccord Genuity Wealth Management	2.4%	2.5%

Company description

Enea is one of the world's leading specialists in software for telecommunications and cybersecurity. The company's cloud-native products are used to enable and protect services for mobile subscribers, enterprise customers, and the Internet of Things. More than 3 billion people rely on Enea technologies in their daily lives. Enea's previous main competitive disadvantage was related to its large key accounts exposure (Ericsson & Nokia), but this dependency has decreased over time, following larger acquisitions. Now, these accounts only account for about 10% of revenues. Enea has transitioned to SaaS in many contracts, which has resulted in more stable recurring revenues - over 50% of total sales. The customers pay a license fee per engineer when developing its products with Enea's technology. The company also in most cases earns royalty revenue per sold unit with integrated Enea technology. Enea invests over 20% of sales in R&D within the many growth areas mentioned above.

Investment thesis

Case

Scalable software company with market-leading positions in 5G and cybersecurity - ready for turnaround

Enea has a long history of pioneering the telecom industry - at the beginning, through consulting and then through software and service offerings. Since 2016, the company has made a significant transition. Enea has moved from being a software company in Operating Systems towards mainly Nokia and Ericsson, with consulting on top, to having sold its consulting leg and replaced Operating Systems with a new forward-tilted business unit - Network Solutions. The new Enea constitutes a group of leading niche software for 5G and cybersecurity. Enea has historically strong EBIT margins exceeding 20% and healthy growth. In recent years, the organic growth in Network Solutions has been poor, and the resulting profitability has declined. On top of this, Enea completed one acquisition per year between 2016 and 2021. The poor organic growth and shrinking profitability have caused the share price to tumble. With new-old CEO, Anders Lidbeck, back as Interim CEO, we sense that a turnaround is probable.

Evidence

New-old CEO, Anders Lidbeck, back in the driver's seat - ready for action

Anders Lidbeck led Enea in the years between 2011 to 2019 - making the company being viewed as highly qualitative. Poor operatonal execution between 2020 and the first half of 2023 then caused Enea's board of directors (led by Mr. Lidbeck) to take firm action - leading to dismissing the old CEO and letting Lidbeck stepping in once again. An initial cost-savings program of SEK60m per year has already been announced - and we sense that more savings are coming if growth does not accelerate soon.

Challenge

Low organic growth in the 'growth leg' and pressure on profitability

While Enea has gone through a challenging transition period, moving from Operating Systems to Network Solutions, Enea has struggled to obtain organic growth in Network Solutions. This is despite paying rather high valuation multiples for its acquisitions. Since 2016, we assess organic growth in Network Solutions to have been around 5%. The poor organic growth and a slowly growing cost base have resulted in a trailing 12-month EBIT margin not exceeding Enea's 20% target for the first time in many years. While we expect a rebound in profitability in 2024e, we do not anticipate historical profitability levels anytime soon.

Challenge

Uncertainty around the rollout of 5G

Enea states that it will benefit from the change from 4G to 5G - while 5G will drive new income streams, it does not expect 4G revenues to be held up by less developed markets going from 2G or 3G to 4G. Regarding 5G, Enea will participate in the 'core network' buildout, which implies the latter part of the rollout. 5G has been substantially delayed compared to industry expectations, so Enea's 5G investments have not yet paid off. If or when it does, Enea is likely to regain its former margins and growth rates.

Valuation

Depressed share price does not include any market tailwind from 5G

Enea's share price has taken a brutal hit lately, tumbling from around SEK280 to today's level of SEK46. Partly, we think this is because the company has revealed a lower share of reliable recurring revenue than investors previously anticipated. However, today's share price doesn't include any 5G-related growth. The rollout of 5G has barely started for Enea's account, as the company is mainly exposed to the 5G core network. Enea has been honest about being too early with its efforts to prepare itself for 5G exposure. However, the early attempts have been the right ones, but macroeconomic factors have delayed the rollout.

Catalyst types

Value-accretive acquisitions

Enea has a strong history of making value accretive acquisitions. Since 2016, Enea has made roughly one acquisition per year. Due to Enea's strong cash conversion, the company is likely to keep acquiring businesses to strengthen its position in 5G and cybersecurity. Acquiring new companies to attractive multiples with the following sales and cost synergies is a clear trigger for the valuation.

Major 5G contracts

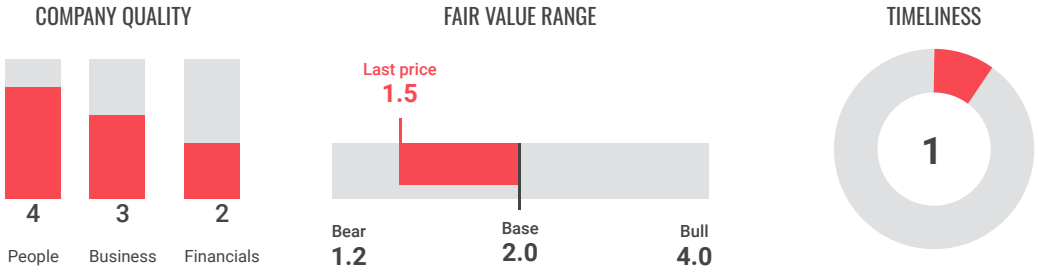
Enea has won two major 5G contracts related to subscription data management, for total contract values of over EUR 40m. We believe there is a lot more to come in this space.

SSH Communications SSH1V

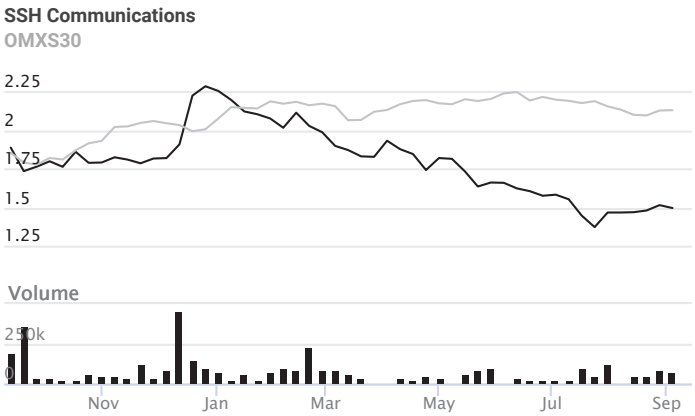
Company page
https://www.redeye.se/company/ssh-communications

Publication date
September 12 2023

Redeye Rating



Snapshot



Marketplace	NASDAQ Helsinki
CEO	Teemu Tunkelo
Chairman	Henri Österlund

Share information

Share price (EUR)	1.5
Number of shares (M)	40.6
Market cap (MEUR)	61
Net debt (2023E, MEUR)	-3

Analyst



Fredrik Reuterhäll
fredrik.reuterhall@redeye.se

Conflict of interests

Fredrik Reuterhäll owns shares in SSH Communications: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2021	2022	Redeye Estimates 2023E	2024E
Revenue, MEUR	16	19	22	26
Growth	*41.5%*	*20.7%*	*14.6%*	*17.5%*
EBITDA	1	0	3	5
EBITDA margin	*6.6%*	*Neg*	*13.8%*	*18.0%*
EBIT	-2	0	0	1
EBIT margin	*Neg*	*Neg*	*Neg*	*4.9%*
Pre-tax earnings	-2	-1	0	1
Net earnings	-2	-1	0	1
Net margin	*Neg*	*Neg*	*Neg*	*3.9%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.06	-0.01	0.00	0.02
P/E adj.	-49.2	-188.1	-2,575.5	88.2
EV/S	7.0	4.4	3.9	3.4
EV/EBITDA	105.3	-224.2	28.3	18.7

Last updated: 2023-04-27

Owner	Equity	Votes
Accendo Capital	28.9%	28.9%
Tatu Ylönen	17.7%	17.7%
Timo Syrjälä	8.2%	8.2%
Juha Mikkonen	5.1%	5.1%
Elo Mutual Pension Insurance Company	3.9%	3.9%
Ilmarinen Mutual Pension Insurance Company	2.6%	2.6%
Varma Mutual Pension Insurance Company	1.9%	1.9%
Eva Syrjänen	1.2%	1.2%
Risto Juhani Kettunen	1.2%	1.2%
AC Invest Oy	0.9%	0.9%

Company description

In essence, SSH provides best-of-breed IT security products to a large (5,000+) installed customer base, comprising international Fortune 500 companies, small and medium-sized enterprises (SMEs), and governmental agencies. Historically, it has operated two on-premise flagship products:

Tectia – a solution to protect connections to critical IT environments and enable secure file transfers. Universal Key Management (UKM) – a key management solution to prevent digital keys from being breached and causing damage in the wrong hands.

To cater to the shift to the cloud, increasingly complex IT infrastructures, and more stringent regulation, to name some, SSH has continued to develop its product portfolio. It is a recognized leader and innovator in the Privileged Access Management (PAM) space with PrivX while also bolstering its position within cryptography through NQX and the acquisition of Deltagon.

Since 2020, SSH has 1) appointed a new management team; 2) received a new largest owner in Accendo Capital; 3) launched an updated strategic direction; and 4) acquired Deltagon. Pursuing a coherent recurring revenue model across all products will be the most critical strategic target in the coming years – recurring revenues from subscription sales are expected to amount to ~52% of total sales on our 2023 forecasts.

Headquartered in Helsinki, SSH was listed on the Small Cap Helsinki in 2000 and currently has ~144 employees.

Investment thesis

Case

Back to profitable growth

After seeing sales decline in 2019 and 2020, SSH has taken meaningful actions to reposition itself as a growth prospect. In 2021 SSH grew sales with 42%. It has, among other things, appointed a new CEO, launched a new strategy – where a prioritized area is transitioning all product families to a subscription model – and announced its first-ever acquisition. These actions have borne fruit – sales rose by 21% in 2022, with EBITDA margin of 14% . This is particularly impressive considering the ongoing transition to a subscription model – this tends to dampen revenue recognition. We forecast a 2023e–25e sales CAGR of 19% and an average EBITDA margin of 12% between 2023e–25e. This will primarily be driven by (1) scaling current deployments with existing customers, (2) engaging in cross-selling to the installed base, and (3) winning additional high-value contracts with government entities and operational technology businesses, among others.

Evidence

(1) Certifications, (2) acquisitions, and (3) compelling macro trends

See supportive analysis

Challenge

Competition

The rapid cybersecurity market growth (particularly in the pockets where SSH has a meaningful presence) attracts competitors. Moreover, the shift to cloud infrastructures brings adjacent markets closer – for instance, (1) Privileged Access Management and (2) Identity and Access Management. This means heightened competition from small innovative players and leading vendors in adjacent markets.

Challenge

Foreign government contracts

We assess that SSH is in pole-position to win significant government contracts in Finland. However, this is more challenging abroad – most countries have domestic vendors and local certifications/regulations. We understand that a Finnish NATO membership would facilitate government contracts abroad (at least to member countries).

Valuation

Growth outlook justifies high near-term multiples

Our DCF analysis indicates a base case of EUR2.04 per share (bull: EUR4; bear: EUR1.2) based on a 20% sales CAGR during our forecast period (2023e–2027e) with EBIT margin reaching 4% 2025E . Our base case translates into EV/Sales and EV/EBITDA multiples of about 2.5x and 21x in 2025e, respectively.

Catalyst types

Further best-of-breed validation
SSH could receive positive traction from end customers and partners.

Acquisitions that strengthen the core business
Apart from strengthening the belief in the management's abilities to pursue meaningful M&A, future acquisitions could bolster the company's long-term strategy and build on its competitive advantage.

Good consecutive quarterly reports
As SSH aims to reverse years of declining growth, quarterly reports will be particularly important in regaining investor confidence.

Scaling deployments with existing customers
The increased customer-centric focus and revitalization of Prof. Services aims to go after the significant organic growth that is near at hand.

Additional deals with 'lighthouse' customers
Should be regarded as a vote of confidence towards SSH's qualities, in addition to generating large contract values.

CAG

About: CAG is an innovative IT conglomerate with ten independent subsidiaries. Based in Stockholm with branches across Sweden and in Oslo, they specialize in areas like Technology Management, System Development, Cyber Security, and more. With around 450 experts, they cater to sectors like Defense, Banking, Retail, and Healthcare. Listed on the Nasdaq First North Premier Growth Market since 2018. CAG aiming to make lasting impacts in various industries for societal benefit.

Market Cap: SEK753m

R12m revenue: SEK873m

5y revenue CAGR: 12.4%

5y average Ebit-margin: 7.5%

Softronic

About: Softronic is driven by the ambition to lead in offering innovative digital solutions that assist businesses and organizations in creating tangible societal value. In collaboration with their clients, they advocate societal digitalization, contributing to a more sustainable future. This vision is encapsulated in their philosophy of 'GoodTech'. While there are not large enough to ensure premier expertise and dependable delivery, their client-centric approach makes Softronic agile, prioritizing their customers' needs. From a modest team of five in 1984 to around 430 professionals today, Softronic, listed on the Nasdaq OMX Stockholm Stock Exchange since 1998.

Market Cap: SEK754m

R12m revenue: SEK804m

5y revenue CAGR: 1.8%

5y average Ebit-margin: 11%

Yubico

About: Since its inception in 2007, Yubico has positioned itself as a trailblazer in setting global standards for secure access across various devices and platforms. They have played a pivotal role in the creation and contribution to open authentication standards like FIDO2, WebAuthn, and FIDO U2F. With their invention, the YubiKey, Yubico provides the gold standard in phishing-resistant multi-factor authentication, ensuring secure logins and preventing account breaches. Serving customers in over 160 countries, with 407 employees, Yubico is dedicated to advancing hardware-based passkey authentication, promoting a more secure and passwordless future for everyone

Equity transaction value, April 2022: SEK8.3bn

R12m revenue: SEK1.7bn

Revenue CAGR, 2016 to 2022: 50%

Ebit-margin 2022: 13.8%.

Important information

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REDEYE

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