

H&A FIRST TAKE

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22-March-19

FY'18 out; Bright prospects intact

CYAN's FY'18 results released today (€ 23m sales / € 4.8m EBITDA) **in fact outperformed the FY'18 guidance** of € 20m / € 7m as well as our estimates (€ 15m / € 7.1m) when considering that the company booked € 3m in provisions relating to last year's M&A target i-New which are **non-recurring items** that were not included in our estimates. In our view, these provisions cover further efficiency measures as well as some onerous legacy contracts which should be discontinued in the wake of CYAN's sensible strategy to re-focus i-New on more profitable business. Given the complexity of the first-time IFRS-based annual report (also due to initial full consolidation of i-New and CYAN's operating business), the necessity for these provisions became clear only on short notice.

What is key:

- The **i-New turnaround is fully on track** as fixed costs are getting trimmed and revenue synergies realized. Notably, CYAN looks set to generate up to € 6m sales in FY'19E from selling its data optimisation technology to i-New's MVNO clients. Due to this, we expect 'smooth sailing' going forward and do not expect the need for any additional provisions.
- The **FY'19E guidance was confirmed** which points to outstanding growth on both the top-line (€ 35m sales guidance / in-line) and the bottom-line (€ 20m EBITDA guidance / in-line) reflecting (i) The favourable impact of customer wins for both the mobile security and data optimisation technologies (e.g. the mentioned MVNO clients); (ii) the scalability of the business model.
- The **prospects beyond 2019E look highly favourable** as (i) The new lighthouse customer Orange will be ramping up CYAN's mobile security technology in various countries, which should yield more than € 15m revenues for CYAN in the mid-term at 75%+ incremental EBIT margins. The potential could be much bigger as we currently model only a conservative 5% penetration rate vs. 25% achieved with Telecom Austria; (ii) CYAN has a strong pipeline of potential deals offering an annual revenue opportunity of € 100m+, which is not even included in our estimates.

With its high-growth and scalable business model and strong visibility due to >90% recurring revenues, CYAN is a BUY with an unchanged € 40.00 PT based on DCF.

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Buy

Price target: EUR 40.00

Price: EUR 31.21

Close price as of: 21.03.2019

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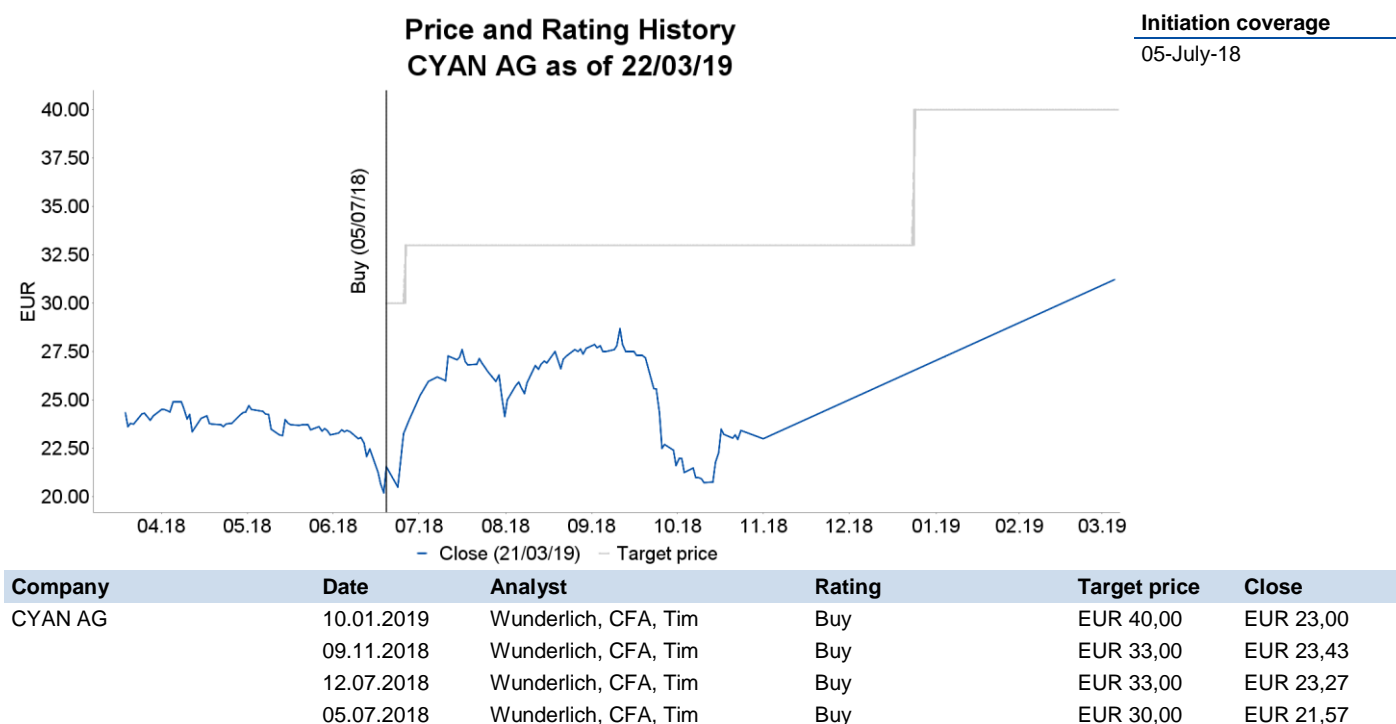
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Company	Disclosure
CYAN AG	2, 3, 6

Historical target price and rating changes for CYAN AG in the last 12 months



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Buy	64.67 %	84.21 %
Sell	12.00 %	0.00 %
Hold	23.33 %	15.79 %

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