

Monday, 23 December 2024 | update

cyber_Folks: buy (upgraded)

CBF PW; CBF.WA | TMT, Poland

Full consolidation of Shoper

cyber_Folks recently announced its intention to acquire 49.9% of Shoper. We are positive on the transaction. First of all, we think the purchase price is attractive: PLN 39.0 per share paid by cyber_Folks is almost 30% below our target price for Shoper. Secondly, we see a number of synergies between the two companies. Thirdly, cyber_Folks is expanding its capital group but still keeping the leverage ratio at a reasonable level. Later on, there is also the potential to sell Shoper's software to Vercom's overseas customers. Last but not least, Shoper is a well-known asset for investors, which is crucial when assessing the risk associated with the transaction.

cyber_Folks confirmed that it will consolidate Shoper using the full method. In this report, we combine two business together to assess the impact of the transaction on the CBF multiples. Conservatively, at this stage we do not factor in any synergies to the model as the completion of the transaction is subject to the approval of the Office of Competition and Consumer Protection (we are awaiting management's update on this issue). After the technical consolidation, cyber_Folks would be trading on EV/EBITDA Adj.'25/'26 of 11.6x and 9.8x, respectively. We perceive these level as attractive given the earnings growth (CAGR Adj. EBITDA 24-26 = 19.1%, still no impact from potential synergies).

Given its strong cash generation capabilities, cyber_Folks should be able to reduce its debt to below 2.0x Adj. EBITDA within a year from now. As a result, we believe the company still has room to grow through acquisitions. After the technical consolidation of two companies (we do not change any forecasts vs. our Equity Strategy from beginning of Dec'24). We set the target price of PLN 167.20, implying upside potential of nearly 17%.

Shoper and its growth profile

Shoper is a leading provider of Software-as-a-Service solutions for the e-commerce industry, focused mainly on small and medium enterprises. In addition, Shoper offers a wide range of other services to its merchants, from marketing to logistics and payments, as well as running the Shoper Appstore for e-retailers.

Shoper has delivered significant earnings growth in recent years, with an estimated 34% CAGR in revenues and 31% CAGR in EBITDA over 2021-24. Shoper is a high margin business (EBITDA margin around 30%) with a net cash position. In 2025, Shoper aims to continue to grow significantly faster than the market and its main competitors. The company aims to improve the take rate by expanding Shoper's offering.

Potential synergies from the transaction

We see synergies from the acquisition of Shoper on both the revenue and cost sides. In addition to common synergies (such as cost base rationalisation), we believe that both companies will be willing to pursue cross-selling opportunities. Of cyber_Folks' 250,000 hosting customers, we estimate that around 40,000 are e-commerce customers using Woo or Presta Shop software - where Shoper's software can be offered.

In addition, Shoper merchants can migrate from home.pl's hosting offer to cyber_Folks. A joint offer - a real one-stop digital shop (with better prices) will be more convenient for many customers.

(PLN m)*	2022	2023	2024E	2025E	2026E
revenue	392.2	479.9	669.8	1,027.8	1,189.8
EBITDA (adj.)	103.6	141.3	175.3	291.6	340.3
margin	26.4%	29.4%	26.2%	28.4%	28.6%
EBIT	74.3	104.6	135.3	231.6	275.4
net profit	24.0	50.8	111.8	74.1	93.7
P/E	84.5	39.9	18.1	27.4	21.6
P/S	5.2	4.2	3.0	2.0	1.7
P/B	5.1	4.8	3.7	1.7	1.5
EV/EBITDA (adj.)	24.1	17.3	13.3	11.6	9.8
DPS	0.71	0.93	1.97	2.39	2.89
Dividend Yield	0.5%	0.7%	1.4%	1.7%	2.0%

*We assume that 49.9% was acquired at the beginning of 2025

current price*	PLN 143.00
target price	PLN 167.20
mCap	PLN 2.0bn
free float	PLN 0.6bn
ADTV (3M)	PLN 2.0 m

*Price as of December 20, 2024, 5:00 PM

Ownership

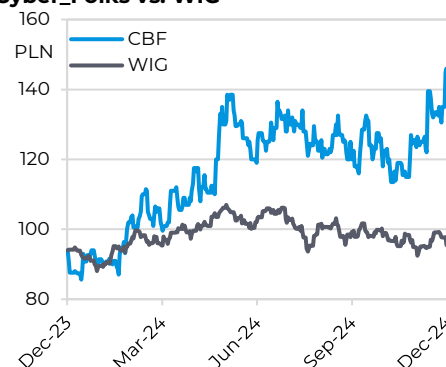
Jacek Duch*	27.6%
Jakub Dwernicki*	17.0%
Rober Dwernicki*	7.1%
PTE Allianz Polska	5.7%
AEGON PTE	5.5%
TFI Allianz	5.1%
own shares	0.4%
Others	31.6%

*and the controlled entities

About cyber_Folks

cyber_Folks (formerly R22) was founded in 1999 as one of the first hosting companies in Poland. Currently, the Company serves >365,000 customers and generating ca. 650 million in annual revenues. cyber_Folks brings together technological entities in the field of business digitization, supporting enterprises in their online presence, business process automation, communication, marketing and sales, including Vercom, MailerLite, and SellIntegro. In Nov'24 cyber_Folks announced the plans to acquire 49.9% in Shoper also listed on the Warsaw Stock Exchange).

Cyber_Folks vs. WIG



Company	Target Price		Recommendation	
	new	old	new	old
cyber_Folks	167.20	143.00	buy	hold

Company	Current Price	Target Price	Upside
cyber_Folks	143.00	167.20	+16.9%

Forecast Update	2024E	2025E	2026E
Revenue	0.0%	+30.4%	+31.1%
EBITDA (adj.)	0.0%	+38.0%	+38.4%
Revenue CBF stand alone	0.0%	0.0%	0.0%
EBITDA (adj.) CBF stan alone	0.0%	0.0%	0.0%

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List of abbreviations and ratios used by mBank:

EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases)
EBITDA margin - EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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HOLD – we expect that the rate of return from an investment will range from 0% to +10%
SELL – we expect that an investment will bear a loss

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NAV - valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

mBank issued the following recommendations for cyber_Folks in the 12 months prior to this publication:

cyber_Folks (Pawel Szpigiel)

Rating	hold	buy	buy
Rating date	2024-12-02	2024-09-02	2024-05-06
Target price (PLN)	143.00	144.50	130.70
Price on rating day	139.50	127.00	110.50

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