

secunet Security Networks AG

Germany | Technology | MCap EUR 1,485m

5 December 2022

INITIATION



Security comes at a price; Initiate with HOLD

What's it all about?

We initiate coverage of secunet Security Networks AG with a HOLD recommendation and a PT of 225.00 offering downside potential of -2.0%. secunet is a dominant player in the German IT security market, specifically in the public sector. Growing cyber threats imply further growth for the IT security market in the coming years. FY22, however, is a special case as the market is taking a breather after artificially high demand, boosted by the pandemic. While secunet is valued at a P/E of c. 35.5x for FY23 and EV/sales of 3.7x, the company shows a slower growth dynamic and lower margin profile than its peers, justifying a valuation gap. Hence, we consider secunet to be reasonably valued, supported by our DCF and FCF model.

IMPORTANT. Please refer to the last page of this report for "Important disclosures" and analyst(s) certifications.

HOLD (INITIATION)

Target price	EUR 225.00 (none)
Current price	EUR 229.50
Up/downside	-2.0%



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secunet Security Networks AG

Germany | Technology | MCap EUR 1,485m | EV EUR 1,391m

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Security comes at a price

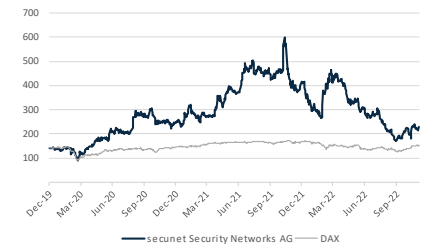
Does what? secunet Security Networks AG (YSN) is an IT security specialist from Germany that celebrated its 25th anniversary in 2022. The company offers a comprehensive portfolio of IT security consulting services, hardware, as well as software focusing on the protection of (critical) infrastructures and access points, and also the transport, storage and processing of sensitive data. secunet's products and services are used by governmental institutions and authorities, but also private sector clients are trusting secunet's high security offerings.

Quality. Being a trusted IT security partner of the Federal Republic of Germany and having a strong foothold in the public sector is a clear indicator on secunet's competitive quality and the quality of the products. The company is relatively well protected as much of secunet's installed base are end-to-end products (SINA), which would trigger high switching costs in case of a provider change.

Growth. Cyber-attacks in 2022 that hit several large companies in Germany, such as Aurubis, Continental, Metro, or Nordex, demonstrated a continuous threat situation and imply that IT security is a market set for further growth in the coming years. secunet has a strong focus on Germany, however spending on IT security in this particular market alone is poised to grow from EUR 7.8bn in FY22E to at least EUR 10bn in FY25E, which offers a solid underlying growth.

Theme. In the past 2 years, secunet benefitted from pandemic-related tailwinds that brought increased demand for its products. FY22 shows a normalization, which is reflected in the sales decline in the first 9 months (-15% yoy). However, the company should leave the trough by Q4 and return to growth in FY23 subject to an easing sourcing situation.

Value. secunet has a high valuation considering a P/E of 35.5x for FY23 and EV/sales of 3.7x. While international peers are valued much higher, investors should keep in mind secunet's slower growth dynamic, and the lower margin profile compared to its peers. According to our DCF and FCF model, we consider secunet to be reasonably valued.



Source: Company data, AlsterResearch

High/low 52 weeks 465.00 / 163.80
Price/Book Ratio 11.5x

Ticker / Symbols

ISIN DE0007276503
WKN 727650
Bloomberg YSN:GR

Changes in estimates

		Sales	EBIT	EPS
2022E	old	319	47	4.90
	Δ	0.0%	0.0%	0.0%
2023E	old	383	62	6.48
	Δ	0.0%	0.0%	0.0%
2024E	old	459	79	8.27
	Δ	0.0%	0.0%	0.0%

Key share data

Number of shares: (in m pcs) 6.47
Book value per share: (in EUR) 20.03
Ø trading volume: (12 months) 4,800

Major shareholders

Giesecke+Devrient GmbH 75.1%
Treasury shares 0.5%
Free Float 24.4%

Company description

secunet Group is a German cybersecurity solutions provider. secunet offers public sector clients and private sector companies a broad portfolio of products and consulting services for the protection of data, infrastructures and digital identities as well as for information transmission, storage and processing.

secunet Security Networks AG	2019	2020	2021	2022E	2023E	2024E
Sales	227	286	338	319	383	459
<i>Growth yoy</i>	39.0%	25.9%	18.2%	-5.5%	20.0%	20.0%
EBITDA	41	62	77	61	75	92
EBIT	33	52	64	47	62	79
Net profit	22	35	43	32	42	53
Net debt (net cash)	-47	-83	-102	-51	-88	-130
Net debt/EBITDA	-1.1x	-1.4x	-1.3x	-0.8x	-1.2x	-1.4x
EPS reported	3.44	5.43	6.66	4.90	6.48	8.27
DPS	1.56	2.54	5.38	2.45	3.24	4.13
<i>Dividend yield</i>	0.7%	1.1%	2.3%	1.1%	1.4%	1.8%
Gross profit margin	24.5%	28.3%	30.1%	30.0%	31.0%	32.0%
EBITDA margin	18.2%	21.6%	22.7%	19.0%	19.7%	19.9%
EBIT margin	14.6%	18.1%	18.9%	14.7%	16.2%	17.2%
ROCE	26.4%	32.1%	33.3%	25.3%	28.9%	31.1%
EV/EBITDA	34.9x	22.9x	18.1x	23.8x	18.7x	14.9x
EV/EBIT	43.6x	27.3x	21.8x	30.7x	22.7x	17.3x
PER	66.7x	42.3x	34.5x	46.9x	35.4x	27.8x
FCF yield	2.1%	3.8%	3.6%	2.8%	4.2%	5.0%

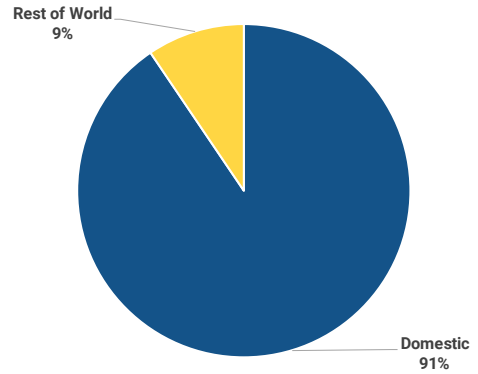
Source: Company data, AlsterResearch

Investment case in six charts

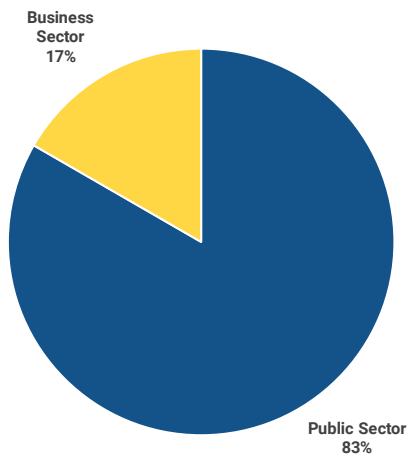
Products & Services



Regional sales split in %



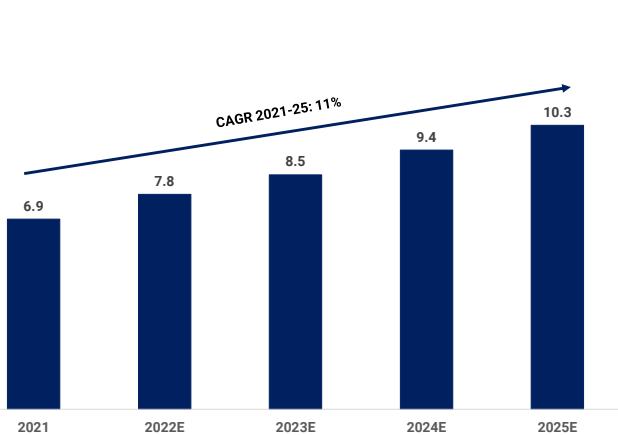
Segmental breakdown in %



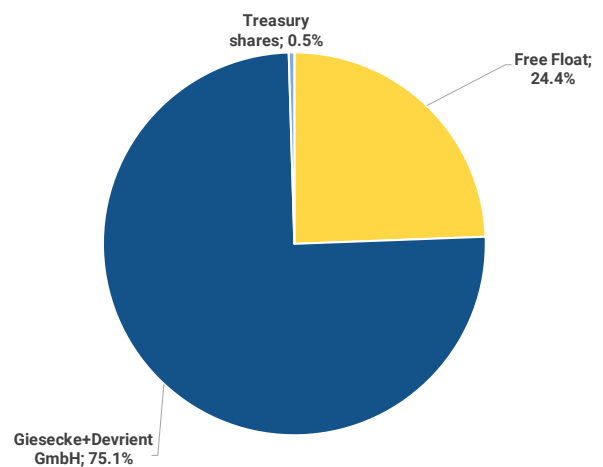
Extract of public and private customers



Forecast IT security spending Germany until 2025



Major Shareholders



Source: Company data, AlsterResearch

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Company background

Products & services

secunet Security Networks Group (YSN) has built an excellent reputation as a provider of high-class cybersecurity solutions, establishing it as a trusted IT security partner of the Federal Republic of Germany. The Germany-based company, founded in 1997, offers public sector clients and private sector companies a comprehensive portfolio of products and consulting services for the protection of data, (critical) infrastructures and digital identities as well as for information transmission, storage and processing.

Extract of product portfolio



Source: Company data; AlsterResearch

secunet is an end-to-end provider that covers an entire project from analysis and design to development, implementation, operation, maintenance and support. The company's comprehensive portfolio mainly addresses organizations with large scale infrastructures with high security requirements, such as federal government and authorities, defence and space, federal and border police, secret services, but also healthcare, commercial and enterprise customers. The company's reporting is structured into the segments public and private sector.

The core product that is sold in the public sector is the SINA product family. SINA (Sichere Inter-Netzwerk Architektur) is a modular security system that offers high security solutions for cryptographic transmission, storage and processing of sensitive data and information at highest security level. The SINA components cover clients, gateways, servers, telephones and software and management tools. Public sector activities also cover the areas of biometrics, automated border control and digital identities, cloud security and collaboration solutions (secustack and stashcat), as well as consulting services.

The range of solutions in the healthcare market essentially consists of the secunet konnektor, which enables medical facilities to securely connect to the German telematics infrastructure (TI). Further industry solutions include edge computing, Industry 4.0 and the Internet of Things (IoT) solutions (secunet edge), for manufacturing companies and operators of critical infrastructures. In addition to these solutions, the private sector division includes consulting services ranging from security analyses (penetration tests) and security consulting (e. g. for security lines and their implementation) to support with certification processes.

Segmental sales	2020	2021	2022E	2023E	2024E
Public Sector	237	278	266	319	382
yoy in %	39.6%	17.3%	-4.5%	20.0%	20.0%
Business Sector	48	60	53	64	77
yoy in %	-15.1%	22.8%	-10.7%	20.0%	20.0%
Total	286	338	319	382	459

Source: Company data; AlsterResearch

Management

Axel Deininger (**CEO**) has been member of the Management Board since January 2018 and took over as Chairman in June 2019. He is responsible in particular for Strategy/Business Development, International Sales, Marketing and Human Resources. Before, Axel Deininger was Group Senior VP and Head of Division Connectivity & Devices at G+D Mobile Security GmbH. In his professional career, Mr. Deininger held positions at Siemens AG, Infineon Technologies AG and Samsung Semiconductor Europe GmbH.

Torsten Henn (**COO**) has been with secunet since 1997, as a consultant and project manager. Mr. Henn has held various management positions within the company before moving to the extended management board as Chief Operating Officer (COO) in 2015. He is responsible for national sales as well as production, IT and quality management. Before joining secunet, Mr. Henn worked at RWTÜV Anlagentechnik and TÜV Informationstechnik. Since 1994, Torsten Henn has been working solely on IT security.

Dr. Kai Martius is **CTO** at secunet since 2015. Before, Dr. Martius headed secunet's High Security / Public Sector business unit from 2007 to 2015. Dr. Martius played a decisive role in the development of SINA and has moreover extensive experience in conception, implementation and application of security products in the public sector environment. Since 2015, Dr. Martius has been a member of secunet's extended management board as CTO. In June 2019, he was appointed to the Management Board. He is responsible for the areas of technology/development, product management and certification.

Thomas Pleines (**CFO**) became member of the Management Board in 1999. In his professional career, the business economist was head of commercial coordination of SAP systems, head of group accounting and head of the tax department at RWTÜV AG, Essen.

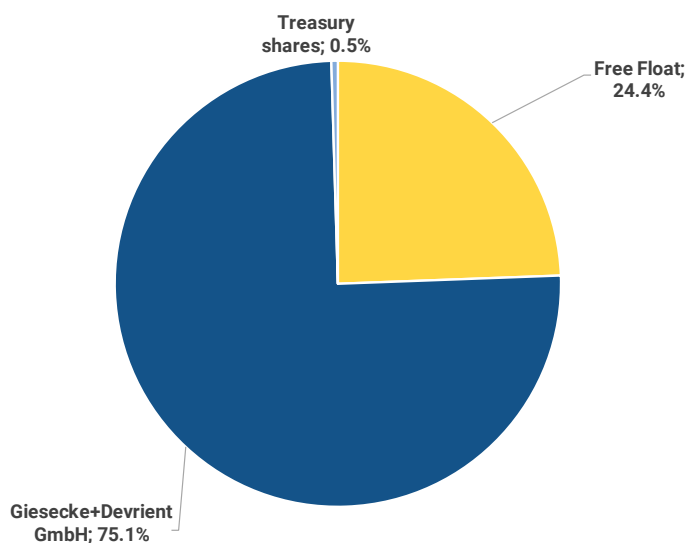
			
Axel Deininger CEO since 2019	Torsten Henn COO since 2015	Dr. Kai Martius CTO since 2015	Thomas Pleines CFO since 1999

Source: Company data; AlsterResearch

Shareholders

Secunet has 6.469m ordinary bearer shares outstanding. With Giesecke + Devrient GmbH (G+D), Munich, the company has a majority shareholder and parent company with a direct holding of 75.12%. G+D is a strategic holding company, that manages its affiliated companies. The group of companies is internationally oriented and active in the field of banknote and securities printing as well as the development and production of security paper and banknote processing systems. In addition, G+D group develops and manufactures magnetic strip and chip cards, predominantly for the telecommunications industry, for banks and for the healthcare sector.

Major Shareholders



Source: Company data; AlsterResearch

Quality

Customers

Corresponding to secunet's segment structure, the customers come from the private sector, and predominantly from the public sector.

Public Sector: The public clients include national and international governments, ministries and public authorities as well as quasi-governmental organisations and defence organisations. These clients handle sensitive data and therefore require highest security standards. secunet is an established IT security partner for the Federal Republic of Germany which is also reflected by a large number of authorities, who have implemented and are using secunet's solutions for border control, identification, but also securing judicial and financial data.

Business Sector: The main markets in the private sector that secunet addresses are healthcare and industry. Healthcare customers are largely medical practices, pharmacies and hospitals, who seek to connect to the telematics infrastructure (TI), which is the backbone of the German digital healthcare system, supporting data communication between insured patients, healthcare providers and insurers. secunet also addresses industrial clients with security analyses and consulting, but also with services safeguarding sensitive IT environments and infrastructure. Customers with high need either derived from the sensitive nature of the infrastructure or required by regulation are industrial companies from the automotive, transportation and logistics industry, but also airports, utility companies, telecommunication service providers, as well as other IT providers like IT service companies, data centers, cloud operators, internet service providers or application providers.

The following table shows an extract of secunet's customers from the private and public sector:

Extract of public and private customers

Source: Company data; AlsterResearch

The German market represents a revenue share of roughly 90% for secunet, which makes it the most important market for secunet. The following table shows the regional sales split, which shows a relatively stable mix:

Regional sales split (EURm)	2019	2020	2021	2022E	2023E	2024E
Domestic	210	259	308	291	349	419
Europe (ex domestic)	0	0	0	0	0	0
The Americas	0	0	0	0	0	0
Asia	0	0	0	0	0	0
Rest of World	17	27	30	28	34	41
Sales	227	286	338	319	383	459

Source: Company data; AlsterResearch

Competition

The competitive intensity in the IT security sector is very high. Although entry barriers for sensitive security projects are very high (certification/skills, capacity/delivery, reputation), secunet encounters a large number of market participants who differentiate either by their strategic focus (i.e. cloud security, collaboration, software) or by their scope. There are competitors who cover just a part of the value chain, but also those who cover larger parts or all of it completely. However, secunet has developed a strong foothold in the public sector. Much of the installed base, i.e. at the tax office, customs or the federal police, are based on secunet's SINA products. A change of provider is linked to high switching costs and long project durations. But secunet also established a strong position in niches, like the e-health sector with its TI connector, where secunet holds a 50% market share in Germany.

Suppliers

secunet is offering its own hardware products, thus the company relies on suppliers, and is therefore also susceptible to bottlenecks in semiconductor supply. So far, secunet proved capable to partially mitigate risks through a build-up of inventories and close coordination with its most important suppliers, such as Infineon.

Besides this, secunet strongly relies on talents such as engineers and developers. The sector is growing at a higher rate than the number of qualified workers, so competition for the recruitment of experienced employees and junior talent is accordingly fierce.

SWOT analysis

Strengths

- Specialist in high security products
- Security market requires customers to continuously update and invest in their IT infrastructure
- High entry barriers
- Leading position in specific niches (i.e. German Healthcare TI)
- Strong track-record in Germany (IT Security Partner of Federal Republic of Germany)

Weaknesses

- High exposure to public sector
- Rich valuation – growth and margins below peer average
- Restricted markets and tenders (i.e. AUKUS)
- High comparable base after COVID-19 related tailwinds

Opportunities

- Increase in spending for cyber security
- Growth in private sector
- Expansion of product range
- New international customers

Threats

- Supply chain disruptions
- Reputational risks in the event of product failures
- Intense competition in the private sector
- Shortage of qualified workers

Growth

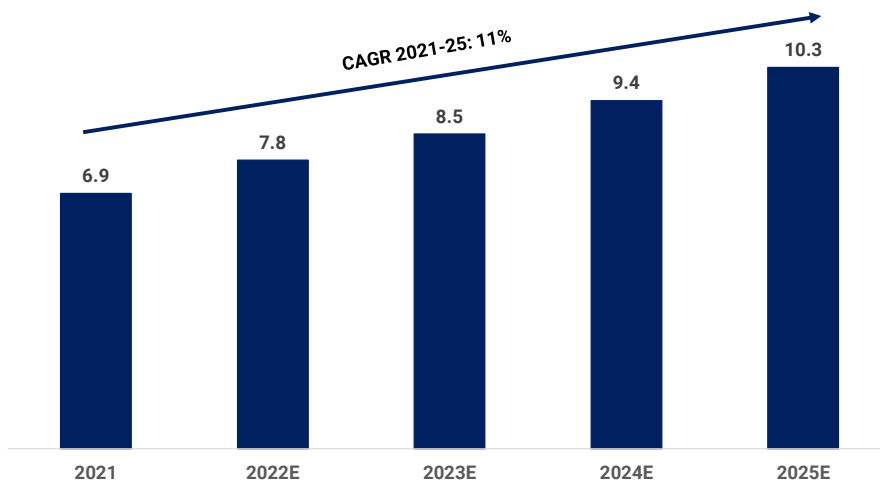
Market growth

As IT security is a kind of arms race against attackers, and digitization continues to be a growth driver, this market offers further growth going forward. But regulation is also a factor that forces the hand of private companies and public institutions, for example to keep critical infrastructure safe and related security systems constantly up to date.

With a revenue share of 91% in FY21, Germany is by far secunet's most important market. According to the German industry association BITKOM, the German ICT market grew in 2021 by 3.9% to EUR 178.4bn. Particularly relevant for secunet, the market for information technology (IT) showed an increase of 6.3% to EUR 102.5bn, driven by hardware, which recorded an increase of 8.3% to EUR 31.4 bn, and the market for software, which grew by 8.0% to EUR 29.8bn. The market for services grew slower, by 3.7% to EUR 41.4bn. For 2022, BITKOM forecasts volumes in the IT market to increase by 6.7% to EUR 113bn. According to BITKOM, spending on hardware, software and services in the area of IT security will increase by c. 13% to around EUR 7.8 billion in 2022. After that, the market is expected to grow by 10% in each of the following years until 2025. By 2025, it is expected to pass the EUR 10bn mark.

From a segmental perspective, the largest share of total spending is accounted for by IT security services, which at EUR 3.6bn (+ 14%) will account for around 46% of the total market in 2022. Spending on security software will rise by 12% to EUR 3.2bn billion in the current year and account for 41% of total spending. IT security hardware should account for c. EUR 1.0bn (+14%) of spending. Spending supports growth scenario.

Forecast IT security spending Germany until 2025



Source: BITKOM

Growth for secunet

secunet's future growth should benefit from structural growth drivers. The underlying market growth implies further growth for secunet itself, as the market shows continuously high momentum. Following factors should act as growth drivers and help to increase overall spending:

- Rising threats (i.e. DDoS-attacks, ransomware, cybercrime)
- Upgrading legacy systems
- Increasing digitization
- Regulatory requirements

Although FY22 is impacted by high comparisons following COVID-related tailwinds, secunet should return to growth by FY23. Potential for secunet to outgrow the overall market comes from external growth via acquisitions (i.e. SysEleven in 2022, EUR 15m in revenues p.a.), or by expanding the product range to tap cross- and upselling opportunities.

Growth table (EURm)	2019	2020	2021	2022E	2023E	2024E
Sales	227	286	338	319	383	459
Sales growth	39.0%	25.9%	18.2%	-5.5%	20.0%	20.0%
EBITDA	41	62	77	61	75	92
EBITDA margin	18.2%	21.6%	22.7%	19.0%	19.7%	19.9%
EBIT	33	52	64	47	62	79
EBIT margin	14.6%	18.1%	18.9%	14.7%	16.2%	17.2%
Net profit	22	35	43	32	42	53

Source: Company data; AlsterResearch

Valuation

DCF Model

The DCF model results in a **fair value of EUR 225.38 per share**:

Top-line growth: We expect secunet Security Networks AG to grow revenues at a CAGR of 10.3% between 2022E and 2029E. The long-term growth rate is set at 2.0%.

ROCE. Returns on capital are developing from 25.3% in 2022E to 28.2% in 2029E.

WACC. Starting point is a historical equity beta of 0.98. Unlevering and correcting for mean reversion yields an asset beta of 0.98. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 9.9%. With pre-tax cost of borrowing at 5.0%, a tax rate of 30% and target debt/equity of 0.5 this results in a long-term WACC of 7.8%.

DCF (EURm) (except per share data and beta)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Terminal value
NOPAT	32	42	54	59	63	73	77	85	
Depreciation & amortization	14	13	13	13	14	14	15	16	
Change in working capital	12	1	1	0	0	1	0	1	
Chg. in long-term provisions	-18	5	7	4	3	3	2	3	
Capex	-8	-10	-12	-13	-14	-15	-15	-16	
Cash flow	32	52	62	63	67	76	79	88	1,549
Present value	32	48	53	50	49	52	50	51	913
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%

DCF per share derived from		DCF avg. growth and earnings assumptions	
Total present value	1,297	Planning horizon avg. revenue growth (2022E-2029E)	10.3%
Mid-year adj. total present value	1,347	Terminal value growth (2029E - infinity)	2.0%
Net debt / cash at start of year	-102	Terminal year ROCE	28.2%
Financial assets	17	Terminal year WACC	7.8%
Provisions and off b/s debt	8		
Equity value	1,458	Terminal WACC derived from	
No. of shares outstanding	6.5	Cost of borrowing (before taxes)	5.0%
		Long-term tax rate	30%
		Equity beta	0.98
		Unlevered beta (industry or company)	0.98
		Target debt / equity	0.5
		Relevered beta	1.32
		Risk-free rate	2.0%
		Equity risk premium	6.0%
		Cost of equity	9.9%
Discounted cash flow / share upside/(downside)	225.38 -1.8%		
Share price	229.50		

Sensitivity analysis DCF								
Change in WACC (%-points)		Long term growth					Share of present value	
		1.0%	1.5%	2.0%	2.5%	3.0%	2022E-2025E	2026E-2029E terminal value
2.0%		159.9	165.5	171.7	178.9	187.1	14.1%	15.6%
1.0%		178.4	185.9	194.6	204.6	216.3	14.1%	15.6%
0.0%		202.5	213.0	225.3	240.0	257.8	14.1%	15.6%
-1.0%		235.0	250.5	269.2	292.3	321.5	14.1%	15.6%
-2.0%		281.3	305.6	336.4	376.7	431.4	14.1%	15.6%

Source: AlsterResearch

FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between EUR 115.57 per share based on 2022E and EUR 222.52 per share on 2026E estimates.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in EURm	2022E	2023E	2024E	2025E	2026E
EBITDA	61	75	92	100	107
- Maintenance capex	0	0	0	0	0
- Minorities	1	1	2	2	2
- tax expenses	14	19	24	26	28
= Adjusted FCF	46	55	66	72	77
Actual Market Cap	1,485	1,485	1,485	1,485	1,485
+ Net debt (cash)	-51	-88	-130	-168	-207
+ Pension provisions	8	10	11	13	14
+ Off b/s financing	0	0	0	0	0
- Financial assets	17	17	17	17	17
- Acc. dividend payments	35	51	72	98	128
<i>EV Reconciliations</i>	-95	-146	-207	-271	-338
= Actual EV'	1,390	1,339	1,278	1,214	1,147
Adjusted FCF yield	3.3%	4.1%	5.2%	5.9%	6.7%
base hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
Fair EV	653	792	947	1,029	1,101
- <i>EV Reconciliations</i>	-95	-146	-207	-271	-338
Fair Market Cap	748	938	1,154	1,300	1,440
No. of shares (million)	6	6	6	6	6
Fair value per share in EUR	115.57	144.98	178.37	200.93	222.52
Premium (-) / discount (+)	-49.6%	-36.8%	-22.3%	-12.4%	-3.0%

Sensitivity analysis fair value						
Adjusted hurdle rate	5.0%	156	194	237	265	291
	6.0%	132	165	203	227	251
	7.0%	116	145	178	201	223
	8.0%	103	130	160	181	201
	9.0%	93	118	146	166	185

Source: Company data; AlsterResearch

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 7.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

Peer group

We have compiled a peer group consisting of companies providing IT security solutions as exhibited in the following table:

Company name	Sales		ROCE		Share price	% of 52 wk high	Market Cap	EV	EBITDA Margin			EBIT margin			Sales CAGR
	2021	2021	2021	2021					2022	2023	2024	2022	2023	2024	
			EUR		EURm	EURm									
Akamai Technologies, Inc.	2,928	13.9%	88.43	-22%	13,904	14,801	42.2%	42.3%	43.2%	28.3%	28.1%	28.5%	10.2%		
Check Point Software Technologi	1,833	21.2%	126.48	-9%	16,325	12,891	45.4%	44.8%	44.7%	44.4%	44.4%	44.5%	10.1%		
CrowdStrike Holdings Inc	1,235	14.0%	135.54	-39%	31,632	30,130	17.4%	18.2%	19.7%	13.5%	14.8%	16.1%	56.9%		
Fortinet Inc	2,828	29.4%	51.32	-25%	40,095	39,394	28.8%	28.9%	29.2%	26.7%	26.4%	26.8%	30.1%		
Palo Alto Networks Inc	4,949	29.6%	166.52	-16%	50,349	50,229	29.5%	24.0%	23.6%	19.0%	19.8%	20.4%	31.2%		
Varonis Systems Inc	330	4.2%	20.01	-61%	2,205	1,684	8.1%	9.4%	9.7%	5.5%	5.9%	7.9%	20.0%		
Zscaler Inc	981	7.0%	134.76	-61%	19,277	18,544	13.1%	15.2%	14.7%	10.2%	10.7%	12.6%	50.0%		
Median		14.0%			19,277	18,544	28.8%	24.0%	23.6%	19.0%	19.8%	20.4%	30.1%		
Mean		17.1%			24,827	23,953	26.4%	26.1%	26.4%	21.1%	21.4%	22.4%	29.8%		
secunet Security Networks AG	338	36.2%	229.50	-51%	1,485	1,434	19.0%	19.7%	19.9%	14.7%	16.2%	17.2%	12.8%		

Source: Company data; AlsterResearch

Akamai Technologies, Inc. is engaged in providing cloud services for delivering, optimizing and securing content and business applications over the Internet. The Company's products include Kona Site Defender, Bot Manager, Enterprise Application Access, Image & Video Manager, Edge DNS, Enterprise Threat Protector, Identity Cloud, Web Application Protector, Page Integrity Manager, Akamai MFA, Account Protector, Cloud Wrapper, DataStream, EdgeKV and Global Traffic Management. The Company's solutions include the Security Technology Group and the Edge Technology Group. The Security Technology Group includes solutions that are designed to keep infrastructure, Websites, applications, and users safe. The Edge Technology Group includes solutions that are designed to enable business online, including media delivery, Web performance and edge computing solutions. Its solutions blend automation with customizable protections and managed security services.

Check Point Software Technologies Ltd. (Check point) develops, markets and supports a range of products and services for information technology (IT) security. The Company's products and services are sold to enterprises, service providers, small and medium sized businesses and consumers. It offers enterprises a platform to deploy independent, modular and interoperable security applications (Software Blades), such as firewall, virtual private network (VPN), intrusion prevention system (IPS), Application Control, Anti-Bot, antivirus, data loss prevention (DLP), policy management, event analysis or multi-domain management. The Company offers Software Blades grouped into functional packages to address specific security issues. It has product offerings under these packages, which include Next Generation Firewall, Next Generation Threat Prevention, Next Generation Secure Web Gateway and Next Generation Data Protection.

CrowdStrike Holdings, Inc. provides cloud-delivered solutions for endpoint and cloud workload protection via a software-as-a-service (SaaS) subscription-based model. The Company offers Falcon platform in a SaaS subscription-based model, which delivers integrated, technologies that deliver protection and performance, while reducing customer complexity. The Company's Falcon platform leverages a single lightweight-agent architecture with integrated cloud modules spanning multiple security markets, including corporate workload security, managed security services, security and vulnerability management, information technology (IT) operations management, threat intelligence services, identity protection and log management. It also offers approximately 22 cloud modules on its Falcon platform, which include Falcon Prevent, Falcon Insight, Falcon Device Control, Falcon Firewall Management, Falcon XDR, Falcon Discover, Falcon Spotlight and others.

Fortinet, Inc. offers cybersecurity and networking solutions. The Company provides cyber security solutions to a variety of organizations, including enterprises, communication service providers, government organizations and small businesses. Its network security appliances are managed by its FortiOS network operating system. Its Cloud Security portfolio also includes securing applications, including email and Web. Its cloud security offerings are available for deployment in public and private cloud environments, including Amazon Web Services, Microsoft Azure, Google Cloud, Oracle Cloud, Alibaba Cloud, IBM Cloud and VMWare Cloud. It also

offers managed intrusion prevention system and Web application firewall rules delivered by FortiGuard Labs as an overlay service to native security offerings offered by Amazon Web Services. Its public and private cloud security solutions, including virtual appliances and hosted solutions, cover the capabilities of the Fortinet Security Fabric platform.

Palo Alto Networks, Inc. is a global cybersecurity provider. The Company enables enterprises, service providers, and government entities to secure all users, applications, data, networks, clouds and devices with visibility and context, continuously across all locations. It delivers cybersecurity products covering a range of use cases, enabling its end-customers to secure their networks, remote and hybrid workforces, branch locations, and public and private clouds, and to advance their security operations centers (SOC). Its products are available in the form of the product, subscription, and support offerings, such as Firewall Appliances and Software, Panorama, Virtual System Upgrades, URL Filtering, Advanced URL Filtering, DNS Security, and IoT Security, among others. Its solutions are focused on five areas, which includes Network Security, Secure Access Service Edge, Cloud Security, Security Analytics and Automation, and Threat Intelligence and Security Consulting (Unit 42).

Varonis Systems, Inc. (Varonis) is a provider of data security and analytics. The Company's software products and services allow enterprises to manage, analyze, alert and secure enterprise data. It is focused on protecting enterprise data, including sensitive files and emails; confidential customer, patient and employee data; financial records; strategic and product plans; and other intellectual property. The Varonis data security platform helps enterprises protect data against cyberattacks from both internal and external threats. The Company's products include DatAdvantage, including the Automation Engine; DatAlert, including Varonis Edge; DataPrivilege, Data Classification Engine, including Policy Pack and Data Classification Labels; Data Transport Engine, and DatAnswers. The Company's products address additional important use cases, including data protection, data governance, zero trust, cybercrime, compliance, data privacy, classification and threat detection and response.

Zscaler, Inc. (Zscaler) is a cloud security company that has developed a platform incorporating security functionalities needed to enable access to cloud resources based on identity, context, and organization policies. Its solution is a multi-tenant, distributed cloud platform that secures user-to-app, app-to-app, and machine-to-machine communications over various networks and locations. The Company delivers its solutions using a software-as-a-service (SaaS) business model and sells subscriptions to customers to access its cloud platform, together with related support services. Its Zero Trust Exchange is a cloud-native security platform that protects various customers from cyberattacks and data loss by connecting users, devices, and applications in any location. The Company's cloud services include Zscaler Internet Access (ZIA), Zscaler Private Access (ZPA), and Zscaler Digital Experience (ZDX).

Despite the different MarketCap size factor (in EUR terms between EUR 2.2bn and EUR 50bn), we consider the peer group as appropriate, as all companies are active in more or less similar field like secunet. Whilst the median EBIT margin of the peer group is approx. 3.2 percentage points higher than secunet's (eAR 2024), secunet also shows slower sales growth than its peer group (CAGR sales growth of 12.8%), by nearly 17 percentage points where the median sales growth for the same period (21-24E) is seen at 30.1%.

We view an EBIT comparable as the most appropriate measure. Hence a peer group based fair multiple ranges between 38.2x (EV/EBIT 2022E) and 25.0x EV/EBIT 2024E.

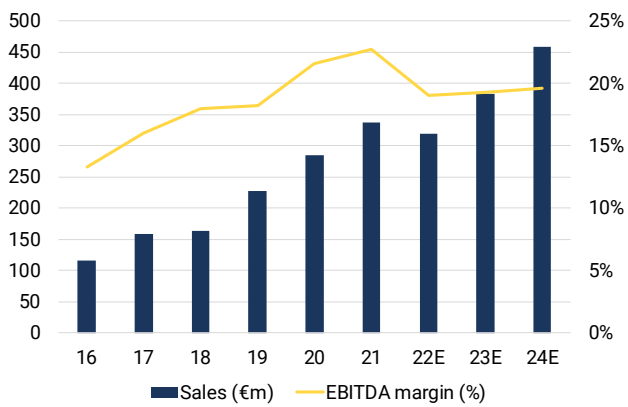
Company name	EV/Sales			EV/EBIT			P/E Ratio		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Akamai Technologies, Inc.	4.3x	4.1x	3.8x	15.1x	14.6x	13.2x	17.5x	16.4x	14.2x
Check Point Software Technologi	5.8x	5.5x	5.3x	13.0x	12.4x	11.8x	18.0x	16.1x	14.7x
Crowdstrike Holdings Inc	14.0x	10.2x	7.8x	94.9x	63.7x	42.4x	106.4x	75.4x	51.7x
Fortinet Inc	9.2x	7.6x	6.3x	34.7x	28.7x	23.6x	46.3x	38.2x	31.1x
Palo Alto Networks Inc	7.6x	6.2x	5.2x	38.2x	30.7x	25.0x	50.6x	43.0x	37.5x
Varonis Systems Inc	3.7x	3.3x	3.0x	67.3x	56.5x	37.4x	145.5x	78.8x	66.5x
Zscaler Inc	12.7x	9.8x	7.5x	119.2x	77.3x	67.3x	118.4x	86.8x	63.4x
Median	7.6x	6.2x	5.3x	38.2x	30.7x	25.0x	50.6x	43.0x	37.5x
Mean	8.2x	6.7x	5.6x	54.6x	40.5x	31.5x	71.8x	50.7x	39.9x
secunet Security Networks AG	4.5x	3.7x	3.0x	30.7x	22.7x	17.3x	47.0x	35.5x	27.8x

Using the above median EV/EBIT multiples (2023/2024E) allows for a fair value of secunet Security Networks AG between EUR 312.24 and EUR 330.03.

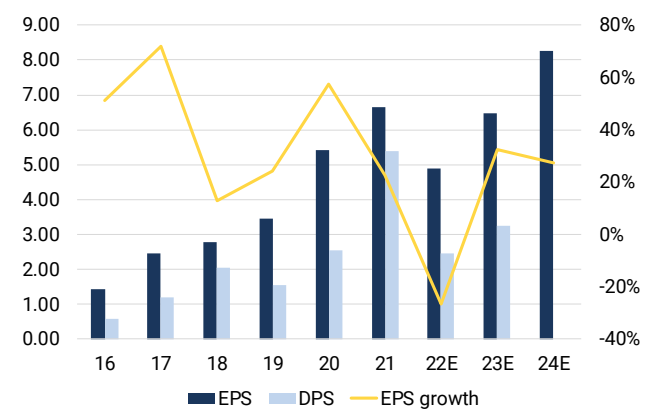
secunet Security Networks AG	Sales			EBIT			EPS		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Financial data (eAR)	319	383	459	50	63	82	5.27	6.68	8.67
Fair multiple	7.6x	6.2x	5.3x	38.2x	30.7x	25.0x	50.6x	43.0x	37.5x
Fair EV	2,418	2,391	2,419	1,912	1,943	2,059			
Net debt (cash)	-51	-51	-51	-51	-51	-51			
Pension provisions	8	8	8	8	8	8			
Fair equity value	2,462	2,434	2,462	1,955	1,987	2,102			
Number of shares	6.5	6.5	6.5	6.5	6.5	6.5			
Fair value per share	380.49	376.20	380.55	302.21	307.07	324.87	266.58	287.00	325.20

Financials in six charts

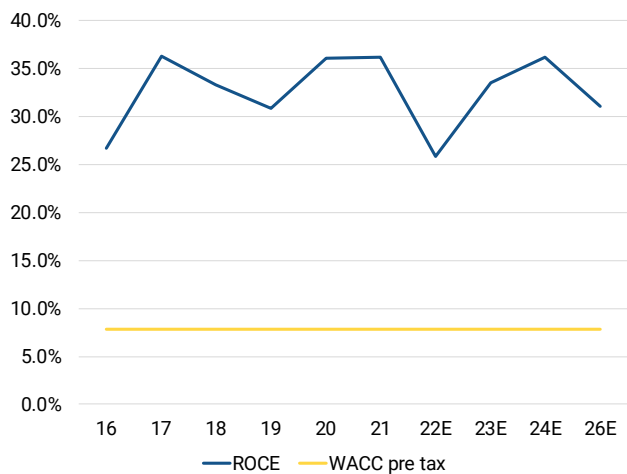
Sales vs. EBITDA margin development



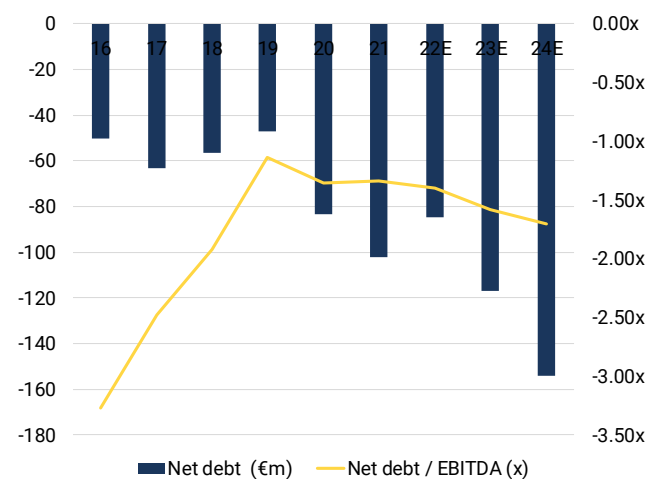
EPS, DPS in EUR & yoy EPS growth



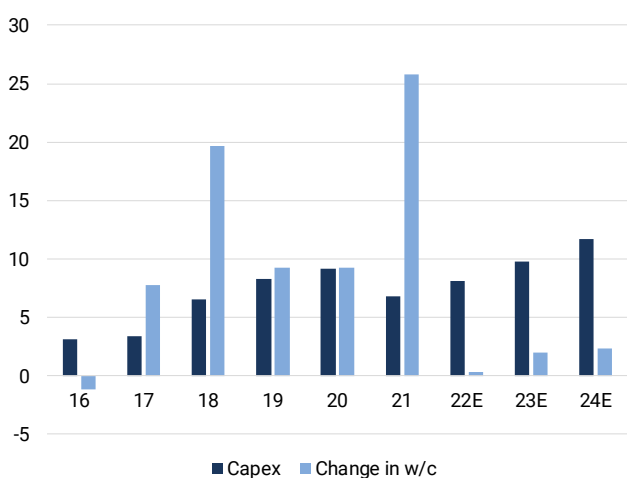
ROCE vs. WACC (pre tax)



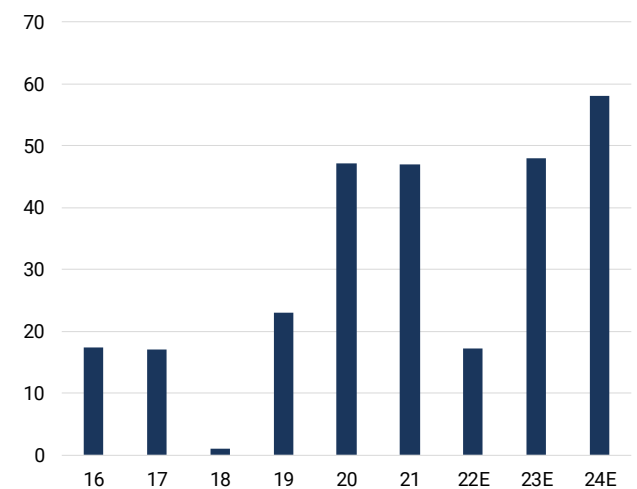
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data; AlsterResearch

Financials

Profit and loss (EURm)	2019	2020	2021	2022E	2023E	2024E
Sales	227	286	338	319	383	459
Sales growth	39.0%	25.9%	18.2%	-5.5%	20.0%	20.0%
Cost of sales	171	205	236	223	264	312
Gross profit	56	81	102	96	119	147
SG&A expenses	22	27	30	40	48	57
Research and development	0	2	8	8	8	9
Other operating expenses (income)	0	-0	0	1	1	1
EBITDA	41	62	77	61	75	92
Depreciation	7	8	10	11	10	10
EBITA	35	54	67	50	65	82
Amortisation of goodwill and intangible assets	1	2	3	3	3	3
EBIT	33	52	64	47	62	79
Financial result	-0	-0	-0	-0	-0	-0
Recurring pretax income from continuing operations	33	51	64	47	62	79
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	33	51	64	47	62	79
Taxes	11	16	21	14	19	24
Net income from continuing operations	22	35	43	33	43	55
Result from discontinued operations (net of tax)	0	0	0	0	0	0
Net income	22	35	43	33	43	55
Minority interest	0	0	0	-1	-1	-2
Net profit (reported)	22	35	43	32	42	53
Average number of shares	6.47	6.47	6.47	6.47	6.47	6.47
EPS reported	3.44	5.43	6.66	4.90	6.48	8.27

Profit and loss (common size)	2019	2020	2021	2022E	2023E	2024E
Sales	100%	100%	100%	100%	100%	100%
Cost of sales	76%	72%	70%	70%	69%	68%
Gross profit	24%	28%	30%	30%	31%	32%
SG&A expenses	10%	10%	9%	13%	13%	13%
Research and development	0%	1%	2%	3%	2%	2%
Other operating expenses (income)	0%	-0%	0%	0%	0%	0%
EBITDA	18%	22%	23%	19%	20%	20%
Depreciation	3%	3%	3%	3%	3%	2%
EBITA	15%	19%	20%	16%	17%	18%
Amortisation of goodwill and intangible assets	1%	1%	1%	1%	1%	1%
EBIT	15%	18%	19%	15%	16%	17%
Financial result	-0%	-0%	-0%	-0%	-0%	-0%
Recurring pretax income from continuing operations	14%	18%	19%	15%	16%	17%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	14%	18%	19%	15%	16%	17%
Taxes	5%	6%	6%	4%	5%	5%
Net income from continuing operations	10%	12%	13%	10%	11%	12%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	10%	12%	13%	10%	11%	12%
Minority interest	0%	0%	0%	-0%	-0%	-0%
Net profit (reported)	10%	12%	13%	10%	11%	12%

Source: Company data; AlsterResearch

Balance sheet (EURm)	2019	2020	2021	2022E	2023E	2024E
Intangible assets (excl. Goodwill)	8	8	13	21	18	15
Goodwill	5	5	10	50	50	50
Property, plant and equipment	23	25	25	22	21	23
Financial assets	15	15	17	17	17	17
FIXED ASSETS	51	52	65	109	105	104
Inventories	22	28	50	49	58	68
Accounts receivable	48	53	36	26	31	38
Other current assets	0	0	0	0	0	0
Liquid assets	65	102	120	82	115	156
Deferred taxes	0	0	0	0	0	0
Deferred charges and prepaid expenses	2	5	4	3	4	5
CURRENT ASSETS	136	188	209	160	208	267
TOTAL ASSETS	187	240	274	269	313	371
SHAREHOLDERS EQUITY	77	102	130	127	155	189
MINORITY INTEREST	1	0	0	0	0	0
Long-term debt	15	15	14	25	24	23
Provisions for pensions and similar obligations	8	9	8	8	10	11
Other provisions	22	31	37	19	23	28
Non-current liabilities	45	55	59	52	56	62
short-term liabilities to banks	3	3	3	6	3	3
Accounts payable	28	26	23	28	33	39
Advance payments received on orders	10	15	21	19	23	28
Other liabilities (incl. from lease and rental contracts)	17	31	30	29	34	41
Deferred taxes	2	2	4	4	4	4
Deferred income	4	6	4	3	4	5
Current liabilities	64	82	85	89	102	120
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	187	240	274	269	313	371

Balance sheet (common size)	2019	2020	2021	2022E	2023E	2024E
Intangible assets (excl. Goodwill)	4%	3%	5%	8%	6%	4%
Goodwill	2%	2%	4%	18%	16%	13%
Property, plant and equipment	12%	10%	9%	8%	7%	6%
Financial assets	8%	6%	6%	6%	5%	4%
FIXED ASSETS	27%	22%	24%	40%	34%	28%
Inventories	12%	12%	18%	18%	18%	18%
Accounts receivable	26%	22%	13%	10%	10%	10%
Other current assets	0%	0%	0%	0%	0%	0%
Liquid assets	35%	42%	44%	30%	37%	42%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	1%	2%	1%	1%	1%	1%
CURRENT ASSETS	73%	78%	76%	60%	66%	72%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	41%	43%	47%	47%	49%	51%
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	8%	6%	5%	9%	8%	6%
Provisions for pensions and similar obligations	4%	4%	3%	3%	3%	3%
Other provisions	12%	13%	13%	7%	7%	7%
Non-current liabilities	24%	23%	22%	19%	18%	17%
short-term liabilities to banks	1%	1%	1%	2%	1%	1%
Accounts payable	15%	11%	9%	10%	11%	11%
Advance payments received on orders	5%	6%	8%	7%	7%	7%
Other liabilities (incl. from lease and rental contracts)	9%	13%	11%	11%	11%	11%
Deferred taxes	1%	1%	2%	2%	1%	1%
Deferred income	2%	2%	1%	1%	1%	1%
Current liabilities	34%	34%	31%	33%	33%	32%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Cash flow statement (EURm)	2019	2020	2021	2022E	2023E	2024E
Net profit/loss	33	51	64	33	43	55
Depreciation of fixed assets (incl. leases)	7	8	10	11	10	10
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	3	3	3
Others	1	6	6	-18	5	7
Cash flow from operations before changes in w/c	41	66	80	29	62	74
Increase/decrease in inventory	0	0	0	1	-9	-11
Increase/decrease in accounts receivable	-12	-14	-5	9	-5	-6
Increase/decrease in accounts payable	0	0	0	5	5	6
Increase/decrease in other w/c positions	2	4	-21	-3	10	11
Increase/decrease in working capital	-9	-9	-26	12	1	1
Cash flow from operating activities	31	56	54	41	62	75
CAPEX	-8	-9	-7	-8	-10	-12
Payments for acquisitions	-0	0	-10	-49	0	0
Financial investments	2	4	1	0	0	0
Income from asset disposals	0	0	0	0	0	0
Cash flow from investing activities	-7	-5	-16	-58	-10	-12
Cash flow before financing	24	51	38	-16	53	63
Increase/decrease in debt position	-3	-3	-4	13	-4	-1
Purchase of own shares	0	0	0	0	0	0
Capital measures	0	0	0	0	0	0
Dividends paid	-13	-10	-16	-35	-16	-21
Others	-0	-0	-0	0	0	0
Effects of exchange rate changes on cash	0	0	0	0	0	0
Cash flow from financing activities	-16	-14	-20	-22	-20	-22
Increase/decrease in liquid assets	8	37	18	-38	33	41
Liquid assets at end of period	64	102	119	82	115	156

Source: Company data; AlsterResearch

Regional sales split (EURm)	2019	2020	2021	2022E	2023E	2024E
Domestic	210	259	308	291	349	419
Europe (ex domestic)	0	0	0	0	0	0
The Americas	0	0	0	0	0	0
Asia	0	0	0	0	0	0
Rest of World	17	27	30	28	34	41
Total sales	227	286	338	319	383	459

Regional sales split (common size)	2019	2020	2021	2022E	2023E	2024E
Domestic	92.3%	90.5%	91.2%	91.2%	91.2%	91.2%
Europe (ex domestic)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
The Americas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of World	7.7%	9.5%	8.8%	8.8%	8.8%	8.8%
Total sales	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Ratios	2019	2020	2021	2022E	2023E	2024E
Per share data						
Earnings per share reported	3.44	5.43	6.66	4.90	6.48	8.27
Cash flow per share	4.83	8.71	8.31	6.39	9.65	11.58
Book value per share	11.97	15.83	20.03	19.69	23.93	29.21
Dividend per share	1.56	2.54	5.38	2.45	3.24	4.13
Valuation						
P/E	66.7x	42.3x	34.5x	46.9x	35.4x	27.8x
P/CF	47.5x	26.3x	27.6x	35.9x	23.8x	19.8x
P/BV	19.2x	14.5x	11.5x	11.7x	9.6x	7.9x
Dividend yield (%)	0.7%	1.1%	2.3%	1.1%	1.4%	1.8%
FCF yield (%)	2.1%	3.8%	3.6%	2.8%	4.2%	5.0%
EV/Sales	6.4x	4.9x	4.1x	4.5x	3.7x	3.0x
EV/EBITDA	34.9x	22.9x	18.1x	23.8x	18.7x	14.9x
EV/EBIT	43.6x	27.3x	21.8x	30.7x	22.7x	17.3x
Income statement (EURm)						
Sales	227	286	338	319	383	459
yoy chg in %	39.0%	25.9%	18.2%	-5.5%	20.0%	20.0%
Gross profit	56	81	102	96	119	147
Gross margin in %	24.5%	28.3%	30.1%	30.0%	31.0%	32.0%
EBITDA	41	62	77	61	75	92
EBITDA margin in %	18.2%	21.6%	22.7%	19.0%	19.7%	19.9%
EBIT	33	52	64	47	62	79
EBIT margin in %	14.6%	18.1%	18.9%	14.7%	16.2%	17.2%
Net profit	22	35	43	32	42	53
Cash flow statement (EURm)						
CF from operations	31	56	54	41	62	75
Capex	-8	-9	-7	-8	-10	-12
Maintenance Capex	0	0	0	0	0	0
Free cash flow	23	47	47	33	53	63
Balance sheet (EURm)						
Intangible assets	13	13	24	70	68	65
Tangible assets	23	25	25	22	21	23
Shareholders' equity	77	102	130	127	155	189
Pension provisions	8	9	8	8	10	11
Liabilities and provisions	48	58	62	58	59	65
Net financial debt	-47	-83	-102	-51	-88	-130
w/c requirements	31	41	41	28	33	39
Ratios						
ROE	28.6%	34.2%	33.2%	25.6%	27.9%	29.2%
ROCE	26.4%	32.1%	33.3%	25.3%	28.9%	31.1%
Net gearing	-60.8%	-81.3%	-78.9%	-40.2%	-56.9%	-68.9%
Net debt / EBITDA	-1.1x	-1.4x	-1.3x	-0.8x	-1.2x	-1.4x

Source: Company data; AlsterResearch

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