LITCHFIELD HILLS RESEARCH

Cycurion, Inc.

NASDAQ - CYCU

November 17, 2026

Revenue Up 40%, Gross Margin Jumps to 36%, and Organic Growth Resumes

Analyst: Barry M. Sine, CFA, CMT

- September quarter revenue increased 40% to $5.4 million, exceeding our $4.4 million estimate. Organic revenue increased approximately 8%, with acquisitions contributing the balance of the growth.
- Gross profit increased more than sevenfold to $1.9 million, with gross margin expanding to 36% from 7% a year ago. The improving revenue mix is driving substantial operating leverage.
- Adjusted EBITDA loss narrowed 64% to $1.2 million from $3.3 million a year ago. The reported EPS loss of $1.03 was negatively impacted by $1.7 million in noncash stock compensation.
- The now-closed Secuvant and Digital Ally acquisitions expand Cycurion's capabilities and customer base, providing opportunities to grow recurring cybersecurity revenue.
- A $54.6 million, ten-year state health and human services contract, not yet included in our estimates, should begin generating revenue in 2027. We reiterate our Buy rating and $7 price target.

Rating	Buy
Target Price	$7.00
Ticker Symbol	CYCU
Market	NASDAQ
Stock Price	$2.13
52 wk High	$39.96
52 wk Low	$2.00
Shares Outstanding:	3.2 M
Public Market Float:	3.0 M
Avg. Daily Volume	1.2 M
Fully diluted market capitalization	$6.9 M
Institutional Holdings:	8.6%
Dividend Yield:	0.0%

Earnings Per Share				
FYE - December	**2025**	**2026E**	**2027E**	**2028E**
1Q - March	($124.56)	($3.73) A	($0.34)	($0.09)
2Q - June	($34.46)	($3.31) A	($0.34)	($0.09)
3Q - September	($12.39)	($1.03) A	($0.28)	($0.07)
4Q - December	($12.86)	($0.39)	($0.27)	($0.08)
Year	**($107.35)**	**($5.36)**	**($1.21)**	**($0.34)**
Revenue ($mm)	**15.1**	**17.3**	**25.7**	**29.5**
EV/Rev	0.8X	0.7X	0.5X	0.4X
AEBITDA ($mm)	**(4.6)**	**(5.4)**	**(1.3)**	**1.5**
				8.1X

Risks/Valuation

- **Execution Risk:** The primary risk is the pace of backlog conversion into recognized revenue and cash flow, particularly given historical revenue volatility.
- **Liquidity and Dilution Risk:** As a newly public micro-cap with a small float, the stock remains volatile and may require additional capital before reaching sustained profitability.
- **Valuation Support**: At current levels, CYCU trades at a significant discount to cybersecurity peers on an EV/revenue basis, supporting our $7 price target as backlog conversion improves visibility.

Company description: Cycurion, Inc. is a cybersecurity services provider focused on advisory consulting, managed security services, and SaaS-based protection solutions for state and local governments, regulated institutions, and small businesses. The company was formed through a series of acquisitions and became publicly traded in February 2025 via a SPAC merger. Cycurion's offerings address critical vulnerabilities in under-resourced organizations increasingly exposed to ransomware, data breaches, and operational disruptions.

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Revenue Up 40%, Gross Margin Jumps to 36%, and Organic Growth Accelerates

Cycurion reported strong September quarter results, with revenue increasing 40% to $5.4 million from $3.8 million a year ago and exceeding our $4.4 million estimate. What we find particularly encouraging is that the growth was not entirely acquisition-driven. Management attributed approximately $1.2 million of the $1.5 million year-over-year revenue increase to acquisitions, with the remaining $300,000 representing organic growth of approximately 8%. This marks a return to organic growth following project roll-offs earlier in the year. In our opinion, the combination of organic growth and contributions from recently acquired businesses suggests that the company's strategy is beginning to work.

Importantly, the September quarter included only two months of revenue from Digital Ally, which we estimate should contribute an additional $400,000 in quarterly revenue when included for a full quarter. This provides a stronger revenue base heading into 2027. Together with continued organic growth, we believe this provides a solid foundation for sequential revenue improvement.

Even more impressive was the improvement in gross profitability. Gross profit increased more than sevenfold to $1.9 million from $270,000 a year ago, while gross margin expanded to 35.8% from 7.1%. The company generated approximately $1.7 million in incremental gross profit on $1.5 million of additional revenue. While the comparison benefits from the unusually weak margins in the year-ago quarter, the magnitude of the improvement is significant. We believe the results demonstrate that Cycurion is transitioning toward a higher-margin business mix, with considerable potential for operating leverage as revenue continues to grow.

Adjusted EBITDA loss narrowed 64% to $1.2 million from $3.3 million a year ago, while operating loss declined 35% to $3.0 million from $4.5 million. Net loss attributable to common shareholders was $2.9 million, or $1.03 per share, compared with $3.1 million a year ago. The prior-year quarter benefited from a $2 million nonrecurring gain on debt settlement. Excluding that gain, the improvement in underlying profitability was substantially greater than the reported net loss comparison suggests.

Although revenue and gross profit exceeded our estimates, the GAAP EPS loss was greater than expected. The principal differences were higher SG&A expenses and $1.7 million in noncash stock compensation. SG&A increased to $3.2 million from $2.7 million a year ago, reflecting a larger organization following the company's acquisitions and investments in expanding its operations. We believe much of the incremental spending is associated with acquisition expenses rather than a deterioration in the economics of its existing operations. While the adjusted EBITDA loss was also greater than we had forecast, the difference was relatively modest compared with the improvement from a year ago. We are more focused on the substantial increase in gross profit and the continued narrowing of operating losses.

We believe the acquisitions of Secuvant and Cycurion Digital Ally should be important contributors to future growth. Secuvant, acquired in June, contributed its first full quarter and adds managed security services and the Panoptic cyber risk prioritization platform. Cycurion Digital Ally, acquired in August, brings video and evidence management technology and relationships with more than 800 public safety organizations. These relationships represent an opportunity to introduce Cycurion's cybersecurity and managed security offerings to an established customer base. In our opinion, the potential to expand relationships with these customers is more important than the immediate revenue contribution from the acquisitions.

The company is also expanding its capabilities in predictive cybersecurity. In October, Cycurion repositioned its offerings around helping customers identify and address security threats before they result in serious damage. In November, it introduced Habit, an AI-enabled security operations center combining automated threat detection and analysis with around-the-clock human monitoring. We believe the combination of these technologies with Secuvant's managed security services should strengthen Cycurion's competitive position and create additional opportunities for recurring revenue.

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Another important growth driver is the $54.6 million, ten-year state health and human services contract announced in July. Management now expects work to commence at the end of the March 2027 quarter. The contract represents approximately $5.5 million in average annual revenue over its term, a meaningful addition relative to Cycurion's current revenue base. Consistent with our practice of not including new contracts in our estimates until work commences, we have not yet incorporated this revenue into our model. As such, the contract represents potential upside to our 2027 and 2028 estimates.

The balance sheet remains a consideration. Cycurion ended September with $3 million in cash and $5 million in net debt. During the quarter, the company raised $4.5 million in gross proceeds through a warrant inducement transaction, using $1.5 million to fund acquisitions and the balance for working capital. We believe improving gross profitability and narrowing EBITDA losses should reduce the company's longer-term dependence on external capital.

Our current model projects revenue of approximately $17 million in 2026, increasing to $26 million in 2027 and $30 million in 2028. We forecast gross margin improving to 45% in 2027 and 50% in 2028, reflecting the growing contribution of higher-margin cybersecurity and managed security services. We forecast positive adjusted EBITDA of $1.5 million in 2028 as the company benefits from higher revenue and operating leverage. We believe these estimates are achievable given the September quarter's revenue and gross margin performance, although execution and cost control remain important.

In our opinion, September results represent a meaningful inflection point. Organic growth has returned, the acquisitions are contributing revenue and new customer relationships, and gross profit is growing substantially faster than revenue. The company still needs to demonstrate that it can translate these improvements into consistent positive EBITDA and cash flow, but the direction of the business is encouraging. With the state contract beginning in 2027 and additional opportunities from its expanded cybersecurity platform, we believe Cycurion is positioned for continued growth and improving profitability.

We reiterate our Buy rating and $7 price target.

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Cycurion Income Forecast

Fiscal years ended December 31	2026E 1QA	2QA	3QA	4Q	YEAR	2027E 1Q	2Q	3Q	4Q	YEAR	2028E 1Q	2Q	3Q	4Q	YEAR
Advisory Consulting	3,244,770	3,569,982	4,188,388	3,700,000	14,703,140	4,569,247	5,026,980	5,807,227	5,370,000	20,773,454	5,254,634	5,781,027	6,678,311	6,175,500	23,889,472
Year-over-year growth	-15.4%	-7.2%	9.7%	5.5%	-2.0%	40.8%	40.8%	38.7%	45.1%	41.3%	15.0%	15.0%	15.0%	15.0%	15.0%
Managed Security	22,500	183,887	1,089,602	1,100,000	2,395,989	1,100,000	1,100,000	1,100,000	1,155,000	4,455,000	1,265,000	1,265,000	1,265,000	1,328,250	5,123,250
Year-over-year growth	-28.6%	417.2%	8959.6%	3170.9%	2025.5%	4788.9%	498.2%	1.0%	5.0%	85.9%	15.0%	15.0%	15.0%	15.0%	15.0%
Product sales			94,771	100,000	194,771	100,000	100,000	100,000	100,000	400,000	115,000	115,000	115,000	115,000	460,000
Year-over-year growth											15.0%	15.0%	15.0%	15.0%	15.0%
Software as a Service	1,350	3,207	5,691	5,700	15,948	6,000	3,528	6,260	6,270	22,058	6,900	4,057	7,199	7,211	25,366
Year-over-year growth	-56.8%	-12.7%	83.6%	78.1%	21.8%	344.4%	10.0%	10.0%	10.0%	38.3%	15.0%	15.0%	15.0%	15.0%	15.0%
Total Revenue	**3,268,620**	**3,757,076**	**5,378,452**	**4,905,700**	**17,309,848**	**5,775,247**	**6,230,508**	**7,013,487**	**6,631,270**	**25,650,512**	**6,641,534**	**7,165,084**	**8,065,510**	**7,625,961**	**29,498,089**
Year-over-year growth	-15.5%	-22.3%	-22.3%	38.5%	14.4%	76.7%	65.8%	30.4%	35.2%	48.2%	15.0%	15.0%	15.0%	15.0%	15.0%
Sequential growth	-7.7%	14.9%	43.2%	-8.8%		17.7%	7.9%	12.6%	-5.4%		0.2%	7.9%	12.6%	-5.4%	
Total cost of revenue	2,580,262	2,663,739	3,454,160	2,943,420	11,641,581	3,176,386	3,426,779	3,857,418	3,647,199	14,107,781	3,320,767	3,582,542	4,032,755	3,812,980	14,749,044
As a percent of revenue	78.9%	70.9%	64.2%	60.0%	67.3%	55.0%	55.0%	55.0%	55.0%	55.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Gross margin	688,358	1,093,337	1,924,292	1,962,280	5,668,267	2,598,861	2,803,729	3,156,069	2,984,072	11,542,730	3,320,767	3,582,542	4,032,755	3,812,980	14,749,044
As a percent of revenue	21.1%	29.1%	35.8%	40.0%	32.7%	45.0%	45.0%	45.0%	45.0%	45.0%	50.0%	50.0%	50.0%	50.0%	50.0%
SG&A	2,743,695	2,641,320	3,203,863	2,698,135	11,287,013	2,887,624	3,115,254	3,506,743	3,315,635	12,825,256	2,988,690	3,224,288	3,629,479	3,431,682	13,274,140
As a percent of revenue	83.9%	70.3%	59.6%	55.0%	65.2%	50.0%	50.0%	50.0%	50.0%	50.0%	45.0%	45.0%	45.0%	45.0%	45.0%
Stock compensation expense	315,833	336,722	1,687,250	400,000	2,739,805	500,000	500,000	500,000	500,000	2,000,000	500,000	500,000	500,000	500,000	2,000,000
Operating income	**(2,371,170)**	**(1,884,705)**	**(2,966,821)**	**(1,135,855)**	**(8,358,551)**	**(788,762)**	**(811,525)**	**(850,674)**	**(831,564)**	**(3,282,526)**	**(167,923)**	**(141,746)**	**(96,725)**	**(118,702)**	**(525,096)**
As a percent of revenue	-72.5%	-50.2%	-55.2%	-23.2%	-48.3%	-13.7%	-13.0%	-12.1%	-12.5%	-12.8%	-2.5%	-2.0%	-1.2%	-1.6%	-1.8%
Interest income	14,236	3,506	21,555	-	39,297	-	-	-	-	-	-	-	-	-	-
Interest expense	(204,852)	(227,941)	(179,819)	(179,819)	(792,431)	(300,000)	(300,000)	(300,000)	(300,000)	(1,200,000)	(300,000)	(300,000)	(300,000)	(300,000)	(1,200,000)
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expense	-	(1,930,427)	-	-	(1,930,427)	-	-	-	-	-	-	-	-	-	-
Pretax income	(2,561,786)	(4,039,567)	(3,125,085)	(1,315,674)	(11,042,112)	(1,088,762)	(1,111,525)	(1,150,674)	(1,131,564)	(4,482,526)	(467,923)	(441,746)	(396,725)	(418,702)	(1,725,096)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	**(2,561,786)**	**(4,039,567)**	**(3,125,085)**	**(1,315,674)**	**(11,042,112)**	**(1,088,762)**	**(1,111,525)**	**(1,150,674)**	**(1,131,564)**	**(4,482,526)**	**(467,923)**	**(441,746)**	**(396,725)**	**(418,702)**	**(1,725,096)**
Net income margin	-78.4%	-107.5%	-58.1%	-26.8%	-63.8%	-18.9%	-17.8%	-16.4%	-17.1%	-17.5%	-7.0%	-6.2%	-4.9%	-5.5%	-5.8%
Non-controlling interest	433,324	283,793	202,238	202,238	1,121,593	100,000	100,000	100,000	100,000	400,000	100,000	100,000	100,000	100,000	400,000
Net Income to Common	**(2,128,462)**	**(3,755,774)**	**(2,922,847)**	**(1,113,436)**	**(9,920,519)**	**(988,762)**	**(1,011,525)**	**(1,050,674)**	**(1,031,564)**	**(4,082,526)**	**(367,923)**	**(341,746)**	**(296,725)**	**(318,702)**	**(1,325,096)**
Diluted shares outstanding	570,247	1,133,209	2,826,145	2,876,145	1,851,437	2,926,145	2,976,145	3,776,145	3,826,145	3,376,145	3,876,145	3,926,145	3,976,145	4,026,145	3,951,145
Seq change	173,314	562,962	1,692,936	50,000		50,000	50,000	800,000	50,000		50,000	50,000	50,000	50,000	
Diluted EPS	**($3.73)**	**($3.31)**	**($1.03)**	**($0.39)**	**($5.36)**	**($0.34)**	**($0.34)**	**($0.28)**	**($0.27)**	**($1.21)**	**($0.09)**	**($0.09)**	**($0.07)**	**($0.08)**	**($0.34)**
Adjusted EBITDA															
Net Income	(2,561,786)	(4,039,567)	(3,125,085)	(1,315,674)	(11,042,112)	(1,088,762)	(1,111,525)	(1,150,674)	(1,131,564)	(4,482,526)	(467,923)	(441,746)	(396,725)	(418,702)	(1,725,096)
Addback:															
Income taxes	-	-	-	-	-	-					-				
Interest income	(14,236)	(3,506)	(21,555)	-	(39,297)	-	-	-	-	-	-	-	-	-	-
Interest expense	204,852	227,941	179,819	179,819	792,431	300,000	300,000	300,000	300,000	1,200,000	300,000	300,000	300,000	300,000	1,200,000
Other (expense)/income	-	1,930,427	-	-	1,930,427	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction/ one-time expense	-	165,237	91,500	-	256,737	-	-	-	-	-	-	-	-	-	-
Loss on debt settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation	315,833	336,722	1,687,250	400,000	2,739,805	500,000	500,000	500,000	500,000	2,000,000	500,000	500,000	500,000	500,000	2,000,000
Adjusted EBITDA	**(2,055,337)**	**(1,382,746)**	**(1,188,071)**	**(735,855)**	**(5,362,009)**	**(288,762)**	**(311,525)**	**(350,674)**	**(331,564)**	**(1,282,526)**	**332,077**	**358,254**	**403,275**	**381,298**	**1,474,904**

Source: Company reports and Litchfield Hills Research

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Total return is defined as price appreciation plus dividend yield.

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