

MAKING SCIENCE

Mixed start to the year

- Mixed Q1 results.** Revenues jumped 36% to €54m, 13% above our estimates. Organic growth was the main driver as there were minor perimeter changes. Gross margin grew by 30% to €13.8m, c.10% above estimates, with both the core business and Ventis above expectations. Adj. EBITDA, however, stood at €2.5m (+28% YoY), marginally below our €2.6m estimate, with mixed trends: core business growth slowed down to +1% (vs. +15-20% in the past few quarters), 10% below estimates, whilst Ventis was break-even vs. our -€0.4m. Reported EBITDA (+21%) reached €1.9m, vs. our €2.1m.
- Costs cloud strong trends in the core business...** The core business remained very solid, with both Spain & International gross margin growing fast (+21% & +39%, respectively). However, personnel costs jumped by c.40%, ahead of revenues, and led to a c.5pp fall in margins. Whilst a negative surprise, Making Science expects this step-up in personnel (mostly senior sales teams with a focus on tech) to translate into greater sales growth that should help to resume "normal" margins in the coming quarters.
- ... and Ventis turnaround.** Sales fell by 33%, but gross margin improved by c.50% to €0.7m and enabled EBITDA to reach breakeven for the first time since Ventis' acquisition (mid-21), and this came earlier than we anticipated. Thus, the investments made in the business turnaround are starting to bear fruit. Likewise, we also expect restructuring one-off costs (€0.3m in Q1) to ease gradually throughout the year.
- Our view.** Q1 results have been mixed due to the above-mentioned step-up in personnel costs, clouding the strong revenue growth. On the other hand, and although the recent investments in the US (i.e., hiring of senior ex-Google team to fuel the expansion in this market) will be ST EBITDA dilutive, we have a LT positive view on this deal. The company will hold a conference call on May 29th and more comments will follow.

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Share Price (*) € 10.90

*Share price at the close of 17 May 2023

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Market Cap	€ 98 m
Enterprise Value	€ 122 m
Free Float	€ 22 m
Nº Shares	8 m
Average Daily Volume	€ 10 k

Performance	1m	3m	12m
Absolute %	-12.8	-14.8	-42.3
Relative %	-10.1	-15.1	-55.2



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Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA (€m)	3.7	5.7	9.2	12.5	15.1	17.0
Net profit (€m)	1.5	(3.5)	(5.0)	(0.4)	2.2	4.4
EPS (€)	0.22	(0.45)	(0.59)	(0.04)	0.26	0.53
Adj. EPS (*) (€)	0.34	0.37	0.35	0.60	0.83	1.02
P/E (x)	33.8	n.a.	n.a.	n.a.	41.8	20.7
P/E Adj. (x)	21.6	68.4	44.9	18.3	13.1	10.7
EV/EBITDA (x)	14.8	38.7	17.3	9.5	7.4	6.0
Debt/EBITDA (x)	0.7	4.1	2.7	2.0	1.2	0.5
P/BV (x)	18.1	18.7	9.7	6.9	5.9	4.6
ROE (%)	53.6	n.a.	n.a.	n.a.	14.1	22.1
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

(*) Historical multiples based on average share price of the year

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KEY DATA

P&L account (€ m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	34.6	57.7	110.4	210.1	234.0	266.3	294.5
COGS	(26.1)	(42.9)	(80.4)	(155.2)	(170.5)	(194.0)	(214.5)
Gross margin	8.4	14.8	30.0	55.0	63.4	72.4	80.0
Opex	(7.1)	(11.3)	(27.7)	(47.4)	(52.0)	(57.8)	(63.2)
EBITDA	1.4	3.5	2.4	7.5	11.5	14.6	16.8
One-offs	1.0	0.2	3.4	1.7	1.0	0.5	0.3
Adj. EBITDA	2.4	3.7	5.7	9.2	12.5	15.1	17.0
D&A	(0.4)	(0.9)	(3.8)	(7.6)	(7.7)	(7.6)	(7.4)
Provisions & Other	(0.0)	-	(0.0)	(0.0)	-	-	-
EBIT	0.9	2.6	(1.5)	(0.1)	3.7	6.9	9.4
Net financials	(0.1)	(0.4)	(0.8)	(1.9)	(2.5)	(2.4)	(2.0)
Equity method & other	0.0	(0.1)	(0.3)	(1.1)	-	-	-
EBT	0.8	2.1	(2.5)	(3.0)	1.2	4.6	7.4
Income tax expense	(0.1)	(0.5)	(0.7)	(1.5)	(1.4)	(2.1)	(2.7)
Minorities	-	-	(0.3)	(0.4)	(0.2)	(0.2)	(0.3)
Net profit, reported	0.7	1.5	(3.5)	(5.0)	(0.4)	2.2	4.4
Adjustments	1.1	0.9	6.4	8.0	5.4	4.8	4.1
Net profit adjusted	1.8	2.4	2.9	3.0	5.0	7.0	8.6
YoY Growth	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Sales	83%	67%	92%	90%	11%	14%	11%
EBITDA	(9%)	153%	(32%)	220%	52%	27%	15%
Adj. EBITDA	49%	54%	55%	61%	36%	21%	13%
EBIT	(142%)	193%	(158%)	(96%)	n.m.	86%	35%
Net profit	(128%)	132%	n.m.	43%	(92%)	n.m.	102%
Sales by division	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Core Business	100%	100%	94%	92%	95%	95%	95%
E-commerce	0%	0%	6%	5%	5%	5%	5%
EBITDA by division	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Core Business	100%	100%	125%	126%	106%	100%	98%
E-commerce	0%	0%	(25%)	(26%)	(6%)	0%	2%
Per share data	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
EPS	0.10	0.22	(0.45)	(0.59)	(0.04)	0.26	0.53
EPS adjusted	0.26	0.34	0.37	0.35	0.60	0.83	1.02
CFPS	0.18	0.44	0.06	0.06	0.97	1.28	1.53
FCFPS	0.16	0.34	0.40	0.19	0.56	0.87	1.14
BVPS	0.07	0.41	1.35	1.63	1.59	1.85	2.38
DPS	-	-	-	-	-	-	-
Cash flow (€ m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net profit	0.7	1.5	(3.5)	(5.0)	(0.4)	2.2	4.4
Depreciation	0.4	0.9	3.8	7.6	7.7	7.6	7.4
Minorities	-	-	0.3	0.4	0.2	0.2	0.3
Non-cash adjustments	0.1	0.7	(0.2)	(2.5)	0.6	0.7	0.8
Total cash-flow (CF)	1.2	3.1	0.5	0.5	8.2	10.8	12.9
Capex	(0.8)	(1.2)	(3.1)	(4.7)	(4.1)	(4.0)	(3.8)
Working capital investment	0.7	0.5	5.8	5.7	0.7	0.5	0.5
Operating FCF	1.1	2.4	3.1	1.6	4.8	7.3	9.6
Financial investments	-	-	-	-	-	-	-
Disposals (acquisitions)	(0.7)	(5.0)	(34.3)	(14.7)	(5.5)	-	-
Other	-	-	-	-	-	-	-
Dividends to minorities	-	-	-	-	-	-	-
Rights issues	-	1.2	10.6	11.8	-	-	-
Free-cash-flow (FCF)	0.4	(1.5)	(20.5)	(1.4)	(0.7)	7.3	9.6
Dividends paid	-	-	-	-	-	-	-
Share buybacks	-	-	-	-	-	-	-
FCF after buy backs	0.4	(1.5)	(20.5)	(1.4)	(0.7)	7.3	9.6
Balance sheet (€ m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Shareholders equity	0	3	11	14	13	16	20
Minorities	-	-	1	1	1	1	2
Provisions & others	2	5	5	8	8	9	10
Net debt (cash)	1	3	23	25	25	18	8
Capital invested	4	10	40	47	48	44	40
Other intangible	5	11	40	49	51	47	43
PP&E	0	0	1	2	2	2	2
Financial assets	0	0	1	0	0	0	0
Equity method	0	0	0	1	1	1	1
Working capital	(2)	(1)	(2)	(5)	(6)	(6)	(7)
Capital employed	4	10	40	47	48	44	40
Working capital/sales	(5.5%)	(2.1%)	(1.4%)	(2.4%)	(2.5%)	(2.4%)	(2.3%)
Financial ratios	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net debt/EBITDA	0.9X	0.8X	9.9X	3.3X	2.2X	1.2X	0.5X
Net debt/Adj. EBITDA	0.5X	0.7X	4.1X	2.7X	2.0X	1.2X	0.5X
Gearing	283%	95%	222%	179%	190%	116%	42%
Interest cover	8.0X	5.7X	(1.9X)	(0.0X)	1.5X	2.9X	4.6X
Margins & ratios	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA margin	4%	6%	2%	4%	5%	5%	6%
Effective tax rate	(14%)	(26%)	26%	50%	(114%)	(47%)	(36%)
Pay-out	0%	0%	0%	0%	0%	0%	0%
ROCE (EBIT/CE)	23%	25%	(4%)	(0%)	8%	16%	23%
ROE	151%	54%	n.a.	n.a.	n.a.	14%	22%

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