

MAKING SCIENCE

Cutting estimates, post-H1/Q3 results

- H1 net profit below estimates; net debt in line.** Making Science has published its full H1 accounts (EBITDA was disclosed already). EBITDA reached €6.9m (vs €2.3m a year ago), resulting in breakeven net profit for H1, up from a €2m loss last year but below our +€1.7m estimate. The miss is explained by higher leases (€1.4m vs. our €0.8m estimate) and non-cash taxes (€1.2m vs. €0.3m). Also, net debt fell by €2.5m vs Dec. 2023 to €37m, in line, despite higher lease charges, thanks to better-than-expected working capital management (-€2.7m vs -€4m).
- Revenue slowdown in Q3.** Gross profit (€16.4m) slowed from +20% in H1 to +4% in Q3, c.10% below estimates, mainly due to weaker core business performance (while e-commerce Ventis beat expectations). Spain (€8m) slowed to +1% (vs our +9%) due to softer summer activity and client loss, though management expects Q4 will be stronger. International (€7.3m) grew by 6% (vs our +18%) due to weaker results in Georgia and a slow US ramp-up. But US commercial activity remains robust: 16 clients signed YTD, including a "jumbo" client (i.e. >\$60m investments in online campaigns, more than all Spanish clients combined), which supports Making Science's medium-term prospects.
- Q3 EBITDA doubles but misses estimates:** Despite slower gross profit growth, wages remained stable (-1%), and opex fell by over 20% YoY, boosting adjusted EBITDA by 87% YoY to €3.3m. However, Q3 EBITDA was 11% below our €3.8m estimate, primarily due to the lower-than-expected international gross profit. Lower opex mitigated the shortfall in Spain. In the US, while QoQ improvement was timid (-€0.3m), Making Science said it remains on track to break even in Q4 (vs -€1.2m in 9M24) based on signed contracts. In the long term, MAKs aims for a contribution margin of 30-40% with each €1m increment in gross profit, leveraging on scale, technology (e.g., Ad-Machina), and international growth.
- Cutting estimates post H1/Q3 results.** We have cut our gross profit estimates by 5% p.a. and EBITDA by 7% (€1m p.a.), based on the weaker-than-expected Q3 results. Our FY24 EBITDA estimate now sits in the mid-range of guidance (€14-15m), which we find achievable (73% achieved in 9M24, and Q4 is seasonally stronger). We also factor in higher leases, and cut our net profit estimates by €1.5-2.0m p.a. (to <€2m in FY24 and €6m in FY25). The sales growth slowdown and higher leases were disappointing; however, Making Science remains on track to meet its ambitious growth targets for FY24 and turn profit making and FCF-positive. Likewise, MAKs has fixed its B/S and is ready to embark on new M&A from FY25.

Financial Ratios	FY21	FY22	FY23	FY24E	FY25E	FY26E
EBITDA (€m)	5.7	9.2	8.4	14.5	17.7	20.1
Net profit (€m)	(3.5)	(0.9)	(3.8)	1.2	5.7	7.7
EPS (€)	(0.45)	(0.11)	(0.45)	0.13	0.63	0.85
Adj. EPS (€)	0.39	0.25	(0.07)	0.34	0.68	0.90
P/E (x)	n.a	n.a	n.a	n.a.	14.2	10.6
P/E Adj. (x)	65.4	63.6	n.a	26.7	13.1	10.0
EV/EBITDA (x)	40.2	18.6	16.8	8.8	6.9	5.7
Debt/EBITDA (x)	4.7	3.7	5.3	2.7	1.9	1.2
P/BV (x)	13.9	6.2	5.7	3.7	3.0	2.3
ROE (%)	(24.6)	(4.2)	(24.2)	5.5	20.9	21.9
DPS (€)	0.0	0.0	0.0	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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Share Price (*) € 9.00

*Share price at the close of 22 October 2024

MAKS.MC / MAKs SM

Market Cap	€ 73 m
Enterprise Value	€ 118 m
Free Float	€ 17 m
Nº Shares	8 m
Average Daily Volume	€ 1 k

Performance	1m	3m	12m
Absolute %	-4.4	8.8	7.0
Relative %	-5.1	2.7	-27.8



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KEY DATA

P&L account (€ m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	Cash flow (€ m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	57.7	110.4	210.1	235.8	264.9	303.1	328.9	Net profit	1.5	(3.5)	(0.9)	(3.8)	1.1	5.9	7.9
COGS	(42.9)	(80.4)	(155.2)	(171.6)	(192.2)	(221.5)	(238.3)	Depreciation	0.9	3.8	4.0	4.4	6.1	6.2	6.4
Gross margin	14.8	30.0	55.0	64.1	72.7	81.6	90.6	Minorities	-	0.3	0.4	(0.0)	0.1	0.1	0.1
Opex	(11.3)	(27.7)	(46.8)	(58.4)	(59.4)	(64.2)	(70.6)	Non-cash adjustments	0.7	(0.8)	(2.6)	2.0	(0.4)	(1.5)	(1.4)
EBITDA	3.5	2.4	8.1	5.8	13.3	17.4	19.9	Total cash-flow (CF)	3.1	(0.2)	0.8	2.5	6.8	10.6	13.0
One-offs	0.2	3.4	1.1	2.6	1.2	0.3	0.2	Capex	(1.2)	(3.1)	(4.7)	(5.9)	(5.5)	(5.6)	(5.7)
Adj. EBITDA	3.7	5.7	9.2	8.4	14.5	17.7	20.1	Working capital investmer	0.5	5.8	5.7	(3.2)	1.9	1.3	1.1
D&A	(0.9)	(3.8)	(4.0)	(4.4)	(6.1)	(6.2)	(6.4)	Operating FCF	2.4	2.5	1.8	(6.6)	3.3	6.3	8.3
Provisions & Other	0.0	(0.0)	-	-	-	-	-	Financial investments	-	-	-	-	5.0	-	-
EBIT	2.6	(1.5)	4.1	1.3	7.2	11.2	13.5	Disposals (acquisitions)	(5.0)	(34.3)	(16.4)	(2.8)	(2.3)	-	-
Net financials	(0.5)	(1.1)	(3.2)	(3.9)	(4.5)	(3.3)	(2.9)	Other	-	(3.1)	(0.5)	(1.3)	(5.0)	-	-
Equity method & other	(0.1)	-	0.0	(0.0)	-	-	-	Dividends to minorities	-	-	-	-	-	-	-
EBT	2.0	(2.5)	1.0	(2.6)	2.7	7.9	10.6	Rights issues	1.2	10.6	9.3	-	4.0	-	-
Income tax expense	(0.5)	(0.7)	(1.5)	(1.2)	(1.5)	(2.0)	(2.7)	Free-cash-flow (FCF)	(1.5)	(24.2)	(5.7)	(10.7)	5.0	6.3	8.3
Minorities	-	(0.3)	(0.4)	0.0	(0.1)	(0.1)	(0.1)	Dividends paid	-	-	-	-	-	-	-
Net profit, reported	1.5	(3.5)	(0.9)	(3.8)	1.1	5.9	7.9	Share buybacks	-	-	(1.2)	-	0.7	-	-
Adjustments	0.9	6.4	2.9	3.2	1.8	0.2	0.1	FCF after buy backs	(1.5)	(24.2)	(6.9)	(10.7)	5.7	6.3	8.3
Net profit adjusted	2.3	2.9	2.0	(0.6)	2.9	6.1	8.0	Balance sheet (€ m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
N° of shares (m)	7.1	7.8	8.3	8.4	9.0	9.0	9.0	Shareholders equity	3	14	21	16	22	27	35
N° of shares adjusted (m)	6.8	7.6	8.1	8.2	9.0	9.0	9.0	Minorities	-	1	1	0	5	5	5
Treasury stock (m)	0.3	0.2	0.2	0.2	-	-	-	Provisions & others	5	(3)	(2)	(2)	(5)	(5)	(4)
YoY Growth	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	Net debt (cash)	3	27	34	45	39	33	24
Net Sales	76%	103%	83%	17%	13%	12%	11%	Capital invested	10	40	54	58	60	61	61
EBITDA	152%	(32%)	243%	(29%)	131%	31%	15%	Other intangible	11	43	63	64	67	69	70
Adj. EBITDA	118%	55%	61%	(9%)	73%	22%	14%	PP&E	0	1	2	2	3	3	4
EBIT	193%	(158%)	n.m.	(67%)	n.m.	55%	20%	Financial assets	0	2	1	2	2	2	2
Net profit	123%	n.m.	(74%)	n.m.	(130%)	n.m.	34%	Equity method	0	1	1	1	1	1	1
Sales by division	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	Working capital	(1)	(8)	(13)	(11)	(13)	(14)	(15)
Core Business	100%	94%	95%	95%	95%	92%	93%	Capital employed	10	40	54	58	60	61	61
E-commerce	0%	6%	5%	5%	5%	4%	4%	Working capital/sales	(2.1%)	(7.1%)	(6.0%)	(4.7%)	(4.9%)	(4.7%)	(4.7%)
EBITDA by division	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	Financial ratios	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Core Business	100%	125%	119%	98%	96%	96%	95%	Net debt/EBITDA	0.8X	11.4X	4.2X	7.8X	2.9X	1.9X	1.2X
E-commerce	0%	(25%)	(19%)	2%	4%	4%	5%	Net debt/Adj. EBITDA	0.7X	4.7X	3.7X	5.3X	2.7X	1.8X	1.2X
Per share data	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	Gearing	95%	190%	159%	284%	180%	119%	69%
EPS	0.21	(0.45)	(0.11)	(0.45)	0.13	0.66	0.88	Interest cover	5.1X	(1.4X)	1.3X	0.3X	1.6X	3.4X	4.7X
EPS adjusted	0.34	0.39	0.25	(0.07)	0.33	0.68	0.89	Margins & ratios	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
CFPS	0.44	(0.02)	0.10	0.30	0.76	1.18	1.44	EBITDA margin	6%	2%	4%	2%	5%	6%	6%
FCFPS	0.34	0.32	0.22	(0.78)	0.36	0.70	0.93	Effective tax rate	(26%)	26%	(153%)	48%	(56%)	(25%)	(25%)
BVPS	0.41	1.83	2.57	1.87	2.40	3.06	3.94	Pay-out	0%	0%	0%	0%	0%	0%	0%
DPS	-	-	-	-	-	-	-	ROCE (EBIT/CE)	25%	(4%)	8%	2%	12%	19%	22%
								ROE	51%	n.a.	n.a.	n.a.	5%	21%	22%

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