

MAKING SCIENCE

A digital marketing play

- **What is Making Science?** It is an integrated marketing & technology consultancy group, offering a wide range of services (creativity, branding, search engine, data analytics, web development, etc.) with the aim to become a digital accelerating partner for its clients. It was founded by the CEO & controlling shareholder (c.70% stake) in 2016 and was listed in Feb-20. Revenues have grown from €13m in 2017 to €115m PF in 2021 (1/3 organically, 2/3 M&A) and is now present in 9 countries.
- **The positives.** 1) Strong growth prospects (20-25% CAGR 2021-24 organically) thanks to increased digitalisation needs, an aspiration to be present in the top 20 advertising markets worldwide by 2025 (vs. 9 today); 2) a highly recurrent consultancy business (c.80% of group profits); 3) a broader, integrated, and higher-quality service portfolio (one-stop shop in marketing & tech/data) than competitors that allows it to outgrow the market; 4) a strong management team, with former Google executives; 5) great M&A opportunity (8 acquisitions in L2Y for €35-40m EV), which brings significant cross-selling potential and value creation.
- **The risks.** 1) High dependence on team skills (software engineers, data scientists) and technology in a challenging environment to attract talent; 2) a highly competitive environment with an increasing number of niche suppliers that hinder a favourable pricing environment; 3) execution risk in its growth strategy (from 180 to >800 employees over 2018-21); and 4) the challenge of Ventis (recently acquired e-commerce platform) in which the group lacks expertise and is loss-making (though a successful turnaround will improve the group's consultancy credentials).
- **Strong growth ahead.** We expect strong growth over the coming years driven by: a) an increased demand for digital needs (c.15% CAGR over 2020-24 vs. barely 3% for traditional ad spending); b) strong competitive positioning, which leads us to believe that Making Science will continue outperforming sector growth by >5pp; 3) the turnaround of the marketplace business (from -€1m EBITDA in 2020, to +€1m in 2024); and 4) M&A pending to contribute. As a result, we expect EBITDA to jump from €3.7m (2020) to €15.0m (2024), implying >40% CAGR over 20-24.
- **An attractive investment opportunity.** The rocketing growth (25% CAGR 17-21 organically, +80% including M&A) proves that the business model is working, in a context in which the industry should continue enjoying structural growth ahead. This, combined with its greater scale and know-how than peers, makes Making Science an attractive stock in our Spanish universe. As for how much it could be worth, we estimate a valuation range of €22-31 p.s. vs. current share price of €24.

Financial Ratios	FY19	FY20	FY21E	FY22E	FY23E	FY24E
EBITDA (€m)	2.4	3.7	5.9	9.7	12.3	15.0
Net profit (€m)	1.0	1.5	(0.3)	3.2	5.2	7.5
EPS (€)	0.15	0.22	(0.03)	0.41	0.67	0.96
Adj. EPS (€)	0.33	0.39	0.43	0.76	1.03	1.32
P/E (x)		33.8	n.a.	59.1	35.7	25.0
P/E Adj. (x)		19.2	58.7	31.8	23.4	18.1
EV/EBITDA (x)		14.8	38.3	21.7	16.7	13.2
Debt/EBITDA (x)	0.5	0.7	5.0	2.6	1.5	0.7
P/BV (x)		18.1	17.6	13.0	9.5	6.9
ROE (%)		53.6	n.a.	22.0	26.7	27.6
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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Share Price €24.00

MAKS.MC/ MAKS SM

Market Cap € 186 m
Enterprise Value € 212 m
Free Float € 40 m
Nº Shares 7.8 m
Average Daily Volume € 4 k

Performance 1m 3m 12m

Absolute % -7.0 -8.8 81.1
Relative % -11.9 -7.2 73.8



Shareholders

Mr. Martínez Aguilar 67%, Mr. Verdeja 7%, Free Float 23%, Treasury shares 2%

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