

MAKING SCIENCE

FY22 FCF above, hires ex-Google team in the US

- FY22 net profit below, underlying FCF above.** After publishing its Q4 trading update in early March (adj. EBITDA of €2.9m, X3 YoY, in line, €2.3m EBITDA below our €2.7m), Making Science has now published its FY22 annual accounts. We highlight that: 1) below EBITDA, net losses in 2H22 amounted to €3.8m, a bit worse than our -€2.3m on a mix of lower EBITDA & higher D&A; and 2) debt fell by €5m in H2 (vs. +€6m in H1) to €24.6m (2.7X EBITDA), in line. That said, the debt included the purchase of a 22% stake in Celsius for €2m, thus underlying FCF generation was better than our estimates, mainly on higher WC generation.
- Ventis turning around in FY23?** Ventis' performance in FY22 (-€2.4m EBITDA, almost no improvement vs. FY21) clouded the strong growth in the core business (+31% organic growth in EBITDA). However, in its management report, Making Science anticipates that the restructuring efforts made in FY22 should already begin to bear fruit in 1H23 (almost profit break-even?).
- Hires an ex-Google team in the US.** Making Science has just announced the hiring of three senior ex-Google employees in the US. We think that the logic is two-fold: 1) to truly target this market, which it entered back in 2021 with the acquisition of 360 Conversion Analytics (a very small company that focuses on conversion rate optimisation). The US is the world's largest market in digital marketing & technology, and thus offers very attractive growth prospects; and 2) to combine the team's contacts at Google in the US with Making Science's strong credentials in EMEA (it is one of Google's few GMP reseller partners and a premium partner in all its verticals) and competitive cost structure (hubs in Spain & Colombia). If Making Science became a more relevant Google partner in the US with GMP reselling, it would be very positive for its awareness & prospects.
- Fine-tuning EPS.** We are not incorporating the above US deal whilst we await more details. However, we raise our adj. EBITDA estimates by c.5% p.a. over 2023-25 to reflect a stronger end to 2022 in the core business and a softer macro slowdown. For now, we maintain Ventis in loss making territory in FY23 and breakeven in FY24. We fine-tune our EPS after reflecting higher D&A.
- Our view.** We expect a positive FY23, with >15% organic growth in the core business as well as an improvement in Ventis, all resulting in c.30% adj. EBITDA growth. Moreover, we believe that the US deal also brings further growth optionality mid-term. However, we think the shares (-40% L1Y, 10X23 EV/EBITDA) do not reflect the strong sector growth & company fundamentals. The company will hold a c/call in May and more comments will follow.

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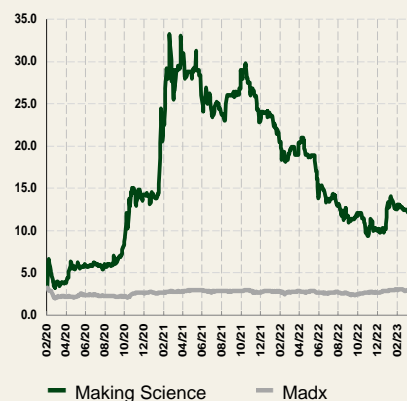
Share Price (*) € 12.30

*Share price at the close of 18 April 2023

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Market Cap	€ 105 m
Enterprise Value	€ 132 m
Free Float	€ 24 m
Nº Shares	8 m
Average Daily Volume	€ 100 k

Performance	1m	3m	12m
Absolute %	0.8	21.4	-33.9
Relative %	-6.1	14.7	-46.2



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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.	47.2	23.4
P/E Adj. (x)	21.6	68.4	44.9	20.6	14.8	12.1
EV/EBITDA (x)	14.8	38.7	17.3	10.4	8.2	6.7
Debt/EBITDA (x)	0.7	4.1	2.7	2.0	1.2	0.5
P/BV (x)	18.1	18.7	9.7	7.7	6.7	5.2
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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