

MAKING SCIENCE

Q4 confirms recovery; strong FY24-27 targets

- Strong recovery in Q4, in line.** Gross profit growth accelerated to 23% (vs. c.10% in the past two quarters) to €18.8m (in line), with the core business +18% and Ventis +230%. Adj. EBITDA reached €3.1m (in line), doubling QoQ and 4X bigger than the Q2 trough, thus confirming the recovery in the top-line, cost control in the core business, and the turnaround of Ventis. Reported EBITDA came at €2.4m vs. our €2.7m on one-offs.
- Core business finally stabilised.** Following a very difficult year in which top-line growth decelerated sharply after Q1, and in a context of rising personnel costs, EBITDA finally stabilised in the core business despite the investments made in the US landing. In fact, EBITDA fell by just 7% YoY (yet jumped by >20% ex US), reversing from -70% in Q2 and -39% in Q3. Spain led the improvement, with a 33% YoY growth and posting almost record high margins (27%).
- Ventis turning around.** Ventis, the e-commerce business, reached +€0.2m EBITDA vs. -€0.3m a year ago thanks to a strong gross profit growth and operating leverage (>50% conversion to EBITDA). As a result, Ventis ended 2023 with a positive EBITDA of €0.2m vs. -€1.8m a year ago. The company expects to reach €1-2m EBITDA in 2-3Y (vs. our <€0.9m in 2025).
- US could be a quantum leap.** The ex-Google team hired last April became a reseller partner of GMP effective from Jan-24. As per management's comments, the opportunity is huge: a 20X increase in addressable clients for GMP in the US vs. Spain, 27X the size of reselling fees & 48X the associated services fees with only a few more competitors (there are 13 full stack GMP players vs. 4 in Spain). The company expects to be break-even or be slightly positive this year already.
- FY24-27 targets above. Aiming to raise capital.** Making Science expects 2024 adj. EBITDA to jump by 80% organically to €14-15m, and reach €23-27m by 2027 (+20% CAGR), standing above our €13.6m & €20m estimates. FY24 target could be met by annualising Q4 results (€11.8m) and assuming a breakeven US business (€2.9m), all with Ventis flat. The company will launch a new capital increase in the coming months with the aim of resuming inorganic growth.
- Our view.** Despite a challenging 2023, Making Science has ended on a strong footing, with top-line growth back to +15-20% (outperforming peers), improving profitability, and with the foundations set for a major expansion in the US. In this sense, we think that the shares (-29% in the L1Y) do not reflect any of this, and thus offer a good LT entry point.

Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA (€m)	3.7	5.7	9.2	8.0	13.6	16.7
Net profit (€m)	1.5	(3.5)	(5.0)	(5.9)	(0.5)	2.8
EPS (€)	0.22	(0.45)	(0.59)	(0.69)	(0.06)	0.33
Adj. EPS (*) (€)	0.33	0.37	0.36	0.09	0.59	0.90
P/E (x)		n.a	n.a	n.a	n.a	30.3
P/E Adj. (x)		68.4	44.4	107.9	16.9	11.1
EV/EBITDA (x)		38.7	17.3	15.4	8.8	6.7
Debt/EBITDA (x)	0.7	4.1	2.7	4.6	2.4	1.5
P/BV (x)		18.7	9.7	10.9	11.6	8.4
ROE (%)		(33.2)	(36.2)	(74.7)	(6.6)	27.7
DPS (€)	0.0	0.0	0.0	0.0	0.0	0.0
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 (*) € 10.00

*Share price at the close of 01 February 2024

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Market Cap	€ 86 m
Enterprise Value	€ 123 m
Free Float	€ 20 m
Nº Shares	9 m
Average Daily Volume	€ 5 k

Performance	1m	3m	12m
Absolute %	0.0	25.0	-27.3
Relative %	1.5	16.7	-41.6



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MAKING SCIENCE: QUARTERLY P&L REVIEW

(€ m)	4Q22	1Q23	2Q23	3Q23	4Q23	% YoY	4Q23E	% diff
Revenues	60.3	54.0	59.9	57.8	64.3	7%	72.5	(11%)
Core business	57.9	51.6	57.3	55.4	61.1	5%	68.4	(11%)
o/w Spain	33.3	32.4	32.1	31.7	34.4	4%	38.3	(10%)
o/w Internacional	24.7	19.2	25.1	23.7	26.7	8%	30.1	(11%)
E-commerce & others	2.4	2.4	2.6	2.5	3.2	34%	4.2	(24%)
Gross Profit	15.3	15.2	14.6	15.7	18.8	23%	18.6	1%
Core business	14.7	14.5	13.6	14.9	17.4	18%	17.7	(2%)
o/w Spain	8.1	8.0	7.0	7.9	9.3	16%	9.6	(3%)
o/w Internacional	6.6	6.5	6.6	6.9	8.0	22%	8.2	(2%)
E-commerce & others	0.6	0.7	1.0	0.9	1.4	133%	0.8	74%
Own work capitalised	0.9	0.8	1.3	1.3	1.3	44%	0.7	88%
Personnel	(10.4)	(10.4)	(11.5)	(11.8)	(12.9)	24%	(12.3)	5%
Opex	(3.5)	(3.7)	(4.3)	(4.2)	(4.8)	35%	(4.3)	11%
EBITDA	2.3	1.9	0.0	1.0	2.4	8%	2.7	(10%)
One-offs	0.6	0.6	0.8	0.6	0.7	6%	0.3	101%
Adj. EBITDA	2.9	2.5	0.8	1.6	3.1	7%	3.1	2%
Core business	3.1	2.5	0.8	1.5	2.9	(7%)	3.0	(2%)
o/w Spain	1.9	1.6	0.5	1.0	2.6	33%	2.6	(3%)
o/w Internacional	1.2	1.0	0.4	0.5	0.4	(68%)	0.4	(1%)
E-commerce & others	(0.3)	0.0	(0.0)	0.1	0.2	n.m.	0.0	n.m.
Adj. EBITDA	18.9%	16.6%	5.6%	10.2%	16.6%	(2.4 pp)	16.4%	
Core business	21.5%	17.4%	6.1%	10.3%	16.9%	(4.5 pp)	17.0%	
o/w Spain	23.8%	19.5%	6.7%	12.4%	27.3%	3.5 pp	27.3%	
o/w Internacional	18.5%	14.9%	5.5%	7.8%	4.8%	(13.7 pp)	4.8%	
E-commerce & others	(42.1%)	1.1%	(2.1%)	9.0%	11.9%	54.0 pp	4.7%	

Source: Alantra Equities

KEY DATA

P&L account (€ m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	Cash flow (€ m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	34.6	57.7	110.4	210.1	244.3	280.1	313.4	Net profit	0.7	1.5	(3.5)	(5.0)	(5.9)	(0.5)	2.8
COGS	(26.1)	(42.9)	(80.4)	(155.2)	(180.2)	(206.6)	(230.3)	Depreciation	0.4	0.9	3.8	7.6	8.1	7.9	7.4
Gross margin	8.4	14.8	30.0	55.0	64.1	73.5	83.0	Minorities	-	-	0.3	0.4	0.2	0.2	0.3
Opex	(7.1)	(11.3)	(27.7)	(47.4)	(58.4)	(60.7)	(66.7)	Non-cash adjustments	0.1	0.7	(0.2)	(2.5)	(0.3)	0.6	0.8
EBITDA	1.4	3.5	2.4	7.5	5.7	12.8	16.3	Total cash-flow (CF)	1.2	3.1	0.5	0.5	2.2	8.2	11.3
One-offs	1.0	0.2	3.4	1.7	2.3	0.8	0.4	Capex	(0.8)	(1.2)	(3.1)	(4.7)	(5.1)	(4.7)	(4.6)
Adj. EBITDA	2.4	3.7	5.7	9.2	8.0	13.6	16.7	Working capital investment	0.7	0.5	5.8	5.7	(2.5)	0.7	0.5
D&A	(0.4)	(0.9)	(3.8)	(7.6)	(8.1)	(7.9)	(7.4)	Operating FCF	1.1	2.4	3.1	1.6	(5.4)	4.2	7.2
Provisions & Other	(0.0)	-	(0.0)	(0.0)	-	-	-	Financial investments	-	-	-	-	-	-	-
EBIT	0.9	2.6	(1.5)	(0.1)	(2.4)	4.9	8.9	Disposals (acquisitions)	(0.7)	(5.0)	(34.3)	(14.7)	(6.5)	-	-
Net financials	(0.1)	(0.4)	(0.8)	(1.9)	(3.5)	(3.7)	(3.4)	Other	-	-	-	-	-	-	-
Equity method & other	0.0	(0.1)	(0.3)	(1.1)	-	-	-	Dividends to minorities	-	-	-	-	-	-	-
EBT	0.8	2.1	(2.5)	(3.0)	(5.9)	1.2	5.5	Rights issues	-	1.2	10.6	11.8	-	-	-
Income tax expense	(0.1)	(0.5)	(0.7)	(1.5)	0.3	(1.5)	(2.4)	Free-cash-flow (FCF)	0.4	(1.5)	(20.5)	(1.4)	(11.9)	4.2	7.2
Minorities	-	-	(0.3)	(0.4)	(0.2)	(0.2)	(0.3)	Dividends paid	-	-	-	-	-	-	-
Net profit, reported	0.7	1.5	(3.5)	(5.0)	(5.9)	(0.5)	2.8	Share buybacks	-	-	-	-	-	-	-
Adjustments	1.1	0.9	6.4	8.0	6.7	5.6	4.9	FCF after buy backs	0.4	(1.5)	(20.5)	(1.4)	(11.9)	4.2	7.2
Net profit adjusted	1.8	2.4	2.9	3.0	0.8	5.1	7.7								
								Balance sheet (€ m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Nº of shares (m)	6.7	7.1	7.8	8.4	8.6	8.6	8.6	Shareholders equity	0	3	11	14	8	7	10
Nº of shares adjusted (m)	6.4	6.8	7.6	8.3	8.4	8.4	8.4	Minorities	-	-	1	1	1	1	2
Treasury stock (m)	0.3	0.3	0.2	0.2	0.2	0.2	0.2	Provisions & others	2	5	5	8	8	8	9
								Net debt (cash)	1	3	23	25	37	32	25
YoY Growth	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	Capital invested	4	10	40	47	53	49	46
Sales	83%	67%	92%	90%	16%	15%	12%	Other intangible	5	11	40	49	52	49	46
EBITDA	(9%)	153%	(32%)	220%	(24%)	125%	27%	PP&E	0	0	1	2	2	2	2
Adj. EBITDA	49%	54%	55%	61%	(13%)	70%	23%	Financial assets	0	0	1	0	0	0	0
EBIT	(142%)	193%	(158%)	(96%)	n.m.	n.m.	80%	Equity method	0	0	0	1	1	1	1
Net profit	(128%)	132%	n.m.	43%	18%	(92%)	n.m.	Working capital	(2)	(1)	(2)	(5)	(3)	(3)	(4)
								Capital employed	4	10	40	47	53	49	46
Sales by division	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	Working capital/sales	(5.5%)	(2.1%)	(1.4%)	(2.4%)	(1.1%)	(1.2%)	(1.2%)
Core Business	100%	100%	94%	92%	95%	95%	96%								
E-commerce	0%	0%	6%	5%	5%	5%	4%								
								Financial ratios	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA by division	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	Net debt/EBITDA	0.9X	0.8X	9.9X	3.3X	6.4X	2.5X	1.5X
Core Business	100%	100%	125%	126%	99%	96%	95%	Net debt/Adj. EBITDA	0.5X	0.7X	4.1X	2.7X	4.6X	2.4X	1.5X
E-commerce	0%	0%	-25%	-26%	1%	4%	5%	Gearing	283%	95%	222%	179%	464%	438%	247%
								Interest cover	8.0X	5.7X	(1.9X)	(0.0X)	(0.7X)	1.3X	2.6X
Per share data	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	Margins & ratios	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
EPS	0.10	0.22	(0.45)	(0.59)	(0.69)	(0.06)	0.33	EBITDA margin	4%	6%	2%	4%	2%	5%	5%
EPS adjusted	0.26	0.34	0.37	0.36	0.09	0.59	0.90	Effective tax rate	(14%)	(26%)	26%	50%	(4%)	(121%)	(44%)
CFPS	0.18	0.44	0.06	0.06	0.25	0.96	1.32	Pay-out	0%	0%	0%	0%	0%	0%	0%
FCFPS	0.16	0.34	0.40	0.19	(0.63)	0.49	0.84	ROCE (EBIT/CE)	23%	25%	(4%)	(0%)	(5%)	10%	19%
BVPS	0.07	0.41	1.35	1.63	0.92	0.86	1.19	ROE	151%	54%	n.a.	n.a.	n.a.	n.a.	28%
DPS	-	-	-	-	-	-	-								

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