

## MAKING SCIENCE

### Strong start to 2024, upside risk to estimates

- Q1 results above.** Revenues and gross profit grew by 15% YoY to €62.4m and €17.5m, respectively, both c.5% above expectations. This, together with opex control and higher capitalised costs, led adj. EBITDA to soar 30% to €3.3m, 7% above estimates. The absence of significant one-offs (<€0.1m vs. our €0.2m) drove reported EBITDA up 65% to €3.2m, >10% above estimates.
- The core is back on track.** Core gross profit grew by 14% off a tough comparison base (1Q23 still enjoyed very positive inertia). International (+25%, with France +47% and Nordics +32%) grew ahead of a more mature Spain (+6%). However, at EBITDA level, the loss-making US led international EBITDA to tank c.40% (+24% ex US), whilst efficiencies drove Spain EBITDA up 64%. As a result, adj. EBITDA grew 24%, and the margin soared to a healthier 19% (or 22-23% ex US impact vs. 13% on average in 2023).
- Ventis turning around.** Ventis e-commerce sales & gross profit jumped 23% & 30% YoY in Q1, respectively, as the product repositioning towards more resilient and profitable luxury brands continues to bear fruit. This, together with the restructuring carried out last year (wages nearly halved), led adj. EBITDA to go from break-even to €0.2m in a seasonally weak Q1.
- FY24 targets look achievable. Upside risk to estimates.** Making Science expects gross profit of €74-77m (+18% YoY) and EBITDA of €14-15m (+80%) in 2024. In view of the strong start to 2024, the sound commercial developments in the US (#3 reseller contracts in Q1, 20 expected by year-end), and the business' high recurrency (annual contracts, >80% of revenues being monthly fees), we think the targets look achievable and stand 7-8% above our expectations, thus leaving upside risk to our estimates.
- Our view.** The company has managed a difficult 2023 well and is now starting 2024 on a strong footing. We expect Making Science to refinance the €12m bond that matures later this year at some point during Q2, and management reiterated its plan to raise fresh equity (€4-7m, 5-9% of capital) in order to take advantage of further M&A opportunities. The shares have fallen by 30% in L12M and are overlooking the strong growth prospects. We will be publishing an in-depth report in the coming weeks.

### SPONSORED RESEARCH

Share Price (\*) € 8.80

\*Share price at the close of 16 April 2024

#### MAKS.MC/

Market Cap	€ 76 m
Enterprise Value	€ 115 m
Free Float	€ 17 m
Nº Shares	8 m
Average Daily Volume	€ 10 k

Performance	1m	3m	12m
Absolute %	5.3	-10.9	-28.0
Relative %	3.1	-18.4	-46.9



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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	27.3
P/E Adj. (x)		68.4	44.4	97.1	15.2	10.0
EV/EBITDA (x)		38.7	17.3	14.3	8.1	6.2
Debt/EBITDA (x)	0.7	4.1	2.7	4.6	2.4	1.5
P/BV (x)		18.7	9.7	9.8	10.4	7.5
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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## MAKING SCIENCE: QUARTERLY EVOLUTION (PRE-IFRS ACCOUNTING)

(€ m)	1Q23	2Q23	3Q23	4Q23	1Q24	% YoY	1Q24E	% diff
<b>Revenues</b>	<b>54.0</b>	<b>59.9</b>	<b>57.8</b>	<b>64.4</b>	<b>62.4</b>	<b>15%</b>	<b>58.7</b>	<b>6%</b>
Core business	51.6	57.3	55.4	61.1	59.4	15%	56.0	6%
o/w Spain	32.4	32.1	31.7	34.4	35.8	10%	33.9	6%
o/w Internacional	19.2	25.1	23.7	26.7	23.6	23%	22.1	7%
E-commerce & others	2.4	2.6	2.5	3.3	3.0	23%	2.7	12%
<b>Gross Profit</b>	<b>15.2</b>	<b>14.6</b>	<b>14.7</b>	<b>18.8</b>	<b>17.5</b>	<b>15%</b>	<b>16.8</b>	<b>5%</b>
Core business	14.5	13.6	13.9	17.4	16.6	14%	15.9	4%
o/w Spain	8.0	7.0	7.9	9.3	8.5	6%	8.1	5%
o/w Internacional	6.5	6.6	5.9	8.0	8.1	25%	7.8	3%
E-commerce & others	0.7	1.0	0.9	1.4	1.0	31%	0.9	13%
Own work capitalised	0.8	1.3	1.3	1.3	1.3	57%	1.2	9%
Personnel	(10.4)	(11.5)	(11.8)	(12.9)	(12.0)	15%	(11.5)	4%
Opex	(3.7)	(4.3)	(3.1)	(4.8)	(3.7)	(1%)	(3.6)	3%
<b>EBITDA</b>	<b>1.9</b>	<b>0.0</b>	<b>1.0</b>	<b>2.5</b>	<b>3.2</b>	<b>66%</b>	<b>2.9</b>	<b>12%</b>
One-offs	0.6	0.8	0.6	0.7	0.1	(82%)	0.2	(46%)
<b>Adj. EBITDA</b>	<b>2.5</b>	<b>0.8</b>	<b>1.7</b>	<b>3.1</b>	<b>3.3</b>	<b>30%</b>	<b>3.1</b>	<b>7%</b>
Core business	2.5	0.8	1.5	2.9	3.1	24%	3.0	6%
o/w Spain	1.6	0.5	1.0	2.6	2.6	64%	2.4	9%
o/w Internacional	1.0	0.4	0.5	0.4	0.6	(41%)	0.6	(5%)
E-commerce & others	0.0	(0.0)	0.1	0.2	0.2	n.a.	0.1	36%
<b>Adj. EBITDA Mg (*)</b>	<b>16.6%</b>	<b>5.6%</b>	<b>11.3%</b>	<b>16.6%</b>	<b>18.8%</b>	<b>2.2 pp</b>	<b>17.5%</b>	
Core business	17.4%	6.1%	11.0%	16.9%	18.9%	1.4 pp	18.0%	
o/w Spain	19.5%	6.7%	12.4%	27.3%	30.0%	10.6 pp	24.4%	
o/w Internacional	14.9%	5.5%	9.1%	4.8%	7.1%	(7.8 pp)	11.0%	
E-commerce & others	1.2%	(2.1%)	15.2%	12.1%	18.5%	17.2 pp	5.9%	

(\*) Margin over gross profit; Source: Alantra Equities

KEY DATA

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

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