

## MAKING SCIENCE

### Ventis prompts cut in estimates post Q3

- Q3 results below.** Q3 revenues and adj. EBITDA jumped by c.90% YoY to €52m and €2m respectively. Both came below our €58m and €2.7m estimates, mainly on a weaker Ventis. Reported EBITDA was €1.6m below our €2.5m.
- Core business growth within ambitious targets.** Core business revenues doubled YoY to €50m: a) Spain grew by 34% purely organically to €29m (57% of the total) driven by new client gains and upselling; b) International rocketed by >4X, mainly on M&A (Tre Kronor in Sweden was the largest contributor). Adj. EBITDA reached €2.5m, +60%, slightly below our €2.7m estimate due to greater than expected personnel investments. As of 9M, adj. EBITDA grew by 31% organically, within the group's 25-40% ambitious growth range target.
- Ventis: the weak spot.** Ventis (ecommerce) sales stood flat YoY at €2.3m, below our €3m, due to a greater than expected impact of the weakening consumer demand. Gross profit jumped by 25% YoY thanks to the different profitability measures being applied ("just" 15% below estimates) but adj. EBITDA was flat at -€0.5m, below our -€0.1m estimate. Making Science expects Q4 sales to account for 45-50% of FY22 revenues due to seasonality.
- Debt higher than expected.** H1 ND was €29m, +€6m vs. FY21 and higher than our €22m estimate, €5m explained by WC (-€5m vs. our €0m, which we think is temporary and should reverse in H2) and €2m on higher capex & lower EBITDA.
- New M&A halted.** Making Science is in advanced conversations with potential M&A targets. However, in view of the worsening economic environment, MKS said that it is prioritising being prudent financially, and does not expect to fulfil its M&A targets (up to €7m of new inorganic EBITDA) before YE.
- Cutting estimates.** We are trimming our core business EBITDA by c.3% p.a. to reflect a weaker economic environment (our FY22 EBITDA growth sits in the lower end of the guidance range). For Ventis, we are slashing our 2022 EBITDA from -€0.7m to -€1.5m and we expect EBITDA breakeven one year later, i.e., in 2024. Both effects combined lead us to cut our 2022-24 EBITDA by 8-11% p.a. This, together with higher D&A and financial expenses leads us to cut our adj. EPS 25-30%. The challenges for the Ventis platform are increasing and cloud the steady and strong growth at the core business (85% of group EV). Likewise, we think that it makes sense for MAKES to be extra cautious on the M&A front until the company has better visibility on its operations and valuations of M&A targets start to reflect a weaker economic prospect.

Financial Ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
EBITDA (€m)	2.4	3.7	5.7	9.3	11.7	14.3
Net profit (€m)	0.7	1.5	(3.5)	(1.3)	0.9	3.1
EPS (€)	0.10	0.22	(0.45)	(0.16)	0.10	0.37
Adj. EPS (*) (€)	0.28	0.39	0.45	0.38	0.58	0.82
P/E (x)		33.8	n.a	n.a.	114.1	32.6
P/E Adj. (x)		19.2	56.1	31.6	20.5	14.6
EV/EBITDA (x)		14.8	38.7	13.8	10.5	8.1
Debt/EBITDA (x)	0.5	0.7	4.1	2.4	1.5	0.7
P/BV (x)		18.1	18.7	4.8	4.6	4.0
ROE (%)		53.6	(33.2)	n.a.	4.0	12.4
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 (\*) € 11.95

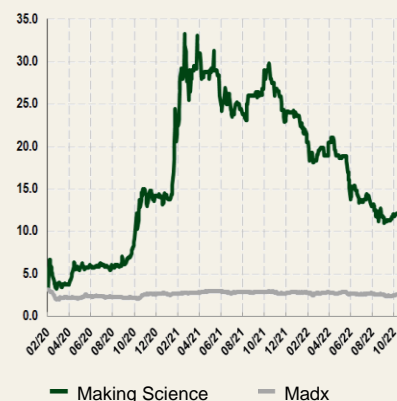
\*Share price at the close of 28 October 2022

#### MAKS.MC/

Market Cap	€ 96 m
Enterprise Value	€ 124 m
Free Float	€ 22 m
Nº Shares	8 m
Average Daily Volume	€ 7 k

#### Performance

	1m	3m	12m
Absolute %	7.6	-11.4	-56.9
Relative %	-1.3	-10.0	-49.7



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## MAKING SCIENCE: QUARTERLY P&amp;L REVIEW

(€ m)	3Q21	4Q21	1Q22	2Q22	3Q22	% YoY	3Q22E	% diff
<b>Revenues</b>	<b>27.3</b>	<b>35.3</b>	<b>39.7</b>	<b>58.4</b>	<b>51.8</b>	<b>89%</b>	<b>58.0</b>	<b>(11%)</b>
o/w core business	25.1	31.4	36.1	56.0	49.5	97%	55.0	(10%)
o/w Ventis	2.2	3.9	3.6	2.4	2.3	2%	3.0	(24%)
<b>Gross Profit</b>	<b>7.4</b>	<b>8.5</b>	<b>11.8</b>	<b>13.9</b>	<b>14.0</b>	<b>89%</b>	<b>14.5</b>	<b>(3%)</b>
o/w core business	6.9	9.0	11.3	12.8	13.4	94%	13.7	(2%)
o/w Ventis	0.5	(0.5)	0.5	1.1	0.7	25%	0.8	(17%)
Own work capitalised	0.7	0.6	0.8	0.9	0.6	(9%)	0.9	(29%)
Personnel	(5.1)	(6.5)	(7.3)	(8.3)	(9.3)	83%	(8.2)	13%
Opex	(2.3)	(2.5)	(3.6)	(4.4)	(3.8)	69%	(4.0)	(4%)
<b>EBITDA</b>	<b>0.8</b>	<b>0.1</b>	<b>1.6</b>	<b>2.1</b>	<b>1.6</b>	<b>99%</b>	<b>2.4</b>	<b>(33%)</b>
One-offs	(0.2)	(1.0)	(0.4)	(0.3)	(0.4)	66%	(0.2)	78%
<b>Adj. EBITDA</b>	<b>1.0</b>	<b>1.1</b>	<b>2.0</b>	<b>2.4</b>	<b>2.0</b>	<b>92%</b>	<b>2.6</b>	<b>(25%)</b>
o/w core business	1.5	1.9	2.5	2.8	2.5	67%	2.7	(7%)
o/w Ventis	(0.5)	(0.8)	(0.5)	(0.4)	(0.6)	16%	(0.1)	n.m.

Source: Alantra Equities

**KEY DATA**

P&L account (€ m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenue	18.8	34.6	57.7	110.4	216.2	244.0	277.7
COGS	(9.8)	(26.1)	(42.9)	(80.4)	(161.7)	(180.5)	(205.2)
<b>Gross margin</b>	<b>9.0</b>	<b>8.4</b>	<b>14.8</b>	<b>30.0</b>	<b>54.6</b>	<b>63.5</b>	<b>72.5</b>
Opex	(7.5)	(7.1)	(11.3)	(27.7)	(46.6)	(52.5)	(58.5)
<b>EBITDA</b>	<b>1.5</b>	<b>1.4</b>	<b>3.5</b>	<b>2.4</b>	<b>8.0</b>	<b>11.0</b>	<b>14.0</b>
One-offs	0.1	1.0	0.2	3.4	1.3	0.7	0.3
<b>Adj. EBITDA</b>	<b>1.6</b>	<b>2.4</b>	<b>3.7</b>	<b>5.7</b>	<b>9.3</b>	<b>11.7</b>	<b>14.3</b>
D&A	(0.1)	(0.4)	(0.9)	(3.8)	(6.7)	(7.1)	(7.5)
Provisions & Other	(3.5)	(0.0)	-	(0.0)	-	-	-
<b>EBIT</b>	<b>(2.1)</b>	<b>0.9</b>	<b>2.6</b>	<b>(1.5)</b>	<b>1.2</b>	<b>3.9</b>	<b>6.5</b>
Net financials	(0.1)	0.0	0.0	0.0	(2.2)	(2.1)	(1.8)
Equity method & other	-	(0.1)	(0.5)	(1.1)	-	-	-
<b>EBT</b>	<b>(2.2)</b>	<b>0.8</b>	<b>2.1</b>	<b>(2.5)</b>	<b>(1.0)</b>	<b>1.8</b>	<b>4.7</b>
Income tax expense	(0.2)	(0.1)	(0.5)	(0.7)	0.2	(0.4)	(0.9)
Minorities	-	-	-	(0.3)	(0.5)	(0.6)	(0.7)
<b>Net profit, reported</b>	<b>(2.4)</b>	<b>0.7</b>	<b>1.5</b>	<b>(3.5)</b>	<b>(1.3)</b>	<b>0.9</b>	<b>3.1</b>
Adjustments	3.6	1.2	1.2	7.0	4.5	4.0	3.8
<b>Net profit adjusted</b>	<b>1.2</b>	<b>1.8</b>	<b>2.7</b>	<b>3.5</b>	<b>3.2</b>	<b>4.9</b>	<b>6.9</b>
<b>YoY Growth</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Sales	40%	83%	67%	92%	96%	13%	14%
EBITDA	36%	(9%)	153%	(32%)	238%	39%	27%
Adj. EBITDA	46%	49%	54%	55%	62%	26%	23%
EBIT	(290%)	(142%)	193%	(158%)	(183%)	220%	65%
Net profit	n.m.	(128%)	132%	n.m.	(62%)	(167%)	250%
<b>Sales by division</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Core Business	100%	100%	100%	94%	93%	93%	93%
E-commerce	0%	0%	0%	6%	7%	7%	7%
<b>EBITDA by division</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Core Business	100%	100%	100%	124%	116%	107%	101%
E-commerce	0%	0%	0%	(24%)	(16%)	(7%)	(1%)
<b>Per share data</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EPS	(0.60)	0.10	0.22	(0.45)	(0.16)	0.10	0.37
EPS adjusted	0.29	0.28	0.39	0.45	0.38	0.58	0.82
CFPS	0.12	0.18	0.44	0.06	0.70	1.02	1.34
FCFPS	0.36	0.16	0.34	0.48	0.25	0.68	1.03
BVPS	0.19	0.07	0.41	1.35	2.49	2.59	2.96
DPS	-	-	-	-	-	-	-
Cash flow (€ m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net profit	(2.4)	0.7	1.5	(3.5)	(1.3)	0.9	3.1
Depreciation	0.1	0.4	0.9	3.8	6.7	7.1	7.5
Minorities	-	-	-	0.3	0.5	0.6	0.7
Non-cash adjustments	2.8	0.1	0.7	(0.2)	(0.0)	0.0	0.0
<b>Total cash-flow (CF)</b>	<b>0.5</b>	<b>1.2</b>	<b>3.1</b>	<b>0.5</b>	<b>5.9</b>	<b>8.6</b>	<b>11.3</b>
Capex	(0.4)	(0.8)	(1.2)	(2.5)	(4.0)	(3.2)	(3.2)
Working capital investment	1.3	0.7	0.5	5.8	0.2	0.3	0.6
<b>Operating FCF</b>	<b>1.5</b>	<b>1.1</b>	<b>2.4</b>	<b>3.7</b>	<b>2.1</b>	<b>5.7</b>	<b>8.7</b>
Financial investments	-	-	-	-	-	-	-
Disposals (acquisitions)	-	(0.7)	(5.0)	(34.9)	(12.4)	(1.0)	(1.0)
Other	-	-	-	-	-	-	-
Dividends to minorities	-	-	-	-	-	-	-
Rights issues	-	-	1.2	10.6	11.8	-	-
<b>Free-cash-flow (FCF)</b>	<b>1.5</b>	<b>0.4</b>	<b>(1.5)</b>	<b>(20.5)</b>	<b>1.4</b>	<b>4.7</b>	<b>7.7</b>
Dividends paid	-	-	-	-	-	-	-
Share buybacks	-	-	-	-	-	-	-
<b>FCF after buy backs</b>	<b>1.5</b>	<b>0.4</b>	<b>(1.5)</b>	<b>(20.5)</b>	<b>1.4</b>	<b>4.7</b>	<b>7.7</b>
Balance sheet (€ m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Shareholders equity	1	0	3	11	21	22	25
Minorities	-	-	-	1	5	5	6
Provisions & others	3	2	5	5	5	5	5
Net debt (cash)	2	1	3	23	22	17	9
<b>Capital invested</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>40</b>	<b>53</b>	<b>50</b>	<b>46</b>
Other intangible	3	5	11	40	52	49	46
PP&E	0	0	0	1	1	1	1
Financial assets	0	0	0	1	1	1	1
Equity method	3	0	0	0	0	0	0
Working capital	(1)	(2)	(1)	(2)	(2)	(2)	(3)
<b>Capital employed</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>40</b>	<b>53</b>	<b>50</b>	<b>46</b>
Working capital/sales	(6.4%)	(5.5%)	(2.1%)	(1.4%)	(0.8%)	(0.8%)	(0.9%)
Financial ratios	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net debt/EBITDA	1.1X	0.9X	0.8X	9.9X	2.7X	1.5X	0.7X
Net debt/Adj. EBITDA	1.0X	0.5X	0.7X	4.1X	2.4X	1.5X	0.7X
Gearing	222%	283%	95%	222%	104%	78%	38%
Interest cover	(26.3X)	(301.2X)	(181.7X)	199.1X	0.6X	1.9X	3.6X
Margins & ratios	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
EBITDA margin	8%	4%	6%	2%	4%	5%	5%
Effective tax rate	11%	(14%)	(26%)	26%	(20%)	(20%)	(20%)
Pay-out	0%	0%	0%	0%	0%	0%	0%
ROCE (EBIT/CE)	(40%)	23%	25%	(4%)	2%	8%	14%
ROE	n.a.	151%	54%	n.a.	n.a.	4%	12%

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