

## MAKING SCIENCE

### Cutting estimates post Q3 results

- Q3 results below.** Gross profit grew by 12% YoY to €15.7 million (+12% in the core business and +9% in Ventis), 5% below our estimates, whilst adj. EBITDA fell 20% to €1.6m, below our €2.4m on a weaker-than-expected core business (Ventis, on the other hand, was slightly profitable vs. our -€0.2m).
- Improving trends, albeit off a lower base.** The rapid slowdown in the core business came when Making Science is making significant investments into expanding its workforce and entering the US market. This resulted in a challenging Q2, with only 5% growth in gross profit (vs. +30% in FY22) and a 70% drop in EBITDA. However, better cost control (staff costs slowing down from +40% in H1 to +27% in Q3) led EBITDA to double QoQ and reduce the YoY decline to 40%. The group has indicated that Q4 is showing a much better performance than Q3, aligning with our expectations, albeit off a lower base. We expect Making Science to almost stabilize EBITDA in Q4, despite the US dilution.
- Entering a new phase.** After its foundation (phase 1, 2016-2019) and international expansion (phase 2, 2020-2023), Making Science is beginning a new phase, aiming to: 1) truly target the US, the world's largest digital advertising market. Last April, it hired a senior ex-Google team, and they have already achieved the most important goal which was to become a reseller partner of GMP, effective from January 2024; 2) consolidate its European presence; and 3) prioritise profitability. The rapid expansion over the past four years (over 6X growth in revenues) has generated operational inefficiencies, and the company is now shifting its focus towards sustainable profitability.
- Higher than expected debt.** Net debt rose by €20m vs. Dec-22 to €48m, higher than our estimated €10m increase. c.80% of the difference came from greater WC outflow (€13m vs. our €5m). The company stated that a new debt refinancing plan is in progress for its €12m bond in particular (maturing Oct-24).
- Our view.** We are cutting our 2023 EBITDA estimates by >€2m to €8m, and by <€1m p.a. onwards (4-5%) to >€13m (24) and >€16m (25) to reflect a slower than expected recovery. We raise our 2023 debt estimate by >€5m to >€35m (>4X EBITDA). While the environment is proving more challenging than we anticipated, we think that the worst is behind us, and we expect major growth ahead driven by business recovery (already apparent in H2), operating efficiencies, and the US ramp-up. The CEO & controlling shareholder have just announced a plan to buy MAKs shares for up to €0.5m (>0.5% of mkt cap), and this is reassuring.

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	0.35	0.09	0.59	0.90
P/E (x)		n.a	n.a	n.a.	n.a.	26.2
P/E Adj. (x)		68.4	44.9	93.3	14.6	9.6
EV/EBITDA (x)		38.7	17.3	14.0	7.9	6.0
Debt/EBITDA (x)	0.7	4.1	2.7	4.6	2.4	1.5
P/BV (x)		18.7	9.7	9.4	10.0	7.3
ROE (%)		(33.2)	(36.2)	n.a.	n.a.	27.7
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 (\*) € 8.75

\*Share price at the close of 02 November 2023

#### MAKS.MC/

Market Cap	€ 74 m
Enterprise Value	€ 100 m
Free Float	€ 17 m
Nº Shares	8 m
Average Daily Volume	€ 1 k

Performance	1m	3m	12m
Absolute %	6.7	-7.9	-23.9
Relative %	4.9	-8.3	-45.3



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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	244.3	280.1	313.4
COGS	(26.1)	(42.9)	(80.4)	(155.2)	(180.2)	(206.6)	(230.3)
<b>Gross margin</b>	<b>8.4</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>
Opex	(7.1)	(11.3)	(27.7)	(47.4)	(58.4)	(60.7)	(66.7)
<b>EBITDA</b>	<b>1.4</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>
One-offs	1.0	0.2	3.4	1.7	2.3	0.8	0.4
<b>Adj. EBITDA</b>	<b>2.4</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>
D&A	(0.4)	(0.9)	(3.8)	(7.6)	(8.1)	(7.9)	(7.4)
Provisions & Other	(0.0)	-	(0.0)	(0.0)	-	-	-
<b>EBIT</b>	<b>0.9</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>
Net financials	(0.1)	(0.4)	(0.8)	(1.9)	(3.5)	(3.7)	(3.4)
Equity method & other	0.0	(0.1)	(0.3)	(1.1)	-	-	-
<b>EBT</b>	<b>0.8</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>
Income tax expense	(0.1)	(0.5)	(0.7)	(1.5)	0.3	(1.5)	(2.4)
Minorities	-	-	(0.3)	(0.4)	(0.2)	(0.2)	(0.3)
<b>Net profit, reported</b>	<b>0.7</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>
Adjustments	1.1	0.9	6.4	8.0	6.7	5.6	4.9
<b>Net profit adjusted</b>	<b>1.8</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>
N° of shares (m)	6.7	7.1	7.8	8.4	8.6	8.6	8.6
N° of shares adjusted (m)	6.4	6.8	7.6	8.3	8.4	8.4	8.4
Treasury stock (m)	0.3	0.3	0.2	0.2	0.2	0.2	0.2
<b>YoY Growth</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Sales	83%	67%	92%	90%	16%	15%	12%
EBITDA	(9%)	153%	(32%)	220%	(24%)	125%	27%
Adj. EBITDA	49%	54%	55%	61%	(13%)	70%	23%
EBIT	(142%)	193%	(158%)	(96%)	n.m.	n.m.	80%
Net profit	(128%)	132%	n.m.	43%	18%	(92%)	n.m.
<b>Sales by division</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Core Business	100%	100%	94%	92%	95%	95%	96%
E-commerce	0%	0%	6%	5%	5%	5%	4%
<b>EBITDA by division</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Core Business	100%	100%	125%	126%	99%	96%	95%
E-commerce	0%	0%	(25%)	(26%)	1%	4%	5%
<b>Per share data</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EPS	0.10	0.22	(0.45)	(0.59)	(0.69)	(0.06)	0.33
EPS adjusted	0.26	0.34	0.37	0.36	0.09	0.59	0.90
CFPS	0.18	0.44	0.06	0.06	0.25	0.96	1.32
FCFPS	0.16	0.34	0.40	0.19	(0.63)	0.49	0.84
BVPS	0.07	0.41	1.35	1.63	0.92	0.86	1.19
DPS	-	-	-	-	-	-	-
Cash flow (€ m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net profit	0.7	1.5	(3.5)	(5.0)	(5.9)	(0.5)	2.8
Depreciation	0.4	0.9	3.8	7.6	8.1	7.9	7.4
Minorities	-	-	0.3	0.4	0.2	0.2	0.3
Non-cash adjustments	0.1	0.7	(0.2)	(2.5)	(0.3)	0.6	0.8
<b>Total cash-flow (CF)</b>	<b>1.2</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>
Capex	(0.8)	(1.2)	(3.1)	(4.7)	(5.1)	(4.7)	(4.6)
Working capital investment	0.7	0.5	5.8	5.7	(2.5)	0.7	0.5
<b>Operating FCF</b>	<b>1.1</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>
Financial investments	-	-	-	-	-	-	-
Disposals (acquisitions)	(0.7)	(5.0)	(34.3)	(14.7)	(6.5)	-	-
Other	-	-	-	-	-	-	-
Dividends to minorities	-	-	-	-	-	-	-
Rights issues	-	1.2	10.6	11.8	-	-	-
<b>Free-cash-flow (FCF)</b>	<b>0.4</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>
Dividends paid	-	-	-	-	-	-	-
Share buybacks	-	-	-	-	-	-	-
<b>FCF after buy backs</b>	<b>0.4</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>
Balance sheet (€ m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Shareholders equity	0	3	11	14	8	7	10
Minorities	-	-	1	1	1	1	2
Provisions & others	2	5	5	8	8	8	9
Net debt (cash)	1	3	23	25	37	32	25
<b>Capital invested</b>	<b>4</b>	<b>10</b>	<b>40</b>	<b>47</b>	<b>53</b>	<b>49</b>	<b>46</b>
Other intangible	5	11	40	49	52	49	46
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)	(3)	(3)	(4)
<b>Capital employed</b>	<b>4</b>	<b>10</b>	<b>40</b>	<b>47</b>	<b>53</b>	<b>49</b>	<b>46</b>
Working capital/sales	(5.5%)	(2.1%)	(1.4%)	(2.4%)	(1.1%)	(1.2%)	(1.2%)
Financial ratios	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net debt/EBITDA	0.9X	0.8X	9.9X	3.3X	6.4X	2.5X	1.5X
Net debt/Adj. EBITDA	0.5X	0.7X	4.1X	2.7X	4.6X	2.4X	1.5X
Gearing	283%	95%	222%	179%	464%	438%	247%
Interest cover	8.0X	5.7X	(1.9X)	(0.0X)	(0.7X)	1.3X	2.6X
Margins & ratios	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA margin	4%	6%	2%	4%	2%	5%	5%
Effective tax rate	(14%)	(26%)	26%	50%	(4%)	(121%)	(44%)
Pay-out	0%	0%	0%	0%	0%	0%	0%
ROCE (EBIT/CE)	23%	25%	(4%)	(0%)	(5%)	10%	19%
ROE	151%	54%	n.a.	n.a.	n.a.	n.a.	28%

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