

MAKING SCIENCE

2022 points to another strong year

- 2021 results review.** As advanced by the company, Q421 sales jumped by >70% to €35m (vs. our €31m on greater organic growth) but adj. EBITDA fell by 6% to €1.1m (vs. our €1.5m estimate) due to higher integration costs and greater negative contribution from the e-commerce Ventis. On a LFL basis, revenues and adj. EBITDA jumped by 53% and 34% respectively in 2021. Net profit for 2021 came out at -€3.2m, below our breakeven estimate, on higher one-offs and PPA amortisation. Net debt stood at €23m, lower than our €29m estimate, mainly thanks to +€5m WC generation (vs. our +€0.2m) and lower M&A investments.
- Busy M&A activity in 2022.** Making Science is having a busy start to 2022 on the M&A front: 1) it acquired 70% of Tre Kronor Media, a media agency with presence in the Nordics for €12-13m EV (€1.3m in cash, c.€3m in shares plus earnouts deferred to 2027). It is expected to contribute with €50m sales and €1m EBITDA (100%); 2) it acquired Elliot, a digital marketing agency (€0.1m EV) based in Georgia; and 3) it created Pilot Ignite with Pilot (via JV, owned at 25% by Making Science) a new agency aimed at fostering digital services for Pilot clients in Germany (first operation in the country). Pilot is a member of Local Planet, one of the largest media agency networks owned at 11% by Making Science, and we believe it could become a good client feed and prescriber for the latter.
- 2022 looks good.** 1) In the core business, Making Science aims to deliver on synergies of recent M&A, while still growing at double-digit figures organically (vs. our >20% estimate); 2) as for Ventis, Making Science is focused on its turnaround (6X growth in product catalogue, improved UX and SEO) and aims to boost GMV by 45% to €18m (in line); and 3) as for M&A, the group announced back in February its plans to raise capital to fund further inorganic growth. Including 2022 M&A, we estimate adjusted ND at 2.9X EBITDA, leaving limited firepower.
- Changes in estimates.** We keep our organic sales growth unchanged at c.20% CAGR 2021-24 but raise our adj. EBITDA by 3% in 2022 and 7% in 2023-24 to reflect the purchase of Tre Kronor Media and slightly higher integration costs. We are fine-tuning adj. EPS, also reflecting higher D&A, minorities & financial costs.
- Our view.** Q4 results have been mixed (higher revenue growth with higher-than-expected investments). That said, we believe 2022 points to another strong year both for the core business (industry tailwinds, group's competitive advantages allowing for market share gains, M&A cross-selling opportunities) and for Ventis (delivering on its turnaround, scaling up sales and minimising losses), thus rendering Making Science an attractive stock in our Spanish universe.

Financial Ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
EBITDA (€m)	2.4	3.7	5.7	10.1	13.1	16.0
Net profit (€m)	0.7	1.5	(3.5)	2.2	4.3	6.5
EPS (€)	0.10	0.22	(0.45)	0.27	0.55	0.82
Adj. EPS (*) (€)	0.28	0.39	0.45	0.70	0.99	1.28
P/E (x)		33.8	n.a.	75.8	38.2	25.3
P/E Adj. (x)		19.2	56.1	29.5	21.0	16.3
EV/EBITDA (x)		14.8	38.4	18.6	13.8	10.7
Debt/EBITDA (x)	0.5	0.7	4.1	2.3	1.3	0.5
P/BV (x)		18.1	18.7	10.9	8.5	6.3
ROE (%)		53.6	n.a.	14.3	22.2	25.0
DPS (€)	0.0	0.0	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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Share Price € 20.80

*Share price at the close of 02 May 2022

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Market Cap	€ 162 m
Enterprise Value	€ 188 m
Free Float	€ 37 m
Nº Shares	8 m
Average Daily Volume	€ 10 k

Performance	1m	3m	12m
Absolute %	5.1	-11.1	-26.2
Relative %	5.6	-10.0	-26.6



— Making Science — Madx

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KEY DATA

P&L account (€ m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenue	18.8	34.6	57.7	110.4	206.5	249.1	290.4
COGS	(9.8)	(26.1)	(42.9)	(80.4)	(157.3)	(188.5)	(219.0)
Gross margin	9.0	8.4	14.8	30.0	49.3	60.5	71.4
Opex	(7.5)	(7.1)	(11.3)	(27.7)	(39.7)	(47.6)	(55.5)
EBITDA	1.5	1.4	3.5	2.4	9.6	12.9	15.9
One-offs	0.1	1.0	0.2	3.4	0.5	0.3	0.1
Adj. EBITDA	1.6	2.4	3.7	5.7	10.1	13.1	16.0
D&A	(0.1)	(0.4)	(0.9)	(3.8)	(4.8)	(5.4)	(5.9)
Provisions & Other	(3.5)	(0.0)	-	(0.0)	-	-	-
EBIT	(2.1)	0.9	2.6	(1.5)	4.8	7.4	10.0
Net financials	(0.1)	0.0	0.0	0.0	(1.4)	(1.3)	(1.1)
Equity method & other	-	(0.1)	(0.5)	(1.1)	-	-	-
EBT	(2.2)	0.8	2.1	(2.5)	3.4	6.1	8.9
Income tax expense	(0.2)	(0.1)	(0.5)	(0.7)	(0.7)	(1.2)	(1.8)
Minorities	-	-	-	(0.3)	(0.5)	(0.6)	(0.7)
Net profit, reported	(2.4)	0.7	1.5	(3.5)	2.2	4.3	6.5
Adjustments	3.6	1.2	1.2	7.0	3.4	3.5	3.6
Net profit adjusted	1.2	1.8	2.7	3.5	5.6	7.8	10.1
Nº of shares (m)	4.0	6.7	7.1	7.8	7.9	7.9	7.9
Nº of shares adjusted (m)	4.0	6.4	6.8	7.6	7.7	7.7	7.7
Treasury stock (m)	-	0.3	0.3	0.2	0.2	0.2	0.2
YoY Growth	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Sales	40%	83%	67%	92%	87%	21%	17%
EBITDA	36%	(9%)	153%	(32%)	n.m.	35%	24%
Adj. EBITDA	46%	49%	54%	55%	76%	30%	22%
EBIT	(290%)	(142%)	193%	(158%)	n.m.	56%	35%
Net profit	n.m.	(128%)	132%	n.m.	(162%)	99%	51%
Sales by division	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Core Business	100%	100%	100%	94%	92%	91%	91%
E-commerce	0%	0%	0%	6%	8%	9%	9%
EBITDA by division	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Core Business	100%	100%	100%	124%	107%	100%	96%
E-commerce	0%	0%	0%	(24%)	(7%)	0%	4%
Per share data	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
EPS	(0.60)	0.10	0.22	(0.45)	0.27	0.55	0.82
EPS adjusted	0.29	0.28	0.39	0.45	0.70	0.99	1.28
CFPS	0.12	0.18	0.44	(0.71)	0.95	1.31	1.65
FCFPS	0.36	0.16	0.34	(0.28)	0.68	0.91	1.31
BVPS	0.19	0.07	0.41	1.35	1.92	2.46	3.28
DPS	-	-	-	-	-	-	-
Cash flow (€ m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net profit	(2.4)	0.7	1.5	(3.5)	2.2	4.3	6.5
Depreciation	0.1	0.4	0.9	3.8	4.8	5.4	5.9
Minorities	-	-	-	0.3	0.5	0.6	0.7
Non-cash adjustments	2.8	0.1	0.7	(6.1)	0.0	(0.0)	0.0
Total cash-flow (CF)	0.5	1.2	3.1	(5.5)	7.5	10.3	13.0
Capex	(0.4)	(0.8)	(1.2)	(2.5)	(3.2)	(3.3)	(3.3)
Working capital investment	1.3	0.7	0.5	5.8	1.0	0.1	0.6
Operating FCF	1.5	1.1	2.4	(2.2)	5.3	7.2	10.4
Financial investments	-	-	-	-	-	-	-
Disposals (acquisitions)	-	(0.7)	(5.0)	(26.9)	(7.8)	(1.0)	(1.0)
Other	-	-	-	-	-	-	-
Dividends to minorities	-	-	-	-	-	-	-
Rights issues	-	-	1.2	8.6	2.5	-	-
Free-cash-flow (FCF)	1.5	0.4	(1.5)	(20.5)	(0.0)	6.2	9.4
Dividends paid	-	-	-	-	-	-	-
Share buybacks	-	-	-	-	-	-	-
FCF after buy backs	1.5	0.4	(1.5)	(20.5)	(0.0)	6.2	9.4
Balance sheet (€ m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Shareholders equity	1	0	3	11	15	19	26
Minorities	-	-	-	1	5	5	6
Provisions & others	3	2	5	5	5	5	5
Net debt (cash)	2	1	3	23	23	17	8
Capital invested	5	4	10	40	49	47	45
Other intangible	3	5	11	40	49	48	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)	(3)	(3)	(3)
Capital employed	5	4	10	40	49	47	45
Working capital/sales	(6.4%)	(5.5%)	(2.1%)	(1.4%)	(1.2%)	(1.1%)	(1.1%)
Financial ratios	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net debt/EBITDA	1.1X	0.9X	0.8X	9.9X	2.4X	1.3X	0.5X
Net debt/Adj. EBITDA	1.0X	0.5X	0.7X	4.1X	2.3X	1.3X	0.5X
Gearing	222%	283%	95%	222%	154%	88%	30%
Interest cover	(26.3X)	(301.2X)	(181.7X)	199.1X	3.4X	5.7X	9.1X
Margins & ratios	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
EBITDA margin	8%	4%	6%	2%	5%	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%)	10%	16%	22%
ROE	n.a.	151%	54%	n.a.	14%	22%	25%

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