

## MAKING SCIENCE

### Changes in estimates to reflect US expansion

• **Highlights from c/call.** CEO Mr. Martínez Aguilar held yesterday a c/call to review FY22 (released on April 18th) and 1Q23 (released on May 17th) results, as well as to update on the company's outlook. We highlight the following:

a) Despite macro uncertainties, market trends remain positive across all geographies and services (marginally stronger in data & technology compared with digital advertising, which has a bigger cyclical component). The strong organic growth is split (50% from new clients & from 50% existing ones).

b) The jump in staff costs (+c.40% in Q1, vs. +c.30% in gross profit) came from wage inflation and, more importantly, from a step-up of the commercial team in Europe, which should accelerate sales in the coming quarters.

c) As for the expansion into the US, the rationale is two-fold: 1) to enter the world's largest market (>50% of digital advertising, vs. <1% of Making Science revenues); and 2) to supply the recently hired senior ex-Google team with Making Science's: a) strong know-how in the US' most important niches (i.e. video & search advertising); b) long-standing relationship with Google in EMEA (it is one of the few GMP resellers); c) cost competitive hubs; and 4) extensive client portfolio. Management highlighted the potential of Local Planet (one of the largest media agency networks, 11% owned by Making Science) as a good client feed & prescriber in their US expansion.

d) As for Ventis, after its first ever break-even quarter in Q1, MKS maintained its target of being break-even in FY23 and profit-making in FY24. In addition, management admitted to being open to sell Ventis at the right price.

• **Cutting 2023 estimates but fine-tuning 2024-25.** We are reflecting: 1) faster gross profit growth at the core business, at the expense of greater staff costs; 2) a c.€2m negative contribution from the US in 2023 (close to breakeven in 2024 and positive contribution in 2025); and 3) a slight improvement in Ventis (marginally loss making in 2023 & profit making in 2024). As a result, we are raising our 2023-25 gross profit estimates by 5-13% p.a., but cutting EBITDA in 2023 by c.15% to €10.5m, trimming 2024 by 3% to >€14m and slightly raising 2025 by c.5% to c.€18m. We expect the significant investment efforts to be dilutive in the short term, but they should ultimately reinforce the company's product and geographical mix and bring significant growth potential in 1-2Y.

Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA (€m)	3.7	5.7	9.2	10.5	14.3	17.7
Net profit (€m)	1.5	(3.5)	(5.0)	(2.1)	1.3	4.7
EPS (€)	0.22	(0.45)	(0.59)	(0.25)	0.15	0.56
Adj. EPS (*) (€)	0.33	0.37	0.35	0.42	0.78	1.11
P/E (x)		n.a	n.a	n.a.	69.7	19.2
P/E Adj. (x)		68.4	44.9	25.3	13.8	9.6
EV/EBITDA (x)		38.7	17.3	11.2	7.8	5.7
Debt/EBITDA (x)	0.7	4.1	2.7	2.6	1.4	0.6
P/BV (x)		18.7	9.7	7.7	7.0	5.1
ROE (%)		(33.2)	(36.2)	n.a.	10.0	26.6
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 (\*) € 10.70

\*Share price at the close of 29 May 2023

#### MAKS.MC/

Market Cap	€ 93 m
Enterprise Value	€ 117 m
Free Float	€ 21 m
Nº Shares	8 m
Average Daily Volume	€ 300 k

#### Performance 1m 3m 12m

Absolute %	-15.1	-17.1	-44.0
Relative %	-14.5	-16.6	-51.0



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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	248.4	293.5	337.7
COGS	(26.1)	(42.9)	(80.4)	(155.2)	(182.1)	(215.2)	(247.6)
<b>Gross margin</b>	<b>8.4</b>	<b>14.8</b>	<b>30.0</b>	<b>55.0</b>	<b>66.3</b>	<b>78.4</b>	<b>90.1</b>
Opex	(7.1)	(11.3)	(27.7)	(47.4)	(56.9)	(64.6)	(72.6)
<b>EBITDA</b>	<b>1.4</b>	<b>3.5</b>	<b>2.4</b>	<b>7.5</b>	<b>9.4</b>	<b>13.8</b>	<b>17.5</b>
One-offs	1.0	0.2	3.4	1.7	1.1	0.6	0.3
<b>Adj. EBITDA</b>	<b>2.4</b>	<b>3.7</b>	<b>5.7</b>	<b>9.2</b>	<b>10.5</b>	<b>14.3</b>	<b>17.7</b>
D&A	(0.4)	(0.9)	(3.8)	(7.6)	(7.9)	(7.8)	(7.5)
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>1.6</b>	<b>5.9</b>	<b>10.0</b>
Net financials	(0.1)	(0.4)	(0.8)	(1.9)	(2.5)	(2.4)	(2.1)
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>(1.0)</b>	<b>3.5</b>	<b>7.9</b>
Income tax expense	(0.1)	(0.5)	(0.7)	(1.5)	(0.9)	(2.0)	(2.9)
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>(2.1)</b>	<b>1.3</b>	<b>4.7</b>
Adjustments	1.1	0.9	6.4	8.0	5.7	5.2	4.7
<b>Net profit adjusted</b>	<b>1.8</b>	<b>2.4</b>	<b>2.9</b>	<b>3.0</b>	<b>3.6</b>	<b>6.5</b>	<b>9.4</b>
<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%	18%	18%	15%
EBITDA	(9%)	153%	(32%)	220%	25%	46%	27%
Adj. EBITDA	49%	54%	55%	61%	14%	36%	24%
EBIT	(142%)	193%	(158%)	(96%)	n.m.	281%	68%
Net profit	(128%)	132%	n.m.	43%	(58%)	(162%)	263%
<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%	96%	96%	97%
E-commerce	0%	0%	6%	5%	4%	4%	3%
<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%	103%	98%	97%
E-commerce	0%	0%	(25%)	(26%)	(3%)	2%	3%
<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)	(0.25)	0.15	0.56
EPS adjusted	0.26	0.34	0.37	0.35	0.42	0.78	1.11
CFPS	0.18	0.44	0.06	0.06	0.77	1.19	1.58
FCFPS	0.16	0.34	0.40	0.19	0.38	0.80	1.19
BVPS	0.07	0.41	1.35	1.63	1.38	1.54	2.10
DPS	-	-	-	-	-	-	-
Cash flow (€ m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net profit	0.7	1.5	(3.5)	(5.0)	(2.1)	1.3	4.7
Depreciation	0.4	0.9	3.8	7.6	7.9	7.8	7.5
Minorities	-	-	0.3	0.4	0.2	0.2	0.3
Non-cash adjustments	0.1	0.7	(0.2)	(2.5)	0.5	0.7	0.9
<b>Total cash-flow (CF)</b>	<b>1.2</b>	<b>3.1</b>	<b>0.5</b>	<b>0.5</b>	<b>6.5</b>	<b>10.0</b>	<b>13.3</b>
Capex	(0.8)	(1.2)	(3.1)	(4.7)	(4.3)	(4.3)	(4.3)
Working capital investment	0.7	0.5	5.8	5.7	1.0	1.0	1.0
<b>Operating FCF</b>	<b>1.1</b>	<b>2.4</b>	<b>3.1</b>	<b>1.6</b>	<b>3.2</b>	<b>6.7</b>	<b>10.0</b>
Financial investments	-	-	-	-	-	-	-
Disposals (acquisitions)	(0.7)	(5.0)	(34.3)	(14.7)	(5.5)	-	-
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>(2.3)</b>	<b>6.7</b>	<b>10.0</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>(2.3)</b>	<b>6.7</b>	<b>10.0</b>
Balance sheet (€ m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Shareholders equity	0	3	11	14	12	13	18
Minorities	-	-	1	1	1	1	2
Provisions & others	2	5	5	8	8	9	10
Net debt (cash)	1	3	23	25	27	20	10
<b>Capital invested</b>	<b>4</b>	<b>10</b>	<b>40</b>	<b>47</b>	<b>48</b>	<b>44</b>	<b>39</b>
Other intangible	5	11	40	49	51	47	44
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)	(6)	(7)	(8)
<b>Capital employed</b>	<b>4</b>	<b>10</b>	<b>40</b>	<b>47</b>	<b>48</b>	<b>44</b>	<b>39</b>
Working capital/sales	(5.5%)	(2.1%)	(1.4%)	(2.4%)	(2.5%)	(2.4%)	(2.4%)
Financial ratios	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net debt/EBITDA	0.9X	0.8X	9.9X	3.3X	2.9X	1.5X	0.6X
Net debt/Adj. EBITDA	0.5X	0.7X	4.1X	2.7X	2.6X	1.4X	0.6X
Gearing	283%	95%	222%	179%	231%	156%	58%
Interest cover	8.0X	5.7X	(1.9X)	(0.0X)	0.6X	2.4X	4.7X
Margins & ratios	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA margin	4%	6%	2%	4%	4%	5%	5%
Effective tax rate	(14%)	(26%)	26%	50%	93%	(56%)	(37%)
Pay-out	0%	0%	0%	0%	0%	0%	0%
ROCE (EBIT/CE)	23%	25%	(4%)	(0%)	3%	14%	25%
ROE	151%	54%	n.a.	n.a.	n.a.	10%	27%

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