

MAKING SCIENCE

Entering a new profitable growth phase

- A new capital raise in sight.** 2023 was a tough year for MAKES (macro slowdown, wage inflation, M&A digestion, the US expansion), but things started to improve in Q4, and 2024 is looking very strong: we look for c.20% & >80% growth in net sales & EBITDA, respectively. With this backdrop, MAKES is looking to raise up to €7m of fresh equity (9% of market cap), with the aim of taking advantage of further M&A opportunities (>10 deals in the L3Y with >15% estimated RoCE) and strengthening the B/S (debt/EBITDA at c.2X24E) whilst increasing the free float.
- What makes Making Science different?** a) MAKES (a specialised player in digital marketing, data analytics, cloud & technology) is a premium partner of the main tech platforms; b) its relationship is particularly strong with Google (founder & team leaders are all ex-Google), as it is one of the very few GMP resellers (Google Marketing Platform, the most important digital marketing tool) in EMEA and the US; c) it built a global reach (present in 15 countries); and d) it owns state-of-the-art technology. These very powerful credentials, global service, and enlarged and differentiated product offering have proven to be a competitive advantage (>25% CAGR organically since its foundation in 2016), and allowed it to build a high-quality and sticky client portfolio (large accounts & top-tier brands).
- Massive growth ahead.** The prospects look very attractive, considering: 1) the solid industry outlook (8-14% CAGR 2023-27E); 2) MAKES' competitive advantages; 3) its cost-competitive structure; and 4) the US opportunity, where it has just entered with an ex-Google team (GMP reseller plus strong EMEA credentials). After a 50% EBITDA CAGR in L4Y, we look for +80% (organic) in 2024 (turning profit making) and 15% CAGR in 2024-27, outpacing industry growth. The major EBITDA growth and €6m of new equity should lead to a fast deleverage (from 5.5X23 to 2X24 and <1X26), opening the door to further M&A.
- Our view.** MAKES has gone from a small local player in digital advertising to becoming the leader in Spain, achieving a strong foothold in EMEA whilst entering the large US market. This is all thanks to the strong industry know-how, its long-standing relationship with Google, and a talented team. MAKES ended a challenging 2023 on a strong footing, and prospects for 2024 and beyond look very good. The shares trade at just <8X24E EV/EBITDA, in line with traditional media peers, but MAKES is still in a start-up phase (<5X26E) and we see plenty of M&A opportunities to boost growth further. In this context, the upcoming capital raise offers a liquidity window and an attractive LT entry point in the MAKES story.

Financial Ratios	FY21	FY22	FY23	FY24E	FY25E	FY26E
EBITDA (€m)	5.7	9.2	8.4	15.7	18.9	21.5
Net profit (€m)	(3.5)	(0.9)	(3.8)	4.8	7.8	9.9
EPS (€)	(0.45)	(0.11)	(0.45)	0.52	0.85	1.08
Adj. EPS (*) (€)	0.39	0.25	(0.07)	0.59	0.87	1.10
P/E (x)	n.a.	n.a.	n.a.	17.4	10.7	8.4
P/E Adj. (x)	n.a.	n.a.	n.a.	15.3	10.4	8.2
EV/EBITDA (x)	40.2	18.6	15.2	7.7	6.0	4.8
Debt/EBITDA (x)	4.7	3.7	5.3	2.1	1.3	0.7
P/BV (x)	13.9	6.2	4.8	3.1	2.4	1.9
ROE (%)	n.a.	n.a.	n.a.	18.0	22.7	22.5
DPS (€)	0.00	0.00	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 (*) € 9.05

*Share price at the close of 03 May 2024

MAKS.MC/ MAKES SM

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 %	2.9	-10.5	-27.8
Relative %	2.6	-20.9	-50.7



Shareholders

Mr. Martínez Aguilar 62.7%, Mr. Verdeja 6.7%, other key employees 14.2%, Treasury shares 2.7%, Free Float 13.7%

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