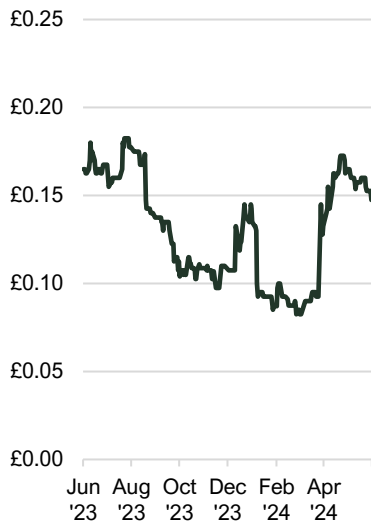


## FY24 trading update – trading in line and cash ahead

**1 Year Chart**


Made Tech PLC is a research client of H2 Radnor Ltd.

**MiFID II – this research is deemed to be a minor, non-monetary benefit.**

27th June 2024

**Robert Plant**

rplant@h2radnor.com

+44 (0) 203 897 1846

Made Tech has issued a positive FY24 (May year-end) trading update with the headline “trading in line with consensus expectations and cash ahead”. Rory MacDonald, CEO, said “our financial year FY25 has started strongly, with £11 million in new contracts awarded within the first month. This adds to the contracted backlog of £65.4 million at the close of FY24, underpinning our confidence as we begin the new financial year”.

We have increased our FY24 adjusted EBITDA by 6% and have maintained it for FY25. Made Tech is debt free and we raise our cash position by 19% for FY24 and by 7% for FY25.

Despite a positive price reaction to the material DULHC contract win announced in April., Made Tech still trades at a significant (c.46%) valuation discount to the UK Software Service peer group. We believe the tone of this full year update and the extent of the outperformance on cash should help to see this valuation discount continue to narrow.

- **UK politics;** Made Tech’s customers are all in the UK public sector and we thought positive the commentary around UK politics; “the snap General Election announcement was a positive surprise, eliminating timing uncertainty for our clients and the Group. During this pre-election period, we are seeing minimal operational impact on our current contracts and pipeline, with the business continuing to perform well”.
- The statement added that “We are pleased to see the main party manifestos emphasise the significant role technology will play in delivering their priorities and expect the Group to be well-positioned to capitalise on the post-election opportunities. We anticipate this will lead to increased trading momentum for the Group over the coming years and the beginning of a new wave of growth”.
- **Valuation;** we believe that Made Tech will benefit considerably as the UK public sector transitions to digital to improve service and reduce costs and that its valuation is attractive on FY25 EV/EBITDA of 6.1x compared with the 12.3x of our Software Services peer group.

Y/E May, £m	Revenue	EBITDA	Adj PBT	Adj EPS (p)	Net Cash	PE	EV/EBITDA
FY 2022A	29.3	2.6	2.3	1.3	12.3	11.7	5.4
FY 2023A	40.2	1.5	1.1	0.3	8.5	44.6	9.5
FY 2024E	38.5	2.3	1.1	0.4	7.6	38.6	6.3
FY 2025E	35.4	2.4	1.0	0.5	8.6	31.7	6.1

Source: h2Radnor

## Main other points from the statement

- **Revenue** is expected to be c.£38.5m (FY23 £40.2m) *“in line with consensus expectations following good momentum in the second half of the year”*. We have increased our forecast by 1% from £38.1m to £38.5m.
- **Adjusted EBITDA** is expected to be c.£2.3m (FY23 £1.5m) *“slightly ahead of consensus expectations and substantially ahead of the prior year, representing an increase in margin from 3.8% to 6.0% as a result of operational efficiencies implemented across the Group”*. We have increased our forecast by 6% from £2.2m to £2.3m. We believe that the margin will have benefitted in part from actions taken by management to right-size the cost base, improve billable utilisation, reduce contractor numbers and partner work, and improve management information.
- **Net cash** was £7.6m (FY23: £8.5m), which was *“materially ahead of consensus expectations. This strong performance primarily reflects good cash collection in the second half of the year and a reduction in capitalised R&D spend as the Company focuses on the early commercialisation of its SaaS portfolio of products”*. We have increased our forecast by 19% from £6.4m to £7.6m. We think that a good cash level positions Made Tech strongly, especially if it chooses to make bolt-on acquisitions or invest in new products. Plus, we believe that having a net cash position also strengthens the Group’s credentials with public sector clients who will like the fact that they are dealing with a supplier with a strong balance sheet.
- **FY25 outlook**; *“the Company maintains its revenue and profit guidance for FY25, underpinned by the recent contract wins. The Board anticipates that the Group will generate positive cash flow in FY25 and as a result expects the cash position at the end of FY25 to be further substantially improved”*. We have increased our cash forecast by 7% from £8.0m to £8.6m
- **New contracts**; during the year, Made Tech won £36.0m in new Sales Bookings (FY23: £69.9m) in what it described as *“a challenging procurement market”*. Sales Bookings represent the total value of sales contracts awarded in the year, to be delivered in FY25-FY28. We note that in the H124 results, released in February, the Group had mentioned that a challenging macro environment had impacted client budgets and, in certain cases, led to changes in project scope. We think it encouraging that the pace of decline moderated during the year, as H124 new Sales Bookings were £12.6m, so 61% below the £32.6m of H123, whereas H224 new Sales Bookings were £23.4m, so 37% below the £37.3m of H223. The £23.4m of new Sales Bookings won in H224 included a £19.5m contract won in April with The Department for Levelling Up, Housing & Communities and *“work has already commenced under this contract”*.
- The c.£11m in new contracts won in June we believe is a very positive figure as it is equivalent to 31% of the £36.0m won across FY24 and 16% of the £69.9m won across FY23. Plus, the c.£11m of new contracts were awarded post the General Election campaign, called on 22 May, which is impressive as often contract wins can slow during an election purdah period. The c.£11m new contracts include a £7.5m contract with the Met Office and a further Department of Health & Social Care award worth £2.3m, both over two years.

- **The Contracted Backlog** remains strong at c.£65.4m (FY23: £67.9m). Contracted Backlog is the value of contracted revenue that has yet to be recognised. We believe that the strong level of Contracted Backlog provides the Group with good contractual coverage into FY25.
- **Next event**; full year results are expected in September.
- **Our initiation note** on Made Tech, published last month, is available on request, or can be accessed from this [link](#).

**Figure 1:** h2Radnor estimate revisions

May year end £m	Previous			New		Revision	
	FY'23A	FY'24E	FY'25E	FY'24E	FY'25E	FY'24E	FY'25E
Revenue	40.2	38.1	35.4	38.5	35.4	1%	0%
Adjusted EBITDA	1.5	2.2	2.4	2.3	2.4	6%	0%
Margin (%)	3.8%	5.7%	6.7%	6.0%	6.7%	5%	0%
Adj. PBT	1.1	1.0	1.0	1.1	1.0	11%	0%
Adj. EPS diluted (p)	0.34	0.35	0.47	0.39	0.47	11%	0%
Cash (debt)	8.5	6.4	8.0	7.6	8.6	19%	7%

Source: h2Radnor

## Relative valuation

In Figure 2 below, we show the key valuation metrics across Made Tech's key comparative peer groups according to the latest FactSet market consensus.

Now that we have fuller visibility over the FY24 outturn, we show the FY2 EV/Sales and EV/EBITDA multiples as the key point of comparison.

Despite a positive share price reaction to the April DLUHC contract win, we still see Made Tech trading at a material EV/EBITDA discount to all of the key Software Service and Software Product peer groups.

**Figure 2: Made Tech's peer groups – market consensus**

	Price, local	Market Cap, local	FY1 Net Cash, local	EV, local	FY2 EV / Sales, x	FY2 EV / EBITDA, x
<b>Made Tech Group PLC</b>	<b>15</b>	<b>22.3</b>	<b>6.3</b>	<b>16.1</b>	<b>0.5</b>	<b>6.7</b>
<i>Rel to UK Software Service Peers</i>					<i>-80%</i>	<i>-46%</i>
<i>Rel to Overseas Software Service Peers</i>					<i>-75%</i>	<i>-34%</i>
<i>Rel to UK Software Product Peers</i>					<i>-87%</i>	<i>-40%</i>
<i>Rel to UK Business Process Outsourcing Peers</i>					<i>24%</i>	<i>33%</i>
<b>Software Service Peers - UK</b>						
Kainos Group PLC	1068	1,343.8	140.6	1,203.2	2.6	12.8
TPXimpact Holdings PLC	43	38.6	-7.3	45.9	0.5	6.2
					<b>2.2</b>	<b>12.3</b>
<b>Software Service Peers - Overseas</b>						
Netcompany Group A/S	310	15,253.5	-1,709.7	16,963.2	2.3	12.6
Capgemini SE	190	32,459.0	-1,011.0	33,470.0	1.4	8.4
CGI Inc. Class A	139	31,772.6	-1,373.5	33,146.2	2.2	10.7
Reply S.p.A.	140	5,233.9	403.1	4,830.8	1.9	12.1
Thoughtworks Holding Inc	3	884.8	-147.7	1,032.5	1.0	8.2
Globant SA	174	7,531.3	270.4	7,260.9	2.6	13.3
					<b>1.8</b>	<b>10.2</b>
<b>Software Product Peers - UK</b>						
Big Technologies PLC	158	459.2	109.5	349.7	6.4	11.6
Idox plc	61	277.3	-10.9	288.2	3.1	10.5
Tracsis plc	760	230.4	19.6	210.8	2.3	11.3
					<b>3.6</b>	<b>11.1</b>
<b>Business Process Outsourcing Peers - UK</b>						
Capita plc	14	232.8	-329.5	562.3	0.2	2.3
MITIE Group PLC	116	1,516.3	-107.5	1,623.8	0.3	5.7
Serco Group plc	173	1,840.1	-640.1	2,480.1	0.5	6.2
					<b>0.4</b>	<b>5.0</b>

Source: FactSet, h2Radnor

**Made Tech PLC**

Robert Plant  
+44 203 897 1846  
rplant@h2radnor.com

Price (p): 15 p  
Market Cap: 22 m  
EV: 14 m

**PROFIT & LOSS**

Y/E May	2021	2022	2023	2024E	2025E
<b>Revenue</b>	<b>13.3</b>	<b>29.3</b>	<b>40.2</b>	<b>38.5</b>	<b>35.4</b>
Change YoY %		120%	37%	-4%	-8%
Gross Profit	5.0	11.3	14.4	14.2	12.8
Gross Profit Margin %	37.6%	38.4%	35.8%	37.0%	36.0%
Operating Costs	(5.5)	(8.6)	(12.9)	(11.9)	(10.4)
<b>EBITDA</b>	<b>(0.5)</b>	<b>2.6</b>	<b>1.5</b>	<b>2.3</b>	<b>2.4</b>
Change YoY %		n/a	-43%	51%	3%
EBITDA Margin %	-3.8%	9.0%	3.8%	6.0%	6.7%
Depr & Amort	(0.3)	(0.3)	(0.4)	(1.4)	(1.6)
<b>EBIT - Adjusted</b>	<b>(0.8)</b>	<b>2.3</b>	<b>1.1</b>	<b>0.9</b>	<b>0.8</b>
EBIT Margin %	-5.8%	8.0%	2.7%	2.3%	2.2%
Associates & JV's	-	-	-	-	-
Net Interest	(0.0)	(0.0)	0.0	0.2	0.2
<b>PBT - Adjusted</b>	<b>(0.8)</b>	<b>2.3</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>
Non Operating Items	-	-	-	-	-
Other Financial Items	-	-	-	-	-
<b>PBT - IFRS</b>	<b>(0.8)</b>	<b>2.3</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>
Tax - Adjusted	0.0	(0.5)	(0.6)	(0.5)	(0.2)
Tax rate - Adjusted	3.1%	22.2%	53.8%	43.5%	25.0%
Minority interests	-	-	-	-	-
No. shares m, diluted	109.6	139.7	153.0	156.8	156.8
<b>Adj EPS (p), diluted</b>	<b>(0.7)</b>	<b>1.3</b>	<b>0.3</b>	<b>0.4</b>	<b>0.5</b>
Total DPS (p)	-	-	-	-	-

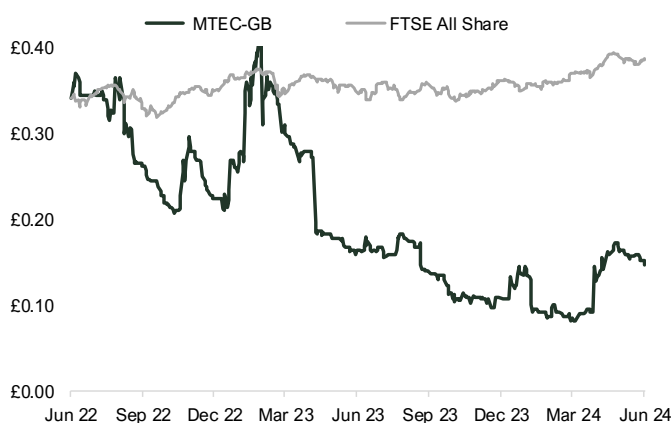
**CASH FLOW**

Y/E May	2021	2022	2023	2024E	2025E
EBITDA	(0.5)	2.6	1.5	2.3	2.4
Working Capital	0.8	(0.8)	(1.5)	(1.0)	(0.8)
Exceptionals / Other	-	-	-	-	-
<b>Gross Op Cashflow</b>	<b>0.3</b>	<b>1.9</b>	<b>0.0</b>	<b>1.3</b>	<b>1.5</b>
Cash Tax	-	-	-	-	-
Cash Interest	(0.0)	(0.0)	0.0	0.2	0.2
<b>Net Op Cashflow</b>	<b>66.5</b>	<b>1.9</b>	<b>0.1</b>	<b>1.5</b>	<b>1.7</b>
Capex	(0.3)	(2.3)	(3.2)	(1.6)	(0.6)
Lease	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
<b>Free Cashflow</b>	<b>61.2</b>	<b>(0.5)</b>	<b>(3.1)</b>	<b>(0.1)</b>	<b>1.1</b>
Issue of equity	0.0	13.5	-	-	-
Repayment of loans	1.3	(1.3)	-	-	-
Lease / EBT	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
<b>Net Cashflow</b>	<b>(0.1)</b>	<b>11.4</b>	<b>(3.9)</b>	<b>(0.9)</b>	<b>0.9</b>
<b>Net Cash (Debt)</b>	<b>0.9</b>	<b>12.3</b>	<b>8.5</b>	<b>7.6</b>	<b>8.6</b>

**BALANCE SHEET**

Y/E May	2021	2022	2023	2024E	2025E
Intangibles	-	1.9	5.0	8.0	7.0
P,P+E	0.8	0.9	0.5	0.3	0.2
Tax Asset & Other	-	-	-	-	-
<b>Total Fixed Assets</b>	<b>0.8</b>	<b>2.8</b>	<b>5.5</b>	<b>8.3</b>	<b>7.2</b>
Current Assets	2.5	6.1	6.2	6.2	6.2
Current Liabilities	(3.6)	(6.2)	(4.9)	(4.1)	(3.3)
<b>Net Current Assets</b>	<b>(1.1)</b>	<b>(0.2)</b>	<b>1.3</b>	<b>2.1</b>	<b>2.9</b>
Long Term Liabilities	(1.4)	(0.2)	(0.1)	(0.1)	(0.1)
Net Cash (Debt)	0.9	12.3	8.5	7.6	8.6
<b>Net Assets</b>	<b>(0.8)</b>	<b>14.8</b>	<b>15.2</b>	<b>17.9</b>	<b>18.5</b>

**PRICE CHART - 2 YEAR ABSOLUTE vs FTSE ALL SHARE**



Source: FactSet

**SHAREHOLDERS**

	% of ord. Share capital
Rory MacDonald	28.5%
Chris Blackburn	14.5%
Hargreaves Lansdown	6.2%
Stonehage Fleming	5.5%
CRUX Asset Mgmt	5.2%
	<b>59.9%</b>

**Announcements**

Date	Event
27 June 2024	FY update
22 April 2024	DLUHC contract win
26 February 2024	H1 results
1 February 2024	H1 update
9 January 2024	CFO appointment
13 September 2023	FY23 final results

**RATIOS**

	2022	2023	2024E	2025E
RoE	12.2%	3.4%	3.4%	4.0%
RoCE	95.4%	16.4%	8.5%	7.9%
Asset Turnover (x)	0.2x	0.2x	0.2x	0.2x
NWC % Revenue	-0.6%	3.3%	5.5%	8.1%
Op Cash % EBITA	81.1%	4.0%	148.3%	194.3%
Net Debt / EBITDA	-4.7x	-5.6x	-3.3x	-3.6x

**VALUATION**

Fiscal	2022	2023	2024E	2025E
P/E	11.7x	44.6x	38.6x	31.7x
EV/EBITDA	5.4x	9.5x	6.3x	6.1x
Div Yield	0.0%	0.0%	0.0%	0.0%
FCF Yield	-3.2%	-21.6%	-0.6%	7.8%

**YoY growth**

	2022	2023	2024E	2025E
Revenue	119.7%	37.2%	-4.2%	-8.1%
EBITDA	n/a	-42.6%	51.4%	3.4%

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H2 Radnor Ltd is authorised and regulated by the Financial Conduct Authority.

H2 Radnor Ltd  
68 King William Street  
London  
EC4N 7HR

[www.h2radnor.com](http://www.h2radnor.com)

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