

MTEC | AIM | Software | 15p | £23m

FY24 results – strong start to FY25

1 Year Chart


Made Tech’s FY24 results were reassuring with adjusted EBITDA of £2.4m, slightly ahead of our estimate of £2.3m. The outlook for FY25 was positive with Rory MacDonald, CEO, saying “we are excited about both our near-term and long-term prospects. The timing of the general election has been a positive surprise, removing significant uncertainty for our clients and providing a clearer set of priorities. The strong sales bookings achieved in the first four months of FY25 is encouraging and we expect this robust performance to continue throughout the financial year”.

We have increased our FY25 adjusted EBITDA by 9%, from £2.4m to £2.6m, and introduced FY26 estimates for the first time, with an expectation of £3.0m of adjusted EBITDA in FY26.

Made Tech still trades at a significant (c.48%) valuation discount to the UK Software Service peer group (based on market consensus). We believe the positive tone of the outlook in the results could help to see this valuation discount narrow.

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

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

1st October 2024

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- **UK politics;** Made Tech’s customers are all UK public sector and we thought positive the commentary that “the business saw minimal operational impact during the period in the run-up to the general election. The new government has emphasised the significant role technology will play in delivering their priorities and we expect the Group to be well-positioned to capitalise on these opportunities. We anticipate this will lead to increased trading momentum for the Group over the coming years”.
- We think it encouraging that the Company seems to have performed better recently, in terms of contract wins, than some other UK public sector focussed competitors who have reported a slowdown. Management said, during the presentation, that one factor for this better performance is that over the last 12 months the business had strengthened its sales and bidding teams in anticipation of a hotter period of activity post a general election.
- **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 a FY25 EV/EBITDA of 5.3x compared with the 10.5x of our Software Services peer group.

Y/E May, £m	Revenue	EBITDA	Adj PBT	Adj EPS (p)	Net Cash	PE	EV/EBITDA
FY 2023A	40.2	1.5	1.1	0.3	8.5	44.6	9.1
FY 2024A	38.6	2.4	1.4	0.9	7.6	16.3	5.7
FY 2025E	35.4	2.6	1.2	0.6	9.0	25.2	5.3
FY 2026E	40.0	3.0	1.5	0.7	10.5	20.8	4.6

Source: h2Radnor

Other main points from the results and presentation

- **Revenue** was £38.6m so in line with the c.£38.5m mentioned in June's full year trading update and representing a decline of 4% on the £40.2m of FY23 reflecting a more subdued UK government procurement market for digital services in FY24 in the run up to the UK general election.
- A weaker market for bidding activity resulted in a 48% drop in Sales Bookings, from £69.9m in FY23 to £36.0m in FY24. Sales Bookings represent the total value of sales contracts awarded in the year, to be delivered in future periods. 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.
- Despite the decline in Sales Bookings, strong prior period wins meant that the Contracted Backlog (the value of contracted revenue that has yet to be recognised) only reduced by 3%, from £67.9m in FY23 to £65.6m in FY24.
- The outlook for FY25 is much better, especially as the earlier than expected general election reduced the potential period of uncertainty. In the first four months of FY25, the Company had sales bookings of £27.0m compared with £36.0m in the whole of FY24. The full year trading update mentioned c.£11m in contracts added in June, which implies a further c.£16m was added across July to September.
- The £27.0m of Sales Bookings included £13.2m with the Department for Education over three years, £7.6m with the Met Office over two years, £2.3m with the Department of Health and Social Care over two years and a £1.8m extension with the Ministry of Justice (MoJ) over eight months.
- **The gross profit margin** rose from 35.8% in FY23 to 36.3% in FY24, largely due to improved forecasting and capacity management, which offset the reduction in revenue, a competitive procurement market and inflationary cost pressures. Headcount reduced, from 434 at 31 May 2023 to 364 at 31 May 2024, which helped improve utilisation. Further productivity gains are expected in FY25.
- **Adjusted EBITDA increased** from £1.5m in FY23 to £2.4m, so slightly above our forecast of £2.3m. The full year trading update had said that adjusted EBITDA was expected to be c.£2.3m. The adjusted EBITDA margin rose from 3.8% in FY23 to 6.2% in FY24 reflecting both the increase in the gross profit margin and lower costs in certain support functions.
- **Net cash** was £7.6m (FY23: £8.5m), in line with our forecast and the figure given in the full year trading update. Investment in intangibles was reduced substantially from £3.1m in FY23 to £1.3m, as the Company moved from development to commercialisation of its SaaS technology platform products. Made Tech expects to be free cash flow positive in FY25. We believe a net cash position provides options to make bolt-on acquisitions or invest in new products. Plus, we think that having a net cash position also strengthens the Company's credentials with public sector clients who will like the fact that they are dealing with a supplier with a strong balance sheet.

- **UK politics;** unlike some competitors, Made Tech has not seen a slowdown in activity post the general election. Across the public sector, the new government has introduced additional spend approval hurdles in certain areas but this has not impacted the Company, except for one contract extension which is waiting for approval but which is still expected soon.
- Management were positive about the emphasis placed by the new government on the important role that technology will play in delivering their priorities. We share this assessment and note that one of the main pledges from the Darzi report on the NHS is to move "*from an analogue to a digital NHS*". In terms of active areas, management highlighted that the current focus on AI was also impacting the public sector, with a lot of work on big data infrastructure programmes which will then be used to enable AI. The Home Office, the MoJ and the NHS were mentioned as areas of heightened activity.
- **Software division;** to complement its contract business, Made Tech in recent years has developed SaaS technology platform products. Management said that the shift from the development phase to the commercialisation phase of the SaaS products was proving more challenging than expected, mainly due to the prevailing "change fatigue" in the market, adding that the division is very focussed on local government, especially housing, and many councils and housing authorities have a lot of things in flight impacting their capacity to sign new contracts. As a result, Made Tech took a £4.3m impairment charge collectively on the assets in the Software division and on the Academy Capability IP. On the positive side, management remain confident about the long-term prospects of the Software division and pointed to recent wins with three London councils (Barking & Dagenham, Camden and Redbridge).
- **During the year, Made Tech refreshed its strategic plan,** which is now organised into three stages, each with its own focus and goals. The first stage addresses the Company's immediate priorities, setting the foundation for the next phases. The second stage will build on this foundation, driving substantial mid-term growth, while the third stage is geared towards strengthening Made Tech's competitive position, ensuring sustained success over the longer term. More details on the strategic plan will be set out at a capital markets event in 2025.
- **Our initiation note** on Made Tech, published in May, is available on request, or can be accessed from this [link](#).

Figure 1: h2Radnor estimate revisions

May year end £m	Previous			New		Revision	
	FY'24A	FY'25E	FY'26E	FY'25E	FY'26E	FY'25E	FY'26E
Revenue	38.6	35.4	n/a	35.4	40.0	0%	n/a
Adjusted EBITDA	2.4	2.4	n/a	2.6	3.0	9%	n/a
Margin (%)	6.2%	6.7%	n/a	7.4%	7.5%	9%	n/a
Adj. PBT	1.4	1.0	n/a	1.2	1.5	23%	n/a
Adj. EPS diluted (p)	0.92	0.47	n/a	0.60	0.72	27%	n/a
Cash (debt)	7.6	8.6	n/a	9.0	10.5	4%	n/a

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.

Despite a re-rating this year, 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 – FactSet market consensus

	Price, local	Market Cap, local	FY1 Net Cash, local	EV, local	FY1 EV / Sales, x	FY1 EV / EBITDA, x
Made Tech Group PLC	15	22.3	8.8	13.5	0.4	5.4
<i>Rel to UK Software Service Peers</i>					<i>-81%</i>	<i>-48%</i>
<i>Rel to Overseas Software Service Peers</i>					<i>-81%</i>	<i>-51%</i>
<i>Rel to UK Software Product Peers</i>					<i>-87%</i>	<i>-44%</i>
<i>Rel to UK Business Process Outsourcing Peers</i>					<i>8%</i>	<i>15%</i>
Software Service Peers - UK						
Kainos Group PLC	915	1,151.5	139.1	1,012.4	2.6	12.7
TPXimpact Holdings PLC	35	31.3	-8.0	39.3	0.5	5.3
					2.0	10.5
Software Service Peers - Overseas						
Netcompany Group A/S	306	14,909.6	-1,976.0	16,885.6	2.5	15.1
Capgemini SE	200	34,240.4	-1,258.9	35,499.3	1.6	9.9
CGI Inc. Class A	154	34,384.3	-1,612.3	35,996.6	2.5	12.2
Reply S.p.A.	137	5,099.7	373.7	4,725.9	2.1	12.7
Thoughtworks Holding Inc	4	1,428.8	-232.7	1,661.5	1.6	23.7
Globant SA	198	8,557.8	189.6	8,368.2	3.5	18.1
					2.0	11.1
Software Product Peers - UK						
Big Technologies PLC	125	366.4	103.7	262.7	5.2	9.8
Idox plc	62	281.9	-10.0	291.9	3.3	11.2
Tracsis plc	550	166.9	19.5	147.4	1.8	11.3
					3.0	9.7
Business Process Outsourcing Peers - UK						
Capita plc	20	337.4	-289.0	626.4	0.3	3.1
MITIE Group PLC	120	1,522.9	-139.3	1,662.1	0.3	5.9
Serco Group plc	179	1,855.8	-301.3	2,157.1	0.4	5.3
					0.4	4.7

Source: FactSet, h2Radnor

Made Tech PLC

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Price (p): 15 p
Market Cap: 23 m
EV: 14 m

PROFIT & LOSS

Y/E May	2022	2023	2024	2025E	2026E
Revenue	29.3	40.2	38.6	35.4	40.0
Change YoY %		37%	-4%	-8%	13%
Gross Profit	11.3	14.4	14.0	12.7	14.3
Gross Profit Margin %	38.4%	35.8%	36.3%	35.8%	35.8%
Operating Costs	(8.6)	(12.9)	(11.6)	(10.1)	(11.3)
EBITDA	2.6	1.5	2.4	2.6	3.0
Change YoY %		-43%	58%	9%	14%
EBITDA Margin %	9.0%	3.8%	6.2%	7.4%	7.5%
Depr & Amort	(0.3)	(0.4)	(1.2)	(1.6)	(1.8)
EBIT - Adjusted	2.3	1.1	1.2	1.0	1.2
EBIT Margin %	8.0%	2.7%	3.1%	2.9%	3.0%
Associates & JV's	-	-	-	-	-
Net Interest	(0.0)	0.0	0.2	0.2	0.3
PBT - Adjusted	2.3	1.1	1.4	1.2	1.5
Non Operating Items	-	-	-	-	-
Other Financial Items	-	-	-	-	-
PBT - IFRS	2.3	1.1	1.4	1.2	1.5
Tax - Adjusted	(0.5)	(0.6)	(0.0)	(0.3)	(0.4)
Tax rate - Adjusted	22.2%	53.8%	0.1%	25.0%	25.0%
Minority interests	-	-	-	-	-
No. shares m, diluted	139.7	153.0	154.7	154.7	154.7
Adj EPS (p), diluted	1.3	0.3	0.9	0.6	0.7
Total DPS (p)	-	-	-	-	-

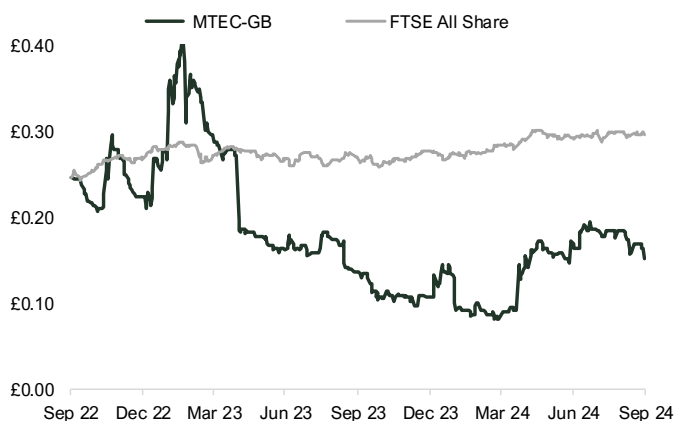
CASH FLOW

Y/E May	2022	2023	2024	2025E	2026E
EBITDA	2.6	1.5	2.4	2.6	3.0
Working Capital	(0.8)	(1.5)	(2.1)	(0.7)	(1.0)
Exceptionals / Other	-	-	-	-	-
Gross Op Cashflow	1.9	0.0	0.3	1.9	2.0
Cash Tax	-	-	0.5	-	-
Cash Interest	(0.0)	0.0	0.2	0.2	0.3
Net Op Cashflow	66.5	0.1	1.0	2.1	2.3
Capex	(2.3)	(3.2)	(1.3)	(0.6)	(0.7)
Lease	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Free Cashflow	61.2	(3.1)	(0.3)	1.5	1.6
Issue of equity	13.5	-	-	-	-
Repayment of loans	(1.3)	-	-	-	-
Lease / EBT	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Net Cashflow	11.4	(3.9)	(0.8)	1.3	1.5
Net Cash (Debt)	12.3	8.5	7.6	9.0	10.5

BALANCE SHEET

Y/E May	2022	2023	2024	2025E	2026E
Intangibles	1.9	5.0	1.1	0.1	-
P,P+E	0.9	0.5	0.2	0.2	0.2
Tax Asset & Other	-	-	-	-	-
Total Fixed Assets	2.8	5.5	1.3	0.3	0.2
Current Assets	6.1	6.2	6.7	7.5	8.4
Current Liabilities	(6.2)	(4.9)	(3.1)	(2.2)	(1.3)
Net Current Assets	(0.2)	1.3	3.6	5.3	7.1
Long Term Liabilities	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Net Cash (Debt)	12.3	8.5	7.6	9.0	10.5
Net Assets	14.8	15.2	12.5	14.5	17.7

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	8.8%
Stonehage Fleming	7.6%
Octopus	6.0%
	65.4%

Source: Company website

Announcements

Date	Event
30 September 2024	FY24 final results
16 September 2024	DfE contract win
27 June 2024	FY update
22 April 2024	DLUHC contract win
26 February 2024	H124 results
1 February 2024	H1 update
9 January 2024	CFO appointment
13 September 2023	FY23 final results

RATIOS

	2023	2024	2025E	2026E
RoE	3.4%	11.4%	6.4%	6.3%
RoCE	16.4%	24.5%	18.7%	16.3%
Asset Turnover (x)	0.2x	0.0x	0.0x	0.0x
NWC % Revenue	3.3%	9.3%	14.9%	17.8%
Op Cash % EBITA	4.0%	24.6%	182.6%	170.8%
Net Debt / EBITDA	-5.6x	-3.2x	-3.4x	-3.5x

VALUATION

Fiscal	2023	2024	2025E	2026E
P/E	44.6x	16.3x	25.2x	20.8x
EV/EBITDA	9.1x	5.7x	5.3x	4.6x
Div Yield	0.0%	0.0%	0.0%	0.0%
FCF Yield	-22.6%	-2.3%	10.7%	11.9%

YoY growth

	2023	2024	2025E	2026E
Revenue	37.2%	-4.0%	-8.1%	12.9%
EBITDA	-42.6%	57.8%	9.4%	13.8%

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