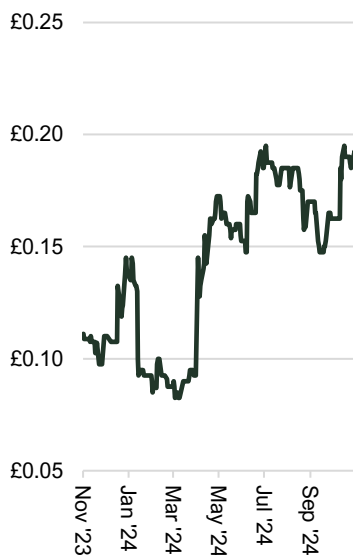


MTEC | AIM | Software | 19p | £29m

AGM statement – we upgrade FY25 adjusted EBITDA by 7%

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.

20th November 2024

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Made Tech (May year-end) has issued an encouraging AGM trading update, with Joanne Lake, Chair, commenting that “in the FY24 Results announcement, issued on 30 September 2024, we stated that the new financial year had started well, with the Group delivering a robust revenue and Adjusted EBITDA performance in Q1 FY25. I am pleased to report to shareholders that the business has maintained this strong performance into Q2, achieving Sales Bookings in the year to date of £37.5 million which is already ahead of the £36.0 million bookings achieved for the whole of the prior year”.

The statement adds that “The board now anticipates that, as a result of these encouraging sales bookings and ongoing delivery momentum, Group revenue for FY25 will be ahead of market expectations set at the start of the financial year. Adjusted EBITDA is expected to increase as margins are maintained, and the Group continues to be on track to generate positive free cash flow in FY25”.

We have increased our FY25 adjusted EBITDA by 7%, from £2.6m to £2.8m. We have maintained our FY26 adjusted EBITDA of £3.0m as we already factor in revenue growth and margin expansion that year and also think that the UK public sector market is still somewhat volatile following the change of Government.

- **UK politics;** Made Tech’s customers are all UK public sector ones and we believe it positive that the Group continues to perform better, in terms of contract wins, than some other UK public sector focussed competitors who have reported a post-election slowdown. We note that at the full-year result, management said, during the presentation, that one factor for this better performance was 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 6.7x compared with the 12.2x 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	56.4	13.1
FY 2024A	38.6	2.4	1.4	0.9	7.6	20.7	8.6
FY 2025E	38.0	2.8	1.3	0.6	9.1	30.1	6.7
FY 2026E	40.0	3.0	1.5	0.7	10.6	26.4	6.0

Source: h2Radnor

Other points from the statement

- **The UK public sector market;** the statement adds that *“the commitment to digital transformation that the UK Government signalled in the recent Budget is expected to unlock a number of further public sector digital transformation programmes in early 2025, and in particular following the UK Government Spending Review in Spring 2025. The structural growth drivers of our market undoubtedly remain strong. The action we have taken to strengthen our business is beginning to deliver results and we are well-positioned to capitalise on the significant opportunities which lie ahead. As such, the board continues to view the mid to long-term prospects for the Group with confidence”*.
- We share this positive assessment about the structural tailwind from the UK Government’s pursuit of digital transformation. To give two recent examples of initiatives from two existing Made Tech clients, the NHS and HMRC, we note that one of the main pledges from the recent Darzi report on the NHS is to move *“from an analogue to a digital NHS”* whilst on HMRC in the Budget, the Government announced that *“the government will transform HMRC into a digital-first organisation, with a Digital Transformation Roadmap to be published in spring 2025”*.
- **Sales Bookings**, which represent the total value of sales contracts awarded in the year to be delivered in FY25-28, of £37.5m since the end of May, is very encouraging given the £36.0m achieved in the whole of FY24. The £37.5m is also a 39% increase on the £27.0m of Sales Bookings won in the first four months of FY25, as reported at the time of the FY24 results. The £27.0m had 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.
- **Free cash**, we also think it encouraging that Made Tech has reiterated that it expects to be free cash flow positive in FY25, due we believe mainly to the reduction in investment in intangibles of recent years as it moves from development to commercialisation of its SaaS technology platform products.
- **Estimates;** the statement says that FY25 market consensus is £35.2m of revenue and £2.6m of adjusted EBITDA. For FY25, we have increased our revenue forecast by 7% from £35.4m to £38.0m and our adjusted EBITDA by 7% from £2.6m to £2.8m (table 1 below).
- At the time of the FY24 results, we had increased our FY25 adjusted EBITDA by 9% and introduced FY26 estimates for the first time, so it is good to be upgrading FY25 estimates again two months later.
- **H1 results** (November period end) are expected to be announced *“no later than early February 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	40.0	38.0	40.0	7%	0%
Adjusted EBITDA	2.4	2.6	3.0	2.8	3.0	7%	0%
Margin (%)	6.2%	7.4%	7.5%	7.4%	7.5%	7%	0%
Adj. PBT	1.4	1.2	1.5	1.3	1.5	6%	0%
Adj. EPS diluted (p)	0.92	0.60	0.72	0.63	0.72	6%	0%
Cash (debt)	7.6	9.0	10.5	9.1	10.6	1%	1%

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	19	28.0	9.1	18.9	0.5	6.7
<i>Rel to UK Software Service Peers</i>					<i>-75%</i>	<i>-45%</i>
<i>Rel to Overseas Software Service Peers</i>					<i>-74%</i>	<i>-36%</i>
<i>Rel to UK Software Product Peers</i>					<i>-85%</i>	<i>-37%</i>
<i>Rel to UK Business Process Outsourcing Peers</i>					46%	38%
Software Service Peers - UK						
Kainos Group PLC	832	1,046.9	114.3	932.6	2.5	14.3
TPXimpact Holdings PLC	36	32.2	-7.8	40.0	0.5	5.4
					2.0	12.2
Software Service Peers - Overseas						
Netcompany Group A/S	346	16,608.0	-2,053.1	18,661.1	2.8	16.1
Capgemini SE	157	26,840.8	-1,211.7	28,052.5	1.3	7.9
CGI Inc. Class A	153	34,550.4	-736.8	35,287.2	2.3	11.3
Reply S.p.A.	154	5,737.1	333.5	5,403.7	2.4	14.1
Globant SA	209	9,029.7	104.8	8,924.9	3.7	19.3
					1.9	10.5
Software Product Peers - UK						
Big Technologies PLC	134	391.4	103.7	287.7	5.7	10.8
Idox PLC	62	284.6	-8.7	293.3	3.3	11.2
Tracsis plc	665	201.8	19.4	182.4	2.3	14.2
					3.3	10.7
Business Process Outsourcing Peers - UK						
Capita plc	17	284.3	-390.4	674.6	0.3	3.3
MITIE Group PLC	114	1,441.8	-170.6	1,612.4	0.3	5.7
Serco Group plc	156	1,600.1	-366.1	1,966.2	0.4	5.3
					0.3	4.9

Source: FactSet, h2Radnor

Made Tech PLC

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Price (p): 19 p
Market Cap: 28 m
EV: 19 m

PROFIT & LOSS

Y/E May	2022	2023	2024	2025E	2026E
Revenue	29.3	40.2	38.6	38.0	40.0
Change YoY %		37%	-4%	-1%	5%
Gross Profit	11.3	14.4	14.0	13.6	14.3
Gross Profit Margin %	38.4%	35.8%	36.3%	35.8%	35.8%
Operating Costs	(8.6)	(12.9)	(11.6)	(10.8)	(11.3)
EBITDA	2.6	1.5	2.4	2.8	3.0
Change YoY %		-43%	58%	17%	6%
EBITDA Margin %	9.0%	3.8%	6.2%	7.4%	7.5%
Depr & Amort	(0.3)	(0.4)	(1.2)	(1.7)	(1.8)
EBIT - Adjusted	2.3	1.1	1.2	1.1	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	1.3	1.5
Non Operating Items	-	-	-	-	-
Other Financial Items	-	-	-	-	-
PBT - IFRS	2.3	1.1	1.4	1.3	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)	-	-	-	-	-

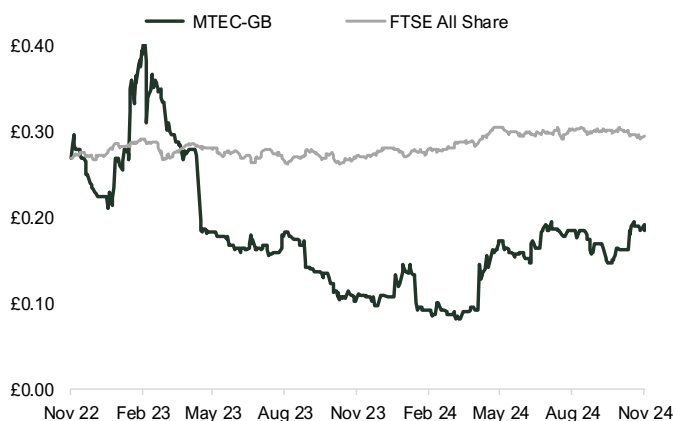
CASH FLOW

Y/E May	2022	2023	2024	2025E	2026E
EBITDA	2.6	1.5	2.4	2.8	3.0
Working Capital	(0.8)	(1.5)	(2.1)	(0.8)	(1.0)
Exceptionals / Other	-	-	-	-	-
Gross Op Cashflow	1.9	0.0	0.3	2.0	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	2.2	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)	1.6	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)	1.4	1.5
Net Cash (Debt)	12.3	8.5	7.6	9.1	10.6

BALANCE SHEET

Y/E May	2022	2023	2024	2025E	2026E
Intangibles	1.9	5.0	1.1	0.0	-
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	0.2	0.2
Current Assets	6.1	6.2	6.7	7.6	8.5
Current Liabilities	(6.2)	(4.9)	(3.1)	(2.2)	(1.3)
Net Current Assets	(0.2)	1.3	3.6	5.4	7.2
Long Term Liabilities	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Net Cash (Debt)	12.3	8.5	7.6	9.1	10.6
Net Assets	14.8	15.2	12.5	14.6	18.0

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%
Total	65.4%

Source: Company website

Announcements

Date	Event
20 November 2024	AGM update
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

RATIOS

	2023	2024	2025E	2026E
RoE	3.4%	11.4%	6.7%	6.2%
RoCE	16.4%	24.5%	19.8%	16.1%
Asset Turnover (x)	0.2x	0.0x	0.0x	0.0x
NWC % Revenue	3.3%	9.3%	14.2%	18.1%
Op Cash % EBITA	4.0%	24.6%	182.6%	170.8%
Net Debt / EBITDA	-5.6x	-3.2x	-3.2x	-3.5x

VALUATION

Fiscal	2023	2024	2025E	2026E
P/E	56.4x	20.7x	30.1x	26.4x
EV/EBITDA	12.2x	7.7x	6.6x	6.2x
Div Yield	0.0%	0.0%	0.0%	0.0%
FCF Yield	-16.8%	-1.7%	8.5%	8.9%

YoY growth

	2023	2024	2025E	2026E
Revenue	37.2%	-4.0%	-1.5%	5.3%
EBITDA	-42.6%	57.8%	17.2%	6.1%

REGULATORY DISCLOSURES

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