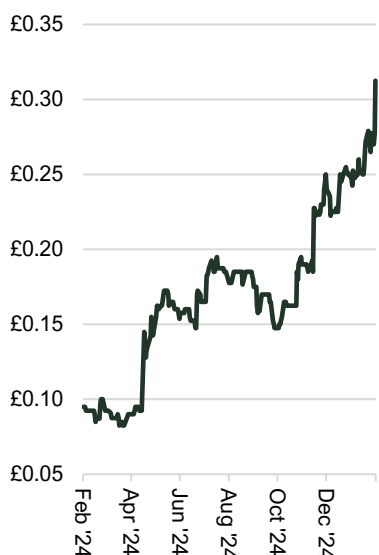


H125 results – trading ahead of expectations for FY25

1 Year Chart


Made Tech’s H125 (November period-end) results and analyst meeting were positive with the comment that “our strong performance in the first half has carried through into the second half of the year to date. We are on track to achieve double-digit percentage annual revenue growth for FY25 and Adjusted EBITDA growth ahead of recently upgraded expectations, and we remain firmly on track to be free cash flow positive for the year”.

The statement adds that “since the end of the Period, bid activity has remained buoyant and we remain confident of further contract wins in the near term, further strengthening our pipeline and supporting our growth trajectory. We expect sales momentum to continue putting us in a strong position heading into FY26”. We have increased our adjusted EBITDA forecast by 8% for FY25 and by 14% for FY26.

Made Tech now trades on a 4% valuation premium to the UK Software Service peer group (based on market consensus) but we believe that a larger premium is merited given its excellent prospects in the UK public sector market, recent trading momentum and strong balance sheet.

6th February 2025

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

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

- **UK politics;** Made Tech’s customers are all UK public sector and we thought positive the commentary that “we remain focused on the UK public sector technology market, which is substantial, with around £18 billion being spent annually across central government, health, defence, police, local authorities, and education. Although overall market growth is around 2.5%, the areas we serve are expanding more rapidly at approximately 15% per annum”. We think it encouraging that the Group seems to have performed better recently, in terms of contract wins, than some other UK public sector focussed competitors who have reported a slowdown.
- **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 12.6x.

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	92.1	24.9
FY 2024A	38.6	2.4	1.4	0.9	7.6	33.8	15.9
FY 2025E	43.0	3.0	1.5	0.7	9.2	44.9	12.6
FY 2026E	45.1	3.4	1.9	0.9	10.8	35.6	11.2
FY 2027E	49.0	3.7	2.2	1.0	12.4	30.2	10.3

Source: h2Radnor

Other main points from the results and analyst call

- **Revenue** rose by 14%, all organic, from £19.1m in H124 to £21.8m in H125. A key factor boosting revenue was the earlier than expected General Election, in July rather than the Autumn, which meant that there was less of hiatus in public sector activity and bidding than is usual in the run up to a General Election. All key clients were retained in the period.
- **Sales bookings**, which represent the total value of sales contracts awarded in the year to be delivered in FY25-28, was £42.0m a 233% increase on the £12.6m of H124. We note that H124 was a subdued period for bidding activity, partly as activity slowed in the run up to an expected General Election. The £42.0m of sales bookings was also an increase on the £37.5m reported at the time of the AGM trading statement of 20th November, implying that £4.5m was added in the last 10 days of November. H125 sales bookings of £42.0m is also higher than the £36.0m achieved in the whole of FY24. We note that the Group reported £70m of sales bookings in the whole of FY23, so a figure of £42.0m in H125 we think potentially positions it to exceed this figure. The £42.0m of sales bookings included Made Tech's £13.2m contract with the Department for Education to support the Standards and Testing Agency.
- **The Contracted Backlog** (the value of contracted revenue that has yet to be recognised) rose by 44% from £56.3m at the end of H124 to £80.8m at the end of H125.
- **The market**; the commentary around the UK public sector market and Made Tech's position within it was encouraging. During the analyst presentation, management spent some time setting out the range of opportunities created by the UK Government's increased emphasis on the use of technology to reduce cost and improve service, for example each of the Government's five key missions has a technology board and all department bids going into the Treasury need a technology component and bids with a focus on data and AI are better placed.
- We thought another interesting trend is the move to longer and larger contracts with the comment that "we are seeing a clear trend of contract durations and sizes increasing, indicating a growing confidence in our ability to deliver long-term value". During the presentation, management provided a number of contract case studies and on the one with the Maritime and Coastguard Agency, for tracking beacons, management said that whereas in the past they would have designed the solution and handed it over to the client now they are managing the ongoing service.
- Made Tech's market position has also strengthened further. The UK Government is increasingly looking to diversify its supplier base, away from large IT companies, towards mid-sized independents like Made Tech. Plus, a number of competitors to the Group have been acquired recently. Where Made Tech is, increasingly, winning large contracts it is sometime working with smaller partners to quickly add scale and skills and on the call management mentioned Defence as a sector where partner relationships were more likely.
- **Gross Profit** increased by 16% from £6.7m in H124 to £7.8m in H125 resulting in the Gross Profit margin rising from 35.1% in H124 to 35.8% in H125 mainly

due to a further improvement in consultant utilisation. The statement added that the rise in the margin was partly impacted “by an increase in the proportion of work being delivered by partners, where Made Tech operates as the prime supplier, and an increased proportion of contractors compared with the same period last year. The increase in contractor numbers during FY25 was part of a deliberate strategy to mitigate against the risk of volatility in client demand in the run-up to the UK General Election. The average contractor to employee ratio in H1 FY25 was 9%, up from 6% in H1 FY24. We expect this ratio to peak towards the end of FY25 before reducing to our target level of c.10% by the end of FY26.” We think that using partners is the flip side of winning larger contracts, which overall for the Group is a positive.

- **Adjusted EBITDA** rose by 29%, from £1.4m in H124 to £1.8m in H125, resulting in the adjusted EBITDA margin increasing from 7.3% in H124 to 8.2% in H125.
- **Net cash** rose by 15% from £7.9m at the end of H124 to £9.1m at the end of H125, mainly as a result of cash from operations increasing from £0.4m in H124 to £1.6m in H125. Encouragingly, Made Tech 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.
- **M&A** the statement said that “our strong balance sheet and growing net cash position also afford us optionality when assessing organic investment or potential acquisitions”. On the call, we asked management what acquisitions they were considering and they said that they have the capacity for deals and that both Products and Services acquisitions could be considered with a weighting to the former. On the Products side, adding more products would be a focus, especially as the local authority market (a target growth area for the Group) is best placed to benefit from products and on the Services side it could involve adding more disciplines and reach. We wonder if some of the M&A targets could include smaller companies which Made Tech is partnering with which it gets to know better through partnering.
- **A Capital Markets Day** is planned for later this year, and we note this would be the first such event since the Group’s IPO in 2021.
- **Estimates;** we set out our main estimate changes below (Table 1). We have increased our revenue forecast by 13% for both FY25 and FY26. We have increased our adjusted EBITDA forecast by 8% for FY25 and by 14% for FY26. In FY25, our more moderate increase in adjusted EBITDA than revenue reflects some drag in the margin as Made Tech carries more contractors than it would like in H225 but that this rectifies in FY26. We have also introduced FY27 estimates for the first time.
- **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	38.0	40.0	43.0	45.1	13%	13%
Adjusted EBITDA	2.4	2.8	3.0	3.0	3.4	8%	14%
Margin (%)	6.2%	7.3%	7.4%	7.0%	7.5%	(5%)	1%
Adj. PBT	1.4	1.3	1.5	1.5	1.9	16%	28%
Adj. EPS diluted (p)	0.92	0.62	0.71	0.69	0.87	12%	23%
Cash (debt)	7.6	9.0	10.5	9.2	10.8	2%	3%

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.

Following a re-rating this year, Made Tech now trades on a small EV/EBITDA premium 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	31	47.0	9.2	37.8	0.9	12.6
<i>Rel to UK Software Service Peers</i>					<i>-55%</i>	<i>4%</i>
<i>Rel to Overseas Software Service Peers</i>					<i>-55%</i>	<i>17%</i>
<i>Rel to UK Software Product Peers</i>					<i>-65%</i>	<i>57%</i>
<i>Rel to UK Business Process Outsourcing Peers</i>					<i>149%</i>	<i>160%</i>
Software Service Peers - UK						
Kainos Group PLC	799	997.7	114.4	883.3	2.4	13.6
TPXimpact Holdings PLC	32	29.0	-9.1	38.1	0.5	7.7
					2.0	12.1
Software Service Peers - Overseas						
Netcompany Group A/S	278	13,136.2	-1,702.8	14,839.0	2.1	11.4
Capgemini SE	179	30,349.8	-1,200.8	31,550.6	1.4	8.9
CGI Inc. Class A	172	38,582.8	-1,840.9	40,423.7	2.6	12.7
Reply S.p.A.	158	5,897.4	329.1	5,568.3	2.4	14.3
Globant SA	214	9,277.8	34.4	9,243.4	3.8	19.7
					2.0	10.8
Software Product Peers - UK						
Big Technologies PLC	112	324.4	102.8	221.6	4.4	8.3
Idox PLC	61	280.0	-3.5	283.5	3.1	10.5
Tracsis plc	388	117.8	27.7	90.0	1.1	5.6
					2.5	8.0
Business Process Outsourcing Peers - UK						
Capita plc	15	249.7	-427.8	677.5	0.3	3.4
MITIE Group PLC	116	1,474.7	-249.6	1,724.3	0.3	5.8
Serco Group plc	157	1,590.7	-389.5	1,980.2	0.4	5.1
					0.4	4.8

Source: FactSet, h2Radnor

Made Tech PLC

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Price (p): 31 p
Market Cap: 47 m
EV: 38 m

PROFIT & LOSS

Y/E May	2022	2023	2024	2025E	2026E	2027E
Revenue	29.3	40.2	38.6	43.0	45.1	49.0
Change YoY %		37%	-4%	12%	5%	9%
Gross Profit	11.3	14.4	13.2	14.9	15.8	17.1
Gross Profit Margin %	38.4%	35.8%	34.2%	34.5%	35.0%	35.0%
Operating Costs	(8.6)	(12.9)	(10.8)	(11.9)	(12.4)	(13.5)
EBITDA	2.6	1.5	2.4	3.0	3.4	3.7
Change YoY %		-43%	56%	26%	12%	9%
EBITDA Margin %	9.0%	3.8%	6.2%	7.0%	7.5%	7.5%
Depr & Amort	(0.3)	(0.4)	(1.2)	(1.7)	(1.8)	(2.0)
EBIT - Adjusted	2.3	1.1	1.2	1.3	1.6	1.7
EBIT Margin %	8.0%	2.7%	3.0%	3.0%	3.5%	3.5%
Associates & JV's	-	-	-	-	-	-
Net Interest	(0.0)	0.0	0.2	0.2	0.3	0.5
PBT - Adjusted	2.3	1.1	1.4	1.5	1.9	2.2
Non Operating Items	-	-	-	-	-	-
Other Financial Items	-	-	-	-	-	-
PBT - IFRS	2.3	1.1	1.4	1.5	1.9	2.2
Tax - Adjusted	(0.5)	(0.6)	0.0	(0.4)	(0.5)	(0.5)
Tax rate - Adjusted	22.2%	53.8%	-1.6%	25.0%	25.0%	25.0%
Minority interests	-	-	-	-	-	-
No. shares m, diluted	139.7	153.0	154.7	160.5	160.5	160.5
Adj EPS (p), diluted	1.3	0.3	0.9	0.7	0.9	1.0
Total DPS (p)	-	-	-	-	-	-

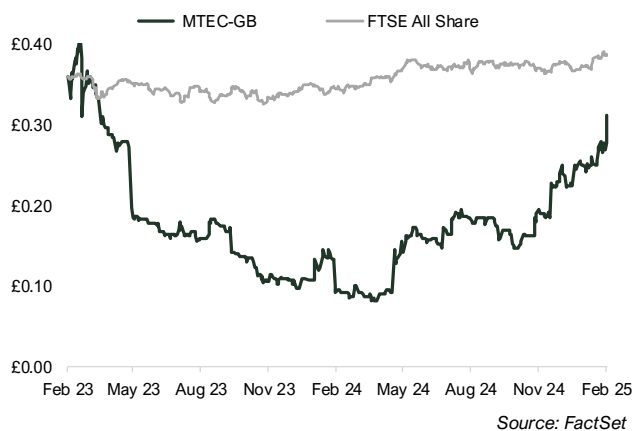
CASH FLOW

Y/E May	2022	2023	2024	2025E	2026E	2027E
EBITDA	2.6	1.5	2.4	3.0	3.4	3.7
Working Capital	(0.8)	(1.5)	(2.1)	(0.8)	(1.1)	(1.6)
Exceptionals / Other	-	-	-	-	-	-
Gross Op Cashflow	1.9	0.0	0.3	2.2	2.2	2.0
Cash Tax	-	-	0.5	-	-	-
Cash Interest	(0.0)	0.0	0.2	0.2	0.3	0.5
Net Op Cashflow	1.9	0.1	1.0	2.4	2.5	2.5
Capex	(2.3)	(3.2)	(1.3)	(0.7)	(0.8)	(0.8)
Lease	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Free Cashflow	(0.5)	(3.1)	(0.3)	1.7	1.8	1.7
Issue of equity	13.5	-	-	-	-	-
Repayment of loans	(1.3)	-	-	-	-	-
Lease / EBT	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Net Cashflow	11.4	(3.9)	(0.8)	1.5	1.6	1.6
Net Cash (Debt)	12.3	8.5	7.6	9.2	10.8	12.4

BALANCE SHEET

Y/E May	2022	2023	2024	2025E	2026E	2027E
Intangibles	1.9	5.0	1.1	0.1	-	-
P,P+E	0.9	0.5	0.2	0.2	0.2	0.2
Tax Asset & Other	-	-	-	-	-	-
Total Fixed Assets	2.8	5.5	1.3	0.3	0.2	0.2
Current Assets	6.1	6.2	6.7	7.8	8.8	9.8
Current Liabilities	(6.2)	(4.9)	(3.1)	(1.9)	(0.9)	0.0
Net Current Assets	(0.2)	1.3	3.6	5.9	7.9	9.8
Long Term Liabilities	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net Cash (Debt)	12.3	8.5	7.6	9.2	10.8	12.4
Net Assets	14.8	15.2	12.5	15.3	18.9	22.4

PRICE CHART - 2 YEAR ABSOLUTE vs FTSE ALL SHARE



SHAREHOLDERS

	% of ord. Share capital
Rory MacDonald	28.5%
Chris Blackburn	14.5%
Hargreaves Lansdown	8.8%
Stonehage Fleming	8.7%
Octopus	6.2%
	66.7%

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	2027E
RoE	3.4%	11.4%	7.2%	7.4%	7.4%
RoCE	16.4%	24.0%	20.9%	19.5%	17.0%
Asset Turnover (x)	0.2x	0.0x	0.0x	0.0x	0.0x
NWC % Revenue	3.3%	9.3%	13.7%	17.5%	20.1%
Op Cash % EBITA	4.0%	23.0%	174.0%	143.3%	120.2%
Net Debt / EBITDA	-5.6x	-3.2x	-3.1x	-3.2x	-3.4x

VALUATION

Fiscal	2023	2024	2025E	2026E	2027E
P/E	92.1x	33.8x	44.9x	35.6x	30.2x
EV/EBITDA	24.9x	15.9x	12.6x	11.2x	10.3x
Div Yield	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield	-8.2%	-0.9%	4.5%	4.7%	4.5%

YoY growth

Revenue	37.2%	-4.0%	11.5%	4.9%
EBITDA	-42.6%	56.2%	26.2%	12.2%

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