

MTEC | AIM | Software | 51p | £77m

FY26 results in line; outlook is positive

1 Year Chart



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Made Tech's FY26 results (May year-end) show adjusted EBITDA of £5.9m, which is in line with the figure given in June's full year trading update. We had increased our FY26 adjusted EBITDA estimate by 5%, to £5.9m, at the time of the trading update. The outlook reads well with the comment that "we entered FY27 with positive momentum".

In August, the Company was appointed as part of a consortium to a four-year contract with a UK government department, which at £40m was its largest historically, and at the time we increased our FY27 adjusted EBITDA rising by 9%, from £5.9m to £6.4m. Today we maintain our estimates and note the comment that Made Tech expects FY27 "adjusted EBITDA of between £6.3m and £6.6m". We introduce a FY28 adjusted EBITDA forecast of £7.8m.

- **UK politics;** Made Tech's customers are all UK public sector and we believe that it has a large structural growth opportunity as the public sector uses the digital skills of the private sector to improve service levels and reduce costs. Pressure on UK Government spending is likely to spur the need for further efficiencies which do not impact front-line service levels. In particular, we believe that companies like Made Tech will enable the UK public sector to deploy AI. We also think that the Company may benefit from the Government's "Buy British by design" procurement campaign when competing against international IT companies and we note the outlook comment about the "UK Government shift towards mid-market UK Sovereign companies emphasising the significant role technology will play in delivering its priorities supports confidence for long term growth".
- **Valuation;** we have maintained our, DCF-based, illustrative fair value of 73p. Made Tech's FY28 PER is 13.8x which we think is attractive given the high level of earnings growth it is generating and its increasing net cash position.

Y/E May, £m	Revenue	EBITDA	Adj PBT	Adj EPS (p)	Net Cash	PE	EV/EBITDA
FY 2024A	38.6	2.4	1.4	1.0	7.6	53.6	28.8
FY 2025A	46.4	3.5	2.9	1.4	10.4	37.0	18.9
FY 2026A	58.9	5.9	4.9	2.4	14.5	21.4	10.5
FY 2027E	64.0	6.4	6.3	3.0	17.6	16.8	9.1
FY 2028E	71.0	7.8	7.7	3.7	21.0	13.8	7.1

Source: h2Radnor

Other points

- **Revenue** was £58.9m, in line with the figure mentioned in the trading update, representing 27% (28/26% H1/H2) growth on the £46.4m of FY25, “reflecting continued market-share gains across our core public-sector markets”. We are encouraged by the comment that “we are building a business capable of exceeding £100m in revenue”.
- **Gross sales bookings** (the total value of sales contracts awarded in the period to be delivered in FY27-FY31) declined by 38% (from £81.3m in FY25 to £50.7m in FY26), albeit after a 68% reduction in H126, H226 was only 4% lower. FY26 had a tough comparable after FY25’s record figure and H226 was boosted by the £19m contract with the Government Digital Service.
- **The Contracted Backlog** (the value of contracted revenue that has yet to be recognised) declined by 11% (from £93.4m in FY25 to £83.5m), with a reduction of 8% in H1 and 31% in H2, however the outlook says that the figure reached £115m at the end of July, which we note would be an historic high; due both to “the stronger level of bookings achieved during the second half of FY26” and August’s £40m win. We also think that there could be upside from the announcement earlier this month that the Company had been appointed to the new Met Office Delivery Partnerships Framework, where it is one of the potential small number of suppliers for contracts worth around £68m, and we note that the Met Office is already a client.
- **Gross Profit** increased by 20% (12/30% H1/H2) from £14.8m in FY25 to £17.9m in FY26. The Gross Profit margin declined proportionally by 5%, from 32.0% in FY25 to 30.4% in FY26, “due to competitive market conditions and investments in specialist talent”, but positively we note that proportionally after a 13% decline in H1 the margin rose by 3% in H2. Having increased the proportion of contractors following the UK General Election and Government review in FY26, Made Tech “reduced our reliance on contractors”, with the number of permanent employees rising by 29% from 374 in FY25 to 482 in FY26.
- **Adjusted EBITDA** increased by 69% (35/105% H1/H2) from £3.5m in FY25 to £5.9m in FY26. The adjusted EBITDA margin rose from 7.5% in FY25 to 10.0% in FY26 “as capacity planning, better bench utilisation, and administrative efficiency allowed overheads to grow at less than half the pace of revenue”, showing good operational leverage.
- **Cash generated** from operations rose from £3.1m in FY25 to £4.2m in FY26. Made Tech has no debt and net cash rose from £11.9m at the end of H126 to £14.5m at the end of FY26, in line with the figure mentioned in the trading update. We think that having a net cash position is an advantage when bidding for Government contracts as the public sector likes dealing with counterparties

who have strong balance sheets, plus it gives Made Tech options to make bolt-on acquisitions which add capability and clients.

- **Estimates;** we have maintained our FY27 estimate of adjusted EBITDA of £6.4m, which assumes 9% organic revenue growth and a 10.0% margin. We introduce FY28 estimates today, with an adjusted EBITDA of £7.8m, which assumes 11% organic revenue growth and an 11.0% margin.

- **A webinar presentation** for analysts and investors will be held at 14:00 BST (0900 EDT) today, with the registration link below;

https://us06web.zoom.us/webinar/register/WN_Gp-Z77moSraCCm_krhBOMw

- **Our initiation note** on Made Tech is available on request or can be accessed from this [link](#).

P&L estimates

May year end	FY25	FY26	FY27E	FY28E
Revenue	46.4	58.9	64.0	71.0
Change	20.3%	26.8%	8.7%	11.0%
Gross profit	14.8	17.9	19.6	21.8
Change	12.5%	20.4%	9.5%	11.6%
Gross profit margin	32.0%	30.4%	30.6%	30.7%
Change	(6.5%)	(5.0%)	0.7%	0.5%
Adjusted EBITDA	3.5	5.9	6.4	7.8
Change	46.5%	69.0%	9.2%	21.0%
Adjusted EBITDA margin	7.5%	10.0%	10.0%	11.0%
Change	21.7%	33.3%	0.5%	9.0%
Depreciation and amortisation	(0.9)	(1.2)	(0.4)	(0.5)
Adjusted operating profit	2.6	4.7	6.0	7.3
Change	124.1%	79.1%	28.0%	21.7%
Adjusted operating profit margin	5.6%	7.9%	9.3%	10.3%
Interest	0.3	0.2	0.3	0.4
Adjusted PBT	2.9	4.9	6.3	7.7
Change	104.6%	71.9%	27.8%	22.3%
Adjusted tax	(0.8)	(1.4)	(1.8)	(2.2)
Adjusted tax rate	28%	28%	28%	28%
Adjusted PAT	2.1	3.6	4.5	5.5
Change	45.1%	72.6%	27.2%	22.3%
Shares (m)	149.3	149.3	149.3	149.3
Adjusted EPS	1.4	2.4	3.0	3.7
Change	45.1%	72.6%	27.2%	22.3%
Shares - diluted (m)	159.5	155.0	155.0	155.0
Adjusted - diluted EPS	1.3	2.3	2.9	3.6
Change	40.7%	77.5%	27.2%	22.3%

Cashflow estimates

May year end	FY25	FY26	FY27E	FY28E
Adjusted EBITDA	3.5	5.9	6.4	7.8
Receivables	(0.3)	(1.5)	(3.1)	(3.4)
Payables	(0.1)	0.6	1.1	0.7
Sub-total	3.1	5.0	4.4	5.1
Capex on property, plant and equipment	(0.1)	(0.6)	(0.1)	(0.1)
Sub-total	2.9	4.5	4.3	4.9
Interest	0.3	0.3	0.3	0.4
Interest on lease liability	(0.0)	(0.0)	(0.0)	(0.0)
Tax	0.0	0.0	(1.4)	(1.8)
Sub-total	3.2	4.7	3.2	3.5
Repayment of lease liability	(0.1)	(0.5)	(0.1)	(0.1)
Shares exercised	(0.1)	(0.2)		
Purchase of equity	(0.2)			
Total	2.8	4.1	3.1	3.4

Balance sheet estimates

May year end	FY25	FY26	FY27E	FY28E
Assets				
Non-current assets				
Tangible assets	1.2	1.3	1.3	1.3
Intangible assets	0.6			
Deferred tax asset	0.2	1		
Sub-total	2.0	1.8	1.3	1.3
Current assets				
Trade and other receivables	7.0	8.2	9.3	10.0
Cash and cash equivalents	10.4	14.5	17.6	21.0
Sub-total	17.4	22.7	26.9	31.0
Total	19.4	24.5	28.2	32.3
Equity and liabilities				
Non-current liabilities				
Loans, borrowings and lease liabilities	0.6	0.3		
Deferred tax liability				
Sub-total	0.6	0.3	0.0	0.0
Current liabilities				
Trade and other payables	3.8	5.4	4.4	3.6
Lease liabilities	0.5	0.5		
Sub-total	4.3	5.9	4.4	3.6
Equity				
Share capital	0.1	0.1	0.1	0.1
Share premium	13.4	13.4	19.0	23.9
Share-based payment reserve	4.7	5.0	5.0	5.0
Deferred share reserve				
Capital redemption reserve	0.0	0.0	0.0	0.0
Retained deficit	(3.8)	(0.3)	(0.3)	(0.3)
Sub-total	14.5	18.2	23.8	28.7
Total	19.4	24.5	28.2	32.3

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