Made Tech

Interim Results for the Six Months Ended 30 November 2021

28 February 2022

MADE TECH GROUP PLC

("Made Tech" or "the Group")

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Made Tech Group plc, a leading provider of digital, data and technology services to the UK public sector, is pleased to announce its interim results for the six month period ended 30 November 2021.

	H1 FY22	H1 FY21	Change %
Revenue	£11.7m	£5.1m	+131%
Gross Profit	£4.6m	£2.3m	+98%
Gross Profit Margin	39.1%	45.6%	-6.5%
Adjusted EBITDA	£1.2m	£0.2m	+664%
Adjusted EBITDA Margin	10.12%	3.06%	+230%
Adjusted Profit before Tax	£1m	£12k	+8582%
Sales Bookings	£26.5m	£10.7m	+148%
Backlog	£31.3m	£11.6m	+170%
Cash	£11.1m	£1.5m	+669%

Key highlights

Delivering a strong financial performance

- Revenue up 131% to £11.7m (H1 FY21 £5.1m). Growth is all organic, and revenue growth has accelerated with a historical CAGR of 89% (in the 3 years to FY21), increasing to 131% in H1 FY22
- Adjusted EBITDA increased to £1.2m (H1 FY21: £0.2m) and Adjusted Profit before Tax of £1.0m (H1 FY21: profit of £12k)

Expanding our headcount rapidly

- Headcount has increased by 89% to 216 (H1 FY21: 114), with employee retention at 80.2% (H1 FY21: 83.75%)
- Significant progress in permanent recruitment, with 155 individuals recruited and due to start in H2 FY22. Total headcount is forecast to

increase to 429 people by end of April, with 352 of those being permanent employees
- Geographic coverage expanded with our first employees hired in Scotland, Newcastle and the Midlands
- Sourced our most significant Academy intake to date, with 21 members having commenced training in January 2022. Our next Academy begins in May 2022; with over 600 applications received, and we expect to recruit and train at least 50 of those individuals

Growing our market share within chosen industries

- We delivered strong growth from our long-term client relationships, primarily through new contracts, extensions, renewals, and the cross-sell of new service offerings
- Client base expanded with several new wins within Central Government, Local Government, Health and Devolved Administrations
- Within the period, we were awarded our largest contract to date, worth approximately £7m
- As announced today, Made Tech has been awarded a two year contract with NHS Digital with a contract value of approximately £37.5m, with Made Tech expected to receive approximately half of the total contract value

Investing in our core infrastructure to deliver long-term results

- Successful admission to AIM on 30 September 2021
- Appointment of three experienced non-executive directors to the Group board
- Double-digit percentage increases recorded in billable utilisation and average billable day rates, following the rollout of new systems and operational processes
- Commenced the development of intellectual property (IP) to enhance our offering within the industries we serve

Rory MacDonald, CEO, commented:

"We are delighted to report a strong H1 performance in our first set of interim results. As stated at the time of our IPO, our strategy is to achieve sustainable growth in revenue, profit, and cash generation by delivering high-quality services to our public sector clients. We have a clear plan to capture the market opportunity ahead of us, and we're making significant operational progress.

Despite some short-term challenges relating to IR35 and staffing of public sector contracts and increased overhead costs, which we expect to impact our trading performance in Q4 FY22 and into the first half of FY23, the Group's significant new contract bookings and robust pipeline underpin the Board's confidence in the medium term outlook. We look forward to continuing to deliver strong revenue growth in the second half of FY22 and beyond, and remain incredibly positive about the Group's long-term prospects."

ENDS

Enquiries:

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About Made Tech

Made Tech is a high-growth provider of digital, data and technology services to the UK public sector. Founded in 2008 and with a headcount of over 300 people across multiple UK locations, Made Tech provides services that enable central government, healthcare and local government organisations to digitally transform.

Chief Executive Officer's Report

We're delighted to report a strong set of interim results and would like to thank our ambitious clients and talented colleagues who have worked tirelessly, enabling us to deliver these results.

This period included a significant corporate milestone for the Group, completing the IPO on the AIM market of the London Stock Exchange. We would like to thank our new shareholders for their support. This investment is providing the Group with the capital base to deliver on our ambitious growth plans and we look forward to using the proceeds to build a significant business in the years ahead.

Revenue for the period grew by 131% to £11.7m (H1 FY21: £5.1m). Adjusted EBITDA increased by 664% to £1.2m (H1 FY21: 0.2m). We finished the period with a cash balance which increased by 669% to £11.1m (H1 FY21: £1.5m).

The Group's client base and depth of client relationships continues to strengthen. In the period to 30 November 2021, the Group acquired three new clients (Ofqual, City of Lincoln and Ministry of Defence), and won new mandates with existing clients including DVLA, Ministry of Justice, HMRC, Department for International Trade, Department for Education and Department for Levelling Up, Housing and Communities. The Group has 30 active clients, with 9 of those being strategic client accounts, contributing between £1m - £10m a year on an annualised run-rate basis. Across our industry verticals, 71% of revenue is derived from Central Government (H1 FY21: 55%), 18% from Local Government (H1 FY21: 27%) and 11% from Healthcare (H1 FY21: 17%).

Sales bookings for the period totalled £26.5m (H1 FY21: £10.7m) with the largest single contract coming from DVLA. The overall contracted backlog increased by 170% to £31.3m (H1 FY21: £11.6m).

People and talent acquisition have been the major focus for the Group since the IPO. We've made significant progress in a relatively short period of time, recruiting 137 people between 1 October and 14 February 2022. This averages out at approximately 7 experienced hires per week, who are being sourced through our internal teams and using external partner support.

Wage inflation and the well-publicised challenges in the hiring market have made recruitment more difficult than anticipated. We've had to significantly increase our headcount within our internal Talent team and lean more heavily on external recruiters than we had originally planned. This is leading to an increase in both recruitment overheads and average staff costs, which we expect to have an impact on our full year performance. The increase in our billable staff costs has already been offset by delivering increased billable utilisation across our staff and an increase in our average billable day rate, so we're expecting our gross margin to remain broadly in-line with expectations. However, we expect it to be more challenging to offset overhead costs, though we will of course continue to look at this closely.

Our use of external contractors is becoming increasingly difficult as public sector bodies have imposed tighter restrictions on the use of contractors due to IR35. This has had a minor impact on our revenue in H1 and we expect this challenge to become more acute in the second half and into next year. We see this as a short-term challenge that significantly reduces as our permanent headcount increases as we adapt to IR35 changes to meet our client's needs. We believe this approach will strengthen relationships with our clients in the public sector and enhance our ability to secure additional new contracts in the future.

Our entry-level Academy programme has re-commenced, with several hundred applications for places received, and we have accelerated the investment into this programme as part of our long-term entry-level talent strategy. We are on-track to bring 120 people through our Academy programme over the next 12 months.

We are targeting a permanent headcount of 450 billable staff by June 2022 and 710 billable staff by May 2023. Given the significant progress we've made on both experienced and entry-level recruitment, we're confident in our ability to deliver these numbers.

Outlook and Current Trading

Whilst pleased with the Group's financial performance in H1, the board are mindful of the challenges relating to IR35 and staffing of public sector contracts and increased overhead costs, which we now expect to impact our trading performance in Q4 FY22 and the early part of FY23. The Group has established itself as a strong and trusted partner to public sector organisations, which has led to a significant number of new contracts, a strong order backlog and a robust sales pipeline for the months ahead. Despite some short-term challenges to meet our client's requirements the directors are confident that significant growth will be delivered over the coming years.

Rory MacDonald
Chief Executive Officer

Chief Financial Officer's Report

The six month period ended 30 November 2021 saw further strong performance with significant year- on-year revenue and EBITDA growth. Made Tech has reported revenues of £11.7m, up 131% from £5.1m in H1 2021. All of this revenue growth is organic and has been driven by the Group's ability to win and deliver larger scale programmes of work alongside continuing to enhance our service offering to meet our client's needs.

	H1 2022	H1 2021	Change %
Revenue	£11.7m	£5.1m	+131%
Adjusted Profit/(loss) after tax	£1,034k	£(17k)	+6186%
Adjusted EBITDA	£1.2m	£0.2m	+664%
Adjusted EBITDA margin	10.12%	3.06%	+230%
Profit/(loss) for the period	£121k	(£17k)	+813%
Basic Earnings per share	£0.00	£0.00	

Adjusted diluted earnings per share	£0.01	£0.00	
Diluted earnings per share	£0.00	£0.00	
Cash	£11.1m	£1.5m	+669%

Gross Margins were 39.1% against 45.6% in the prior year. The reduction has been driven by significant growth requiring support from contractors and third parties and the impact of salary inflation. Despite the reduction, gross margin is in line with expectations and we expect this to improve in the medium term. Our ambition in coming years is to increase our gross margin by reducing our reliance on contractors and third-party suppliers. We have invested heavily in an in-house talent acquisition team and our Academy to support headcount growth to meet demand and we expect to see recruitment being managed internally in the future.

In response to the significant level of demand, our headcount has increased to a total of 216 permanent employees at the end of November 2021 (H1 FY21: 114). Total billable heads were 168 (H1 FY21: 91). The average revenue per billable head (including contractors) increased by 11% YOY demonstrating the improvements we have made in utilisation levels and adding new capabilities with more favourable margins.

Adjusted EBITDA was £1.2m up 664% from H1 FY21 (£0.2m) and the adjusted EBITDA margin was 10.1% up from 3.1% in the prior year. The increase in adjusted EBITDA and margin is very positive and in line with expectations. Administrative expenses YOY increased by 94% to £4.4m (H1 FY21; £2.3m) as anticipated by the Group in order to meet the new demand for services. The growth in administrative expenses is in line with business and headcount growth and reflects the introduction and investment in areas such as recruitment, HR, sales and marketing, training, increased compliance costs as a result of listing on AIM, introduction of the share-based payment charge and facilities costs which were suppressed during the lockdown period.

The share-based payment expense incurred in the period was £707k. This is a new non cash cost to the business as a result of the share options issued to employees as a result of the Company's admission to AIM. As at 30 November 2021, a total of 6,847,812 share options have been distributed to staff and provide cultural alignment with the Group's shareholders.

We are pleased to report a return to profitability, with the H1 FY22 Profit after tax of £121k (H1 FY21 Loss of £17k). The Directors believe that an adjusted Profit after tax and adjusted diluted and basic earnings per share measures are more representative of underlying performance.

Cash Flow and Cash Conversion

Cash at the end of the period was £11.1 million (H1 FY21: £1.5 million). This includes the proceeds of the fundraise completed in conjunction with the IPO (£13.5 million net of all related costs). The CBILS loan was fully repaid in the period (£1.25 million), and the Group has no external debt.

Cash conversion, calculated as a percentage of cash flow from operations divided by adjusted profit before tax is negative 145% for H1 FY22 (H1 FY21: 161%). This is a timing issue, with a high debtor balance (in line with month-on-month revenue growth) at the end of November 2021. Debtors are tightly controlled, with debtor days of 58 (H1 FY21: 47). The cash flow from operations is expected to return to normal levels in 2023.

Consolidated statement of comprehensive income

	6 months to 30 November 2021 £'000	**6 months to 30 November 2020 £'000**	**12 months to 31 May 2021 £'000**
	Unaudited	**Unaudited**	**Audited**
Revenue	11,720	5,067	13,331
Cost of Sales	(7,137)	(2,755)	(8,318)
Gross Profit	**4,583**	**2,312**	**5,013**
Administrative expense	(4,442)	(2,288)	(5,789)
Operating Profit	**141**	**24**	**(776)**

Finance Expense	(20)	(12)	(30)
Profit/(loss) before tax	**121**	**12**	**(806)**
Taxation	0	(29)	25
Profit after tax	**121**	**(17)**	**(781)**

Consolidated statement of financial position

	6 months to 30 November 2021 £'000	**6 months to 30 November 2020 £'000**	**12 months to 31 May 2021 £'000**
	Unaudited	**Unaudited**	**Audited**
Assets			
Non-current assets			
Intangible assets	453	0	0
Property, plant and equipment	675	720	755
Total non-current assets	1,128	720	755
Current assets			
Trade and other receivables	4,616	1,935	2,544
Cash and cash equivalents	11,147	1,449	922
	15,763	**3,384**	**3,466**
Total assets	**16,891**	**4,104**	**4,221**
Current Liabilities			
Trade and other payables	3,102	2,452	3,283
Loans and borrowings	0	0	328
Total current liabilities	**3,102**	**2,452**	**3,611**
Non-current Liabilities			
Loans and borrowings	243	1,585	1,397

Total non-current liabilities	**243**	**1,585**	**1,397**
Total Liabilities	**3,345**	**4,037**	**5,008**
Net assets/(liabilities)	**13,546**	**67**	**(787)**
EQUITY			
Share capital	1	0	1
Share premium	13,506	0	0
Share-based payment reserve	707	0	0
Retained earnings/(deficit)	(668)	67	(788)
Total equity	**13,546**	**67**	**(787)**

Consolidated statement of changes in equity

	Share Capital £'000	**Share Premium £'000**	**Share-based payment reserve £'000**	**Retained Earnings £'000**	**Total £'000**
Equity as at 1 June 2018	0	0	0	842	842
Profit for the financial year	0	0	0	490	490
Transactions with equity owners: Dividends	0	0	0	(253)	(253)
Equity as at 31 May 2019	0	0	0	1,079	1,079
Profit for the financial year	0	0	0	336	336
Transactions with equity owners: Dividends	0	0	0	(244)	(244)

Equity as at 31 May 2020	0	0	0	1,171	1,171
Profit for the financial year	0	0	0	(781)	(781)
Transactions with equity owners: Issue of shares	1	0	0	0	1
Transactions with equity owners: Dividends	0	0	0	(1,178)	(1,178)
Total Transactions with equity owners	0	0	0	(1,959)	(1,958)
Deficit as at 31 May 2021	1	0	0	(788)	(787)
Profit for the period	0	0	0	121	121
Shares issues	0	13,506	0	0	13,506
Share-based payments charge	0	0	707	0	707
Balance at 30 November 2021	1	13,506	707	(668)	13,546

Consolidated statement of cash flow

	6 months to 30 November 2021 £'000	**6 months to 30 November 2020 £'000**	**12 months to 31 May 2021 £'000**
	Unaudited	**Unaudited**	**Audited**
Cash flows from operating activities:			
Profit/(loss) before tax	121	(17)	(781)
Tax expense/(income)	0	(25)	(25)
Share-based payment expense	707	0	0
Finance expense	20	12	30
Loss on disposal of property, plant and equipment	0	0	10

Depreciation of property, plant and equipment	132	131	265
Decrease/(increase) in trade and other receivables	(2,072)	(423)	(1,032)
Decrease/(increase) in trade and other payables	(338)	807	1,853
Cash generated by operations	(1,430)	484	320
Income taxes (paid)/received	0	0	0
Net cash flows from operating activities	(1,430)	484	320
Investing activities			
Purchase of property, plant and equipment	(52)	(93)	(272)
Addition of intangible assets	(453)	0	0
Net cash used by investing activities	(505)	(93)	(272)
Financing activities			
Share issue	13,506	1	1
Interest paid	0	0	(6)
Dividend paid	0	(1,086)	(1,178)
(Repayment) / drawdown of loans and borrowings	(1,250)	1,250	1,250
Repayment of directors loan	0	(5)	(5)
Repayment of lease liability	(86)	(74)	(150)
Interest paid on lease liability	(9)	(12)	(24)
Net cash used by financing	12,161	73	(112)
Net increase/(decrease) in cash and cash equivalents	10,226	464	(64)
Cash and cash equivalents at beginning of year	921	986	986
Cash and cash equivalents at end of year	11,147	1,450	922

1. General information

Made Tech Group Plc is a company incorporated on 13 September 2019 and domiciled in England and Wales, registration number 12204805. The Company's registered office is 4 O'Meara Street, Southwark, London, SE1 1TE. The Company's shares are traded on AIM, a market operated by the London Stock Exchange.

The interim financial information is unaudited.

2. Basis of preparation

The financial information has been prepared in compliance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the UK.

The presentation currency of the financial information is Pounds Sterling, rounded to the nearest thousand (£'000) unless otherwise indicated. Made Tech Limited and Made Tech Group Plc's functional currency is also Pounds Sterling as this is the currency of the primary economic environment in which the entity operates.

3. Basis of consolidation

The consolidated financial information comprises Made Tech Group Plc and its subsidiary Made Tech Limited. Subsidiaries are consolidated from the date of acquisition being the date on which the Group obtains control.

4. Accounting policies

The accounting policies used in the preparation of the interim consolidated financial information for the six months ended 30 November 2021 are in accordance with the recognition and measurement criteria of IFRS and are consistent with those which were adopted in the annual financial statements for the year ended 31 May 2021.

5. Borrowings

On 8 August 2020 Made Tech Limited entered into a COVID Business Interruption Loan facility agreement with HSBC UK Bank Plc. The loan facility of £1,250,000 plus all accrued interest was fully repaid on 12 October 2021.

6. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares in issue during the period.

To arrive at the adjusted diluted share number, the Directors have calculated an adjusted share number by taking the weighted average basic shares and included the maximum shares to be ussie in respect of contingent consideration to be paid based on performance measures met in the period, together with the maximum share options outstanding.

	H1 FY22 (£'000)	**H1 FY21 (£'000)**	**Change %**
Weighted average basic shares for the purposes of basic earnings per share	139,881	135,783	+3.02%
Effect of dilutive potential ordinary shares from share options in issue	6,848	0	
Weighted average number of diluted shares for the purpose of diluted earnings per share	146,729	135,783	+8.06%
Adjusted basic earnings per share	**£0.00**	**£0.00**	
Adjusted diluted earnings per share	**£0.01**	**£0.00**	

7. Reconciliation to adjusted EBITDA

	H1 FY22 £'000	**H1 FY21 £'000**	**Change %**
Operating Profit	**141**	**24**	**+3291%**
Add back Depreciation	132	131	
Add back Share-based payment charge	707	0	
Add back IPO costs	180	0	
Add back Exceptional items	26	0	
Adjusted EBITDA	**1,186**	**155**	**+654%**

8. Reconciliation to adjusted profit/(loss) before tax

	H1 FY22 £'000	**H1 FY21 £'000**	**Change %**
Profit before tax	**121**	**12**	**+918%**
Add back share-based payment charge	707	0	-100%
Add back IPO costs	180	0	-100%
Add back Exceptional items	26	0	-100%
Adjusted profit/(loss) before tax	**1,034**	**12**	**+8582%**