

Half Year Results for the Six Months Ended 30 November 2022

23 February 2023

MADE TECH GROUP PLC

("Made Tech" or "the Group")

Half Year Results for the six months ended 30 November 2022

23 February 2023

23 February 2023

MADE TECH GROUP PLC

("Made Tech" or "the Group")

Half Year Results for the six months ended 30 November 2022

Strong organic revenue growth and record Contracted Backlog

Made Tech Group plc, a leading provider of digital, data and technology services to the UK public sector, is pleased to announce its unaudited half year results for the six months ended 30 November 2022 (the "Period").

Financial highlights

	H1 FY23	H1 FY22	Change	FY22
Revenue	£20.6m	£11.7m	+76%	£29.3m
Gross Profit	£6.8m	£4.6m	+48%	£11.3m
Gross Profit Margin	32.9%	39.1%	-6.2%	38.43%
Adjusted EBITDA ¹	£0.5m	£1.2m	-58%	£2.6m
Adjusted Profit before Tax ²	£0.3m	£1.0m	-70%	£2.3m
Sales Bookings ³	£32.6m	£26.5m	+24%	£51.1m
Contracted Backlog ⁴	£47.8m	£31.3m	+54%	£38.2m
Cash	£9.0m	£11.1m	-19%	£12.3m

- Strong organic revenue growth of 76%
- Adjusted EBITDA in line with management expectations
- Record Contracted Backlog, providing strong revenue visibility over the remainder of the year and looking into FY24

- Strong cash management with average debtor days reduced to 37 (FY22: 58)

Operational highlights

- Employee retention rate increased to 85% (H1 FY22: 80%)
- Active clients increased to 23 (H1 FY22: 19) of which 10 are strategic (H1 FY22: five)
- Average contract size rose by 69% to £1.5m (H1 FY22: £0.9m), demonstrating the Group's strengthened position within its marketplace
- Continued investment in own software product development in line with expectations. Strong sales pipeline being built for new propositions with first client secured (revenue expected to be recognised in FY24)

Outlook

- Positive trading in Q3 to date, in line with the Board's expectations
- Enter the remainder of the year in a strong position, as shown by new contract bookings of £29m so far in Q3 over 5 years, including the three substantial new contract wins announced earlier this month
- Utilisation levels have increased post period end and margins are expected to materially improve in H2
- The Group remains on track to achieve FY23 results in line with market expectations⁵

Rory MacDonald, CEO of Made Tech, said:

“Both our client base and the depth of our client relationships continue to build. In the Period under review, we added nine new clients, including the Met Office, Government Digital Service (GDS) and Crown Commercial Service (CCS). We won a larger mandate with the Home Office and, post the Period end, have secured larger mandates with existing clients, including the DVLA and the Department of Levelling Up, Housing and Communities. Our strong sales performance

underlines our success in winning extensions to existing contracts, additional projects with existing and new clients.

“We look ahead with confidence, based on excellent pipeline visibility, strong alignment of cost base with work streams, and good progress on our strategy to broaden and deepen our client relationships and accelerate product development.”

Online investor presentation

An online investor presentation with Q&A will be held at 12.30pm on Friday, 24 February 2023. Anyone wishing to participate should register for the event with PI World at: https://bit.ly/MTEC_H1_results_webinar.

Notes

All financials are based on unaudited figures.

- 1. Adjusted EBITDA means operating profit before depreciation, amortisation, exceptional items and share based payment charge*
- 2. Adjusted profit before tax means profit before tax before amortisation of intangible assets, share based payment charge and exceptional items*
- 3. Sales bookings represent the total value of sales contracts awarded in the year, to be delivered in FY22-FY26*
- 4. Contracted Backlog is the value of contracted revenue that has yet to be recognised*
- 5. Market expectations for FY23 as published on Bloomberg: Revenue £43m and Adjusted EBITDA £3.9m*

Enquiries:

Made Tech Group plc Rory MacDonald, CEO Deborah Lovegrove, CFO	via Belvedere PR
Singer Capital Markets (Nominated Adviser & Broker)	Tel: +44 20 7496 3000

Jennifer Boorer / Harry Gooden / Asha Chotai	
Belvedere PR (Financial PR) Cat Valentine Keeley Clarke	Email: madetech@belvederepr.com Tel: +44 7715 769078 Tel: +44 7967 816525

About Made Tech

Made Tech is a provider of digital, data and technology services to the UK public sector. Founded in 2008 and now with a headcount of over 480 and offices in four UK locations (London, Manchester, Bristol and Swansea), Made Tech provides services that enable central government, healthcare and local government organisations to digitally transform.

Made Tech's purpose is to "positively impact the future of society by improving public sector technology". To achieve this the company has four key strategic missions: Modernise legacy technology and working practices; Accelerate digital service and technology delivery; Drive better decisions through data and automation; and Enable technology and delivery skills to build better systems.

<https://investors.madetech.com/>

Chief Executive Officer's Report

Made Tech delivered a strong performance in the Period, generating year-on-year revenue growth of 76% to £20.6m. We entered the second half with a record contracted backlog (£48m +53% y/y), which positions the Group strongly for the remainder of the year and looking into FY24 and beyond.

This strong organic growth was achieved despite industry headwinds caused by the well-reported Government and market turmoil that occurred during Q2. As expected at the time of the Company's final results in September 2022, this resulted in reduced gross margins in the first half, due to increased contractor numbers, client delays to bid submissions and ongoing project work. However, Made Tech has carefully managed this disruption through right-sizing headcount, reducing contractor numbers to c.10%, and improving our cost controls, such that we expect margins to materially improve in H2.

The Group's client base and depth of client relationships continue to strengthen. As we have previously announced, post period end we have been awarded three substantial new contracts, collectively worth £27m. Made Tech now has 23 active clients, with ten of those being strategic client accounts, contributing between £1m and £10m a year on an annualised run-rate basis.

Market Opportunity

The digital transformation market in the UK public sector is large and growing rapidly. TechMarketView estimates that the UK public software sector will be worth £17.6bn per annum by 2025, a £3.4bn increase from 2021. The Group is confident that its growing reputation and presence in the UK marketplace, combined with a track record for successful project delivery, will ensure that Made Tech continues to grow its market share of this digital transformation drive.

Strategic progress

Made Tech continues to deliver on its strategy to achieve sustained revenue, profit and cash flow growth through the following initiatives:

1) Maintaining an exclusive focus on government services:

The Group continues to maintain an exclusive focus on government services as this delivers a competitive advantage through a deep understanding of and close alignment with our public sector clients' needs. The government is a complex, highly regulated, and constantly changing market and by focusing exclusively on government services, the Group has developed a deep understanding of the sector and the specific needs of government organisations.

This focus has enabled the Group to build strong relationships with clients. By working closely with clients to understand their unique needs and to develop solutions that meet those needs. This close collaboration has resulted in long-term relationships with our clients, which have been a key driver of our success.

Made Tech is proud to report that it has won new mandates with many of its existing clients, including the Home Office, the Ministry of Justice, DVLA, the Department for International Trade, Skills for Care, the Department of Levelling Up, Housing and Communities (DLUHC) and London Borough of Hackney.

One of the key trends we have observed is the trend of long-term client relationships. We have built strong relationships with our clients, which has resulted in repeat business and ongoing projects. We now have ten clients with annualised revenue of between £2.5m and £10m, and these relationships have been a key driver of our growth.

2) Expanding UK regional coverage:

As part of our growth strategy, the Group continues to expand its regional coverage across the UK. This enables us to serve our customers more effectively, as we better understand and respond to their regional needs and requirements.

We now have employees in Scotland, the North East, and the Midlands and have increased our headcount from 224 to 484, demonstrating our commitment to growth and expansion. We plan to continue expanding our presence in our key regions by recruiting more talented individuals, building our relationships with clients, local businesses and communities, and developing our brand.

As we expand our regional coverage, we are reviewing our existing office footprint and future office requirements to ensure our approach is cost-effective, fit-for-purpose and aligned with a hybrid working strategy. We recognise that our employees have different needs and preferences regarding working arrangements, and we are committed to providing a supportive and inclusive working environment for all.

3) Growing our market share within the health, local government and central government sectors:

The Group is pleased to report on our progress towards expanding its market share within Central Government, Health and Local Government sectors.

In H1 FY23, 67% of our revenue is derived from Central Government (FY22: 67%), 20% from Local Government (FY22: 20%), and 13% from Healthcare (FY22: 13%). We have seen material revenue growth in all industry verticals year on year.

In the Period under review, we have been pleased to win nine major new customers, including the Met Office, Cabinet Office, and Crown Commercial Services. This achievement is a testament to our team's hard work, dedication, and expertise. These new clients bring in significant new multi-year revenue streams for our organisation.

4) Extending our services and solutions:

In the Period under review, the Group has continued to expand its digital transformation services for clients. The Group operates three broad service lines: Transform, Deliver, and Run. This structure helps the Group to provide end-to-end transformation offerings and win more significant mandates.

- The Transform service line advises clients on their digital transformation journey, supporting them with changes to their operating model, strategies for disaggregation of legacy contracts, and business case creation for submission to the treasury. The work in this area is nearly always in very early stages and delivered by a small team of specialist experts.
- The Deliver service line works with clients to deliver on their digital transformation plans. Our Deliver group is the bulk of our workforce and is split into individual practices around Cloud & Engineering, Delivery Management, User Centred Design, Data & AI, and Cyber Security. These practices work together to deliver outcomes for clients in cross-functional teams.
- The Run service line supports clients in running their live systems through a managed service offering, our industry-specific solution, and cyber offerings.

In the Period, Made Tech expanded its User Centred Design and Data practices, now making a material contribution to revenue. We have also been gradually building our Managed Service offering, which enables Made Tech to securely run live services for clients and contracts over longer durations. In addition, we have expanded our Advisory team, with key hires from both central and local government.

The Group has also continued to invest in developing industry-specific products and has three products in development with an active pipeline of potential clients, including one client already signed. These products are expected to generate revenues from FY24 onwards.

In November, Tim Bardell joined Made Tech as Executive Director for Capabilities. Tim's significant expertise and experience will help us expand our business capabilities and provide further value to our clients.

Overall, the Group is pleased with the progress made during the year's first half and confident that its strategic direction will enable the business to win larger contracts and scale its impact with our public sector clients.

People

Our people are at the heart of our vision and our success is a testament to their hard work and resourcefulness. Our ambition remains to be a great workplace where people want to stay and develop their careers. Our team continuously strives to provide a supportive work environment that encourages employees to grow and excel in their roles. To measure our performance, we use Employee Net Promoter Score (eNPS) to gauge our employees' level of satisfaction with our company. This feedback helps us identify areas where we need to improve and where we are doing well.

We continue to take measures to ensure that our employees' wellbeing remains a priority, providing a comprehensive range of benefits to support their financial security, including private health insurance, life insurance, income protection, and a comprehensive health plan. This includes 24/7 counselling, health assessments and alternative therapies to assist employees and their families in maintaining good health and wellbeing.

Talent

We work hard to retain our best people and create a welcoming and inclusive workplace. Our headcount has grown year on year by 86% to 484 (444 permanent employees and 40 contractors). The number of contractors is significantly lower than the previous year, with 10% (H1 FY22: 15%) of staff members now contractors.

Unfortunately, we had to say goodbye to 18 of our colleagues as we right-sized our staffing mix at the end of November. It was a difficult decision to make, but it was necessary to ensure that we remained competitive in the market and provide the best services to our clients.

Our Academy is our entry-level training programme for people joining the business out of university, career changes and self-learners. We took 28 people through our Software Engineering and Design programmes. All have graduated and joined the company permanently. Our team continues to review, refine and fine-tune the programme to ensure it remains relevant and effective. The next Academy will run in Q1 2024 and we expect strong competition for places on this sought-after programme.

Summary and Outlook

We continue to deliver against our strategy and have made major progress in key areas in the first half of the year.

With the targeted contractor to employee ratio achieved, headcount fully aligned to deliver on the contracted backlog and a strong sales pipeline, the Group is confident that utilisation rates and margins will be considerably higher in H2 and these factors underpin the Board's confidence in delivering market expectations for the full year.

We have also invested in our senior teams and proprietary product development as well as building a record contracted backlog providing strong revenue visibility, all of which positions the Group well as we look forward into 2024 and beyond.

Rory MacDonald
Chief Executive Officer

Chief Financial Officer's Report

The unaudited half year results for the six months ended 30 November 2022 reflect the short-term impact of a number of strategic initiatives, primarily right-sizing headcount, that position the business for future growth in the medium and long-term. The timing of these initiatives, however, coincided with a period of industry headwinds, caused by the well-reported Government and market turmoil that occurred during Q2, which resulted in delays in implementing projects and being awarded contracts, which had a short-term effect on utilisation in the Period under review.

	H1 2023	H1 2022	Change %
Revenue	£20.6m	£11.7m	+76%
Adjusted Profit/(loss) after tax	£937k	£1,034k	-9%
Adjusted EBITDA	£0.5m	£1.2m	-58%
(Loss)/Profit for the period	(£1,712k)	£121k	
Basic Earnings per share	£0.00	£0.00	
Adjusted diluted earnings per share	£0.01	£0.01	
Diluted earnings per share	£0.00	£0.00	

Revenue

Revenue for the period was a record £20.6m (H1 22: £11.7m) an increase of £8.9m (76%) compared to the same period and strong comparator in the prior year.

Gross Margins

Gross Margins were in line with management expectations at 32.9% against 39.1% in H1 FY22.

The Group continually assesses the appropriate mix of permanent headcount and contractors within cost of sales with a view to optimising efficiencies in servicing the needs of our clients. This was more challenging in H1 23 due to the changes in the political landscape, which led to client delays in implementing projects and awarding new contracts. In addition, average Contractor usage during the period was 12%, slightly higher than our internal target, due to the winding down of contractors and replacing them with permanent employees. Contractor usage reduced from a high of 16% in June 2022 to under 10% by November 2022. As a direct result, utilisation levels in H1 23 were lower than usual levels at 68% (H1 22: 79%), adversely impacting our cost of sales in the Period. To mitigate this, we introduced a series of cost saving measures including a reduction in senior manager headcount, reallocating and redeploying resources into growth areas of the business and improving the efficiency of the Made Tech Academy.

The Group continues to focus on capacity, utilisation and the right mix of contractors to drive sustainable, profitable growth. Our momentum, allied to contracted new business and a healthy long-term pipeline, and focus on capacity and utilisation is expected to lead to improvements in utilisation, gross margins and Adjusted EBITDA from H2 23 onwards.

Adjusted EBITDA

Adjusted EBITDA was in line with management expectations at £0.5m (H1 22: £1.2m), and the adjusted EBITDA margin was 2.4%, down from 10.11% in the prior year.

Administrative expenses (including depreciation, share-based payment charge and exceptional costs) increased by 100% to £8.5m (H1 22: £4.4m), 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 continued investment in areas such as recruitment, HR, sales and marketing, training, compliance and governance costs, share-based payment charge and exceptional costs. Administrative costs excluding depreciation,

share-based payment charge and exceptional costs were up 94% to £6.3m (H2 22: £3.4m).

Share-based payments

The total share-based payment charge for the Period under IFRS2 “Share-based payments” was £1.5m (H1 22: £0.7m). This charge related to the awards made to Long Term Incentive Plan (LTIP) and the Group Restricted Share Plan (“RSP”).

The Company intends to cancel 1,229,507 LTIP awards granted to certain Executive Directors, in the current financial year. This will increase the share based payment charge for the full year.

Exceptional costs

Administrative costs include £0.5m of exceptional costs (H1 22: £0.2m) associated with integration and restructuring actions taken in the first six months of this financial year.

Dividends

On admission to AIM in September 2021, the Group’s stated intention was to invest to deliver capital growth for shareholders. The policy remains in place. We believe the opportunities ahead of us are significant, and see the government’s increasing spend in digital as a long-term trend. As a result, we have taken the decision to retain cash in the business and not pay an interim dividend in FY23. The timing of implementing our stated dividend policy will be considered again against the Group’s full year progress and an update provided at that time.

Cash Flow and Cash Conversion

The Group had a cash balance of £9.0m at 30 November 2022 (30 November 2021: £11.1m) and the Group remains debt-free. One of the most significant outflows

during H1 23 was the ongoing investment in IP to generate new products (£1.3m in H1 FY23, £0.5m in H1 FY22) and provide a new revenue stream. The Group has a strong balance sheet enabling it to fund the Group's geographic expansion, continued product development and additional working capital as the business continues to grow.

Current trading and Outlook

Trading post-period end has continued to be strong with utilisation levels increasing and trading in line with our expectations. The long term-market opportunity remains very exciting and Made Tech remains extremely well placed to take advantage of the increasing demand.

The Directors believe that the Group's continued delivery performance and sales executions, and consequent increase in contracted backlog underpins market expectations for FY23 and beyond.

Debbie Lovegrove
Chief Financial Officer

Consolidated statement of comprehensive income

	6 months to 30 November 2022 £'000	6 months to 30 November 2021 £'000	12 months to 31 May 2022 £'000
	Unaudited	Unaudited	Audited
Revenue	20,552	11,720	29,289
Cost of Sales	(13,787)	(7,137)	(18,032)
Gross Profit	6,765	4,583	11,257
Administrative expense	(6,256)	(3,397)	(8,608)
Share-based payments	(1,549)	(707)	(2,376)
Depreciation	(209)	(132)	(308)
Exceptional items	(455)	(206)	(224)
Operating Profit/(loss)	(1,704)	141	(259)
Finance Expense	(8)	(20)	(29)
Profit/(loss) before tax	(1,712)	121	(288)
Taxation	644	0	(20)
(Loss)/Profit after tax	(1,068)	121	(308)

Consolidated statement of financial position

	6 months to 30 November 2022 £'000	6 months to 30 November 2021 £'000	12 months to 31 May 2022 £'000
	Unaudited	Unaudited	Audited
Assets			
Non-current assets			
Intangible assets	3,373	453	1,904
Property, plant and equipment	726	675	879
Total non-current assets	4,099	1,128	2,783
Current assets			
Trade and other receivables	6,402	4,616	6,065
Cash and cash equivalents	8,952	11,147	12,333
	15,354	15,763	18,398
Total assets	19,453	16,891	21,181
Current Liabilities			
Trade and other payables	3,958	3,102	6,054
Loans and borrowings	184	0	180
Total current liabilities	4,142	3,102	6,234

Non-current Liabilities			
Loans and borrowings	47	243	140
Deferred tax liability	20	0	20
Total non-current liabilities	67	243	160
Total Liabilities	4,209	3,345	6,394
Net assets	15,244	13,546	14,787
EQUITY			
Share capital	75	1	74
Share premium	13,433	13,506	13,421
Share-based payment reserve	3,900	707	2,376
Deferred share reserve	0	0	12
Retained earnings/(deficit)	(2,164)	(668)	(1,096)
Total equity	15,244	13,546	14,787

Consolidated statement of changes in equity

	Share Capital £'000	Share Premium £'000	Share-based payment reserve £'000	Deferred Share reserve £'000	Retained Earnings £'000	Total £'000
Deficit as at 01 June 2021	1	0	0	0	(788)	(787)
Profit for the period	0	0	0	0	121	121
Shares issues	0	13,506	0	0	0	13,506
Share-based payments charge	0	0	707	0	0	707
Total Transactions with equity owner	0	13,506	707	0	121	14,249
Balance at 30 November 2021	1	13,506	707	0	(668)	13,546
Loss for the period	0	0	0	0	(428)	(428)
Shares issues	73	(85)	0	12	-	0
Share-based payments charge	0	0	1,669	0	0	1,669
Total Transactions with equity owners	73	0	1,669	12	-	1,754
Balance at 31 May 2022	74	13,421	2,376	12	(1,096)	14,787
Loss for the period	0	0	0	0	(1,068)	(1,068)

Cancellation of Deferred Shares	0	12	0	(12)	0	0
Shares issues	1	0	0	0	0	1
Share-based payments charge	0	0	1,524	0	0	0
Total Transactions with equity owners	1	12	1,524	(12)	0	1,525
Balance at 30 November 2022	75	13,433	3,900	0	(2,164)	15,244

Consolidated statement of cash flow

	6 months to 30 November 2022 £'000	6 months to 30 November 2021 £'000	12 months to 31 May 2022 £'000
	Unaudited	Unaudited	Audited
Cash flows from operating activities:			
(Loss)/Profit before tax	(1,712)	121	(308)
Tax expense/(income)	0	0	20
Share-based payment expense	1,549	707	2,376
Finance expense	8	20	29
Loss on disposal of property, plant and equipment	0	0	0
Depreciation of property, plant and equipment	209	132	308
Decrease/(increase) in trade and other receivables	527	(2,072)	(3,521)
(Increase)/Decrease in trade and other payables	(2,330)	(338)	2,771
Cash (used)/generated by operations	(1,749)	(1,430)	1,675
Income taxes (paid)/received	0	0	0
Net cash flows from operating activities	(1,749)	(1,430)	1,675
Investing activities			
Purchase of property, plant and equipment	(62)	(52)	(432)
Addition of intangible assets	(1,469)	(453)	(1,904)
Net cash used by investing activities	(1,531)	(505)	(2,336)

Financing activities			
Share issue	0	13,506	13,506
Interest paid	(4)	0	(12)
Dividend paid	0	0	0
(Repayment) / drawdown of loans and borrowings	0	(1,250)	(1,250)
Repayment of directors loan	0	0	0
Repayment of lease liability	(93)	(86)	(155)
Interest paid on lease liability	(4)	(9)	(17)
Net cash (used)/generated by financing	(101)	12,161	12,072
Net decrease)/increase in cash and cash equivalents	(3,381)	10,226	11,412
Cash and cash equivalents at beginning of year	12,333	921	921
Cash and cash equivalents at end of year	8,952	11,147	12,333

Notes

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 2022 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 2022.

5. 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 issued in respect of contingent consideration to be paid based on performance measures met in the period, together with the maximum share options outstanding.

	H1 FY23	H1 FY22	FY22
Weighted average basic shares for the purposes of basic earnings per share	149,287	135,729	135,729
Effect of dilutive potential ordinary shares from share options in issue	5,481	2,208	3,962
Weighted average number of diluted shares for the purpose of diluted earnings per share	154,768	137,937	139,691
Adjusted basic earnings per share	£0.00	£0.00	£0.00
Adjusted diluted earnings per share	£0.01	£0.01	£0.01

6. Reconciliation to adjusted EBITDA

	H1 FY23 £'000	H1 FY22 £'000	FY22 (£'000)
Operating (Loss)/Profit	(1,704)	141	(259)
Add back Depreciation	209	132	308
Add back Share-based payment charge	1,549	707	2,376
Add back IPO costs	0	180	180
Add back Exceptional items	455	26	44
Adjusted EBITDA	509	1,186	2,649

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

	H1 FY23 £'000	H1 FY22 £'000	FY22 (£'000)
(Loss)/profit before tax	(1,712)	121	(288)
Add back share-based payment charge	1,549	707	2,376
Add back IPO costs	0	180	180
Add back Exceptional items	455	26	44
Adjusted profit/(loss) before tax	292	1,034	2,312