

Initiation of Coverage – Benefiting from a digital shift

1 Year Chart



Made Tech is a leading provider of digital, data, and technology services to the UK public sector. The Group was founded in 2008 by Rory MacDonald (CEO), who remains its main shareholder with 28% of the equity, and IPO'd in 2021.

The Group is entirely exposed to the UK public sector and we believe this represents a large structural growth opportunity as the shift to digital services is likely to accelerate. Moreover, we believe Made Tech will continue to benefit from the transition away from UK public sector reliance on larger IT companies, especially in the wake of the Horizon scandal.

Made Tech's share price declined particularly in May 2023, after the Group said that some clients had moved the start date of work packages, and this was compounded at the adjusted EBITDA margin level due to the drop in employee utilisation. Since then, the Group has right sized the cost base and we note that the adjusted EBITDA margin rose in H124. The upcoming UK General Election creates some uncertainty around contract bidding but thereafter we expect the Group's revenues to rebound strongly as both main political parties are likely to recommit to the need to pursue a digital strategy.

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

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

8th May 2024

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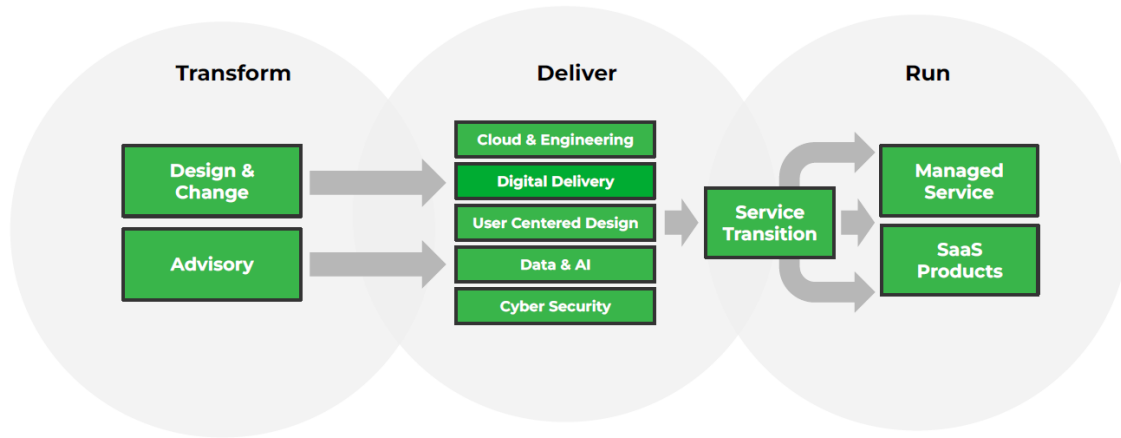
- **Next event;** the Group has a May year-end and usually issues a trading update shortly afterwards. The interim results (November period-end), reported in February, said that “the Group remains on track to meet FY24 expectations, with revenue slightly down on the prior year”.
- **A further margin recovery;** Made Tech right-sized the cost base in the last year and this resulted in a higher interim adjusted EBITDA margin in H124 and we believe that when revenues begin to improve it will benefit further from operational gearing. Our forecast of an adjusted EBITDA margin of 6.7% in FY25 is below the 9.0% achieved in FY22 which may be conservative as we expect revenues in FY25 to be 21% higher than in FY22.
- **Valuation;** the sharp decline in Made Tech's share price since IPO, from 122p, means that currently it is lowly-rated trading on a FY25 EV/EBITDA of just 6.0x. If we apply the 12-month forward 12.8x EV/EBITDA multiple for the 'Software Services' peer group (Kainos, Kin and Carta and TPXimpact) this implies an illustrative fair value of **26p** per share. Another support to the current share price is that a market cap of just £23m compares with our forecast of £8m of net cash in FY25.

Y/E 31 May, £m	Revenue	EBITDA	Adj PBT	Adj EPS (p)	Net Cash	PE	EV/EBITDA
2022 A	29.3	2.6	2.3	1.3	12.3	11.7	3.8
2023 A	40.2	1.5	1.1	0.3	8.5	44.6	9.2
2024 E	38.1	2.2	1.0	0.3	6.4	43.0	7.3
2025 E	35.4	2.4	1.0	0.5	8.0	31.6	6.0

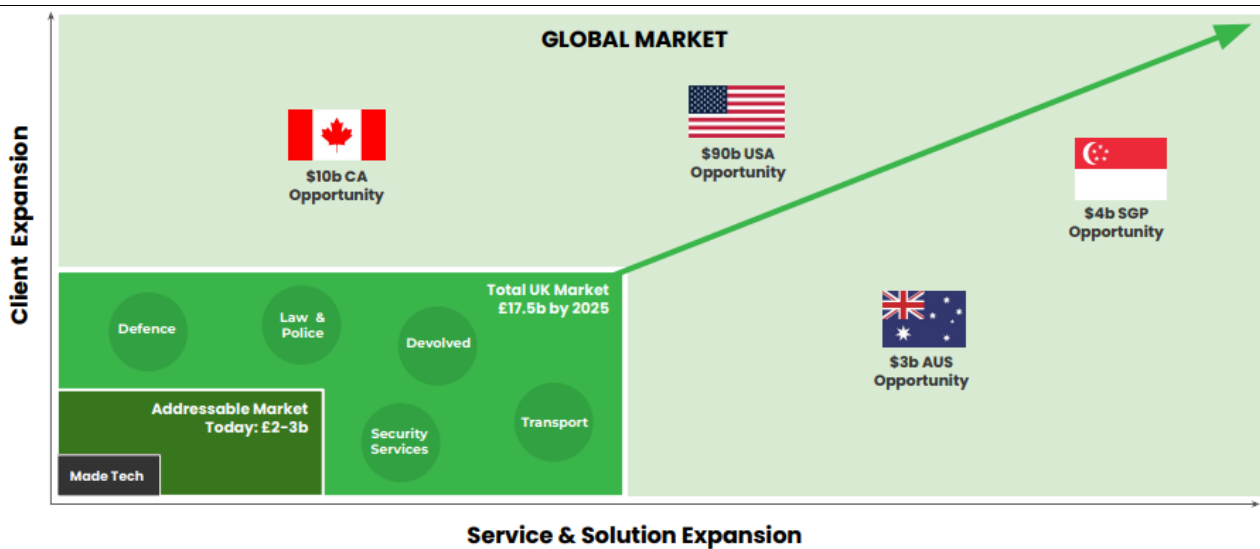
Source: h2Radnor

Made Tech in four key charts

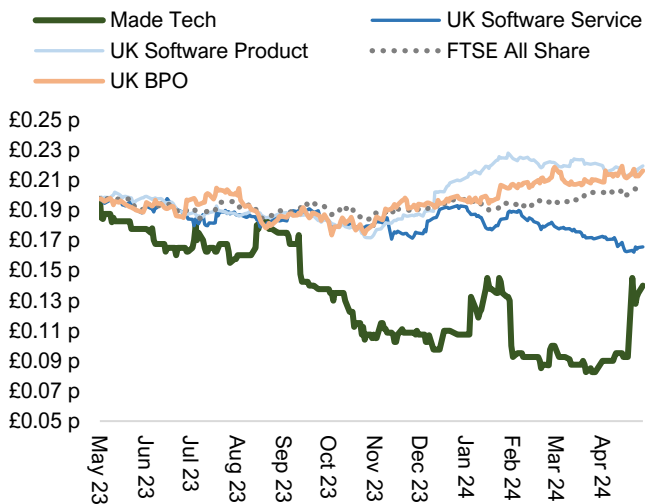
Made Tech Capabilities & Offering



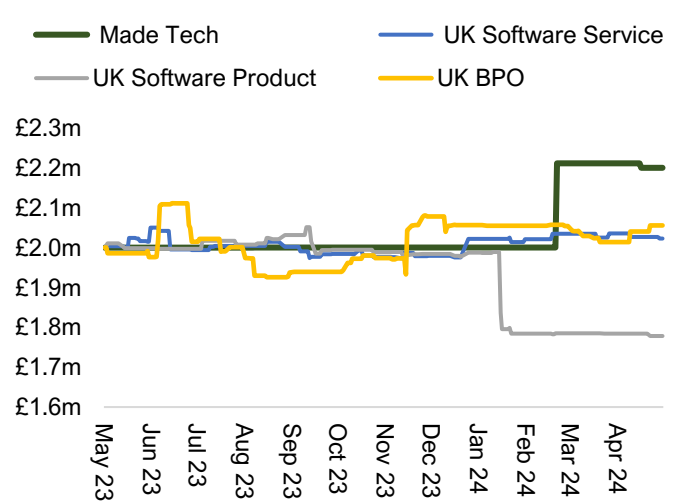
Made Tech Addressable and Future Target Markets



1 Year share price performance



FY1 EBITDA estimate evolution



Source: Company, h2Radnor

Investment case

UK public sector shift to digital

We believe that Made Tech has a strong structural growth opportunity in the UK public sector market, led by the government's strategic drive to digitally transform public services in an agile and cost-effective manner, as supported by a number of initiatives in the recent Budget. The Group's immediately addressable market is very large and the wider potential market could be seven times the size of that.

New services

A priority of the Group is to improve the quality of earnings in the existing UK services market (i.e. managed services, fixed price, large multi-year projects etc) and markets related to public sector (e.g. regulated and infrastructure markets).

SaaS products

Historically, Made Tech was completely focussed on providing services, but in recent years it has developed recurring 'software as a service' (SaaS) products, initially aimed at the social housing market. We believe that SaaS products are financially attractive as they have predictable revenue and high margins and that the combination of services and SaaS products will help diversify the Group's revenues and strengthen its proposition to clients.

UK Government encouraging smaller providers

Previous high-profile IT failures have increased negative sentiment towards the 'Big IT' providers, and this has benefited smaller, more agile, organisations such as Made Tech and the response to the high-profile Post Office Horizon IT scandal is likely to reinforce this approach.

Margin upside

In FY23 the Group's adjusted EBITDA margin declined from 9.0% to 3.8%, mainly reflecting a reduction in utilisation, which dropped from 81% to 70% as a result of shifts in the political landscape, which resulted in client project delays and the postponement of awarding new contracts. In addition, Made Tech faced a period of rising expenses due to inflationary factors and the return of pre-Covid costs. Management have addressed the issues which impacted profit and in H124 the adjusted EBITDA margin increased significantly as Made Tech right-sized the cost base, improved billable utilisation, reduced contractor numbers and partner work, and improved management information. We forecast an improvement in the adjusted EBITDA margin to 6.7% by FY25 and this may be conservative given the 9.0% achieved in FY22.

Strong balance sheet

Before listing, Made Tech grew without any external equity financing and has been in a net cash position since IPO. The Group had £7.9m of net cash at the end of H124, which we think positions it strongly, especially if it chooses to make bolt-on acquisitions or invest in new products. There are many small, private, software services companies which lack Made Tech's scale and could be targets for it. We believe that having a net cash position also strengthens Made Tech's credentials with public sector clients who will like the fact that they are dealing with a supplier with a strong balance sheet.

Risks

Timing of a UK General Election

The UK has to hold a General Election before January 2025, with most commentators expecting it to be held in October. The period ahead of a general election creates a degree of uncertainty for public sector providers, with potential slowdowns in new contract acquisitions likely, as public sector clients navigate the changing political landscape. Made Tech only entered the UK public sector market in 2017 and was much smaller at the time of the 2019 General Election so did not see a material impact then. We forecast revenue declining by 5.1% in FY24 and then by a further 7.3% in FY25 due to the impact of the UK's General Election.

High exposure to Central Government

Central Government is Made Tech's main sector and over the last five years, the proportion of revenue from this sector further increased, from 71% in H119 to 76% in H124. Although the Group has a variety of customers within Central Government if it failed materially with one Central Government customer this could jeopardise its relationship with others as previously demonstrated by UK public sector exposed companies like G4S and Serco, albeit this risk is mitigated by Made Tech's exposure to a broad range of clients.

Contract length

Made Tech projects are typically a year in length and at the end of H124, the average contract length was 1.4 years so there is the risk that if contracts are not renewed its revenue base could erode. That said, Made Tech has an excellent record of retaining all of its key clients; for example customers won in FY19 were still contributing 25% of revenue in H124.

Capitalised R&D costs

Like most tech companies, Made Tech capitalises costs incurred that meet the definition of product development and IP solutions in accordance with IAS 38. Most recently, the Group capitalised some software development with the development of the three SaaS products and as a result the P&L adjusted EBITDA margin was higher than its cash margin. Capitalised costs will now reduce, and cash conversion will improve, as the focus on the new SaaS products moves to the commercial rollout.

Employee retention

Employees are the Group's main expense, at 74% of the total in FY23. Made Tech's employees are principally highly skilled IT professionals and there is the risk that they could leave to join other companies, albeit the company has a good track record of retention, we think supported by its growth, attractive business model and innovative recruitment policies.

Lack of external indicators to track

As Made Tech is entirely exposed to the UK public sector market we view it as almost non-macro sensitive, therefore there are no macro indicators for investors to track as an indication of results performance. Moreover, Made Tech's revenue will be led by contract wins, losses and retentions and here it is difficult for investors externally to judge success, outside of results announcements. That said, the contract backed nature of Made Tech's revenue and its exposure to the UK public sector should mean that it has a defensive profile with good revenue visibility.

Overview

History

The Group was founded in 2008, by Rory MacDonald to provide technology services to venture capital-backed startups within the UK. In 2017, the Group adjusted its strategy and repositioned its business to focus on the UK public sector market. Up to the IPO, Made Tech was owned by management, grew without any external equity investment and had net cash. The Group, which is headquartered in London, expanded across the UK, opening offices in Manchester and Bristol in 2019 and Swansea in 2020.

Made Tech listed in September 2021, raising gross proceeds of £85m at a placing price of 122p per share and giving an initial market cap of £181m. The gross proceeds of £85m comprised a Primary of £15m (£13m net of fees) and a Secondary of £70m (Figure 5).

Figure 5: Made Tech's IPO proceeds

Shares	Number (m)	Value (£m)	Proportion (%)
Primary	12	15	8
Secondary	58	70	39
Existing	78	95	53
Total	148	181	100

Source: Company, h2Radnor

There were four main uses of cash from the Primary (Figure 6).

Figure 6: Main uses of cash from the Primary IPO proceeds

- 1 The opening of new offices in Scotland, the Midlands, and the North of England
- 2 The introduction of new service lines, including managed services and cybersecurity
- 3 The expansion of the Group, including hiring senior business leaders, within the health, defence, and local government markets
- 4 Repayment of the £1.25m Covid Business Interruption Loan, which was repayable in 2026

Source: Company, h2Radnor

The £70m Secondary comprised £38m from Rory MacDonald, £19m from Chris Blackburn (Chief Operating Officer) and £14m collectively from four senior managers. Post admission, Messrs. MacDonald and Blackburn held 28% and 14% of Made Tech's equity respectively, levels which are largely unchanged today (Figures 7 and 8).

Figure 7: Main holders pre and post IPO

Individual	Role at IPO	Pre-admission		Post-admission	
		Number (m)	Ownership (%)	Number (m)	Ownership (%)
Rory MacDonald	Founder & CEO	73	53	42	28
Chris Blackburn	COO	37	27	21	14
Luke Morton	Senior Manager	10	8	6	4
Ian Southward	Senior Manager	5	4	3	2
Tom Taylor	Senior Manager	5	4	4	3
Peter Wild	Senior Manager	5	4	2	1
Total		136	100	78	53

Source: Company, h2Radnor

Figure 8: Executive Directors' current holdings

Individual	Role	Ownership (%)
Rory MacDonald	Founder & CEO	28.5
Chris Blackburn	COO	14.5
Total		43.0

Source: Company, h2Radnor

Market position and strategy

We believe that Made Tech has a number of strengths which differentiate it in the UK public sector market;

Specialised expertise in the public sector

Made Tech has developed specialised expertise in the public sector market and several sub-sectors within this market, a focus which enables it to provide services tailored to the public sector client's needs.

Highly skilled employees

Made Tech targets both entry-level and experienced professionals and has developed a strong culture that puts learning and development at the core. The Group's employees are highly skilled IT professionals with significant technical and domain knowledge. A combination of the Group's reputation, the societal impact of the work that it delivers, its focus on learning and commitment to diversity means that it has attracted and retained talented individuals in what is a highly competitive technology market.

Strong reputation

The Group has a history of delivering high-profile and complex projects at speed in the public sector, for example in the recent Home for Ukraine contract, from which it garnered a strong reputation amongst UK public sector clients. We believe that the Group's reputation is underscored by the number and range of government frameworks for which it has qualified.

Broad, diversified and expanding base of UK public sector clients

Made Tech has attracted a portfolio of public sector clients which includes many UK Central Government departments and agencies. In FY23, six of the top 10 highest spending UK government organisations were clients - a position which strengthens its credentials in winning new public sector work, as does being a UK domiciled company.

Made Tech has four key strategic missions;

- Modernise legacy technology and working practices,
- Accelerate digital service and technology delivery,
- Drive better decisions through data and automation,
- Enable technology and delivery skills to build better systems.

A strategic plan enables the missions (Figure 9).

Figure 9: Made Tech’s strategic plan

1 Growth

Offerings & Capabilities

Expansion of capabilities to provide an end-to-end digital transformation offering to clients

Industry Expertise

Deepening & expansion of industry verticals, to enhance status as trusted advisors

Geographic Coverage

Purposeful and intelligent expansion into new territories within the UK and internationally

2 Operations

Operational Excellence

Build & optimise best-in-class operational systems, processes and enabling functions

3 People

Employee Experience

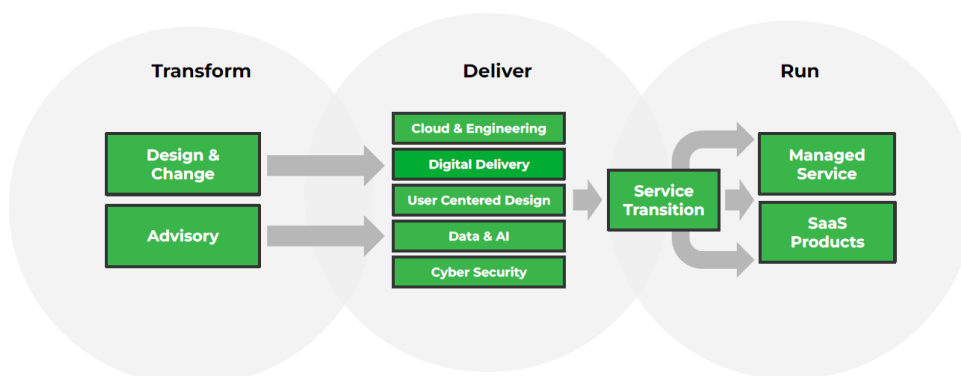
Provide an industry leading employee experience with a focus on personal development

Source: Company, h2Radnor

Capabilities & Offerings

Made Tech provides Digital, Data and Technology services and products to the UK public sector (Figure 10).

Figure 10: Made Tech’s Capabilities & Offerings



Source: Company, h2Radnor

Service and product offerings include Digital Service Delivery, Embedded Capabilities, Legacy Application Transformation and SaaS products:

- **Digital Service Delivery** – Made Tech works with public sector organisations to deliver user-centric digital services by supporting them through the end-to-end digital delivery lifecycle.
- **Embedded Capabilities** – when there is a skills shortage within an organisation, Made Tech will identify and improve them through co-sourced delivery and training, thereby supporting public sector organisations to scale their digital and IT capabilities and deliver the services.
- **Legacy Application Transformation** – Made Tech reduces the burden of legacy IT by defining and delivering transformation programmes from legacy IT systems to modern digitally-enabled services.
- **Data** - the Group helps unlock the potential of client’s data to build smarter faster services, achieve better outcomes for users and enable truly predictive government.
- **Digital Transformation** – deliver the meaningful transformation needed to build world-class government technology and services.
- **Cloud and Engineering** – the Group’s proven public sector track record combined with its rapid delivery mean that it is uniquely placed to make an impact in society.
- **SaaS products** - historically, Made Tech was entirely focussed on providing services, but in recent years it has developed recurring SaaS products, initially aimed at the social housing market.

1) Digital Service Delivery

Made Tech works with public sector organisations to deliver user-centric digital services by supporting them through the end-to-end digital delivery lifecycle. Digital services are the new frontline of the public sector and can result in users achieving outcomes more effectively, with reduced lead times and cost, than through other channels. With this service, the Group supports its clients in service delivery through a number of phases:

- **Discovery** – working with public sector service owners to understand the problem they wish to solve.
- **Alpha** – prototypes are built, further user research is conducted and potential solutions to the problem are tested.
- **Beta** – a minimum viable product is developed using lean agile techniques and modern software engineering. Incremental value is delivered to users and validated through research, testing and data analysis.
- **Live** – the service goes live and the Group continues to validate and test, to improve performance and meet evolving users’ needs.

2) *Embedded Capabilities*

When there is a skills shortage within an organisation, Made Tech will identify and improve them through co-sourced delivery and training, thereby supporting public sector organisations to scale their digital and IT capabilities and deliver the services. Clients are supported through:

- **Delivery management** – providing delivery and programme leaders with years of public sector experience. Working as an extension of the client’s programme or service team, Made Tech supports the client’s permanent staff to enable them to scale and deliver the service efficiently and effectively.
- **Software engineering** – providing skilled staff to enable delivery of lean and agile solutions utilising the latest software engineering tools and architecture with automated testing, security and maintenance.
- **Cloud engineering** – providing public cloud platform specialists who have experience delivering and operating national infrastructure. Engineers use infrastructure as code, user research and automation to guarantee reliability.
- **Training and building communities of practice** – ongoing talks and workshops are held for the client to build communities of practice.

3) *Legacy Application Transformation*

Made Tech reduces the burden of legacy IT by defining and delivering transformation programmes from legacy IT systems to modern digitally enabled services. The Group delivers this service through:

- **Legacy discovery** – conducting a user-centred and technology-focused discovery to understand the existing user, service and technology landscape, to define a set of high-level programme transformation objectives.
- **Iterative modernisation** – using lean technology delivery and DevSecOps practices to improve existing applications ensuring they are fit-for-purpose, employing the latest security protocols and delivering value by increasing usability and reducing cost per transaction.
- **Iterative replacement** – replacing legacy applications, where Made Tech ensures both the old and new services work side-by-side as high priority user needs are gradually transferred from one service to another.
- **Big bang transformation** – a like-for-like service replacement with iterative release and rollout to minimise cost and service disruption.

4) *Data*

Launched in 2022, Made Tech’s Data practice capability now has a team of around 20 data experts specialising in data science, artificial intelligence and machine learning:

- **Data health check and gap analysis** – understanding the state of a client’s data and identifying additional data needed to build digital services.

- **Data sharing** – helping clients to get their data out of silos and shared safely with those who need it to enable fast efficient services.
- **Data maturity assessment** – understanding an organisation’s ability to use data and what capabilities need to be added to make the organisation data-fluent.
- **Data platform** – build a central data platform to gather, analyse and share data to lay the foundations for truly predictive government.
- **Data strategy** – develop the data strategy needed to meet an organisation’s objectives.

5) *Digital transformation*

The practice helps clients who seek to drive productivity enhancements and capitalise on emerging opportunities, such as AI. Many of these clients lack the necessary in-house skills;

- **Specialist advice** – supporting leadership teams to define strategy and vision to set up the transformation programme.
- **Change management** – working closely with a client’s teams to instil a culture of change, focusing on capabilities, skills and behaviours. Fostering a sense of ownership in shaping the future organisation while identifying gaps and filling them via upskilling and recruitment.
- **Portfolio, project and programme management** – practical support in helping a client start a programme, project set up and creating a portfolio of change. Made Tech will work with an organisation to shape its change programme using agile delivery to enable real innovation.

6) *Cloud and engineering*

Cloud is a means of accessing computing power and storage on demand, over the internet, without having to actively manage one’s own computing resources;

- **See impact quickly** – the Group uses lean ways of working to deliver quickly having built services that have made an impact in society in weeks and even days.
- **Improve network infrastructure** – Made Tech helps clients balance their spending on development, licensing and hosting by assessing their service needs and tailoring an improvement plan to the needs of the organisation.
- **Tackle any problem** – the Group can adapt its lean approach to whatever technology a client uses, introducing new technology when needed.
- **Benefit from experience** – Made Tech works exclusively in the public sector and its team have deep public sector experience. The Group has a proven track record of delivering services affordably, on time and to the GOV.UK Service Standard.

- **Build in and migrate to the cloud** – The Group will help deliver cloud-native applications and services and bring new life to old, hard-to-maintain technology. Made Tech will help modernise legacy applications with help from its cloud-certified engineers.
- **Level up your technology capability** – Made Tech actively helps clients improve their skills and ways of working and introduce best practices like automation and test-driven development. The Group strives to leave its clients better equipped to solve technology problems after it has gone.

7) SaaS Products

We believe that SaaS products are financially attractive as they have predictable revenue and high margins and that the combination of services and SaaS products will help diversify the Group's revenues and strengthen its proposition to clients.

During H124, Made Tech launched its first three SaaS products focussed on the social housing market and these are being sold initially to two London councils - Camden and Redbridge - and announced they will focus on the commercialisation of these products over the next 12-18 months.

i) Housing repairs

Streamlines the management of housing repairs in a council's social housing estate leading to reduced cost and improved tenant service. As an immediate market opportunity, Made Tech is targeting 30-40 councils and, in total, more than £1m annual recurring revenue. A positive benefit is that integration with existing systems will help position the Group's product as a preferred interface for council teams.

ii) Voids

Automates the prioritisation and planning of work to get empty properties back into occupation as quickly as possible. The Group is targeting an immediate market opportunity of around 25 councils for whom it can shorten relet time by 20-30% thus increasing housing capacity and rental income. The product could also act as an entry point for Made Tech to allow it to expand into housing allocation and waiting list management.

iii) Evidence

Makes the collection of ID evidence fast and fuss-free; streamline process, minimising officers' manual effort and context switching and reduces data privacy compliance and security issues.

Given the decline, over the last five years, in the proportion of Made Tech's revenues generated by Local Government we see these new SaaS products as a good opportunity to boost its Local Government business.

Examples

Below we set out two recent examples of Made Tech projects;

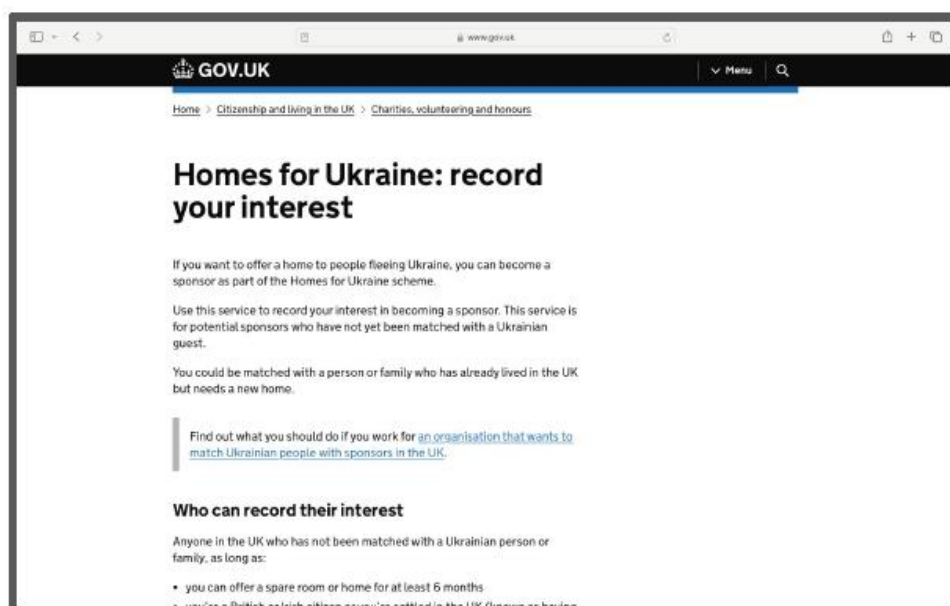
Example 1 - The Homes for Ukraine scheme

The Homes for Ukraine scheme allows individuals in the UK to sponsor Ukrainian nationals to live with them, provided they can offer suitable accommodation.

The Group provided a team of digital specialists who worked with Department for Levelling UP, Housing and Communities, the Home Office & Local Authorities to launch this service in two weeks and iteratively improve it over subsequent months.

There were 248,000 expressions of Interest from Sponsors, 131,000 people arrived in the UK under the scheme, 77% of visas processed within 15 working days and £2.1b of funding was provided.

Homes for Ukraine



Source: Company, h2Radnor

Example 2 – Modernising the Criminal Justice System Exchange

The Criminal Justice System Exchange (CJSE) enables information to be shared between the Police National Computer, Crown Prosecution Service and Courts and Tribunal Service. The infrastructure and applications that comprise the CJSE were using out-of-date technology and becoming an increasing risk.

The Group migrated the Bichard applications and infrastructure from an on-premise datacentre to AWS public cloud, replacing legacy IBM technologies with modern cloud components. Made Tech pursued an iterative modernisation of the service to meet evolving business and user needs, whilst improving the security and resilience posture.

As a result of the Group's actions the CJSE now process 6,000-10,000 cases per day, there has been a significant reduction in operating costs, it has moved from annual to daily application releases and there has been a reduction in risk profile.

The Criminal Justice System Exchange



Source: Company, h2Radnor

Clients

The Group’s primary clients are the departments, agencies and arm’s length bodies of the UK Government. Given the nature of the public sector Made Tech has historically had multiple contracts for different projects with many of the same key clients. Below we set out the Group’s sectors (Figure 11).

Figure 11: Made Tech’s sectors

Sectors

- Public Safety & National Security
- Central & Devolved Government
- Finance, Tax, Trade & Welfare
- Healthcare & Life Sciences
- Energy, Utilities & Environment
- Local Government & Housing
- Transport & Infrastructure
- Space & Defence
- Education

Source: Company, h2Radnor

The Group’s work is primarily contracted on a time and materials basis against a scope, schedule and budget. Made Tech uses agile methodologies to iteratively refine the scope and schedule over the course of the project, an approach which significantly reduces its contractual risk. Typical projects are a year in length with an opportunity for ongoing project work. Revenue visibility is typically up to 24 months. At the end of H124, the average length of contracts was 1.4 years. Public sector clients also create a defensive revenue profile compared to corporates or consumers.

The Group has a well-diversified client portfolio, reducing its dependency on any single client and thus helping financial stability (Figure 12). Made Tech has 12 key clients, who each contribute more than c.£1m pa and amongst these, eight clients contribute over £2.5m annually. In FY23, six of the top 10 highest spending government organisations were clients.

During H124, the Group won a significant new government department. In recent years, the Group has retained all key clients.

Figure 12: Made Tech’s main clients

Client	
Cabinet Office	Government Digital Service
Camden Council	Maritime and Coastguard Agency
CPS	Met Office
Department for Business & Trade	Ministry of Justice
Department for Digital, Culture, Media & Sport	NHS England
Department for Education	Ofgem
Department for Levelling Up Housing & Communities	Ofqual
Driver & Vehicle Licensing Agency	Skills for care
HM Revenue & Customs	University of Sheffield
Home Office	

Source: Company, h2Radnor

Central Government is Made Tech’s main sector and over the last five years, the proportion of revenue from this sector grew further, from 71% in H119 to 76% in H124 (Figures 13 and 14). In contrast, the proportion of the Group’s revenue from Local Government declined from 29% in H119 to just 9% in H124, albeit we expect the recent launch of SaaS products, targeted at local councils, to boost revenues from this sector. Health has superseded Local Government to become the Group’s second largest sector and comprised 15% of revenues in H124.

Figure 13: Made Tech’s sectors by revenue (£m)

May year end, £m	H119	H120	H121	H122	H123	H124
Other			0.1		0.1	
Health		0.5	0.9	1.5	2.5	2.8
Local Government	0.8	0.6	1.3	2.2	4.2	1.8
Central Government	2.0	0.9	2.8	8.0	13.8	14.5
Total	2.8	2.0	5.1	11.7	20.6	19.1

Source: Company, h2Radnor

Figure 14: Made Tech’s sectors by revenue (%)

May year end, %	H119	H120	H121	H122	H123	H124
Other			2 %		0 %	
Health		25 %	18 %	13 %	12 %	15 %
Local Government	29 %	30 %	25 %	19 %	20 %	9 %
Central Government	71 %	45 %	55 %	68 %	67 %	76 %
Total	100 %	100 %	100 %	100 %	100 %	100 %

Source: Company, h2Radnor

We see Health as a very attractive area for Made Tech given that it is the second largest area of UK Government spending (Figure 15).

Figure 15: UK public sector spending projection 2024-5

Government spending	£bn	%
Social protection	371	30
Health	251	20
Education	131	11
Debt interest	109	9
Defence	71	6
Transport	59	5
Other	53	4
Industry, agriculture and employment	49	4
Public order and safety	47	4
Personal social services	45	4
Housing and environment	40	3
Total	1,226	100

Source: UK's Spring Budget 2024

Made Tech has an excellent record of retaining all of its key clients and thus has repeatable revenues with significant client value which grows over contract life. In the tables below we set out the revenue contribution of each year and this shows that clients signed in H119 were still contributing 25% of revenue in H124 (Figures 16 and 17).

Figure 16: Made Tech's revenue by vintage (£m)

May year end	H119	H120	H121	H122	H123	H124
Revenue from Clients signed in FY24						0.6
Revenue from Clients signed in FY23					1.8	4.2
Revenue from Clients signed in FY22				0.8	3.0	0.1
Revenue from Clients signed in FY21			0.7	5.2	8.9	6.8
Revenue from Clients signed in FY20		0.3	1.7	2.2	4.0	2.7
Revenue from Clients signed in FY19 or prior	2.8	1.7	2.8	3.5	2.9	4.7
Total	2.8	2.0	5.1	11.7	20.6	19.1

Source: Company, h2Radnor

Figure 17: Made Tech's revenue by vintage (%)

May year end	H119	H120	H121	H122	H123	H124
Revenue from Clients signed in FY24						3 %
Revenue from Clients signed in FY23					9 %	22 %
Revenue from Clients signed in FY22				7 %	15 %	1 %
Revenue from Clients signed in FY21			13 %	44 %	43 %	35 %
Revenue from Clients signed in FY20		15 %	33 %	19 %	19 %	14 %
Revenue from Clients signed in FY19 or prior	100 %	85 %	54 %	30 %	14 %	25 %
Total	100 %	100 %	100 %	100 %	100 %	100 %

Source: Company, h2Radnor

The proportion of revenues from the four main customers has remained at 55% over the last two years (Figure 18).

Figure 18: Made Tech's four main customers

	FY22		FY23	
	£m	Proportion of total (%)	£m	Proportion of total (%)
Customer A	4.7	16	6.8	17
Customer B	2.4	8	6.4	16
Customer C	4.6	16	4.7	12
Customer D	4.4	15	4.2	10
Total	16.1	55	22.1	55

Source: Company, h2Radnor

Made Tech's clients differ by offering, which reduces its risk to large clients (Figure 19).

Figure 19: Made Tech's main clients by offering

Digital Service Delivery		
City of Lincoln	Hackney Council	Ministry of Justice
Dept of Education	Essex County Council	NHS Business Services Authority
Dept for Levelling Up, Housing & Communities	Government Digital Service	Skills for Care
Embedded Capabilities		
Hackney Council		
Legal Aid Agency		
Ministry of Justice		
Legacy Application Transformation		
Cambridgeshire County Council	Legal Aid Agency	
Dept for Levelling Up, Housing & Communities	LGSS	
Hackney Council	Ministry of Justice	
Data		
Dept for Business & Trade	Hackney Council	Skills for Care
Dept for Levelling Up, Housing & Communities	Met Office	
Driver & Vehicle Licensing Agency	Ministry of Justice	
Digital Transformation		
Dept for Business & Trade		
The Welsh Government		
Cloud and Engineering		
Dept of Education	Government Digital Service	Ministry of Justice
Dept for Levelling Up, Housing & Communities	Hackney Council	NHS Gloucestershire
Driver & Vehicle Licensing Agency	Met Office	Skills for Care
SaaS products		
Camden Council	London Borough of Redbridge	
Dept for Levelling Up, Housing & Communities		
Government Digital Service		

Source: Company, h2Radnor

Frameworks

The UK public sector is not a single buyer but comprises thousands of organisations, each with its own requirements, decision-making processes and procurement approaches, who typically use procurement frameworks run by the Crown Commercial Service, part of the Cabinet Office.

Frameworks provide a mechanism for public sector buyers to tender projects and efficiently purchase services from suppliers, using standard contractual terms and supplier vetting practices whilst ensuring UK procurement regulations are being met.

Requirements for frameworks vary; some are open to all suppliers, others have strict requirements around eligibility and a cap on the number of suppliers; some frameworks are dynamic and allow suppliers to apply for a place at any time available; others will only open every five years, so there is a limited window to gain a place.

Typically, the Crown Commercial Service is responsible for overseeing and managing the process around framework competitions. We believe Made Tech's position on frameworks provides it with some competitive advantage, especially against smaller companies who may not be in a position to qualify. Below we list the frameworks which the Group is on (Figure 20).

Figure 20: Made Tech frameworks

Frameworks	
Digital Specialists and Programmes	RM6259 Vertical Application Solutions
Digital Outcomes 6 (DOS)	Accelerated Capability Environment (ACE)
G-Cloud 13	Sell2Wales
RM6335 Digital & Legacy Application Services (DALAS) Lot 2b	Dynamic Purchasing Systems (DPS)
Technology Services 3 (TS3)	Quality Assurance and Testing (QAT) for IT Systems 2
RM6195 Big Data & Analytics	Financial Conduct Authority (FCA) Digital Services

Source: Company, h2Radnor

During H124, the Group was included on three new frameworks;

- **HMRC – DALAS Framework;** although the initial contract opportunities have been delayed, Made Tech said that they were optimistic about the opportunity provided by the framework in future years,
- **FCA Digital Framework;** membership of this framework will allow the Group to engage directly with the FCA, providing it with an opportunity to contribute to the enhancement of digital services within the financial services sector,
- **MOD DIPs Framework;** in a strategic collaboration, Made Tech gained a place on the Ministry of Defence's Defence Infrastructure Programme (DIPs) framework as a subcontractor to a large prime contractor. The partnership will enable the Group to contribute to critical defence infrastructure projects, further diversifying its portfolio and allowing it to support the nation's defence and security through digital innovation.

People and offices

Made Tech employs a mixture of own employees and contractors (Figures 21 and 22). Contractors peaked at 16% of employees in H221 as the Group scaled up to meet strong revenue growth but had reduced to 7% in H124 both as UK public sector clients expressed a preference for work to be performed by permanent employees and as revenue expectations were lowered and there was less need for spare capacity.

A lower proportion of contractors should improve Made Tech's margin as contractors are more expensive than permanent employees. Management said at the H124 results that they expected the proportion of contractors to rise somewhat in H224 as they prepare for the flexibility required around the general election period.

Total headcount peaked at 484 in H123 but reduced to 388 in H124, representing a reduction of 9.8% sequentially and 19.8% annually as the Group sought to improve productivity and utilisation as a result of reduced revenue expectations.

Figure 21: Made Tech's mix of employees (number)

May year end	H120	H220	H121	H221	H122	H222	H123	H223	H124
Employees	48	82	114	197	228	414	444	396	362
Sequential change (%)		71 %	39 %	73 %	16 %	82 %	7 %	(11 %)	(9 %)
Annual change (%)			138 %	140 %	100 %	110 %	95 %	(4 %)	(18 %)
Contractors		9	10	38	32	64	40	34	26
Sequential change (%)			11 %	280 %	(16 %)	100 %	(38 %)	(15 %)	(24 %)
Annual change (%)				322 %	220 %	68 %	25 %	(47 %)	(35 %)
Total	48	91	124	235	260	478	484	430	388
Sequential change (%)		90 %	36 %	90 %	11 %	84 %	1 %	(11 %)	(10 %)
Annual change (%)				158 %	110 %	103 %	86 %	(10 %)	(20 %)

Source: Company, h2Radnor

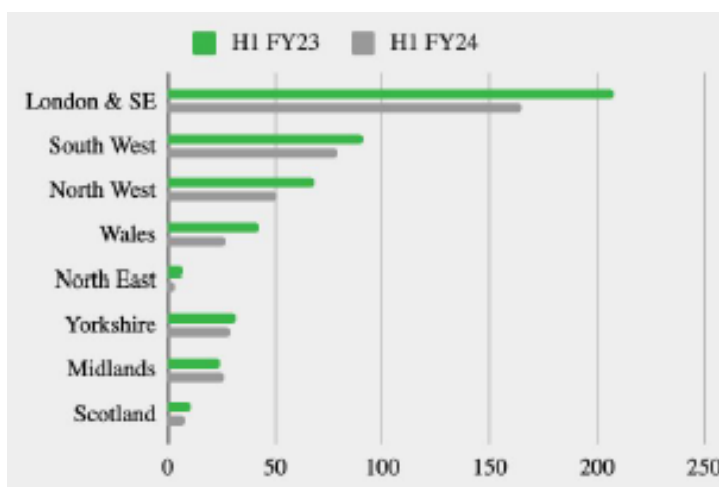
Figure 22: Made Tech's mix of employees (%)

May year end	H120	H220	H121	H221	H122	H222	H123	H223	H124
Employees	100 %	90 %	92 %	84 %	88 %	87 %	92 %	92 %	93 %
Contractors		10 %	8 %	16 %	12 %	13 %	8 %	8 %	7 %
Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

Source: Company, h2Radnor

The reductions in headcount over the last year occurred in all regions, apart from the Midlands (Figure 23).

Figure 23: Made Tech’s headcount by region



Source: Company, h2Radnor

In 2017, the Group established an Academy programme to attract entry-level candidates looking to start their careers in the IT sector. Made Tech developed the Academy to service anticipated demand from client departments, however, market dynamics have changed and it is no longer focusing on this market.

Made Tech has stated that “we believe that building a diverse and inclusive culture will lead to a better business and a better place to work for our entire team and, ultimately, will make the Group more valuable and effective overall. We therefore value diversity and are committed to taking steps to enhance DE&I throughout our Group with the aim of expanding, celebrating and embracing individuality and diversity in our teams”. We think that the Group’s focus on diversity and inclusivity has helped make it more attractive as a place to work.

In the FY23 annual report, the Group stated that “over the last 12 months, we have, for most categories, successfully improved diversity and inclusivity throughout the business, as evidenced by the following statistics” (Figure 24).

Figure 24: Made Tech’s FY23 diversity and inclusivity statistics

- 20% of our team comes from diverse ethnic backgrounds, which is 7% higher than the UK population
- 21% of our team are neurodivergent up from 18% last year
- 12% of our team are LGBTQ+, which is well ahead of the 3% of the UK population
- 6% mean gender pay gap, reduced from 13%
- 2% of our team are transgender
- 30% of our highest paid team members are women
- 37% of our team are parents and 11% are caregivers

Source: Company, h2Radnor

Information Technology Systems

Made Tech uses several enterprise IT systems to provide accurate operational and management information, and to provide its staff with tools and services to undertake their jobs. These systems are all cloud-based. We highlight that the Group's IT systems are modern and all SaaS-based.

The Group's main IT systems include:

- **Kimble**, a SaaS product for professional services automation,
- **Salesforce**, a SaaS product for customer relationship management,
- **Hubspot**, a SaaS product for marketing automation,
- **Slack**, a SaaS product for business communication,
- **Xero**, a SaaS product for accounting,
- **Google Workspace**, a SaaS product for productivity and collaboration,
- **HiBob**, a SaaS product for HR administration, and
- **Workable**, a SaaS product for talent acquisition.

Made Tech holds the Information Security Management (ISO27001), CyberEssentials and CyberEssentials Plus and Quality Management (ISO9001) accreditations.

The Market

We believe that Made Tech has a strong structural growth opportunity in the UK public sector market, led by the strategic drive by government to digitally transform public services in an agile and cost-effective manner. The Group's immediately addressable market is very large and the wider potential market could be seven times the size of that. (Figure 25).

Figure 25: Made Tech's market potential (£bn)

Market, £bn	Minimum	Maximum
Addressable UK market today	2	3
Total UK market (2021-2026)	14	18
Total Global market	100	200

Source: Company, h2Radnor

Made Tech has set out three strong tailwinds in public sector markets;

- Government technology no longer fit for purpose,
- Drive to digital and AI, to automate and drive efficiencies,
- Reduction in large scale IT contract outsourcing.
- In June 2022, the UK government launched a new 'Digital Strategy', setting out how it will use digital, data and technology to improve public services. We believe that a key factor behind the push to digital is that such transactions are considerably cheaper than those delivered by phone, post or face-to-face (Figure 26).

Figure 26: Cost of interactions

Interaction	Cost (£)
Digital transaction	0.20
Phone	1.00
Post	5.00
Face-to-face	10.00

Source: 2013 speech on Digital Government by the then Cabinet Minister Francis Maude

- We feel that private sector providers, like Made Tech, will be crucial in delivering the UK government's long-term commitment to digital as the Civil Service lacks the people with the necessary IT skills, especially given high retirement rates in the public sector, plus it does not have access to private sector best practice.

There is a strong commitment to the digitisation of government, and this has been reaffirmed by the latest strategies issued by central government, health, defence, police, and local government organisations. We believe that, regardless of whichever political

party forms the next Government, there remains a very real need for digitisation and legacy application transformation across the public sector.

In the Spring Budget 2024, the Government announced a number of areas of spending with a focus on digital;

1) NHS

The Budget promised “a comprehensive NHS productivity plan backed by £3.4 billion of funding. This will double investment in NHS technological and digital transformation, including to upgrade vital MRI scanners, roll out universal electronic patient records and reduce the time frontline workers spend on administrative tasks. This will help unlock £35 billion in cumulative productivity savings from 2025-26 to 2029-30”. The Budget added that “this will double the investment in technological and digital transformation in the NHS in England and turn the NHS into one of the most digitally enabled, productive healthcare systems in the world”.

2) Ministry of Justice

£15 million to introduce digital solutions, reducing administrative burdens in the courts.

Reforming Communications from HM Courts & Tribunal Service – The government will modernise communications from HM Courts & Tribunal Service by bringing forward digital reforms and reducing spend on first class post.

Digital Jury Bundles – The government will provide the Crown Prosecution Service with £10m additional funding for digitising jury bundles in the criminal courts, reducing paper wastage and unnecessary trial delays. This will save up to 55k hours per year in court preparation time to enable reducing the length of trials.

3) Department for Work and Pensions

Committing £17m to accelerate DWP’s digital transformation, replacing paper-based processes with simplified online services, such as a new system for the Child Maintenance Service.

4) HMRC

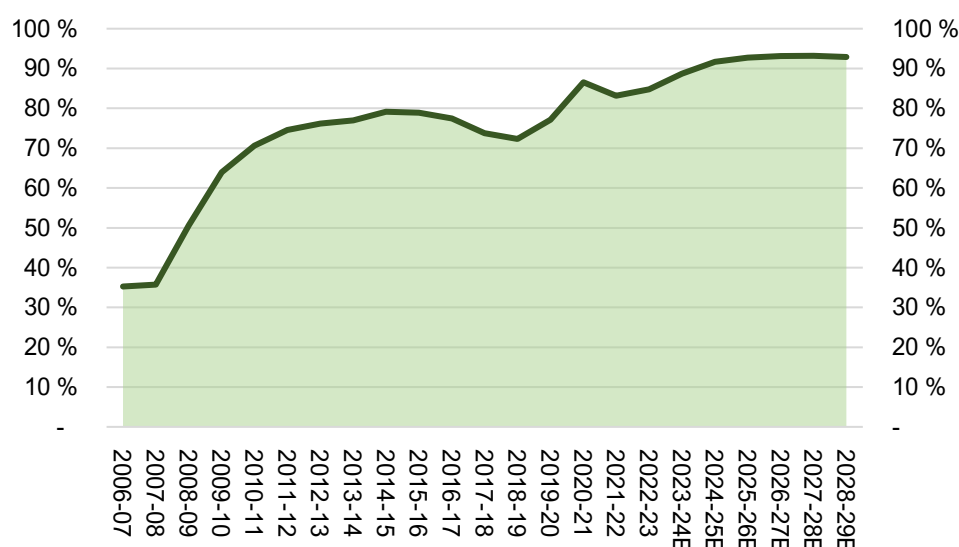
Investment in HMRC digital services: The government is removing confusion for Income Tax Self-Assessment customers by simplifying access to digital services for customers who want to pay in instalments in advance via a Budget Payment Plan, or in arrears via a Time to Pay Arrangement from September 2025.

5) Department for Levelling Up Housing & Communities

Digital Planning – Building on work to digitise the planning system, a new pilot will use Artificial Intelligence to help speed up development of local plans. In addition, new software will be explored to streamline key processes for planning officers.

The UK government’s drive to expand digital services is in part led by the need to improve public sector productivity, which has become more pressing as the UK’s public sector debt level increases (Figure 27). Mainly as a result of both the 2009 global financial crisis and Covid, public sector has risen from 35.3% of GDP in 2006-7 to 84.8% in 2022-3 and is expected to peak at 93.2% in 2026-7.

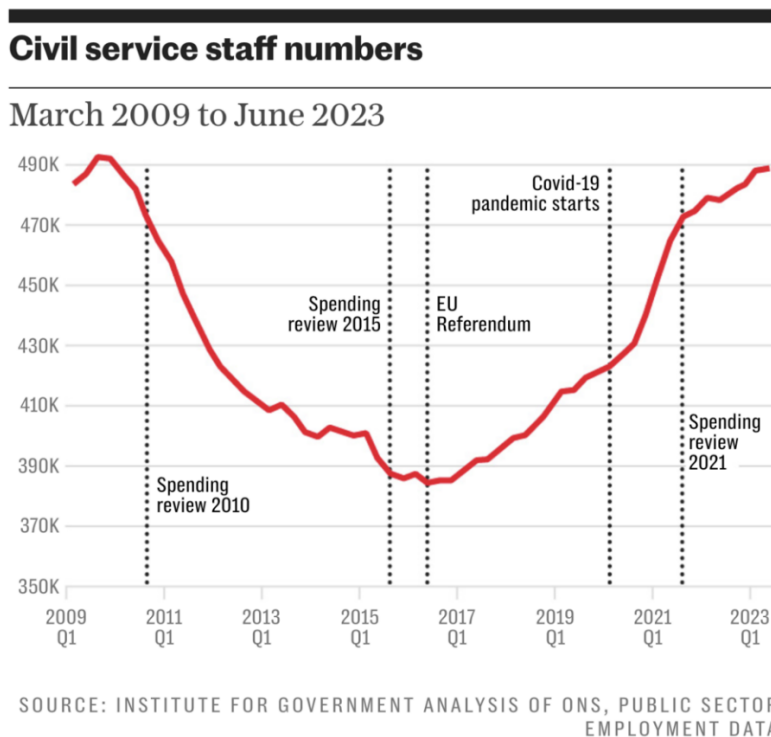
Figure 27: UK's public sector net debt/GDP



Source: Office for Budget Responsibility

In April, the Government announced that to partly fund an increase in defence spending from 2.3% to 2.5% of GDP there would be a 72,000 reduction in Civil Service jobs, taking the number of jobs back to pre-pandemic levels, and we believe to achieve this a further digitisation of services would be needed (Figure 28).

Figure 28: UK's Civil Service staff numbers



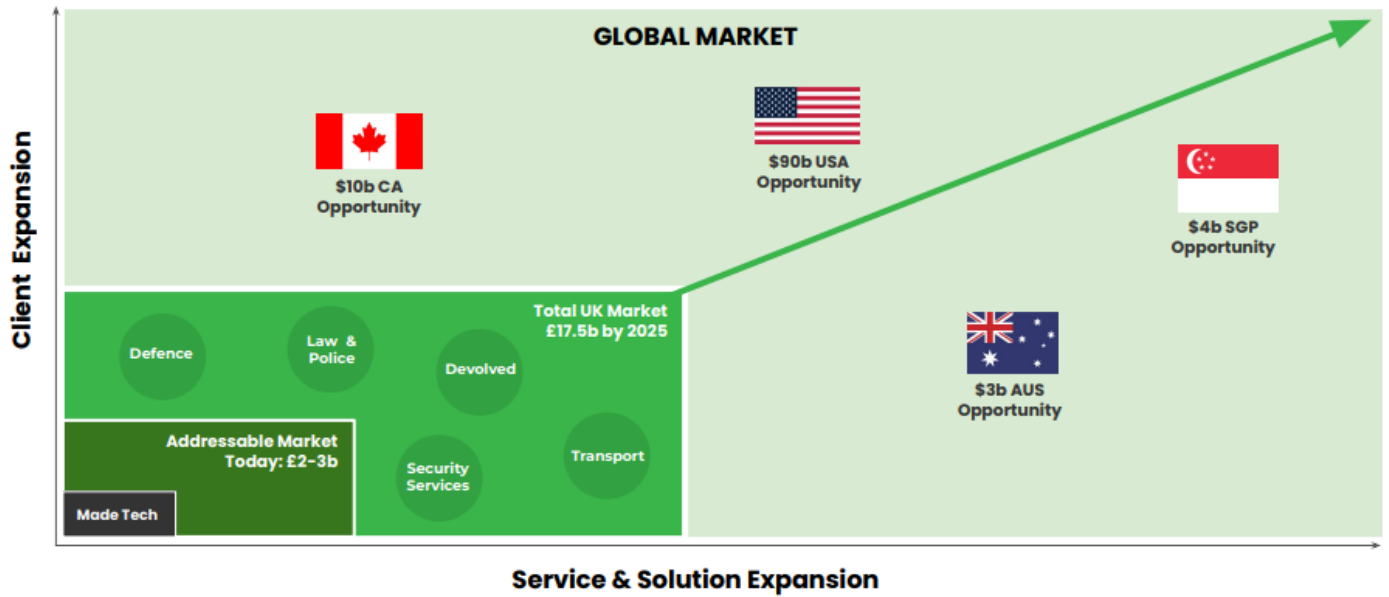
SOURCE: INSTITUTE FOR GOVERNMENT ANALYSIS OF ONS, PUBLIC SECTOR EMPLOYMENT DATA

Source: Institute For Government Analysis of ONS, Public Sector Employment Data

To date, the Group has only operated in the UK, but management have said that there is a long-term opportunity to expand internationally (Figure 29). We believe that UK-

based companies are well placed internationally both given the UK's long history, since the 1980s, of public sector outsourcing and the UK government's support for digital.

Figure 29: Made Tech's international market opportunity



Source: Company, h2Radnor

Competition

The Group operates in a fragmented and diverse marketplace with thousands of IT, innovation and consulting firms providing services to the UK public sector market, the vast majority of these are small businesses with relatively few employees who lack the scale to capture significant market share. We believe that a key competitive advantage for Made Tech is its focus on the public sector which enables them to provide clients with service offerings that are much more closely aligned to client needs.

Made Tech's primary competition comes from the following groups:

Medium-sized vendors

There are a limited number of medium-sized competitors with which the Group competes including Kainos, The Panoply, BJSS, ThoughtWorks, Valtech, Equal Experts, Version1 and Methods. The Group has a good working relationship with a number of these organisations as partners where it works together on specific projects.

Legacy systems integrators

There are a small number of large systems integrators with which the Group competes and from whom it takes market share. Historically such firms have had long-term contracts with government organisations but are impacted by a decreasing market share in the UK public sector. The previous experiences of UK Government departments and agencies working with these vendors has given rise to a situation whereby Made Tech and other suppliers are seen as more appropriate partners for many departments and agencies.

Offshore IT

There are a handful of large offshore IT firms actively targeting the UK public sector, however the security requirements of the UK Government will continue to create challenges for organisations with a predominately offshore staffing model.

In-house capability

Nearly all Central Government departments have started to build their in-house Digital, Data and Technology capabilities. However, many have struggled to retain people due to pay and headcount limitations, with nearly all relying heavily on external suppliers. It is unlikely that in-house capability will represent a risk to the Made Tech business model without significant government policy changes.

Strategic consultancies

The big advisory consulting firms are increasingly moving towards Digital and Technology Services as part of their offering, albeit we think it unlikely that these firms will compete directly with the Group as they typically focus on providing advisory services and do not generally engage in the delivery of IT or technology services.

Staff augmentation services

Post changes in IR35 (where a worker provides their services through their own company) many recruitment firms adopted a new engagement model based on placing individuals into outcomes-based contracts, supporting organisations to build in-house capability. We see this trend as of limited risk to the Group as clients seeking these services are typically very price-sensitive, and it has a number of advantages given its employees' expertise and experience.

Financials

P&L

Revenue

The Group's revenue grew strongly in recent years, rising from £4.2m in FY19 to £40.2m in FY23, representing a 76% revenue CAGR (Figure 30). Made Tech has given financial reporting in the current format back to FY19. In FY22, 120% revenue growth resulted both from winning 12 new clients and new mandates with existing clients. The majority of the new contracts started in FY22 and had a full impact in FY23. The new client wins included the Group's largest ever contract win to date with the Health and Social Care Information Centre (NHS Digital).

Figure 30: Made Tech's revenue (£m)

May year end	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	4.2	5.5	13.3	29.3	40.2	38.1	35.4
Change (%)		30 %	144 %	120 %	37 %	(5 %)	(7 %)

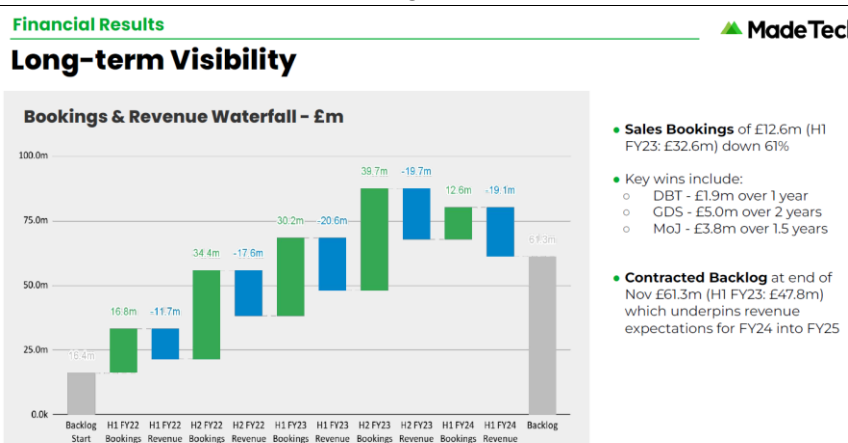
Source: Company, h2Radnor

In FY23, Made Tech achieved 37% revenue growth, all organic, which although high was less than had been expected earlier in the year. In the FY23 full year trading update, issued in May 2023, the Group said that recently several clients had moved the start date of work packages, which had previously been scheduled for April and May 2023, into FY24, which they believed was connected to the new public sector budget year.

The Group reported H124 (November period-end) results on 20 February. Revenue declined by 7% from £20.6m in H123 to £19.1m in H124 mainly as a result of the challenging macro environment which impacted client budgets and, in certain cases, led to changes in project scope.

The Group reports Sales Bookings which represent the total value of sales contracts awarded in the year, to be delivered in the next three years, so at the time of the H124 results this covered FY24-FY27. Made Tech's Sales Bookings in H124 declined by 61% from £32.6m in H123 to £12.6m in H124, partly as a result of strong prior year comparatives (Figure 31).

Figure 31: Made Tech's Sales Bookings in H124



Source: Company, h2Radnor

The £12.6m of Sales Bookings in H124, primarily comprised three key client wins (Figure 32). We expect there to be periods of peaks and troughs in the Group's Sales Bookings, as the nature, size, and timing of available contracts varies and suits different types of providers.

Figure 32: Made Tech's Sales Bookings in H124

Contract	Contract length (years)	Value (£m)	Proportion (%)
Government Digital Service	2	5.0	40 %
Ministry of Justice	1.5	3.8	30 %
Department of Business and Trade	1	1.9	15 %
Other		1.9	15 %
Total		12.6	100 %

Source: Company, h2Radnor

The Group's Contracted Backlog, representing the value of contracted revenue that has yet to be recognised, rose strongly by 28.2%, from £47.8m at the end of H123 to £61.3m at the end of H124, mainly as a result of strong Sales Bookings in H223. The strong level of Contracted Backlog provides the Group with good contractual coverage for the remainder of FY24 and into FY25.

In April, Made Tech announced a significant new contract win with The Department for Levelling Up, Housing & Communities (DLUHC) on the design and development of new digital tools and services. The first of these services to be delivered under this contract is expected to be the Privately Rented Property Portal - a national private rented sector database.

The new DLUHC contract is worth up to £19.5m of revenue to the Group over a 24-month period with a 12-month extension option. For context, £19.5m is worth £9.8m per year and is equivalent to 26% of our FY24 revenue forecast of £38.1m, albeit we would expect the contract to ramp up over time and the margin of the contract is not known.

Made Tech won its first contract with DLUHC in 2019 to deliver the Energy Performance Buildings Register worth c.£0.8m. Following the award of the initial contract, the Group has since been awarded further contracts including Digital Planning Reform Delivery Partner in 2021 worth c.£3.8m, and Digital Capability for Urgent DDaT requirements in 2023 worth c.£8.0m.

The UK has to hold a General Election before January 2025, with most commentators expecting it to be held in October. The period ahead of an election creates a degree of uncertainty, with potential slowdowns in new contract acquisitions likely, as public sector clients navigate the changing political landscape. We think that an earlier election would be positive for the Group, removing uncertainty and allowing contract bidding to recommence. Made Tech only entered the UK public sector market in 2017 and was much smaller at the time of the 2019 election so did not see a material impact then.

At the H124 results, management said that on the positive side, Made Tech had good visibility for the remainder of the current financial year and expected the vast majority of its existing client contracts, being critical to the operation of government, to continue unaffected. Management added that into FY25, they project that approximately 90% of

the Group's revenue will be secured from Contracted Backlog and the renewal of ongoing contracts.

In the H124 results, in terms of the outlook, management said that the Group remained comfortably on track to meet FY24 profit expectations, albeit on slightly reduced revenue expectations. In terms of the longer-term outlook, the statement added that despite the challenging market and uncertainty created by the forthcoming General Election, the Board anticipated further profit improvement in FY25 as a result of ongoing productivity and cost control initiatives and that a healthy Contracted Backlog underpinned revenue expectations for FY24 and into FY25. We forecast revenue declining by 5.1% to £38.1m in FY24 and then by 7.3% in FY25 due to the impact of the election.

Profit

The Group reported an adjusted EBITDA margin of 13.1% in FY19 and 10.7% in FY20 (Figure 33). In FY21, Made Tech invested in a dedicated sales team and an in-house recruitment team, without which instead of an adjusted EBITDA loss of £511k it would have generated an adjusted EBITDA profit of £712k. The dedicated sales team had aggregate salaries of £1,087k but had no sales attributable for the year. The in-house recruitment team had aggregate salaries of £136k whilst during the year the Group also retained the services of the existing third-party recruitment providers up to 1 June 2021.

Figure 33: Made Tech's gross profit and EBITDA (£m)

May year end	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Gross profit	1.2	2.4	5.0	11.3	14.4	14.1	12.7
Change (%)		98 %	113 %	125 %	28 %	(2 %)	(10 %)
Margin (%)	28.2 %	43.2 %	37.6 %	38.4 %	35.8 %	37.0 %	36.0 %
Adjusted EBITDA	0.6	0.6	(0.5)	2.6	1.5	2.2	2.4
Change (%)	0 %	5 %	n/a	n/a	(43 %)	43 %	9 %
Margin (%)	13.1 %	10.7 %	-3.8 %	9.0 %	3.8 %	5.7 %	6.7 %

Source: Company, h2Radnor

In FY22, the gross margin rose from 37.6% in FY21 to 38.4% in FY22 and the adjusted EBITDA margin from a loss in FY21 to 9.0% in FY22 mainly due to increased utilisation from 78% in FY21 to 81% in FY22, there was a 12% rise in average billable day rate and these offset higher wage inflation and greater use of contractors, plus the new dedicated sales team started to generate revenues which covered their costs and the cost of third-party recruitment ceased.

In FY23, the gross margin declined from 38.4% in FY22 to 35.8% in FY23 and the adjusted EBITDA margin declined from 9.0% in FY22 to 3.8% in FY23, mainly reflecting a reduction in utilisation, which dropped from 81% to 70% as a result of shifts in the political landscape, resulting in client project delays and the postponement of awarding new contracts.

In addition, the Group faced a period of rising expenses due to inflationary factors, increases in salaries, and travel costs associated with transitioning back to on-site work after the pandemic. Employee costs are the Group's main cost item and in FY23 we believe that many companies faced higher salary inflation due to a tight post-Covid

labour market, demonstrated by Made Tech’s employee costs rising as a proportion of total costs from 64% in FY22 to 74% in FY23 (Figure 34).

Figure 34: Made Tech’s employee costs as a proportion of total costs

May year end	FY21	FY22	FY23
Proportion of total costs (%)	63 %	64 %	74 %

Source: Company, h2Radnor

In H124, the gross margin rose from 32.9% in H123 to 37.1% in H124 and the adjusted EBITDA margin increased significantly from 2.5% in H123 to 7.3% in H124 as Made Tech right sized the cost base, improved billable utilisation, reduced contractor numbers and partner work, and improved management information.

The increased margin was achieved despite ongoing investment in the senior leadership team (including Neil Elton as CFO and Wayne Searle as Chief People Officer) and commercial teams as Made Tech sought to drive its continuing programme of growth and productivity initiatives.

We expect the benefits of the improved cost base to result in a rise in the adjusted EBITDA margin from 3.8% in FY23 to 5.7% in FY24 and 6.7% in FY25, even with the headwind of reduced revenue. There could be upside to our margin estimates as we note that historically the Group has had a double-digit adjusted EBITDA margin.

Balance Sheet and Cash Flow

Made Tech has always had net cash, which was £7.9m at the end of H124, which we think positions it strongly (Figure 35). Net cash declined from £12.3m in FY22 to £8.5m in FY23 and from £9.0m in H123 to £7.9m in H124 due to investment in own IP. At the H124 results, management said that they expected to improve cash flow in H224 and become free cash flow positive in FY25 as improved profitability, working capital and reduced intangibles spend in FY25 will generate positive free cash flow.

Figure 35: Made Tech's net cash (£m)

May year end	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Cash	1.2	1.0	0.9	12.3	8.5	6.4	8.0

Source: Company, h2Radnor

Working capital

As a growing business we would normally expect Made Tech to have a small working capital outflow. In H124, receivables switched negatively from an inflow of 2.6% of revenue in H123 to an outflow of 5.7% of revenues in H124 due to debtor days increasing from 37 in H123 to 45 in H124 primarily as a result of payment delays by one client and management said that they continue to work with the client to resolve this. We expect a working capital inflow in FY25 as payment delays are resolved (Figure 36). Generally, we think having public sector clients reduces non-payment risk.

Figure 36: Made Tech's working capital (Cash Flow)

May year end	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<u>Working capital (£m)</u>							
Payables	0.2	0.9	1.9	2.8	(1.3)	0.4	0.7
Receivables	(0.3)	(1.0)	(1.0)	(3.5)	(0.1)	(2.3)	(0.9)
Total	(0.0)	(0.2)	0.8	(0.8)	(1.5)	(1.9)	(0.2)
<u>% of revenue</u>							
Payables	5 %	16 %	14 %	9 %	(3 %)	1 %	2 %
Receivables	(6 %)	(19 %)	(8 %)	(12 %)	(0 %)	(6 %)	(3 %)
Total	(1 %)	(3 %)	6 %	(3 %)	(4 %)	(5 %)	(1 %)

Source: Company, h2Radnor

Capex

Between FY19 and FY23 capex on PPE matched depreciation and amortisation (Figure 37). Made Tech capitalises costs incurred that meet the definition of product development and IP solutions in accordance with IAS 38 Intangible Assets are capitalised in the statement of financial position and it amortises intangible assets over three years. Most recently, Made Tech capitalised some software development with the development of the three SaaS products.

Capitalised investment in new product reduced from £1.3m in H123 (6.3% of revenue) to £1.0m in H124 (5.2% of revenues) as the focus on the new SaaS products moves to the commercial rollout and management said at the H124 results that the reduction in capitalised development spend is expected to continue into FY25.

Figure 37: Made Tech's capex, depreciation and amortisation (Cash Flow)

May year end, £m	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Capex on property, plant and equipment	(0.1)	(0.1)	(0.3)	(0.4)	(0.1)	(0.0)	1
Capex intangibles				(1.9)	(3.1)	(1.7)	(0.9)
Depreciation and amortisation	0	0	0	0	0	1	(0.2)
Proportion of revenue (%)							
Capex on property, plant and equipment	(1.8 %)	(2.5 %)	(2.0 %)	(1.5 %)	(0.1 %)	(0.1 %)	2.1 %
Capex intangibles				(6.5 %)	(7.7 %)	(4.5 %)	(2.6 %)
Depreciation and amortisation	1.1 %	3.6 %	2.0 %	1.1 %	1.0 %	3.7 %	(0.5 %)

Source: Company, h2Radnor

Exceptional items

In FY22 costs were £180k for AIM admission and £45k severance costs. In FY23 there were £493k severance costs and £80k reorganisation and restructuring costs. In H124, there were £314K of costs related to targeted integration and restructuring actions.

Dividends

At IPO, the Group stated that its intention was to make dividend payments. In the 2023 Annual Report Made Tech confirmed that it would review the policy. At the H124 results, management said that due to market opportunities arising from the government's increasing spend in digital it had resolved to prioritise investment in capital growth and, therefore, does not recommend the payment of an interim dividend, albeit this policy will be kept under review.

Management

Made Tech's management have long experience working in digital and technology delivery and proven track record in working together to grow the Group (Figures 38 and 39).

Figure 38: Made Tech's PLC Board

Name	Position
Joanna Lake	<i>Non-Executive Chairperson</i>
Rory MacDonald	<i>Founder & CEO</i>
Neil Elton	<i>CFO</i>
Chris Blackburn	<i>COO</i>
Helen Gilder	<i>Independent Non-Executive Director</i>
Phil Pavitt	<i>Independent Non-Executive Director</i>

Source: Company, h2Radnor

Figure 39: Made Tech's Senior Management

Name	Position
Rory MacDonald	<i>Founder & CEO</i>
Neil Elton	<i>CFO</i>
Chris Blackburn	<i>COO</i>
Ian Southward	<i>Chief Commercial Officer</i>
Tim Bardell	<i>Chief Delivery and Transformation Officer</i>
Wayne Searle	<i>Chief People Officer</i>
Hazel Jones	<i>Head of Health</i>
James West	<i>Industry Director - National Security and Public Safety</i>
Nick Fisher	<i>Head of Business Development - Energy & Utilities</i>

Source: Company, h2Radnor

Executive Directors

Rory MacDonald (Founder & CEO)

Founded Made Tech in 2008 and has led the business in delivering organic and profitable growth ever since and has over 20 years' experience working in technology services organisations, across both the public and private sectors.

Neil Elton (CFO)

Joined Made Tech in January 2024 and has over 25 years' experience in the strategic, operational and financial management of a number of fast-growing listed companies. Previous roles include CFO of Learning Technologies Group plc, where he helped build the digital learning and talent management business through organic growth and 17 acquisitions to become a global leader in its market. Prior to Learning Technologies Group, he was CFO of Science Group plc, a Cambridge headquartered technology, research and development company, and Concateno plc, the industry consolidator and European leader in drugs-of-abuse testing. Neil is a Chartered Accountant with the ICAEW.

Chris Blackburn (Chief Operating Officer)

20 years' experience in digital and technology consulting roles spanning public and private sector clients including Royal Bank of Scotland, Philips, Government Digital Service, and Ministry of Justice. Prior to Made Tech, he was Technology Director at Dentsu Aegis agency Isobar, leading technology delivery in the UK. Chris has been with the Company since 2012.

Senior Managers

Ian Southward (Chief Commercial Officer)

Over 30 years' experience in delivering technology services to clients. For the last 20 years, he has built and managed highly consultative sales and high-growth marketing teams including for ThoughtWorks, Ness Software Engineering and Energised Works. Ian has considerable international experience helping build and develop sales teams in India, Australia, Hong Kong and the USA and has helped build and grow near-shore and off-shore software delivery teams in Eastern Europe and India.

Tim Bardell (Chief Delivery and Transformation Officer)

Tim has delivered technology change and led digital, IT and major transformation programmes as a consultant and in various senior industry roles for over 30 years. His career has covered multiple industries including telecoms, pharmaceuticals, FMCG and management consultancy with roles in engineering, production management, consulting, IT management, technology operations and sales. He has held leadership roles in Accenture, Vodafone, BAE Systems and NTT DATA, and has a passion for developing teams and working with people to bring about sustainable organisational change.

Wayne Searle (Chief People Officer)

Wayne is an international leader passionate about people, culture, communications and developing teams and organisations. A successful global career spans multiple industries including telecoms, technology, automotive and ecommerce with leadership roles at Barclays, Vodafone, Criteo, AdeVinta and more. Prior to Made Tech, he led a human resources team across EMEA and globally for Mergers and Acquisitions at Vertiv.

Hazel Jones (Head of Health)

With nearly 30 years' experience in digital transformation, Hazel has held roles such as Head of Transformation for BSkyB, Director for Apps & Wearables with NHS Digital and recently responded to a call to arms to help deliver a digital donor journey for the NHS Blood & Transplant plasma programme, which was part of the international Covid19 Recovery Trial.

Executive Director remuneration

As well as salary, Executive Directors are rewarded both through annual bonuses and the Long Term Incentive Plan (LTIP) (Figure 40).

Figure 40: Made Tech's Executive Director remuneration (£)

Executive Directors	Year	Salary	Taxable benefits	Pension	Annual bonus	Total
Rory MacDonald (Founder & CEO)	FY22	200,000	463	16,000	-	216,463
	FY23	300,000	2,192	22,937	-	325,129
Chris Blackburn (COO)	FY22	133,333	188	14,500	-	148,021
	FY23	200,000	361	-	-	200,361

Source: Company, h2Radnor

Annual bonus

The annual bonus can be worth up to 100% of base salary, paid in cash on the achievement of one year performance targets based upon sliding scale financial, personal, strategic and/or ESG-related targets. Following a review of performance against the revenue, EBITDA and strategic annual bonus targets, no bonus was paid for FY23.

LTIP

The LTIP can be worth up to 300% of base salary, albeit normal annual awards are expected to be capped at 100% of base salary. Executive Directors are eligible to receive awards under the LTIP at the Committee's discretion. Awards are granted as nominal cost options or conditional awards which normally vest after three years subject to performance conditions and continued service. Performance is based upon a sliding scale financial, share price, strategic and/or ESG-related targets.

Valuation

The sharp decline in Made Tech's share price since IPO, from 122p, means that currently it is lowly-rated trading on a FY25 EV/EBITDA of just 6.0x (Figure 41). In contrast to the share price, the Group's EBITDA held up relatively well, from £2.6m in FY22 to our forecast of £2.4m in FY25. Made Tech's EV benefits from its net cash position, where we expect £8m of net cash in FY25 compared to a market cap of £22m.

Figure 41: Made Tech's trading multiples

May year end	FY23	FY24E	FY25E
EV/Revenue	0.3 x	0.4 x	0.4 x
EV/EBITDA	9.2 x	7.3 x	6.0 x
EV/EBIT	12.6 x	20.8 x	18.1 x
PER	44.6 x	43.0 x	31.6 x

Source: FactSet, h2Radnor

Made Tech's pure focus on the UK public sector and on technology services makes it somewhat different to many peers. We consider four peer groups in total, encompassing UK Software Service, Overseas Software Service, UK Software Product and UK Business Process Outsourcing. We lay out these peer groups below (Figure 42).

Figure 42: Made Tech's peer groups

	Price, local	Market Cap, local	FY1 Net Cash, local	EV, local	FY1 EV / Sales, x	FY1 EV / EBITDA, x	FY1 PER, x
Made Tech Group PLC	15	22.3	6.1	16.2	0.4	7.4	25.0
Rel to UK Software Service Peers					-80%	-43%	32%
Rel to Overseas Software Service Peers					-79%	-39%	-3%
Rel to UK Software Product Peers					-93%	-62%	15%
Rel to UK Business Process Outsourcing Peers					11%	36%	177%
Software Service Peers - UK							
Kainos Group PLC	993	1,249.4	126.9	1,122.5	2.9	14.4	21.8
Kin and Carta Plc	130	230.6	-8.0	238.6	1.2	9.5	16.0
TPXimpact Holdings PLC	33	29.5	-11.3	40.8	0.5	9.1	19.1
					2.1	13.0	19.0
Software Service Peers - Overseas							
Netcompany Group A/S	280	13,796.1	-1,682.4	15,478.5	2.3	13.7	24.3
Capgemini SE	203	34,702.9	-999.7	35,702.6	1.6	9.6	17.0
CGI Inc. Class A	142	32,452.0	-1,458.0	33,910.1	2.3	11.4	18.6
Reply S.p.A.	124	4,626.2	383.6	4,242.6	1.8	11.7	22.2
Thoughtworks Holding Inc	2	726.1	-72.3	798.4	0.8	9.9	44.9
Globant SA	186	8,023.4	292.7	7,730.7	3.2	16.3	28.3
					2.0	12.1	25.9
Software Product Peers - UK							
Big Technologies PLC	150	436.0	109.5	326.5	6.4	11.6	20.7
Idox plc	66	299.6	0.0	299.6	-	-	-
Tracsis plc	900	272.7	23.0	249.7	2.9	14.2	22.9
					6.4	19.2	21.8
Business Process Outsourcing Peers - UK							
Capita plc	14	229.1	-471.3	700.3	0.3	3.1	4.7
MITIE Group PLC	116	1,545.8	-42.1	1,587.9	0.4	6.2	10.7
Serco Group plc	181	1,953.0	-375.8	2,328.8	0.5	6.3	11.7
					0.4	5.4	9.0

Source: FactSet, h2Radnor

We can see from the above that Made Tech currently trades at a material FY1 EV/EBITDA discount to all the Software Service (-43%) and Software Product (-39%) peer groups. We also note the consistency in the range of multiples across all of these peer groups.

Illustrative Fair Value Model

In the table below we show the implied share price if we use our 12-month forward EBITDA estimate for Made Tech and apply an EV/EBITDA for the Software Service peer group (Figure 43). We think, in the medium term, the 12.8x multiple for the Software Service peer group can be a useful one to apply to Made Tech and this would imply an illustrative fair value model of 26p per share. The Software Service peer group includes Kainos, which we see as Made Tech's nearest peer, albeit at 12.8x we are still applying a lower rating than the 14.0x for Kainos, which gives us headroom.

Figure 43: Made Tech – illustrative fair value model

Made Tech's next 12 month EBITDA (£m)	2.4
Software Service peer group	
EV/EBITDA multiple (x)	13.0
EV (£m)	30.8
Net cash (£m)	7.9
Market cap (£m)	38.7
Number of shares (m)	149.3
Share price (p)	26

Source: FactSet, h2Radnor

M&A comparatives underpin fair value model

Since the start of 2023, and in line with the rest of the UK market, we have seen an increasing volume of inbound M&A in the UK Software and Software Services sector. Below we set out the seven completed acquisitions and the three currently open acquisitions (all of which are recommended) which have been announced since the start of 2023 (Figure 44).

Figure 44: UK Software sector M&A

Target	Status	Date	Bid Price	Equity	EV/Sales	EV/EBITDA
Gresham Technologies	Open		£1.63	£147 m	2.6 x	12.9 x
Smartspace Software	Open		£0.90	£28 m	4.4 x	-
Kin & Carta	Completed	May 24	£1.30	£239 m	1.2 x	8.9 x
Sopheon	Completed	Feb 24	£10.00	£115 m	2.9 x	15.9 x
OnTheMarket	Completed	Dec 23	£1.10	£99 m	2.3 x	8.6 x
Smooove	Completed	Dec 23	£0.54	£31 m	1.5 x	-
Instem	Completed	Nov 23	£8.33	£203 m	2.9 x	15.8 x
Kape Technologies	Completed	May 23	£2.90	£1273 m	2.0 x	7.5 x
AdEPT Technology	Completed	Apr 23	£2.01	£50 m	1.3 x	7.7 x
7 Digital	Completed	Mar 23	£0.70	£23 m	1.3 x	4.6 x
					2.2 x	10.2 x

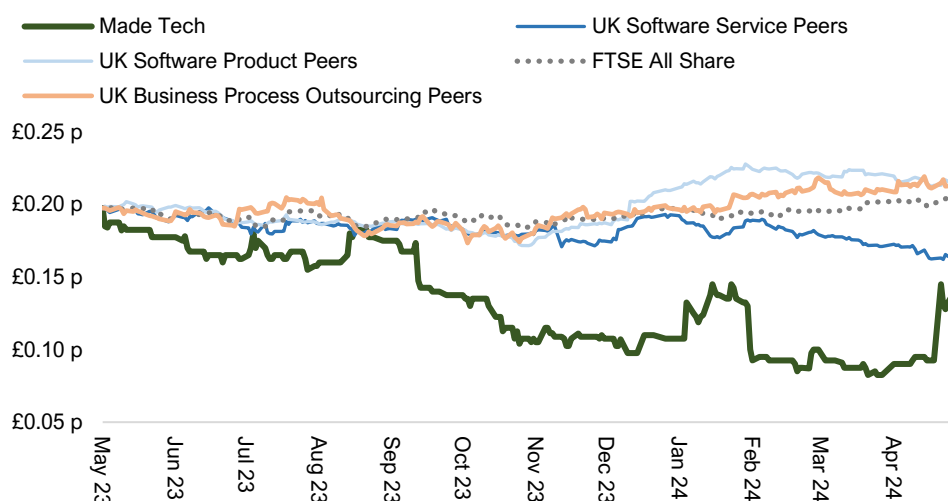
Source: FactSet, h2Radnor

We can see from the above that the blended average FY1 EV / Sales and EV / EBITDA multiples implied by these transactions are 2.2x and 10.2x respectively. We also note that three of these transactions represent EV / EBITDA multiples well in excess of 10.0x.

Relative share price performance

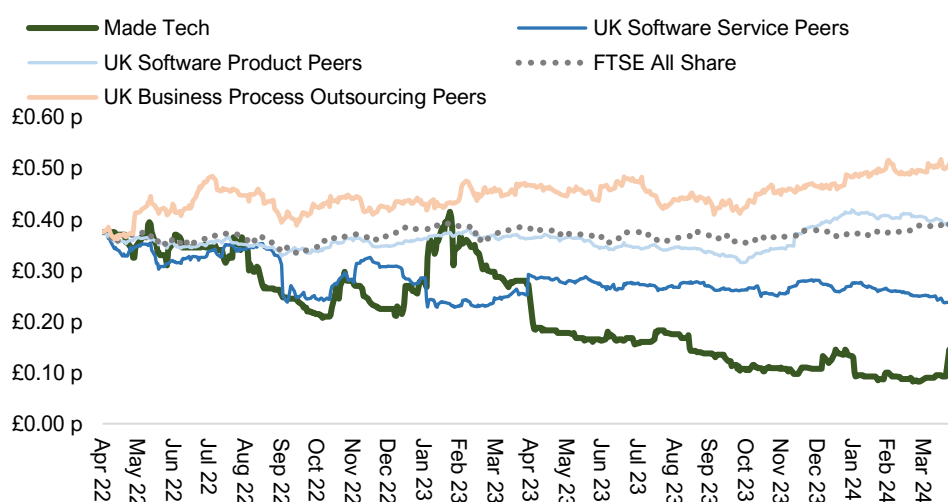
Made Tech listed in September 2021, which coincided with the recent peak of the UK stock market so the subsequent general market decline should be taken into account. The Group's share price had tracked broadly in line with its peers until the May 2023 trading statement. The Group's share price then went through a period of underperformance until relatively recently, when the price reacted very positively to the recent material contract win from the Department of Levelling Up, Housing & Communities. This share price bounce has reversed much of the underperformance over the last year. (Figures 45 and 46).

Figure 45: One-year share price performance



Source: FactSet, h2Radnor

Figure 46: Two-year share price performance

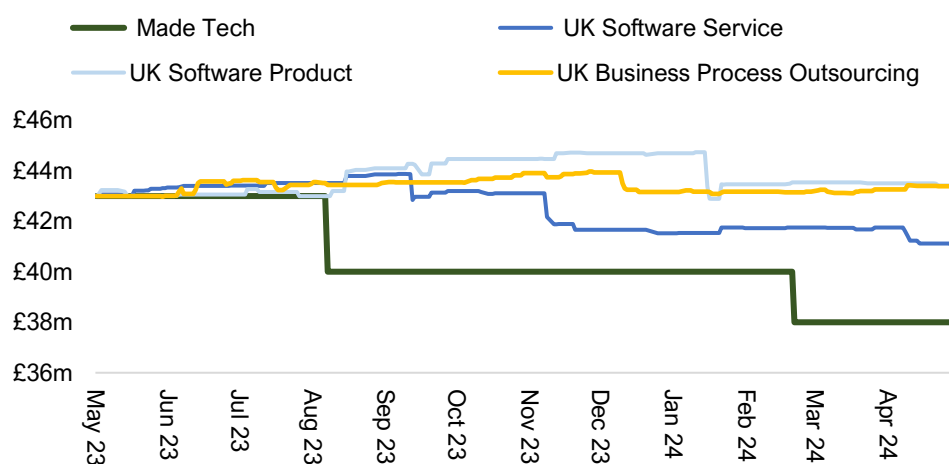


Source: FactSet, h2Radnor

Estimate changes

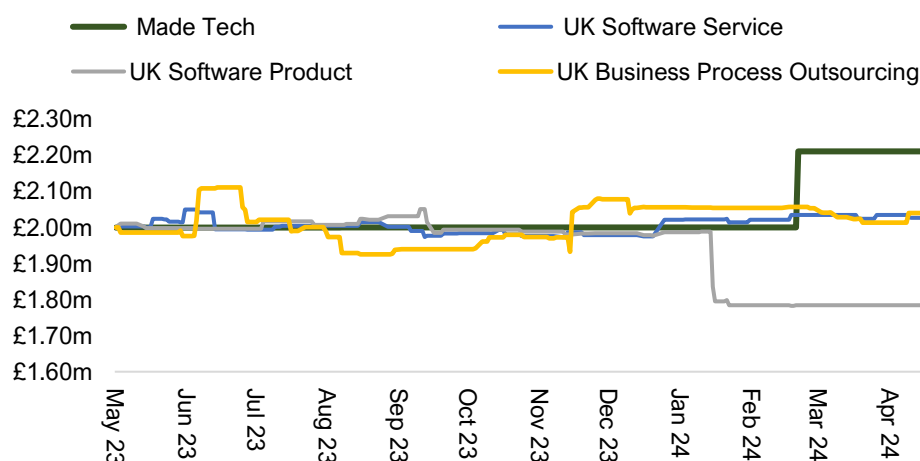
For much of the last year, Made Tech’s revenue estimates has moved broadly in line with the peer group, only ticking below post the H1 result and the cautious commentary around contract timing (Figure 47). However, Made Tech has outperformed its peers when we look at the scale of EBITDA upgrades. (Figure 48).

Figure 47: FY1 revenue estimate evolution



Source: FactSet, h2Radnor

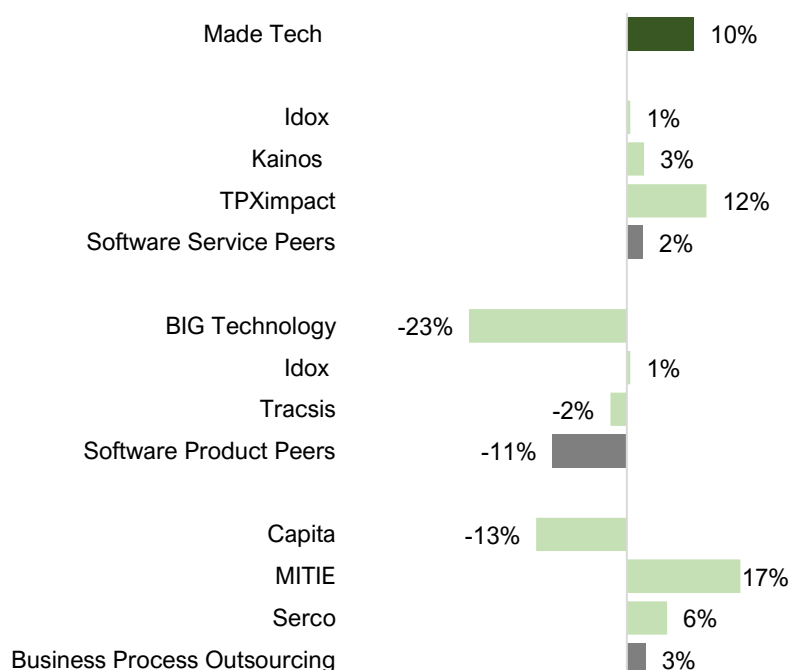
Figure 48: FY1 EBITDA estimate evolution



Source: FactSet, h2Radnor

Below (Figure 49), we show the individual FY1 EBITDA estimate changes across the UK Software Service, Software Product and Business Process Outsourcing peer groups. We can see that the net 10% EBITDA upgrade over the last year has only been bettered by two companies (TPX Impact and Mitie Group) out of the nine. We also note that Kainos, arguably the closest listed peer, has seen its FY1 EBITDA upgraded by only 3% over the last 12 months.

Figure 49: FY1 EBITDA estimate changes across the UK peer groups

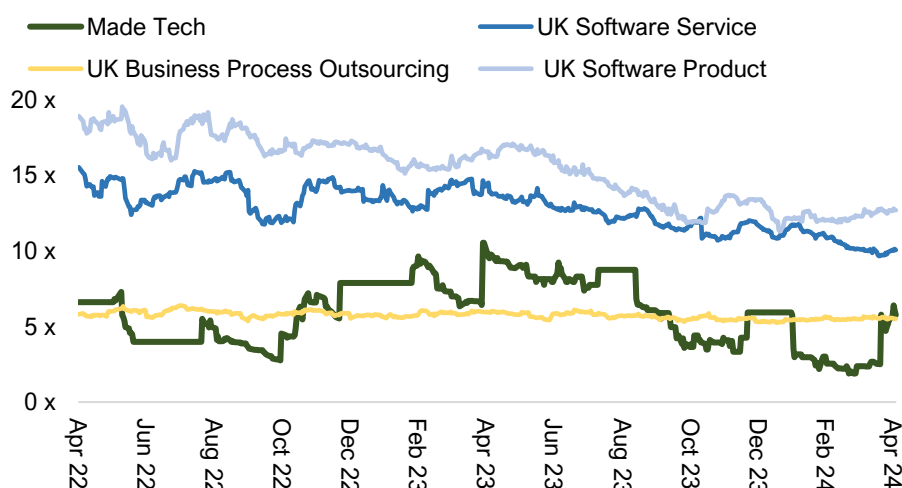


Source: FactSet, h2Radnor

EV/EBITDA multiple evolution

Using consensus estimates for 12-month forward EV/EBITDA, Made Tech has derated from its peak of 9.8x in April 2023 to 5.5x currently, a 44% reduction (Figure 50).

Figure 50: EV/EBITDA – next 12 months



Source: FactSet, h2Radnor

It is interesting to note that this peak EV/EBITDA multiple is not inconsistent with current UK Software Service individual multiples. This increases our confidence that such multiples are relevant to Made Tech as it continues to demonstrate its ability to secure material new contract wins and make further EBITDA margin progress. We believe the Made Tech positioning is significantly closer to the Software Service and Software Product peer groups, than the more lowly related Business Process Outsourcing peers.

Detailed h2Radnor Estimates

Figure 51: Key h2Radnor P&L estimates

May year end	FY21	FY22	Change %	FY23	Change %	FY24E	Change %	FY25E	Change %
Revenue	13.3	29.3	120%	40.2	37%	38.1	-5%	35.4	-7%
Gross profit	5.0	11.3	125%	14.4	28%	14.1	-2%	12.7	-10%
Gross profit margin	37.6%	38.4%		35.8%		37.0%		36.0%	
Adjusted EBITDA	-0.5	2.6	-	1.5	-43%	2.2	43%	2.4	9%
Adjusted EBITDA margin	-3.8%	9.0%		3.8%		5.7%		6.7%	
Depreciation & amortisation	-0.3	-0.3		-0.4		-1.4		-1.6	
Adjusted EBIT	-0.8	2.3	-	1.1	-53%	0.8	-30%	0.8	3%
Adjusted EBIT margin	-	8.0%		2.7%		2.0%		2.2%	
Interest	0.0	0.0		0.0		0.2		0.2	
Adjusted PBT	-0.8	2.3	-	1.1	-52%	1.0	-13%	1.0	3%
Adjusted tax	0.0	-0.5		-0.6		-0.4		-0.2	
Adjusted tax rate	3.1%	22.2%		53.8%		43.5%		25.0%	
Adjusted PAT	-0.8	1.8		0.5		0.5		0.7	
Shares (m)	109.6	135.7		148.9		149.3		149.3	
Adjusted EPS (p)	-0.7 p	1.3 p	-	0.3 p	-74%	0.4 p	6%	0.5 p	36%
Shares - diluted (m)	109.6	139.7		153.0		156.8		156.8	
Adjusted EPS	-0.7 p	1.3 p	-	0.3 p	-74%	0.3 p	4%	0.5 p	36%

Source: h2Radnor, Company

Figure 52: Key h2Radnor Cashflow & Balance sheet estimates

May year end	FY21	FY22	FY23	FY24E	FY25E
Adjusted EBITDA	(0.5)	2.6	1.5	2.2	2.4
Receivables	(1.0)	(3.5)	(0.1)	(2.3)	(0.9)
Payables	1.9	2.8	(1.3)	0.4	0.7
Operating Cashflow	0.3	1.9	0.0	0.3	2.2
Capex on property, plant and equipment	(0.3)	(0.4)	(0.1)	(0.0)	(0.0)
Capex intangibles	-	(1.9)	(3.1)	(1.7)	(0.6)
Loss on disposal of PPE	-	-	-	-	-
Cashflow post Investing	0.0	(0.4)	(3.1)	(1.5)	1.6
Interest	(0.0)	(0.0)	0.0	0.2	0.2
Interest on lease liability	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Tax	-	-	-	-	-
Cashflow pre Financing	0.0	(0.5)	(3.1)	(1.3)	1.8
IPO equity proceeds	0.0	13.5	-	-	-
Repayment of loans and borrowings	1.3	(1.3)	-	-	-
Repayment of lease liability	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Repayment of directors loan	(0.0)	-	-	-	-
Dividends	(1.2)	-	-	-	-
IPO costs	-	(0.2)	-	-	-
Exceptional items	-	(0.0)	(0.6)	(0.6)	-
Net Cashflow	(0.1)	11.4	(3.9)	(2.1)	1.6
May year end	FY21	FY22	FY23	FY24E	FY25E
Tangible assets	0.8	0.9	0.5	0.3	0.2
Intangible assets		1.9	5.0	8.1	7.1
Non-current assets	0.8	2.8	5.5	8.4	7.3
Trade and other receivables	2.5	6.1	6.2	6.2	6.2
Cash and cash equivalents	0.9	12.3	8.5	6.4	8.0
Current assets	3.5	18.4	14.7	12.6	14.2
Total Assets	4.2	21.2	20.2	21.0	21.5
Loans, borrowings and lease liabilities	1.4	0.1			
Deferred tax liability		0.0	0.1	0.1	0.1
Non-current liabilities	1.4	0.2	0.1	0.1	0.1
Trade and other payables	3.3	6.1	4.7	4.3	3.6
Lease liabilities	0.3	0.2	0.1	0.1	0.1
Current liabilities	3.6	6.2	4.9	4.5	3.7
Equity	(0.8)	14.8	15.2	16.5	17.7

Source: h2Radnor, Company

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