

MailUp Group

Sector: Marketing Technology



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Fair Value (€) **3.82**

Market Price (€) **2.73**

Market Cap. (€m) **39.9**

Pioneering the “digital” West

MailUp Group is a leading cloud-based marketing technology provider offering its solutions to several thousand customers worldwide, with a consolidated expertise on small to medium-sized enterprises.

Four MarTech trends to drive the industry in 2019

Increasing their digital marketing efforts is top priority for companies willing to profit from the digital revolution. In this promising scenario, we believe that the most relevant needs that digital marketers will have to face in 2019 are: 1) Maximising the return on their marketing investments; 2) Not getting crazy in remaining updated with all new solutions launched into the market; 3) Being compliant with the regulatory environment; 4) Granting to clients a safe and secure digital experience.

MailUp Group well positioned to ride them

We expect the above-mentioned needs to drive MarTech industry evolution and to determine winners and losers among vendors / suppliers. From this point of view, we feel that MailUp Group is quite well positioned thanks to a state-of-the-art offer mix of solutions either in-house developed (e.g. BEE, MailUp business unit) or acquired from outside (Agile Telecom, Datatrics). A carefully selected acquisition in the space of AdTech (Demand Side platforms and /or Retargeting platforms) could further improve the completeness of the offer.

2018E-19E Top line estimates revised upwards

The Group has recently released unaudited preliminary FY18 gross sales figure, highlighting a higher than previously expected growth pace, i.e. +48% YoY (+56% YoY in 4Q 18) with Agile Telecom and the “scale-up” company BEE highlighting the highest growth rates, +80% and +182% YoY respectively. Worthy of notice, these figures do not include yet the newly acquired company Datatrics that will be consolidated only in 2019 P&L and that we estimate has recorded, as well, a triple digit growth rate in 2018FY. On the back of these outstanding results, we revised upwards our 2018E-onwards top line estimates while maintaining unchanged the rest of P&L as higher revenues should be reinvested in further growth projects.

Fair Value at € 3.82 per share (up from previous €3.74)

We update our fair valuation on MailUp Group at ca. €3.82 per share (ca. 45% upside vs. current market price), calculated as average of a Sum of the Parts valuation and a DCF approach. At fair value, MailUp shares would trade at very affordable multiples, if compared to its foreign peers i.e. ca. 1.0x EV / Sales 2019E and 10.6x EV / EBITDA 2019E.

KEY FINANCIALS (€m)	2017A	2018E	2019E
REVENUES	26.4	38.9	49.3
EBITDA	2.9	3.6	4.7
EBIT	1.3	1.8	2.8
NET PROFIT	0.6	1.0	1.7
NET PROFIT ADJ.	0.6	1.2	1.7
EQUITY	13.9	14.9	16.6
NET FINANCIAL POS.	7.3	7.0	7.6
EPS ADJ. (€)	0.05	0.07	0.11

Source: MailUp Group (historical figures),
Value Track (2018E-19E estimates)

RATIOS & MULTIPLES	2017A	2018E	2019E
EBITDA MARGIN (%)	10.9	9.3	9.5
EBIT MARGIN (%)	4.8	4.5	5.6
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (%)	nm	nm	nm
EV/SALES (x)	1.0	0.8	0.7
EV/EBITDA (x)	8.7	9.1	6.9
EV/EBIT (x)	19.7	18.8	11.6
P/E ADJ. (x)	47.7	33.2	23.4

Source: MailUp Group (historical figures),
Value Track (2018E-19E estimates)

STOCK DATA

FAIR VALUE (€)	3.82
MARKET PRICE (€)	2.73
SHS. OUT. (m)	14.9
MARKET CAP. (€m)	39.9
FREE FLOAT (%)	31.7
AVG. -20D VOL. (#)	15,081
RIC / BBG	MAIL.MI / MAIL IM
52 WK RANGE	2.04-2.72

Source: Stock Market Data



Business Description

MailUp Group is a leading cloud based digital marketing technology hub currently offering its solutions to several thousands customers worldwide, with a consolidated expertise on small to medium-sized enterprises reference market.

More in detail, MailUp Group is involved in provisioning of email marketing services, delivery of mobile text messages (for both transactional and marketing purposes), email editing support, Customer Data Platform services and professional ones to business clients.

Key Financials

€mn (*)	2017A	2018E	2019E	2020E
Net Revenues	26.4	38.9	49.3	57.0
Chg. % YoY	25.4%	47.2%	26.8%	15.6%
EBITDA	2.9	3.6	4.7	6.6
EBITDA Margin (% of Net Revenues)	10.9%	9.3%	9.5%	11.5%
EBIT	1.3	1.8	2.8	4.4
EBIT Margin (% of Net Revenues)	4.8%	4.5%	5.6%	7.6%
Net Profit	0.6	1.0	1.7	2.7
Chg. % YoY	nm	58.5%	75.4%	57.2%
Adjusted Net Profit	0.6	1.2	1.7	2.7
Chg. % YoY	nm	91.2%	45.4%	57.2%
Net Fin. Position	7.3	7.0	7.6	10.3
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-2.0	-2.2	-2.4	-2.4
OpFCF b.t.	2.6	2.7	3.7	4.4
OpFCF b.t. as % of EBITDA	88.7%	74.5%	79.0%	67.1%

Source: MailUp SpA (historical figures), Value Track (estimates)

(*) Newly acquired Datatrics to be included in consolidation perimeter as of 2019FY

Investment case

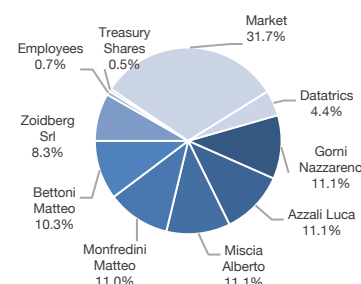
Strengths / Opportunities

- ◆ Full range of marketing technology services (SMS, email, email editor, CDP services, professional ones);
- ◆ Highly diversified customer base ranging from professional marketers to developers and to wholesalers both at a domestic and international level;
- ◆ Intense and effective R&D effort generating high-value opportunities.

Weaknesses / Risks

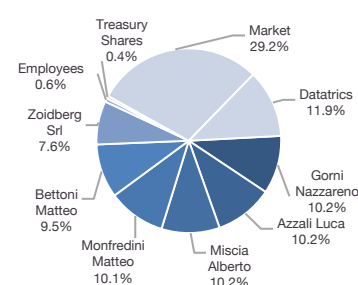
- ◆ Much lower size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and MailUp group capability to keep up the pace could be limited due to money or other constraints.

Shareholders Structure (as is)



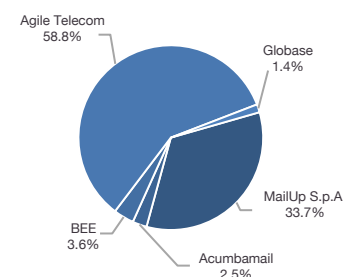
Source: MailUp SpA

Shareholders Structure fully diluted*



Source: MailUp SpA *considering max earn-out on behalf of Datatrics' shareholders

Sales breakdown by legal entity



Source: MailUp SpA

Stock multiples @ €3.82 Fair Value

	2018E	2019E
EV / SALES (x)	1.3	1.0
EV / EBITDA (x)	13.9	10.6
EV / EBIT (x)	28.6	17.8
EV / CAP.EMP. (x)	6.3	5.4
OpFCF Yield (%)	5.8	7.8
P / E (x)	57.3	33.5
P / BV (x)	3.8	3.5
Div. Yield. (%)	0.0	0.0

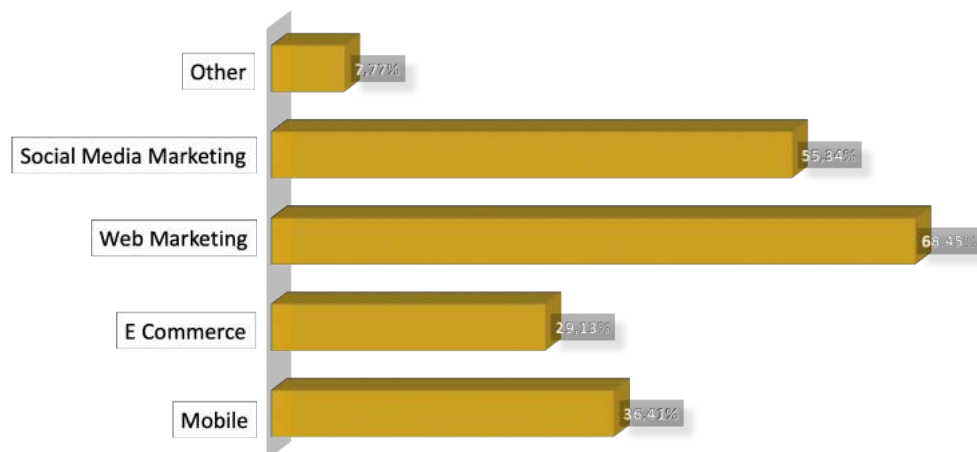
Source: Value Track

MailUp Group: Ready to address MarTech trends

In our view the most relevant needs that digital marketers (and their developers) will have to face in 2019 are four: 1) Maximise return on their investments; 2) Not getting crazy in remaining updated with all new solutions launched into the market; 3) Being compliant with the regulatory environment; 4) Granting to clients a safe and secure digital experience. We believe that MailUp, as MarTech tools / solution provider is already well equipped in relation to these themes thanks to both internally developed solutions and capabilities acquired outside. A carefully selected acquisition in the AdTech field could further strengthen the completeness of its offer.

MailUp has grown a lot in recent years, both in terms of turnover and of competences / activities. Indeed, the group structure is currently quite articulated with various Business Units taking charge of different tasks in the MarTech field (see Appendix for a wrap up of MailUp Group structure), a field that not only abroad but also in Italy is quite promising, as the following survey shows.

Digital marketing: Area on which Italian companies are planning to increase most their efforts



Source: Survey by Digital Coach

What's more interesting to us is that MailUp is, in our view, quite well positioned in order to surf the latest evolutionary trends of this fast-changing industry.

To achieve such a conclusion, we moved from the analysis of what we believe are the **main goals for marketers in 2019**.

1. **Increasing their return** on marketing investments;
2. **Not getting crazy in remaining updated** with all new solutions being developed and launched into the market;
3. **Being compliant** with the regulatory environment;
4. Granting to actual and prospect clients a **safe and secure digital experience**.

With these goals in mind, we tried to understand: 1) **How can MarTech providers help** marketers and developers achieve their main goals; 2) **How is MailUp positioned** in relation to these points; 3) **What's left to be done for MailUp** on these points.

We can sum up the above-mentioned trends and analysis in the following table. More details on each trend and on MailUp positioning in relation to them follow in next pages.

MarTech: Main trends of 2019 and MailUp positioning

	Which are the main goals for marketers?	How can MarTech provider help marketers achieve their main goals?	MailUp Group offer
1	Increasing their return on marketing investments by improving conversion rates and reducing cost per contact	1) Offering solutions based on advanced enabling technologies (e.g. Editors, Customer Data Platforms – CDP, Demand Side Platforms – DSP, Advertising Retargeting Platforms) in order to deliver a hyper-personalized experience to customers	✓✓ CDP - Datatrics ✓✓ Email editor - BEE ✗ DSP / AdTech – “Work in progress”
		2) Integrating more and more channels / media i.e. email, SMS, Social Networks, Instant Messaging and developing Marketing Automation features in order to reach customers on every possible media used	✓✓ ESP – MailUp, Acumbamail ✓✓ SMS - Agile Telecom ✓✓ IM - MailUp (Instant Messaging Apps)
2	Not getting crazy with all new solutions available on the market	Integrating their products / tools in a homogenous MarTech suite or offering more and more professional services to allow marketers build their own “stack” by cherry picking tools / solutions from different providers	✓✗ Professional consulting services – MailUp, Globase
3	Being compliant with regulation	Offering solutions aimed at moving from DMP (Data Management Platforms) based only on 3 rd party data to CDP developed in line with GDPR	✓✓ Compliant with GDPR
4	Granting to actual and prospect clients a safe and secure digital experience	Delivering two-factor authentication (2FA) / One-time password (OTP) via app, SMS or by a physical security key (token)	✓✓ SMS – Agile Telecom ✗ 3 rd party apps ✗ App - based push notification

Source: Value Track Analysis

Marketers’ # 1 goal. Increasing their return on marketing investments

Increasing marketers’ returns on their marketing investments means two things i.e.:

- ◆ Increasing conversion rates;
- ◆ Reducing expenditure / cost per contact.

How can a MarTech provider help marketers (and developers) achieve this goal?

As far as this point is concerned, we believe that MarTech providers can add great value to their clients by offering tools / solutions which can:

- a) Deliver a **hyper-personalized experience to prospect customers**, properly identifying which content should be delivered to which customer, and when;
- b) Reach prospect customers on **every possible media** they are spending time on;

a) Hyper-personalized experience

Delivering to prospect customers a **hyper-personalized experience to prospect customers** is the “mantra” of recent years. There are several ways to increase personalization of marketing

messages and all are based on the collection of as much information as possible on customer preferences / habits and on providing them with “comfortable” user experiences.

From this point of view, we believe that MarTech providers should increasingly offer tools / solutions based on advanced “enabling” technologies such as **customer journey management / personalization, Customer Data Platforms (CDP)** and, in perspective, **Demand Side Platforms (DSP)** powered by Artificial Intelligence / Machine Learning algorithms optimizing programmatic advertising efforts.

b) Multi-channel approach

Reaching prospect customers on **every possible media** they are spending time on implies, for MarTech providers, the integration in their offer of a growing number of channels / media i.e. **email, SMS, Social, Instant Messaging** and developing **Marketing Automation** features to manage all of these channels in a unified and coordinated way.

MailUp Group’s positioning in relation to the hyper-personalization theme

As far as this point is concerned, we believe that MailUp Group can offer some outstanding technologies out of which the most promising are, in our view, the in-house developed Email editor **BEE** and the recently acquired (September 2018) Customer Data Platform called **Datatrics**.

BEE - globally recognized editing tool

BEE is a state-of-the-art Email editing tool that features a drag-&-drop interface enabling anyone to create complex and appealing email messages also automatically adapting to various devices and screens, such as those of smartphones. It allows for preview, test, and download (so that it can be sent with any email program) of email messages once they have been created.

The product comes in three versions: BEE Free, BEE PRO and BEE Plugin as is designed to address the whole spectrum of potential customers, ranging from unsophisticated to sophisticated ones, including developers that can embed BEE in their current marketing platform.

Among the other functionalities, BEE enables a simple, but flexible email customization that MailUp Group is able to provide to a wide array of MarTech firms (competitors included), thus benefiting from the knee-breaking growth of the segment.


With this business model, BEE has reached a top-quality customer base that includes several large tech companies.

Email editor BEE

TRY

BEE Free

TO TRY THE EDITOR




Build an email, free & fast.
Drag & drop email creation. No signup required. Jump right in.

LEARN MORE

DESIGN

BEE Pro

FOR FREELANCERS, TEAMS & AGENCIES




Save, edit, search, organize.
Cut down on email production time & cost.
Collaborate more. Have fun.

LEARN MORE

EMBED

BEE Plugin

FOR WEB APPS



Embed BEE in your web app
Save development time & cost. Give your customers an editor they'll love.

LEARN MORE

Source: MailUp Group

Datatics

Datatics is a SaaS Customer Data management Platform (CDP) that in 2017 has launched an innovative “artificial intelligence” based platform that allows marketers to **combine data collected from different sources**, i.e. **internal data** (such as CRM, email, social), and **external ones** (such as weather forecasts, demographic data, traffic information, etc.), creating 360-degree customer profiles aimed at building an optimized and personalized marketing approach that delivers the most relevant content to final customers thus boosting conversion rates and ROI.

As of June 2018 (latest official data available) Datatics boasted ca. 100 clients Europe-wide including Tier 1 names such as KLM, Siemens, PostNL, Mitsubishi, British Petroleum with Annual Recurring Revenue / client in the €12,000 region.

The power of Datatics



Source: Datatics

MailUp Group’s positioning in relation to the multi-channel theme

MailUp Group is a forerunner in terms of adding new channels to its marketing technology offer. While email is the first “channel” launched into the market, as far back as 2015 the group decided to internalize a SMS delivery operator when it acquired **Agile Telecom**.

Such decision proved to be a positive one and, indeed, this company is currently the most relevant in terms of size and growth of the Group with Q418 Revenues up +93% YoY even if we note that growth drivers here are not only marketing-driven SMS but also A2P ones (transactional SMS and One Time Password SMS).

Agile Telecom: Most relevant growing BU in Q418

Business Unit	Q4 2018	Q4 2017	Var %
MailUp	3,868	3,389	14%
Agile Telecom	7,919	4,111	93%
BEE	468	172	172%
Acumbamail	255	210	22%
Globase	107	189	-43%
Total	12,617	8,071	56%

Data in EUR/000.

Consolidated gross sales from management accounts, not subject to a BoD resolution, unaudited.

Source: MailUp Group

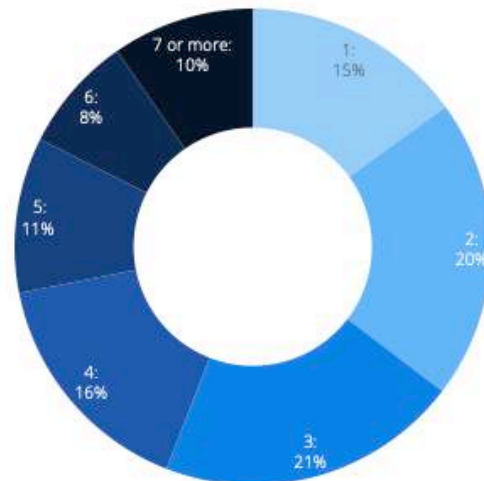
That said, reckoning that the usage of Social Media e.g. Facebook and the adoption of messaging apps e.g. Facebook Messenger and Telegram has skyrocketed in the last few years and that users want brands to be closer to them, in 2018 MailUp has added an **Instant Messaging Apps** in its platform (<https://www.mailup.com/features/messaging-apps/>) in an attempt to follow users in their digital life.

The rise of Instant Messaging platforms: The US example

Top 10 instant messenger services in the U.S.



Number of different messengers used in the U.S.



Source: Statista

Why adding Instant Messaging platforms to digital marketing efforts according to MailUp

Why Facebook Messenger



- Over 1 billion active users worldwide
- Over 20 million active pages worldwide
- 300,000 chatbots
- 88% average open rate

Why Telegram



- 200 million active users worldwide
- 15 million messages exchanged every day
- The first business friendly conversational marketing platform
- Encrypted messages for top security

Source: MailUp

Obviously in order to exploit the whole potential of this multichannel approach, MailUp platform has been equipped with the possibility to set with a drag & drop interface a variety of automated cross-channel workflows triggered by recipient's behaviour. Real-time reporting allows to keep under close control the campaign performance.

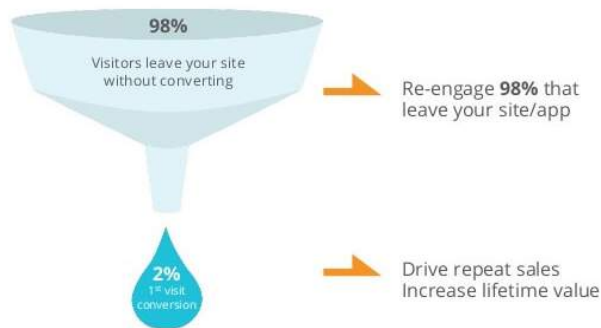
What's left to be done for MailUp on these points

The acquisition of Datatrics and its integration in the MailUp offering portfolio can be further leveraged in our view. Indeed, we mentioned earlier that Customer Data Platforms powered by AI / Machine Learning algorithms should allow the optimization of programmatic advertising efforts.

If so, it would be useful to grant to the most sophisticated part of MailUp Group's client base, i.e. those interested in the Datatrics product, the possibility to exploit such power in the **AdTech field** by more efficiently participating in real-time programmatic auctions of per-impression basis online advertising inventories.

A **carefully selected acquisition in the space of retargeting platforms** (see Criteo and AdRoll for examples of these kind of platforms that help converting window-shoppers into buyers by keeping track of people who visit a site and display a retargeting ad to them as they visit other sites online) could thus prove to be value accretive.

Retargeting: A way to increase conversion rate

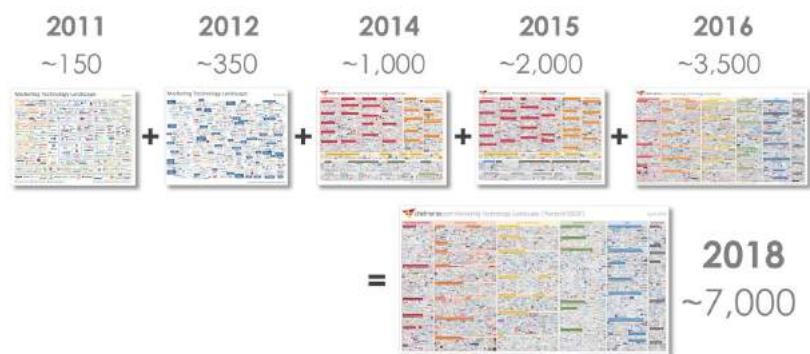


Source: Criteo

Marketers' # 2 goal. Not getting crazy in remaining updated with all the new solutions being developed and launched into the market

In our previous research notes we highlighted how the number of tools / solutions available in the MarTech space is continuously increasing. Indeed, new startups are much more numerous than companies going burst or being acquired by bigger players and this is driving in experts' definition (www.chiefmartec.com) "a world of infinite marketing cloud services".

A world of infinite (marketing) cloud services



Source: Chiefmartec.com

How can a MarTech provider help marketers (and developers) achieve this goal?

If the availability of new and more powerful solutions is a plus for marketers, at the same time the need to remain constantly updated can become too demanding.

MarTech providers can thus get an edge towards their clients if they find a way to make their life smarter. We see two possible ways:

- Offering a fully integrated suite, or alternatively;
- Offering dedicated consultancy services enabling marketers to build their own marketing technology “stack” by cherry picking tools / solutions from different providers.

The choice between the two options depends, in our view, on the size / financial strength of the MarTech provider. Financially strong players can decide to internally develop / acquire different products / features and integrate them under a single tool / infrastructure. This is, for instance, the case of Adobe offering a huge number of products in the field of creativity.

Adobe Marketing Cloud



Source: Adobe.com

In the impossibility to compete with tech giants, smaller MarTech providers can generate value for their clients by offering them advice on the best solutions around. This is especially valuable in case of business clients that cannot afford too expensive solutions.

MailUp Group's positioning in relation to this point

We believe that MailUp Group has understood the importance of this theme already a couple of years ago as it has been, since then, actively implementing a dedicated business line (**Professional consulting services**) focused on providing to medium-to large corporates more and more tailor-made technical consultancy services. The benefit of such a strategy is that becoming a well-established, publicly traded and trusted provider becomes a key differentiator and allows scaling up from mere service provider to consultancy advisor in the MarTech field thus increasing the overall ARPU.

MailUp currently offers its bespoke services grouped within the following “suites”:

- ◆ **Consultancy Suite.** Teams helping clients by breaking down their needs, shaping a strategy, defining activities and actions, and supporting them all the way through;
- ◆ **Creativity Suite.** Graphic design teams taking care of the creative side of clients' campaigns;
- ◆ **Performance Suite.** Data scientists helping clients to monitor their campaign trends, alerting of any critical issues, suggesting fixes and improvement actions, and setting up a roadmap to improve KPIs;

- ◆ **Deliverability Suite.** Advice aimed at achieving the best email delivery rates;
- ◆ **Training Suite.** Teams of trainers taking charge of the whole job or training them on specific topics, features or areas for full independence.

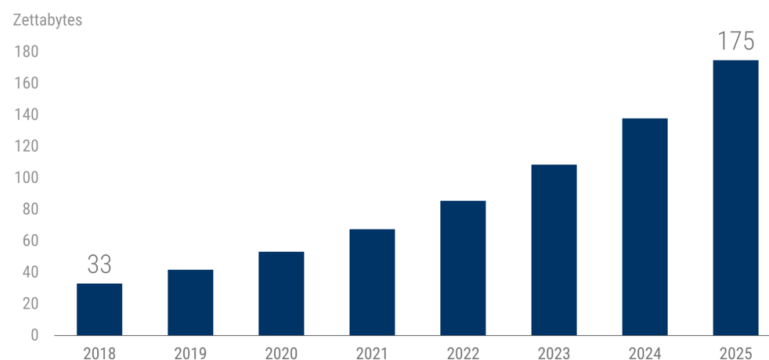
What's left to be done for MailUp on this point

2018 was the year of the “full” launch of Professional services Business line. In 2019 we expect the company to push on its client base in order to achieve more mandates. If such an effort turns successful, we do not rule out the possibility of a future spinoff of this into a separate business unit.

Marketers' # 3 goal. Being compliant with the regulatory environment

We said before that personalization is the rule to increase conversion and that such personalization must be based on customers' data to be collected, organized and analysed via machine learning algorithms. This will lead in the future to a huge increase in the amount of data collected and stored.

Worldwide Data production is expected to increase fourfold by 2025



Source: IDC's Data Age 2025, CB Insight

That's why **it has become paramount being compliant with Data protection schemes** such as the EU's GDPR (General Data Protection Regulation) or with the forthcoming California Consumer Privacy Act going into effect in 2020.

We fear that marketers have been quite slow so far to adapt to these brand-new regulations waiting to see if they could be somehow made less stringent. But the reality is that GDPR and alike are here to stay and will not fade away. So marketers need to increasingly base their action plans on data treated in compliance to GDPR and other specific data regulations.

How can a MarTech provider help marketers (and developers) achieve this goal?

If what we said is true, MarTech vendors that can provide customer data management, integration of internal and external data sources and AI-powered capabilities are best positioned to successfully deliver innovative marketing solutions.

This means switching from an “old” data collection / management approach based on several different databases to a “new” one that integrates both 1st party and 3rd party data deriving from different sources into a **single unified database** as it happens with **Customer Data Platforms**.

Indeed, a Customer Data Platform integrates all customer data collected from online and offline sources and centralises them in a single database thus helping an effective and regulatory compliant data management. Two examples:

- ◆ **Data access requests.** Companies will have to give individuals access to data when requested, and are obliged to destroy data if the individual so wishes. This is clearly a big headache for businesses that will need to extract personal data on specific customers from numerous databases rather than from a unified one.
- ◆ **Data collection / protection documentation.** Data collection will need to be clearly documented i.e. when, how and who from a consent has been collected and how data are protected from breaches. This should be much easier to prove with a CDP that stores data in a unified database.

MailUp Group’s positioning in relation to this point

MailUp Group has always been very meticulous in not supporting possibly spamming behaviours coming from its clients. Going on, such attitude should be further leveraged by the already mentioned acquisition of **Datatricks** that, we believe, has deeply strengthened MailUp’s set of competences and competitive positioning. See the previous chapter for more details on Datatricks.

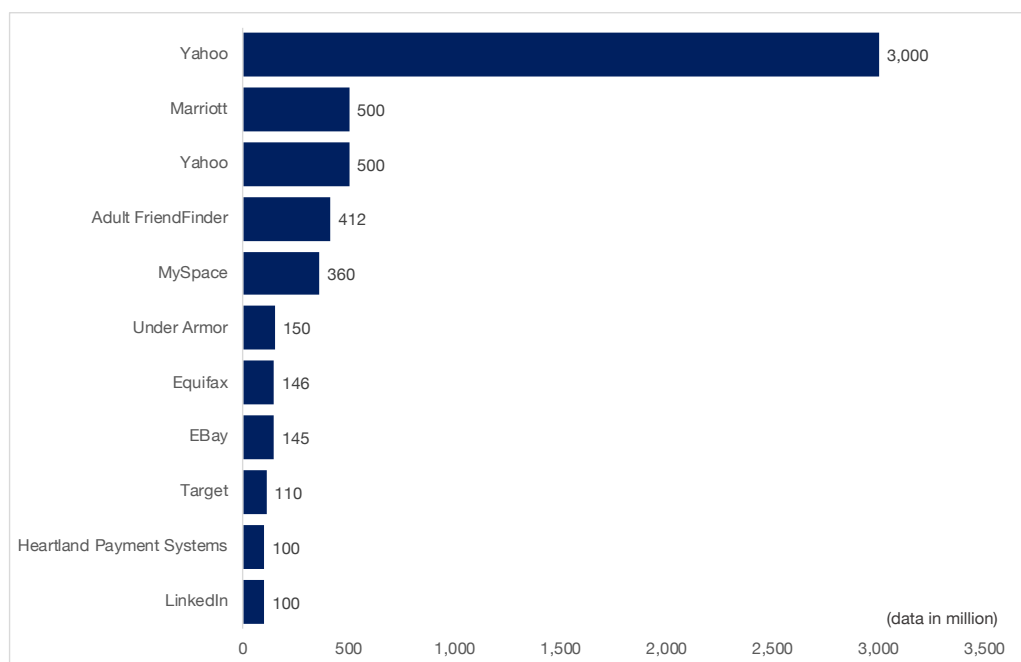
What’s left to be done for MailUp on this point

As the product offer has been in place for a few months now, the main task MailUp should take care of in 2019 is the marketing push towards its client base in order to convince ever more clients to adopt Datatricks as their CDP.

Marketers’ # 4 goal. Granting to actual and prospect clients a safe and secure purchasing experience

Unfortunately, the rapid development in technology has been followed by an equally fast development in new forms of “digital crime”, or cybercrimes. Just as an example, we note that the number of compromised data records in selected breaches is continuously increasing quarter by quarter.

Number of compromised data records in selected breaches



Source: Quartz

Such an explosion of digital frauds can be a huge threat to online B2C activities. Indeed, according to Experian (*The 2018 Global Fraud and Identity Report*) the **lack of a perceived visible security is the first reason of abandon of a potential online transaction**, even more important that the request of too much information for a new account setup, or of the mandatory request of an account creation for a one-time purchase.

If so, it becomes mandatory for digital marketers (and for companies in general) to ensure a “safe environment” to the final user/consumer.

How can a MarTech provider help digital marketers (and companies) achieve this goal?

Among the many ways online security can be strengthened, there is one that MarTech providers can supply to their customers and is based on **Application-to-Persons SMS (A2P SMS)**.

Indeed, SMS can be used not only to engage actual or prospect customers, but also to finalize two-factor authentication procedures, also known as 2FA.

2FA essentially requires two sets of credentials to log into an account / to finalize an online transaction, usually one personal password and a unique code generated, also known as One-Time Password (OTP), delivered via app, email, SMS text message or by a physical security key (token).

That's why SMS-based 2FA accounted for 18% of global annual SMS traffic in 2017, that's nearly 300 billion messages (*Source: MobileSquared*) and are **expected to grow at mid-single digit CAGR** in the next few years.

Banking, Financial Services, and Insurance represents the largest and fastest-growing sector originating A2P SMS, accounting for ca. 15% and powered by the extensive use of financial transaction confirmation through 2FA.

MailUp Group's positioning in relation to this point

We believe **MailUp Group is well-positioned** to ride this growth wave thanks, again, to Agile Telecom that in the latest two years grew at a ca. 56% CAGR also for this reason.

What's left to be done for MailUp on this point

Although “SMS technology reliability, user-friendliness, and ubiquitous nature makes it the preferred carrier technology for the A2P communication” (*source: Credence research*), we must underline how SMS-based two-factor authentication could be enough for individuals who aim to protect their email or social network account, while it could be too risky for more sensitive actions / fields (current accounts login, corporate data and so on).

That's why experts highlight the possibility that 2FA will move towards:

- ◆ **The use of third-party apps** for services such as instant messaging, voice and video calling, such as Viber, WhatsApp, and Facebook Messenger;
- ◆ **The introduction of app-based push notifications**, expected to become a more established method, even if currently they are not widely used.

In conclusion, we do not rule out the possibility that MailUp in the future could develop new solutions to overcome SMS-based 2FA vulnerability, improving products' quality in terms of SMS firewalls and revenue assurance platform, and/or introducing new solutions which are compatible with the adoption of messaging apps or the new RCS (Rich Communication Services) technology.

Update on Financials: Agile Telecom and BEE drive top line growth

MailUp Group has recently announced unaudited gross sales figures for 4Q18 and 2018 full year, highlighting an organic and healthy growth, +56% and +48% YoY respectively.

Considering such a brilliant evolution of the top line, we revised our 2018E-20E estimates.

Consolidated gross sales almost doubled (organically) in just two years

Gross sales achieved ca. €39.7mn in FY18 growing +48% YoY, equivalent to a 2-years CAGR of 37%. Analysing Group Revenues by legal entity, we underline a positive performance across all business units but for Globase, which is still in the middle of the turnaround / customer integration process with MailUp, to be finalized within 1Q19.

The highest growth rate was shown by BEE, the Silicon Valley based company, which grew more than 180% YoY, while Agile Telecom, provider of mobile messaging services, recorded the largest top line growth in absolute terms (+ €10.3mn YoY), performing extremely well (+80% YoY).

Business units mainly focused on the email channel (MailUp and Acumbamail) recorded lower growth rates, even though in the double-digit field (+16% and +38% respectively).

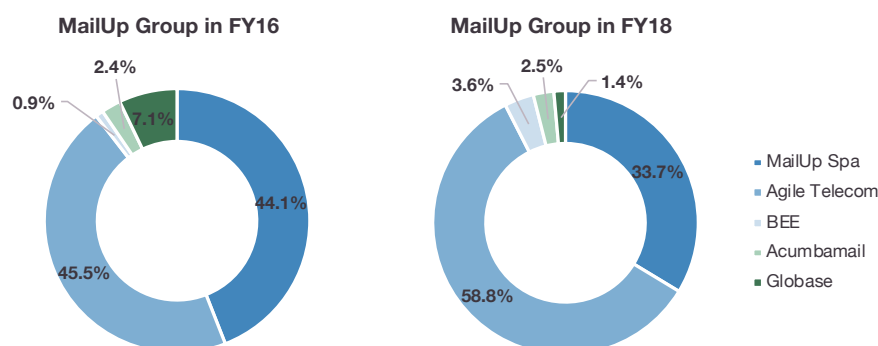
Worthy of notice, these figures do not include yet the newly acquired company Datatrics that will be consolidated only in 2019 P&L and that we estimate has recorded, as well, a triple digit growth rate in 2018FY with ca. €1mn revenues.

MailUp Group: Gross Sales by legal entity

€ mn	FY 2016	FY 2017	FY 2018(*)	YoY (%)	2Y-CAGR (%)
MailUp Spa	9.3	11.6	13.4	+16%	+20%
Agile Telecom	9.6	13.0	23.3	+80%	+56%
BEE	0.2	0.5	1.4	+182%	+165%
Acumbamail	0.5	0.7	1.0	+38%	+41%
Globase	1.5	1.0	0.6	-46%	-37%
Total	21.0	26.8	39.7	+48%	+37%

Source: MailUp Group, Value Track Analysis (*) Unaudited gross sales

MailUp Group: Gross Sales by business unit (FY2016 vs. FY2018)



Source: Company figures, Value Track Analysis

New vs. Old estimates

That said, we are updating our 2018E-onwards estimates with respect to the previous ones released on our report back in October 2018, by revising upwards top line forecasts and maintaining basically unchanged the rest of P&L as the company is reinvesting its higher than planned incomes into the rollout of new services e.g. Professional services and Datatrics.

New estimates are based on the following key points:

- ◆ Rebalancing of the revenues mix over the 2018E-20E period since (i) Agile Telecom is growing more than previously expected, as well (ii) BEE growing 3x in FY18 YoY;
- ◆ This is partially offset on the negative side by (i) Globase, more likely to convert its business structure and become a pure reseller of MailUp and Datatrics services in the Nordics, and (ii) slower than initially planned development of professional services provided by MailUp;
- ◆ Agile Telecom's higher contribution to group's top line expected to slightly dilute group's marginality (as a % of revenues) due to its aggressive pricing policy applied through the development of the wholesale market;
- ◆ Pretty unchanged estimates below the EBITDA level.

MailUp Group: New vs. Old estimates

€mn	2018E			2019E			2020E		
	Old	New	Change	Old	New	Change	Old	New	Change
Net Revenues	35.0	38.9	+11.2%	43.6	49.3	+13.2%	52.4	57.0	+8.8%
EBITDA	3.6	3.6	0.0%	4.8	4.7	-2.2%	6.5	6.6	+0.1%
<i>EBITDA margin</i>	<i>10.3%</i>	<i>9.3%</i>		<i>11.0%</i>	<i>9.5%</i>		<i>12.5%</i>	<i>11.5%</i>	
EBIT	1.7	1.8	+2.9%	2.8	2.8	-0.3%	4.3	4.4	+0.2%
<i>EBIT margin</i>	<i>4.9%</i>	<i>4.5%</i>		<i>6.4%</i>	<i>5.6%</i>		<i>8.3%</i>	<i>7.6%</i>	
Adj. Net Profit	1.1	1.2	+2.4%	1.7	1.7	-0.3%	2.6	2.7	+2.5%
Group Net Equity	14.9	14.9	0.0	16.6	16.6	0.0	19.2	19.3	0.1
Net Financial Position	7.1	7.0	0.0	7.4	7.6	0.1	10.4	10.3	-0.2
OpFCF a.t.	1.9	1.9	0.0	2.4	2.6	0.1	3.0	2.6	-0.4

Source: Value Track Analysis

In the next page the whole set of P&L, Balance Sheet and Cash Flow 2018E-20E forecasts is displayed.

MailUp: P&L forecasts 2018E-20E

€mn (*)	2017A	2018E	2019E	2020E
Group Revenues from sales	26.4	38.9	49.3	57.0
Cost of sales (net of Other revenues)	-16.2	-25.8	-32.2	-37.3
Labour costs	-7.4	-9.5	-12.4	-13.1
EBITDA	2.9	3.6	4.7	6.6
EBITDA margin (%)	10.9%	9.3%	9.5%	11.5%
Depreciation & Amortization	-1.6	-1.9	-1.9	-2.2
EBIT	1.3	1.8	2.8	4.4
EBIT margin (%)	4.8%	4.5%	5.6%	7.6%
Net Fin.Income (charges)	-0.1	0.1	0.1	0.1
Pre-tax Profit	1.2	1.8	2.8	4.5
Tax	-0.6	-0.8	-1.1	-1.8
Minorities	0.0	0.0	0.0	0.0
Reported Net Profit	0.6	1.0	1.7	2.7
Adjusted Net Profit	0.6	1.2	1.7	2.7

Source: MailUp (historical figures), Value Track (forecasts) (*) Datatrics to be consolidated line by line as of 2019FY

MailUp: Balance Sheet forecasts 2018E-20E

€mn	2017A	2018E	2019E	2020E
Net Working Capital	-7.1	-8.3	-9.6	-9.7
Net Fixed Assets	15.0	17.5	20.1	20.3
Provisions	1.2	1.3	1.5	1.6
Total Capital Employed	6.7	7.9	9.1	9.0
Group Net Equity	13.9	14.9	16.6	19.3
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	7.3	7.0	7.6	10.3

Source: MailUp (historical figures), Value Track (forecasts)

MailUp: Cash Flow Statement forecasts 2018E-20E

€mn	2017A	2018E	2019E	2020E
EBITDA	2.9	3.6	4.7	6.6
Working Capital Change	1.3	1.2	1.3	0.1
Capex	-2.0	-2.2	-2.4	-2.4
Change in Provisions	0.4	0.1	0.1	0.1
OpFCF b.t.	2.6	-0.8	-1.1	-1.8
Cash Taxes	-0.5	1.9	2.6	2.6
OpFCF a.t.	2.1	0.1	0.1	0.1
Capital Injections	5.9	0.0	0.0	0.0
Other Op. Items (incl. Fin. Inv.)	-1.6	0.0	0.0	0.0
Net Financial Charges	-0.1	-2.1	-2.1	0.0
Net Cash generated	6.3	-0.2	0.5	2.7

Source: MailUp (historical figures), Value Track (forecasts)

Valuation Update

We update our fair value to **€3.82 per share**, up from the previous €3.74, released on October 2018. As usual, such fair value comes from the average between a €3.69 fair value obtained applying the Sum-of-the-Parts model and of €3.95 DCF based valuation, after a cross check analysis with both national and international peers.

We note that our fair value implies 1.0x EV/Sales and 10.6x EV/EBITDA 2019E respectively.

MailUp Group: Stock trading multiples at market price and at fair value

	EV / Sales 2019E (x)	EV / EBITDA 2019E (x)
MailUp Group @ €2.67 Market Price	0.65x	6.8x
MailUp Group @ €3.82 Fair value	1.00x	10.6x

Source: Value Track analysis

A look at Peer multiples

In our previous reports, we highlighted how MailUp Group may be compared with international players active in both marketing technology services as **Hubspot, DotDigital, Sharpspring, Twilio, Sendgrid**, and in the provisioning of marketing and sales solution like **Salesforce and Imimobile**, with the latter included for the first time in our panel. On the other hand, we removed Link Mobility since it has been delisted as of October 16, 2018.

However, sector multiples are on average extremely demanding, and can be justified by the high percentage of recurring revenues of SaaS based business models as well as by the leadership position and scalability potential of “deep-pocket” US-UK players. For this reason, we believe MailUp can hardly aspire to trade at US-UK multiples, due to their lower scale factor.

In addition, we also run a useful cross check with **small-medium sized “digital” companies listed on AIM Italia stock market**. Although we are aware that business model is not always similar to MailUp’ one, we consider as “rationale behind” (i) the size factor and (ii) the underlying capital market.

Taking into account both International industry players and AIM Italia digital stocks we get to the following median & average multiples.

MailUp: Peers’ stock trading multiples

Company	EV / Sales (x)		EV / EBITDA (x)	
	2018E	2019E	2018E	2019E
International industry players				
Median	8.3	6.7	13.0	13.2
Average	8.7	6.9	13.0	16.5
AIM Italia digital industry players				
Median	1.9	1.7	7.7	5.7
Average	1.7	1.4	7.8	5.8
Overall values				
Average	4.8	3.8	8.8	8.5

Source: Market Consensus, Value Track Analysis

Sum-of-the-Parts valuation

Considering the difference in market positioning and stage of development of the various business units of MailUp Group we believe **Sum-of-the-Parts valuation approach** useful in assessing the fair value of MailUp shares.

Compared to our latest valuation, released on October 2018, we assume:

- ◆ A lower valuation multiple for Agile Telecom (0.9x EV/Sales vs. the previous 1.0x), as business expansion is sustained by a lower profitability;
- ◆ An unchanged multiple for MailUp business unit (1.5x EV/Sales), since it deserves a slightly higher multiple as a consequence of its intrinsic profitability potential;
- ◆ A lower valuation multiple for BEE (5x EV/Sales vs. the previous 7x). Albeit it is still recording relevant growth rates and scalability potential, it may be seen as a “scale-up” company, rather than a start-up one;
- ◆ A lower valuation multiple for Acumbamail (3.0x EV/Sales vs. the previous 5x), as result of the slower than previously expected growth pace;
- ◆ The newly acquired Datatrics has been considered at acquisition cost due to its early stage profile.

MailUp Group: Sum-of-the-Parts valuation

Company	Stake (%)	EV Pro-Quota, (€mn)	EV p.s. (€)	% of Gross Asset Value	Valuation Method
MailUp SpA	100%	23.7	1.59	35%	1.5x EV / Sales '19E
Agile Telecom	100%	24.1	1.62	35%	0.9x EV / Sales '19E
MailUp Inc / BEE	100%	12.8	0.86	19%	5.0x EV / Sales '19E
Acumbamail	100%	3.7	0.25	5%	3.0x EV / Sales '19E
Datatrics	100%	3.8	0.25	6%	Acquisition Price
Gross Asset Value		68.2	4.57	100%	
Group Net Cash Position '19PF (*)		6.0	0.40		
€2.2mn Corp. Costs capital. @11.7% WACC		-19.1	-1.28		
Net Asset Value		55.1	3.69		

Source: Value Track Analysis

(*) Pro-Forma to take into account Datatrics €3.8mn cash out (to take place in the next years)

DCF valuation

We update MailUp's DCF valuation assuming a **WACC at 11.7%** that comes as a result of a higher Equity Risk Premium of ca. 8.6% and a lower Unlevered Beta at ca. 1.0 (Source: Damodaran, latest update on January 5, 2019).

This leads to a Cost of Equity at 14.2% which embeds a 2% additional small size risk to compensate for AIM Italia lower liquidity and a 5.5% pre-tax cost of debt.

On the contrary we maintain unchanged our hypothesis on:

- ◆ Target capital structure (25%Debt, 75% Equity), as we expect MailUp to exploit in the future its net cash position for M&A activity;
- ◆ Long-term perpetuity growth rate “PGR” at 2%.
- ◆ Pro Forma Net Cash position 2018YE to properly account Datatrics cash out, taking place in the next few years.

Overall, we derive a **fair Equity value of €59.0mn**, corresponding to **€3.95 equity value per share**, based on the current number of outstanding shares, i.e. considering the “capital increase in kind” of 657,859 shares assigned to Datatrics’ shareholders, announced in December 18,2018, as result of the final closing of the Dutch-based company.

MailUp Group: Discounted Cash Flow Model Summary Table

€mn	
PV of future cash flows FY19E-FY27E	27.0
PV of Terminal value with PGR at 2%	28.0
Fair Enterprise value	55.0
Implied EV/EBITDA '19E (x)	11.7x
Net Cash Position 2018YE Pro forma considering Datatrics Acquisition	4.0
Fair Equity value (€mn)	59.0
Fair Equity Value per share (€)	3.95

Source: Value Track Analysis

Appendix: Group business profile at a glance

Leading marketing technology provider

MailUp Group is a young and dynamic player active in the fast-growing marketing technology industry offering a wide spectrum of services to its ca. **several thousands customers** – mainly small to mid-sized international companies, and to slightly less than one thousand resellers worldwide.

Within the marketing technology arena, MailUp Group ranks **among the top five to ten players in Europe** and the top three players in Italy, achieving a **Turnover in excess of €27mn** as of the end of 2017FY, more than tripled in the latest four years.

Headquartered in Cremona and Milan, thanks to its rapid growth, MailUp Group is nowadays a small multinational active in several regions (**Europe, North America, Latin America, Asia**) with operating activities in Silicon Valley, Buenos Aires, Ciudad Real, Copenhagen.

International sales now account for more than one third of consolidated revenues.

MailUp Group: Geographic footprint



Source: MailUp Group, Value Track Analysis

Wide service offer ranging from entry level services to premium ones

MailUp Group offers to both marketers (i.e. end users) and developers, a **wide range of marketing technology tools and solutions** that customers can decide to purchase unbundled or combined, going from highly standardized entry-level services to customized, and so premium, ones.

While the former are basically ready-to-implement, with customers essentially inserting their preferred marketing ideas (e.g. pictures, promotions, etc.), the latter are more consulting-oriented, allowing customers to structure an *ad hoc* project as well as to benefit from consolidated marketing competences.

Product / Services range can be summarized as:

- ◆ Email service provisioning (ESP);
- ◆ Mobile messaging delivery;
- ◆ Email editing tools - BEE;
- ◆ Professional services and consulting.
- ◆ Customer data management platform (CDP).

Email marketing and mobile messaging the core of group's services

The “core” of MailUp Group’s services is represented by **email marketing** and **mobile messaging** activities, which are provided via in-house cloud-based proprietary engines offering high quality, price competitiveness and efficiency i.e. the opportunity to connect customers’ platforms to an outright marketing mean, in order to reach a greater effectiveness in a marketing campaign.

As far as the **email marketing service** is concerned, this is mainly provided by MailUp SpA, Acumbamail and Globase, which are differentiated both in terms of geographies and client segment addressed:

- ◆ **Geographic positioning.** Acumbamail is mainly dedicating to Spanish-speaking countries while Globase (powered by MailUp SpA) addresses Nordic countries and MailUp SpA covers the whole world;
- ◆ **Client segment addressed.** Acumbamail is a “freemium” concept i.e. it is offered mainly for free and only some advanced features are on a pay as you go basis.

On the contrary, MailUp SpA’s targeted client base lies in the central part of the range, thus gathering small to medium-sized companies whose primary objective is to get the best price-quality mix. MailUp SpA’s services are mainly based on annual fees model.

Last but not least, Globase addresses mid to large enterprises.

As far as the **mobile messaging activity** is concerned, MailUp Group allows its corporate users to communicate with their customer base via mobile messages, both marketing oriented or, more and more, transactional ones (A2P, application-to-person).

The peculiarity of MailUp Group is that it provides such activity to clients via two different channels:

- 1) Embedded in MailUp SpA marketing platform or;
- 2) Stand-alone basis, via Agile Telecom, the specialised “SMS aggregator” acquired back in 2015. Agile Telecom is an official OLO (i.e. Other Licensed Operator), i.e. it can establish direct connections with all telecom operators worldwide. Agile Telecom is market leader in terms of technologies and pricing power, thanks to its efficient and dynamic SMS procurement strategy that can be accessed via API or by using HTTP, SMPP, and UCP protocols.

Professional services, email editing tool and customer data platform enrich the offer

In addition to email and mobile messaging, MailUp Group also offers:

- ◆ Sophisticated but easy to use drag-&-drop **email editing tools**, named BEE, which can be used on stand-alone basis or even embedded in third-party applications, such as customers’ CMS (Content Management System) and CRM (Customer Relationship Management) systems so as to have totally integrated and manageable sales and marketing experience. Such editor is offered as:
 - A toll-free version (**BEE Free**). Customers do not even need to create an account to use it;
 - A subscription-fee based version (**BEE PRO**) aimed at professional marketers and agencies offering customers many more tools and features such as more templates, quick message cloning, mobile-ready and responsive HTML features;
 - An “embeddable plugin” (**BEE Plugin**), which allows companies and developers to enrich their CRM or CMS system with a better email editor, automatically updated and improved.
- ◆ **Professional consulting services** for customisations, dataset and management of marketing automation flows, mainly dedicated to medium-to large corporates. Indeed, the aim of MailUp Group is to scale up and increase the ARPU from clients by feeding them with more tailor made services.
- ◆ **Customer data platform** to combine data collected from different sources, i.e. internal data (such as CRM, email, social), and external ones (such as weather forecasts, demographic data, traffic information, etc.) to create 360-degree customer profiles aimed at building optimized customer journeys and personalized marketing approaches.

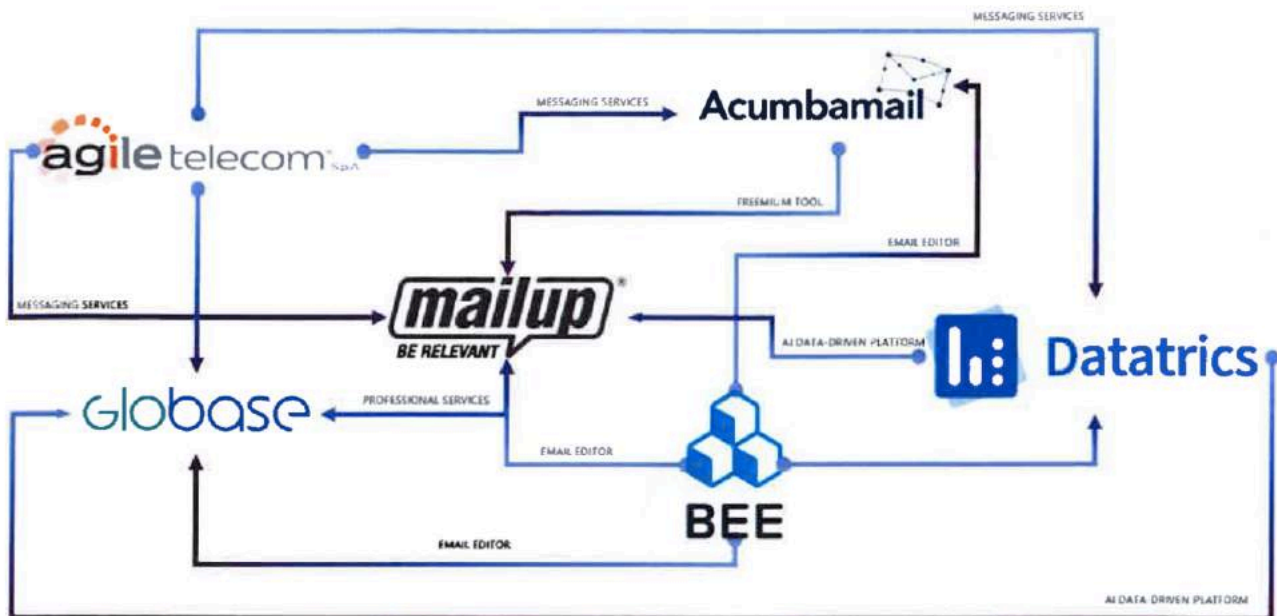
Group services provided by different but synergic legal entities

MailUp Group's current business profile is the result of both organic development and acquisition strategies of the latest few years, and as of now it includes the following legal entities:

- ◆ **MailUp SpA** - Established as an email marketing vendor, it now serves customers with its multi-channel digital cloud computing platform. In addition, it also offers integrations and automation, targeting, tracking tools and is rolling out professional / consultancy services.
- ◆ **Agile Telecom** – Acquired back in 2015, it is a wholesale SMS operator (also called SMS aggregator) with over 50 direct connections with telecom providers all over the world and a specialization on A2P and 2FA traffic that requires high availability rates and low latency.
- ◆ **Acumbamail** - Acquired back in 2015, it is a Spanish based email marketing provider offering also SMS packages and transactional services.
- ◆ **MailUp Inc** –US based legal entity whose task is the development and commercialization of the email editing tool BEE.
- ◆ **Globase** – Acquired back in 2015 in a “fire sale”, it is a Danish based provider of digital marketing automation software for businesses and professional consulting services. It is now evolving towards “white label” email marketing service provider powered by MailUp.
- ◆ **Datatrics** – Acquired back in October 2018. It is a SaaS Customer Data management Platform (CDP) that back in 2017 has launched an innovative “artificial intelligence” based platform to create complete customer profiles aimed to personalized marketing approaches.

Full exploitation of intra-group synergies is a process under going, based on the usual approach of MailUp i.e. maintaining an unbundled offer proposition and allowing each Group company to sell every product included in the Group set of solutions.

MailUp Group: Synergies among the various legal entities



Source: MailUp Group, Value Track Analysis

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