

MailUp Group

Sector: Marketing Technology



Analysts

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Fair Value (€) 4.51**Market Price (€)** 4.50**Market Cap. (€m)** 67.4

Never stop growing

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.

Growth goes on while IFRS16 impacts on Cash position

MailUp Group released 3Q-9M19 key financial figures, highlighting a steady business development, and delivering once again a good set of results.

Total Revenues were up +61% YoY (59% on like for like basis), to €43.6mn while Gross Profit and EBITDA increased at slight lower speed, +38% and +32% YoY respectively if adjusted for TLC supplier one off charge and changes in accounting principles.

The highly price-oriented SMS business recorded the largest growth in absolute terms (+12.7mn or +71% YoY), albeit slightly diluting group's profitability (as % of sales). Email and professional services also grew at double-digit rate, posting a +17% and +68% YoY respectively in 9M19, (+21.4% and +120% YoY in 3Q19).

Excellent results came in from the predictive marketing business line, with Datatrics starting to gain market shares in the domestic field and contributing to Group revenues for €1.5mn in the nine months (€0.7mn in the sole 3Q19).

The only negative news came on the reported Net Cash Position side, at €1.3mn (€6.4mn as of Dec'18) heavily impacted by €4.9mn non-monetary IFRS16 first adoption, €1.0mn of financial investments and capex for headquarter relocation.

Fine tuning our estimates

Following nine months results, we are marginally fine tuning our 2019E-20E estimates. Top line estimates have been revised upward on average by 4% on 2019E-20E, while EBITDA 2020E has been revised down by 5% as the company is reinvesting to further foster medium term growth. A higher than previously forecasted IFRS16 impact on Net Financial Position has also been taken into account.

Fair Value revised at €4.51 p.s.

We expect BEE and Datatrics to be the main value creation levers ahead. BEE is more and more competing globally and has an ambitious plan for the coming months, with the launch of a new platform, while Datatrics is gaining traction and acquiring high spending clients at a very fast pace, not only in the Netherlands and Italy but also in the Nordics.

We slightly revised our fair valuation on MailUp Group shares at €4.51 (from €4.40), resulting from the SoP updated valuation. At fair value, the stock would trade at 1.1x EV/Sales and 12.6x EV/EBITDA Adj. 2019E.

KEY FINANCIALS (€m)	2018A	2019E	2020E
REVENUES FROM SALES	39.0	60.9	73.4
EBITDA	3.8	4.8	7.0
EBIT	1.9	2.5	4.3
NET PROFIT	1.3	1.5	2.7
NET PROFIT ADJ.	1.4	2.0	2.7
EQUITY	15.9	17.5	20.2
NET FINANCIAL POS.	6.4	1.9	5.0
EPS ADJ. (€)	0.10	0.13	0.18

Source: MailUp Group (2018A), Value Track (2019E-20E estimates)

RATIOS & MULTIPLES	2018A	2019E	2020E
EBITDA MARGIN (%) (*)	9.7	7.9	10.4
EBIT MARGIN (%) (*)	4.9	4.2	6.6
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (%)	nm	nm	nm
EV/SALES (x)	0.8	1.1	0.9
EV/EBITDA (x)	7.8	13.5	9.0
EV/EBIT (x)	15.5	25.8	14.6
P/E ADJ. (x)	25.0	33.4	24.6

Source: MailUp Group (2018A), Value Track (2019E-20E estimates)
(*) As % of Revenues from Sales

STOCK DATA

FAIR VALUE (€)	4.51
MARKET PRICE (€)	4.50
SHS. OUT. (m)	15.0
MARKET CAP. (€m)	67.4
FREE FLOAT (%)	33.2
AVG. -20D VOL. (#)	43,196
RIC / BBG	MAIL.MI / MAIL IM
52 WK RANGE	2.26 - 4.88

Source: Stock Market Data



Business Description

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

In great 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, Predictive Marketing CDP and professional services to business clients.

Key Financials

€mn	2017A	2018A	2019E	2020E
Net Revenues from Sales	26.4	39.0	60.9	73.4
Chg. % YoY	25.4%	47.6%	56.0%	20.5%
EBITDA	2.9	3.8	4.8	7.0
EBITDA Margin (% of Net Revenues)	10.9%	9.7%	7.9%	9.5%
EBIT	1.3	1.9	2.5	4.3
EBIT Margin (% of Net Revenues)	4.8%	4.9%	4.2%	5.8%
Net Profit	0.6	1.3	1.5	2.7
Chg. % YoY	nm	nm	22.9%	77.7%
Adjusted Net Profit	0.6	1.4	2.0	2.7
Chg. % YoY	nm	nm	44.2%	36.2%
Net Cash Position	7.3	6.4	1.9	5.0
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-2.0	-1.2	-2.1	-2.2
OpFCF b.t.	2.6	1.8	2.9	4.6
OpFCF b.t. as % of EBITDA	88.7%	48.0%	59.1%	66.5%

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

Investment case

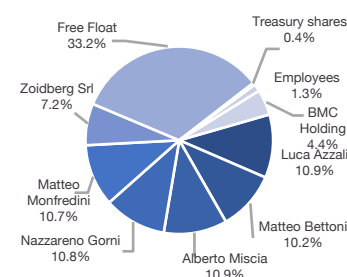
Strengths / Opportunities

- ◆ Full range of marketing technology services (SMS, email, email editor, actionable 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

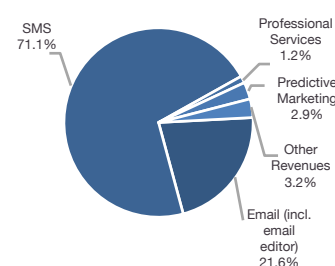
- ◆ Much smaller size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and MailUp group capability to keep up with the pace could be limited due to financial constraints.

Shareholders Structure



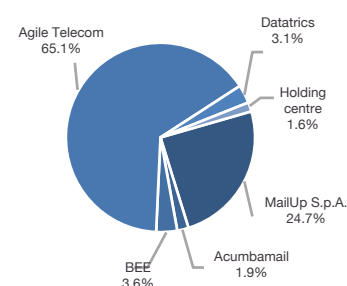
Source: MailUp SpA

Sales breakdown by business line



Source: MailUp SpA

Sales breakdown by legal entity



Source: MailUp SpA

Stock multiples @ €4.51 Fair Value

	2019E	2020E
EV / SALES (x)	1.1	0.9
EV / EBITDA Adj. (x)	12.6	9.0
EV / EBIT (x)	25.9	14.6
EV / CAP.EMP. (x)	4.2	4.1
OpFCF Yield (%)	4.4	7.4
P / E (x)	33.5	24.6
P / BV (x)	3.9	3.3
Div. Yield. (%)	0.0	0.0

Source: Value Track

Updating 2019E-20E estimates

After the release of 3Q-9M19 financial figures, we are fine-tuning our 2019E-20E estimates as follows:

- ◆ **Upward revision of Top line** (+4.2% on average in 2019E-20E) – incorporating higher growth rates for Agile Telecom, as well as for BEE and Datatrics;
- ◆ **Downward revision of 2020E EBITDA**, as the company is planning to reinvest in order to further foster medium term growth;
- ◆ **Downward revision at EBIT level**, due also to higher IFR16 related D&A charges;
- ◆ **Higher impact on NFP from IFRS16 first time adoption**, now expected to be ca. €5.0mn.

MailUp Group: New vs. Old estimates

€mn	2019E			2020E		
	Old	New	Chg. (%)	Old	New	Chg. (%)
Net Revenues	59.4	60.9	+2.4%	69.2	73.4	+6.0%
EBITDA Reported	4.8	4.8	+0.1%	7.3	7.0	-4.9%
<i>EBITDA margin (%)</i>	<i>8.1%</i>	<i>7.9%</i>	-19bps	<i>10.6%</i>	<i>9.5%</i>	-109bps
EBIT	2.6	2.5	-3.8%	4.8	4.3	-10.7%
<i>EBIT margin (%)</i>	<i>4.4%</i>	<i>4.2%</i>	-27bps	<i>6.9%</i>	<i>5.8%</i>	-108bps
Net Profit Reported	1.6	1.5	-3.9%	3.2	2.7	-13.1%
Net Profit Adj.	2.1	2.0	-3.0%	3.2	2.7	-13.1%
OpFCF a.t.	2.1	1.8	-7.1%	3.1	3.0	-5.0%
Net Cash Position post IFRS16	3.9	1.9	n.m.	7.1	5.0	n.m.

Source: Value Track Analysis

MailUp Group: 2019E Revenues breakdown by legal entity and by service

€ mn	MailUp Spa	Agile	BEE	Acumbamail	Datatrics	Group
Email	10.5		3.0	1.2		14.7
SMS	4.0	39.0				43.0
Predictive Marketing	0.5				2.3	2.8
Other	0.5					0.5
Total	15.5	39.0	3.0	1.2	2.3	60.9

Source: Value Track Analysis

MailUp: P&L figures 2018A-20E

€mn (*)	2018A	2019E	2020E
Group Revenues from sales	39.0	60.9	73.4
Cost of sales (net of Other revenues)	-25.7	-43.0	-49.5
Labour costs	-9.5	-13.0	-16.9
EBITDA	3.8	4.8	7.0
EBITDA margin (%)	9.7%	7.9%	9.5%
EBITDA Adj. (*)	3.8	5.1	7.0
Depreciation & Amortization	-1.9	-2.3	-2.7
EBIT	1.9	2.5	4.3
Net Fin. Income (charges)	0.0	-0.1	0.2
Pre-tax Profit	1.9	2.5	4.4
Tax	-0.7	-0.9	-1.7
Reported Net Profit	1.3	1.5	2.7
Adjusted Net Profit	1.4	2.0	2.7

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

(*) Adjusted for TLC supplier one-off charge and IFRS16 first adoption effect

MailUp: Balance Sheet figures 2018A-20E

€mn	2018A	2019E	2020E
Net Working Capital	-10.7	-10.7	-10.4
Net Fixed Assets	22.0	28.2	27.7
Provisions	1.8	1.9	2.1
Total Capital Employed	9.6	15.6	15.2
Group Net Equity	15.9	17.5	20.2
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	6.4	1.9	5.0

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

MailUp: Cash Flow figures 2018A-20E

€mn	2018A	2019E	2020E
EBITDA	3.8	4.8	7.0
Working Capital Change	-1.2	0.0	-0.3
Capex	-1.2	-2.1	-2.2
Change in Provisions	0.4	0.1	0.2
Cash Taxes	-0.7	-0.9	-1.7
OpFCF a.t.	1.1	1.9	3.0
Capital Injections	0.0	0.0	0.0
Other Op. Items (incl. Fin. Inv & IFRS 16)	-2.0	-6.3	0.0
Net Financial Charges	0.0	-0.1	0.2
Net Cash generated	-0.9	-4.5	3.1

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

Valuation Update

We slightly revised our fair value to €4.51 per share (from the previous €4.40), that comes out from the Sum-of-the-Parts valuation, after cross-checking for implied market multiples related to main international and domestic comparable firms. With regard the sum of the parts valuation, we are assuming:

- ◆ An unchanged multiple 1.0x EV/Sales for Agile Telecom, but we remind that an Italian company involved in SMS business recently agreed a business combination in the USA at ca. 1.5x EV/Sales;
- ◆ Unchanged EV/Sales multiples for MailUp business unit (1.5x), BEE (5.0x), Acumbamail (3.0x);
- ◆ Datatrics to be considered at acquisition cost due to its early stage profile.

We underline that at fair value MailUp shares would trade in line with **small-medium sized “digital” companies listed on AIM Italia stock market** while as always, the discount vs. International marketing technology providers would remain massive.

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%	23.3	1.56	27%	1.5x EV/Sales '19
Agile Telecom	100%	40.0	2.68	47%	1.0x EV/Sales '19
MailUp Inc / BEE	100%	14.5	0.97	17%	5.0x EV/Sales '19
Acumbamail	100%	3.5	0.23	4%	3.0x EV/Sales '19
Datatrics	100%	3.8	0.25	4%	Acquisition price
Gross Asset Value		85.0	5.69		
Group Net Cash Position '19PF (*)		1.1	0.08		
€2.2mn Corp. Costs capital. @11.7% WACC		-18.8	-1.26		
Net Asset Value		67.3	4.51		

Source: Value Track Analysis

(*) Pro-Forma to take into account the entire cash out for Datatrics

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

	EV / Sales (x)		EV / EBITDA (x)	
	2019E	2020E	2019E (*)	2020E
MailUp Group @ €4.51 Fair value	1.1	0.9	12.6	9.0

Source: Value Track analysis

(*) Adjusted for TLC supplier one-off charge and IFRS16 first adoption effect

MailUp: Peers' stock trading multiples 2019E

Cluster	EV / Sales (x)		EV / EBITDA (x)	
	2019E	2020E	2019E	2020E
International industry players				
Median	6.5	5.3	12.6	10.4
Average	6.3	5.1	12.6	10.4
AIM Italia digital industry players				
Median	1.3	0.9	8.8	5.7
Average	1.8	1.5	10.9	6.9
Overall values				
Median	2.6	1.9	9.9	6.4

Source: Market Consensus, Value Track Analysis

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