

MailUp Group

Sector: Marketing Technology

M&A deal to stay “ahead of the curve”

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

Datatics: Customer Data Platform with self learning algorithm

MailUp Group has just announced the acquisition of a Dutch start-up called Datatics, a SaaS Customer Data management Platform (CDP) that back 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 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.

Staying “ahead of the curve” the main deal rationale

In a space such as the Mar-tech one where solutions available to marketers grow at hundreds per month pace, staying “ahead of the curve” is a necessity for MailUp, and CDP “vertical” is one of the more promising as it allows companies to make the most out of their marketing efforts by using smart algorithms on internal and external data. On top of that, we see high cross / up-selling opportunities to be exploited by integrating Datatics in the portfolio of services offered by MailUp group to its highest value clients.

Deal structure. Not cheap but high value

Datatics has been valued some €3.8mn, i.e. 2.6x and 1.3x EV/Sales 2018E-19E respectively (before upselling synergies), to be paid €2.24mn cash and €1.56mn by issuing new MailUp shares, based on MailUp average share price over the 90 trading days foregoing the closing, expected to take place by the end of October. The deal also includes an earn-out of maximum €3mn to be paid entirely through newly issued shares based on Datatics achieving undisclosed Revenues targets in the next four years. As an effect, the interests of MailUp and of Datatics founders (that will remain as top managers and have a 36-62 months lock-up period on their MailUp shares) should be perfectly aligned. **Post synergies we expect Datatics to boost MailUp Group’s EBITDA by ca. 22% and 51% in 2020E-21E** with ca. 250bps positive effect on Group’s EBITDA margin (up from 15% to 17% in 2021E). On P/E we expect the deal to be counterdilutive by 2020E while on EV/EBITDA it should become counterdilutive only by 2021E due to current very low stock market price of MailUp shares.



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Fair Value (€)	3.45
Market Price (€)	2.27
Market Cap. (€m)	32.4

KEY FINANCIALS (€m)(*)	2017A	2018E	2019E
REVENUES	26.4	30.2	33.6
EBITDA	2.9	3.7	4.6
EBIT	1.3	1.7	2.6
NET PROFIT	0.6	1.1	1.7
EQUITY	13.9	15.0	16.8
NET FINANCIAL POS.	7.3	8.0	9.6
EPS ADJ. (€)	0.05	0.08	0.12
DPS (€)	0.00	0.00	0.00

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

RATIOS & MULTIPLES(*)	2017A	2018E	2019E
EBITDA MARGIN (%)	10.9	12.1	13.8
EBIT MARGIN (%)	4.8	5.5	7.8
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	6.7	4.9
EV/EBIT (x)	19.7	15.0	8.8
P/E ADJ. (x)	47.7	29.6	18.6

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

STOCK DATA

FAIR VALUE (€)(*)	3.45
MARKET PRICE (€)	2.27
SHS. OUT. (m)	14.2
MARKET CAP. (€m)	32.4
FREE FLOAT (%)	32.4
AVG. -20D VOL. (#)	2,800
RIC / BBG	MAIL.MI / MAIL IM
52 WK RANGE	2.04-2.77

Source: Stock Market Data

(*) 2018E-19E estimates are to be considered under revision as they are not including Datatics deal and 2Q18 revenues bullish trend (see MailUp Group Press Release as of July 9th 2018)



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 details 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	2016A	2017A	2018E	2019E
Net Revenues	21.1	26.4	30.2	33.6
Chg. % YoY	13%	25%	14%	11%
EBITDA	2.4	2.9	3.7	4.6
EBITDA Margin (% of Net Revenues)	11%	11%	12%	14%
EBIT	1.2	1.3	1.7	2.6
EBIT Margin (% of Net Revenues)	6%	5%	6%	8%
Net Profit	0.8	0.6	1.1	1.7
Chg. % YoY	-37%	-21%	78%	60%
Adjusted Net Profit	0.8	0.6	1.1	1.7
Chg. % YoY	nm	-21%	78%	60%
Net Fin. Position	1.0	7.3	8.0	9.6
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-2.2	-2.0	-2.2	-2.4
OpFCF b.t.	1.0	2.5	2.7	3.0
OpFCF b.t. as % of EBITDA	42%	86%	75%	66%

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

(*) 2018E-19E estimates are to be considered under revision as they are not including Datatrics deal and 2Q18 revenues bullish trend (see MailUp Group Press Release as of July 9th 2018)

Investment case

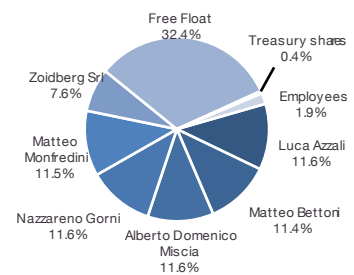
Strengths / Opportunities

- ◆ 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

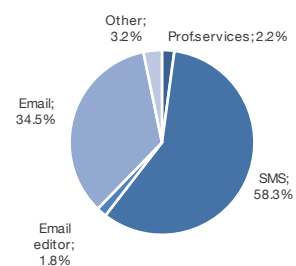
- ◆ Much lower size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and MailUp group capability to keep up the pace could be limited due to money or other constraints.

Shareholders Structure



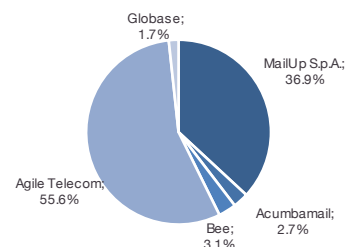
Source: MailUp SpA

Sales breakdown by business line



Source: MailUp SpA

Sales breakdown by business unit



Source: MailUp SpA

Stock multiples @ €3.45 Fair Value

	2018E	2019E
EV / SALES (x)	1.4	1.2
EV / EBITDA (x)	11.3	8.6
EV / EBIT (x)	24.9	15.1
EV / CAP.EMP. (x)	5.9	5.5
OpFCF Yield (%)	6.4	7.5
P / E (x)	45.0	28.2
P / BV (x)	3.3	3.0
Div. Yield. (%)	0.0	0.0

Source: Value Track

Datatics Acquisition: Estimated impact on MailUp Group's key financials (based on Value Track assumptions)

	2017A	2018E	2019E	2020E	2021E
Datatics' financial forecasts on stand alone basis					
Clients (#)	77	120	240	480	720
ARR / Client (€)	nm	12,000	12,000	12,000	12,000
Revenues (€mn)	0.3	1.4	2.9	5.8	8.6
EBITDA (€mn)	-0.1	-0.1	-0.4	0.9	2.2
EBITDA margin (%)	nm	nm	-14%	16%	25%
Net Income (€mn)	-0.1	-0.1	-0.4	0.9	1.6

Datatics' financial forecasts incl. upselling effect on MailUp client base

Additional clients from MailUp (#)	--	0	50	200	300
ARR / Client (€)	--	12,000	12,000	12,000	12,000
Additional Revenues from upselling effect (€mn)	--	0.0	0.6	2.4	3.6
Additional EBITDA from upselling effect (€mn)	--	-0.1	-0.3	0.3	0.9
EBITDA margin on Revenues from upselling effect (%)	--	nm	nm	nm	25%
Additional Net Income from upselling effect (€mn)	--	-0.1	-0.2	0.2	0.7

MailUp Group's forecasts post Datatics deal (including upselling effect) (*)

Revenues (€mn)	--	31.6	37.1	45.2	52.6
EBITDA (€mn)	--	3.4	3.9	6.6	9.2
EBITDA margin (%)	--	11%	11%	15%	17%
Net Income (€mn)	--	0.9	1.2	3.0	4.7

Source: Value Track Analysis (*) 2018E-21E MailUp Group estimates are to be considered under revision as they are not including 2Q18 revenues bullish trend

Datatics Acquisition: Impact on MailUp Group's stock multiples (@ €2.27 shares market price)

	2018E	2019E	2020E	2021E
EV/Sales (x)				
MailUp Group as of now (stand alone, before Datatics deal)	0.8x	0.7x	0.6x	0.4x
MailUp Group post Datatics deal (zero synergies, no earn-out)	0.8x	0.7x	0.5x	0.4x
MailUp Group post Datatics deal (including upselling synergies and earn-out)	1.0x	0.8x	0.6x	0.4x
EV/EBITDA (x)				
MailUp Group as of now (stand alone, before Datatics deal)	6.7x	4.9x	3.8x	2.9x
MailUp Group post Datatics deal (zero synergies, no earn-out)	8.0x	6.4x	3.7x	2.3x
MailUp Group post Datatics deal (including upselling synergies and earn-out)	9.5x	7.9x	4.1x	2.5x
P/E (x)				
MailUp Group as of now (stand alone, before Datatics deal)	29.2x	18.6x	15.3x	13.3x
MailUp Group post Datatics deal (zero synergies, no earn-out)	34.7x	25.3x	11.3x	8.5x
MailUp Group post Datatics deal (including upselling synergies and earn-out)	40.4x	30.8x	12.8x	8.1x
EPS (€)				
MailUp Group as of now (stand alone, before Datatics deal)	0.08	0.12	0.15	0.17
MailUp Group post Datatics deal (zero synergies, no earn-out)	0.07	0.09	0.20	0.27
MailUp Group post Datatics deal (including upselling synergies and earn-out)	0.06	0.07	0.18	0.28

Source: Value Track Analysis

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