

MailUp Group

Sector: Marketing Technology

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Fair Value (€) **3.74****Market Price (€)** **2.34****Market Cap. (€m)** **33.4**

Sailing on waves of growth

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.

Double digit top line growth drives 1H18 interim results

MailUp group 1H18 interim performance has been pushed by a solid double-digit top line growth (ca. +38% YoY) well distributed across business lines.

Profitability slightly increased with BEE reaching break even at EBITDA level for the first time, and Globase still struggling to optimize the turnaround. The group positively generated cash improving its Net Cash position. Following the publication of 1H18 results we confirm our positive view on the company's growth trend.

On track to exploit further opportunities

Datatrics acquisition, announced back in September, is a sign that MailUp group is well on track to exploit market opportunities in an environment where solutions available to marketers show really fast rate of growth and where vertical integration becomes vital to maximize company presence in such a changeable market.

2018E-19E Top line estimates revised upwards

As a consequence of 1) inclusion of Datatrics acquisition in the consolidation perimeter, 2) higher than previously expected Agile Telecom growth, we decided to revise upwards our 2018E-onwards top line estimates. One off M&A costs and Datatrics initial integration costs do not allow a positive revision of margins and net profit in 2018E but also from 2019E onwards.

Fair Value at € 3.74 per share (up from previous €3.45)

We update our fair valuation on MailUp Group at ca. €3.74 p.s. up from the previous €3.45, incorporating a faster organic growth, mainly due to Agile Telecom in the short term and to Datatrics effect in the medium one.

Our fair value as been calculated as an average of a sum of the parts valuation and a DCF approach. At fair value, MailUp shares would trade at 1.1x EV / Sales 2019E and 9.6x EV / EBITDA 2019E.

KEY FINANCIALS (€m)	2017A	2018E	2019E
REVENUES	26.4	35.0	43.6
EBITDA	2.9	3.6	4.8
EBIT	1.3	1.7	2.8
NET PROFIT	0.6	1.1	1.7
EQUITY	13.9	14.9	16.6
NET FINANCIAL POS.	7.3	7.1	7.4
EPS ADJ. (€)	0.05	0.07	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	10.3	11.0
EBIT MARGIN (%)	4.8	4.9	6.4
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (%)	nm	nm	nm
EV/SALES (x)	1.0	0.8	0.6
EV/EBITDA (x)	8.7	7.3	5.4
EV/EBIT (x)	19.7	15.5	9.3
P/E ADJ. (x)	47.7	29.1	19.6

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

STOCK DATA

FAIR VALUE (€)(*)	3.74
MARKET PRICE (€)	2.34
SHS. OUT. (m)	14.2
MARKET CAP. (€m)	33.4
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



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	35.0	43.6	52.4
Chg. % YoY	25.4%	32.4%	24.5%	20.2%
EBITDA	2.9	3.6	4.8	6.5
EBITDA Margin (% of Net Revenues)	10.9%	10.3%	11.0%	12.5%
EBIT	1.3	1.7	2.8	4.3
EBIT Margin (% of Net Revenues)	4.8%	4.9%	6.4%	8.3%
Net Profit	0.6	0.9	1.7	2.6
Chg. % YoY	nm	54.1%	81.0%	53.0%
Adjusted Net Profit	0.6	1.1	1.7	2.6
Chg. % YoY	nm	86.7%	49.3%	53.0%
Net Fin. Position	7.3	7.1	7.4	10.4
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	3.6	4.7
OpFCF b.t. as % of EBITDA	88.7%	75.1%	74.4%	72.0%

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

Investment case

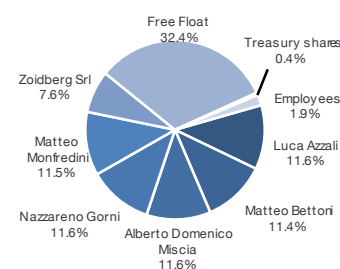
Strengths / Opportunities

- ◆ 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

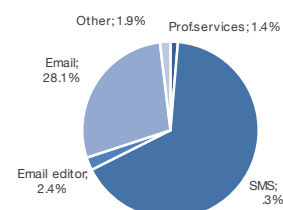
- ◆ Much lower size if compared to Anglo-Saxons competitors;
- ◆ MarTech moves fast and MailUp group capability to keep up the pace could be limited due to money or other constraints.

Shareholders Structure



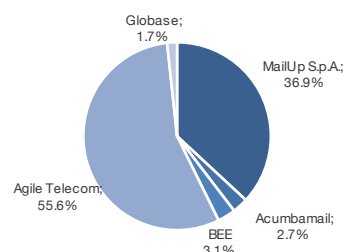
Source: MailUp SpA

Sales breakdown by business line



Source: MailUp SpA

Sales breakdown by legal entity



Source: MailUp SpA

Stock multiples @ €3.74 Fair Value

	2018E	2019E
EV / SALES (x)	1.3	1.1
EV / EBITDA (x)	12.9	9.6
EV / EBIT (x)	27.2	16.4
EV / CAP.EMP. (x)	5.9	5.0
OpFCF Yield (%)	5.8	7.8
P / E (x)	56.4	31.3
P / BV (x)	3.6	3.2
Div. Yield. (%)	0.0	0.0

Source: Value Track

What's new in 2018 from an industrial standpoint

As usual, these first months of 2018 have been a very busy and interesting period for MailUp both in terms of internal development and of growth by external lines.

In our view the most relevant points to highlight are:

- ◆ New functionalities have been added to MailUp Group's portfolio of services thanks to internal R&D effort;
- ◆ Acquisition of the residual 30% stake of Spanish subsidiary Acumbamail;
- ◆ Granting of a contribution from the Italian Government;
- ◆ Acquisition of the Dutch startup Datatrics.

New functionalities have been added to MailUp Group's portfolio of services thanks to internal R&D effort

In our view the most noteworthy "internal" enhancements have been achieved at the level of MailUp business units, BEE and Globase. In details:

- ◆ **MailUp Business unit.** 1) In 1H18 MailUp focused on managing external contents as well as developing new messaging channels. 2) The tracking record system that collects MailUp clients' email addresses has been redesigned improving both efficiency and scalability. 3) The "Big Data Analytics Innovative System" project has been finalized. 4) A new algorithm has been introduced to expand the error management platform. 5) During the latest six months MailUp improved its integration for services with BEE, raising synergies.
- ◆ **BEE.** It strongly expanded both the component unit to integrate other software applications (BEE plugin) and the e-mail suite (BEE Pro) business line.
- ◆ **Globase.** The turnaround effort goes on. A new managerial structure has been approved, and it has been decided to finalize a process of integration between MailUp and Globase business units by launching the new platform named "Globase V3".

Acquisition of the residual 30% stake of the Spanish subsidiary Acumbamail

Back as of August 2nd MailUp announced the acquisition of the remaining 30% stake in Acumbamail. Indeed, at that time the founders of Acumbamail / shareholders holding a 30% stake, exercised their Put Option towards MailUp, as per the purchase and shareholders agreements executed on the occasion of the acquisition of a 70% stake in Acumbamail, announced on August 3rd, 2015.

The necessary trigger for the exercise was the achievement of certain performance targets for the three-year period 2015-2018, which were positively verified.

MailUp cashed out €593k for the acquisition of residual 30% of Acumbamail share capital. We remind that the carrying value of the initial 70% stake of Acumbamail share capital as per FY 2017 financial statements was €499k.

Acumbamail founders remain involved in the subsidiary's top management as executive Board Members, with a two-year retention period from the closing.

Granting of a contribution from the Italian Government

Back as of July 16th MailUp received confirmation of a €5.1mn grant for a R&D project denominated "NIMP – New Innovative Multilateral Platform", to be carried out in the coming three-year period, in co-operation, among others, with the Politecnico di Milano University as scientific partner.

The grant includes (i) two five-year + three-year pre-amortizing facilities; a soft loan of €3.5mn from Cassa Depositi e Prestiti and a market standard loan of €0.4mn from Banca Popolare dell'Emilia Romagna, plus (ii) a non-refundable loan of €1.3mn.

Acquisition of the Dutch startup Datatrics

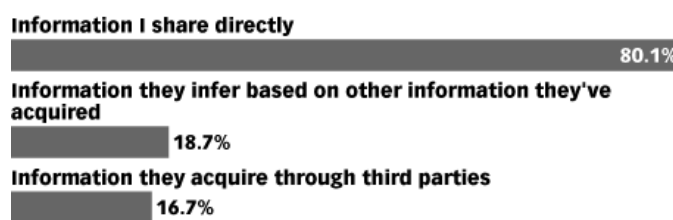
Back as of September 19th, MailUp announced the acquisition of the Dutch startup Datatrics.

Summing up, the main rationales of the deal in our view are:

1. Remaining “ahead the curve” in terms of product / service offer to clients thanks to the artificial-intelligence-based Customer Data Platform and increasing the average revenue per customer;
2. Adding a synergic “tool” to those already available to MailUp Group’s clients;
3. Being more and more compliant with GDPR which became enforceable as of May requiring users’ data to be utilized only with their explicit permission.

Please refer to Appendix for more details of the deal.

Sources of Personal Information that Digital Buyers in North America are Comfortable having Brands Use for Personalized Messages, March 2018 as % of respondents.



Note: ages 18+ who completed a digital purchase within the past 12 months

Source: Vision Critical

What about MarTech sector

Also at MarTech sector level there have been interesting news, namely:

- ◆ The Market keeps growing at double digit rates;
- ◆ MarTech M&A remains “hot”.

MarTech market still growing at double digit rates

The MarTech industry remains healthy, with all hints pointing at double digit growth rates. Just as an example, SharpSpring (one of the leader in the marketing automation field) recently released a forecast of its “niche” accelerating its growth rates up to +30% YoY and achieving a ca. \$4.3bn level in 2018E.

B2B marketing Automation Systems Market in US\$ millions



Source: SharpSpring, Inc.

MarTech M&A remains “hot”

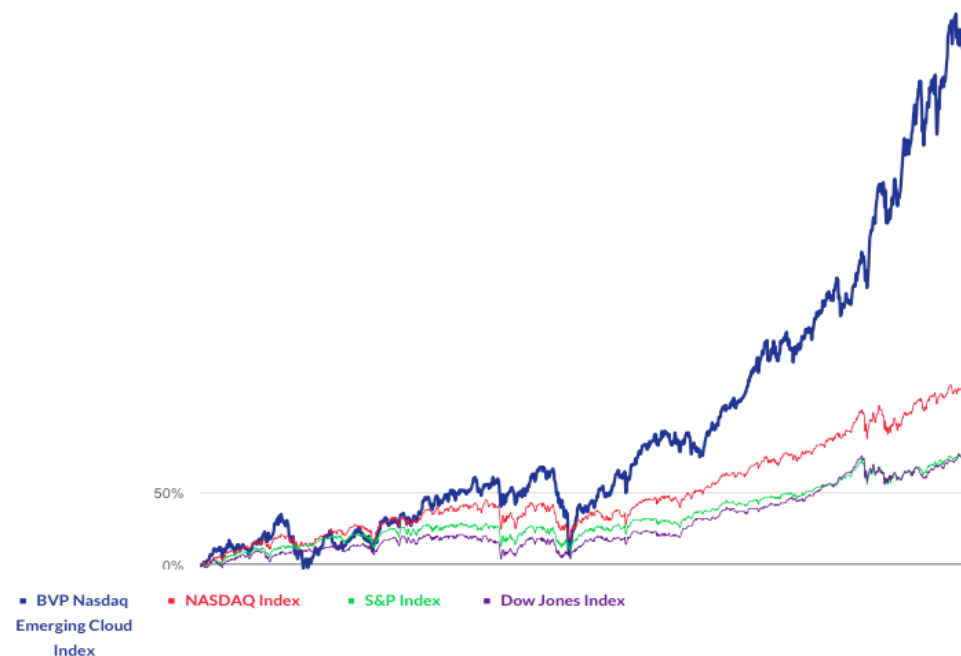
MarTech sector keeps being characterized by a an incredible number of new start-ups on one side and by a high numbers of M&A deals on the other one, with larger players progressively integrating in their “suites” new functionalities developed outside.

A few examples of the hype for M&A are represented by the acquisition of Motion AI by Hubspot, of Mulesoft by Salesforce and, more recently, of Marketo by Adobe.

As far as this latest deal is concerned, we note that Marketo was acquired by Vista Equity Partners in 2016 for ca. \$1.8bn and was more recently sold to Adobe for ca. \$4.75bn, a further proof that valuations in the Cloud space remain extremely “rich”, at least in UK-US countries. The evolution of BVP Cloud Index is a striking evidence about it.

BVP Cloud Index

46 Publicly Traded Nasdaq Emerging Cloud Companies
Indexed as of Aug. 2013 | @ 10/01/2018



Source: Bessemer Venture Partners

MailUp's 1H 18 financial performance

As far as MailUp Group's IAS / IFRS based 1H18 figures are concerned, they highlight an extremely positive performance. Indeed, Top line grew at ca. 38% YoY while Net Profit has more than tripled. Moreover, the company showed an increasingly positive free cash flow generation and a balanced patrimonial structure.

MailUp Group: 1H18 Key Financial Items

(€mn)	1H17	1H18	Change YoY
Total Sales	12.62	17.69	+40.2%
Other Revenues	0.44	0.77	
Total Value of Production	13.08	18.03	+37.8%
EBITDA	1.20	1.87	+55.7%
<i>EBITDA margin</i>	9.2%	10.3%	
EBIT	0.49	1.01	+107%
<i>EBIT margin</i>	3.7%	5.6%	
Net Profit	0.16	0.51	+225%
Net Financial Position	1.96	8.94	+356%
OpFCF a.t.	0.90	1.63	81.1%

Source: MailUp Group, Value Track analysis

Key messages of 1H18 figures

In our view, the key messages of 1H18 figures are as follows:

1. **Organic Top line growth is accelerating** (+37.8% YoY);
2. **EBITDA margin is increasing**, even if at level of single entities there's an apparent erosion in MailUp SpA and Agile Telecom marginality due to higher corporate costs. BEE, on the contrary, achieved break-even thus positively contributing to Group's performance;
3. **Brilliant Operating Cash Flow generation.**

Profit and Loss

MailUp's Profit and loss in 1H18 has been characterized by the following points:

- ◆ Top Line stood at €18mn, i.e. ca +37.8% YoY, thanks to a generalized high double digit growth across almost all business units. The only exception has been the negative growth rate recorded by Globase, i.e. ca -31.7% YoY, which is struggling to reach the "turnaround";
- ◆ Group's EBITDA stood at ca. €1.9mn, + 56% YoY as result of positive operating leverage and of the reorganisation process completed during FY2017;
- ◆ Net profits more than tripled, i.e. ca. 225% YoY, at ca. €513K vs €158K as of 1H17.

BEE explosion and SMS segment drives top line growth.

Analysing Group Revenues by business legal entity, the highest growth rate was shown by BEE, the Silicon Valley start-up company, which grew more than 130% YoY. Furthermore, Agile Telecom, provider of mobile messaging services, performed extremely well with a top line growth rate that stood at ca. 64% YoY.

MailUp Group: 1H18 Revenues breakdown by legal entity

€ mn	1H17	1H18	Change YoY (%)
MailUp Spa	5.5	6.2	+13.8%
Agile Telecom	6.2	10.2	+64.1%
Acumbamail	0.3	0.5	+48.8%
BEE	0.2	0.4	+131.5%
Globase	0.5	0.4	-31.7%
Holding centre	0.4	0.3	-2.8%
Total	13.1	18.0	+37.8%

Source: MailUp Group, Value Track Analysis

Focusing on Revenues breakdown by business segments, the biggest increases were recorded in the Email Editor and in the SMS channel with growth rates which respectively stood at ca. 132% and 59% YoY.

MailUp Group: 1H18 Revenues breakdown by business segment

€ mn	1H17	1H18	Change YoY (%)
Email	4.7	5.1	+7.7%
SMS	7.5	11.9	+59.1%
Email editor	0.2	0.4	+132%
Professional Services	0.2	0.2	+11.6%
Other Revenues	0.5	0.4	-25.9%
Total	13.1	18.0	+37.8%

Source: MailUp Group, Value Track Analysis

EBITDA analysis

Group consolidated EBITDA was around €1.9mn in the first half of the year, increasing +56% YoY, EBITDA margin moved up from 9.2% in 1H17 to 10.3% in 1H18.

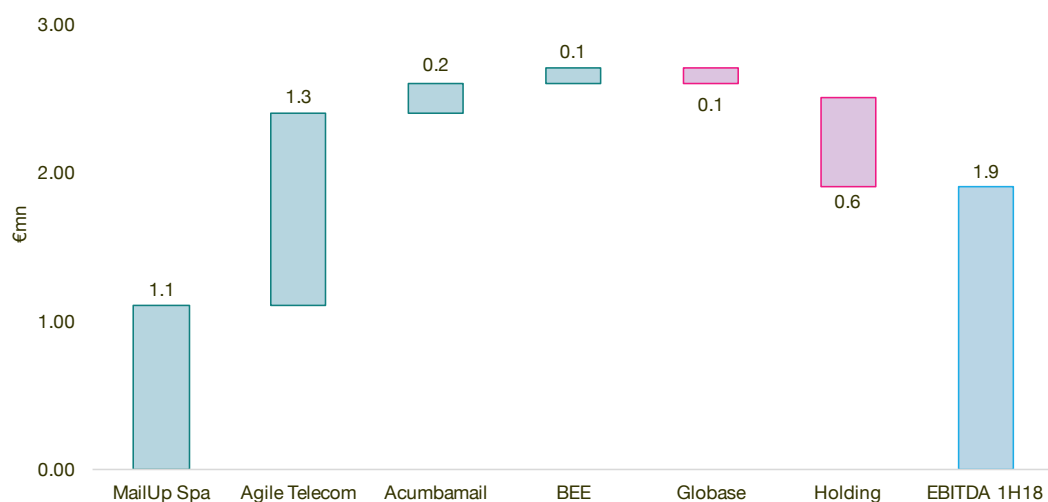
We highlight some opposite trends that contributed to Group profitability partially offsetting each other:

- ◆ In 1H18 BEE started contributing positively to Group's EBITDA after reaching "break even" as well as core "historic" businesses (MailUp Spa, Agile Telecom, Acumbamail);
- ◆ Other units such as Globase and the Holding centre are negatively contributing, either because of the undergoing turnaround (Globase) or because of the managerial strengthening in order to support future Group's growth (Holding centre).

MailUp Group: 1H18 EBITDA and EBITDA margin breakdown

	EBITDA (€mn)		EBITDA Margin (%)	
	1H17	1H18	1H17	1H18
MailUp Spa	1.4	1.1	26%	18%
Agile Telecom	0.8	1.3	14%	13%
Acumbamail	0.1	0.2	36%	40%
BEE	-0.2	0.1	<0%	25%
Globase	-0.3	-0.1	<0%	<0%
Holding	-0.7	-0.6	<0%	<0%
Group EBITDA	1.2	1.9	9.2%	10.3%

Source: MailUp Group, Value Track Analysis

MailUp Group: 1H18 EBITDA contribution by legal entity


Source: MailUp Group, Value Track analysis

From EBIT to Net Profit

Pre Tax profit was up ca. 127% YoY at ca. €1.2mn as of 1H18 and Net profit nearly tripled.

MailUp Group: 1H18 from EBIT to Net Profit

(€mn)	1H17	1H18	Change YoY
EBIT	0.49	1.01	+107%
EBIT margin	3.7%	5.6%	
Net Fin. Income (charges)	-0.04	0.01	
Pre-tax Profit	0.45	1.02	+127%
Tax	0.29	0.51	
Net Profit	0.16	0.51	+225%

Source: MailUp Group, Value Track analysis

Balance Sheet and Cash Flow

At the end of June 2018 MailUp's Balance Sheet and Cash Flow Statement show evidences of a fast growing company capable to invest and to generate sound amounts of cash flows.

As far as this latter point is concerned, we note that OpFCF a.t stood at ca. €1.63mn in 1H18, nearly doubled YoY mainly thanks to: 1) EBITDA increase, 2) working capital evolution, and 3) the absence of cash tax payments in 1H18.

MailUp Group: 1H18 Cash Flow Statement

€ mn	1H17	1H18
EBITDA	1.20	1.87
Op. WC requirements	0.64	0.56
Capex	-0.86	-0.99
Change in provisions / Other	0.21	0.19
OpFCF b.t.	1.18	1.63
As a % of EBITDA	98.7%	87.4%
Cash Taxes	-0.29	0.00
OpFCF a.t.	0.90	1.63
As a % of EBITDA	74.9%	87.4%
Other (incl. Fin. Inv.)	0.16	0.04
CF available to serve debt / equity investors	1.05	1.67
Net Financial Charges	-0.04	0.01
Dividend paid	0.00	0.00
Change in Net Fin Position	1.01	1.69

Source: MailUp Group, Value Track Analysis

As far as the Balance Sheet is concerned we underline how reported Net Cash position stand at ca. €8.9mn as of end of June 2018, compared to €7.25mn as of the end of 2017FY and to €1.96mn as of end of June 2017.

We remind that on top of the above mentioned cash flow generation, the material improvement in Net Cash position in 2H17 was affected also by the capital Increase through ABB dated back July 2017.

MailUp Group: 1H18 Balance Sheet

€ mn	1H17	2H17	1H18
Net Fixed assets	14.73	15.05	15.15
Net Working Capital	-7.86	-7.11	-8.18
Severance pay and funds	1.36	1.24	1.36
Total Capital Employed	5.51	6.70	5.61
Group Net Equity	7.47	13.95	14.55
Net Fin. Position [Net debt (-) / Cash (+)]	1.96	7.25	8.94

Source: MailUp Group, Value Track Analysis

2018E-onwards financial forecasts

Industrial rationale behind 2018E-19E financial evolution

Customer Data Platform (acquisition of Datatrics) and Instant Messaging apps (internal development) are the latest additions to MailUp Group's product portfolio. We expect them not to be the last ones, as the Group is continuously pursuing its strategy to enlarge the product portfolio, through the launch of new sophisticated tools/solutions, in order to boost ARPU and avoid competition by commoditization effect.

New vs. old estimates

We have updated our 2018E-onwards estimates in order to take into account the following points:

- ◆ Inclusion of Datatrics in the perimeter of consolidation;
- ◆ Rebalancing of the revenues mix as Agile Telecom is growing more than previously expected. This is only marginally offset, on the negative side, by Globase;
- ◆ One-off M&A costs related to Datatrics deal;
- ◆ Agile Telecom contribution, as an effect of the commercially aggressive price policy applied in the current fiscal year, is expected to slightly impact group's margins in 2018E;
- ◆ Net Cash Position has been revised downwards as we have included in our estimates the cash out for Datatrics.

MailUp Group: New vs. Old Cash Flow estimates

	2018E			2019E		
€mn	Old	New	Change	Old	New	Change
Net Revenues	30.2	35.0	+15.9%	33.6	43.6	+29.8%
EBITDA	3.7	3.6	-2.7%	4.6	4.8	+4.3%
EBITDA margin	12.1%	10.3%		13.8%	11.0%	
EBIT	1.7	1.7	+0.0%	2.6	2.8	+7.7%
EBIT margin	5.5%	4.9%		7.8%	6.4%	
Adj. Net Profit	1.1	1.1	+0.0%	1.7	1.7	+0.0%
Group Net Equity	15.0	14.9	-0.1	16.8	16.6	-0.2
Net Financial Position	8.0	7.1	-0.9	9.6	7.4	-2.2
OpFCF a.t.	2.1	1.9	-0.2	2.1	2.4	+0.3

Source: Value Track Analysis

MailUp: P&L forecasts 2018E-20E

€mn	2017A	2018E	2019E	2020E
Group Revenues from sales	26.4	35.0	43.6	52.4
Cost of sales (net of Other revenues)	-16.2	-22.5	-28.9	-34.2
Labour costs	-7.4	-8.9	-9.9	-11.6
EBITDA	2.9	3.6	4.8	6.5
EBITDA margin (%)	10.9%	10.3%	11.0%	12.5%
Depreciation & Amortization	-1.6	-1.9	-2.0	-2.2
EBIT	1.3	1.7	2.8	4.3
EBIT margin (%)	4.8%	4.9%	6.4%	8.3%
Net Fin.Income (charges)	-0.1	0.1	0.1	0.0
Pre-tax Profit	1.2	1.8	2.8	4.3
Tax	-0.6	-0.8	-1.1	-1.7
Minorities	0.0	0.0	0.0	0.0
Reported Net Profit	0.6	0.9	1.7	2.6
Adjusted Net Profit	0.6	1.1	1.7	2.6

Source: MailUp, Value Track Analysis

MailUp: Balance Sheet forecasts 2018E-20E

€mn	2017A	2018E	2019E	2020E
Net Working Capital	-7.1	-8.3	-9.4	-9.7
Net Fixed Assets	15.0	17.5	20.0	20.2
Provisions	1.2	1.3	1.4	1.7
Total Capital Employed	6.7	7.8	9.1	8.8
Shareholders' Equity	13.8	14.8	16.5	19.1
Minorities' Equity	0.1	0.1	0.1	0.1
Group Net Equity	13.9	14.9	16.6	19.2
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	7.3	7.1	7.4	10.4

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

MailUp: Cash Flow Statement forecasts 2018E-20E

€mn	2017A	2018E	2019E	2020E
EBITDA	2.9	3.6	4.8	6.5
Working Capital Change	1.3	1.2	1.1	0.3
Capex	-2.0	-2.2	-2.4	-2.4
Change in Provisions	0.4	0.1	0.1	0.2
OpFCF b.t.	2.6	2.7	3.6	4.7
Cash Taxes	-0.5	-0.8	-1.1	-1.7
OpFCF a.t.	2.1	1.9	2.4	3.0
Capital Injections	5.9	0.0	0.0	0.0
Other Op. Items (incl. Fin. Inv.)	-1.6	-2.2	-2.1	0.0
Net Financial Charges	-0.1	0.1	0.1	0.0
Net Cash generated	6.3	-0.2	0.4	3.0

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

Investment case

After the publication of 1H18 results, and considering the announced acquisition of the Dutch start-up Datatrics and the upward revision of our 2018E-19E forecasts, we set a **fair value of €3.74 per share**, up from the previous €3.45. Such a fair value is obtained as the average of €3.55 Sum-of-the-Parts model and of €3.93 DCF based valuation after a careful analysis of both national and international peers.

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

	EV / Sales 2018E (x)	EV / EBITDA 2018E (x)
MailUp Group @ €2.34 Market Price	0.75x	7.3x
MailUp Group @ €3.74 Fair value	1.32x	12.9x

Source: Value Track analysis

A look at Peer multiples

MailUp may be compared with international players active in both marketing technology services as well as marketing and sales solution provisioning. We identified companies as **Hubspot**, **DotDigital**, **Sharpspring**, **Twilio**, **Sendgrid** as marketing technology providers and **Salesforce** and **Link Mobility** as giants active in the marketing and sales solution provisioning.

International sector multiples are, on average, extremely demanding. Those are justified by the high percentage of recurring revenues of SaaS based business models and by the leadership position and scalability potential of “deep-pocket” US-UK players.

Marketing Technology Sector: Stock trading multiples

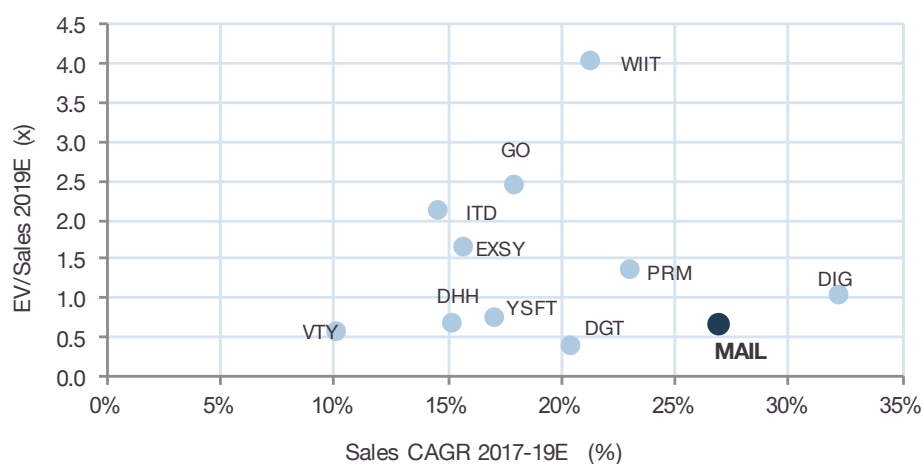
COMPANY	Listing	Adj. EV / Sales (x)		Adj. EV / EBITDA (x)	
		2018E	2019E	2018E	2019E
HUBSPOT	US	10.4	8.3	nm	nm
DOTDIGITAL	UK	6.1	4.6	20.9	16.0
SALESFORCE	US	8.4	6.8	nm	28.7
SHARPSRING	US	7.0	5.6	nm	nm
LINK MOBILITY	NO	1.8	1.2	14.5	9.5
TWILIO	US	12.0	9.4	nm	nm
SENDGRID	US	10.5	8.3	nm	nm
Average		8.0	6.3	17.7	18.1
Median		8.4	6.8	17.7	16.9
Average (Apr '18)		5.4	4.4	17.7	13.4
Median (Apr '18)		5.9	4.9	17.7	13.5
Average (Oct '17)		4.0	n.a.	16.5	n.a.
Median (Oct '17)		4.7	n.a.	16.2	n.a.

Source: Market Consensus, Value Track analysis

We believe that Italian stocks such as MailUp can hardly aspire to trade at US-UK multiples, due to their lower scale factor. A useful cross check can come from the comparison with **small-medium sized “digital” companies listed on AIM Italia stock market**.

With a Sales CAGR close to 27% MailUp seems to be priced slightly at discount than a more fair value that we recognize at ca. 1.50x EV/SALES.

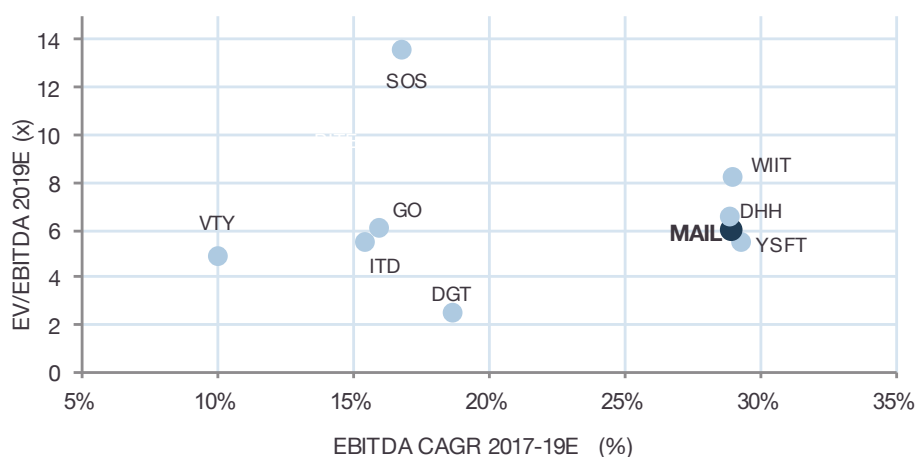
EV/Sales to growth: Focus on AIM Italia digital players



Source: Market Consensus, Value Track Analysis

On the contrary we see that EBITDA CAGR 2017A-19E shows MailUp as fairly priced on EV/EBITDA multiple. Nevertheless we should specify that EBITDA 2019E is embedding ca. €200K one-off costs relative to the Dutch Datatrics acquisition and that net of this costs we would expect a slightly higher fair EV/EBITDA multiple.

EV/EBITDA to growth: Focus on AIM Italia digital players



Source: Market Consensus, Value Track Analysis

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	8.4	6.8	17.7	16.9
Average	8.0	6.3	17.7	18.1
AIM Italia digital industry players				
Median	1.9	1.6	9.7	6.1
Average	1.3	1.2	6.4	5.2
Overall values				
Average	4.6	3.7	12.0	11.6

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. Such a calculation returns a **fair value of ca. €3.55 per share**.

While Agile Telecom and Globase merit, in our view, lower valuation multiples due to, respectively, lower margin business and complex turnaround stance, at the same time MailUp business unit deserves a slightly higher multiple as a consequence of its intrinsic profitability potential.

Last but not least, Acumbamail and BEE have to be entitled, of much higher valuation multiples due to their superior growth rates and scalability potential.

The newly acquired Datatrics has been considered at acquisition cost due to its early stage presence in the group.

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%	19.2	1.35	32%	1.5x EV / Sales '18E
Agile Telecom	100%	21.5	1.51	36%	1.0x EV / Sales '18E
MailUp Inc / BEE	100%	8.4	0.59	14%	7.0x EV / Sales '18E
Acumbamail	100%	5.5	0.39	9%	5.0x EV / Sales '18E
Globase	100%	0.9	0.06	2%	1.0x EV / Sales '18E
Datatrics	100%	3.8	0.27	6%	Acquisition Price
Gross Asset Value		59.3	4.15	100%	
Group Net Cash Position '18PF (*)		4.0	0.28		
€1.4mn Corp. Costs capital. @10.7% WACC		-12.6	-0.88		
Net Asset Value		50.7	3.55		

Source: Consensus estimates, Value Track Analysis

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

DCF valuation

The inclusion of Datatrics in MailUp's perimeter of consolidation increases materially its long term value as the Dutch startup seems to have a brilliant future ahead. However, there is an execution risk to be taken into account which deserves an increase of Beta and thus of overall WACC. At the same time, we have to consider the higher Italian Equity Risk Premium.

Overall, we hereby update MailUp's DCF valuation assuming a **WACC at 11.9%** that comes as a result of an higher Damodaran Italian ERP of ca. 7.9% and an higher Unlevered Beta at ca. 1.1.

This leads to a Cost of Equity at 14.5% and a 5.5% pre-tax cost of debt. We remind that our Cost of Equity calculation embeds a 2% additional small size risk premium aimed at compensating investors for AIM Italia lower liquidity.

We considered a Pro Forma Net Cash position 2018YE to properly account Datatrics cash out, taking place in the next few years.

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%.

Overall, we derive a **€3.93 per share fair DCF based equity value**.

MailUp Group: Discounted Cash Flow Model Summary Table

€mn	
PV of future cash flows FY19E-FY27E	25.0
PV of Terminal value with PGR at 2%	26.7
Fair Enterprise value	51.8
Implied EV/EBITDA '19E (x)	10.8x
Net Cash Position 2018YE Pro forma considering Datatrics Acquisition	4.0
Fair Equity value (€mn)	55.8
Fair Equity Value per share (€)	3.93

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.

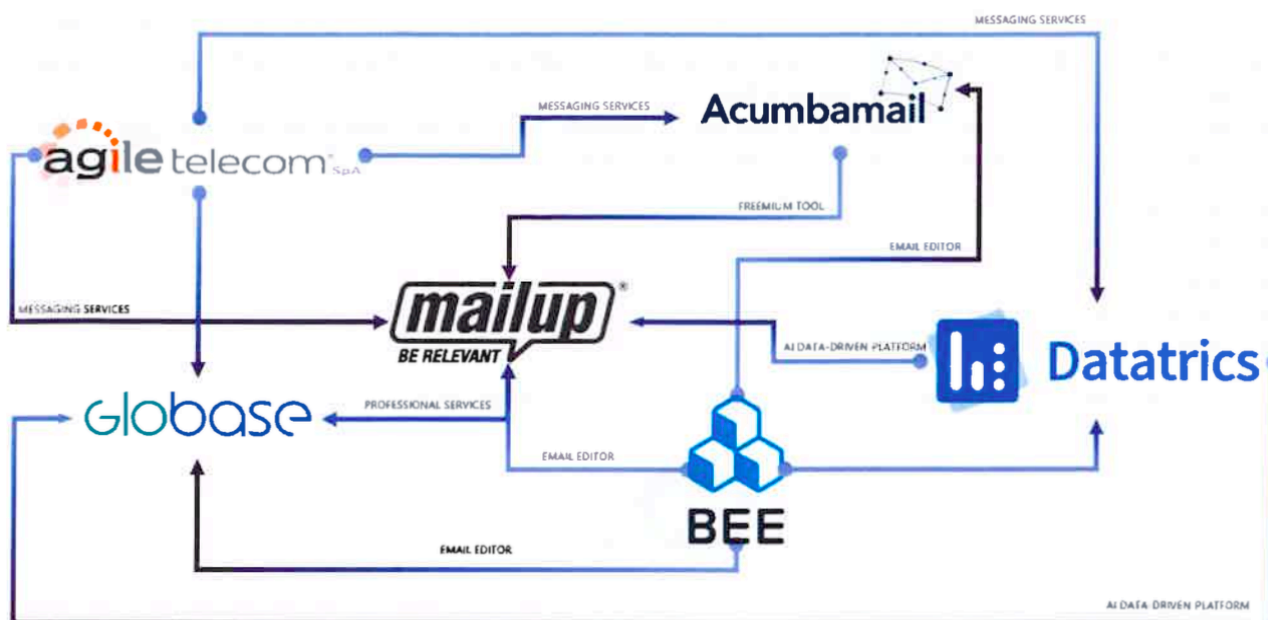
Group services provided by different but synergic legal entities

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** – Binding agreement signed back in September 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

Appendix 2: Recap on Datatrics acquisition

Back as of September 19th MailUp Group has announced the acquisition of a Dutch start-up called **Datatrics**, a deal worth €3.8mn.

Datatrics is 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;
- ◆ **External ones** such as weather forecasts, demographic data, traffic information, etc.;

creating 360-degree customer profiles aimed at building an optimized customer journey and a personalized marketing approach that delivers the most relevant content to final customers thus boosting conversion rates and ROI.

As of June 2018 Datatrics 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**.

Datatrics 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 Datatrics achieving undisclosed Revenues targets in the next four years.

As an effect, the interests of MailUp and of Datatrics 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 Datatrics to boost MailUp Group's EBITDA and EBITDA margin starting as of 2020E-21E.

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

	2017A	2018E	2019E	2020E	2021E
Datatrics' 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

Datatrics' 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

Source: Value Track Analysis

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